中銀香港(控股)有限公司
BOC HONG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Codes: 2388 (HKD counter) and 82388 (RMB counter)

2025 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of BOC Hong Kong (Holdings) Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2025. This announcement, containing the full text of the 2025 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results. Printed version of the Company's 2025 Annual Report will be delivered to the Company's shareholders who have chosen to receive printed version and will also be available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.bochk.com in mid to late April 2026.

Financial Highlights

	2025	2024
For the year	**HK$'m**	HK$'m
Net operating income before impairment allowances	**77,019**	71,253
Operating profit	**50,532**	48,677
Profit before taxation	**48,574**	46,754
Profit for the year	**41,189**	39,118
Profit attributable to equity holders of the Company	**40,121**	38,233
Per share	**HK$**	HK$
Basic earnings per share	**3.7947**	3.6162
Dividend per share	**2.125**	1.989
At year-end	**HK$'m**	HK$'m
Total assets	**4,489,809**	4,194,408
Issued and fully paid up share capital	**52,864**	52,864
Capital and reserves attributable to equity holders of the Company	**358,528**	338,716
Financial ratios	**%**	%
Return on average total assets[1]	**0.95**	0.95
Return on average shareholders' equity[2]	**11.51**	11.61
Cost to income ratio	**23.62**	24.55
Loan to deposit ratio[3]	**58.35**	61.55
Average value of liquidity coverage ratio[4]		
First quarter	**231.50**	223.79
Second quarter	**185.34**	250.58
Third quarter	**191.26**	231.81
Fourth quarter	**184.39**	201.06
Quarter-end value of net stable funding ratio[4]		
First quarter	**140.67**	140.36
Second quarter	**139.34**	140.96
Third quarter	**143.07**	140.29
Fourth quarter	**142.30**	141.83
Total capital ratio[5]	**25.98**	22.00

1. Return on average total assets $= \frac{\text{Profit for the year}}{\text{Daily average balance of total assets}}$

2. Return on average shareholders' equity

$$= \frac{\text{Profit attributable to equity holders of the Company}}{\text{Average of the beginning and ending balance of capital and reserves attributable to equity holders of the Company}}$$

3. Loan to deposit ratio is calculated as at year end. Loan represents gross advances to customers. Deposits from customers include structured deposits reported as "Financial liabilities at fair value through profit or loss".
4. Liquidity coverage ratio and net stable funding ratio are computed on the consolidated basis which comprises the positions of BOCHK and certain subsidiaries specified by the HKMA in accordance with the Banking (Liquidity) Rules.
5. Total capital ratio is computed on the consolidated basis for regulatory purposes that comprises the positions of BOCHK and certain subsidiaries specified by the HKMA in accordance with the Banking (Capital) Rules.

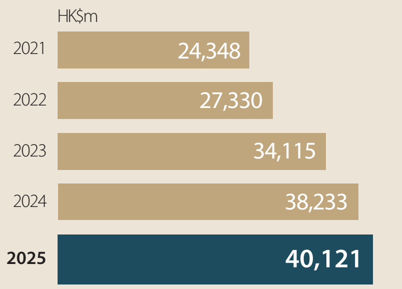
Five-Year Financial Summary

The financial information of the Group for the last five years commencing from 1 January 2021 is summarised below:

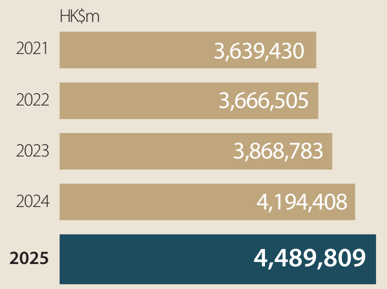
	2025	2024	2023	2022	2021
For the year	**HK$'m**	HK$'m	HK$'m	HK$'m	HK$'m
Net operating income before impairment allowances	**77,019**	71,253	65,498	54,215	48,982
Operating profit	**50,532**	48,677	42,558	34,917	30,430
Profit before taxation	**48,574**	46,754	40,914	33,162	29,968
Profit for the year	**41,189**	39,118	34,857	27,230	24,999
Profit attributable to equity holders of the Company and other equity instrument holders	**40,121**	38,233	34,115	27,330	24,348
Per share	**HK$**	HK$	HK$	HK$	HK$
Basic earnings per share	**3.7947**	3.6162	3.0950	2.4535	2.1726
At year-end	**HK$'m**	HK$'m	HK$'m	HK$'m	HK$'m
Advances and other accounts	**1,705,172**	1,666,302	1,693,144	1,644,113	1,597,194
Total assets	**4,489,809**	4,194,408	3,868,783	3,666,505	3,639,430
Daily average balance of total assets	**4,337,682**	4,105,705	3,863,272	3,636,500	3,589,259
Deposits from customers[1]	**2,940,463**	2,724,221	2,503,841	2,377,207	2,331,155
Total liabilities	**4,126,334**	3,852,178	3,545,354	3,340,670	3,311,969
Issued and fully paid up share capital	**52,864**	52,864	52,864	52,864	52,864
Capital and reserves attributable to equity holders of the Company	**358,528**	338,716	320,145	299,788	297,999
Financial ratios	**%**	%	%	%	%
Return on average total assets	**0.95**	0.95	0.90	0.75	0.70
Cost to income ratio	**23.62**	24.55	25.35	31.26	33.50
Loan to deposit ratio	**58.35**	61.55	67.99	69.34	68.60

1. Deposits from customers include structured deposits reported as "Financial liabilities at fair value through profit or loss".

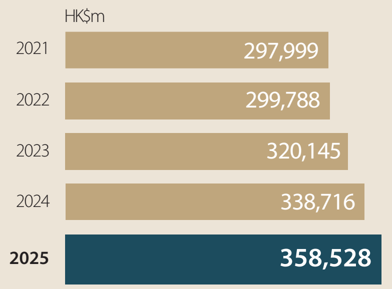
Profit attributable to equity holders of the Company and other equity instrument holders



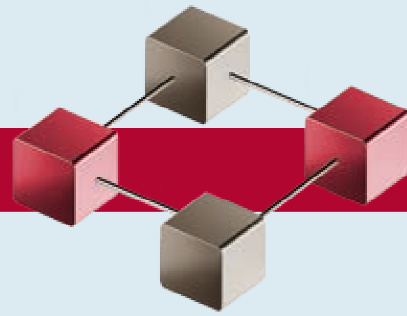
Total assets



Capital and reserves attributable to equity holders of the Company



Innovating Digital and Intelligent Service Experiences



Message from the Chairman

The year 2025 marked the conclusion of the country's 14th Five-Year Plan and Hong Kong's continuous transition from stability to prosperity. Fulfilling its role as a core strategic stronghold for the global development of BOC, the Group seized market opportunities, prudently addressed risks and challenges, and proactively formulated future development plans. We fully supported Hong Kong to leverage its unique advantages as a hub to connect the domestic and international markets, and to further integrate into and serve the national development agenda. As a result, we achieved solid operating results while advancing our innovation-led, high-quality development.

The Group delivered another strong set of results in both income and earnings, and steadily enhanced its integrated competitive advantages. Profit for the year reached HK$41.189 billion, representing a year-on-year increase of 5.3%. Total assets expanded by 7.0% from the end of the previous year to HK$4.49 trillion. Customer deposits and loans increased by 7.9% and 2.3% respectively from the end of the previous year, reaching HK$2.94 trillion and HK$1.72 trillion. Capital ratios and liquidity indicators remained robust, while our asset quality was maintained at a level above the market average. To further enhance shareholder returns and allow investors to share in the Group's strong business performance, the Board began to distribute quarterly dividends in 2025 and proposed a final dividend of HK$1.255 per share for 2025. Including the three interim dividends, the total dividend per share increased by 6.8% year-on-year to HK$2.125 per share, with a full-year dividend payout ratio of 56.0%, representing increase of 1 percentage point.

We deepened core local market development and helped Hong Kong to enhance its status as an international financial hub. Our core competitiveness continued to strengthen, as we maintained our leading positions in the new residential mortgage loan market for the 7th consecutive year and as the top mandated arranger in the Hong Kong and Macao syndicated loan markets for the 21st consecutive year, while expanding the reach of our global cash management services to more than 60 countries and regions. Contributing to the development of Hong Kong's international asset and wealth management sector, we ranked first in IPO receiving bank business, assisting the Hong Kong stock market in restoring its leading global position in IPO fundraising. In addition, we recorded rapid growth in our bond underwriting, asset custody, asset management and family office businesses, while also completing the acquisition of BOC International Private Banking. We were appointed by the Shanghai Gold Exchange to operate an International Board-certified vault in Hong Kong, supporting the city's ambition to develop into an international gold trading centre, and continued to lead the market in Bond Connect, Stock Connect, Cross-boundary Wealth Management Connect, Swap Connect and Payment Connect businesses.

We continued to enhance service quality and supported the stable and prosperous growth of Hong Kong's economy. We organised the "BOCHK Science and Technology Innovation Prize" and "BOCHK Challenge" in consecutive years, providing a platform for technology innovators. Backing new developments in green finance, we achieved rapid growth in green and sustainability-related loans and increased the number of ESG funds available on our product shelf. We helped introduce Greater Bay Area (GBA) thematic sustainability bond products, and assisted a supranational institution in issuing Hong Kong dollar-denominated social responsibility bonds for the first time. We gave full backing to the HKSAR Government's SME Financing Guarantee Scheme and built an SME service ecosystem via "BOC Connect", achieving year-on-year growth of approximately 20% in the number of new SME accounts. We also advanced the construction of our retirement ecosystem and maintained a leading market share in reverse mortgage business. BOC Life and BOCI-Prudential Trustee continued to hold leading positions in their respective markets in terms of standard new premium and MPF assets under management. Deepening our digital and smart development, we successfully completed project verification under the HKMA's GenA.I. sandbox initiative and actively participated in the mBridge project, while advancing the development of e-CNY payment services and cross-border interconnectivity.

We further promoted regional collaboration and served the country's high-level opening up. Leveraging our competitive edge in GBA business and our radiating influence across Southeast Asia, we adhered to a strategic approach that combined integrated operations and differentiated management, while refining our matrix-based management model as the Group's Southeast Asian regional headquarters. We served Belt and Road cooperation, key regional projects and large corporate businesses and provided one-stop cross-border financial service solutions for companies expanding overseas, to fully support the work of the HKSAR Government's GoGlobal Task Force, helping Hong Kong better connect the Mainland market with its overseas counterparts through its role as a "super connector" and "super value-adder". Southeast Asia-related customer deposits and loans increased by 20% and 10% respectively from the end of the previous year. We facilitated the integrated development of the GBA and supported the construction of the Northern Metropolis. We were among the first cohort of banks to implement Payment Connect between the Chinese Mainland and Hong Kong, expanded the service area coverage of "GBA Account Opening Service", enriched the product offerings of "GBA Loan", and developed interconnectivity initiatives in areas such as cross-border payments and retirement finance. As a result, our cross-border personal banking business continued to grow rapidly. We also promoted the development of Hong Kong as an offshore RMB business hub with steady growth in our RMB-related businesses. BOCHK continued to lead the industry in offshore RMB clearing, while BOC Malaysia, the Manila Branch and the Phnom Penh Branch held strong local market positions in RMB clearing services. We actively participated in the HKMA's RMB business facility arrangements and also assisted Southeast Asian countries and Mainland local governments in issuing offshore RMB bonds. In addition, we hosted the "RMB Internationalisation Forum 2025" to further promote the international use of RMB.

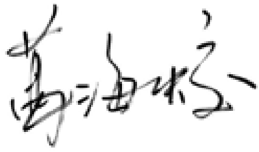
We proactively fulfilled our social responsibilities to create a mutually beneficial and harmonious society. We assisted the exhibitions commemorating the 80th anniversary of victory in the War of Resistance and showcasing the nation's remarkable achievements, to remember the hardships endured during the war while also recognising the country's significant development in the new era. We promoted youth development by sponsoring teams to represent Hong Kong in national and international technology and innovation competitions, as well as launching a series of patriotic education programmes for teenagers to help them set appropriate life goals. We actively encouraged the spirit of "Coalescing together for the National Games" and supported mega events such as the Hong Kong-Zhuhai-Macao Bridge (HK Section) Half Marathon and the Hong Kong Tennis Open, while participating in key events such as the Community Chest Walk for Millions and Tree Planting Day, among others. We continued to organise "BOCHK Volunteer Week" and launched more than 170 volunteer events during the year, supporting over 50 charitable projects and contributing to the development of an inclusive, harmonious and sustainable society. We also fully supported community reconstruction efforts following the Tai Po fire incident, with BOCHK Charitable Foundation donating HK$20 million and a dedicated account opened for the HKSAR Government to facilitate the "Support Fund for Wang Fuk Court in Taipo", while implementing a range of emergency assistance measures to provide practical assistance and foster shared hope within the community.

We firmly adhered to the bottom line of risk compliance, effectively balancing development and security. We reinforced our risk-oriented culture and talent development, maintaining bottom-line thinking and preparing for extreme scenarios in order to prevent various traditional and non-traditional risks. We enhanced credit and concentration risk management and refined credit allocation strategies for key industries to further improve our business structure. We carefully monitored international developments and exercised prudent judgement, paying close attention to country risk as well as market, interest rate and liquidity risks arising from financial market fluctuations, thereby enhancing our capabilities in risk prediction, response and management. We earnestly implemented closed-loop management of operational and technological risks to ensure the safe and stable operation of the Bank.

The hard-earned results achieved last year would not have been possible without the concerted efforts of the management team and our entire staff, as well as the trust and support we continue to receive from stakeholders across all sectors of society. On behalf of the Board, I would like to express my heartfelt gratitude.

The year 2026 marks the first year of the implementation of the country's 15th Five-Year Plan. The fundamentals underpinning China's long-term economic and social development remain robust. Hong Kong will sustain strong economic development momentum by consolidating its traditional advantages, cultivating new growth drivers and unleashing its immense creativity, and continue to enhance its position as international financial, shipping and trade centres. Looking ahead, a number of national strategies related to Hong Kong will provide unprecedented opportunities for its high-quality economic and social development. As a key gateway for the nation's high-level opening up, Hong Kong will accelerate the development of the Northern Metropolis, foster stronger synergy between the financial and technology sectors, and proactively support enterprises in expanding overseas. By continuously leveraging its advantages to meet the country's needs, through solid implementation and clear strategic positioning for high-quality, innovation-driven growth, Hong Kong will be well placed to realise its immense potential and achieve remarkable success at this critical stage of the national journey towards Chinese modernisation. As such, we are fully confident in Hong Kong's long-term stability and prosperity.

Embarking on a new chapter with renewed vigour, the Group will firmly pursue high-quality sustainable development by leveraging its unique advantages, including strong support from the country, its long-standing presence in Hong Kong and its role as a global connector. We are committed to becoming a leader in the Hong Kong market, a pacesetter in the GBA market and an active participant in the Southeast Asian market as well as Belt and Road cooperation projects, to ensure a strong start to the new Five-Year Plan period. Adhering to a diligent, responsible and pragmatic business approach, we will support Hong Kong in enhancing its competitiveness and deepening its integration into the national development agenda, thus contributing further impetus to the long-term successful implementation of "One Country, Two Systems".



GE Haijiao
Chairman

Message from the Chief Executive

In 2025, the external operating environment remained complex and volatile. Changes in tariff policies affected the global economy, with financial markets witnessing rising prices for both risk assets and safe-haven assets. The Chinese Mainland economy demonstrated strong resilience, while Hong Kong's economic recovery gained momentum. However, declining interest rates and subdued credit demand posed challenges for banking operations in Hong Kong. Throughout the year, following the strategic decisions and directives of Bank of China Group and our Board of Directors, and guided by the principle of "sustaining stable earnings, strengthening risk management and reinforcing foundational capabilities", we actively played our role as a key strategic hub in Bank of China Group's globalisation strategy. As a result, our business performance achieved steady growth, risk indicators remained sound, and our market competitiveness continued to strengthen. We once again received multiple honours and awards during the year, including being named "Bank of the Year in Hong Kong" by *The Banker* for the third consecutive year, "The Strongest Bank in Hong Kong" by *The Asian Banker* for the sixth consecutive year, and "Best Bank – Hong Kong SAR (Domestic Category)" by *FinanceAsia* for the second year in a row.

We continuously enhanced our operating efficiency. As at the end of 2025, the Group's total assets amounted to HK$4,489,809 million, representing an increase of 7.0% from the previous year-end. Deposits from customers increased by 7.9% to HK$2,940,463 million, and advances to customers grew by 2.3% to HK$1,715,787 million. Net operating income before impairment allowances and profit for the year of 2025 reached HK$77,019 million and HK$41,189 million respectively, up 8.1% and 5.3% year-on-year. The Group's financial and risk indicators remained robust, with return on average shareholders' equity and return on average total assets standing at 11.51% and 0.95% respectively. Net fee and commission income continued its upward trajectory. The cost-to-income ratio was 23.62% while the impaired loan ratio was 1.14%, both outperforming the market average. Capital ratio and liquidity indicators stayed solid, exceeding regulatory requirements.

We further consolidated and expanded our business strengths in the Hong Kong market while fully supporting the city in reinforcing and enhancing its position as an international financial centre. We continued to strengthen our core businesses, maintaining our leading market positions in the Hong Kong and Macao syndicated loan market as a mandated arranger, IPO receiving bank services, global cash management, offshore RMB bond underwriting and residential mortgage lending. We further advanced bank-government cooperation by proactively engaging with the HKSAR Government's Task Force on Supporting Mainland Enterprises in Going Global, establishing a service framework for outbound clients and providing comprehensive support for their needs. We actively seized opportunities arising from the rapid growth of the asset and wealth management businesses, resulting in steady growth in the number of high-end customers and payroll account holders, as well as in the assets under management and operating income of BOCHK Asset Management Limited. **We fully supported Hong Kong in strengthening its status as an offshore RMB business hub.** We actively promoted financial market connectivity and maintained our leading positions in mutual market access programmes, including Stock Connect, Bond Connect, Cross-boundary Wealth Management Connect and Payment Connect. As one of the first commercial banks to be deeply involved in the HKMA's offshore RMB bond repurchase business and RMB Business Facility, we remained committed to serving the real economy by providing RMB funding support to a number of local and overseas enterprises. In addition, we strengthened cooperation with Mainland institutions by becoming the first overseas clearing member of the Shanghai Clearing House. We were also appointed by the Shanghai Gold Exchange to operate its first International Board-certified vault in Hong Kong, supporting Hong Kong's development as an international gold trading centre.

We fully leveraged our leading role as Bank of China Group's Southeast Asia regional headquarters and steadily advanced our Southeast Asia regional integration strategy. We refined the top-level design of the regional headquarters and completed the *Regional Development Action Plan for Southeast Asia*. We further enhanced integrated marketing efforts and strengthened our capabilities to extend our product and service offerings, achieving steady growth in the number of both corporate clients and individual payroll customers served by our Southeast Asian entities. **Capitalising on Bank of China Group's network advantages, we optimised financial services in the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA").** By strengthening our cross-border retail service capabilities, the number of cross-border personal customers increased significantly, driving steady growth in cross-border business revenue. With respect to our GBA business, we enhanced cross-boundary service capacity for institutional clients in the GBA, and extended the coverage of our GBA Account Opening Service to all Mainland cities within the GBA. Once again, we assisted the People's Government of Guangdong Province, the People's Government of Hainan Province and the Shenzhen Municipal People's Government in issuing offshore RMB local government bonds in Hong Kong, and supported the HKSAR Government in the issuance of infrastructure bonds, including those earmarked for the Northern Metropolis development.

We harnessed technology to reshape our financial business model and supported the robust development of fintech in Hong Kong. With a focus on enhancing AI-enabled capabilities, we established an Artificial Intelligence Committee, continuously strengthened the planning and implementation of AI applications, and actively participated in the HKMA's GenA.I. Sandbox initiative. Focusing on digital currencies, we supported the innovative development of e-CNY 2.0, continuously building the e-CNY ecosystem and collaborating with various institutions to promote e-CNY wallet services. We also participated in Ensemble^{TX}, launched by the HKMA to collaboratively build a tokenisation ecosystem. By prioritising convenience and security in financial services, we achieved year-on-year growth in transaction volumes via BoC Pay+ in the Chinese Mainland and successfully launched the Global Account Service. We strengthened the development and maintenance of technology infrastructure to ensure secure operations. In addition, we fostered a culture of technological innovation by supporting the "BOCHK Science and Technology Innovation Prize" for the fourth consecutive year and organising the "BOCHK Challenge" for the ninth consecutive year.

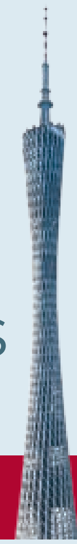
We actively fulfilled our corporate social responsibilities and remained committed to high-quality and sustainable development. Guided by the principles of inclusive finance, we organised anti-fraud and financial literacy programmes for the elderly, grassroots communities and other groups. We continued to support the HKSAR Government's SME Financing Guarantee Scheme, while further streamlining service processes and improving account-opening efficiency for SMEs. We put the principles of pension finance into practice by supporting the issuance of HKSAR Government's Silver Bond, with both the subscription amount and the number of applicants through BOCHK reaching record highs. We were appointed as one of the servicing banks under the HKSAR Government's cross-border disbursement arrangement for portable cash assistance, and collaborated with an external healthcare institution to develop comprehensive cross-boundary "Finance + Wellness" retirement solutions. We remained committed to green finance, with green and sustainability-related loans increasing by 33.5% compared with the prior year-end. We were the only Chinese commercial bank involved in assisting the Asian Infrastructure Investment Bank in its inaugural public issuance of Hong Kong dollar-denominated sustainable development bonds. The Group's sustainable development performance ranked highly among local peers and received broad market recognition. We achieved the highest "AAA" rating in the MSCI ESG Ratings and were retained in the "Asia-Pacific Climate Leaders" list of the *Financial Times* for the fourth consecutive year. In line with our commitment to public welfare and charity, we established a designated donation account for the HKSAR Government in response to the Tai Po fire and made all-out efforts to provide emergency support. In addition, we actively supported major sports and cultural events, including serving as the title sponsor of the Bank of China Hong Kong Tennis Open, as well as sponsoring the "United in Arms, Standing for Peace: 80th Anniversary of Chinese Victory in the War of Resistance Exhibition", the "National Development and Achievements Series" exhibitions, and the Hong Kong Palace Museum's "Ancient Egypt Unveiled: Treasures from Egyptian Museums" exhibition. These initiatives were well-recognised by the market, and for the second consecutive year, we were named "Hong Kong's Best Bank for Corporate Responsibility" by *Euromoney*. Upholding our commitment to serving the community, we continued to support over 500 employees in participating in the third cohort of the HKSAR Government's Strive and Rise Programme. We also mobilised more than 430 volunteers to support the 15th National Games, the 12th National Games for Persons with Disabilities and the 9th National Special Olympic Games, for which we received the "Active Participation Award" from the HKSAR Government. In collaboration with Po Leung Kuk, Tung Wah Group Hospitals, Food Angel and other social service organisations, we successfully organised our fourth "Volunteer Week". With total volunteer service hours exceeding 30,000 during the year, we were honoured with the "Top Ten Highest Volunteer Hours Award" at the Hong Kong Volunteer Award for the fourth consecutive year, significantly enhancing the social reach and impact of BOCHK's volunteer initiatives.

We strengthened corporate culture and talent development while reinforcing comprehensive risk management. We consistently integrated corporate culture into daily operations and staff management, and promoted financial culture with Chinese characteristics through a series of initiatives tailored to local context. We remained committed to building a strong financial talent workforce by enhancing our talent development mechanisms, fostering employee growth, and continuously expanding our pool of financial professionals. We also remained steadfast in safeguarding financial security by strengthening counter-cyclical credit risk management, enhancing controls over both conventional and unconventional risks, and prudently managing compliance risks, thereby upholding the bottom line of preventing systemic financial risks.

Looking ahead to 2026, geopolitical tensions and volatility in global trade and financial markets will present operational challenges to the banking sector. However, the grand blueprint for Chinese modernisation set out in the country's 15th Five-Year Plan is gradually unfolding, providing clear direction and institutional safeguards for future high-quality development, and injecting strong confidence and sustained growth momentum into Hong Kong's financial industry.

Going forward, with the strong support of all sectors of the community and the concerted efforts of our colleagues, BOCHK will build on its momentum to explore new frontiers and embark on a new chapter of development. We will actively support Hong Kong in consolidating and enhancing its position as an international financial centre, support the city's deeper integration and contribution to the overall national development, and continue to create greater value for our stakeholders.

SUN Yu
Vice Chairman & Chief Executive

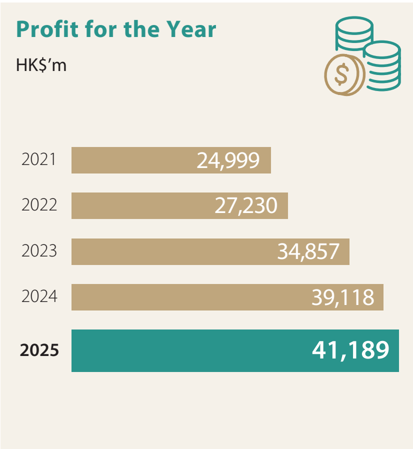


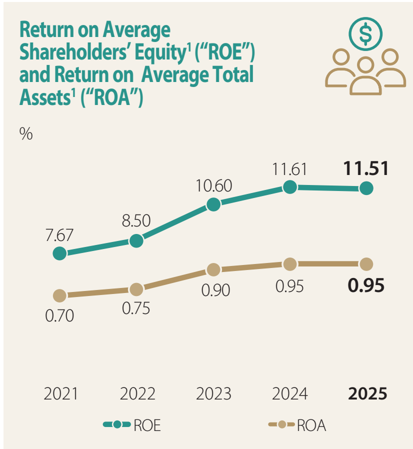
Connecting You to Regional Growth Opportunities

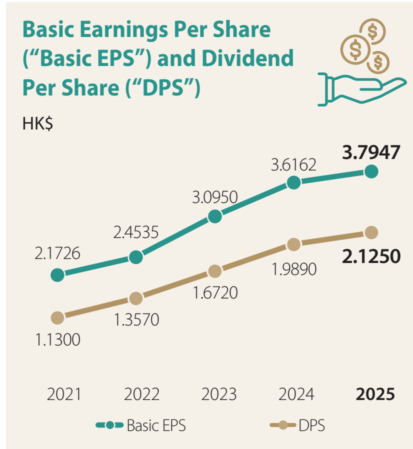
Management Discussion and Analysis

Financial Performance and Conditions at a Glance

The following table is a summary of the Group's key financial results for 2025 in comparison with the previous four years. The average value of the Group's liquidity coverage ratio and net stable funding ratio for 2025 are reported on a quarterly basis.

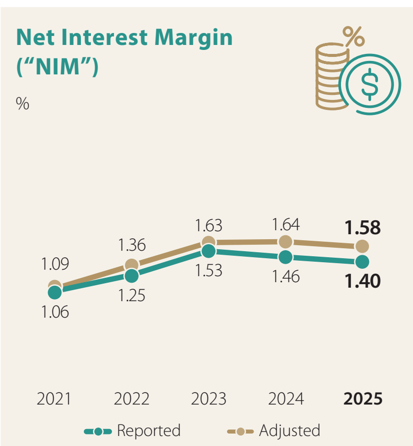


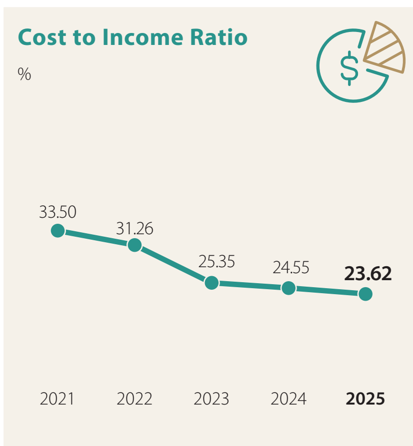


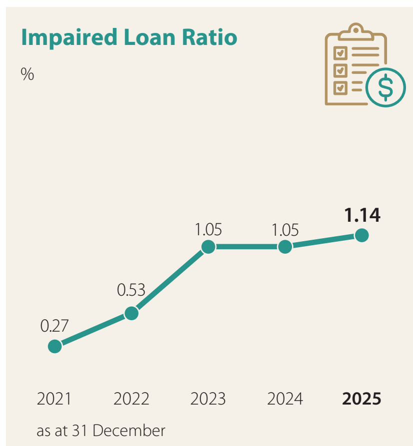


Profit for the year recorded steady growth

- Profit for the year increased by 5.3% year-on-year to HK$41,189 million.
- ROE and ROA were 11.51% and 0.95% respectively.
- Basic EPS was HK$3.7947. DPS was HK$2.1250.







Proactively managed assets and liabilities to alleviate the impact of falling market interest rates on NIM

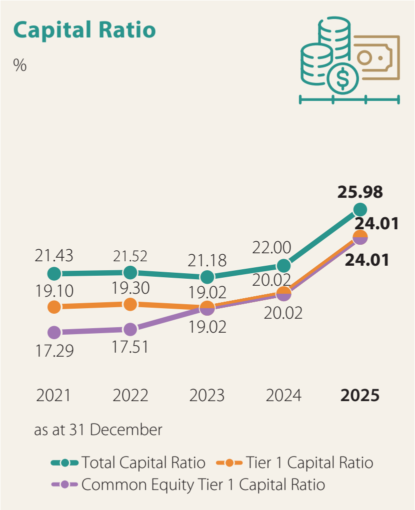
- NIM was 1.40%. If the funding income or cost of foreign exchange swap contracts[2] were included, NIM would have been 1.58%, down 6 basis points year-on-year. This was mainly attributable to a decline in asset yield as a result of lower market interest rates. The Group strengthened deposit pricing and tenor management while actively growing its CASA deposits to optimise the deposit mix. These efforts partially mitigated the impact of falling market interest rates.

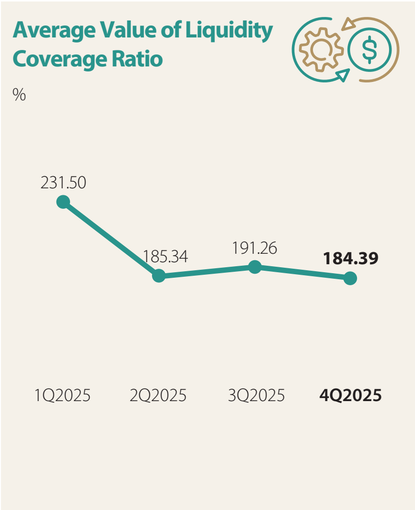
Maintained satisfactory operating efficiency by optimising resource allocation

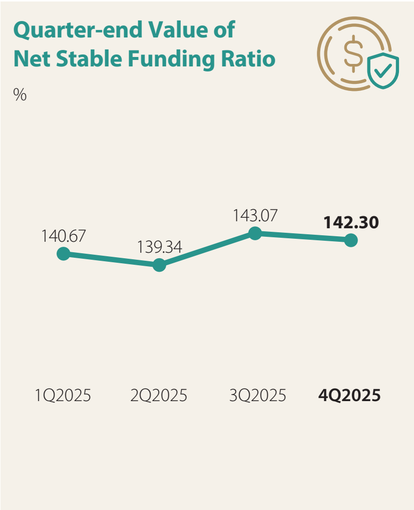
- The Group's cost to income ratio improved by 0.93 percentage points year-on-year to 23.62%, remaining at a satisfactory level compared to local industry peers.

Maintained solid asset quality through comprehensive risk management

- The impaired loan ratio was 1.14%, remaining below the market average.







Maintained solid capital ratios

- The Group's total capital ratio was 25.98%, while its Tier 1 capital ratio and Common Equity Tier 1 capital ratio both stood at 24.01%. The Basel III final reform package came into effect on 1 January 2025. Following its implementation, total risk-weighted assets decreased.

Liquidity remained ample

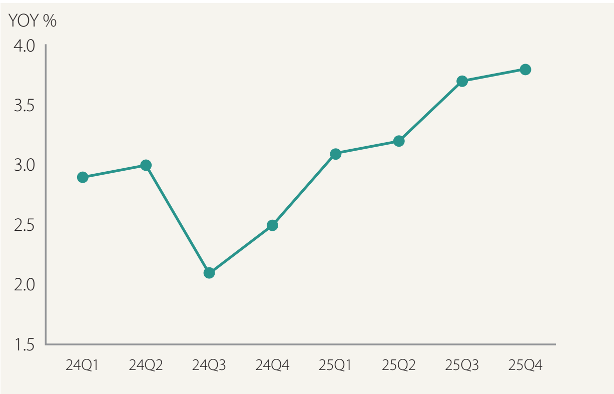
- The average value of the Group's liquidity coverage ratio and the quarter-end value of its net stable funding ratio in each quarter of 2025 met regulatory requirements.

1. Return on average shareholders' equity and return on average total assets as defined in "Financial Highlights".
2. Foreign exchange swap contracts are normally used for the Group's liquidity management and funding activities. In foreign exchange swap contracts, the Group exchanges one currency (original currency) for another (swapped currency) at the spot exchange rate (spot transaction) and commits to reverse the spot transaction by exchanging the same currency pair at a future maturity date at a predetermined rate (forward transaction). In this way, surplus funds in the original currency are swapped into another currency for liquidity and funding purposes with minimal foreign exchange risk. The exchange difference (funding income or cost) between the spot and forward contracts is recognised as a foreign exchange gain or loss (as included in "net trading gain"), while the corresponding interest differential between the surplus funds in the original currency and swapped currency is reflected in net interest income.

Operating Environment

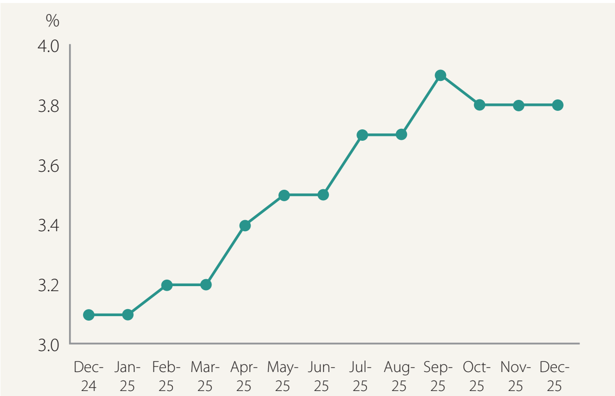
In 2025, the global economy faced heightened uncertainties. The US economy recorded satisfactory growth, although the labour market encountered headwinds and inflation moderated. Meanwhile, the US Federal Reserve continued its rate-cutting cycle. The Chinese Mainland economy remained stable, with GDP growing by 5% year-on-year. Exports demonstrated strong resilience. Favourable policy measures led to sustained growth in production and consumption. Employment and inflation remained steady.

Hong Kong GDP Growth Rate



Source: HKSAR Census and Statistics Department

Hong Kong Unemployment Rate (seasonally adjusted)

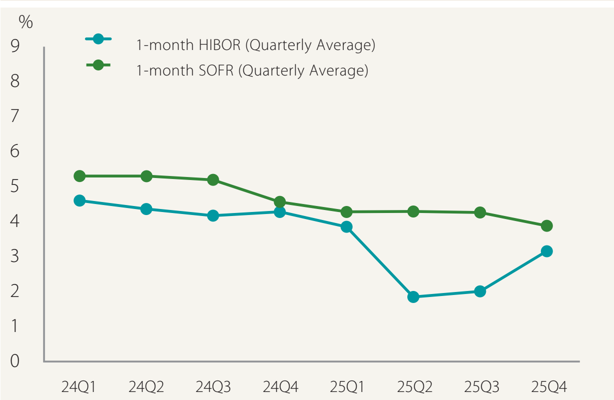


Source: HKSAR Census and Statistics Department

Hong Kong's economy maintained a moderate growth. In 2025, Hong Kong's real GDP grew by 3.5% year-on-year. Exports recorded double-digit growth, private consumption growth turned positive and overall investment expenditure accelerated. The unemployment rate edged up slightly, while the underlying consumer price inflation rose mildly.

Hong Kong's financial market remained active. In 2025, the exchange rate of the Hong Kong dollar against the US dollar triggered both the strong-side and weak-side Convertibility Undertaking on multiple occasions. The Hong Kong Monetary Authority (HKMA) intervened to maintain the exchange rate within the target range of 7.75 to 7.85. As at the end of 2025, the closing aggregate balance of the banking sector increased to HK$57.027 billion. Total deposits and loans of the Hong Kong banking sector also increased.

HIBOR and SOFR



Source: Bloomberg

The Hong Kong stock market recorded significant growth. As at the end of 2025, the Hang Seng index rose by 27.8% compared with the end of 2024, supported by an increase in stock valuation and improvement in market liquidity. Total funds raised through Initial Public Offerings (IPOs) and average daily turnover increased by 224.9% and 89.5% respectively, year-on-year.

Hong Kong's residential property market gradually stabilised. Market sentiment improved in 2025, supported by the lowering of stamp duty announced by the HKSAR Government and the resumption of US rate cuts which resulted in the lowering of mortgage rates in Hong Kong. Transaction volumes remained at a relatively high level in 2025, and overall residential property prices rebounded compared to 2024.

Consolidated Financial Review

Financial Highlights

HK$'m, except percentages	2025	2024	Change (%)
Net operating income before impairment allowances	**77,019**	71,253	8.1
Operating expenses	**(18,193)**	(17,494)	4.0
Operating profit before impairment allowances	**58,826**	53,759	9.4
Operating profit after impairment allowances	**50,532**	48,677	3.8
Profit before taxation	**48,574**	46,754	3.9
Profit for the year	**41,189**	39,118	5.3
Profit attributable to equity holders of the Company	**40,121**	38,233	4.9

In 2025, the Group remained committed to "bottom-line" thinking in risk management. It reinforced its banking infrastructure, consolidated its high-quality customer base and expanded its earnings sources. As a result, the Group achieved satisfactory growth in income and profit. Net operating income before impairment allowances amounted to HK$77,019 million in 2025, an increase of HK$5,766 million or 8.1% year-on-year. If the funding income or cost of foreign exchange swap contracts were included, net interest income would have recorded year-on-year growth, attributable to an increase in average interest-earning assets. Net fee and commission income rose year-on-year as the Group capitalised on opportunities from improved investor sentiment in the market, resulting in year-on-year growth in commission income from insurance, securities brokerage and funds. Net trading gain also grew year-on-year, primarily driven by increased income from the Group's global markets trading business. Operating expenses rose while operating efficiency remained satisfactory, primarily due to measures implemented in line with the Group's strategic development priorities. These included optimising resource allocation, implementing low-carbon operational initiatives and promoting branch network optimisation, resulting in improved resource efficiency. Meanwhile, the net charge of impairment allowances rose year-on-year. Profit for the year amounted to HK$41,189 million, an increase of HK$2,071 million or 5.3% year-on-year. Profit attributable to equity holders was HK$40,121 million, an increase of HK$1,888 million or 4.9% year-on-year.

Second Half Performance

In the second half of 2025, the Group's net operating income before impairment allowances decreased by HK$3,025 million or 7.6%, compared to the first half of 2025. This was mainly attributable to a decrease in net fee and commission income and net trading gain, which more than offset the increase in net interest income. Meanwhile, operating expenses and the net charge of impairment allowances increased. As a result, the Group's profit after taxation decreased by HK$4,403 million or 19.3% on a half-on-half basis.

Income Statement Analysis

Net Interest Income and Net Interest Margin

HK$'m, except percentages	2025	2024	Change (%)
Interest income	**120,355**	139,439	(13.7)
Interest expense	**(67,444)**	(87,105)	(22.6)
Net interest income	**52,911**	52,334	1.1
Average interest-earning assets	**3,770,340**	3,577,886	5.4
Net interest spread	**1.09%**	1.07%	
Net interest margin	**1.40%**	1.46%	
Net interest margin (adjusted)[1]	**1.58%**	1.64%	

Net interest income amounted to HK$52,911 million in 2025. If the funding income or cost of foreign exchange swap contracts[2] were included, net interest income would have been HK$59,667 million, an increase of 1.4% year-on-year, driven by a 5.4% year-on-year growth in average interest-earning assets. If the funding income or cost of foreign exchange swap contracts were included, net interest margin would have been 1.58%, down 6 basis points year-on-year. This was mainly due to a decline in asset yields as a result of falling market interest rates. The Group continued to optimise its asset structure by increasing investment in debt securities. Meanwhile, it strengthened deposit pricing and tenor management, while actively growing its CASA deposits to optimise the deposit mix. These measures partially mitigated the impact of falling market interest rates.

Second Half Performance

Compared with the first half of 2025, net interest income would have increased by HK$1,809 million or 6.3% if the funding income or cost of foreign exchange swap contracts were included, which was attributable to an improvement in net interest margin. The Group continued to manage deposit pricing, alleviating the negative impact of falling market interest rates on asset yields. As a result, net interest margin widened by 8 basis points on a half-on-half basis to 1.62%.

1. Including the funding income or cost of foreign exchange swap contracts.
2. Foreign exchange swap contracts are normally used for the Group's liquidity management and funding activities. In foreign exchange swap contracts, the Group exchanges one currency (original currency) for another (swapped currency) at the spot exchange rate (spot transaction) and commits to reverse the spot transaction by exchanging the same currency pair at a future maturity date at a predetermined rate (forward transaction). In this way, surplus funds in the original currency are swapped into another currency for liquidity and funding purposes with minimal foreign exchange risk. The exchange difference (funding income or cost) between the spot and forward contracts is recognised as a foreign exchange gain or loss (as included in "net trading gain"), while the corresponding interest differential between the surplus funds in the original currency and swapped currency is reflected in net interest income.

The table below summarises the average balances and average interest rates of individual categories of assets and liabilities:

	2025		2024	
ASSETS	Average balance HK$'m	Average yield %	Average balance HK$'m	Average yield %
Balances and placements with banks and other financial institutions	539,145	2.17	646,302	2.15
Debt securities investments and other debt instruments	1,541,200	3.13	1,264,395	3.74
Advances to customers and other accounts	1,672,593	3.57	1,654,660	4.66
Other interest-earning assets	17,402	3.94	12,529	5.39
Total interest-earning assets	3,770,340	3.19	3,577,886	3.89
Non interest-earning assets	567,342	–	527,819	–
Total assets	4,337,682	2.77	4,105,705	3.39

LIABILITIES	Average balance HK$'m	Average rate %	Average balance HK$'m	Average rate %
Deposits and balances from banks and other financial institutions	262,232	1.39	288,524	2.30
Current, savings and time deposits	2,746,422	2.16	2,610,964	2.84
Subordinated liabilities	74,253	2.15	75,255	3.24
Other interest-bearing liabilities	123,469	2.36	104,929	3.44
Total interest-bearing liabilities	3,206,376	2.10	3,079,672	2.82
Shareholders' funds* and other non interest-bearing deposits and liabilities	1,131,306	–	1,026,033	–
Total liabilities	4,337,682	1.55	4,105,705	2.12

* Shareholders' funds represent capital and reserves attributable to the equity holders of the Company.

Net Fee and Commission Income

HK$'m, except percentages	2025	2024	Change (%)
Securities brokerage	**3,290**	2,266	45.2
Credit card business	**2,760**	2,559	7.9
Insurance	**1,991**	1,018	95.6
Loan commissions	**1,868**	2,236	(16.5)
Funds distribution	**957**	669	43.0
Trust and custody services	**902**	909	(0.8)
Payment services	**776**	745	4.2
Currency exchange	**503**	540	(6.9)
Bills commissions	**452**	444	1.8
Safe deposit box	**293**	290	1.0
Funds management	**148**	42	252.4
Others	**1,187**	1,567	(24.3)
Fee and commission income	**15,127**	13,285	13.9
Fee and commission expense	**(3,858)**	(3,392)	13.7
Net fee and commission income	**11,269**	9,893	13.9

In 2025, net fee and commission income amounted to HK$11,269 million, up HK$1,376 million or 13.9% year-on-year. The Group capitalised on strong demand for wealth management services amid improved investor sentiment in the market. Through optimisation of its wealth management products and enhancement to its integrated service capabilities, its investment and insurance businesses recorded notable growth, with commission income from securities brokerage, insurance, funds distribution and funds management increasing by 45.2%, 95.6%, 43.0% and 252.4% year-on-year, respectively. The Group continuously improved its credit card product suite to promote local and cross-border spending, resulting in 7.9% growth in commission income from its credit card business. Commission income from payment services and bills also rose. Fee and commission expenses increased, mainly driven by higher business volumes.

Second Half Performance

Compared with the first half of 2025, net fee and commission income decreased by HK$1,315 million or 20.9%, mainly due to a decline in loan commissions and commission income from insurance and trust and custody services, although this was partially offset from an increase in commission income from investment businesses.

Net Trading Gain

HK$'m, except percentages	2025	2024	Change (%)
Net trading gain	**16,805**	10,988	52.9

Net trading gain amounted to HK$16,805 million, an increase of HK$5,817 million or 52.9% year-on-year. This was mainly attributable to increased income from the Group's global markets trading business.

Second Half Performance

Compared with the first half of 2025, net trading gain decreased by HK$7,657 million or 62.6%. This was primarily due to decreased income from the Group's global markets trading business, and a decrease in the mark-to-market value of foreign exchange related products.

Net Gain/(Loss) on Other Financial Instruments at Fair Value through Profit or Loss

HK$'m, except percentages	2025	2024	Change (%)
Net gain/(loss) on other financial instruments at fair value through profit or loss	**7,973**	(782)	N/A

The Group recorded a net gain of HK$7,973 million on other financial instruments at fair value through profit or loss in 2025, compared to a net loss of HK$782 million in 2024. This was primarily due to an increase in the mark-to-market value of BOC Life's debt securities investments, caused by market interest rate movements. However, this increase in the mark-to-market value of debt securities investments related to BOC Life's participating insurance business was offset by changes to its insurance contract liabilities, also caused by market interest rate movements, which have been reflected in insurance finance expenses.

Second Half Performance

Compared with the first half of 2025, net gain on other financial instruments at fair value through profit or loss increased by HK$919 million or 26.1%. This was primarily due to a rise in the mark-to-market value of BOC Life's debt securities investments, caused by market interest rate movements.

Operating Expenses

HK$'m, except percentages	2025	2024	Change (%)
Staff costs	12,066	11,470	5.2
Premises and equipment expenses (excluding depreciation and amortisation)	1,619	1,525	6.2
Depreciation and amortisation	2,741	2,867	(4.4)
Other operating expenses	2,991	2,839	5.4
Less: Costs directly attributable to insurance contracts	(1,224)	(1,207)	1.4
Operating expenses	18,193	17,494	4.0

	At 31 December 2025	At 31 December 2024	Change (%)
Staff headcount measured in full-time equivalents	15,585	15,309	1.8

Operating expenses amounted to HK$18,193 million, an increase of HK$699 million or 4.0% year-on-year. In line with its strategic development priorities, the Group improved resources allocation to key areas, including digitalisation, regional development, business integration and talent cultivation. Meanwhile, it continued to promote branch network optimisation, low-carbon operational initiatives, business process automation, business intelligence and online transaction channels. It also refined its cost management mechanisms to improve resource efficiency. The cost to income ratio was 23.62%, remaining at a satisfactory level relative to local industry peers.

Staff costs increased by 5.2% year-on-year, mainly due to increased staff headcount and a rise in salary costs.

Premises and equipment expenses were up 6.2%, primarily due to increased investment in information technology, which more than offset a decline in rental payments.

Depreciation and amortisation decreased by 4.4%, mainly due to lower depreciation charges caused by a decline in the revaluation of certain premises as well as a decrease in depreciation charges on right-of-use assets.

Other operating expenses increased by 5.4%, driven by higher premium charges, an increase in advertising and market information expenses.

Second Half Performance

Compared with the first half of 2025, operating expenses increased by HK$1,573 million or 18.9%. The increase was mainly due to higher staff costs, investment in information technology, advertising, charitable donation expenses and professional consultancy fees.

Net Charge of Impairment Allowances on Advances and Other Accounts

HK$'m, except percentages	2025	2024	Change (%)
Stage 1	893	1,262	(29.2)
Stage 2	3,517	753	367.1
Stage 3	3,838	2,930	31.0
Net charge of impairment allowances on advances and other accounts	8,248	4,945	66.8

Total Loan Impairment Allowances as a Percentage of Advances to Customers

	At 31 December 2025	At 31 December 2024
Total loan impairment allowances as a percentage of advances to customers	1.09%	0.89%

In 2025, the Group's net charge of impairment allowances on advances and other accounts amounted to HK$8,248 million, an increase of HK$3,303 million or 66.8% year-on-year. Impairment allowances at Stage 1 recorded a net charge of HK$893 million, down HK$369 million year-on-year, mainly due to a net reversal of impairment allowances arising from improvements in the parameter values for the macroeconomic outlook. The decrease in the net charge of impairment allowances was partially offset by higher impairment allowances made in relation to loan growth and changes in the loan portfolio during the year. Impairment allowances at Stage 2 recorded a net charge of HK$3,517 million, an increase of HK$2,764 million year-on-year. This was mainly due to higher impairment allowances made in relation to an increase of HK$29,306 million in the balance of loans classified as Stage 2 to HK$63,628 million, resulting from downgrades to the internal ratings of certain customers in the real estate sector amid the commercial real estate market remaining weak, as well as a stressed expected credit loss model being applied to certain higher-risk customers in the real estate sector. Impairment allowances at Stage 3 amounted to a net charge of HK$3,838 million, an increase of HK$908 million year-on-year. This was mainly attributable to higher impairment allowances made in relation to certain non-performing customers as a result of lower valuation of collaterals or debt restructuring. The credit cost of advances to customers and other accounts was 0.49%, up 0.19 percentage points year-on-year. As at 31 December 2025, the Group's total loan impairment allowances as a percentage of advances to customers was 1.09%.

Second Half Performance

Compared with the first half of 2025, the Group's net charge of impairment allowances on advances and other accounts increased by HK$1,720 million, mainly due to an increase in impairment allowances made in relation to an increase in the balance of loans classified as Stage 2, resulting from downgrades to the internal ratings of certain customers in the real estate sector amid the commercial real estate market remaining weak in the second half of 2025, which was partially offset by improvements in the parameter values for the macroeconomic outlook.

Analysis of Assets and Liabilities

The table below summarises the Group's asset composition. Please refer to Note 24 to the Financial Statements for the contract/notional amounts and fair values of the Group's derivative financial instruments. Please refer to Note 41 to the Financial Statements for the contractual amounts of each significant class of contingent liability and commitment, and the aggregate credit risk-weighted amounts.

Asset Composition

	At 31 December 2025		At 31 December 2024		
HK$'m, except percentages	Balance	% of total	Balance	% of total	Change (%)
Cash and balances and placements with banks and other financial institutions	**567,418**	**12.6**	609,935	14.5	(7.0)
Hong Kong SAR Government certificates of indebtedness	**243,190**	**5.4**	223,510	5.3	8.8
Securities investments and other debt instruments[1]	**1,731,969**	**38.6**	1,456,278	34.7	18.9
Advances and other accounts	**1,705,172**	**38.0**	1,666,302	39.7	2.3
Properties, plant and equipment as well as investment properties	**46,369**	**1.0**	52,288	1.3	(11.3)
Other assets[2]	**195,691**	**4.4**	186,095	4.5	5.2
Total assets	**4,489,809**	**100.0**	4,194,408	100.0	7.0

1. Securities investments and other debt instruments comprise investment in securities and financial assets at fair value through profit or loss.
2. Other assets comprise derivative financial instruments, interests in associates and joint ventures, current tax assets and deferred tax assets.

As at the end of 2025, the total assets of the Group amounted to HK$4,489,809 million, an increase of HK$295,401 million or 7.0% compared with the prior year-end. Cash and balances and placements with banks and other financial institutions decreased by HK$42,517 million or 7.0%, mainly due to lower placements with central banks. Securities investments and other debt instruments increased by HK$275,691 million or 18.9%, as the Group increased its investments in government and financial institution bonds. Advances and other accounts was up HK$38,870 million or 2.3%, with advances to customers increasing by HK$38,901 million or 2.3%.

Advances to Customers

HK$'m, except percentages	At 31 December 2025		At 31 December 2024		Change (%)
	Balance	% of total	Balance	% of total	
Loans for use in Hong Kong	**1,299,503**	**75.7**	1,253,401	74.7	3.7
Industrial, commercial and financial	**689,232**	**40.2**	669,434	39.9	3.0
Individuals	**610,271**	**35.5**	583,967	34.8	4.5
Trade financing	**41,202**	**2.4**	44,850	2.7	(8.1)
Loans for use outside Hong Kong	**375,082**	**21.9**	378,635	22.6	(0.9)
Total advances to customers	**1,715,787**	**100.0**	1,676,886	100.0	2.3

In 2025, the Group actively explored market opportunities and steadily developed its loan business in the Hong Kong, cross-border, Southeast Asian and other key overseas markets. Giving full play to BOC Group's service mechanism of "accessing global resources and services at any point of contact", it bolstered its cooperation with BOC's entities in the Chinese Mainland and the Asia-Pacific region in order to strengthen its integrated service capabilities in its cross-border and Southeast Asian businesses, so as to better serve the needs of enterprises "Going Global". It expanded its RMB product offering and application scenarios to meet the diverse offshore RMB financing needs of corporate customers, promoting the international use of RMB. In 2025, it remained the top mandated arranger in the Hong Kong-Macao syndicated loan market. It also retained its leading market position in terms of the total number of new residential mortgage loans in Hong Kong. During the year, the Group supported the HKMA's Interbank Account Data Sharing (IADS) programme and refined the functionality of its "Home Expert" mobile app to provide customers with comprehensive home purchase planning and online mortgage services. As at the end of 2025, advances to customers amounted to HK$1,715,787 million, up HK$38,901 million or 2.3% from the end of 2024.

Loans for use in Hong Kong increased by HK$46,102 million.

- Lending to the industrial, commercial and financial sectors increased by HK$19,798 million or 3.0%, reflecting an increase in loans for use in financial concerns, wholesale and retail trade, and manufacturing industries.

- Lending to individuals increased by HK$26,304 million or 4.5%, mainly driven by growth in loans for the purchase of flats in the Home Ownership Scheme and other government-sponsored home purchase schemes, and loans for the purchase of other residential properties.

Trade financing decreased by HK$3,648 million or 8.1%. Loans for use outside Hong Kong decreased by HK$3,553 million or 0.9%.

Loan Quality

HK$'m, except percentages	At 31 December 2025	At 31 December 2024
Advances to customers	**1,715,787**	1,676,886
Impaired loan ratio	**1.14%**	1.05%
Total impairment allowances[1]	**18,759**	14,961
Total impairment allowances as a percentage of advances to customers	**1.09%**	0.89%
Residential mortgage loans[2] – delinquency and rescheduled loan ratio[3]	**0.08%**	0.06%
Card advances – delinquency ratio[3]	**0.26%**	0.31%

	2025	2024
Card advances – charge-off ratio[4]	**1.83%**	1.82%

1. Total impairment allowances include those for advances at fair value through other comprehensive income.
2. Residential mortgage loans exclude those under the Home Ownership Scheme and other government-sponsored home purchase schemes.
3. The delinquency ratio is the ratio of the total amount of overdue advances (more than three months) to total outstanding advances.
4. The charge-off ratio is the ratio of total write-offs made during the year to the average of the beginning and ending balance of card receivables.

The economies of the Chinese Mainland and Hong Kong remained stable with positive momentum in 2025. However, the banking sector continued to face risk management challenges amid the elevated vacancy rate in Hong Kong's commercial real estate market. The Group closely monitored market information and customer dynamics to strengthen oversight of higher-risk credit portfolios, including through timely reviews of customers' internal ratings and enhancements to its credit risk management mechanisms and measures, with a view to maintaining solid asset quality. As at the end of 2025, the Group's impaired loan ratio was 1.14%, up 0.09 percentage points from the prior year-end. Impaired loans increased by HK$1,906 million from the prior year-end to HK$19,558 million. The combined delinquency and rescheduled loan ratio of the Group's residential mortgage loans was 0.08%. The charge-off ratio of card advances stood at 1.83%, up 0.01 percentage point year-on-year.

Deposits from Customers*

HK$'m, except percentages	At 31 December 2025 Balance	At 31 December 2025 % of total	At 31 December 2024 Balance	At 31 December 2024 % of total	Change (%)
Demand deposits and current accounts	**291,926**	**9.9**	230,347	8.5	26.7
Savings deposits	**1,278,679**	**43.5**	1,033,457	37.9	23.7
Time, call and notice deposits (excluding structured deposits)	**1,362,897**	**46.4**	1,449,606	53.2	(6.0)
	2,933,502	**99.8**	2,713,410	99.6	8.1
Structured deposits	**6,961**	**0.2**	10,811	0.4	(35.6)
Total deposits from customers	**2,940,463**	**100.0**	2,724,221	100.0	7.9

* Including structured deposits

In 2025, the Group expanded its deposits business by delivering a diverse range of products and services to customers and consolidating its high-quality customer base. To cultivate new business drivers, it strengthened cooperation with large corporates, financial institutions, government authorities and public entities, enabling the Group to understand and meet these clients' needs in settlement, custody and treasury services. It vigorously developed its payroll, cash management and IPO receiving bank businesses to attract deposits. Focusing on target customer groups such as high-net-worth individuals, young customers and cross-border clients, it created tailored products and services to strengthen its deposit base while promoting intelligent financial services to enhance customer experience. As at the end of 2025, total deposits from customers amounted to HK$2,940,463 million, an increase of HK$216,242 million or 7.9% from the prior year-end. Demand deposits and current accounts increased by 26.7%. Savings deposits rose by 23.7%. Time, call and notice deposits (excluding structured deposits) decreased by 6.0%. The CASA ratio was 53.4%, up 7.0 percentage points from the end of last year.

Capital and Reserves Attributable to Equity Holders of the Company

HK$'m, except percentages	At 31 December 2025	At 31 December 2024	Change (%)
Share capital	**52,864**	52,864	–
Premises revaluation reserve	**31,984**	34,853	(8.2)
Reserve for financial assets at fair value through other comprehensive income	**1,154**	(5,105)	N/A
Regulatory reserve	**2,223**	6,028	(63.1)
Translation reserve	**(1,644)**	(2,199)	25.2
Cash flow hedge reserve	**71**	–	N/A
Insurance finance reserve	**1,008**	1,132	(11.0)
Retained earnings	**270,868**	251,143	7.9
Reserves	**305,664**	285,852	6.9
Capital and reserves attributable to equity holders of the Company	**358,528**	338,716	5.8

Capital and reserves attributable to equity holders of the Company amounted to HK$358,528 million as at the end of 2025, an increase of HK$19,812 million or 5.8% from the end of 2024. The premises revaluation reserve decreased by 8.2%. The reserve for financial assets at fair value through other comprehensive income recorded a surplus as compared to a deficit at the prior year-end, mainly due to changes in market interest rates. The regulatory reserve fell by 63.1%, primarily driven by a change in the net charge of impairment allowances. The cash flow hedge reserve amounted to HK$71 million, mainly attributable to changes in market interest rates during the hedging period. Retained earnings rose by 7.9% from the end of 2024.

Capital Ratio

HK$'m, except percentages	At 31 December 2025	At 31 December 2024
Consolidated capital after deductions		
Common Equity Tier 1 capital	**295,716**	266,651
Tier 1 capital	**295,716**	266,651
Total capital	**319,967**	292,980
Total risk-weighted assets	**1,231,680**	1,331,828
Common Equity Tier 1 capital ratio	**24.01%**	20.02%
Tier 1 capital ratio	**24.01%**	20.02%
Total capital ratio	**25.98%**	22.00%

As at the end of 2025, the Group's Common Equity Tier 1 ("CET1") capital increased by 10.9% from the prior year-end, primarily due to profits recorded in 2025. Total capital increased by 9.2% from the end of 2024. Total risk-weighted assets ("RWAs") was down 7.5% from the end of 2024, mainly due to a decline in RWAs related to credit risk and operational risk following the implementation of the Basel III final reform package, which came into effect on 1 January 2025. The CET1 capital ratio and Tier 1 capital ratio both stood at 24.01%, while the total capital ratio was 25.98%. The Group dynamically managed the allocation of its capital resources to improve return on capital, with a view to maintaining an appropriate capital level for meeting regulatory requirements and balancing sustainable business development with a long-term stable growth in returns to equity holders.

Liquidity Coverage Ratio and Net Stable Funding Ratio

	2025	2024
Average value of liquidity coverage ratio		
First quarter	**231.50%**	223.79%
Second quarter	**185.34%**	250.58%
Third quarter	**191.26%**	231.81%
Fourth quarter	**184.39%**	201.06%

	2025	2024
Quarter-end value of net stable funding ratio		
First quarter	**140.67%**	140.36%
Second quarter	**139.34%**	140.96%
Third quarter	**143.07%**	140.29%
Fourth quarter	**142.30%**	141.83%

The Group's liquidity position remained sound, with the average value of its liquidity coverage ratio and the quarter-end value of its net stable funding ratio meeting regulatory requirements for all four quarters of 2025.

Business Review

In 2025, the Group continued to make steady progress in its business development. It deepened its presence in the Hong Kong market and further explored potential opportunities with respect to its target customers and key businesses, thus achieving rapid growth in its key customer segments. By seizing business opportunities in the Greater Bay Area ("GBA"), the Group enhanced the quality and expanded the scale of its cross-border business, maintaining its leading position in RMB services. It also actively promoted business development in Southeast Asia, recording steady growth in related income. Adhering to the principles of sustainable development, the Group's green finance business continued to expand, and BOCHK was once again awarded the highest AAA rating by MSCI ESG. The Group continued to streamline operations and promote artificial intelligence to empower digital transformation. It strengthened its comprehensive risk management foundations to ensure robust and effective risk control. In addition, the Group deepened corporate culture and team building initiatives, so as to improve employee satisfaction.

Business Segment Performance

Profit before Taxation by Business Segment

HK$'m, except percentages	2025	% of total	2024	% of total	Change (%)
Personal Banking	**17,856**	**36.8**	14,536	31.1	22.8
Corporate Banking	**10,800**	**22.2**	16,195	34.7	(33.3)
Treasury	**16,136**	**33.2**	12,681	27.1	27.2
Insurance	**1,822**	**3.8**	1,472	3.1	23.8
Others	**1,960**	**4.0**	1,870	4.0	4.8
Total profit before taxation	**48,574**	**100.0**	46,754	100.0	3.9

Note: Several products/businesses have been reclassified among operating segments in accordance with the latest management model of the Group. Comparative amounts have been restated to conform with current year presentation. For additional segmental information, see Note 45 to the Financial Statements.

Personal Banking

Financial Results

Personal Banking achieved a profit before taxation of HK$17,856 million in 2025, an increase of HK$3,320 million or 22.8% year-on-year. Net interest income rose by 5.5%, owing to an increase in the average balance of CASA deposits. Net fee and commission income increased by 40.0%, mainly because of higher commission income from securities brokerage, funds distribution and insurance amid improved investor sentiment in the market. Operating expenses rose by 6.1%, mainly due to higher staff costs and an increase in business-related expenses.

Business Operations

Enriching exclusive services for different customer segments and consolidating its wealth management brand

The Group steadily enhanced both the breadth and depth of its personal finance business, enriching exclusive products and services for different customer segments and further building a well-defined wealth management brand. It made concerted efforts to develop its premium "Private Wealth" brand. In response to customers' growing needs for wealth inheritance and appreciation, the Group provided comprehensive support by offering quality professional financial services, including exclusive inheritance products, inheritance advisory services and private banking-level investment solutions. Meanwhile, it expanded its "Private Wealth" Centres and launched exclusive lifestyle privileges and unique experiences. As at the end of 2025, total relationship balance of the Group's high-end customer brand of "Private Wealth" and "Wealth Management" increased by more than 10% from the end of last year. In 2025, cross-border high-end customers increased by over 20% year-on-year, and wealth management income rose by 40% year-on-year. To further build its premium family financial management brand "FamilyMAX", the Group collaborated with multiple partners to provide customers with comprehensive services, such as tailored overseas study and medical services plans. It also launched the brand-new "FamilyMAX" "Legacy of Love" campaign to drive cross-generational customer acquisition. As at the end of 2025, the number of new customers and total relationship balance of "FamilyMAX" both increased by nearly 20% year-on-year. Through its youth-focused "Banking can be TrendyToo" brand, the Group provided digital wealth management experiences, accessible financial education, entry-level products and exclusive offers to help young customers start their wealth planning journey early. It launched Hong Kong's first mobile account opening service for teenagers aged 11 to 17, offering young customers a one-stop digital account opening service and encouraging progressive learning about wealth management. At the same time, the Group promoted financial and anti-fraud education to young audiences through social media and large-scale, multi-dimensional brand events. Since the launch of the "Banking can be TrendyToo" brand, the number of young customers has grown steadily. In 2025, the number of newly opened young customer accounts increased by nearly 90% year-on-year. During the year, BOCHK was awarded "Best Wealth Management Bank in Hong Kong" at the TAB Global Excellence in Retail Financial Services Awards 2025 organised by *The Asian Banker*.

Capturing market trends and meeting customer needs with diversified products and services

To meet investors' diverse needs, the Group seized opportunities from improved investor sentiment in the Hong Kong stock market and the IPO boom by implementing a series of customer acquisition and engagement strategies in securities brokerage. It introduced exclusive offers and promotion campaigns for key customer groups and upgraded multiple mobile banking stock trading functions to enhance investment experience, including offering free real-time quotes of Hong Kong-listed stocks to facilitate more convenient investment decisions. In 2025, stock trading volume increased significantly year-on-year. To meet investor demand for capturing upside potential in the US stock market while ensuring stable returns, the Group launched a series of market-focused thematic funds. These products enabled customers to plan cash flow allocation more systematically, and thus capture opportunities amid market volatility. Focusing on high-net-worth customers' needs for inheritance-related whole-life insurance and multi-currency insurance products, the Group strengthened product promotion and related support services. It also optimised overseas study insurance products to address customers' education needs in Hong Kong and overseas. As a result, commission income from the insurance business increased significantly year-on-year in 2025. The Group also enhanced its payroll services, thus achieving steady growth in the number of payroll customer accounts. It continued to improve its credit card product portfolio to meet customers' needs for leisure, tourism and cross-border activities. This includes "BOC Cheers Card", which offers extra rewards for spending on dining and travelling, "BOC Chill Card", which provides entertainment rewards targeted at young customers, and "BOC GO Card", which provides online and offline offers for local and cross-border spending. Meanwhile, to encourage customers to use BOC credit card services across a broader range of scenarios, it launched "Amazing Local Rewards", which promotes local spending and online shopping, and "Amazing Global Rewards", which promotes cross-border and overseas spending. In 2025, total local retail spending and merchant acquiring transactions of the Group's credit card business in Hong Kong recorded steady year-on-year growth. To meet growing demand from personal customers for green and sustainable financial services, the Group launched "Urban GreenUp", a large-scale promotion campaign featuring a series of themed activities and green product offers. This encouraged customers to adopt greener, low-carbon lifestyles in terms of both daily living and wealth management, supporting the collaborative implementation of sustainable development objectives with the Group.

The Group's private banking business comprehensively addressed the core needs of high-net-worth clients. It enhanced collaboration with BOC, other business units and Southeast Asian entities within the Group to optimise its service chain and provide diversified, professional products and services to high-net-worth clients and family offices. In support of the HKSAR Government's policies to promote the development of family offices, the Group partnered with third-party experts to attract global family offices to establish a presence in Hong Kong. It organised a series of exclusive seminars and cultural activities for clients, constructed a family office ecosystem and cultivated a high-net-worth client community. The Group also provided clients with tailor-made, comprehensive wealth management services through optimised service models and enhanced digital platforms, delivering an outstanding customer experience while enhancing its competitiveness in wealth management business. As at the end of 2025, assets under management of the Group's private banking business increased by 10% from the end of last year, while operating income in 2025 increased by 16% year-on-year.

Seizing opportunities in cross-border business and steadily promoting the development of RMB business

The Group continued to leverage its advantages in cross-border financial services. Taking the New Capital Investment Entrant Scheme and various quality migrant admission schemes as entry points, it provided comprehensive and professional financial services to eligible individuals relocating to Hong Kong. This included meeting newcomers' needs in areas such as daily living, children's education, investment and property purchase, retirement planning and pensions, thus helping them fully integrate into the city's life circle. BOCHK was appointed by the HKSAR Government as one of the partner banks to facilitate the "cross-border disbursement arrangements for portable cash assistance" service, providing safe and convenient cross-border subsidy collection services for elderly people from Hong Kong who relocate to the Chinese Mainland for retirement, thus supporting the development of cross-border pension finance. It enriched its cross-border wealth management product suite and actively launched qualified investment products to help customers capture cross-border wealth management opportunities. As at the end of 2025, the number of qualified investment products offered under the Group's Southbound Cross-boundary Wealth Management Connect service exceeded 350, the number of cross-border customers had increased steadily from the end of 2024, and the cumulative number of accounts opened and the volume of funds remitted or transferred under Southbound and Northbound services maintained growth momentum. The Group continued to optimise its cross-border account opening service by driving innovation in customer experience. This included introducing an account opening via attestation service for its "GBA Account Digital Card", thus meeting customer demand for convenient payment options in cross-border spending. In line with the trend of deepening GBA integration, the Group further expanded the coverage of GBA account opening attestation service to cover all Mainland cities in the GBA, as well as launching an RMB mortgage and property-pledge loan service under the Greater Bay Area Loan scheme, providing customers with comprehensive cross-border financial services. The Group played an active role in the construction of the offshore RMB market by enriching RMB products and application scenarios. It launched a major new RMB-themed promotion campaign, "Fortune 8 RMB Rewards", and introduced RMB premium financing services. In 2025, the sales volume of the Group's RMB funds distribution business rose by over 20% year-on-year. In the first three quarters of 2025, BOCHK further consolidated its leading position in RMB insurance business, with RMB insurance standard new premiums ranking first in the market for the 13th consecutive year.

Innovating and optimising digital products to provide multi-channel digital banking services

The Group accelerated its digital bank development by leveraging innovative technologies to enhance online service capacity and safeguard the effectiveness and continuity of its business operations. As at the end of 2025, over 80% of customers had activated digital platform services. The number of customers registered on digital platforms grew steadily from the end of 2024, including an over 20% increase in mobile banking users. The cumulative number of financial transactions conducted through mobile banking increased by approximately 20% year-on-year, with strong growth recorded in transactions such as precious metals, funds, securities, foreign exchange and precious metals margin trading, QR code withdrawals, and insurance. The Group also extended its certificate of deposit trading service to internet banking, enabling customers to subscribe to related products through multiple service channels. To meet surging demand for online insurance products, the Group enhanced the digital onboarding experience for insurance customers. In the first three quarters of 2025, BOCHK's market share of standard new premiums from online channels was over 40%, ranking first in the market. It enhanced the functionality of its "Home Expert" mobile app to provide customers with comprehensive property purchase planning and online mortgage application services. As at the end of 2025, the "Home Expert" mobile app had been cumulatively downloaded over 200,000 times. During the year, BOCHK was awarded "Excellent Brand of Property Purchase Planning and Mortgage Services – Banking Solutions" at the Hong Kong Leaders' Choice 2025 awards organised by Metro Finance.

In its Southeast Asian business, the Group extended a wider range of products and service models across the region to provide greater convenience for employees of Chinese enterprises "Going Global" and customers travelling to China. It also strengthened regional brand development by leveraging the integrated advantages of the BOC Group. BOC Thailand, BOC Malaysia, the Jakarta Branch and the Phnom Penh Branch achieved mutual recognition of mid-to-high-end customer brands with nine branches in the Chinese Mainland, several overseas branches of BOC, and BOCHK, thus enhancing the overall customer experience. The Group continued to enrich its wealth management product offerings in the region, with BOC Malaysia launching a multi-asset income solution to provide investors with diversified asset allocation and stable income sources. It also accelerated digitalisation and optimised mobile banking functionality in Southeast Asia. The Jakarta Branch launched online RMB salary direct remittance services, the Ho Chi Minh City Branch introduced cross-border UnionPay QR code payment services, while BOC Thailand and the Vientiane Branch introduced Aggregate Payment services for customers using its mobile banking platform in the Chinese Mainland. These initiatives further enhanced payment convenience across Southeast Asia.

Corporate Banking

Financial Results

Corporate Banking achieved a profit before taxation of HK$10,800 million, a decrease of HK$5,395 million or 33.3% year-on-year. Net operating income before impairment allowances decreased by 5.9% year-on-year while net interest income decreased by 5.6% year-on-year, primarily due to a narrowing in the deposit spread. Net fee and commission income decreased by 10.0%, mainly due to a decline in loan commissions. The net charge of impairment allowances increased by HK$3,622 million year-on-year, mainly due to downgrades to the internal ratings of certain customers as well as the deteriorating conditions or debt restructuring of certain non-performing customers.

Business Operations

Upholding a customer-centric approach to high-quality business development

The Group stepped up its efforts to enhance its professional financial services capabilities and meet the needs of corporate customers from Hong Kong, the Chinese Mainland, Southeast Asia and other overseas countries. It remained the top mandated arranger in the Hong Kong-Macao syndicated loan market for the 21st consecutive year, and maintained its market leadership as an IPO main receiving bank in terms of total funds raised on the Main Board. Leveraging its strengths in globalised operations and professional services, it participated in a number of bond issuance projects with significant market influence, including assisting a Kazakhstani enterprise in issuing its inaugural offshore RMB bond (Dim Sum bond) and supporting a Korean policy bank in issuing its inaugural HKD bond (Wonton bond). The Group accelerated the upgrade of its global cash management service capabilities, and maintained its leading position in the cash pooling business. It continuously promoted innovation in trade finance, and completed the first batch of innovative cases leveraging freight logistics data provided by the HKMA's Cargo^{X} expert panel. The Group also supported the HKMA's RMB Business Facility by providing offshore RMB loans and trade finance services to enterprises in Hong Kong, and related services to customers in Southeast Asia through its regional entities. It deepened cooperation with various types of financial institutions and maintained an extensive network of global correspondent banks, continuing to rank first in terms of the number of indirect participants in Cross-Border Interbank Payment System (CIPS). In recognition of its service excellence, BOCHK was named "Best Cash Management Bank in Hong Kong" for the 11th time and "Best Transaction Bank in Hong Kong" for the seventh time by *The Asian Banker*, was awarded "Hong Kong Domestic Cash Management Bank of the Year" for the 12th consecutive year by *Asian Banking & Finance*, and received the "Best Global Treasury Service Bank Award" from *Treasury China*.

Strengthening synergetic cooperation to enhance the quality and efficiency of regional business

The Group strengthened collaboration with BOC's entities in the Chinese Mainland and the Asia-Pacific region to enhance its integrated service capabilities in its cross-border and Southeast Asian businesses. Giving full play to BOC Group's service mechanism of "accessing global resources and services at any point of contact", it served the "Going Global" needs of corporate customers by proactively supporting the "Task Force on Supporting Mainland Enterprises in Going Global" launched by the HKSAR Government and the responsible authorities for the construction of the Chinese Government's national comprehensive overseas service platform. It leveraged BOC Group's global resources to build a coordinated, efficient and professional integrated support system, equipping itself to become the preferred partner bank for enterprises "Going Global" by delivering high-quality cross-border financial services that facilitate customers' overseas expansion. During the year, it provided a range of services to a leading Chinese automotive manufacturer, including cash pooling, IPO fundraising, and credit facilities in Southeast Asia, to empower the client's international expansion. Meanwhile, the Group vigorously promoted technology finance and established an integrated financial service system to support the full lifecycle of technology enterprises, driving their high-quality development.

Providing premier trust and custody services to drive business growth

The Group continued to expand the coverage of its global custody network. It advanced the development of custody systems, refined its product offerings, and successfully acquired several new portfolio mandates via transfer to the Group. As at the end of 2025, its assets under custody grew by 29% from the end of 2024. During the year, the Group was appointed as a common depositary by Euroclear Bank SA/NV and Clearstream Banking S.A. to assist issuers with the processing and safekeeping of Eurobonds. In recognition of its excellent custody services, BOCHK was awarded "Best Custodian Bank – Hong Kong SAR (Domestic Category)" by *FinanceAsia*, and "Northbound Top Custodians" by Bond Connect Company Limited.

BOCI-Prudential Trustee Limited recorded steady business growth. As at the end of 2025, MPF assets under its trusteeship amounted to HK$117.1 billion, an increase of 22% from the end of 2024, ranking among the top tier in the MPF market. It actively explored business opportunities in overseas markets by assisting regional trustee companies to enhance their service capabilities in fund administration and global asset custody services. During the year, BOCI-Prudential Trustee was appointed as the custodian and fund administrator for 26 new funds. Its MPF schemes and constituent funds received multiple accolades in recognition of its professional services, including four awards at the 2025 MPF Awards organised by MPF Ratings, two awards at the Financial Institutions 2025 organised by *Bloomberg Businessweek/Chinese Edition*, as well as several honours in the 2025 LSEG Lipper Fund Awards jointly organised by *Hong Kong Economic Journal* and London Stock Exchange Group.

Deepening cooperation with commercial and SME customers to promote the development of inclusive finance

Leveraging its deep industry expertise and digital service capabilities, the Group fully supported the business development of commercial and SME customers by delivering integrated financial solutions. It continuously streamlined the account opening process to reduce account opening times, and enhanced service efficiency in loan approvals and post-loan management through the use of digital tools, improving SME customer experience. In alignment with the HKMA's "Banking Sector SME Lending Coordination Mechanism", the Group introduced a range of support measures to assist the sustainable growth of SMEs. BOCHK won wide acclaim for providing high-quality services to SMEs, including the "Best SME's Partner Award" from the Hong Kong General Chamber of Small and Medium Business for the 18th consecutive year, the "Awards of Excellence – SME Banking Service" at the Financial Services Award of Excellence organised by *Hong Kong Economic Journal* for the seventh consecutive year, the "Outstanding Innovative SME Banking Services" at the Fintech Awards – Corporate Banking organised by *etnet* for the fourth consecutive year, the "Company [Hong Kong] – Excellence – SME Bank of the Year" at the Financial Institutions 2025 organised by *Bloomberg Businessweek/Chinese Edition*, and the "Best Cross-border Commercial Banking" award at the Wealth Management Awards organised by *Hong Kong Economic Times*.

Actively undertaking social responsibility and making remarkable progress in green and sustainable finance

As a committed partner for corporate customers' low-carbon transitions, the Group enhanced its green and sustainable financial products and service offering. To support the green financing requirements of Chinese "Going Global" enterprises, Hong Kong's green transport and infrastructure initiatives, and the sustainable development of the Southeast Asian region, it offered a range of green and sustainable financial products to its corporate customers, including green loans, sustainability-linked loans and social loans. As at the end of 2025, the balance of the Group's green and sustainability-related loans to corporate customers grew 30% compared to the end of 2024. It has also facilitated a number of green and sustainability-related bond issues by the People's Government of Guangdong Province, the People's Government of Hainan Province and the Shenzhen Municipal People's Government in recent years. BOCHK has earned broad market recognition and increased market influence, and was awarded the "Excellence in ESG Project Award (Green Finance)" at the "ESG & Sustainability Awards of Excellence 2025" organised by *Hong Kong Economic Journal*, and the "Premier Contribution Award for Green and Sustainable Loan Structuring Advisor (Infrastructure) – Visionary Sustainability-linked Loan Performance Metrics" by the Hong Kong Quality Assurance Agency.

Treasury

Financial Results

Treasury recorded a profit before taxation of HK$16,136 million, up HK$3,455 million or 27.2% year-on-year. This was mainly attributable to an increase in net trading gain, driven by increased income from the Group's global markets trading business, and an increase in the mark-to-market value of foreign exchange related products caused by market volatility.

Business Operations

Enhancing the integrated service capabilities of treasury products and strengthening client servicing and market-making

Focusing on customer needs in cross-border treasury services, the Group maintained its leading market position across various mutual market access schemes. It participated in a number of innovative and market-first launches of offshore RMB business services. It launched offshore RMB bond repurchase (repo) and cross-boundary bond repo transactions in the Hong Kong market, using onshore bonds held via Northbound Bond Connect as collateral. As a member of the Central Moneymarkets Unit (CMU) providing Bond Connect custodian services, it also supported a number of institutional customers in completing related repo trades, thereby expanding application scenarios in the offshore RMB market. In line with enhancements to the HKMA's RMB Business Facility, the Group provided Shanghai Interbank Offered Rate (Shibor)-linked interest rate swap products to customers, helping them reduce interest expenses while effectively hedging interest rate risks. It further deepened its market presence by leveraging its core competitiveness in RMB business and strengthening collaboration with onshore and overseas key factor market institutions to enhance service capabilities. As a result, offshore RMB transaction volumes continued to grow steadily. BOCHK became the first offshore clearing member of the Shanghai Clearing House, and actively participated in the clearing of onshore RMB interest rate derivatives. BOCHK was appointed by the Shanghai Gold Exchange to operate its first International Board certified vault in Hong Kong and to commence international depository and warehouse services, contributing to the HKSAR Government's goal of building an international gold trading market in Hong Kong. BOCHK also became the first Chinese institution to hold dual membership in LCH's ForexClear and SwapClear. During the year, BOCHK received multiple awards from China Foreign Exchange Trade System, Shanghai Gold Exchange, Hong Kong Stock Exchange and London Stock Exchange in recognition of its contribution to innovation and cooperation in related business areas.

In its Southeast Asian business, BOCHK worked closely with its regional entities to enrich its foreign currency exchange services. In collaboration with BOC Malaysia, the Group was approved by Bank Negara Malaysia as an Appointed Overseas Office to handle transactions and settlements in Malaysian Ringgit. This allowed the Group to facilitate overseas corporate customers to exchange Malaysian Ringgit and make cross-border payments outside Malaysia, helping them reduce cross-border transaction costs, optimise exchange rate risk management, and expand into regional markets, while strengthening Hong Kong's role as a "super-connector" and promoting regional financial cooperation.

Adhering to a robust, risk-aware investment strategy while proactively managing risks and enhancing returns

The Group maintained a robust and cautious approach to managing its banking book investments. It closely monitored worldwide market interest rate adjustments and adopted a pre-emptive and proactive approach to managing risks, while seeking fixed-income investment opportunities to enhance returns. At the same time, the Group actively optimised its banking book portfolio to promote the development of its asset and liability businesses.

Proactively capturing market opportunities and achieving steady growth in asset management business

BOCHK Asset Management Limited ("BOCHK AM") continued to strengthen its core investment capabilities while promoting the development of innovative products and services, thus achieving steady growth in assets under management and operating income. BOCHK AM proactively captured market opportunities while enhancing marketing efforts in both local and cross-border markets. As a result, the scale of its authorised funds achieved notable growth. Acting as an investment advisor, BOCHK AM participated in the issuance of Asia's first investment-grade government sukuk ETF, the "Premia BOCHK Saudi Arabia Government Sukuk ETF", which was successfully listed on the Hong Kong Stock Exchange, providing investors with convenient access to Saudi Arabia's capital markets. BOCHK AM also launched the first tokenised class within the "BOCHK All Weather HKD Money Market Fund". Through intra-group collaboration, it successfully completed end-to-end business verification for tokenised asset transactions, supporting the development of such transactions. BOCHK AM's professional expertise was widely recognised by the market. It was awarded "Best RMB Manager in Hong Kong" at the 2025 Best of the Best Awards organised by *Asia Asset Management*, "Marquee Award Winners – Best Insurance Asset Manager" at the AsianInvestor Asset Management Awards 2025 organised by *AsianInvestor* and "Fund Manager of the Year (Asia) – Multi-Asset Fund Manager of the Year" at the Asset Triple A Sustainable Investing Awards 2025 organised by *The Asset*.

Insurance

Financial Results

In 2025, the Group's insurance segment achieved remarkable results by proactively optimising its product structure and service offering. The value of standard new premiums increased by 49.5% year-on-year to HK$25,862 million, continuing to rank among the top tier in the market. The value of new business grew by 36.2% year-on-year to HK$4,245 million. Profit before taxation was up 23.8% year-on-year to HK$1,822 million, driven by business growth and an increase in investment income.

Business Operations

Deepening multi-channel competitive advantages and enhancing growth capabilities

Leveraging the Group's synergistic strengths, BOC Life strengthened intra-group collaboration to optimise its product strategy for different distribution channels and customer segments, thus enhancing customer relationships. It stepped up marketing efforts for high-net-worth clients by launching various promotional campaigns and offering premium customer services. Meanwhile, BOC Life strengthened partnerships with brokers with Chinese Mainland banking backgrounds and built an elite agency workforce comprising of talent with Chinese Mainland experience and local industry professionals, with a view to enhancing customer experience through competitive products and high-quality services. BOC Life further broadened its product range to provide customers with more comprehensive protection. This included launching the brand-new whole-life participating product "Assure Together Global Whole Life Insurance Plan" and the whole-life protection product "Forever Legacy Whole Life Insurance Plan II". It also raised the upper age limit for enrolment in the "BOC Life Deferred Annuity (Lifetime)" and "Glamorous Glow Global Whole Life Insurance Plan", enhanced accidental death benefits and added a contingent insured option for selected whole-life participating products. BOC Life continued to promote the silver economy ecosystem by deepening the integration of cross-border medical services and pension finance. To enhance non-financial elderly care-related services, BOC Life promoted sojourn and cross-border retirement services by launching the "IncomeJoy Lifelong Insurance Plan", a market-first insurance product offering the "RetireCation Experience" as a policy benefit, and extended the "RetireCation" destinations to cover nine preferential destinations in eight cities in seven Asian countries. BOC Life also collaborated with BOC Shenzhen Branch and a Chinese Mainland elderly care service provider to integrate financial and wellness resources. These initiatives strengthened its brand image as an "Retirement Expert". Meanwhile, it cooperated with professional cross-border medical service providers to enrich customers' cross-border healthcare service options and promote the high-quality development and integration of medical services throughout the GBA. BOC Life's outstanding products and services received multiple accolades during the year. It was awarded "2025 Wealth Insurer of the Year" for the second consecutive year in the 10Life 5-Star Insurance Award 2025, "Service Innovation – Outstanding" in the HK Insurance Sector at the Financial Institutions 2025 organised by *Bloomberg Businessweek/Chinese Edition* and "Market Strategy Category – Excellence in Cross-Border Retirement Planning Services Award" at the Insurance Services Awards of Excellence 2025 organised by *Hong Kong Economic Journal*.

Fulfilling corporate social responsibilities and contributing to shared social value and mutual benefit

BOC Life remained committed to integrating sustainable development principles into its business strategies and operations, while fostering a sustainability-led corporate culture. Through a diverse range of CSR initiatives, it advanced sustainable development across business, environmental and social dimensions, and actively engaged in cross-sector collaboration. In partnership with St. James Settlement, BOC Life again delivered the "BOC Life New Generation Financial and Technology Designers' Programme", an annual flagship STEAM education initiative to provide fully subsidised coding training and competition to underprivileged students. Since its launch in 2021, it has benefitted 30 primary schools. BOC Life also collaborated with the Faculty of Business and Economics of the University of Hong Kong to introduce the "BOC Life Future Leaders Scholarship", recognising students who demonstrate outstanding academic performance and personal excellence through the provision of BOC Life scholarships. As the title sponsor of the "BOC Life Hong Kong Premier League" and "BOC Life Wild in the City Orienteering Challenge", BOC Life fostered sports development and promoted holistic development opportunities for teenagers in Hong Kong. In collaboration with industry partners, it also actively supported the "ESG Xchange 2025: ESG for Climate Actions International Summit", engaging more than 2,000 sustainability experts and speakers from around the world to explore critical topics and solutions related to ESG and climate change, bringing fresh perspectives and new directions to promote sustainable development.

Southeast Asian business

Optimising products and services in Southeast Asia and promoting regional integrated development

Positioning itself as the top-choice bank for China-related businesses in the Southeast Asia region, the Group strengthened collaboration with BOC's branches in the Chinese Mainland and the Asia-Pacific region. It remained focused on regional integrated development while adopting a differentiated management approach across its regional entities through the organic combination of market-by-market strategies, thereby accelerating the development of its regional business. The Group enhanced its RMB clearing network in Southeast Asia and promoted the use of bilateral local currency settlement. BOCHK and the Jakarta Branch jointly assisted the Government of Indonesia in issuing its inaugural Dim Sum bond, marking the Group's first underwriting of a public bond for a sovereign issuer in Southeast Asia, as well as the region's first Dim Sum bond issued by a sovereign institution. BOC Malaysia assisted a local bank in Malaysia in issuing its first Panda bond, setting a record for the largest Panda bond issuance by a Malaysian entity to date. The Manila Branch actively leveraged its role as an RMB clearing bank to innovate new RMB settlement models, enhancing the Group's influence in regional RMB business. The Vientiane Branch became one of the first overseas direct participants in the e-CNY cross-border digital payment platform and Laos' designated acquiring and clearing bank for e-CNY, facilitating real-time exchange rate quotations as well as acquiring and clearing services for e-CNY payments in Laos, thus actively promoting cross-border e-CNY interconnectivity.

The Group captured business opportunities arising from the nation's new development paradigm and industrial relocation. Strengthening its leading role as a regional headquarters to foster synergy among its Southeast Asian entities, it prioritised infrastructure projects under the Belt and Road initiative and supported Chinese enterprises "Going Global" as well as large corporate customers in the region, with the aim of expanding its customer base and advancing its business development in Southeast Asia. To further strengthen the diversified service capabilities of its Southeast Asian entities, the Group continued to optimise its regional product offering and enhanced the service capabilities of its intelligent Global Transaction Banking (iGTB) platform. As at the end of 2025, deposits and loans of Southeast Asian-related businesses[1] increased by 20.2% and 9.6% respectively from the end of last year, excluding the impact of foreign exchange rates. Income from Southeast Asian-related businesses[1] in 2025 increased by 6.2% year-on-year, excluding the impact of foreign exchange rates. As at the end of 2025, the non-performing loan ratio of the Group's Southeast Asian entities[2] was 2.11%.

1. Referring to the Group's related businesses in Southeast Asia.
2. Referring to the nine Southeast Asian entities of BOC Thailand, BOC Malaysia, Ho Chi Minh City Branch, Manila Branch, Jakarta Branch, Phnom Penh Branch, Vientiane Branch, Brunei Branch and Yangon Branch. The non-performing loan ratio was calculated in accordance with local regulatory requirements.

Digital Transformation

In 2025, the Group remained committed to advancing digital transformation through the implementation of its "2021-2025 Digital Transformation Strategy". It ensured high-quality and sustainable development by establishing robust mechanisms and workflows, promoting the integration of business and technology, driving innovative research and development, and strengthening its technological foundations. Upholding a customer-centric approach, the Group continued to deepen its digital transformation through data, business intelligence and ecological approaches, promoting the development of open and scenario-based financial service ecosystems, integrated products and services, and seamless process experiences. At the same time, the Group focused on its three major markets, deepened technological empowerment, fostered a strong and innovative corporate culture and nurtured digital talent, with the aim of providing both customers and staff with high-quality digital services and experiences while laying a solid foundation for its long-term development.

Developing open and scenario-based financial service ecosystems

The Group proactively developed comprehensive digital services for a wide range of customer segments and ecosystems. It actively expanded its key merchant acquiring services for BoC Pay+ in Hong Kong to broaden service coverage. During the year, it established a strategic partnership with a local telecommunications company to enable interoperability between their respective rewards and loyalty systems. The collaboration covers multiple areas including northbound cross-boundary spending, roaming services, digital products, retail shopping, dining and supermarket cash vouchers, thereby comprehensively enhancing the rewards redemption experience across ecosystems. As at the end of 2025, the number of BoC Pay+ users increased by 11.6% compared to the end of 2024. Person-to-merchant (P2M) transaction volume in 2025 increased by 16.2% year-on-year, while the number of customers' sales transactions in the Chinese Mainland via BoC Pay+ increased by 7.4% year-on-year. Meanwhile, the Group continued to expand BoC Bill's merchant acquiring business across various sectors, including government and public services, education, transportation and retail, while broadening the use of e-wallets in the Chinese Mainland and e-CNY. In 2025, the transaction volume of BoC Bill increased by 12.8% year-on-year. The Group seized cross-border business opportunities by leveraging its advantages in RMB business and integrated e-CNY payments into daily consumption scenarios through partnerships with convenience stores and vending machine operators. It provides Hong Kong residents and visitors from the Chinese Mainland with more convenient and diversified payment options. The Group continued to advance the research and application of digital currencies. It completed production verification testing of two use cases under the Project Ensemble pilot (Ensemble^{TX}) launched by the HKMA, including the first subscription transaction for a tokenised class of an HKD money market fund using tokenised deposits, as well as becoming the first bank to conduct an interbank transfer of tokenised deposits, achieving a successful real-world implementation of the tokenised product concept. It also completed Phase Two of the e-HKD Pilot Programme by leveraging its self-developed consortium blockchain to test the "Unified Wallet" concept and successfully validated the programmability of digital currency for prepayment and dedicated-fund use cases.

Promoting product and service integration

The Group strengthened its platform security and risk control capabilities to optimise the customer experience across its digital platforms. In response to a rise in digital fraud cases, it continuously enhanced its intelligent fraud prevention management capabilities and introduced “Money Safe”, a deposit protection service designed to safeguard customers’ funds. As one of the first Hong Kong banks to participate in the pilot programme for the cross-boundary credit referencing of personal customers, the Group utilised blockchain technology and data coding for document verification and successfully made use of validated personal credit reports from the Chinese Mainland in its approval process for residential mortgages, personal loans and credit card applications. This helped to accelerate the loan approval process and enhanced the service experience for cross-border customers and high-quality talents relocating to Hong Kong. It launched “Agentic AI-powered Frontline GPT”, which harnesses the power of Generative Artificial Intelligence (“GenAI”) to reshape frontline services and digital interaction experiences. This project was honoured with the Silver Award in the “2025 Hong Kong ICT Awards: FinTech (FinTech: Banking, Investment, and Insurance)” category. In addition, BOCHK received the “Best Data Governance Award (Merit)” at the DALA Awards 2025, organised by the Data and AI Literacy Association and supported by the HKSAR Government’s Digital Policy Office and Cyberport. It also received the “Best AI Governance Award” at the Privacy-Friendly Awards 2025 organised by the Office of the Privacy Commissioner for Personal Data, Hong Kong, in recognition of the Group’s outstanding practices and leadership in AI governance and data privacy protection.

Providing a seamless process experience

The Group bolstered its investment in the innovative application of AI technologies to deliver seamless services to customers. It participated in the GenAI Sandbox jointly organised by the HKMA and the Hong Kong Cyberport Management Company Limited, and tested two major projects (AI avatar and an anti-deepfake solution) in the first cohort with encouraging results. The Group has now been selected to participate in the second cohort of the programme. The Group deepened integrated services in the GBA, facilitating closer connectivity in life circles between the Chinese Mainland and Hong Kong. BOCHK acted as a participating bank and settlement bank for Payment Connect, which links the Internet Banking Payment System (IBPS) in the Chinese Mainland and the Faster Payment System (FPS) in Hong Kong, supporting payment services for all business scenarios of personal and corporate customers, including personal northbound remittance, corporate northbound payroll and corporate southbound collection services. This facilitated more comprehensive, diverse and convenient cross-border payment and collection options for personal and corporate customers, promoting the development of cross-border financial services. Through the HKMA’s Interbank Account Data Sharing (IADS) programme, the Group provided a streamlined application process for unsecured personal loans, credit cards and corporate loans, enhancing data security and efficiency in the credit approval process and improving customer experience.

Outlook and Business Focus for 2026

Looking ahead to 2026, central banks around the world are expected to maintain their accommodative monetary policies. However, rising protectionism and labour supply shocks may continue to weigh on economic growth. As such, the global economy, financial markets and international trade landscape are expected to undergo further adjustments. The year 2026 marks the start of China's "15th Five-Year Plan". The Central Economic Work Conference has emphasised that expanding domestic demand will remain a top priority and has outlined eight key tasks, including plans to boost consumption and income as well as further optimisation of the "Two New" policy, with the view to enhancing the synergistic effect of existing and new policies. In addition, the fourth plenary session of the 20th CPC Central Committee proposed recommendations for the "15th Five-Year Plan", including consolidating and enhancing Hong Kong's status as an international financial centre, shipping, and trade centre, supporting Hong Kong to develop into an international innovation and technology hub, and building Hong Kong into an international hub for high-calibre talents. These initiatives have provided clear guidance for Hong Kong's integration into the broader national development framework. Hong Kong's macroeconomic outlook for 2026 is expected to remain robust. Continued support from Central Government policies, coupled with the HKSAR Government's efforts to promote economic development and market diversification, will provide strong momentum for Hong Kong's high-quality development.

The Group will seize opportunities arising from market developments and the national "15th Five-Year Plan", steadily expand its global customer base as well as enhance its product and service capabilities. It will continue to capture business opportunities in its strategic markets of Hong Kong, the Greater Bay Area and Southeast Asia. Taking a global perspective, the Group will deepen its "Wealth+" and private banking development strategy and seize opportunities arising from Chinese enterprises "Going Global" by offering integrated product and service solutions. It will focus on key customer groups in the Greater Bay Area and further strengthen collaboration among entities in the region. At the same time, the Group will reinforce its role as a regional hub to deepen its footprint in Southeast Asia, consolidate its business centres and cultivate income drivers from capital-light businesses. It will further strengthen its competitive edge in RMB business, build a comprehensive digital bank, promote green finance, and strengthen risk management.

Credit Ratings

As at 31 December 2025	Long-term	Short-term
Standard & Poor's	A+	A-1
Moody's	Aa3	P-1
Fitch	A+	F1+

RISK MANAGEMENT

Banking Group

Overview

The Group believes that sound risk management is crucial to the success of any organisation. In its daily operation, the Group attaches a high degree of importance to risk management and emphasises that a balance must be struck between risk control and business development. The principal types of risk inherent in the Group's businesses are credit risk, market risk, interest rate risk in the banking book, liquidity risk, operational risk, reputation risk, legal and compliance risk, and strategic risk. The Group's risk management objective is to enhance shareholder value by maintaining risk exposures within acceptable limits. The Group has a defined risk appetite statement approved by the Board, which is an expression of the types and level of risk that the Group is willing to take in a controllable way in order to achieve its business goals and to meet the expectations of its stakeholders. For details of the Group's risk management governance structure, please refer to Note 4 to the Financial Statements.

Credit risk management

Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. Credit risk exists in the trading book and banking book, as well as from on- and off-balance sheet transactions of the Group. It arises principally from lending, trade finance and treasury businesses. For details of the Group's Credit Risk Management, please refer to Note 4.1 to the Financial Statements.

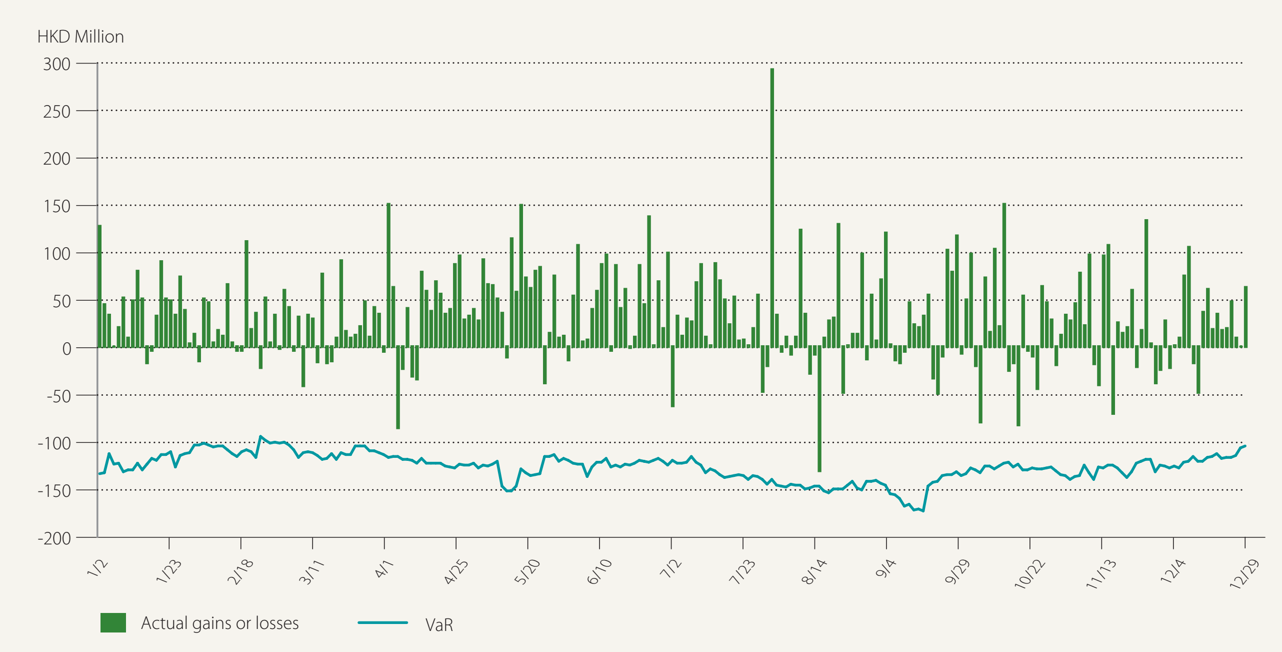
Market risk management

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of financial market price (foreign exchange rate, interest rate, credit spreads, equity price, commodity price). The Group adopts a moderate market risk appetite to achieve a balance between risk and return. For details of the Group's Market Risk Management, please refer to Note 4.2 to the Financial Statements.

The Group uses the VaR to measure and report general market risks to the Risk Committee ("RC") and senior management on a periodic basis. The Group adopts a uniformed VaR calculation model, using a historical simulation approach and two years of historical market data, to calculate the VaR of the Group and its subsidiaries over a one-day holding period with a 99% confidence level, and sets up the VaR limit of the Group and its subsidiaries.

The Group adopts back-testing to measure the accuracy of VaR model results. The back-testing compares the calculated VaR figure of market risk positions of each business day with the actual and hypothetical gains or losses arising from those positions on the next business day. Generally speaking, the number of back-testing exceptions in a rolling 12-month period will not exceed four times, given a 99% confidence level. The graph below shows the back-testing result of the VaR against actual gains or losses of the Group.

Daily Back-testing in 2025



There were no actual losses exceeding the VaR for the Group in 2025 as shown in the back-testing results.

Interest rate risk in the banking book management

Interest rate risk in the banking book ("IRRBB") means the risks of loss to a bank's earnings and economic value arising from movements in interest rate and term structures of the banking book asset and liability positions. The Group's IRRBB exposures are mainly from structural positions. The major types of IRRBB from structural positions are gap risk, basis risk and option risk. For details of the Group's IRRBB Management, please refer to Note 4.2 to the Financial Statements.

Liquidity risk management

Liquidity risk is the risk that banks may not be able to obtain sufficient and timely funding at a reasonable cost to meet their obligations as they fall due. The Group maintains a sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances and stressed scenarios. For details of the Group's Liquidity Risk Management, please refer to Note 4.3 to the Financial Statements.

Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and system, or from external events. The risk is inherent in all banking products, activities, processes and systems and confronted by the Group in its day-to-day operational activities.

The Group has implemented the "Three Lines of Defence" system for its operational risk management. All departments as the first line of defence are the primary parties responsible for operational risk management, and carry out the duties and functions of risk management in the process of business operation through self assessment, self checking, self correction and self development. The Legal & Compliance and Operational Risk Management Department ("LCO"), together with certain specialist functional units in relation to operational risk management within the Group, including the Human Resources Department, Corporate Services Department, Financial Crime Compliance Department, Financial Management Department, Treasury and General Accounting & Accounting Policy Department (collectively known as "specialist functional units"), are the second line of defence. They are responsible for assessing and monitoring the operational risk conditions in the first line of defence, and providing them with guidance. LCO, being independent from the business units, is responsible for assisting the Management in managing the Group's operational risk, including the establishment and review of the operational risk management policy and framework, designing the operational risk management tools and reporting mechanism, reviewing and contributing to the monitoring and reporting the overall operational risk profile to the Management and RC. Specialist functional units are required to carry out their designated managerial duties of the second line of defence with respect to some specific aspects of operational risk and its related issues. Apart from taking charge of operational risk management in their own units, these units are also required to provide other units with professional advice/training in respect of certain operational risk categories and to lead the group-wide operational risk management. Group Audit is the third line of defence which provides independent assessment to the effectiveness and adequacy of the operational risk management framework and is required to conduct risk-based review of the operational risk management activities of various departments within the Group regarding their compliance and effectiveness and to put forward recommendations for remedial actions.

The Group has put in place an effective internal control process which requires the establishment of policies and control procedures for all the key activities. The Group adheres to the fundamental principle of proper segregation of duties and authorisation. The Group adopts various operational risk management tools or methodologies such as key operational risk indicators, operational risk and control assessment, operational risk events management to identify, assess, monitor and control the risks inherent in business activities and products, as well as purchase of insurance, etc. on an as-needed basis to mitigate unforeseeable operational risks. In addition, each new product/service initiative and outsourcing arrangement is subject to a risk assessment and governance process, where risks are firstly identified and assessed by business unit, and reviewed and challenged by relevant second lines of defence, in accordance with the risk-based principle. Subsequent changes on the existing products, services and outsourcing arrangements are also subject to a similar process. Business continuity plans are established to support business operations in the event of an emergency or disaster. Adequate backup facilities are maintained and periodic drills are conducted.

Reputation risk management

Reputation risk is the risk that negative publicity about the Group's business practices, whether genuine or not, will cause a potential decline in the customer base, or lead to costly litigation or revenue decrease. Reputation risk is inherent in other types of risk and every aspect of business operation and covers a wide spectrum of issues.

In order to mitigate reputation risk, the Group has formulated and duly followed its Reputation Risk Management Policy. The policy aims to identify and prevent reputation risk proactively at an early stage when an incident occurs. Since reputation risk is often caused by various types of operational and strategic issues that negatively impact the trust and perception of the Group, all operational and key risks identified are assessed through the established Key Control Self-Assessment framework, including risk assessment tools, to evaluate the severity of their impact on the Group, including the damage to reputation.

In addition, the Group has put in place a comprehensive framework to continuously monitor reputation risk incidents in the financial industry. This continuous monitoring enables the Group to effectively manage, control and mitigate any potential adverse impact from an incident. The Group also adopts robust disclosure practices to keep our stakeholders informed at all times, which helps build confidence in the Group and establish a strong public image.

Legal and compliance risk management

Legal risk is the risk that unenforceable contracts, lawsuits or adverse judgments may disrupt or otherwise negatively affect the operations or financial conditions of the Group. Compliance risk is the risk of legal or regulatory sanctions, financial losses or losses in reputation the Group may suffer as a result of its failure to comply with applicable laws and regulations. Legal and compliance risks are managed by the LCO, while the risks related to money laundering, terrorist financing, fraud, bribery and corruption are managed and monitored by the Financial Crime Compliance Department ("FCC"). Both LCO and FCC report directly to the Chief Risk Officer. As part of the Group's corporate governance framework, the policies for the management of legal and compliance risks, and money laundering, terrorist financing and financial crime compliance risks are approved by the RC or Audit Committee as delegated by the Board.

Strategic risk management

Strategic risk generally refers to the risks that may cause negative impacts on the earnings, capital, reputation or market position of the Group as a result of the failure of the Group to formulate, implement and adjust its strategies, including macro strategies and policies, as well as the formulation of specific plans, programmes and systems for the implementation of the strategies and policies. The Board reviews and approves the Strategic Risk Management Policy. Key strategic issues have to be fully evaluated and properly endorsed by the senior management and the Board.

The Group regularly reviews its business strategies to cope with the latest market situation and developments.

Capital management

The major objective of the Group's capital management is to maximise total shareholders' return while maintaining a capital adequacy position in relation to the Group's overall risk profile. The Asset and Liability Management Committee ("ALCO") periodically reviews the Group's capital structure and adjusts the capital mix where appropriate to maintain an optimal balance among risk, return and capital adequacy.

To comply with the HKMA's requirements as stated in the Supervisory Policy Manual "Supervisory Review Process", the Group adopts the internal capital adequacy assessment process ("ICAAP") and reviews it annually. Based on the HKMA's guidelines on Pillar II, ICAAP has been initiated to assess the extra capital needed to cover the material risks not captured or not adequately captured under Pillar I, and therefore minimum Common Equity Tier 1 capital ratio, minimum Tier 1 capital ratio and minimum Total capital ratio are determined.

The HKMA has classified BOCHK as a material subsidiary of the BOC resolution group and required BOCHK to comply with the applicable internal loss-absorbing capacity requirements under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules ("LAC Rules"), with compliance period starting from 1 January 2023.

Stress testing

The Group supplements the analysis of various types of risks with stress testing. Stress testing is a risk management tool for estimating risk exposures under stressed conditions arising from extreme but plausible market or macroeconomic movements. These tests are conducted on a regular basis by the Group's various risk management units in accordance with the principles stated in the Supervisory Policy Manual "Stress-testing" published by the HKMA. The ALCO monitors the results against the key risk limits approved by the RC. The Financial Management Department reports the combined stress test results of the Group to the Board and RC regularly.

BOC Life

BOC Life's principal business underwrites long-term insurance business in participating business, non-participating business, linked long term business, retirement scheme management and other businesses as defined under the Insurance Ordinance in Hong Kong. Major types of risk arising from BOC Life's insurance business are insurance risk, interest rate risk, liquidity risk, credit risk, equity and fund price risk, currency risk and compliance risk. BOC Life closely monitors these risks and reports to its Risk Management Committee on a regular basis. Furthermore, BOC Life has regular communication with the Group to ensure consistency with the Group's risk management strategy. The key risks of its insurance business and related risk control process are as follows:

Insurance risk management

BOC Life is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. These risks are managed through the application of underwriting strategy, reinsurance arrangements and regular experience monitoring.

The underwriting strategy is intended to set premium pricing at an appropriate level that corresponds with the underlying exposure of the risks underwritten, and BOC Life's underwriting procedures include screening processes, such as the review of health condition and family medical history, to ensure alignment with the underwriting strategy.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality, morbidity and persistency. In this regard, BOC Life has conducted relevant experience studies and researches regularly to identify emerging trends. Results would be taken into account in pricing and underwriting management.

For details of the Group's Insurance Risk Management, please refer to Note 4.4 to the Financial Statements.

Interest rate risk management

An increase in interest rates may result in the depreciation of the value of BOC Life's investment assets. A decrease in interest rates may result in an increase in insurance liability and customer dissatisfaction due to decrease in returns. BOC Life manages the matching of assets and liabilities of its portfolios within an asset liability management framework that has been developed to achieve investment returns that match its obligations under insurance contracts; and to manage the adverse impact due to interest rate movement.

Liquidity risk management

BOC Life's liquidity risk is the risk of not being able to meet payment obligations as they fall due. BOC Life's asset and liability management framework includes stress tests and cash flow management to preserve liquidity to fulfil policy payment obligations from time to time.

Credit risk management

BOC Life has exposure to credit risk that a customer, debtor or counterparty will be unable to or unwilling to meet a commitment that they have entered into. Key areas to which BOC Life's insurance business is exposed include:

– Default risk associated with financial instruments or counterparties
– Credit spread widening as a result of credit migration (downgrade)
– Reinsurers' share of unpaid insurance contract liabilities
– Amounts due from reinsurers in respect of claims already paid by BOC Life
– Amounts due from insurance contract holders
– Amounts due from insurance intermediaries

BOC Life manages credit risk by placing limits on its exposure to each investment counterparty or issuer. Such limits are subject to review by the Management at least once a year.

The reinsurance arrangement transfers the insurance risk associated with the insurance contracts to the third party. It does not, however, discharge BOC Life's liability as the primary insurer. If a reinsurer fails to pay a claim for any reasons, BOC Life remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered by reviewing the reinsurers' financial strength prior to finalisation of any reinsurance contract. Management of BOC Life directs its reinsurance placement policy and assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. BOC Life also monitors the reinsurance counterparty risk exposure on an ongoing basis.

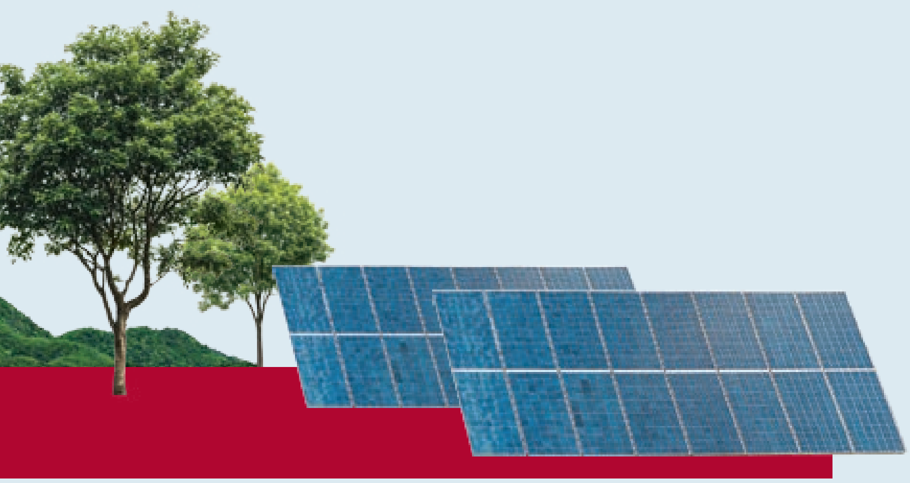
Equity and fund price risk management

BOC Life's equity and fund price risk refers to the risk of loss due to volatility of market price in equity securities, investments on fund (including segregated unit-linked fund) and other alternative investments. For private investments where a readily available market price does not exist, valuation uncertainties may arise. BOC Life's asset and liability management framework includes managing the adverse impact due to volatility of values in equity securities, investments on fund (including segregated unit-linked fund) and other alternative investments through stress test and exposure limit.

Currency risk management

BOC Life's currency risk refers to the risk of loss due to volatility of exchange rate. BOC Life's asset and liability management framework includes managing the adverse impact due to exchange rate movement through stress test, exposure limit and risk limit.

Driving High-Quality and Sustainable Development



Corporate Information

Board of Directors

Chairman

GE Haijiao#

Vice Chairmen

ZHANG Hui#

SUN Yu

Directors

CAI Zhao#

CHENG Eva*

CHOI Koon Shum*

FUNG Yuen Mei Anita*

LAW Yee Kwan Quinn*

LEE Sunny Wai Kwong*

LIAO Cheung Kong Martin*

LIP Sai Wo*

MA Si Hang Frederick*

Non-executive Directors
* Independent Non-executive Directors

Senior Management

Chief Executive

SUN Yu

Deputy Chief Executive and Chief Risk Officer

XU Haifeng

Deputy Chief Executives

XING Guiwei

WANG Huabin

CHAN Man

LI Tong

Company Secretary

HUANG Xuefei

Registered Office

53rd Floor
Bank of China Tower
1 Garden Road
Hong Kong

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Share Registrar

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

ADR Depositary Bank

Citibank, N.A.
388 Greenwich Street
26th Floor
New York, NY 10013
United States of America

WEBSITE

www.bochk.com

Board of Directors and Senior Management

DIRECTORS

Mr GE Haijiao

Aged 54

Chairman

Board appointments: Mr GE was appointed as Chairman of the Board, Non-executive Director and Chairman of the Strategy and Budget Committee of the Company and BOCHK since April 2023.

Positions and experience: Mr GE is currently the Chairman and Executive Director of BOC, and Director of BOC (BVI) and BOCHKG. Prior to joining BOC in 2023, he served as a member of the Standing Committee of Hebei Provincial Committee, Executive Vice Governor of Hebei Province, Secretary of the Commission for Science, Technology, and Industry for National Defense under Hebei Provincial Committee, and Head of the Office of Leading Group for Xiong'an New Area Planning and Construction under Hebei Provincial Committee from November 2021 to March 2023, Vice Governor of Hebei Province from September 2019 to November 2021. Mr GE served as Executive Director of China Everbright Group Ltd. from December 2018 to September 2019, Executive Director and President of China Everbright Bank Company Limited (a company listed in Shanghai and Hong Kong) from January 2019 to September 2019, he served as Deputy General Manager of China Everbright Group Ltd. from December 2016 to December 2018. Prior to that, Mr GE held various positions in Agricultural Bank of China Limited (a company listed in Shanghai and Hong Kong) including General Manager of the International Banking Department of Liaoning Branch, General Manager of Liaoyang Branch, Deputy General Manager of Dalian Branch, General Manager of Singapore Branch, Deputy General Manager (department general manager level) of the International Banking Department of Head Office, senior executive of Sydney Branch, and General Manager of Heilongjiang Branch. Mr GE is a delegate to the 14th National People's Congress, and was a delegate to the 13th and 14th Hebei Provincial People's Congress and to the 12th Heilongjiang Provincial People's Congress.

Qualifications: Mr GE obtained a double Bachelor's Degree in Laws and in Economics from the Department of International Economics of Liaoning University in 1993, major in International Finance, a Master's Degree in Economics from the Department of Economics of Jilin University in 1999, major in World Economics, a Master's Degree in Management from Nanjing Agricultural University in 2000, and a Doctor's Degree in Management from Nanjing Agricultural University in 2008. He holds the qualifications of Senior Economist and International Business Engineer.

Skills and expertise: Mr GE has extensive experience in the banking, financial services and policy, substantial knowledge in business management, strategy and corporate governance, with deep understanding of the macroeconomic and regulatory environment.

Mr ZHANG Hui

Aged 53

Vice Chairman

Board appointments: Mr ZHANG was appointed as Vice Chairman, Non-executive Director and member of each of the Nomination and Remuneration Committee as well as the Strategy and Budget Committee of the Company and BOCHK in February 2025.

Positions and experience: Mr ZHANG is currently the Vice Chairman, President and Executive Director of BOC, and Director of BOC (BVI) and BOCHKG. Prior to joining BOC in 2024, he served as Executive Vice President of China Development Bank from February 2021 to November 2024. Mr ZHANG had worked in Bank of Communications Co., Ltd (a company listed in Shanghai and Hong Kong) for many years, and he served as Chief Risk Officer from July 2020 to November 2020. Mr ZHANG served as General Manager of the Risk Management Department and Director of the Internal Control and Crime Prevention Office from February 2019 to November 2020, General Manager of the Risk Management (Asset Preservation) Department from February 2017 to February 2019, and President of Guizhou Branch from November 2016 to February 2017. Before that, he held a number of other positions at Bank of Communications, including Assistant General Manager, Deputy General Manager, Deputy General Manager (presiding over daily work) and General Manager of the Asset Preservation Department, Deputy General Manager of the Risk Management (Asset Preservation) Department, Vice President of Shanghai Branch, and Vice President (performing president’s duty) of Guizhou Branch.

Qualifications: Mr ZHANG graduated from Shaanxi Institute of Finance and Economics (currently known as Xi’an Jiaotong University) in 1993 and obtained a Bachelor’s Degree in Economics.

Skills and expertise: Mr ZHANG has extensive experience in the banking and financial services industry with substantial knowledge in business management and strategy, corporate governance and risk management.

Mr SUN Yu

Aged 53

Vice Chairman and Chief Executive

Board appointments: Mr SUN has been re-designated as Executive Director and appointed as Vice Chairman and Chief Executive of the Company and BOCHK since December 2020. He is a member of each of the Strategy and Budget Committee as well as the Sustainability Committee, Chairman of BOCHK Charitable Foundation, and Chairman of BOC Life since February 2021. Prior to the re-designation, Mr SUN was a Non-executive Director and a member of the Risk Committee of the Company and BOCHK from March 2020 to December 2020.

Positions and experience: Mr SUN joined BOC in 1998. He served as Executive Vice President of BOC from February 2019 to December 2020, and as Chief Overseas Business Officer of BOC from September 2018 to February 2019. From March 2015 to November 2018, Mr SUN served as General Manager of London Branch of BOC, CEO of Bank of China (UK) Limited, and also served as General Manager of London Trading Center of BOC from December 2015 to November 2018. Mr SUN previously served as Director of Global Financial Markets Department, Director of Financial Markets Unit (Client Business), Director of Financial Markets Unit (Securities Investments) and Deputy General Manager of the Shanghai Branch of BOC. He served as General Manager of Global Markets of BOCHK from July 2012 to December 2014. He was also a Board Director of Bank of China (UK) Limited from March 2015 to September 2021, Chairman of the Board of Directors of Bank of China (UK) Limited from December 2018 to September 2021, Chairman of the Board of Directors of BOC Aviation Limited (listed in Hong Kong) from February 2019 to December 2020, President of Shanghai RMB Trading Unit of BOC from November 2019 to December 2020 and General Manager of Beijing Branch of BOC from December 2019 to December 2020.

Mr SUN also holds a number of public offices in Hong Kong. He is Chairman of the Hong Kong Association of Banks, Honorary President of the Hong Kong Chinese Enterprises Association, Chairman of the Chinese Banking Association of Hong Kong, and sits on the Exchange Fund Advisory Committee and the Currency Board Sub-Committee, the Banking Advisory Committee, and the Council of the Treasury Markets Association. Mr SUN sits on the Advisory Committee on the Northern Metropolis and the Advisory Committee on Attracting Strategic Enterprises of the Government of the HKSAR. He is a member of the Shenzhen-Hong Kong Financial Co-operation Committee, Co-Chairman of Guangdong-HK-Macao Bay Area Entrepreneurs Union, Advisor of Hong Kong Alliance of Technology and Innovation, and sits on the General Committee of the Hong Kong General Chamber of Commerce, the Council of the Hong Kong Trade Development Council ("HKTDC"), the Belt and Road and Greater Bay Area Committee of HKTDC, the Risk Management Committee of the Hong Kong Exchanges and Clearing Limited, and is also Vice President of the Hong Kong Institute of Bankers, etc.

Qualifications: Mr SUN graduated from Nankai University with a Master's Degree in Economics in 1998.

Skills and expertise: Mr SUN has extensive experience in the banking and financial services industry with substantial knowledge in business management and strategy, corporate governance, risk management and sustainable development.

Mr CAI Zhao

Aged 52

Non-executive Director

Board appointments: Mr CAI was appointed as Non-executive Director and member of the Strategy and Budget Committee of the Company and BOCHK in August 2025.

Positions and experience: Mr CAI is currently the Executive Vice President and Executive Director of BOC. Prior to joining BOC in 2023, Mr CAI worked in Agricultural Bank of China Limited ("ABC", a company listed in Shanghai and Hong Kong) for many years. He served as Chief Information Officer of ABC from June 2023 to July 2023, General Manager of Technology and Product Management Bureau of the Head Office of ABC from December 2019 to July 2023, General Manager of the Research & Development Centre of the Head Office of ABC from October 2018 to March 2020, and General Manager of the Software Research and Development Centre of the Head Office of ABC from September 2015 to October 2018. Prior to that, he served as Deputy General Manager of the Software Research and Development Centre of the Head Office of ABC.

Qualifications: Mr CAI possessed a Bachelor's degree in Economics from Shaanxi Institute of Finance and Economics (now Xi'an Jiaotong University), and a Master's degree in Engineering from Sichuan University. Mr CAI also obtained the qualification of China Senior Engineer.

Skills and expertise: Mr CAI has extensive experience in the banking and financial services industry with substantial knowledge in business management and strategy, information technology and product management.

Mdm CHENG Eva

Aged 65

Independent Non-executive Director

Board appointments: Mdm CHENG was appointed as Independent Non-executive Director of the Company and BOCHK in October 2014. She is Chairlady of the Sustainability Committee and a member of each of the Audit Committee as well as the Strategy and Budget Committee.

Positions and experience: Mdm CHENG was former Secretary for Transport and Housing of the Government of the HKSAR. She joined the government's Administrative Service in August 1983 and was posted to various bureaus and departments, including serving as Permanent Secretary for Economic Development and Labour (Economic Development) and Commissioner for Tourism. She retired from the Government of the HKSAR on 30 June 2012.

Qualifications: Mdm CHENG holds a Bachelor's Degree in Social Sciences from The University of Hong Kong.

Skills and expertise: Mdm CHENG has broad knowledge in business strategy, corporate governance, sustainable development as well as environmental, social and governance.

Dr CHOI Koon Shum

Aged 68

Independent Non-executive Director

Board appointments: Dr CHOI was appointed as Independent Non-executive Director of the Company and BOCHK in June 2016. He is Chairman of the Nomination and Remuneration Committee and a member of each of the Strategy and Budget Committee as well as the Sustainability Committee.

Positions and experience: Dr CHOI is Chairman of Sunwah Group, Sunwah International Limited (delisted in Toronto and privatised on 14 June 2021), Sunwah Kingsway Capital Holdings Limited (listed in Hong Kong) and Vietnam VinaCapital. He is also Independent Non-executive Director of Hui Xian Asset Management Limited, the Manager of Hui Xian Real Estate Investment Trust (listed in Hong Kong). Dr CHOI has extensive experience in food industry, real estate development, international trade as well as technology and finance related business.

Dr CHOI is a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He was awarded the Grand Bauhinia Medal, the highest honor in the HKSAR Award and Recognition System. He also holds a number of public positions including Chairman of the Chinese General Chamber of Commerce in Hong Kong, Chairman (Hong Kong) of Mainland China-Hong Kong Belt and Road Business and Professional Services Council, Co-Chair of the Belt & Road Industrial and Commercial Alliance (BRICA), Chairman of Guangdong-HK-Macao Bay Area Entrepreneurs Alliance, Chairman of the Hong Kong Chamber of Commerce (Qianhai), Economic Advisor to the President of the Chinese Academy of Sciences, Founding Patron and Senior Advisor to the President of the Academy of Sciences of Hong Kong, Vice-Chairman of the China Overseas Friendship Association, Council Member of the Hong Kong Trade Development Council, Founding Chairman of the Hong Kong-Vietnam Chamber of Commerce, Founding Chairman of the Hong Kong-Korea Business Council, Chairman of the China Hong Kong Israel Technology Cooperation and Promotion Center, Chairman of the US-China Center for Research on Educational Excellence of the Michigan State University and Chairman of Foundation of Tsinghua University Center for Advanced Study. Dr CHOI is a Court or Council Member of a number of universities including the Fudan University, the Nanjing University and the Hong Kong Polytechnic University.

Qualifications: Dr CHOI was conferred Honorary Doctor of Humanities by the Michigan State University in the United States in 2005. He became University Fellow of the Hong Kong Polytechnic University in 2007. He was also conferred Honorary Professor by the University of Glamorgan in the United Kingdom in 2009, Honorary Doctor of Social Sciences by the Lingnan University in Hong Kong in 2011, Honorary Doctor by the Vietnam National University, Hanoi in 2013, Honorary Doctor of Business Administration by the De Montfort University in the United Kingdom in 2014, Honorary Doctor of Law by the University of Alberta in Canada in 2015 and Honorary Doctor of Business Administration by the Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) in 2020 and Honorary Doctor of International Business Management by Cambodia National University of Management in 2022.

Skills and expertise: Dr CHOI has substantial exposure in business management and strategy, corporate governance, human resource management and sustainable development.

Mdm FUNG Yuen Mei Anita

Aged 65

Independent Non-executive Director

Board appointments: Mdm FUNG was appointed as Independent Non-executive Director of the Company and BOCHK in March 2022. She is Chairlady of the Risk Committee and a member of each of the Audit Committee, the Nomination and Remuneration Committee, the Strategy and Budget Committee as well as the Sustainability Committee.

Positions and experience: Mdm FUNG previously served as Group General Manager of HSBC Holdings plc from May 2008 to February 2015, Chief Executive Officer of Hong Kong region of The Hongkong and Shanghai Banking Corporation Limited ("HSBC") from September 2011 to February 2015. Mdm FUNG served consecutively as treasurer and head of global markets for Asia Pacific, head of global banking and markets for Asia Pacific of HSBC. Mdm FUNG is currently Independent Non-executive Director of Hang Lung Properties Limited (listed in Hong Kong), a court member of The Hong Kong University of Science and Technology, Steward of The Hong Kong Jockey Club, Member of Hospital Authority and member of the Advisory Committee on Complaints against Judicial Conduct. Mdm FUNG held directorships in several listed companies in the past, including Independent Non-executive Director of China Construction Bank Corporation as well as Hong Kong Exchanges and Clearing Limited, Non-executive Director of Bank of Communications Co., Ltd and Hang Seng Bank Limited (all companies are listed in Hong Kong). She also previously held a number of public positions including Independent Non-executive Member of the Board of Airport Authority Hong Kong, Non-official Member of Hong Kong Housing Authority, Member of the Board of West Kowloon Cultural District Authority, Non-executive Director of The Hong Kong Mortgage Corporation Limited, a member of the Judicial Officers Recommendation Commission and Director of M Plus Museum Limited.

Qualifications: Mdm FUNG obtained her Bachelor's degree in Social Science from The University of Hong Kong in 1983 and Master's degree in Applied Finance from Macquarie University, Australia in 1995.

Skills and expertise: Mdm FUNG has extensive experience in the banking and financial services industry with substantial knowledge in business management and strategy, capital market, corporate governance, risk management and sustainable development.

Mr LAW Yee Kwan Quinn

Aged 73

Independent Non-executive Director

Board appointments: Mr LAW was appointed as Independent Non-executive Director of the Company and BOCHK in March 2019. He is a member of each of the Audit Committee, the Risk Committee and the Sustainability Committee.

Positions and experience: Mr LAW currently serves as an honorary court member of The Hong Kong University of Science and Technology ("HKUST"), a governing board member of HKUST (Guangzhou), and an advisor of Hong Kong Business Accountants Association. He previously served as a council member and then court member of the HKUST, and also as member of a number of committees of Hong Kong Institute of Certified Public Accountants ("HKICPA"), including Corporate Governance Committee, Professional Accountants in Business Committee, Professional Conduct Committee and Ethics Committee. He held directorships in several listed companies both in Hong Kong and overseas in the past. He was formerly Deputy Chairman and Managing Director of Urban Renewal Authority, Director of The Wharf (Holdings) Limited, Independent Non-executive Director and later external Supervisor of Bank of Tianjin Co., Ltd and Independent Non-executive Director of HKBN Limited. Mr LAW is currently Independent Non-executive Director of ENN Energy Holdings Limited (listed in Hong Kong).

Qualifications: Mr LAW is a certified public accountant and also a fellow member of HKICPA, a fellow member of The Association of Chartered Certified Accountants and an associate member of The Chartered Governance Institute. He is an honorary fellow of HKUST.

Skills and expertise: Mr LAW has extensive experience in accounting and finance, banking, business strategy, corporate governance, risk management and sustainable development.

Prof LEE Sunny Wai Kwong

Aged 66

Independent Non-executive Director

Board appointments: Prof LEE was appointed as Independent Non-executive Director of the Company and BOCHK in September 2022. He is a member of each of the Audit Committee, the Nomination and Remuneration Committee, the Risk Committee, the Strategy and Budget Committee as well as the Sustainability Committee.

Positions and experience: Prof LEE has more than 40 years of experience in business and technology management gained in both Hong Kong and overseas. Prof LEE is Adjunct Professor and the former Vice President (Administration) of City University of Hong Kong. He was Vice President and Systems Director of the Bank of America in Hong Kong. He has held key Information Technology ("IT") positions in the financial, management consulting and manufacturing industries in the United States. Prof LEE was an Executive Director of IT of The Hong Kong Jockey Club, where he served as member of board of management and had overall responsibility for The Hong Kong Jockey Club's IT strategy and innovation. Prior to joining The Hong Kong Jockey Club, he served at The Hong Kong and China Gas Company Limited where he was an executive committee member and held a number of key positions, including the Group's Chief Information Officer and Chief Executive Officer of two strategic diversification businesses, iCare.com Limited and Towngas Telecommunications Company Limited.

Prof LEE is currently an Independent Non-executive Director of MTR Corporation Limited, China Telecom Corporation Limited and SUNeVision Holdings Ltd. (all three companies are listed in Hong Kong). He also serves in many governing and advisory committees in academic, professional and community arena. He is the Board Chairman of Hong Kong Applied Science and Technology Research Institute Company Limited, the Deputy Chairman of Hong Kong Quality Assurance Agency, an Ex-officio Member of Committee on Innovation, Technology and Industry Development of the HKSAR and a Council Member of each of Hong Kong Management Association and Hong Kong Professionals and Senior Executives Association. Prof LEE is a Distinguished Fellow of Hong Kong Computer Society, a Chartered IT Professional of The British Computer Society, a Fellow of The Hong Kong Institution of Engineers, a Chartered Engineer of United Kingdom Engineering Council and a Fellow of Hong Kong Institute of Directors.

Prof LEE was appointed as Committee Member of 14th Beijing Municipal Committee of the Chinese People's Political Consultative Conference in 2023.

Qualifications: Prof LEE obtained his Bachelor's degree in 1982 and a Master's degree in Operations Research & Industrial Engineering in 1983, both from Cornell University in the United States. Prof LEE was appointed Professor of Practice by The Hong Kong Management Association in 2025.

Skills and expertise: Prof LEE has extensive experience in business management and strategy, corporate governance, information technology management and sustainable development.

Mr LIAO Cheung Kong Martin

Aged 68

Independent Non-executive Director

Board appointments: Mr LIAO was appointed as Independent Non-executive Director of the Company and BOCHK in March 2026. He is a member of each of the Nomination and Remuneration Committee, the Risk Committee as well as the Sustainability Committee.

Positions and experience: Mr LIAO is currently a Non-Official Member of the Executive Council of the HKSAR, the Chairman of The Hong Kong Jockey Club, an Independent Non-executive Director of Hang Lung Group Limited (listed in Hong Kong). He is a member of the Standing Committee of the 14th National Committee of the Chinese People's Political Consultative Conference. Mr LIAO was awarded the Silver Bauhinia Star in 2014, the Gold Bauhinia Star in 2019 and the Grand Bauhinia Medal in 2024.

Mr LIAO was called to the Bar in England and Wales in 1984, to the Bar in Hong Kong in 1985, admitted an Advocate and Solicitor of Singapore in 1992. He was a practising barrister from 1985 to 2025. He was the Independent Non-executive Director of BOC, a member of the Legislative Council of HKSAR, Chairman of the Anti-Money Laundering and Counter Terrorist Financing Review Tribunal, Chairman of The Hong Kong Council for Accreditation of Academic and Vocational Qualifications, Chairman of the Advisory Committee on Corruption of the Independent Commission Against Corruption and a member of the Banking Review Tribunal and the Capital Adequacy Review Tribunal. He was elected as Deputy of the HKSAR to the 11th, 12th and 13th National People's Congress of the People's Republic of China.

Qualifications: Mr LIAO graduated from University College London with a Bachelor of Economic Science (Hons) Degree in 1982 and a Master of Laws Degree in 1985.

Skills and expertise: Mr LIAO has an extensive experience in law and compliance, public policies and community, corporate governance and sustainable development.

Mr LIP Sai Wo

Aged 66

Independent Non-executive Director

Board appointments: Mr LIP was appointed as Independent Non-executive Director of the Company and BOCHK in June 2023. He is Chairman of the Audit Committee and a member of each of the Risk Committee, the Strategy and Budget Committee as well as the Sustainability Committee.

Positions and experience: Mr LIP is a Non-executive Director of the Hong Kong Accounting and Financial Reporting Council. Mr LIP had previously worked with Deloitte for about 40 years and has extensive experience in accounting and auditing. Prior to retirement as partner of Deloitte China in May 2022, Mr LIP had served as audit managing partner, reputation and risk managing partner and chief quality and ethics officer as well as member of management committee of Deloitte China.

Qualifications: Mr LIP was graduated from The Chinese University of Hong Kong in 1983 and holds a Bachelor's degree in Business Administration. He is a fellow member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants.

Skills and expertise: Mr LIP has extensive experience in accounting and finance, business strategy, corporate governance, risk management and sustainable development.

Prof MA Si Hang Frederick

Aged 74

Independent Non-executive Director

Board appointments: Prof MA was appointed as Independent Non-executive Director of the Company and BOCHK in October 2023. He is a member of each of the Nomination and Remuneration Committee, the Strategy and Budget Committee as well as the Sustainability Committee.

Positions and experience: Prof MA is currently the chairman of the Hong Kong Trade Development Council. He is also the chairman and independent non-executive director of FWD Group Holdings Limited (listed in Hong Kong), an independent non-executive director of COSCO Shipping Holdings Co., Ltd. (listed in Hong Kong) and a non-executive director of Unicorn II Holdings Limited (a company privatised and delisted in New York in January 2022), a member of the Chief Executive's Council of Advisers, and a member of the International Advisory Council of China Investment Corporation. Prof MA held directorships in several listed companies in the past, including independent non-executive director of Guangshen Railway Company Limited (listed in Shanghai and Hong Kong), independent non-executive director of Husky Energy Inc. (listed in Toronto), independent non-executive director of the Agricultural Bank of China Limited (listed in Shanghai and Hong Kong), chairman and non-executive director of MTR Corporation Limited (listed in Hong Kong), an independent non-executive director of China Resources Land Limited (listed in Hong Kong) and an independent non-executive director of HH&L Acquisition Co. (listed in New York). Prof MA previously served as the managing director of UK branch of RBC Dominion Securities Inc., the deputy chairman and managing director of Kumagai Gumi Co. Ltd, the managing director and Asia-Pacific Area Director of Global Private Bank of Chase Manhattan Bank, the Asia-Pacific Chief Executive of JP Morgan Private Bank, the Chief Financial Officer and Executive Director of PCCW Limited, the Secretary for Financial Services and the Treasury of the Government of the HKSAR, the Secretary for Commerce and Economic Development of the Government of the HKSAR.

Qualifications: Prof MA graduated with a Bachelor of Arts (Honours) degree from The University of Hong Kong majoring in economics and history. He is a Permanent Honourable President of Hong Kong Special Schools Council since 2011. He is also an Honorary Professor of the Business School at The University of Hong Kong, the Faculty of Business Administration at The Chinese University of Hong Kong and The Education University of Hong Kong. He was conferred the Honorary Doctor of Social Sciences by Lingnan University, City University and Education University of Hong Kong in 2014, 2016 and 2024 respectively. He was the Council Chairman of The Education University of Hong Kong from 2017 to 2020.

Skills and expertise: Prof MA has extensive experience in business management and strategy, corporate governance, human resource management and sustainable development.

SENIOR MANAGEMENT

Mr XU Haifeng

Aged 54

Deputy Chief Executive and Chief Risk Officer

Mr XU joined the Group in 2022. He is Deputy Chief Executive and Chief Risk Officer of the Group, and also Non-executive Director of BOC Life. He also serves as Vice Chairman of Hong Kong Green Finance Association. Prior to joining the Group, Mr XU was Chairman of Bank of China (Europe) S.A. and General Manager of BOC Luxembourg Branch. Mr XU joined BOC in 1993, then held management positions in various institutions including Head Office, Liaoning Branch, New York Branch as Deputy General Manager, Hungary Branch as General Manager, etc. Mr XU has a Bachelor's Degree in International Finance from Dongbei University of Finance and Economics, and a Master's Degree in Business Administration from The Chinese University of Hong Kong.

Mr XING Guiwei

Aged 53

Deputy Chief Executive

Mr XING joined the Group in 2022. He is Deputy Chief Executive of the Group and also Director of Hong Kong Interbank Clearing Limited. Prior to joining the Group, Mr XING was Chairman of BOC Financial Technology Company Limited and Head of BOC Financial Technology Innovation Office. Mr XING joined BOC in 2000, then held various positions including Chief Architect and General Manager of Information Technology Department. Mr XING was Deputy Chairman of the Beijing Fintech Industry Alliance, Chairman of the Technical Standards Committee of the Payment & Clearing Association of China, Vice Chairman of Technology Management Committee of NetsUnion, and technology committee member of UnionPay and various other organisations. As a veteran in IT planning and strategy, Mr XING has solid IT and architecture management expertise, as well as extensive practical experience. Mr XING has a Bachelor's Degree in Information Science and a Doctor's Degree in Applied Mathematics from Peking University.

Mr WANG Huabin

Aged 52

Deputy Chief Executive

Mr WANG joined the Group in 2024. He is Deputy Chief Executive of the Group. He is also Chairman of BOCI-Prudential Trustee Limited and BOC Group Trustee Company Limited, as well as Director of Bank of China Group Insurance Company Limited. Prior to joining the Group, Mr WANG was General Manager of Financial Institutions Department of BOC. He joined BOC in 2000 and had served as Head (International Settlement & Trade Finances) in Corporate Banking Department of BOC, Deputy General Manager and Corporate Banking Director of BOC London Branch and General Manager of BOCHK Phnom Penh Branch. Mr WANG is well versed in international financial markets, with extensive experience in corporate and institutional banking business. Mr WANG has a Bachelor's Degree in Economics from Nankai University, a Master's Degree in Finance from University of International Business and Economics and a Master's Degree in Business Administration from Bayes Business School at City, University of London.

Mr CHAN Man

Aged 57

Deputy Chief Executive

Mr CHAN joined the Group in 1990. He is Deputy Chief Executive of the Group and also Chairman of BOC Credit Card (International) Limited and Director of BOC Life. He also serves as member of Human Resources Planning Commission of the HKSAR Government, member of Corruption Prevention Advisory Committee of the Independent Commission Against Corruption, member of the Financial Infrastructure and Market Development Sub-Committee of the Exchange Fund Advisory Committee, member of the Board of Inland Revenue, and board member of the Community Chest. From July 1990 to September 2001, Mr CHAN held various positions in Hua Chiao Commercial Bank Limited, formerly a member bank of Bank of China Group in Hong Kong. Following the restructuring of the business of Bank of China Group's member banks in Hong Kong, Mr CHAN has served various positions in the Group since October 2001, including Head of Product Development Division of Economics & Strategic Planning Department, Deputy General Manager of Corporate Banking & Financial Institutions Department, General Manager of Business Optimisation Center, General Manager of Institutional Business Department, General Manager of Personal Banking and Wealth Management Department, and was promoted to his current role in August 2022. Mr CHAN graduated in Business Studies (Banking) programme with Bachelor's Degree qualification from Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic).

Mdm LI Tong

Aged 55

Deputy Chief Executive

Mdm LI joined the Group in 2024. She is Deputy Chief Executive of the Group and also Chairman of BOCHK Asset Management Limited. Prior to joining the Group, Mdm LI served as CEO, Executive President and Executive Director of BOC International Holdings Limited. She joined BOC in 1993 and has worked in multiple branches both on the Chinese Mainland and overseas. Mdm LI possesses a wealth of experience in the realms of commercial banking, investment banking and global financial markets, complemented by an international vision. Mdm LI has a Bachelor's Degree in International Trade from Dongbei University of Finance and Economics, and a Master's Degree in Business Administration from Tsinghua University.

Report of the Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

Principal Activities

The principal activities of the Group are the provision of banking and related financial services. An analysis of the Group's performance for the year by business segments is set out in Note 45 to the Financial Statements.

Business Review

For business review of the Group for the year, please refer to "Message from the Chairman", "Message from the Chief Executive", "Management Discussion and Analysis", "Corporate Governance", our Sustainability Report and corporate website.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 132.

The Board has recommended a 2025 final dividend of HK$1.255 per share, amounting to approximately HK$13,269 million, subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 25 June 2026 (the "2026 AGM"). If approved, the final dividend will be paid on Friday, 17 July 2026 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 8 July 2026. Together with the first, second and third interim dividends of HK$0.290 per share each declared in April, August and October 2025 respectively, the total dividend payout for 2025 would be HK$2.125 per share.

Closure of Register of Members for Entitlement to Attend and Vote at Annual General Meeting

The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend and vote at the 2026 AGM, from Monday, 22 June 2026 to Thursday, 25 June 2026 (both days inclusive), during which period no transfer of shares will be registered. The record date is Thursday, 25 June 2026. In order to attend and vote at the 2026 AGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Thursday, 18 June 2026. The 2026 AGM will be held at 2:00 p.m. on Thursday, 25 June 2026.

Closure of Register of Members for Entitlement to Final Dividend

The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to the proposed final dividend, from Thursday, 2 July 2026 to Wednesday, 8 July 2026 (both days inclusive), during which period no transfer of shares will be registered. The record date is Wednesday, 8 July 2026. In order to qualify for the proposed final dividend, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited (same address as above), not later than 4:30 p.m. on Tuesday, 30 June 2026. Shares of the Company will be traded ex-dividend as from Monday, 29 June 2026.

Donations

Charitable donations made by the Group during the year amounted to approximately HK$67 million.

Note: These donations do not include the donations made by BOCHK Charitable Foundation ("the Foundation". For details, please refer to our Sustainability Report and corporate website). The Foundation is a separate legal entity established in Hong Kong and is a charitable institution exempted from tax under the Inland Revenue Ordinance.

Shares Issued

Details of the Company's issued share capital is set out in Note 39 to the Financial Statements.

At all time during the year, the Company complied with the requirements under Rule 13.32B of the Listing Rules. As at 31 December 2025 and based on publicly available information, the public float of the Company was approximately 34%, exceeding the minimum percentage threshold of 15% applicable to the Company, as a waiver has been granted by the Stock Exchange at the time of the Company's listing.

For the information on the composition of the ownership of the Company's ordinary share listed on the Stock Exchange, please refer to the section headed "Shareholding Structure and Shareholder Base" under "Investor Relations" for details.

Debentures Issued

During the year, BOCHK issued the following debentures to raise funds for supporting the daily operation of BOCHK's RMB business in Hong Kong and Southeast Asia.

Class	Amount issued	Consideration received
1.79% RMB Bond due 2028	RMB5,000,000,000	RMB5,000,000,000

Distributable Reserves

Distributable reserves of the Company as at 31 December 2025, calculated under Part 6 of the Hong Kong Companies Ordinance, amounted to approximately HK$22,636 million.

Five-year Financial Summary

A summary of the results, assets and liabilities of the Group for the last five years is set out on page 3.

Directors

The list of Directors of the Company is set out on page 52. The biographical details of the Directors and senior management are set out on pages 53 to 65. The term of office for each Non-executive Director is approximately three years.

Mr ZHANG Hui has been appointed as Vice Chairman and Non-executive Director with effect from 6 February 2025. Mr CAI Zhao has been appointed as Non-executive Director with effect from 4 August 2025. Mr LIAO Cheung Kong Martin has been appointed as Independent Non-executive Director with effect from 11 March 2026. Please refer to the Company's 2024 annual report and relevant announcements for details of other changes of directors of the Company during the year.

In accordance with Article 98 of the Articles of Association and pursuant to Code Provision B.2.2 of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules, the terms of office of Mr GE Haijiao, Mr SUN Yu, Mdm CHENG Eva and Prof LEE Sunny Wai Kwong will expire at the 2026 AGM. Mdm CHENG Eva has notified the Company that she has decided not to stand for re-election at the 2026 AGM. The other retiring Directors, Mr GE Haijiao, Mr SUN Yu and Prof LEE Sunny Wai Kwong, being eligible, will offer themselves for re-election at the 2026 AGM. Further, pursuant to Article 102 of the Articles of Association, any Director appointed by the Board shall hold office only until the next following general meeting or the next following annual general meeting, and shall then be eligible for re-election at such meeting. Accordingly, the terms of office of Mr CAI Zhao and Mr LIAO Cheung Kong Martin will expire at the 2026 AGM and, being eligible, will offer themselves for re-election.

A full list of the names of the directors of the Company's subsidiaries during the year ended 31 December 2025 is kept at the Company's registered office.

Directors' Service Contracts

No Director offering for re-election at the 2026 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than the normal statutory compensation.

Directors' Interests in Transactions, Arrangements or Contracts

No transactions, arrangements or contracts that are significant in relation to the Group's business to which the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

As at the date of this Annual Report, Mr GE Haijiao, Mr ZHANG Hui and Mr CAI Zhao are Executive Directors of BOC.

BOC is a joint stock commercial bank with limited liability, established under the laws of the PRC, providing a full range of commercial banking and other financial services through its associates throughout the world. Certain of the Group's operations overlap with and/or are complementary to those of BOC and its associates. To the extent that BOC or its associates compete with the Group, the Directors believe that the Group's interests are adequately protected by good corporate governance practices and the involvement of the Independent Non-executive Directors.

Further, the Board's Mandate also expressly provides that unless permissible under applicable laws or regulations, if a substantial shareholder or a Director has a conflict of interest in the matter to be considered by the Board, the matter shall not be dealt with by way of written resolutions, but a Board meeting attended by the Independent Non-executive Directors who have no material interest in the matter shall be held to deliberate on the same.

Save as disclosed above, none of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

Directors' Rights to Acquire Shares

At no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 31 December 2025, the interests and short positions of the Directors, Chief Executive and their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the "Model Code") are set out below:

Associated corporation of the Company:

Bank of China Limited (H Shares)

Name of Director	Number of shares/underlying shares held				Approximate % of the total issued H shares
	Personal interests	Family interests	Corporate interests	Total	
SUN Yu	10,000	–	–	10,000	0.00%[1]
CHOI Koon Shum	4,000,000	40,000[2]	1,120,000[3]	5,160,000	0.01%
FUNG Yuen Mei Anita	550,000	–	–	550,000	0.00%[4]
LIP Sai Wo	201,000	–	–	201,000	0.00%[5]

Notes:
1. Such shares held by Mr SUN Yu represent approximately 0.00001% of the total issued H shares of BOC.
2. Such shares are held by the spouse of Dr CHOI Koon Shum.
3. Dr CHOI Koon Shum is deemed to be interested in the 1,120,000 shares held through Choi Koon Shum Charitable Foundation Limited by virtue of the SFO.
4. Such shares held by Mdm FUNG Yuen Mei Anita represent approximately 0.0007% of the total issued H shares of BOC.
5. Such shares held by Mr LIP Sai Wo represent approximately 0.0002% of the total issued H shares of BOC.

All the interests stated above represented long positions. Save as disclosed above, as at 31 December 2025, none of the Directors, Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interest of Substantial Shareholders

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 31 December 2025, the following parties had the following interests (as defined in the SFO) in the Company set opposite their respective names:

Name of Corporation	Number of shares held in the Company	Approximate % of the total issued shares
Central Huijin	6,984,274,213	66.06%
BOC	6,984,274,213	66.06%
BOCHKG	6,984,175,056	66.06%
BOC (BVI)	6,984,175,056	66.06%

Notes:

1. Following the reorganisation of BOC in August 2004, Central Huijin holds the controlling equity capital of BOC on behalf of the State. Accordingly, for the purpose of the SFO, Central Huijin is deemed to have the same interests in the Company as BOC.
2. BOC holds the entire issued shares of BOCHKG, which in turn holds the entire issued shares of BOC (BVI). Accordingly, BOC and BOCHKG are deemed to have the same interests in the Company as BOC (BVI) for the purpose of the SFO. BOC (BVI) beneficially held 6,984,175,056 shares of the Company.
3. BOC holds the entire issued shares of BOCI, which in turn holds the entire issued shares of BOCI Asia Limited and BOCI Financial Products Limited. Accordingly, BOC is deemed to have the same interests in the Company as BOCI Asia Limited and BOCI Financial Products Limited for the purpose of the SFO. BOCI Asia Limited had an interest in 24,479 shares of the Company and an interest in 72,000 shares held under physically settled equity derivatives while BOCI Financial Products Limited had an interest in 2,678 shares of the Company.

All the interests stated above represented long positions. Apart from the disclosure above, according to the register maintained by the Company pursuant to section 336 of the SFO, BOCI Financial Products Limited had an interest in 143,522 shares which represented short positions. BOC and Central Huijin are deemed to be interested in such number of shares for the purpose of the SFO. Save as disclosed, no other interests or short positions were recorded in the register maintained by the Company under section 336 of the SFO as at 31 December 2025.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Equity-linked Agreements

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Permitted Indemnity Provision

Pursuant to the Articles of Association, every Director shall be indemnified out of funds of the Company against all liabilities incurred by him/her to the extent permitted by the Hong Kong Companies Ordinance. The Company has maintained insurance for the benefit of the Directors against liability which may lawfully be insured by the Company.

Purchase, Sale or Redemption of the Company's Shares

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Major Customers

During the year, the five largest customers of the Group accounted for less than 30% of the total of interest income and other operating income of the Group.

Connected Transactions

The Independent Non-executive Directors have reviewed the transactions which the Company disclosed in a public announcement on 30 December 2022 and confirmed that these transactions were:

(i) entered into in the ordinary and usual course of business of the Group;
(ii) conducted on normal commercial terms or better; and
(iii) entered into according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with paragraphs 14A.56 and 14A.71(6)(b) of the Listing Rules, the Board of Directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the above continuing connected transactions.

Compliance with the Banking (Disclosure) Rules and the Listing Rules

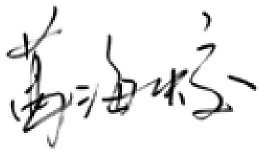
This Annual Report complies with the applicable requirements set out in the Banking (Disclosure) Rules under the Banking Ordinance and the applicable disclosure provisions of the Listing Rules.

Auditor

The financial statements for the year 2025 have been audited by Messrs Ernst & Young who will retire and offer themselves for re-appointment at the 2026 AGM.

Messrs Ernst & Young has been appointed as auditor of the Company at the extraordinary general meeting of the Company held on 24 September 2024 to succeed Messrs PricewaterhouseCoopers.

On behalf of the Board



GE Haijiao
Chairman
Hong Kong, 30 March 2026

Corporate Governance

Principles and Practices

The Company is committed to maintaining and upholding high standards of corporate governance in order to safeguard the interests of shareholders, customers and employees. It abides strictly by the relevant laws and regulations in Hong Kong and other jurisdictions where the Group operated, and observes the rules and guidelines issued by regulatory authorities including the HKMA, Hong Kong Securities and Futures Commission and the Stock Exchange of Hong Kong. The Company from time to time reviews the corporate governance practices as adopted and strives to comply with the relevant requirements of international and local corporate governance best practices.

The Company has been in full compliance with all code provisions as set out in the Corporate Governance Code contained in Appendix C1 of the Listing Rules. The Company also complies with nearly all the recommended best practices set out in the said code. In particular, the Company publishes quarterly financial and business reviews within one month after the end of the relevant quarter so that shareholders and investors can be kept up to date of the performance, financial positions and prospects of the Company on a timely basis. The Company also conducts annual evaluation on the Board, and based on the evaluation feedback, to enhance Board efficiency and effectiveness.

BOCHK, the Company's wholly-owned and principal operating subsidiary, has followed the guidelines as set out in the Supervisory Policy Manual module CG-1 entitled Corporate Governance of Locally Incorporated Authorised Institutions issued by the HKMA.

To further enhance corporate governance standard, the Company will revamp its corporate governance system and strengthen relevant measures by referencing to market trend as well as guidelines and requirements issued by regulatory authorities. The Company will continue to maintain sound corporate governance standards and procedures to ensure the completeness, transparency and quality of our information disclosure.

Corporate Governance Policy

Policy Statement

The Company recognises the importance of high standards of corporate governance and maintains an effective corporate governance framework which delivers long-term success of the Group. The Company is also strongly committed to embracing and enhancing sound corporate governance principles and practices, and shall strictly comply with all applicable laws and regulations as well as regulatory rules and guidelines on corporate governance standards and procedures that may require by regulatory authorities from time to time. The established well-structured corporate governance framework directs and regulates the business ethical conduct of the Company, thereby protects and upholds the interests of shareholders and stakeholders as a whole in a sustainable manner.

Essential Principles

(1) Eminent Board

Authority	The Board is responsible for supervising the management of the business and affairs of the Group with due regard to maximising shareholder value and enhancing corporate governance standard of the Group. The Board is obliged to act honestly and in good faith and to make decisions objectively in the best interests of the Group and its shareholders as a whole.
Structure	The Company is led by a high caliber Board with strong representation of Independent Non-executive Directors. The Board has a well-balanced composition of the Executive Director(s), Non-executive Directors and Independent Non-executive Directors. Both the number and percentage of Independent Non-executive Directors are well above the requirements set by relevant rules and regulations. All Directors are eminent individuals from diverse disciplines with extensive professional experience and are able to make objective judgement.
Roles of the Chairman and the Chief Executive	In order to promote balance of power, the roles of the Chairman and the Chief Executive are segregated. The Company benefits from the segregation as the Chairman can focus on leading the Board and monitoring corporate governance and shareholder issues, while the Chief Executive leads the Management to perform the day-to-day operations and affairs of the Company.
Board Committees	The Board has established five standing Board Committees which are delegated with different responsibilities to assist the Board in performing its duties. They are Audit Committee, Nomination and Remuneration Committee, Risk Committee, Strategy and Budget Committee as well as Sustainability Committee. All Board Committees comprised a majority of Independent Non-executive Directors with most of them chaired by an Independent Non-executive Director. Each of the Board Committees has a well-defined mandate with the roles and responsibilities delineated therein. The performance and effectiveness of these standing Board Committees are evaluated annually with a view to making further enhancement. Other Board Committees like Independent Board Committee and Search Committee will be formed as and when required under the appropriate circumstances.

(2) Prudent Risk Management

The Board recognises the need for risk control and management being a vital component of the business of the Group. The Board formulates and oversees the risk management strategies, and the related framework and policies with the assistance of the Risk Committee and other relevant Board Committee(s). The Management performs the daily risk management responsibilities of the Group under the guidance of the Risk Committee.

(3) Fair Remuneration System

The Company ensures that Directors' remuneration should be appropriate and reflect their duty and responsibility to fulfil the expectations of the shareholders and meet regulatory requirements. Directors' fees are subject to the approval of the shareholders. The Board, based on the recommendations of the Nomination and Remuneration Committee which is mainly responsible for ensuring the fairness and reasonableness of the overall human resources and remuneration strategies, approves the remuneration policies of the Group. No Director shall be involved in deciding his or her own remuneration.

(4) Effective Disclosure Mechanism

The Board reviews and monitors from time to time the effectiveness of the Group's disclosure process for reports, announcements and inside information. It encourages and takes necessary steps to disclose information in a timely manner and to ensure the information concerning the Group is expressed and communicated in a clear and objective manner that enables the shareholders and the public to appraise the position of the Group to make informed investment decisions.

(5) Upholding Shareholders' Rights

The Board respects the rights of shareholders as mandated by the articles of association of the Company (the "Articles of Association") and relevant applicable laws and regulatory requirements. The Board places utmost importance on maintaining effective communications with shareholders and also makes its best efforts to keep the shareholders informed of the business and affairs of the Company by maintaining various channels of communications and having direct dialogue with shareholders.

In addition, the shareholders also have the rights to obtain all publicly available information of the Company, propose a resolution at annual general meetings, nominate a person for election as a director, and make enquiries about the Company.

(6) Safeguarding Stakeholders' Interests

The Board has a fiduciary duty to protect and serve, with due care and consideration of, the interest of all stakeholders of the Company including but not limited to employees, customers, business partners, suppliers, regulators and the community. All the interests of stakeholders of the Company are further safeguarded by strictly complying with applicable laws and regulations as well as governance policies.

(7) Promoting Sustainability

The Company attaches great importance to sustainability. The Board is committed to undertaking corporate social responsibility and promoting the sustainable development of the economy, society and environment through strengthening relationship with its stakeholders. The Company consistently supports and participates in various activities that are conducive to sustainability, with a view to benefitting the current and next generations.

(8) Pursuit of "Good to Great"

The Board encourages the pursuit of "Good to Great". With the assistance of the Nomination and Remuneration Committee, the Board ensures that each Board Committee shall conduct regular self-assessment of its effectiveness, and based on the evaluation results, the Board gives such feedback, directions and guidance as may be necessary to enhance its efficiency and effectiveness.

Policy Goal

The Board and the senior management of the Company are responsible for adhering to the corporate governance principles and executing this policy. The Company seeks to manage its business in accordance with the well-defined corporate governance principles which provide a solid governance framework for excellent performance and sustainable growth.

Corporate Culture

The Board provides strategic guidance for the Group, reviews, approves and monitors the Group's mid and long-term strategy. In the 2021-2025 strategic development plan approved by the Board, deepening corporate culture is determined to be one of the four development supports.

The Board attaches a high degree of importance to the continuous deepening for the building of corporate culture and to strengthen the transmission of values. Senior management, led by example, demonstrates the Group's commitment and determination to promote proper bank culture and values. The Sustainability Committee under the Board is a specialised committee for corporate culture construction, with one of its responsibilities to supervise the Group's development of a good and sustainable corporate culture, and to continuously monitor the implementation of the corporate culture. The Sustainability Committee is responsible for approving or recommending for the approval of the Board on relevant policies related to corporate culture of the Group, including the Group's professional standards, in order to promote ethical and responsible professional behaviour; the Group's commercial principles and standards to be adopted in its business activities, in order to establish culture and behavioural standards that promote prudent risk-taking and fair treatment of customers; the Group's staff code of conduct and appropriate training, in order to ensure our staff can maintain good personal integrity and conduct, and comply with the Group's culture and behavioural standards. The Group evaluates the effectiveness of corporate culture building with a Culture Dashboard, and reports the result to the Sustainability Committee annually. The Group has launched multi-level and multi-angle corporate culture trainings and promotional activities to strengthen the promotion of corporate culture and values, deepen employees' understanding and build consensus across the Group. The Group has improved the incentive and restraint mechanism, staff job performance is assessed with the consideration of their practice of corporate culture, guided the establishment of a correct view of performance and avoided short term behaviour and hidden risks. The Group has established a customer feedback mechanism, and obtained feedback from employee surveys, focused group discussions, individual interviews, etc., so as to obtain the views of customers and staff on the continuous development on corporate culture.

Anti-corruption and whistleblowing

The Company promotes a strong corporate culture of integrity and high ethical standard, and strongly values the ethical conduct and integrity of the employees and any third parties engaged by the Group. A zero-tolerance approach is taken towards bribery and corruption for all levels of employees. The Company has established the Anti-Bribery and Corruption Policy, which strives to uphold all relevant anti-bribery and corruption laws in Hong Kong and all jurisdictions where it operates, and implement a robust anti-bribery and corruption control framework to provide guidance to, and strengthen the standards of conduct of its employees. The overall anti-bribery and corruption framework is jointly supervised by the Board, its designated committee and the senior management. The Company conducts regular anti-bribery and corruption institutional risk assessment to evaluate the effectiveness of the framework to ensure the framework is properly and adequately managed and implemented.

The Company has also established the BOCHK Whistleblowing Policy and the BOCHK Whistleblowing Administrative Measures to ensure that employees and the external parties who deal with the Group (e.g. customers and suppliers) can make whistleblowing reporting through proper channels under confidence when any violation of legal and regulatory requirements or improprieties occurred or may occur which relate to the businesses or other matters of the Group, and such reports are handled and followed up appropriately. The Company regularly reviews the whistleblowing mechanism and related policies and administrative measures to ensure their effectiveness.

Corporate Governance Framework

Responsibilities of the Board and the Management

The Board is at the core of the Company's corporate governance framework and there is a clear division of responsibilities between the Board and the Management. The Board is responsible for providing high-level guidance and effective oversight of the Management. It operates under the well-defined Board's Mandate which sets out matters specifically reserved for its deliberation. Generally, the Board is responsible for:

- formulating the Group's mid and long-term strategies and monitoring the implementation thereof;
- reviewing and approving the annual business plans and financial budgets;
- approving the annual results, interim results and quarterly financial and business reviews;
- reviewing and monitoring the Group's risk management and internal control;
- ensuring good corporate governance of the Group and effective compliance; and
- monitoring the performance of the Management.

Five physical Board meetings were held during the year. Major agenda items reviewed and approved included important matters such as the Group's strategies, business plans, financial budget, financial results, sustainability report, risk management and internal controls, continuing connected transactions as well as annual review of relevant policies. Besides physical meetings, the Board also approved written resolutions on certain matters, including changes of directors and senior management as well as proposed acquisition and disposal of subsidiaries. Supporting explanatory materials accompanying the written resolutions were sent to Directors to facilitate their understanding of the matters and assist them to make informed decisions.

During the year, the Board reviewed and approved amendments made to certain corporate governance related policies and procedures so as to align with the latest changes in regulatory requirements. The Board also reviewed the Company's compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report contained in the 2024 Annual Report.

The Company has established relevant mechanisms to ensure independent views and input are available to the Board and conducted review of such mechanisms on an annual basis. The Company has adopted the Working Rules of the Board which states that Directors are entitled to seek, at the Group's expense, independent professional advice reasonably necessary for discharging their duties as Directors.

The Board authorises the Management to implement the strategies as approved by the Board. The Management is responsible for the day-to-day operations of the Group and reports to the Board. For this purpose, the Board has formulated clear written guidelines which stipulate the circumstances where the Management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will conduct regular review on these authorisation and guidelines.

Roles of the Chairman and the Chief Executive

To avoid concentration of power in any single individual, the positions of the Chairman and the Chief Executive of the Company are held by two different individuals. Their roles are distinct, clearly established and stipulated in the Board's Mandate.

The Chairman of the Board of the Company is responsible for ensuring that the Board properly discharges its responsibilities and conforms to good corporate governance practices and procedures. In addition, the Chairman is also responsible for ensuring that all Directors are properly briefed on all issues currently on hand, and that all Directors receive adequate, accurate and reliable information in a timely manner.

The Chief Executive of the Company is responsible for providing leadership for the whole management and implementing important policies and development strategies as adopted by the Board. Led by the Chief Executive, the Management Committee fulfils responsibilities including management of the Group's routine operation, implementation of business development strategies and realisation of the Group's long-term targets and strategies.

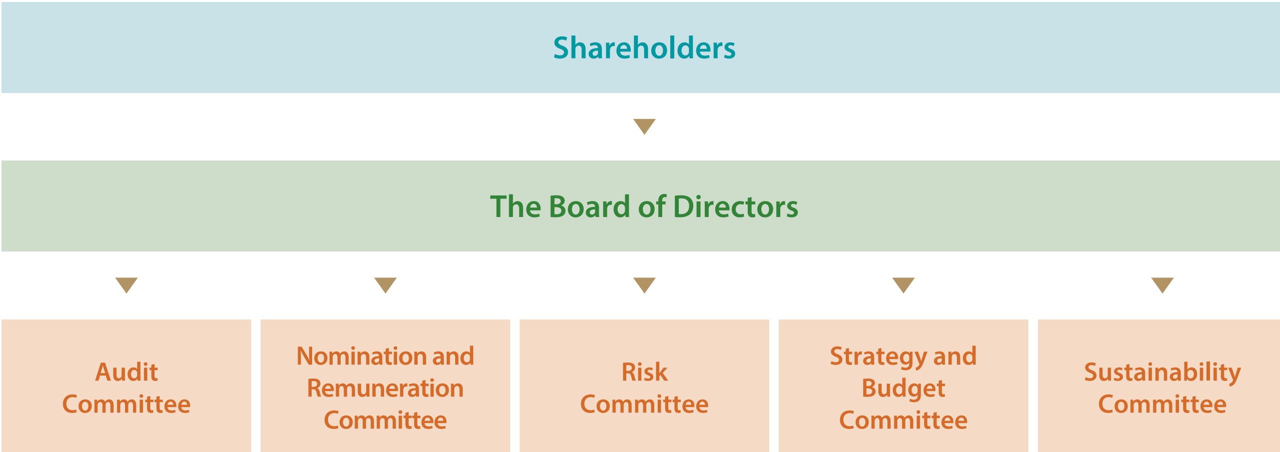
The Chairman, the Chief Executive and other Directors do not have any financial, business, family, material or other relevant relationships with each other.

Board Committees

Taking into consideration the latest regulatory requirements, guidelines as well as market practices and international best practices, the Board has established five standing Board Committees to assist in performing its responsibilities, namely the Audit Committee, the Nomination and Remuneration Committee, the Risk Committee, the Strategy and Budget Committee as well as the Sustainability Committee. In addition, the Board will authorise an Independent Board Committee comprising all the Independent Non-executive Directors as and when required to review connected transactions (including continuing connected transactions) and make recommendations in accordance with relevant rules and regulations.

Each of the Board Committees has a well-defined Mandate and makes recommendations to the Board on relevant matters within its scope of responsibilities or makes decisions under appropriate circumstances in accordance with the power delegated by the Board. All Board Committees are assigned a professional secretarial department which ensures that the Board Committees have adequate resources to perform their duties effectively and properly. All Board Committees adopt the same governance process as the Board as far as possible and report regularly to the Board on their decisions and their recommendations. The Board and Board Committees will participate in the annual performance appraisal of those professional secretarial departments to warrant and enhance the services provided and ensure that adequate and efficient supports are provided to the Board and Board Committees. In addition, according to their respective Mandates, the Board and each of the Board Committees will evaluate and review their work process and effectiveness annually, with a view to identifying areas for further improvements.

The following chart sets out the Company's corporate governance framework:



Details including the Company's corporate governance principles and framework adopted by the Board, the composition of the Board and each of the Board Committees and their respective Mandates, Corporate Governance Policy, Shareholder Communication Policy and Information Disclosure Policy are available under the sub-section "Corporate Governance" of the section headed "About Us" on the Company's website at www.bochk.com.

Board of Directors

Board Composition and its Terms of Office

As at the date of this Annual Report, the Board is composed of twelve Directors, of whom one is Executive Director, three are Non-executive Directors and eight are Independent Non-executive Directors. The list of current Directors of the Company is set out on page 52 of this Annual Report. The Board maintains an appropriate level of checks and balances to ensure independence and objectivity of the decisions of the Board, as well as the impartial oversight of the Management. The Board acts honestly and in good faith so that decisions are made objectively and in the best interests of the Group with a view to delivering long-term and maximum shareholder value and fulfilling its corporate responsibility to other stakeholders of the Group.

Changes to the composition of the Board and Board Committees during the year and up to the date of this Annual Report are as follows:

(a) Mr ZHANG Hui has been appointed as Vice Chairman, Non-executive Director and a member of each of the Nomination and Remuneration Committee as well as the Strategy and Budget Committee with effect from 6 February 2025.

(b) Mr CAI Zhao has been appointed as Non-executive Director and member of the Strategy and Budget Committee with effect from 4 August 2025.

(c) Mr LIAO Cheung Kong Martin has been appointed as Independent Non-executive Director and a member of each of Nomination and Remuneration Committee, Risk Committee as well as Sustainability Committee with effect from 11 March 2026.

Please refer to the Company's 2024 annual report and relevant announcements for details of other changes of directors of the Company during the year.

Mr ZHANG Hui, Mr CAI Zhao and Mr LIAO Cheung Kong Martin had obtained legal advice on Hong Kong law as regards the requirements under the Listing Rules that are applicable to them as directors of a listed company and the possible consequences of making a false declaration or giving false information to the Stock Exchange from an external law firm as required under Rule 3.09D of the Listing Rules on 6 February 2025, 1 August 2025 and 11 March 2026 respectively. They have confirmed their understanding of the obligation as a Director of the Company.

Below is the length of tenure of Directors as at the date of this Annual Report:

Directors	Length of Tenure	Current Period of Appointment (after shareholders' approval[1])
Non-executive Directors		
Mr GE Haijiao	2.93 years	3 years
Mr ZHANG Hui	1.15 years	1 year
Mr CAI Zhao	0.66 years	1 year[2]
Independent Non-executive Directors		
Mdm CHENG Eva	11.42 years	3 years
Dr CHOI Koon Shum	9.82 years	2 years
Mdm FUNG Yuen Mei Anita	4.08 years	1 year
Mr LAW Yee Kwan Quinn	7.05 years	2 years
Prof LEE Sunny Wai Kwong	3.54 years	3 years
Mr LIAO Cheung Kong Martin	0.05 years	1 year[2]
Mr LIP Sai Wo	2.75 years	2 years
Prof MA Si Hang Frederick	2.44 years	2 years
Executive Director		
Mr SUN Yu	6.03 years	3 years

Notes
1. Directors were re-appointed by shareholders at respective annual general meetings
2. Newly appointed Directors subject to re-election at 2026 AGM

To promote good corporate governance and ensure regular shareholders oversight of the Board's composition, all directors of the Company (including Non-executive Directors) must retire at least once every three years in accordance with the relevant provision of the Articles of Association and the Corporate Governance Code. In accordance with Article 98 of the Articles of Association and pursuant to Code Provision B.2.2 of the Corporate Governance Code, the terms of office of Mr GE Haijiao, Mr SUN Yu, Mdm CHENG Eva and Prof LEE Sunny Wai Kwong will expire at the 2026 AGM. Mdm CHENG Eva has notified the Company that she has decided not to stand for re-election at the 2026 AGM. The other retiring Directors, Mr GE Haijiao, Mr SUN Yu and Prof LEE Sunny Wai Kwong, being eligible, will offer themselves for re-election at the 2026 AGM. Further, pursuant to Article 102 of the Articles of Association, any Director appointed by the Board shall hold office only until the next following general meeting or the next following annual general meeting of the Company, and shall then be eligible for re-election at such meeting. Accordingly, the terms of office of Mr CAI Zhao and Mr LIAO Cheung Kong Martin will expire at the 2026 AGM and, being eligible, offer themselves for re-election.

Further details regarding the proposed re-election and terms of appointment of Directors are set out in the section headed "Report of the Directors". In addition, the Company has also established a written and formal process for the appointment of the Independent Non-executive Directors to ensure that the appointment procedures are standardised, thorough and transparent.

Selection and Nomination of Board Members

The Company has in place relevant policies on the nomination of Board members. The Nomination and Remuneration Committee is responsible for reviewing the structure, size, composition and members' qualifications (including skill matrix) for the Board regularly, and it shall take into account the existing composition of the Board and the business requirements of the Group and follow board diversity, independence of directors and other relevant supervisory and policy requirements and be responsible for the identification, selection and nomination of Board members.

Potential candidates of Executive Directors could be sourced and selected amongst the senior management. Potential candidates of Independent Non-executive Directors could be recruited through global selection and also upon nomination by Independent Non-executive Directors. Pursuant to the provisions of the Articles of Association and relevant regulations, shareholders could also nominate a person other than a retiring Director for election as a Director (including Non-executive Director) at a general meeting. Where necessary, the Nomination and Remuneration Committee may appoint external advisors to assist in recruiting appropriate individuals. The Nomination and Remuneration Committee shall consider various factors in assessing the suitability of a proposed candidate for appointment/re-appointment as Board member, which include:

- board diversity;
- reputation and past performance of candidate;
- professional knowledge, industrial experience and skills of candidate;
- expected contribution to the Group or contribution made to the Group as a Board member;
- commitment of candidate to devote sufficient time to discharge duties as a Board member, and the effective management of potential conflict of interest;
- other significant external time commitments;
- satisfaction of independence requirements of the Listing Rules and the Policy on Independence of Directors of the Company in the case of a candidate for Independent Non-executive Director; and
- tenure with the Company in the case of a retiring Board member.

The Nomination and Remuneration Committee shall assess the candidates pursuant to the selection criteria, hold meetings to discuss and arrange interviews with the candidates where necessary, and make recommendation to the Board. The appointment of Directors shall be eventually approved by the Board and/or shareholders at general meetings.

For the newly appointed Board member(s) of the Company and the retiring Board member(s) standing for re-election at the next following general meeting of the Company, the Nomination and Remuneration Committee reviewed their biographical details against relevant requirements under the Listing Rules, applicable regulatory guidelines and the selection criteria set out in the Company's nomination policies of Board members and considered they have the required character, integrity and professional knowledge and experience to continue fulfilling their role and contributing to the Company and the diversity of the Board.

Board Expertise

Under current board membership, all Directors possess extensive experience in banking and financial industry as well as expertise in strategic development, corporate governance, information technology, risk management and sustainable development. An analysis on the expertise of the Board as at the date of this Annual Report is set out below:

Areas of expertise	Number of Directors/ Total number of Directors	Coverage in percentage of total number of Directors
Business Strategy and Planning	12/12	100%
Leadership Experience	12/12	100%
Corporate Governance	11/12	92%
Economics	11/12	92%
Accounting and Finance	10/12	83%
Risk Management and Internal Control	9/12	75%
Banking and Financial Industry	9/12	75%
Sustainability and ESG	8/12	67%
Legal and Compliance	7/12	58%
Human Resources	5/12	42%
Information Technology, Artificial Intelligence, Regtech/Fintech and other Emerging Topics	5/12	42%
Insurance	4/12	33%

The skills matrix sets out the skills and expertise of the Board that are most relevant to the Group's strategy, governance and business and to enabling the Board to effectively discharge its duties and responsibilities in attaining the Group's strategic objectives and achieving sustainable and balanced development.

The Company can leverage the directors' diverse expertise to (i) strengthen oversight, scrutiny and advice on the Group's business performance, strategies, development and operations, (ii) oversee the implementation and ensure the effectiveness of a robust risk management and internal controls framework, (iii) bring experience in addressing sustainability and climate related issues, including expertise in sustainability best practices, climate change risks and opportunities, and adherence to reporting standards, (iv) promote a positive and progressive culture across the Group so as to uphold the Group's core values and achieve long-term sustainable performance, and (v) provide insights into digital and technology development as well as the governance of information security.

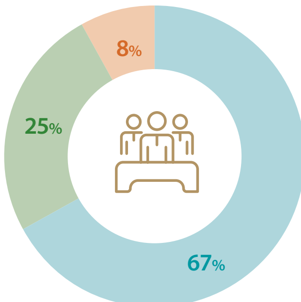
The Company recognises the importance of having a diverse range of skills and expertise within the Board and is committed to continually identifying opportunities to further enrich and enhance the Board's skills matrix, ensuring alignment with its purpose, values, strategy, and desired culture. The Board's s skills matrix has been further enhanced with legal and compliance expertise following the appointment of Mr LIAO Cheung Kong Martin as an Independent Non-executive Director in March 2026. Based on existing Board's skills matrix and comments from Directors, the Company will focus on further strengthening board's expertise with candidates with ESG and climate-related expertise as well as with international perspective and professional experience.

Board Independence

As at the date of this Annual Report, there are 8 Independent Non-executive Directors on the Board which represents 67% of the entire Board, well above the requirements as stipulated in the Listing Rules of at least 3 independent non-executive directors and representing at least one-third of the Board. In addition, each Board Committee has a majority of Independent Non-executive Directors and an analysis on Board and Board Committees' composition is set out below:

Board

- Independent Non-executive Director (8)
- Non-executive Director* (3)
- Executive Director (1)



Total: 12 members

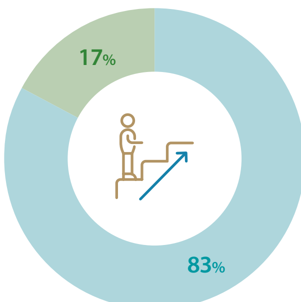
Audit Committee

- Independent Non-executive Director* (5)
- Non-executive Director (0)
- Executive Director (0)

Total: 5 members

Nomination and Remuneration Committee

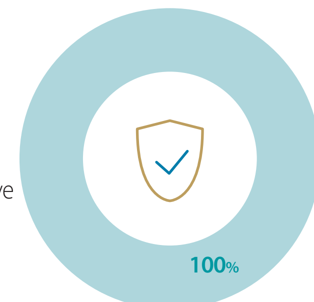
- Independent Non-executive Director* (5)
- Non-executive Director (1)
- Executive Director (0)



Total: 6 members

Risk Committee

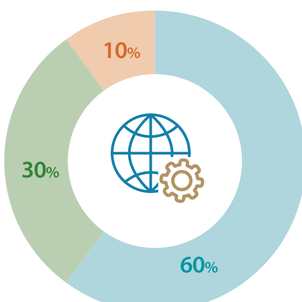
- Independent Non-executive Director* (5)
- Non-executive Director (0)
- Executive Director (0)



Total: 5 members

Strategy and Budget Committee

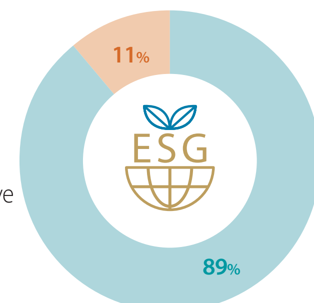
- Independent Non-executive Director (6)
- Non-executive Director* (3)
- Executive Director (1)



Total: 10 members

Sustainability Committee

- Independent Non-executive Director* (8)
- Non-executive Director (0)
- Executive Director (1)



Total: 9 members

* Chairman/Chairlady of the Board/Board Committee

The existing composition ensures that the Board and the Board Committees comprise a majority of independent members, thereby maintaining an independent and objective decision-making process and enhancing governance effectiveness.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence by reference to the Policy on Independence of Directors of the Company. Besides, at the time of the appointment of Mr LIAO Cheung Kong Martin as Independent Non-executive Director of the Company on 11 March 2026, he confirmed to the Company that (i) his independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules; (ii) he has no past or present financial or other interest in the business of the Company or any of its subsidiaries or any connection with any core connected person (as defined in the Listing Rules) of the Company; and (iii) there were no other factors that may affect his independence. Based on the information available to the Company and upon considering relevant factors, it considers that all of the Independent Non-executive Directors are independent. In the event that any director has been appointed for over nine years, the Company will discuss and consider relevant factors and make appropriate disclosures in accordance with relevant regulations. Moreover, all Directors have disclosed to the Company their significant commitments and have undertaken and confirmed that they are able to devote sufficient time to the affairs of the Company. Biographical details of the professional experience, skills and knowledge of the Board members are set out in the section headed "Board of Directors and Senior Management" and are available under the section headed "About Us" on the Company's website at www.bochk.com.

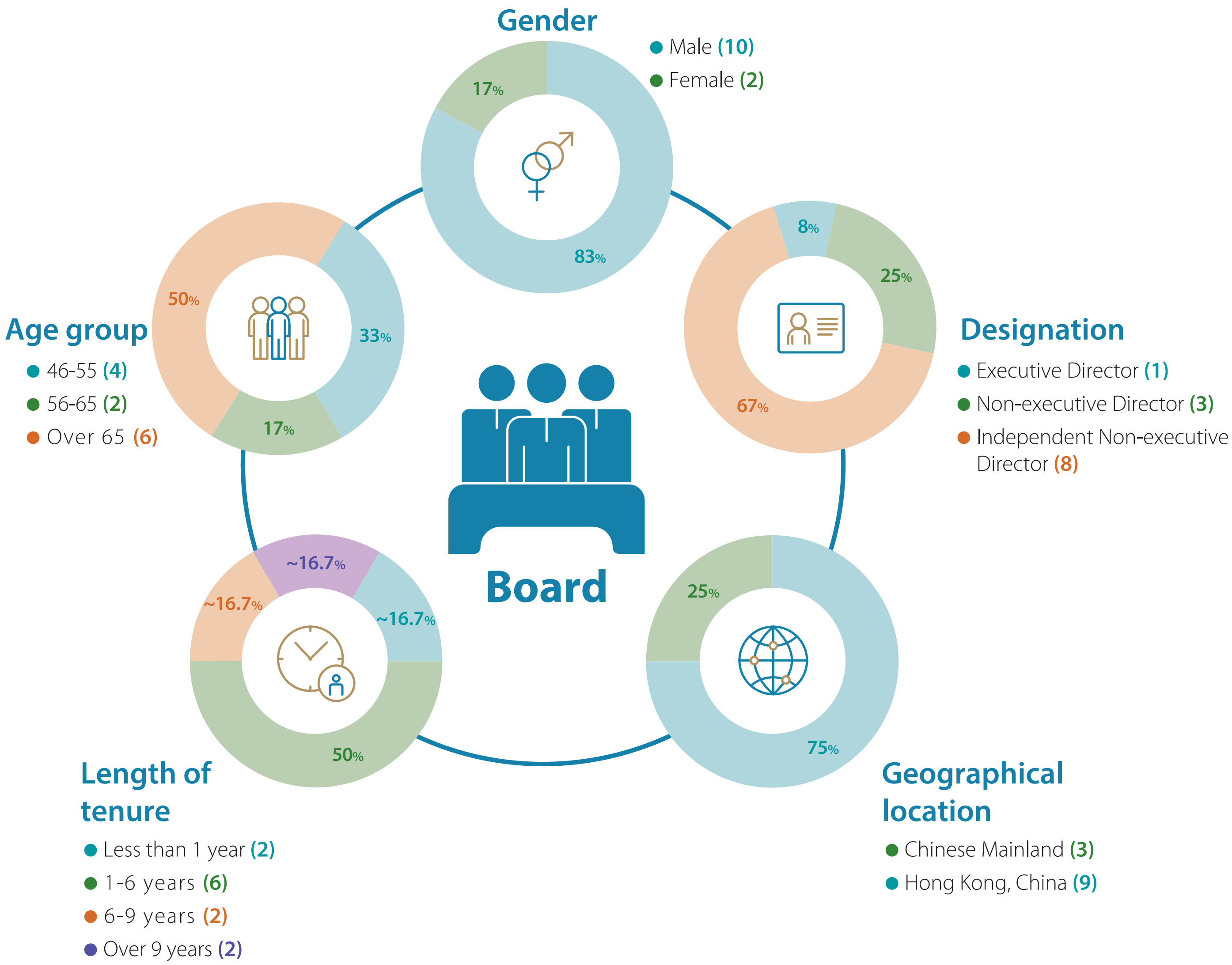
Board and Workforce Diversity

The Company recognises the importance and benefits of board diversity. In order to promote the Board's effectiveness and standards of corporate governance, the Company has adopted the Board Diversity Policy which will be observed when identifying suitable and qualified candidates to be a Board member and whenever a Board member is proposed to be re-elected. The said policy provides that in designing the Board's composition, board diversity should be considered in various measurable objectives, including but not limited to gender, age, cultural and educational background, ethnicity, geographical location, professional experience, skills, knowledge, track records, and the Company shall ensure an appropriate proportion of directors in the aforementioned areas as well as the Board and the Nomination and Remuneration Committee shall not only consist of single gender so as to ensure an appropriate diversity of skills, backgrounds and viewpoints. At the same time, all Board nominations and appointments are made on merit, in the context of the competencies, skills and experience the Board as a whole required and contribution that the selected candidates will bring to the Board. As delineated in the Board Diversity Policy, when designing the Board's composition, gender is one of the various diversity aspects considered. Other measurable objectives specified in the policy are equally important to ensure the Board to maintain a well-balanced composition without focusing on a single diversity aspect. The Board will review the Board Diversity Policy annually and enhance relevant practices continuously based on latest situation. Details of the Board Diversity Policy have been posted on the Company's website at www.bochk.com.

As at the date of this Annual Report, there are two female members on the Board, represent approximately 16.7% of the Board, which fulfil the requirement to have at least one director of a different gender under the Listing Rules. All Board Committees have at least one female member and two Board Committees are chaired by female directors, which exceeds our measurable objective that neither the Board nor the Nomination and Remuneration Committee consists of single gender. At the same time, the Company has adopted the Succession Policy for Directors, in which the Company is committed to promoting diversity including gender diversity of Board members with a view to exercising more comprehensive consideration and judgement by the Board at the time of making succession planning of the Directors. With effect from 11 March 2026, Mr LIAO Cheung Kong Martin has been appointed as Independent Non-executive Director of the Company. Mr LIAO is a distinguished figure in Hong Kong's legal and political sectors, with in-depth experience in law, politics and economics, which will further diversify the expertise of the board.

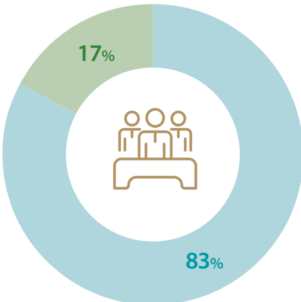
The Company is committed to promoting diversity and inclusion, striving to build a diversified workforce and an inclusive workplace, in strict compliance with relevant laws and regulations. The Company has established BOCHK Group Policy of Employee Diversity, Inclusion and Anti-Discrimination Implementation to clearly articulate its principles and dedication to employee diversity and equal opportunities. In adherence to anti-discrimination laws and regulations, the Company provides diversity and inclusion training and applies the principle of equal opportunity across all daily employment-related routine management, human resources management, and compensation and benefit policies so as to ensure equal employment opportunities for individuals of all backgrounds. Any discrimination or harassment against employees based on age, gender, race, nationality, religious beliefs, marital status, pregnancy, breastfeeding or expressing milk, disability, family status or sexual orientation, etc. are prohibited. To promote gender diversity, the Company aims for female representation of 40% or more in management positions. During the year, female employees accounted for around 57% of the total workforce. The percentage of female employees in management position is 40%. At present, out of the six members of senior management, one of them is female, representing approximately 16.7% of the senior management team.

An analysis of the Board's composition as at the date of this Annual Report is set out below:



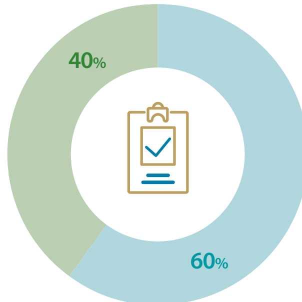
An analysis on the gender of the Board and Board Committees as at the date of this Annual Report is set out below:

Board



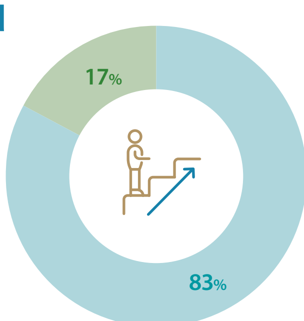
● Male* (10)
● Female (2)

Audit Committee



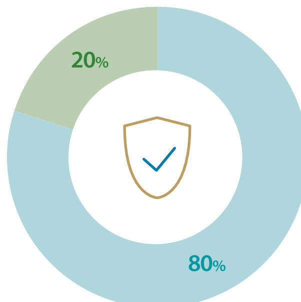
● Male* (3)
● Female (2)

Nomination and Remuneration Committee



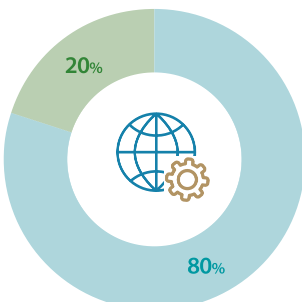
● Male* (5)
● Female (1)

Risk Committee



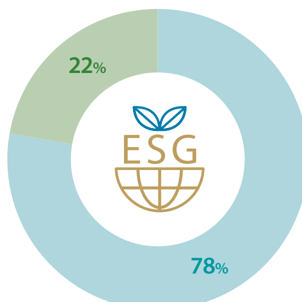
● Male (4)
● Female* (1)

Strategy and Budget Committee



● Male* (8)
● Female (2)

Sustainability Committee



● Male (7)
● Female* (2)

* Chairman/Chairlady of the Board/Board Committee

Directors' Liability Insurance Policy

During the year, the Company has arranged for appropriate cover on Directors' Liability Insurance Policy to indemnify the Directors for liabilities arising from the corporate activities. The coverage and the amount insured under such policy are reviewed annually by the Company.

Self-evaluation of the Board

During the year, the Board, with assistance of Board Secretariat, conducted annual self-evaluation internally by means of a questionnaire pursuant to the Regulations on Self-Evaluation of the Board and Individual Evaluation of the Directors, covering various evaluation areas including Board and the Board Committees compositions, information flow, processes and accountabilities and other factors that impact their effectiveness. With the endorsement of the Nomination and Remuneration Committee, the annual self-evaluation questionnaires were distributed to Directors for completion. Based on the completed questionnaires, the Company analysed the results and a report delineated the results and recommendation has been submitted to the Nomination and Remuneration Committee as well as the Board for review and follow-up.

Review of Work Performance of Individual Directors

During the year, the Company has also engaged an external professional consultant, which has no connection with any Directors, to conduct annual independent review of the work performance of the individual Directors, by means of a questionnaire, including Directors' self-assessment in areas such as their time commitment and participation, interaction and communication with senior management, information support as well as evaluation of the effectiveness of the Board and Board Committees, and other factors that impact director performance. With the endorsement of the Nomination and Remuneration Committee, the questionnaires on work performance of individual Directors were distributed to Directors for completion. Based on the completed questionnaires and other available information, the external consultant assessed the performance of individual Directors and prepared a report setting out its observations and recommendations, which has been submitted to the Nomination and Remuneration Committee as well as the Board for review and follow-up.

Results of the Board's self-evaluation and work performance of individual Directors review in 2025 confirmed that the Board operates effectively with Directors demonstrating a high level of engagement and commitment to governance best practices. Nevertheless, the evaluations also identified certain areas requiring further enhancements, including optimising Board composition, reinforcing subsidiaries management, enhancing multi-level communication and information sharing, and enriching training scope for Directors and senior management.

Directors' Training and Professional Development

To ensure the newly appointed Directors have adequate understanding of the Company's business operations and to enable all Directors to update their knowledge regularly so as to provide informed recommendation and advice and make contribution to the Company, the Board has established a set of written policies specifying guidelines on Directors' induction upon appointment and continuous training.

The Company arranges appropriate Directors' induction through the use of induction handbook, face-to-face meetings and other means, and the induction training is tailor-made and individually designed in accordance with the needs, background and experience of individual Directors.

The Company also provides regular updates to Board members on material changes to regulatory requirements applicable to the Directors and the Group on a timely basis; and the Company arranges regular meetings between Board members and the Management to facilitate the understanding of its latest business development. In addition, Board members are encouraged to participate actively in continuous training programmes. The Company also arranges relevant professional training programmes for Board members at the Company's expense.

During the year, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills as required under 3.09F and 3.09G of the Listing Rules. Mr ZHANG Hui, appointed as Non-executive Director on 6 February 2025, has completed the continuous professional development as required under 3.09H of the Listing Rules (the "First-time director's training requirement"). Mr CAI Zhao, appointed as Non-executive Director on 4 August 2025, and Mr LIAO Cheung Kong Martin, appointed as Independent Non-executive Director on 11 March 2026, will complete the First-time director's training requirement within 18 months of the date of their appointment respectively.

In 2025, the Company invited experts to conduct seminars to the Directors and the senior management related to (i) net zero transition plan methodology and industry practice, and (ii) development of large-model technology, prospects and risk prevention as well as full-stack artificial intelligence practices in the financial industry.

Furthermore, each of the Directors has received a series of training as he/she thought fit. During the year, they attended seminars and workshops as well as received briefings and materials from the Company, regulatory authorities and professional firms, covering a wide range of topics:

- corporate governance and regulatory updates;
- obligations and directors' duties under Hong Kong law and the Listing Rules;
- roles, functions and responsibilities of the Board and Board Committees;
- ESG and sustainable development;
- climate risk management;
- digital transformation and cyber security;
- information technology, fintech and digital assets;
- anti-money laundering, anti-bribery and corruption;
- risk management and internal control;
- bank culture; and
- macroeconomic and banking industry development trend; etc.

The Directors' records of annual training information have been entered in the register of directors' training records maintained and updated by the Company from time to time. As at year end, the participation of all Directors in continuous professional development is summarised as follows:

Directors	Areas of Topics					Mode or Format of Attendance[2]	Total Hours
	Corporate Governance/ESG and Sustainable Development/ Directors' Duties	Regulatory Updates/ Anti-Money Laundering, Anti-Bribery and Corruption	Risk Management and Internal Control	Information Technology, Fintech and Digital Assets/Digital Transformation and Cyber Security	Macroeconomic and Banking Industry Development Trend		
Non-executive Directors							
Mr GE Haijiao	✓	✓	✓	✓	✓	A, B	21.5
Mr ZHANG Hui *(appointed with effect from 6 February 2025)*	✓	✓	✓	✓	✓	A, B	30.5
Mr CAI Zhao *(appointed with effect from 4 August 2025)*	✓	✓	✓	✓	✓	A, B	15.5
Independent Non-executive Directors							
Mdm CHENG Eva	✓	✓	✓	✓	✓	A, B	14.5
Dr CHOI Koon Shum	✓	✓	✓	✓	✓	A, B	15.0
Mdm FUNG Yuen Mei Anita	✓	✓	✓	✓	✓	A, B	36.5
Mr LAW Yee Kwan Quinn	✓	✓	✓	✓	✓	A, B	41.5
Prof LEE Sunny Wai Kwong	✓	✓	✓	✓	✓	A, B	35.0
Mr LIP Sai Wo	✓	✓	✓	✓	✓	A, B	32.5
Prof MA Si Hang Frederick	✓	✓	✓	✓	✓	A, B	14.5
Executive Director							
Mr SUN Yu	✓	✓	✓	✓	✓	A, B	37.0

Notes:

1. Training record of Director resigned during the year has not been included herein. Mr LIAO Cheung Kong Martin was appointed as Independent Non-executive Director with effect from 11 March 2026, and his training records was not included herein. Please refer to the section headed "Board Composition and its Terms of Office" under "Board of Directors" for details of changes in Directors during the year and up to the date of this Annual Report.
2. A: Seminars/training courses provided by external or internal providers (in-person or online)
   B: Relevant reading materials (self-study)

Directors' Attendance at Board Meetings, Board Committee Meetings and General Meeting

Five Board meetings were held during 2025 with an average attendance rate of 96%. Regular meeting schedule for the year was prepared and approved by the Board in the preceding year. Formal notices of regular Board meetings were sent to all Directors at least 14 days before the date of the scheduled meetings, and Board agenda and meeting materials of sufficient quality were despatched to all Board members for review at least seven days prior to the scheduled meetings. Board agenda of each meeting was approved by the Chairman following consultation with all Board members and the senior management. Members of the senior management were regularly invited to attend the Board meetings to make presentation and answer questions that the Directors might have. Draft and final versions of Board and Board Committee minutes were sent to all Directors for their comment and records respectively within a reasonable period after the meetings were held.

The Board also received monthly reports with information on the Group's latest financial and operating performance. Accordingly, the Directors can have a balanced assessment of the Group's performance, position and prospects throughout the year.

In addition, in order to facilitate open discussion with all the Independent Non-executive Directors, the Chairman met with all Independent Non-executive Directors in the absence of other Directors and the senior management. Relevant practice has been incorporated in the Working Rules of the Board.

Details of respective Directors' attendance at the Board meetings, Board Committee meetings and annual general meeting in 2025 are set out as follows:

Directors	Number of meetings attended/Number of meetings convened during Directors' term of office						
	Board	Board Committees					General Meeting
		Audit Committee	Nomination and Remuneration Committee	Risk Committee	Strategy and Budget Committee	Sustainability Committee	Annual General Meeting
Number of meetings held during the year	5	5	2	4	4	2	1
Non-executive Directors							
Mr GE Haijiao *(Chairman)*	5/5	–	–	–	4/4	–	1/1
Mr ZHANG Hui *(Vice Chairman)* *(appointed with effect from 6 February 2025)*	4/5	–	2/2	–	3/4	–	1/1
Mr CAI Zhao *(appointed with effect from 4 August 2025)*	2/3	–	–	–	2/3	–	–
Independent Non-executive Directors							
Mdm CHENG Eva	5/5	5/5	–	–	4/4	2/2	1/1
Dr CHOI Koon Shum	5/5	–	2/2	–	4/4	1/2	1/1
Mdm FUNG Yuen Mei Anita	5/5	5/5	2/2	4/4	4/4	2/2	1/1
Mr LAW Yee Kwan Quinn	5/5	5/5	–	4/4	–	2/2	1/1
Prof LEE Sunny Wai Kwong	5/5	5/5	2/2	4/4	4/4	2/2	1/1
Mr LIP Sai Wo	5/5	5/5	–	4/4	4/4	2/2	1/1
Prof MA Si Hang Frederick	5/5	–	2/2	–	4/4	2/2	1/1
Executive Director							
Mr SUN Yu *(Vice Chairman and Chief Executive)*	5/5	–	–	–	4/4	2/2	1/1
Average Attendance Rate	96%	100%	100%	100%	95%	94%	100%

Note: Attendance record of Director resigned during the year has not been included herein, as no meeting of the Board and Board Committee was held during the period when the resigned director was in office. Mr LIAO Cheung Kong Martin was appointed as Independent Non-executive Director with effect from 11 March 2026, and he is not required to attend any of the above meetings. Please refer to the section headed "Board Composition and its Terms of Office" under "Board of Directors" for details of changes in Directors during the year and up to the date of this Annual Report.

Apart from formal Board meetings and general meeting held during the year, the Company has set up a system of pre-communication meetings for the Independent Non-executive Directors, where major agenda items have been presented to the Independent Non-executive Directors before each Board meeting, and their comments have been timely conveyed to the senior management for follow up actions so as to enhance the effectiveness of deliberation at Board meetings.

The Company has arranged informal events for Board members and the senior management to facilitate their communication and interactions. For example, the Company has invited Directors to participate in the communication meetings with the Chief Executive and senior management to discuss and communicate on the Company's latest business and strategic development and other aspects during the year. Independent Non-executive Directors have been invited to join the Company's brainstorming meeting to share their experience and ideas on business development strategy. Besides, a board retreat to Vietnam and a visit to Shenzhen as well as Nanning have been organised during the year for Board members (in particular the Independent Non-executive Directors) to (i) gain a good understanding of the Group's regional business and operations and enhance communication with the senior management, and (ii) keep abreast of the banking industry development and the latest information technology trend. The Company has also organised working meals from time to time, with Board members and the senior management invited to join and share insights on the Company's business and strategic issues.

Directors' Time Commitment

All Directors confirmed to the Company that he/she has devoted sufficient time, attention and effort to fulfilling their responsibilities as a director of the Company throughout the year. The Directors also disclosed to the Company the number and nature of offices he/she held in other listed companies and organisations as well as other significant commitment. None of the Directors held directorships in more than six other listed companies as at the date of this Annual Report. Below is an analysis of the number of directorships in other listed companies of the Directors:

Number of directorships in other listed companies	Number of Directors/ Total number of Directors	Overall percentage
0	3/12	25%
1	6/12	50%
2	2/12	17%
3	1/12	8%

The Nomination and Remuneration Committee has reviewed and assessed each Director's time commitment, contribution to the Board and ability to discharge his/her responsibilities. The Nomination and Remuneration Committee considered that each Director gave sufficient time and attention to the affairs of the Company and undertook his/her responsibilities effectively during the year, with regard to the following:

- directors' skills and experience which are summarised in the Directors' skills matrix set out in the section headed "Board Expertise" under "Board of Directors";
- each Director's role and positions at the Company, as well as his or her external directorships or offices in other companies or organisations and/or other major commitments; and
- each Directors' attendance record at the board and committee meetings of the Company during the year.

Board Committees

Audit Committee

The Audit Committee currently comprises five members, all of whom are Independent Non-executive Directors. Its composition, main duties and major works performed during the year are as follows:

Composition[1]

Mr LIP Sai Wo[2] *(Chairman)*
Mdm CHENG Eva[2]
Mdm FUNG Yuen Mei Anita[2]
Mr LAW Yee Kwan Quinn[2]
Prof LEE Sunny Wai Kwong[2]

Main duties

- oversight of the integrity of financial statements and financial reporting process
- oversight of risk management and internal control systems
- review of performance of the internal audit function and the General Manager of Group Audit
- review of the appointment of external auditor and assessment of its qualification, independence and performance and, with authorisation of the Board and shareholders at general meeting, determination of its remuneration
- review of the periodic review and annual audit of the Company's and the Group's financial statements, and financial and business review
- oversight of compliance with applicable accounting standards as well as legal and regulatory requirements on financial disclosures
- oversight of corporate governance framework of the Group and implementation thereof

Major works performed during the year (included the review and, where applicable, approval of)

- the Company's financial statements for the year ended 31 December 2024 and the annual results announcement that were recommended to the Board for approval
- the Company's interim financial statements for the six months ended 30 June 2025 and the interim results announcement that were recommended to the Board for approval
- the Company's announcements on quarterly financial and business review for the period ended 31 March 2025 and 30 September 2025 that were recommended to the Board for approval
- the audit and review reports and report on internal control recommendations submitted by external auditor, the audit reports submitted by the internal audit, and the examination reports issued by regulators
- the proposed appointment of external auditor, the fees payable to external auditor for the annual audit and interim review, non-audit service projects and the related fees
- the connected transactions carried out in 2024
- the annual review of the effectiveness of the Group's risk management and internal control systems
- the Group's 2026 internal audit plan
- the organisation structure, deployment of human resources of Group Audit, as well as its 2026 budget
- annual review of the effectiveness of the internal audit function
- the 2024 performance appraisal of the General Manager of Group Audit and of Group Audit
- periodic update of the BOCHK Whistleblowing Policy, the BOCHK Group's Anti-Bribery and Corruption Policy, the BOCHK External Auditor Management Policy and the BOCHK Internal Audit Charter

Notes:
1. Please refer to the section headed "Board Composition and its Terms of Office" under "Board of Directors" for details of changes to the composition of the Board Committee during the year and up to the date of this Annual Report
2. Independent Non-executive Director

Nomination and Remuneration Committee

The Nomination and Remuneration Committee currently comprises six members, including one Non-executive Director and five Independent Non-executive Directors. Its composition, main duties and major works performed during the year are as follows:

Composition[1]

Dr CHOI Koon Shum[2] *(Chairman)*
Mr ZHANG Hui[3]
Mdm FUNG Yuen Mei Anita[2]
Prof LEE Sunny Wai Kwong[2]
Mr LIAO Cheung Kong Martin[2]
Prof MA Si Hang Frederick[2]

Main duties

- review of overall human resources strategies of the Group
- selection and nomination of Directors, Board Committee members and senior management
- regular monitoring and review of structure, size and composition (including but not limited to gender, age, cultural and educational background, ethnicity, geographical location, professional experience, skills, knowledge and track records, etc.) of the Board and Board Committees
- assisting the Board to establish, approve and review the standards of director independence, and assess the independence and term of office of Independent Non-executive Directors
- review of the effectiveness of the Board and Board Committees
- ensuring the participation in training and continuous professional development of Directors and senior management
- review and recommendation of remuneration strategy and incentive framework of the Group
- review of the remuneration of Directors, Board Committee members, senior management and Key Personnel

Major works performed during the year (included the approval, review and proposal to the Board)

- consideration of the matters relating to the appointment and changes of Directors and Board Committee members
- consideration of the matters relating to the appointment and removal of the senior management
- proposal on the revision of the Group Bonus Funding Mechanics and bonus amount
- performance targets and appraisal results of the senior management of the Group
- proposal on staff bonus and salary adjustment of the Group, including senior management and Key Personnel
- proposal on human resources budget of the Group
- coordination and oversight of the annual performance evaluation of the Board, Board Committees and individual Directors
- annual review and amendment of the major human resources and remuneration policies
- annual review of the Policy on Independence of Directors, Board Diversity Policy and the Policy on Directors' Remuneration

Notes:

1. Please refer to the section headed "Board Composition and its Terms of Office" under "Board of Directors" for details of changes to the composition of the Board Committee during the year and up to the date of this Annual Report
2. Independent Non-executive Director
3. Non-executive Director

Risk Committee

The Risk Committee currently comprises five members, all of whom are Independent Non-executive Directors. Its composition, main duties and major works performed during the year are as follows:

Composition[1]

Mdm FUNG Yuen Mei Anita[2] *(Chairlady)*
Mr LAW Yee Kwan Quinn[2]
Prof LEE Sunny Wai Kwong[2]
Mr LIAO Cheung Kong Martin[2]
Mr LIP Sai Wo[2]

Main duties

- formulation of the risk appetite and risk management strategy of the Group and determination of the Group's risk profile
- identification, assessment and management of material risks faced by various business units of the Group
- review and assessment of the adequacy and effectiveness of the Group's risk management policies, systems and internal controls
- review and monitoring of the Group's capital management
- review and approval of the Group's target balance sheet
- review and monitoring of the Group's compliance with risk management policies, systems and internal controls, including the Group's compliance with prudential, legal and regulatory requirements governing the businesses of the Group
- review and approval of high-level risk-related policies of the Group
- review and approval of significant or high risk exposures or transactions
- review of risk management reports, including risk exposure reports, model development and validation reports, and credit risk model performance reports

Major works performed during the year

- review and approval of key risk management policies of the Group, including the Group's risk appetite, the Risk Management Policy Statement, the Operational Resilience Policy, the Credit Risk stress test methodology and various risk management policies
- review of the results of Internal Capital Adequacy Assessment Process (ICAAP), the investment plans and portfolio key risk indicators for the Board's approval
- approval of the Group's target balance sheets, the proposal for the annual review of the Group's recovery plan, and risk management limits
- approval of the Redeveloped Hong Kong Credit Card Application Scorecard and Behavioural Scorecard and its Probability of Default (PD) Model Recalibration
- review of various risk management reports, including the Group's risk management reports, banking book bond investment status report, report on the status of technology risk implementation, credit risk and market risk model validation reports, and credit risk model performance reports etc.

Notes:
1. Please refer to the section headed "Board Composition and its Terms of Office" under "Board of Directors" for details of changes to the composition of the Board Committee during the year and up to the date of this Annual Report
2. Independent Non-executive Director

Strategy and Budget Committee

The Strategy and Budget Committee currently comprises ten members, including three Non-executive Directors, six Independent Non-executive Directors as well as the Executive Director and Chief Executive of the Company. Its composition, main duties and major works performed during the year are as follows:

Composition[1]

Mr GE Haijiao[2] *(Chairman)*
Mr ZHANG Hui[2]
Mr SUN Yu[3]
Mr CAI Zhao[2]
Mdm CHENG Eva[4]
Dr CHOI Koon Shum[4]
Mdm FUNG Yuen Mei Anita[4]
Prof LEE Sunny Wai Kwong[4]
Mr LIP Sai Wo[4]
Prof MA Si Hang Frederick[4]

Main duties

- review of the Group's medium to long-term strategic plan for the Board's approval
- monitoring of the Group's implementation of medium to long-term strategy, providing guidance on strategic direction for the Management
- review of major investments, capital expenditure and strategic commitments of the Group, and making recommendations to the Board
- review and monitoring of the Group's regular/periodic (including annual) business plan
- review of annual budget for the Board's approval and monitoring of performance against budgeted targets

Major works performed during the year

- review of the matters regarding the proposed acquisition and disposal project for the Board's approval
- review of the proposed plan for overseas business development of the Group for the Board's approval
- discussion on the strategy for the development of key businesses
- review and monitoring of the implementation of 2025 Financial Budget and Business Plan of the Group, and also review and endorsement for the Board's approval of the Financial Budget and Business Plan of the Group for the year 2026

Notes:

1. Please refer to the section headed "Board Composition and its Terms of Office" under "Board of Directors" for details of changes to the composition of the Board Committee during the year and up to the date of this Annual Report
2. Non-executive Director
3. Executive Director
4. Independent Non-executive Director

Sustainability Committee

The Sustainability Committee currently comprises nine members, including eight Independent Non-executive Directors as well as the Executive Director and Chief Executive of the Company. Its composition, main duties and major works performed during the year are as follows:

Composition[1]

Mdm CHENG Eva[2] *(Chairlady)*
Mr SUN Yu[3]
Dr CHOI Koon Shum[2]
Mdm FUNG Yuen Mei Anita[2]
Mr LAW Yee Kwan Quinn[2]
Prof LEE Sunny Wai Kwong[2]
Mr LIAO Cheung Kong Martin[2]
Mr LIP Sai Wo[2]
Prof MA Si Hang Frederick[2]

Main duties

- review of the Group's sustainability strategies, goals and priorities as well as material sustainability related policies
- review of environmental, social and governance issues which are material to the Group and the related measures
- oversight of the Group's sustainability performance
- oversight of the Group's corporate culture and review of related policies
- determination of the appropriate reporting principles and boundaries and review of the Sustainability Report

Major works performed during the year

- review of the 2024 Sustainability Report and Material Issues for the Board's approval
- review of sustainability related key projects, including the Climate-related Financial Disclosures (TCFD) Report 2024
- receive and discuss Report on the latest ESG regulatory updates, Report on Performance of Cultural Dashboard Indicators, Report on the Annual Review of the Staff Code of Conduct, Progress Report on the Group's 2026-2030 Sustainability Plan, Progress Report on the Net Zero Transition Planning Project and the Climate-related Financial Impact Quantification Project, and the Review Result of the Group's Sustainability Disclosure Practices.

Notes:
1. Please refer to the section headed "Board Composition and its Terms of Office" under "Board of Directors" for details of changes to the composition of the Board Committee during the year and up to the date of this Annual Report
2. Independent Non-executive Director
3. Executive Director

Ad Hoc Committee

The Board established an ad hoc Independent Board Committee during the year with details as follows:

Independent Board Committee

An Independent Board Committee was set up during the year to review the continuing connected transactions and the new caps between the Group on the one hand and BOC and its associates on the other hand, for the three years ending 31 December 2028. The Committee comprised all the Independent Non-executive Directors during the year and was chaired by Mr LIP Sai Wo. The Committee has engaged Gram Capital Limited as the independent financial adviser. On the basis of Gram Capital Limited's advice and recommendations, the Committee has been satisfied that the continuing connected transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, and the continuing connected transactions and the annual caps imposed on such transactions for the three years ending 31 December 2028 are in the interests of the Company and its shareholders as a whole and are fair and reasonable so far as the independent shareholders are concerned. Accordingly, the Committee recommended the proposed annual caps of the continuing connected transactions to the Board and the independent shareholders. As the annual caps for certain categories of continuing connected transactions represent 5% or more of the applicable percentage ratios as defined in the Listing Rules, such transactions are subject to the approval of the independent shareholders of the Company. Shareholders can refer to the circular issued by the Company dated 21 January 2026 and notice of the annual general meeting to be issued by the Company in April 2026 for details on the continuing connected transactions (including the new caps) and the annual general meeting respectively. Shareholders can also view and download the aforesaid documents from the Company's website at www.bochk.com.

Directors' Securities Transactions

The Company has established and implemented the Code for Securities Transactions by Directors (the "Company's Code") to govern the Directors' dealings in securities transactions of the Company. Terms of the Company's Code are more stringent than the mandatory standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 of the Listing Rules. Apart from the Directors' dealings in the securities of the Company, the Company's Code has also been applied to the Directors' dealings in the securities of BOC and its listed close associates.

Upon specific enquiry by the Company, all Directors confirmed that they have strictly complied with the provisions as set out in both the Company's Code and the said Model Code throughout the year 2025.

Directors' Remuneration

Pursuant to the Policy on Directors' Remuneration adopted by the Company, when recommendation of the remuneration of Directors is made, the Nomination and Remuneration Committee should benchmark against companies of comparable business type or scale, the role (chairmanship or membership) they played, work nature and quantity at both the Board and Board Committee levels (including frequency of meetings and nature of agenda items) in order to compensate Directors at a reasonable level. The remuneration of Directors is subject to regular review based on market practices, regulatory requirements and inflation, etc. The Nomination and Remuneration Committee comprised a majority of Independent Non-executive Directors with no Executive Director serving thereon, and no individual Director is allowed to participate in the procedures for deciding his/her individual remuneration package. The remuneration of the Independent Non-executive Directors is not linked with the performance of the Company. Information relating to the remuneration of each Director for 2025 is set out in Note 21 to the Financial Statements. The present scale of Director's fees, including additional fees for membership of Board Committees, is given below:

Board of Directors:	
All Directors	HK$400,000 p.a.
Board Committees:	
Chairman	HK$100,000 p.a.
Other Committee members	HK$50,000 p.a.

Note: For the year ended 31 December 2025, all Non-executive Directors (excluding Independent Non-executive Directors) and Executive Director have not received their Directors' fees as mentioned above.

The Nomination and Remuneration Committee also has the delegated responsibility from the Board to determine the remuneration packages of the Executive Directors and the senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment, early payout of deferred remuneration), as well as the performance-based remuneration. Moreover, it will recommend to the Board on their remuneration package upon joining, sign-on bonus and contract guaranteed bonus, etc.

Remuneration and Incentive Mechanism

The Remuneration and Incentive Mechanism of the Group is based on the principles of "effective incentive" and "sound remuneration management". It links remuneration to performance and risk factors closely. While promoting higher performance, it serves to enhance employees' risk awareness and contribute toward acceptable staff behaviour so as to achieve sound remuneration management.

The Remuneration and Incentive Policy of the Group is generally in line with the broad principles set out in the HKMA's Guideline on a Sound Remuneration System and applicable to the Company and all of its subsidiaries (including the branches and entities in and out of Hong Kong).

- **"Senior Management" and "Key Personnel"**

  The Remuneration and Incentive Policy of the Group defines "Senior Management" and "Key Personnel" as follows:

  - "Senior Management": The senior management designated by the Board who are responsible for oversight of the Group-wide strategy or activities or material business lines, including the Chief Executive, Deputy Chief Executives, Deputy Chief Executive and Chief Financial Officer, Deputy Chief Executive and Chief Risk Officer, Board Secretary and General Manager of Group Audit.

  - "Key Personnel": The employees whose duties or activities involve the assumption of material risk, or those who take on material exposures on behalf of the Group, or whose individual responsibilities have direct and material impact on the risk management and affect the profitability of the Group directly, including heads of frontline business units, local major subsidiaries and Southeast Asian entities, head of trading, heads of functional units that have direct and material impact on the Group's risk management and affect the profitability of the Group directly, general managers who report directly to the Chief Executive, as well as "managers" appointed by the Group according to the Banking Ordinance.

- **Determination of the Remuneration Policy**

  To fulfil the above-mentioned principles and to facilitate effective risk management within the framework of the Remuneration Policy of the Group, the Remuneration Policy of the Group is initiated by Human Resources Department with consultation of the risk control units including risk management, financial management and compliance in order to balance the needs for staff motivations, sound remuneration and prudent risk management. After the proposed Remuneration Policy is cleared by the Management Committee, it will be submitted to the Nomination and Remuneration Committee for review, to the Board for approval and reported to the Risk Committee for record. The Nomination and Remuneration Committee and the Board will seek opinions from other Board Committees (e.g. Risk Committee, Audit Committee, etc.) where they consider necessary under the circumstances.

- **Key Features of the Remuneration and Incentive Mechanism**

1. *Performance Management Mechanism*

   The Group has put in place a performance management mechanism to formalise the performance management at the levels of the Group, units and individuals. For Senior Management and other staff, annual targets of the Group will be tied to the job requirements of staff at each level through the performance management mechanism. Performance of individuals will be appraised on quantitative and qualitative dimensions such as business performance/achievements, the degree of compliance, their performance on risk management duties, and adherence to the corporate values, etc. Not only is target accomplishment taken into account, but also the values-based behaviours and sufficient risk management during the course of work, ensuring prudent operation and sustainable development of the Group.

2. *Performance-based and Risk-adjusted Remuneration Management*

   The remuneration of staff is composed of "fixed remuneration" and "variable remuneration". The proportion of one to the other for individual staff members depends on job grades, roles, responsibilities and functions of the staff with the prerequisite that proper balance has to be struck between the fixed and variable portion. Generally speaking, the higher the job grades and/or the greater the responsibilities, the higher will be the proportion of variable remuneration so as to encourage the staff to follow the Group's philosophy of prudent risk management and sound long-term financial stability.

   Every year, the Group will conduct periodic review on the fixed remuneration of the staff with reference to various factors like remuneration strategy, market pay trend and staff salary level, and will determine the remuneration based on the affordability of the Group as well as the performance of the Group, units and individuals. As mentioned above, performance assessment criteria include quantitative and qualitative factors, as well as financial and non-financial indicators.

   According to the BOCHK Group Bonus Funding Policy, the size of the bonus pool of the Group is determined by the Board on the basis of the financial performance of the Group and the achievement of non-financial strategic business targets under the long-term development of the Group. The size of the bonus pool is reached based on pre-defined formulaic calculations but the Board can make discretionary adjustment to it if deemed appropriate under prevailing circumstances. When the Group's performance is relatively weak (e.g. failed to meet the threshold performance level), no bonus will be paid out that year in principle. However, the Board reserves the rights to exercise its discretion.

   As far as individual units and individual staff are concerned, allocation of the variable remuneration is closely linked to the performance of the units and each individual staff, and the assessment of which should include risk factors. The performance and remuneration arrangement of risk control personnel are determined by the achievement of their core job responsibilities, independent from the business they oversee; for front-line risk controllers, a cross-departmental reporting and performance management system is applied to ensure the suitability of performance-based remuneration. Within the acceptable risk level of the Group, the better the performance of the unit and the individual staff, the higher will be the variable remuneration for the individual staff. The allocation of variable remuneration to staff should also consider individual behaviour comprehensively. For behaviour which is positive and adhering to the Group's corporate culture, the variable remuneration should be tilted forward; for misconduct or behaviour which is negative and not adhering to the Group's corporate culture, the variable remuneration should be forfeited or reduced (including recovering the paid variable remuneration or stopping payment of unpaid variable remuneration), the amount of remuneration to be adjusted should be proportionate with the misconduct outcome, and should take into account all relevant indicators of the severity of the impact.

3. *Linking the payout of the variable remuneration with the time horizon of the risk to reflect the long-term value creation of the Group*

   To work out the principle of aligning remuneration with the time horizon of risk and to ensure that sufficient time is allowed to ascertain the associated risk and its impact before the actual payout, payout of the variable remuneration of staff is required to be deferred in cash if such amount reaches certain prescribed threshold. The Group adopts a progressive approach towards deferral. The longer the time horizon of risk in the activities conducted by the staff and the higher amount of the variable remuneration, the higher will be the proportion of deferral. Deferral period lasts for three years.

   The vesting of the deferred variable remuneration is linked with the long term value creation of the Group. The vesting conditions are closely linked to the annual performance of the Group in the next three years and the individual behaviour of the staff concerned. When the Group's performance has met the threshold requirement in each year, the deferred variable remuneration would be vested following the corresponding schedule.

   However, if circumstances at the Group or entity/unit level such as major adjustments to financial information on which the calculation of variable remuneration is based occur as a result of financial restatement, or there is fraud in performance appraisal, or the remuneration management procedures are violated by distributing variable remuneration or adding remuneration and incentive items without authorisation, or remuneration is distributed in violation of regulation or based on false information, or there are falls far short of the standards or deviates from the reasonable range with respect to the key regulatory indicators, or receiving regulatory disposal measures such as takeover or heavy fines etc. imposed by regulatory institution, or having major risk events that have caused bad influences on the financial market order etc., or an individual whose apparent negligence or failure to perform the obligation of prudent management has caused excessive risk exposure within the scope of responsibility, or a staff has committed material misconduct, including but not limited to fraud, mis-selling of financial products, manipulation (or attempted manipulation) of markets etc., or any financial or non-financial factors used in performance measurement or variable remuneration determination are later proven to have been manifestly worse than originally understood in a particular year, or individual behaviour/management style poses negative impacts to the business unit and even the Group, including but not limited to negative or improper behaviour which is not in adherence to corporate culture, improper or inadequate risk management, significant incident and economic loss incurred by improper management, etc., the Group reserves the rights to carry out the clawback of variable remuneration, forfeiting the unvested portion of the deferred variable remuneration of the relevant staff and/or requiring the relevant staff to return the paid variable remuneration.

- **Annual Review of Remuneration Policy**

  The Remuneration Policy of the Group is subject to annual review with reference to changes in external regulatory requirements, market conditions and risk management requirements, etc. In 2025, the Group reviewed the related policies of remuneration and incentive, including BOCHK Group Remuneration and Incentive Policy, BOCHK Group Variable Pay Deferral Policy, BOCHK Group Bonus Funding Policy etc. where the Group's bonus derivation threshold, the vesting condition of deferred variable remuneration, and the clawback provisions of variable remuneration have been reviewed and refined based on risk and compliance management requirements.

- **External Remuneration Consultant**

  To ensure the suitability and competitiveness of the remuneration and incentive mechanism, the Group appointed Willis Towers Watson and Aon for independent consultation in areas of pay management and market remuneration data of the Senior Management and key positions, etc.

- **Disclosure on Remuneration**

  The Group has fully complied with the guideline in Part 3 of the Guideline on a Sound Remuneration System issued by the HKMA to disclose information in relation to our remuneration and incentive mechanism.

External Auditor

Pursuant to the BOCHK External Auditor Management Policy adopted by the Board, the Audit Committee reviewed and monitored and was satisfied with the independence and objectivity of Ernst & Young, the Group's external auditor, and the effectiveness of its audit procedures, based on the principles and standards set out in the said Policy that were in line with international best practices. Upon the recommendation of the Audit Committee, the Board will propose that Ernst & Young be re-appointed as auditor of the Group at the Company's 2026 AGM. Subject to shareholders' authorisation, the Board will authorise the Audit Committee to determine the remuneration of Ernst & Young.

For 2025, the fees paid or payable by the Group to external auditors was HK$38 million (2024: HK$45 million), of which HK$30 million (2024: HK$36 million) related to audit services and HK$8 million (2024: HK$9 million) related to other services (mainly including tax compliance services and services provided to meet the requirements of regulatory bodies). The Audit Committee was satisfied that the non-audit services in 2025 did not affect the independence of external auditors.

Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems. According to the Board's scope of delegation, the Management is responsible for the day-to-day operations and risk management, and the Management needs to provide a confirmation to the Board on the effectiveness of these systems.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss; to manage the risk of system failure; and to assist in the achievement of the Group's objectives. In addition to safeguarding the Group's assets, it also ensures the maintenance of proper accounting records and compliance with relevant laws and regulations.

The Group conducts an annual review of the effectiveness of its risk management and internal control systems covering all material controls, including financial, operational and compliance controls as well as risk management. The review is conducted by reference to the guidelines and definitions given by the regulatory and professional bodies for the purpose of assessing five different internal control elements, namely, the control environment, risk assessment, control activities, information and communication, and monitoring. The assessment covers all the major internal controls and measures, including financial, operational and compliance controls as well as risk management functions. The review also considers the adequacy of resources, staff qualifications and experience and training of the Group's accounting, financial reporting, internal audit functions, as well as those relating to the ESG performance and reporting. The review is coordinated by the Group's internal audit which, after the Management and various business departments have performed their self-assessment and the Management has confirmed the effectiveness of the relevant systems, carries out an independent examination and other post-assessment work on the review process and results. The results of the 2025 review, which have been reported to the Audit Committee and the Board, revealed that the Group's risk management and internal control systems were effective and adequate.

In addition, the key procedures that the Group has essentially established and implemented to provide internal controls are summarised as follows:

- a rational organisational structure with appropriate personnel is developed and whose responsibility, authority, and accountability are clearly delineated. The Group has formulated policies and procedures to ensure reasonable checks and balances for all the operating units, reasonable safeguard for the Group's assets and adherence to relevant laws and regulations and risk management in its operations;

- the Management draws up and continuously monitors the implementation of the Group's strategies, business plans and financial budgets. The accounting and management systems that are in place provide the basis for evaluating financial and operational performance;

- the Group has various risk management and human resources policies. There are specific units and personnel that are responsible for handling reputation, strategic, legal, compliance, credit, market, operational, liquidity and interest rate risks. There are also procedures and internal controls for the handling and dissemination of inside information. The Group has set up mechanisms to identify, evaluate and manage all the major risks, and has established corresponding internal control procedures as well as processes for resolving internal control defects. (Details about the Group's risk management are provided on pages 44 to 49 of this Annual Report);

- the Group has established an information technology governance structure that produces a range of reports on information systems and management, including information on the monitoring of various business units, financial information and operating performance. Such information facilitates the Management, business units and the regulatory bodies in assessing and monitoring the Group's operation and performance. Proper communication channels and reporting mechanisms are in place at various business units and levels to facilitate exchange of information;

- pursuant to a risk-based approach and in accordance with the internal audit plan approved by the Audit Committee, the Group's internal audit conducts independent reviews on such aspects as financial activities, various business areas, various kinds of risks, operations and activities. Reports are submitted directly to the Audit Committee. The Group's internal audit closely follows up on the items that require attention in a systematic way and reports to the Management and the Audit Committee in a timely manner; and

- the Audit Committee reviews the reports submitted by external auditor to the Group's Management in connection with the annual audit as well as the recommendations made by regulatory bodies on risk management and internal control. The Group's internal audit follows up on the same to ensure timely implementation of the recommendations, and also periodically reports the status of the implementation to the Management and the Audit Committee.

The Group is committed to upholding good corporate governance practices and the internal control system of all subsidiaries are reviewed regularly. During the year of 2025, continuous improvements on the organisation structure and segregation of duty, the risk management policy and procedure, and the enhancement of disclosure transparency have been undertaken by the Group. In response to internal and external changes in global economic condition, operating environment, regulatory requirement and business development, the Group has implemented a series of measures and undertaken an on-going review on the effectiveness of the internal control mechanism. In 2025, areas for improvement have been identified and appropriate measures have been implemented.

Communication with Shareholders

The Company has adopted a Shareholder Communication Policy which will be reviewed by the Board annually to ensure effectiveness. The said policy sets forth the commitment of the Company to maintain on-going and effective communication with its shareholders and provides various channels for communication which include access of the Company's corporate communication such as announcements, circulars, annual and interim reports as well as other information through the Company's website or, if requested by shareholders, sending hard copies of relevant materials to them.

The Board attaches a high degree of importance to continuous communication with shareholders, particularly through direct dialogue with them at the Company's annual general meeting. The Company has adopted a hybrid meeting model for convening the annual general meeting flexibly which allows shareholders to attend the meeting in person or to view the proceedings of the meeting and participate in voting, and submit questions in a convenient and efficient way through an online platform. At 2025 annual general meeting of the Company held on 26 June 2025 (the "2025 AGM"), 210 shareholders attended in person and 16 shareholders participated online. Minutes of the 2025 AGM and records of the shareholders' question and answer session immediately after the 2025 AGM were made available to shareholders on the Company's website.

Apart from making close communication with the shareholders, the Company will communicate actively with the investment community in the forms of meetings, conferences and roadshows. For details, please refer to the section headed "Investor Relations" in this report.

Mr GE Haijiao (Chairman of the Company and the Strategy and Budget Committee), Mr LIP Sai Wo (Chairman of the Audit Committee), Mdm FUNG Yuen Mei Anita (Chairlady of the Risk Committee), Dr CHOI Koon Shum (Chairman of the Nomination and Remuneration Committee), and Mdm CHENG Eva (Chairlady of the Sustainability Committee) were present at the Company's 2025 AGM. Representative of Messrs Ernst & Young, the auditor of the Company, was also present at the Company's 2025 AGM to respond to enquiries raised by shareholders (if any). Save as disclosed above, all other Directors including Mr ZHANG Hui (Vice Chairman of the Company), Mr SUN Yu (Vice Chairman and Chief Executive of the Company), Mr LAW Yee Kwan Quinn, Prof LEE Sunny Wai Kwong and Prof MA Si Hang Frederick were also present at the 2025 AGM.

Summary of the resolutions passed at the Company's 2025 AGM as well as the percentage of votes cast in favour are as follows:

Ordinary Resolutions	Percentage Voted For
Receiving the audited financial statements and the Reports of the Directors and of the Auditor	99.92%
Declaration of final dividend	99.99%
Re-election of Directors	98.70% to 99.42%
Re-appointment of Auditor	99.90%
Grant of general mandate to issue shares	99.63%
Grant of general mandate to buy-back shares	99.99%

Further details of the voting results are available under the sub-section "Stock Exchange Announcements" of the section headed "Investor Relations" on the Company's website at www.bochk.com.

The Company will provide detailed information on the 2026 AGM in a circular to shareholders which will include introduction to the proposed resolutions to be approved at the annual general meeting, information on the retiring Directors who are eligible for re-election, proposed general mandate to issue and buy-back shares as well as information on voting and other issues relating to the 2026 AGM. The Company encourages shareholders to actively participate to general meetings of the Company so as to enhance the exchange of views and communication.

Shareholders' Rights

Shareholders are entitled to convene an extraordinary general meeting, propose a resolution at an annual general meeting, and propose a person for election as a Director. Please see the detailed procedures as follows:

- **the way in which shareholders can convene an extraordinary general meeting**

  Any shareholder(s) holding not less than 5% of total voting rights of all the shareholders who have a relevant right to vote may request the Board to convene an extraordinary general meeting. The request, duly signed by the shareholder(s) concerned, must clearly state the general nature of the business to be dealt with at the meeting and may include the text of the proposed resolution. Such request must be deposited at the registered office of the Company, 53rd Floor, Bank of China Tower, 1 Garden Road, Hong Kong. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under sections 566 to 568 of the Hong Kong Companies Ordinance once a valid request is received.

- **the procedures for proposing a resolution at an annual general meeting**

  The following shareholders are entitled to request the Company to give notice of a resolution that may properly be moved at an annual general meeting of the Company:

  (a) shareholders representing at least 2.5% of the total voting rights of all the shareholders who have a relevant right to vote; or

  (b) at least 50 shareholders who have a relevant right to vote.

  The request identifying the proposed resolution, duly signed by the shareholders concerned, must be deposited at the registered office of the Company, 53rd Floor, Bank of China Tower, 1 Garden Road, Hong Kong not less than six weeks before the annual general meeting, or if later, the time at which notice is given of that meeting. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under sections 615 and 616 of the Hong Kong Companies Ordinance once valid documents are received.

- **the procedures for Director's nomination and election by shareholders**

  If a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should lodge at the registered office of the Company (53rd Floor, Bank of China Tower, 1 Garden Road, Hong Kong): (a) a notice in writing signed by such shareholder (other than the proposed person) duly qualified to attend and vote at the meeting of his/her intention to propose such person for election; (b) a notice signed by the proposed person indicating his/her willingness to be elected; and (c) a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

  The period during which the aforesaid notices may be given will be at least seven days. Such period will commence on the day after the despatch of the notice of the general meeting for which such notices are given and end no later than seven days prior to the date of such general meeting. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under Article 99 of the Articles of Association once valid notices and the aforesaid sum are received.

The Company strictly adheres to the "one share, one vote" principle and as reflected in the Articles of Association of the Company (the "Articles"), a resolution put to the vote of any general meeting shall be decided by poll (save that and without prejudice to other provisions of the Articles). All issued shares carry equal voting rights, with each share entitling the holder to one vote at general meeting(s). The Company's share capital consists solely of ordinary shares, and no shares carry any special or preferential voting rights. This structure ensures equitable treatment of all shareholders and safeguards their interests. In the case of connected transaction(s), any shareholder and his/her associates who has a material interest in the transaction(s) must abstain from voting on relevant resolution(s) in accordance with the Listing Rules.

Further shareholder information, including details of shareholders by types and aggregate shareholding as well as important shareholders' dates in 2026, is set out in the section headed "Investor Relations". The percentage of public float is set out in the Report of the Directors. Shareholders are welcome to send in any written enquiries to the Board for the attention of the Company Secretary either by post to the registered office of the Company at 53rd Floor, Bank of China Tower, 1 Garden Road, Hong Kong or by way of email to investor_relations@bochk.com. The Company Secretary would direct the enquiries received to appropriate Board member(s) or the Chairman of the Board Committee(s) who is in charge of the areas of concern referred therein for further handling. The Board, assisted by the Company Secretary, would make its best efforts to ensure that all such enquiries are addressed in a timely manner.

Dividend Policy

The primary objectives of the Company's dividend policy are to comply with regulatory requirements and support its ongoing business development by providing adequate capital, while balancing shareholders' long-term and short-term interests. Unless under special circumstances, the Board maintains a payout ratio within the range of 40% to 60%. The Company periodically reviews the dividend policy by considering multiple factors, including financial performance, changes of regulatory requirements, economic and business environments, in order to continuously create long-term sustainable value for shareholders. Under normal circumstances, the Company would declare dividends on a quarterly basis.

During the year and as at the date of this Annual Report, all dividend decisions made by the Board are made in accordance with the Company's dividend policy.

Disclosure of Information

The Company recognises the importance of timely and effective disclosure of information and formulates policies, procedures and controlling measures on information disclosure (including inside information) in accordance with the requirements under applicable laws, regulations and regulatory requirements which include the SFO, the Listing Rules and the HKMA's Supervisory Policy Manual.

The Group has established controlling measures for the oversight of business and corporate development of the Group to enable prompt identification and escalation of any inside information by all departments/units. The Management Committee reviews relevant information submitted and assesses its possible impact, and reports the result to the Board. The Board will assess and determine whether it is inside information, and whether it is appropriate to disclose the inside information after consideration of relevant circumstances and regulatory requirements.

The Information Disclosure Policy requires that heads of relevant departments/units should restrict access to the inside information to a limited number of employees on a need-to-know basis during the escalation process and maintain a list of insider employees for senior management's inspection from time to time. The Group provides regular refreshment courses on the Information Disclosure Policy to employees to ensure those employees are fully conversant of their obligations under the said policy.

Details of the Information Disclosure Policy have been posted on the Company's website at www.bochk.com.

Directors' Responsibility Statement in relation to Financial Statements

The following statement should be read in conjunction with the auditor's statement of their responsibilities as set out in the auditor's report. The statement aims to distinguish the responsibilities of the Directors and the auditor in relation to the financial statements.

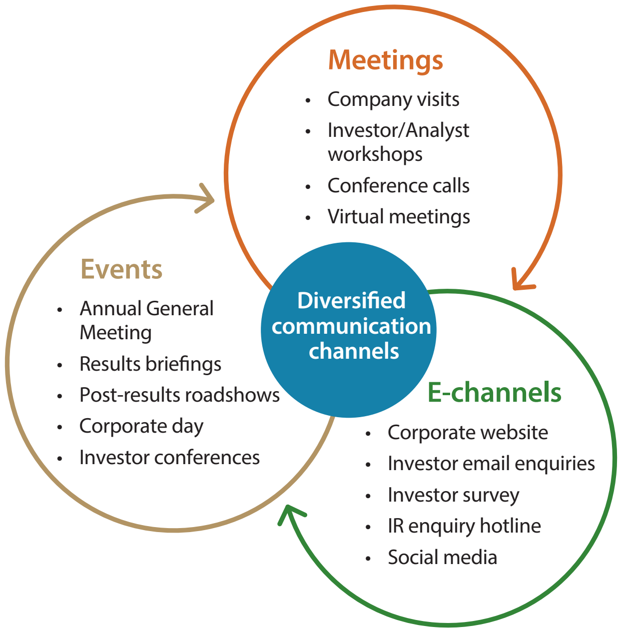
The Directors are required by the Hong Kong Companies Ordinance to prepare financial statements, which give a true and fair view of the state of affairs of the Group. The financial statements should be prepared on a going concern basis unless it is considered inappropriate. The Directors are responsible for ensuring that the accounting records kept by the Group at any time reasonably and accurately reflect the financial position of the Group, and that the financial statements comply with the requirements of the Hong Kong Companies Ordinance. The Directors also have duties to take reasonable and practicable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors consider that in preparing the financial statements, the Group has adopted appropriate accounting policies which have been consistently applied and supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

Investor Relations

Investor Relations Policy and Guidelines

The Company recognises the fundamental importance of maintaining effective communication with its existing and potential investors. We aim to provide clear and timely information that is reasonably required to make a fair investment decision with regard to the Company's equity and debt securities. We also highly value investor feedback and comments for the formulation of the Company's growth strategies to ensure its sustainable development and enhance shareholder value.



Investor Relations Programmes

The objectives of the Company's investor relations programmes are to promote, through various channels, timely and effective communication with the investment community to enhance their knowledge and understanding of the Company's development and strategies. The investment community refers to existing and potential investors of the Company's securities, analysts and securities market professionals. The Company's securities include both equity securities and debt securities.

The Company's investor relations strategies and programmes are formulated, overseen and regularly evaluated by the Investor Relations Committee, which is chaired by the Company's Chief Executive and comprises members of the senior management. The Investor Relations Division of the Board Secretariat, which reports directly to the Board, is responsible for the implementation of these strategies and acts as an intermediary between the Company and the investment community.

The Company's senior management is highly supportive and actively involved in investor relations activities. We communicate with the investment community in meetings, conferences and roadshows during which we discuss general public information, including disclosed financial information and historical data, markets and product strategies, business strengths and weaknesses, growth opportunities and threats. Any topic will be discussed so long as it is not considered to be material non-public information.

Information Disclosure Policy

The Company attaches high importance to the principles of information disclosure with regard to timeliness, fairness and transparency, and proactively discloses information that may have an impact on investment decision-making. In accordance with relevant legislation and statutory requirements, the Company has prepared an Information Disclosure Policy, which is available on the Company's website for public reference. The policy contains clear guidelines to ensure the following:

1. information disclosure is in compliance with the Listing Rules and other regulatory requirements;

2. all communications with the public, including the investment community and the media, follow the principles of timeliness, fairness, truthfulness, accuracy and compliance; and

3. effective monitoring of procedures for information disclosure is in place.

Access to Corporate Information

The Investor Relations section of the Company's website (www.bochk.com) provides shareholders and investors with access to information on the Company's latest developments according to the principles of the Information Disclosure Policy. These include information in relation to the Company's key developments, interim and annual results as well as quarterly financial and business review updates. Members of the public can access important announcements through the Stock Exchange of Hong Kong. The website also includes regulatory disclosure information that complies with the applicable requirements set out in the Banking (Disclosure) Rules as stipulated by the Hong Kong Monetary Authority.

The Investor Relations section also includes information on credit ratings, shares and dividends, as well as a corporate calendar with dates of important events. Shareholders and investors are encouraged to view the relevant information on the Company's website to support environmental conservation.

Overview of Investor Relations Activities in 2025

In 2025, the Company continued its efforts to provide effective channels for communication with the investment community.

Annual General Meeting

The Annual General Meeting held on 26 June 2025 was conducted as hybrid meetings which allow shareholders to participate in the proceedings of the meetings, vote and submit questions in a convenient and efficient way by visiting website from anywhere with an internet connection instead of attending the meetings in person.

At the Annual General Meeting held in June 2025, Chairman of the Board, Chairmen and members of the Audit Committee, the Nomination and Remuneration Committee, the Risk Committee, the Strategy and Budget Committee as well as the Sustainability Committee respectively, the Company's senior management and external auditor were present to respond to questions and comments from shareholders. A total of 226 registered shareholders and 46 authorised proxies holding an aggregate of 8,238,421,947 shares, representing 77.92% of the Company's total number of shares in issue, were present. Minutes of the 2025 Annual General Meeting were made available to shareholders on the Company's website.

Results Announcements

At the Company's 2024 annual results announcement and 2025 interim results announcement, the Company's senior management attended the briefings with analysts and the press to apprise them of the Company's strategy implementation, operating results, business development and outlook as well as to answer their questions. The public could access the results announcements, presentation materials, webcasts, financial data pack and transcripts of analyst briefing sessions on the Company's website and kept themselves updated with the latest financial and earnings performances of the Company. At the same time, the Company leveraged a wide range of social platforms and announced results via Weixin, Linkedin, etc., so as to maintain broad communications channels with investors.

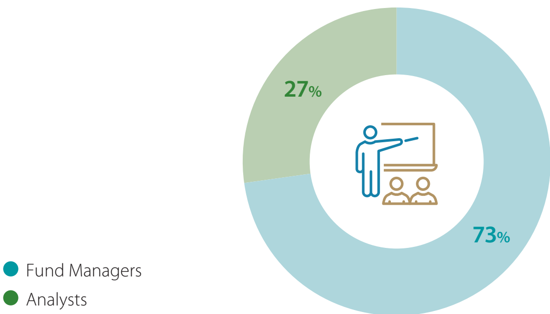
In addition to the interim and annual results announcements, the Company published quarterly financial and business reviews to keep shareholders up-to-date about the Company's performance and financial position.

Communication with the Investment Community

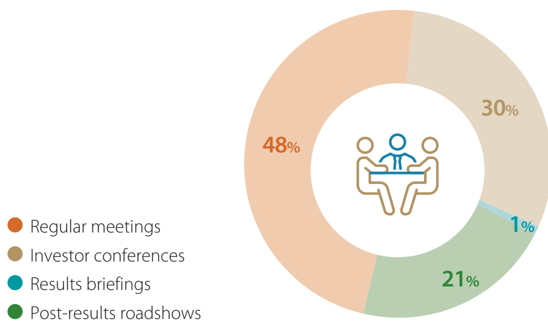
In 2025, the Company had held 235 meetings with a total attendance of 801 investors and analysts across the world, through results briefings, post-results roadshows, investor conferences and regular meetings, which aim to give investors a better understanding of the Company's strategies and new business initiatives as well as to continuously engage them in active and in-depth discussion on the Company's ESG development. The senior management members including Vice Chairman and Chief Executive, Deputy Chief Executive and Chief Financial Officer, and Deputy Chief Executive and Chief Risk Officer actively participated in the result roadshows and routine investor meetings, having in-depth communications with representatives from mutual funds, sovereign funds, insurance asset management companies, etc. The Company was widely covered by 13 securities research institutions, among which a good number of them ascribed "Buy" rating to the Company. The Company strived to expand investor base and optimise its geographical distribution by proactively making use of virtual and in-person meetings and interacting with institutional investors across major regions in the globe covering the financial centres and cities in the Asia-Pacific, Europe, America, Middle East, etc., which earned positive reaction from the investment community.

In addition to that, the Company closely monitored the latest market development and continued to promote two-way communication through methods including emails, direct dialogue and investor feedback. The responses received from investors enabled the Company to understand market focuses and demand for detailed business information, which helped to better formulate its investor relations communications plan and continually improve its disclosure standard and investor relations practices.

Investor Meetings by Participant Category



Investors Met by Event



Going Forward

Under the principles of timeliness, fairness and transparency, the Company will continue to promote proactive investor relations practices, including effective investor relations programmes to keep the investment community adequately informed of the Company's present and future development. The Company will also benchmark its programmes against best practices for continuous improvement and more efficient communication with the investment community.

Investor Relations Contact

Enquiries can be directed to:

Investor Relations Division
BOC Hong Kong (Holdings) Limited
53rd Floor, Bank of China Tower
1 Garden Road, Hong Kong

Telephone: (852) 2826 6314
Facsimile: (852) 2810 5830
E-mail: investor_relations@bochk.com

Shareholder Information

Financial Calendar 2026

Major Events	Dates
Announcement of 2025 annual results	30 March (Monday)
Announcement of Financial and Business Review for the First Quarter of 2026	Mid to late April
2026 First interim dividend payment date	Mid to late May
Latest time for lodging transfers for entitlement to attend and vote at the 2026 Annual General Meeting	18 June (Thursday) 4:30 p.m.
Book closure period (both days inclusive)	22 June (Monday) to 25 June (Thursday)
Latest time for lodging proxy forms for the 2026 Annual General Meeting	23 June (Tuesday) 2:00 p.m.
Record date for 2026 Annual General Meeting	25 June (Thursday)
2026 Annual General Meeting	25 June (Thursday) 2:00 p.m.
Last day in Hong Kong for dealing in the Company's shares with entitlement to 2025 Final dividend	26 June (Friday)
Ex-dividend date	29 June (Monday)
Latest time for lodging transfers for entitlement to 2025 Final dividend	30 June (Tuesday) 4:30 p.m.
Book closure period (both days inclusive)	2 July (Thursday) to 8 July (Wednesday)
Record date for 2025 Final dividend	8 July (Wednesday)
2025 Final dividend payment date	17 July (Friday)
Announcement of 2026 interim results	Mid to late August
2026 Second interim dividend payment date	Mid to late September
Announcement of Financial and Business Review for the Third Quarter of 2026	Mid to late October
2026 Third interim dividend payment date	Mid to late November

Notes:
1. Dividends are not guaranteed and are subject to approval by the Board of Directors/Shareholders (if applicable).
2. Any changes to these dates will be published on our website.

Annual General Meeting

The 2026 Annual General Meeting will be held at 2:00 p.m. on Thursday, 25 June 2026. For details of the meeting, please refer to the notice of the annual general meeting to be issued by the Company.

Share Information

Listing and Stock Codes

Ordinary Shares		Level 1 ADR Programme	
The Company's ordinary shares are listed and traded on The Stock Exchange of Hong Kong Limited ("HKEX").		The Company maintains a Level 1 ADR facility for its ADSs. Each ADS represents 20 ordinary shares of the Company *(HKD counter)*.	
Stock codes (HKD counter)		*Stock codes*	
HKEX	2388	CUSIP No.	096813209
Reuters	2388.HK	OTC Symbol	BHKLY
Bloomberg	2388 HK		
Stock codes (RMB counter)			
HKEX	82388		
Reuters	82388.HK		
Bloomberg	82388 HK		

Market Capitalisation and Index Recognition

As at 31 December 2025, the Company's market capitalisation was HK$416.8 billion, among the top 30 leading stocks on the Main Board of Hong Kong Stock Exchange in terms of market capitalisation. Given the Company's market capitalisation and liquidity, its shares are a constituent of Hang Seng Index, MSCI Index, and FTSE Index series. In addition, the Company is a constituent of Hang Seng Corporate Sustainability Index Series, Hang Seng High Dividend Yield Index and HSI ESG Index, which recognises its favorable performance in related areas.

Debt Securities

Issuer	:	Bank of China (Hong Kong) Limited, a wholly-owned and principal subsidiary of the Company
Listing and Trading	:	The Notes are traded in the China Interbank Bond Market

Senior Notes

Description	:	Bank of China (Hong Kong) Limited 2% Notes 2026	
Issue size	:	RMB5,000 million	
Stock codes	:	Local code	292480030
	:	ISIN	CND10008MCN6
	:	Bloomberg	YT4156832

Issuer	:	Bank of China (Hong Kong) Limited, a wholly-owned and principal subsidiary of the Company
Listing and Trading	:	The Notes are traded in the China Interbank Bond Market

Senior Notes

Description	:	Bank of China (Hong Kong) Limited 1.79% Notes 2028	
Issue size	:	RMB5,000 million	
Stock codes	:	Local code	292580005
	:	ISIN	CND10009DX22
	:	Bloomberg	YN5007052

Share Price and Trading Information

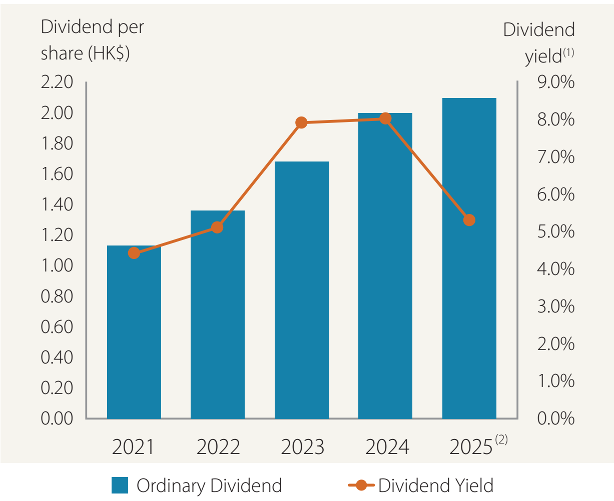
Share price (HKD counter/RMB counter)	**2025**	2024	2023
Closing price at year end	39.42/35.28	24.95/23.55	21.20/19.20
Highest trading price during the year	39.86/36.22	26.60/24.40	28.25/22.75
Lowest trading price during the year	24.20/22.85	17.86/16.50	20.00/18.44
Average daily trading volume (m shares) **(HKD counter/RMB counter)**	14.60/0.08	10.97/0.12	8.97/0.29
Number of ordinary shares issued (shares)	10,572,780,266		
Public float	Approximately 34%		

Note:
1. The Company added the RMB counter on 19 June 2023.
2. HKD counter is traded in HKD. RMB counter is traded in RMB.

Dividends and Shareholder Return Programme

Since 2025, the Company has started distributing dividends quarterly to meet diversified dividend demands of investors. In 2025, three interim dividends were already paid in the amount of HK$0.290 per share each. For the fourth quarter, the Board of Directors has recommended a final dividend of HK$1.255 per share, which is subject to the approval of shareholders at the 2026 Annual General Meeting. Including the aggregate amount of HK$0.870 of the three interim dividends during 2025, the total dividend per share will amount to HK$2.125 for the full year. The Board has in-principle approved the framework of the three-year shareholder return programme for 2026-2028, aiming to enhance shareholder returns through flexibly implementing capital management measures including orderly increases in dividend payout ratios within the established range, share buybacks, special dividends, etc. in accordance with market conditions. The details of such programme remains subject to external regulatory review and internal corporate governance procedures, and is expected to be implemented upon the release of interim results announcement for 2026.

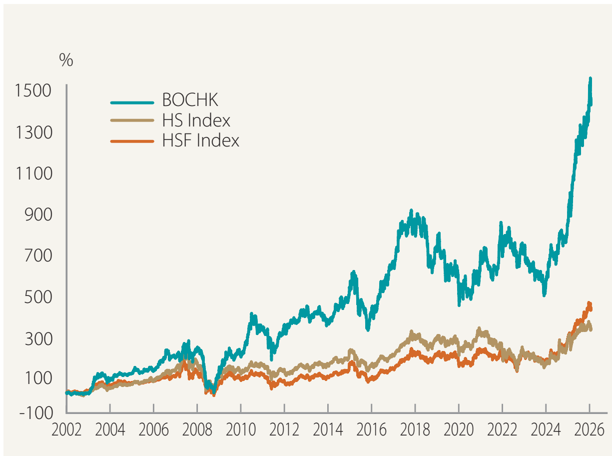
Dividend Per Share and Dividend Yield[1]



(1) Annual dividend yield is calculated based on all dividends of the year (i.e. interim dividends and proposed final dividend of the year) and closing share price at that year-end.

(2) 2025 proposed final dividend will be subject to shareholders' approval at the Company's forthcoming Annual General Meeting.

Total Shareholder Return since Initial Public Offering



Source: Bloomberg

Total shareholder return is measured by share price appreciation and reinvested dividends.

Credit Ratings (long-term)

Standard & Poor's:	A+
Moody's Investors Service:	Aa3
Fitch Ratings:	A+

Shareholding Structure and Shareholder Base

As at 31 December 2025, the Company had 10,572,780,266 shares in issue of which approximately 34% was held by the public and 0.29% was held in the form of ADSs. The Company's 59,763 registered shareholders were distributed in various parts of the world, including Asia, Europe, North America and Australia. Apart from BOC, the Company is not aware of any major shareholders with a shareholding of more than 5% which has to be reported under the SFO.

During the year, the shareholder structure of the Company remained stable. The following table shows the distribution of ownership according to the register of members which includes registered shareholders and shareholders recorded in the participant shareholding report generated from the Central Clearing and Settlement System as at 31 December 2025:

Category	Number of registered shareholders	% of registered shareholders	Number of shares held by registered shareholders	Approximate % of total issued shares
Individuals	59,667	99.84	189,071,518	1.79
Institutions, corporates and nominees [Note]	95	0.16	3,442,630,992	32.56
Bank of China Group [Note]	1	0.00	6,941,077,756	65.65
Total	59,763	100.00	10,572,780,266	100.00

Note:
As recorded in the register maintained by the Company pursuant to section 336 of the SFO, the total number of shares held by Bank of China Group was 6,984,274,213 shares, representing approximately 66.06% of the total number of shares in issue of the Company as at 31 December 2025. This figure included certain numbers of shares held for Bank of China Group in the securities account opened with BOCI Securities Limited, a participant of the Central Clearing and Settlement System. Accordingly, these shares are included under the category of "Institutions, corporates and nominees".

Shareholder Enquiries

For any enquiries or requests relating to shareholder's shareholding, e.g. change of personal details, transfer of shares, loss of share certificates and dividend warrants, etc., please send in writing to:

Hong Kong, China	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East, Wan Chai, Hong Kong Telephone: (852) 2862 8555 Facsimile: (852) 2865 0990 Online Feedback Platform: www.computershare.com/hk/en/online_feedback
USA	Citibank Shareholder Services P.O. Box 43077, Providence, Rhode Island 02940-3077, USA Telephone: 1-877-248-4237 (toll free) 1-781-575-4555 (outside USA) E-mail: citibank@shareholders-online.com

Other Information

You are encouraged to access the corporate communications of the Company through the websites of the Company (www.bochk.com) or the Stock Exchange (www.hkexnews.hk) in lieu of receiving printed copies to help protect the environment. We believe that it is also the most efficient and convenient method of communication with our shareholders. In case printed copy of this Annual Report is required, you can obtain the same by writing to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or email to bochk.ecom@computershare.com.hk.

If you have any queries about how to obtain copies of this Annual Report or how to access the corporate communications on the Company's website, please call the Company's hotline at (852) 2846 2700.

Awards and Recognition

Financial Strength and Corporate Governance

The Banker

- Bank of the Year in Hong Kong

The Asian Banker

- The Strongest Bank in Hong Kong

FinanceAsia

FinanceAsia Awards 2025:

- Best Bank – Hong Kong SAR (Domestic Category)

Sustainable Development

Financial Times and Statista

- Asia-Pacific Climate Leaders 2025

Euromoney

Awards for Excellence 2025:

- Hong Kong's Best Bank for Corporate Responsibility

FinanceAsia

FinanceAsia Awards 2025:

- Biggest Sustainable Impact Bank – Hong Kong SAR (Domestic Category) – Highly Commended

Asian Banking & Finance

Asian Banking & Finance Retail Banking Awards 2025:

- SME Community Support of the Year – Hong Kong

Corporate Governance Asia

- Sustainable Asia Award

15th Asian Excellence Awards:

- Asia's Best CSR
- Best Investor Relations Company
- Best Environmental Responsibility

The Asset

- The Asset Corporate Sustainability Leadership Awards 2025 – Platinum Award

Bloomberg Businessweek Chinese Edition

ESG Leading Enterprises 2025:

- ESG Leading Enterprises Award
- Leading Social Initiatives Award
- Sustainable Supply Chain Award

Bloomberg Businessweek/Bloomberg Green

- The Watchlist 2026: Green Financial Institutions

Enterprise Asia

Asia Responsible Enterprise Awards 2025:

- Social Empowerment
- Corporate Sustainability Reporting

The Hong Kong General Chamber of Small and Medium Business

- ESG Leading Enterprise Award 2025

Hong Kong Quality Assurance Agency

Hong Kong Green and Sustainable Finance Awards 2025:

- Premier Contribution Award for Green and Sustainable Loan Structuring Advisor (Infrastructure) – Visionary Sustainability-linked Loan Performance Metrics
- Outstanding Award for Green and Sustainable Bond Lead Manager
  - Largest Single Social Bond (Wonton Bond Financing Project of International Financial Institution)
  - Largest Amount of Green Bonds (Financial Investment Industry)

Innovative Technology

Global Finance

- Best User Experience (UX design) in Asia Pacific
- Best Mobile Banking App in China
- Best User Experience (UX design) in China

The Digital Banker

Global Retail Banking Innovation Awards 2025:

- Best Gen-AI Initiative – Customer Management

Bloomberg Businessweek Chinese Edition

Financial Institutions 2025:

- Insurance Sector Product Innovation – Excellence
- Banking Securities Sector Digital Trading Platform – Outstanding

Talent Development Management

Bloomberg Businessweek Chinese Edition

Financial Institutions 2025:

- Banking Sector Training Program of the Year – Excellence

JobMarket

The Employer of Choice Award 2025:

- Employer of Choice
- Learning & Development Award

CTgoodjobs

- Employer of the Year – Triple Crown Grand Award
- Best Employee Engagement Strategy Award – Triple Crown Grand Award
- Best Gen Z Attraction Award – Grand Award
- Best Innovative HR Initiative Award – Grand Award
- Best Innovative L&D Initiative Award – Grand Award

Jobsdb

The Hong Kong HR Awards 2024/25:

- Employer of the Year
- Learning & Development Award

The Hong Kong Institute of Bankers

Hong Kong Banking Industry Talent Development Awards Programme (Category I):

- The HKIB Talent Development Award 2025

Service Excellence

The Asset

- Best Renminbi Bank in Hong Kong
- Manila Branch: Best Renminbi Bank in the Philippines
- Phnom Penh Branch: Best Renminbi Bank in Cambodia
- Brunei Branch: Best Renminbi Bank in Brunei
- BOC Malaysia: Best Renminbi Bank in Malaysia

The Asset Triple A Sustainable Investing Awards 2025:

- Multi-Asset Fund Manager of the Year in Asia

The Asian Banker

- Best Corporate, Investment and Wholesale Bank in Hong Kong
- Best Transaction Bank in Hong Kong
- Best Cash Management Bank in Hong Kong
- Best Wealth Management Bank in Hong Kong
- Best Home Loan Financing in Asia Pacific

Asian Banking & Finance

Asian Banking & Finance Wholesale Banking Awards 2025:

- Hong Kong Domestic Cash Management Bank of the Year

Asia Asset Management

2025 Best of the Best Region Awards:

- Best RMB Manager in Hong Kong

2025 Best of the Best Performance Awards:

- China Bonds, Offshore (3 Years)
- Global Aggregate Bonds (3 Years)
- Global Multi-Asset (5 Years)

FinanceAsia

- Best Custodian Bank (Domestic)

AsianInvestor

AsianInvestor Asset Management Awards 2025:

- Marquee Awards Winners – Best Insurance Asset Manager

Treasury China

- Treasury Awards – Best Global Treasury Service Bank Award

CorporateTreasurer

CorporateTreasurer Awards 2025:

- Best Cash Management Bank (Market: Hong Kong SAR)

Bloomberg Businessweek Chinese Edition

Financial Institutions 2025:

- Banking Securities Sector Securities Company of the Year – Excellence
- Banking Securities Sector Cross-border Wealth Management (Personal) – Excellence
- SME Banking Sector SME Bank of the Year – Excellence
- Banking Sector Asia Pacific High Net Worth Service – Excellence
- Bancassurance Sector Bancassurer of the Year – Outstanding

The Hong Kong General Chamber of Small and Medium Business

- Best SME's Partner Award for 18 consecutive years

HKEX

- Top Swap Connect Clearing Member
- Top Key Partner – Currency Futures

China Central Depository & Clearing Co., Ltd.

- Outstanding Foreign Institutional Investor of CIBM Business

Shanghai Clearing House

- Excellent International Cooperation Institution

Independent Auditor's Report

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

To the members of BOC Hong Kong (Holdings) Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of BOC Hong Kong (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 132 to 307, which comprise the consolidated balance sheet as at 31 December 2025, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit loss ("ECL") for advances to customers	
Refer to material accounting policies in Note 2.14, critical estimates and judgements in applying accounting policies in Note 3.1, and disclosures on credit risk, net charge of impairment allowances and loan impairment allowances in Note 4.1, Note 13 and Note 25 to the financial statements. As at 31 December 2025, the Group reported total gross advances to customers amounted to HK$1,715,787 million, representing 38.2% of total assets and the impairment allowance for advances to customers amounted to HK$18,759 million, representing 95.8% of the total impairment allowance on financial instruments. The Group has adopted a forward-looking expected-loss impairment model to recognise the expected credit losses ("ECL") of its advances to customers. The assessment of credit risk and the measurement of ECL are required to be based on unbiased and probability-weighted possible outcomes, and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. Significant management judgements and estimates are involved in the development and the application of models and the choices of inputs in the calculation of ECL, including: 1) segmentation of financial assets according to credit risk characteristics; 2) estimation of probability of defaults, loss given defaults, exposure at defaults and macroeconomic factor forecasts; 3) criteria on significant increase in credit risk; and 4) selection of forward-looking macroeconomic scenarios and their probability weightings; For Stage 3 advances to customers, management judgement is required to determine the probability of multiple scenarios and estimate the impact that the uncertainties observed in current economic environment may have on these exit strategies, the time required to collect and collateral valuation. In view of the significance of the impairment allowance recorded by the Group and the management judgements and estimates involved, the impairment assessment of advances to customers are considered a key audit matter.	We obtained an understanding of the Group's credit management policies and procedures and evaluated the Group's impairment methodology, including the management judgement over the segmentation of portfolio, the criteria on significant credit deterioration and the measurement approach of expected credit losses. We tested the design and operating effectiveness of the key controls over the systems and processes of credit assessment, loan classification, stage classification and calculation of impairment allowances. Our control testing on the loan impairment process included an evaluation of the governance in respect of the use of economic scenarios and the system interfaces of inputs or other data sources such as internal loan gradings and probability of default. We adopted a risk-based sampling approach for our loan review procedures. We selected samples based on risk characteristics of individual items including the industry (including loans granted to Mainland property developers and local commercial real estate developers and investors), internal loan grading and past due history. We formed an independent view on the loan staging through reviewing the selected borrowers' detailed information such as their financial performance, recoverable cash flows, valuation of collaterals and other available information. We performed testing on the accuracy of the data used in the ECL calculation as at 31 December 2025 by comparing the individual loan data to the relevant data source on a sample basis; evaluating the calculation logic and data processing and recomputing a sample of management's calculation of the impairment allowance. We engaged our modelling specialists in evaluating the impairment methodology and model enhancements. We assessed the appropriateness of the ECL model used by management in determining impairment allowances, including application of forward-looking macroeconomic scenarios, and evaluated the key parameters and assumptions adopted in the model. The key parameters and assumptions included ECL stages, probability of default, loss given default, exposure at default, and probability weighted economic scenarios.

Key audit matter	How our audit addressed the key audit matter
	For loans and advances classified as Stage 3, we recalculated the impairment allowance by reviewing inputs such as future recoverable cash flows and valuation of collateral on a sample basis. We also assessed the adequacy of disclosures for compliance with the relevant accounting standards related to disclosures on credit risk in Note 4.1 to the financial statements.
Valuation of insurance contract liabilities	
Refer to material accounting policies in Note 2.19, critical estimates and judgements in applying accounting policies in Note 3.3, and disclosures on insurance risk and insurance contracts in Note 4.4 and Note 37 to the financial statements. As at 31 December 2025, the Group, through its consolidated subsidiary BOC Group Life Assurance Company Limited, had insurance contract liabilities amounting to HK$232,347 million, representing 5.6% of the Group's total liabilities. The valuation of insurance contract liabilities involves significant management judgements and estimates over the eligibility of the measurement approach, the determination of coverage unit and the uncertain future cash flows. The valuation of insurance contract liabilities was mainly measured as the total of fulfilment cash flows ("FCF") and contractual service margin ("CSM"). Complex actuarial models and actuarial assumptions with judgmental nature are used to support the valuation of insurance contract liabilities. Key assumptions, such as mortality, morbidity, lapse rates, discount rates in the estimation of FCF and the determination of coverage units for releasing of CSM, expenses ratios, claim ratios, dividends and risk adjustment for non-financial risk are key inputs used to estimate the insurance contract liabilities as reported in the consolidated balance sheet.	We obtained an understanding over the reserving process through meeting with and inquiry of actuarial team of the Group and inspecting the relevant documentation. We tested the design and operating effectiveness of key controls over the valuation of insurance contract liabilities and reperformed reconciliations on the actuarial data back to the financial ledger and source systems. We engaged our internal actuarial specialist to assess the valuation methodologies and key assumptions applied with reference to relevant accounting policies, market observable data (as applicable), the Group's past experience or industry experience. For the assumptions updated in current year, we have also assessed reasonableness of the changes against the documentation provided by the Group. For certain actual data used in the actuarial reserving process, we performed test of details, on sample basis, on the accuracy of amount of premiums, claims incurred and commissions. We tested the application of the valuation methodologies and measurement of insurance contract liabilities on selected insurance products or groups of insurance contracts by comparing our independent recalculation results to verify the reasonableness of the overall insurance contract liabilities. We also assessed the adequacy of disclosures for compliance with the relevant accounting standards related to insurance risk and insurance contracts in Note 4.4 and Note 37 to the financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of level 3 financial instruments measured at fair value	
Refer to material accounting policies in Note 2.12, critical estimates and judgements in applying accounting policies in Note 3.2, and disclosures on fair values of financial instruments in Note 5.1 to the financial statements. As at 31 December 2025, the Group's financial assets measured at fair value amounted to HK$1,639,881 million, representing 36.5% of the Group's total assets. The Group's financial assets measured at fair value which were categorised within level 3 amounted to HK$27,397 million, representing 1.7% of the Group's financial assets measured at fair value. The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, in particular those requiring significant unobservable inputs, involve management using judgements and assumptions. With different data input, assumptions and modelling techniques applied, the valuation results can vary significantly. Financial instruments which had significant unobservable inputs in the valuation were categorised within level 3 of the fair value hierarchy. Higher degree of uncertainty was involved in valuation of financial instruments categorised within level 3 of the fair value hierarchy. In view of the significance of the higher degree of uncertainty was involved in valuation of financial instruments categorised within level 3, the valuation of level 3 financial instruments measured at fair value are considered a key audit matter.	We evaluated and tested the design and operating effectiveness of key controls related to the valuation of financial instruments categorised within level 3, including validation and approval of valuation models and assumptions, review and approval of valuation results, and back-testing on valuation results and assumptions. We performed the following substantive procedures on financial instruments categorised within level 3 on a sampling basis: • In respect of unlisted equity securities, we involved our valuation specialists in evaluating the data inputs, assumptions and modelling techniques, through comparison with valuation techniques that are commonly used in the market, and validation of inputs against external market data. • In respect of unlisted fund investments, we assessed the unobservable valuation inputs, such as net asset values, by examining the most recent financial statements of investee funds or net asset value statements, conducting back-testing and evaluating the accounting policies of investee funds. We also assessed the adequacy of disclosures for compliance with the relevant accounting standards related to the fair value disclosures in Note 5.1 to the financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

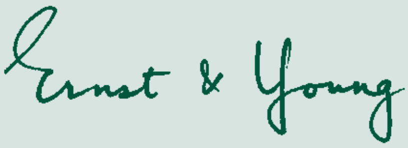
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Huen Chun Man (practising certificate number: P07029).



Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2026

Consolidated Income Statement

For the year ended 31 December	Notes	**2025 HK$'m**	2024 HK$'m
Interest income		**120,355**	139,439
Interest income calculated using the effective interest method		***113,997***	*129,804*
Others		***6,358***	*9,635*
Interest expense		**(67,444)**	(87,105)
Net interest income	6	**52,911**	52,334
Fee and commission income		**15,127**	13,285
Fee and commission expense		**(3,858)**	(3,392)
Net fee and commission income	7	**11,269**	9,893
Insurance revenue		**3,389**	2,695
Insurance service expense		**(1,178)**	(1,217)
Net income from reinsurance contracts held		**263**	273
Insurance service result		**2,474**	1,751
Net trading gain	8	**16,805**	10,988
Net gain/(loss) on other financial instruments at fair value through profit or loss	9	**7,973**	(782)
Net loss on other financial instruments	10	**(1,484)**	(1,416)
Insurance finance expenses	11	**(13,527)**	(2,139)
Other operating income	12	**598**	624
Net operating income before impairment allowances		**77,019**	71,253
Net charge of impairment allowances	13	**(8,294)**	(5,082)
Net operating income		**68,725**	66,171
Operating expenses	14	**(18,193)**	(17,494)
Operating profit		**50,532**	48,677
Net loss from disposal of/fair value adjustments on investment properties	15	**(1,607)**	(1,487)
Net loss from properties, plant and equipment and other assets	16	**(358)**	(332)
Share of results after tax of associates and joint ventures	27	**7**	(104)
Profit before taxation		**48,574**	46,754
Taxation	17	**(7,385)**	(7,636)
Profit for the year		**41,189**	39,118

For the year ended 31 December	Notes	2025 HK$'m	2024 HK$'m
Profit attributable to:			
Equity holders of the Company		**40,121**	38,233
Non-controlling interests		**1,068**	885
		41,189	39,118
		HK$	HK$
Earnings per share			
Basic and diluted	19	**3.7947**	3.6162

The notes on pages 140 to 307 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December	Notes	2025 HK$'m	2024 HK$'m
Profit for the year		**41,189**	39,118
Items that will not be reclassified subsequently to income statement:			
Premises:			
Revaluation of premises	29	**(3,528)**	(2,548)
Related tax impact	36	**659**	508
		(2,869)	(2,040)
Equity instruments at fair value through other comprehensive income:			
Change in fair value		**405**	360
Related tax impact		**(20)**	(23)
		385	337
Actuarial gain on retirement benefit plans		**–**	3
		(2,484)	(1,700)
Items that may be reclassified subsequently to income statement:			
Advances and other accounts at fair value through other comprehensive income:			
Change in impairment allowances charged/(credited) to income statement	13	**6**	(23)
Debt instruments at fair value through other comprehensive income:			
Change in fair value		**5,959**	(112)
Change in impairment allowances charged to income statement	13	**13**	59
Release upon disposal/redemption reclassified to income statement	10	**1,453**	1,394
Amortisation of accumulated amount of fair value hedge adjustment reclassified to income statement		**(84)**	(11)
Related tax impact		**(908)**	(226)
		6,433	1,104
Cash flow hedges	24	**71**	–
Insurance contracts:			
Finance expenses from insurance contracts issued		**(163)**	(1,722)
Finance (expenses)/income from reinsurance contracts held		**(129)**	537
Related tax impact		**49**	195
		(243)	(990)
Share of other comprehensive income of associates and joint ventures		**2**	–
Currency translation difference		**709**	(361)
		6,978	(270)
Other comprehensive income for the year, net of tax		**4,494**	(1,970)
Total comprehensive income for the year		**45,683**	37,148
Total comprehensive income attributable to:			
Equity holders of the Company		**44,013**	36,703
Non-controlling interests		**1,670**	445
		45,683	37,148

The notes on pages 140 to 307 are an integral part of these financial statements.

Consolidated Balance Sheet

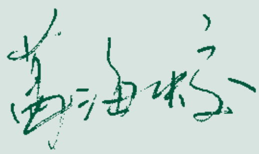
As at 31 December	Notes	2025 HK$'m	2024 HK$'m
ASSETS			
Cash and balances and placements with banks and other financial institutions	22	**567,418**	609,935
Financial assets at fair value through profit or loss	23	**306,069**	227,156
Derivative financial instruments	24	**65,255**	73,914
Hong Kong SAR Government certificates of indebtedness		**243,190**	223,510
Advances and other accounts	25	**1,705,172**	1,666,302
Investment in securities	26	**1,425,900**	1,229,122
Interests in associates and joint ventures	27	**844**	1,196
Investment properties	28	**12,599**	14,046
Properties, plant and equipment	29	**33,770**	38,242
Current tax assets		**16**	27
Deferred tax assets	36	**3,133**	1,952
Other assets	30	**126,443**	109,006
Total assets		**4,489,809**	4,194,408
LIABILITIES			
Hong Kong SAR currency notes in circulation	31	**243,190**	223,510
Deposits and balances from banks and other financial institutions		**349,480**	352,052
Financial liabilities at fair value through profit or loss	32	**99,584**	78,821
Derivative financial instruments	24	**57,528**	56,779
Deposits from customers	33	**2,933,502**	2,713,410
Debt securities and certificates of deposit in issue	34	**11,251**	5,296
Other accounts and provisions	35	**113,010**	155,904
Current tax liabilities		**7,419**	6,728
Deferred tax liabilities	36	**3,266**	3,941
Insurance contract liabilities	37	**232,347**	183,755
Subordinated liabilities	38	**75,757**	71,982
Total liabilities		**4,126,334**	3,852,178

CONSOLIDATED BALANCE SHEET

As at 31 December	Notes	2025 HK$'m	2024 HK$'m
EQUITY			
Share capital	39	**52,864**	52,864
Reserves		**305,664**	285,852
Capital and reserves attributable to equity holders of the Company		**358,528**	338,716
Non-controlling interests		**4,947**	3,514
Total equity		**363,475**	342,230
Total liabilities and equity		**4,489,809**	4,194,408

The notes on pages 140 to 307 are an integral part of these financial statements.

Approved by the Board of Directors on 30 March 2026 and signed on behalf of the Board by:



GE Haijiao
Director

SUN Yu
Director

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company										
		Reserves									
	Share capital HK$'m	Premises revaluation reserve HK$'m	Reserve for financial assets at FVOCI HK$'m	Regulatory reserve* HK$'m	Translation reserve HK$'m	Cash flow hedge reserve HK$'m	Insurance finance reserve HK$'m	Retained earnings HK$'m	Total HK$'m	Non-controlling interests HK$'m	Total equity HK$'m
At 1 January 2024	52,864	36,899	(6,470)	7,974	(1,883)	–	1,637	229,124	320,145	3,284	323,429
Profit for the year	–	–	–	–	–	–	–	38,233	38,233	885	39,118
Other comprehensive income:											
Premises	–	(2,040)	–	–	–	–	–	–	(2,040)	–	(2,040)
Equity instruments at fair value through other comprehensive income	–	–	335	–	–	–	–	–	335	2	337
Actuarial gain on retirement benefit plans	–	–	–	–	–	–	–	3	3	–	3
Advances and other accounts at fair value through other comprehensive income	–	–	(23)	–	–	–	–	–	(23)	–	(23)
Debt instruments at fair value through other comprehensive income	–	–	1,061	–	–	–	–	–	1,061	43	1,104
Insurance contracts	–	–	–	–	–	–	(505)	–	(505)	(485)	(990)
Currency translation difference	–	–	(45)	–	(316)	–	–	–	(361)	–	(361)
Total comprehensive income	–	(2,040)	1,328	–	(316)	–	(505)	38,236	36,703	445	37,148
Release upon disposal of equity instruments at fair value through other comprehensive income:											
Transfer	–	–	44	–	–	–	–	(44)	–	–	–
Deferred tax	–	–	(7)	–	–	–	–	–	(7)	–	(7)
Current tax	–	–	–	–	–	–	–	7	7	–	7
Release upon disposal of premises	–	(6)	–	–	–	–	–	6	–	–	–
Transfer to retained earnings	–	–	–	(1,946)	–	–	–	1,946	–	–	–
Dividends	–	–	–	–	–	–	–	(18,132)	(18,132)	(215)	(18,347)
At 31 December 2024	52,864	34,853	(5,105)	6,028	(2,199)	–	1,132	251,143	338,716	3,514	342,230

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
		Reserves									
	Share capital HK$'m	Premises revaluation reserve HK$'m	Reserve for financial assets at FVOCI HK$'m	Regulatory reserve* HK$'m	Translation reserve HK$'m	Cash flow hedge reserve HK$'m	Insurance finance reserve HK$'m	Retained earnings HK$'m	Total HK$'m	Non-controlling interests HK$'m	Total equity HK$'m
At 1 January 2025	52,864	34,853	(5,105)	6,028	(2,199)	–	1,132	251,143	338,716	3,514	342,230
Profit for the year	–	–	–	–	–	–	–	40,121	40,121	1,068	41,189
Other comprehensive income:											
Premises	–	(2,869)	–	–	–	–	–	–	(2,869)	–	(2,869)
Equity instruments at fair value through other comprehensive income	–	–	383	–	–	–	–	–	383	2	385
Actuarial gain on retirement benefit plans	–	–	–	–	–	–	–	–	–	–	–
Advances and other accounts at fair value through other comprehensive income	–	–	6	–	–	–	–	–	6	–	6
Debt instruments at fair value through other comprehensive income	–	–	5,714	–	–	–	–	–	5,714	719	6,433
Cash flow hedges	–	–	–	–	–	71	–	–	71	–	71
Insurance contracts	–	–	–	–	–	–	(124)	–	(124)	(119)	(243)
Share of other comprehensive income of associates and joint ventures	–	–	2	–	–	–	–	–	2	–	2
Currency translation difference	–	–	154	–	555	–	–	–	709	–	709
Total comprehensive income	–	(2,869)	6,259	–	555	71	(124)	40,121	44,013	1,670	45,683
Transfer to retained earnings	–	–	–	(3,805)	–	–	–	3,805	–	–	–
Dividends	–	–	–	–	–	–	–	(24,201)	(24,201)	(237)	(24,438)
At 31 December 2025	52,864	31,984	1,154	2,223	(1,644)	71	1,008	270,868	358,528	4,947	363,475

* In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised under HKFRS 9.

The notes on pages 140 to 307 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December	Notes	2025 HK$'m	2024 HK$'m
Cash flows from operating activities			
Operating cash (outflow)/inflow before taxation	40(a)	**(78,318)**	8,171
Hong Kong profits tax paid		**(7,988)**	(5,344)
Outside Hong Kong profits tax paid		**(777)**	(952)
Net cash (outflow)/inflow from operating activities		**(87,083)**	1,875
Cash flows from investing activities			
Additions of properties, plant and equipment		**(653)**	(1,264)
Proceeds from disposal of properties, plant and equipment		**4**	7
Additions of investment properties	28	**(145)**	(118)
Proceeds from disposal of investment properties		**–**	1
Additions of intangible assets	30	**(852)**	(934)
Proceeds from disposal of intangible assets		**24**	–
Additions of interests in associates and joint ventures		**(31)**	(25)
Net cash outflow from investing activities		**(1,653)**	(2,333)
Cash flows from financing activities			
Dividend paid to equity holders of the Company		**(24,201)**	(18,132)
Dividend paid to non-controlling interests		**(237)**	(215)
Payment for redemption of subordinated liabilities	40(b)	**(31,746)**	(73,045)
Interest paid for subordinated liabilities	40(b)	**(1,622)**	(2,535)
Proceeds from subordinated liabilities	40(b)	**31,746**	71,769
Payment of lease liabilities	40(b)	**(558)**	(600)
Net cash outflow from financing activities		**(26,618)**	(22,758)
Decrease in cash and cash equivalents		**(115,354)**	(23,216)
Cash and cash equivalents at 1 January		**649,288**	686,930
Effect of exchange rate changes on cash and cash equivalents		**14,584**	(14,426)
Cash and cash equivalents at 31 December	40(c)	**548,518**	649,288
Cash flows from operating activities included			
– interest received		**119,384**	138,325
– interest paid		**68,792**	89,420
– dividend received		**128**	97

The notes on pages 140 to 307 are an integral part of these financial statements.

Notes to the Financial Statements

1. Principal activities

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of banking and related financial services.

The Company is a limited liability company incorporated and listed in Hong Kong. The address of its registered office is 53/F, Bank of China Tower, 1 Garden Road, Hong Kong.

2. Material accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with HKFRS Accounting Standards (which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, precious metals at fair value, investment properties which are carried at fair value, premises which are carried at fair value or revalued amount less accumulated depreciation and accumulated impairment losses and insurance contracts and reinsurance contracts held measured on a current value basis.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical estimates. It also requires the Management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are critical to the consolidated financial statements are disclosed in Note 3.

(a) Amendment that is initially adopted for the financial year beginning on 1 January 2025

Amendment	Content	Applicable for financial years beginning on/after	Currently relevant to the Group
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025	No

The amendment that is initially adopted for the financial year beginning on 1 January 2025 is not currently relevant to the Group.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretation issued that are not yet mandatorily effective and have not been early adopted by the Group in 2025

Standards/ Amendments/ Interpretation	Content	Applicable for financial years beginning on/after	Currently relevant to the Group
HKFRS 9 and HKFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026	Yes
HKFRS 9 and HKFRS 7 (Amendments)	Contracts Referencing Nature-dependent Electricity	1 January 2026	No
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026	Yes
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027	Yes
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027	Yes
HK Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027	No
HKAS 28 (2011) and HKFRS 10 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined	Yes

Further information about those standards and amendments that are expected to be applicable to the Group is as follows:

- HKFRS 9 and HKFRS 7 (Amendments), "Amendments to the Classification and Measurement of Financial Instruments". The amendments to HKFRS 9 include:

  – Clarifications of the requirements for the timing of recognition and derecognition of financial assets and liabilities and introduction of an accounting policy choice for entities to derecognise financial liabilities that are settled through an electronic payment system before the settlement date if specific conditions are met.

  – Additional guidance on how the contractual cash flows for financial assets with contingent features that linked to the achievement of environmental, social and corporate governance targets ("ESG-linked features") or other similar contingent features should be assessed.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretation issued that are not yet mandatorily effective and have not been early adopted by the Group in 2025 (continued)

– Clarifications on what constitute non-recourse features and characteristics of contractually linked instruments.

The amendments to HKFRS 7 require entities to provide additional disclosures regarding financial instruments with contingent features and equity instruments designated at fair value through other comprehensive income.

The amendments are effective for annual periods beginning on or after 1 January 2026 with earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted.

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, based on the assessment of all material electronic payment systems used by the Group, the amendments are not expected to have a material impact on the Group because the electronic settlement systems used by the Group are operated on a real-time basis. According to the amendments, financial liabilities from other payment systems (such as cheques, credit cards and debit cards) are expected to be derecognised until when the amount has cleared (i.e. the settlement date).

In addition, the application of the amendments on financial assets with ESG-linked features or other similar contingent features, financial assets with non-recourse features and contractually linked instruments is not expected to have a material impact on the Group's financial statements.

- "Improvements to HKFRS Accounting Standards" contain a number of amendments to HKFRS Accounting Standards which the HKICPA considers not urgent but necessary. It comprises amendments that result in accounting changes for presentation, recognition or measurement purpose as well as terminology or editorial amendments related to a variety of individual HKFRS Accounting Standards. These improvements will not have a material impact on the Group's financial statements.

- HKFRS 18, "Presentation and Disclosure in Financial Statements". HKFRS 18 supersedes HKAS 1 "Presentation of Financial Statements" and is effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. The new standard aims to improve entities' reporting of financial performance and give investors a better basis for analysing and comparing entities by introducing presentation of new defined subtotals in the statement of profit or loss, disclosures about management-defined performance measures, and enhanced requirements for grouping of information. The Group is in the process of assessing the impact of the adoption of HKFRS 18.

- HKFRS 19, "Subsidiaries without Public Accountability: Disclosures". HKFRS 19 is a voluntary standard which permits eligible subsidiaries to use HKFRS Accounting Standards with reduced disclosures and is effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. A subsidiary is eligible to apply the standard if it does not have public accountability and its ultimate or intermediate parent produces consolidated financial statements that are available for public use and that comply with HKFRS Accounting Standards. The application of the standard will not have any impact on the Group's financial statements.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretation issued that are not yet mandatorily effective and have not been early adopted by the Group in 2025 (continued)

- HKAS 28 (2011) and HKFRS 10 (Amendments), "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". The amendments address an acknowledged inconsistency between the requirements in HKAS 28 (2011) and those in HKFRS 10, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments are to be applied prospectively and early application is permitted. The application of the amendments will not have a material impact on the Group's financial statements.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries for the year ended 31 December 2025.

(1) Subsidiaries

Subsidiaries are entities (including structured entities), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee). When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual or non-contractual arrangements; and (c) the Group's voting rights and potential voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment in that former subsidiary retained; reclassifies the amounts previously recognised in other comprehensive income to the income statement or retained earnings, as appropriate, on the same basis as directly disposed of the related assets or liabilities; recognises any resulting differences as gain or loss in the income statement.

(i) Business combinations not under common control

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is the fair values at the acquisition date of the assets transferred, the liabilities incurred (including contingent consideration arrangement) and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed in the income statement as incurred.

2. Material accounting policies (continued)

2.2 Consolidation (continued)

(1) Subsidiaries (continued)

(i) Business combinations not under common control (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If after assessment, the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held interest in the acquiree (if any), the excess is recognised immediately in the income statement as a gain on bargain. Subsequently, goodwill is subject to impairment testing at least annually.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at fair value at the acquisition date and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed one year from the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

(ii) Business combinations under common control

For a combination with a company under common control, the merger accounting method will be applied. The principle of merger accounting is a way to combine companies under common control as though the business of the acquiree had always been carried out by the acquirer. The Group's consolidated financial statements represent the consolidated results, consolidated cash flows and consolidated financial position of the Group as if any such combination had occurred from the date when the Company and the acquiree first came under common control (i.e. no fair value adjustment on the date of combination is required). The difference between the consideration and carrying amount at the time of combination is recognised in equity. Comparative amounts are presented as if the acquiree had been combined at the beginning of the previous reporting period. The transaction costs for the combination will be expensed in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

2. Material accounting policies (continued)

2.2 Consolidation (continued)

(1) Subsidiaries (continued)

In the Company's balance sheet, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable. Dividend income from subsidiaries is recognised in the income statement when the right to receive payment is established.

(2) Changes in ownership interests

The Group treats transactions with non-controlling interests without change of control as transactions with equity owners of the Group. For purchases from non-controlling interests of equity interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recognised in equity. Gains or losses on disposals to non-controlling interests are also recognised in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. Amounts previously recognised in other comprehensive income are reclassified to the income statement or retained earnings, as appropriate.

(3) Associates and joint ventures

An associate is the entity over which the Group has significant influence but not control or joint control, generally accompanying of between 20% and 50% of the voting rights.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The Group's investments in associates and joint ventures include goodwill, net of accumulated impairment loss and any related accumulated foreign currency translation difference.

The Group's share of the post-acquisition profits or losses of associates or joint ventures is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The accumulated post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the associates or joint ventures.

Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

2. Material accounting policies (continued)

2.2 Consolidation (continued)

(3) Associates and joint ventures (continued)

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

If the ownership interest in an associate or a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the income statement or retained earnings, where appropriate.

2.3 Segmental reporting

The operating result of segments are reported in a manner consistent with the internal reporting provided to the Management Committee, which is the chief operating decision maker of the Group, that allocates resources and assesses the performance of operating segments. Income and expenses directly associated with each segment are included in determining operating segment performance.

2.4 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or exchange rates at the end of the reporting period for items that are remeasured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions using the exchange rates prevailing at the dates of the transactions and monetary assets and liabilities denominated in foreign currencies translated at the exchange rate at the end of the reporting period are recognised directly in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on monetary securities held at fair value through profit or loss are reported as part of the fair value gain or loss. Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

The results and financial position of all the group entities that have a functional currency different from Hong Kong dollars are translated into Hong Kong dollars as follows:

- assets and liabilities are translated at the closing rate at the end of the reporting period;

2. Material accounting policies (continued)

2.4 Foreign currency translation (continued)

- income and expenses are translated at average exchange rates; and

- all resulting currency translation differences are recognised in the translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, borrowings and other currency instruments designated as hedges of such investments are taken to other comprehensive income and are accumulated separately in the translation reserve. When a foreign entity is disposed, such exchange differences are reclassified from equity to the income statement, as part of the gain or loss on sale.

2.5 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and through the use of valuation techniques, including discounted cash flow models and option pricing models, as appropriate. A derivative is carried as an asset when its fair value is positive and as liability when its fair value is negative.

Certain derivatives embedded in financial liabilities are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

Derivatives are categorised as held for trading and changes in their fair value are recognised immediately in the income statement unless they are designated as hedges and are effective hedging instruments, then they are subject to measurement under the hedge accounting requirements.

For derivative instruments being designated as hedging instrument in an effective hedge, the method of recognising the resulting fair value gain or loss depends on the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or

(b) hedges of a particular risk associated with a highly probable future cash flow attributable to a recognised asset or liability, or a highly probable forecast transaction (cash flow hedge); or

(c) hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of the economic relationship, credit risks, the hedge ratio and an evaluation of the effectiveness of the hedging instruments in offsetting changes in fair values or cash flows of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting. Hedge accounting may become ineffective if the hedging instrument and the hedged item lose economic relationship, or a significant change of the counterparties' credit risks that dominates the fair value change of the hedging instruments or the hedged items.

2. Material accounting policies (continued)

2.5 Derivative financial instruments and hedge accounting (continued)

Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as effective fair value hedges are recognised in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

When fair value hedge accounting is applied to financial instruments carried at amortised cost, the carrying values of the hedged items are adjusted for changes in fair value that are attributable to the risk being hedged with the derivative instruments rather than carried at amortised cost, such carrying value adjustment is recognised in the income statement together with the changes in fair value of the hedging derivatives.

If the hedge relationship no longer meets the criteria for hedge accounting or is terminated for reasons other than derecognition, e.g. due to repayment of the hedged item, the unamortised carrying value adjustment (the difference between the carrying value of the hedged item at the time of termination and the value at which it would have been carried had the hedge never existed) to the hedged item is amortised to the income statement over the remaining life of the hedged item by the effective interest method. If the hedged item is derecognised, the unamortised carrying value adjustment is recognised immediately in the income statement.

For fair value hedge relationships where the hedged items are debt instruments carried at FVOCI, changes in fair value are recorded in the income statement whilst hedge accounting is in place. When the hedge relationship no longer meets the criteria for hedge accounting or is terminated for reasons other than derecognition, the cumulative effective hedged portion of fair value change recognised in the income statement is amortised by the effective interest method back to the equity. If the hedged item is derecognised, the unamortised cumulative effective hedged portion of fair value change recognised in the income statement is reclassified to equity immediately.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. The cumulative gain or loss recognised in other comprehensive income is reclassified to the income statement in the same periods in which the hedged item affects profit or loss. When a hedging instrument expires, or is sold or terminated, or when a hedge relationship no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in other comprehensive income remains in equity until the forecast transaction is recognised in the income statement. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the income statement.

Where the foreign currency basis spread is separated (as hedging costs) and excluded from the designation of a derivative instrument as the hedging instrument to hedge a time-period related hedged item, the change in the value of foreign currency basis spread that relates to the hedged item is recognised in other comprehensive income, and the value at the date of hedge designation shall be amortised and reclassified to the income statement on a systematic and rational basis over the period during which the hedge adjustment for the hedging instrument could affect profit or loss. If hedge accounting is discontinued, the relevant net amount that has been accumulated in the equity is immediately reclassified to the income statement.

2. Material accounting policies (continued)

2.6 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.7 Income and expense

(1) Interest income and expense

Interest income and expense are recognised in the income statement for all financial assets carried at amortised cost and fair value through other comprehensive income, and financial liabilities using the effective interest method. Similar interest income and expense arising from non-derivative financial assets and liabilities carried at fair value through profit or loss are determined using similar method, but excluding their transaction costs.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (e.g. prepayment options or incentives relating to residential mortgage loans) but does not consider future credit losses. The calculation includes fees, premiums or discounts and basis points paid or received between parties to the contract, and directly attributable origination fees and costs which represent an integral part of the effective yield.

For all hedge transactions where interest rate is the hedged risk, interest income or interest expense from hedged items are disclosed on a net basis together with net interest income/expense arising from the hedging instrument such as interest rate swap.

(2) Non-interest income and expense

Income from service is recognised when the Group fulfils its performance obligation, either over time or at a point in time on a basis when a customer obtains control of the service.

Fee income from services are recognised over time at a fixed or variable price on a systematic basis over the life of the agreement when the contract requires services to be provided over time such as account service and credit card fees, or recognised at a point in time under transaction-based arrangements when service has been fully provided to the customer such as broking services and loan syndication arrangement.

Dividend income from financial asset is recognised when the right to receive payment is established.

Non-interest expenses such as commission expenses and operating expenses are charged to profit or loss during the reporting period in which they are incurred.

(3) Insurance revenue and expenses

The Group recognises insurance revenue as it satisfies its performance obligations (i.e. as it provides insurance services) during the coverage period. In addition, investment components will not be included in insurance revenue or insurance service expenses.

2. Material accounting policies (continued)

2.7 Income and expense (continued)

(3) Insurance revenue and expenses (continued)

Directly attributable insurance acquisition cash flows will be reclassified as part of the fulfilment cash flows ("FCFs") and will be amortised to insurance revenue and insurance service expenses over its coverage period.

The Group elected to present income or expenses from reinsurance contract held as a single amount in net income from reinsurance contracts held.

In addition, the Group elected the other comprehensive income option for certain portfolios of insurance contracts without direct participation features to disaggregate insurance finance income or expenses between amounts included in the income statement and amounts included in other comprehensive income.

2.8 Financial assets

The Group classifies its financial assets into one of the following measurement categories at initial recognition as subsequently measured at: fair value through profit or loss ("FVPL"), amortised cost and fair value through other comprehensive income ("FVOCI"). The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments, or the election of fair value option. All financial assets are initially recognised at fair value. Except for financial assets carried at FVPL, all transaction costs of financial assets are included in their initial carrying amounts.

(1) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets designated at fair value through profit or loss at inception, or financial assets mandatorily required to be measured at fair value through profit or loss, including those held for trading.

A financial asset which has been acquired or incurred principally for the purpose of selling in the short term or is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking is classified as held for trading. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

A financial asset, other than those held for trading or mandatorily measured at fair value, will be designated as a financial asset at FVPL, if it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring the financial assets or recognising the gains and losses on them on different bases, and is so designated by the Management.

These assets are initially recognised at fair value, with transaction costs taken directly to the income statement, and are subsequently remeasured at fair value.

Gains and losses from changes in the fair value of such assets (excluding the interest component) are reported in net trading gain/loss or net gain/loss on other financial instruments at FVPL. The interest component is reported as part of the interest income. Dividends on equity instruments of this category are also recognised in net trading gain/loss or net gain/loss on other financial instruments at FVPL when the Group's right to receive payment is established.

2. Material accounting policies (continued)

2.8 Financial assets (continued)

(2) Financial assets at amortised cost

Financial assets are classified as subsequently measured at amortised cost if both of the following conditions are met: (i) the financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows ("hold-to-collect" business model), and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates. They are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method less allowances for impairment losses. Interest income which includes the amortisation of premium or discount is calculated using the effective interest method and is recognised in the income statement. Any gains or losses are recognised in the income statement when the asset is derecognised, modified or impaired.

(3) Financial assets at fair value through other comprehensive income

Debt instruments are classified as subsequently measured at FVOCI if both of the following conditions are met: (i) the financial assets are held within a business model with the objective of both holding to collect contractual cash flows and selling, and (ii) the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Financial assets at FVOCI are initially recognised at fair value plus any directly attributable transaction costs, and are subsequently measured at fair value. Unrealised gains or losses arising from changes in the fair value of the financial assets are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired at which time the accumulated gain or loss previously recognised in equity should be transferred to the income statement. However, interest income which includes the amortisation of premium or discount is calculated using the effective interest method and is recognised in the income statement.

For equity investments, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains or losses in other comprehensive income without subsequent reclassification of fair value gains or losses to the income statement even upon disposal. Dividends on equity instruments classified as FVOCI are recognised in other operating income when the Group's right to receive payment is established. Equity instruments designated at FVOCI are not subject to impairment assessment.

The treatment of translation differences on FVOCI securities is dealt with in Note 2.4.

2.9 Financial liabilities

The Group classifies its financial liabilities under the following classes: trading liabilities, financial liabilities designated at fair value through profit or loss, deposits, debt securities and certificates of deposit in issue, other accounts and provisions and subordinated liabilities. All financial liabilities are classified at inception and initially recognised at fair value, and in the case of financial liability not at fair value through profit or loss, minus transaction costs.

(1) Trading liabilities

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is measured at fair value and any gains and losses from changes in fair value are recognised in the income statement, with interest component being reported as part of the interest expenses.

2. Material accounting policies (continued)

2.9 Financial liabilities (continued)

(2) Financial liabilities designated at fair value through profit or loss

A financial liability can be designated at fair value through profit or loss if it is so designated at inception. A financial liability is so designated if it meets one of the following criteria:

- eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring the financial liabilities or recognising the gains and losses on them on different bases; or

- applies to a group of financial assets, financial liabilities or both that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management; or

- relates to financial liabilities containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial liabilities.

Financial liabilities designated at fair value through profit or loss are measured at fair value and any gains and losses from changes in fair value are recognised in the income statement, except for fair value changes arising from own credit risks are recognised as other comprehensive income and subsequently reclassified to the retained earnings upon derecognition, unless such would create or enlarge an accounting mismatch in the income statement, then all gains and losses from changes in fair value are recognised in the income statement.

(3) Deposits, debt securities and certificates of deposit in issue, other accounts and provisions and subordinated liabilities

Deposits, debt securities and certificates of deposit in issue, other accounts and provisions and subordinated liabilities, other than those classified as trading liabilities or designated at fair value through profit or loss are carried at amortised cost. Any difference (if available) between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period using the effective interest method.

2.10 Financial guarantee contracts and undrawn loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a contract between the holder and the debtor.

Financial guarantee contracts are initially recognised as financial liabilities at fair value on the date the guarantees were given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of (i) an ECL provision as set out in Note 2.14 and (ii) the amount initially recognised less, where appropriate, accumulated amortisation recognised over the life of the guarantee on a straight-line basis. Any changes in the liability relating to financial guarantee contracts are taken to the income statement.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements as set out in Note 2.14.

2. Material accounting policies (continued)

2.10 Financial guarantee contracts and undrawn loan commitments (continued)

The ECL provision for financial guarantees and loan commitments are reported under "Other accounts and provisions" in the financial statements.

2.11 Recognition, derecognition and modification of financial instruments

Purchases and sales of financial assets subsequently measured at FVPL, securities measured at FVOCI and amortised cost are recognised on the trade date, the date on which the Group purchases or sells the assets. Loans and advances and other financial assets are recognised when cash is advanced to the counterparties. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group either continues to recognise the transferred financial asset to the extent of its continuing involvement if control remains or derecognise it if there is no retained control. If the financial instrument measured at amortised cost or FVOCI is renegotiated or modified with substantially different terms, the original financial instrument should be derecognised and then a new financial instrument should be recognised at fair value. Otherwise, the difference is adjusted to the original carrying value and accounted for in the income statement.

Financial liabilities are recognised when such obligations arise. Financial liabilities are derecognised from the balance sheet when and only when the obligation specified in the contract is discharged, cancelled or expires. If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of a liability and the consideration paid is included in the income statement, except the own credit risk component for those designated at FVPL.

Securities and bills sold to a counterparty with an obligation to repurchase at a pre-determined price on a specified future date under a repurchase agreement are referred to as repos. Securities and bills purchased from a counterparty with an obligation to re-sell to the counterparty at a pre-determined price on a specified future date under a resale agreement are referred to as reverse repos.

Repos or securities lending are initially recognised as deposits and balances from banks and other financial institutions, or designated as financial liabilities measured at FVPL at the actual amount of cash received from the counterparty which is generally the fair value of these financial liabilities at initial recognition. Financial assets given as collateral for repurchase agreements are not derecognised and are recorded as investment in securities or financial assets at FVPL. Reverse repos or securities borrowings with a "hold-to-collect" business model and contractual cash flow of solely payments of principal and interest on the principal outstanding are initially recognised as cash and balances and placements with banks and other financial institutions, or reverse repos or securities borrowing designated as financial assets measured at FVPL are measured at the actual amount of cash paid to the counterparty which is generally the fair value of these financial assets at initial recognition. Financial assets received as collateral under reverse repurchase agreements are not recognised on the balance sheet.

2.12 Fair value measurement

The Group measures its premises and investment properties, precious metals and certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal market or the most advantageous market accessible by the Group at the measurement date.

2. Material accounting policies (continued)

2.12 Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses the price within the bid-offer spread that is most representative of the fair value of financial instruments, where appropriate, includes using on the residual of the net offsetting risk position of portfolios of financial assets and financial liabilities in cases the Group manages such groups of financial assets and liabilities according to their net market risk exposures. Although the Group measures the fair value of these groups of financial instruments on a net basis, the underlying financial assets and financial liabilities are separately presented in the financial statements unless the offsetting criteria stated in Note 2.6 are fulfilled.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

If the market for assets or liabilities is not active, the Group uses valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.13 Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals are initially recognised and subsequently remeasured at fair value. Mark-to-market gains or losses on precious metals are included in net trading gain/loss.

2.14 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

- financial assets measured at amortised cost;
- financial assets measured at FVOCI; and
- loan commitments and financial guarantees issued, which are not measured at FVPL.

Financial assets measured at FVPL and equity securities designated at FVOCI are not subject to the ECL assessment.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

2. Material accounting policies (continued)

2.14 Impairment of financial assets (continued)

For undrawn loan commitments and financial guarantees outstanding, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder/beneficiary of the loan commitment/financial guarantee draws down/claims on the loan/financial guarantee and (ii) the cash flows that the Group expects to receive if the loan is drawn down/financial guarantee is claimed.

The expected cash shortfalls are discounted where the effect of discounting is material. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. Where the financial instrument such as revolving credit facilities includes both a drawn and undrawn commitment, ECL is measured over the period that the Group remains exposed to credit risk that is not mitigated by management actions in respect of credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting date; or

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group will account for expected credit losses within the next 12 months as Stage 1 when those financial instruments are initially recognised; and to recognise lifetime expected credit losses as Stage 2 when there have been significant increases in credit risk since initial recognition. Lifetime expected credit losses will be recognised for credit-impaired financial instruments as Stage 3 if the future cash flows of those financial instruments are adversely affected by one or more events and interest income will then be accrued net of the impairment amount of the respective Stage 3 financial assets. Purchased or originated credit-impaired financial assets ("POCI assets") are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at inception and interest income is subsequently recognised on a credit-adjusted effective interest rate. The ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest 30 days after their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

2. Material accounting policies (continued)

2.14 Impairment of financial assets (continued)

- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments and financial guarantees, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment or a financial guarantee, the Group considers changes in the risk of default occurring on the loans and advances to which the loan commitment/financial guarantee relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Financial instruments are considered to be in default when one or more events that have a detrimental impact on the estimated future cash flows occurred such as past due for more than 90 days or the debtor is unlikely to pay in full for the credit obligations to the Group.

The Group considers that a financial instrument is credit-impaired when there is observable data about:

– significant financial difficulty incurred by the debtor;

– a breach of contract, such as a default or delinquency in principal or interest payment;

– for economic or legal reasons related to the debtor's financial difficulty, the Group has granted to the debtor a concession that it would not otherwise consider;

– probable that the debtor will become bankrupt or undergo other financial reorganisation;

– the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; or

– other observable data indicating that there is a measurable decrease in the estimated future cash flows from such advances.

The Group considers on an individual basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in the income statement. The Group recognises an impairment gain or loss for all relevant financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI, for which the loss allowance is recorded in the fair value reserve.

2. Material accounting policies (continued)

2.14 Impairment of financial assets (continued)

Interest income recognised in accordance with Note 2.7 is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired (Stage 3), in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. The determination of credit-impaired financial asset is further explained in Note 4.1.

When a financial asset is uncollectible, it is written off against the gross carrying amount of the financial asset and the related allowance for impairment losses. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. The assets written off are still subject to enforcement activity. Subsequent recoveries of amounts previously written off decrease the net amount of impairment losses in the income statement.

2.15 Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Potential indications of impairment may include significant adverse changes in the technological, market, economic or legal environment in which the assets operate or whether there has been a significant or prolonged decline in value below their cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impaired assets are reviewed for possible reversal of the impairment at each reporting date.

In the Company's balance sheet, impairment testing of investments in subsidiaries, associates or joint ventures is also required upon receiving dividend from that entity if the dividend exceeds the total comprehensive income of that entity concerned in the period the dividend is declared or if the carrying amount of that entity in the Company's balance sheet exceeds the carrying amount of that entity's net assets including goodwill in its consolidated balance sheet.

2.16 Investment properties

Properties (including right-of-use assets arising from leases over leasehold land on which properties are situated and properties under construction), that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies within the Group, are classified as investment properties. Properties leased out within group companies are classified as investment properties in individual companies' financial statements but as premises in consolidated financial statements.

Investment properties are initially recognised at cost, including related transaction costs. After initial recognition, investment properties are measured at fair value.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The work in progress item is measured at fair value. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

2. Material accounting policies (continued)

2.16 Investment properties (continued)

Any changes in fair value are recognised directly in the income statement.

If an investment property becomes owner-occupied, it is reclassified as premises, and its fair value at the date of reclassification becomes its cost for accounting purposes. If an item of premises becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income or profit or loss in the same way as a revaluation of premises under HKAS 16 "Property, Plant and Equipment" as set out in Note 2.17.

2.17 Properties, plant and equipment

Properties held for own use (including right-of-use assets arising from leases over leasehold land on which properties are situated and properties under construction) are mainly branches and office premises. These premises are stated at fair value based on periodic, at least annually, valuations by external independent valuers less any subsequent accumulated depreciation and impairment losses. Depreciation on properties held for own use commences to be recognised when they are ready for their intended use. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of premises are credited to the premises revaluation reserve through other comprehensive income. Decreases that offset previous increases of the same individual asset are charged against premises revaluation reserve through other comprehensive income; all other decreases are expensed in the income statement. Any subsequent increases are credited to the income statement up to the amount previously debited, and then to the premises revaluation reserve. Upon disposal of premises, the relevant portion of the premises revaluation reserve realised in respect of previous valuations is released and transferred from the premises revaluation reserve to retained earnings.

All plant and equipment and right-of-use assets other than leasehold land (see Note 2.18) are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition and installation of the items.

Subsequent costs are included in an asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The item is stated at cost less impairment until it begins to generate economic benefits, then the item is subsequently measured according to the measurement basis of its respective assets class. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred or provided for.

Depreciation is calculated on the straight-line method to write down the cost or revalued amount of such assets over their estimated useful lives as follows:

• Properties	Over the life of government land leases
• Plant and equipment	2 to 15 years
• Right-of-use assets	Shorter of useful lives and lease terms

2. Material accounting policies (continued)

2.17 Properties, plant and equipment (continued)

The useful lives of assets are reviewed, and adjusted if appropriate, as at the end of each reporting period.

At the end of each reporting period, both internal and external sources of information are considered to determine whether there is any indication that properties, plant and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such an impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a decrease in the revaluation surplus. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Impairment loss is reversed through the premises revaluation reserve or the income statement as appropriate.

Gains or losses on disposals are determined as the difference between the net disposal proceeds and the carrying amount, relevant taxes and expenses. These are recognised in the income statement on the date of disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained earnings and is not reclassified to the income statement.

2.18 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use over the contract period.

(1) As a lessee

On the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to recognise the lease as a right-of-use asset and a lease liability on a lease-by-lease basis. The lease payments associated with those leases which are not recognised as right-of-use assets and lease liabilities are recognised as an expense on a systematic basis over the lease term.

The lease liability is initially recognised at the present value of the lease payments payable over the lease term, after taking into account payments to be made in the optional period if the extension option is reasonably certain to be exercised, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate.

After initial recognition, interest expense is calculated using a constant periodic rate of interest. Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and hence are charged to the income statement in the accounting period in which they are incurred.

2. Material accounting policies (continued)

2.18 Leases (continued)

(1) As a lessee (continued)

The right-of-use asset recognised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, then discounted to its present value, and less any lease incentives received.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses (see Note 2.17), and adjusted when the lease liabilities are remeasured, except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value in accordance with Note 2.16; and

– right-of-use assets related to leasehold land and buildings that do not meet the definition of investment property and where the Group is the registered owner of the leasehold interest are carried at revalued amount in accordance with Note 2.17.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or a rate used to determine those payments, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change of lease terms, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "Properties, plant and equipment" and presents lease liabilities in "Other accounts and provisions".

(2) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised on a straight-line basis over the lease term.

2. Material accounting policies (continued)

2.19 Insurance and investment contracts

(1) Classification of contracts

The Group issues insurance contracts which are contracts that transfer significant insurance risk and may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefit payable if the insured event did not occur and if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis.

The Group also issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Due to the contractual discretion of the Group over the investment return to the policyholders, these investment contracts contain a discretionary participation feature ("DPF"). Investment contracts with DPF are accounted for using the same accounting policies as those applied for insurance contracts.

(2) Level of aggregation

Insurance contracts subject to similar risks and managed together are grouped as a portfolio of insurance contracts. Each portfolio is further divided into groups of contracts mainly based on profitability, extent of loss or possibility of becoming onerous contract subsequent to initial recognition. Insurance contracts issued more than one year apart should not be included in the same group. The unit of account for the recognition and measurement of insurance contracts is each individual group of contracts.

The Group measures the groups of insurance contracts with the general measurement model ("GMM") which is applicable to all insurance contracts (unless they have direct participation features or apply the premium allocation approach ("PAA")), the variable fee approach ("VFA") which is applicable to insurance contracts with direct participation features and the PAA which is applicable to insurance contracts with a coverage period of one year or less or other eligible insurance contracts.

(3) Initial recognition – Groups of contracts measured under the GMM and the VFA

Under the GMM and the VFA, the Group measures groups of insurance contracts based on certain FCFs and contractual service margin ("CSM") on initial recognition. FCFs include the estimates of present value of future cash flows and risk adjustment for non-financial risk.

- The estimates of present value of future cash flows represent explicit, unbiased and probability-weighted estimates (i.e. expected value) of the present value of the net future cash flows that will arise as the Group fulfils insurance contracts.

- Risk adjustment for non-financial risk is applied to the estimates of present value of future cash flows and reflects the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

2. Material accounting policies (continued)

2.19 Insurance and investment contracts (continued)

(3) Initial recognition – Groups of contracts measured under the GMM and the VFA (continued)

- CSM, which represents the unearned profits, is a component of insurance contract liabilities and will be amortised and recognised as insurance revenue over the remaining coverage period based on coverage units as the services are provided in the future.

On initial recognition, if the sum of cash flows related to the group of insurance contracts results in a net cash outflow, then the group of contracts is onerous. The amount of the net cash outflow is recognised in the income statement and a loss component of the liability for remaining coverage ("LRC") is established upon initial recognition.

(4) Subsequent measurement – Groups of contracts measured under the GMM and the VFA

At each subsequent reporting dates, the carrying amount of a group of insurance contracts issued is the sum of (i) the LRC, comprising the FCFs related to future service and the CSM of that group; and (ii) the liability for incurred claims ("LIC"), comprising the FCFs related to past service allocated to the group of insurance contracts.

Subsequent changes in the FCFs are accounted differently under the GMM and the VFA. Changes in the amount of the Group's share of the fair value of the underlying items and changes in the effect of the time value of money and financial risks including the effect of options and guarantees embedded in the insurance contracts would adjust the CSM under the VFA, whereas such changes would not adjust the CSM under the GMM. In addition, changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items do not adjust the CSM but are recognised directly in the income statement under the VFA.

A group of contracts that has a CSM on initial recognition can become onerous in subsequent periods. When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Group recognises the excess in the income statement as a loss component of the LRC. Subsequent decreases in FCFs arising from changes in estimates of expected cash flows relating to future service and, for contracts with direct participation features, any subsequent increases in the amount of the entity's share of fair value of the underlying items are allocated solely to the loss component, until the loss component is reduced to zero. After the loss component has reached zero, a CSM would be created for the excess over the loss component.

(5) Initial recognition and subsequent measurement – Groups of contracts measured under the PAA

On initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows. At each of the subsequent reporting dates, the LRC is: (i) increased for premiums received in the period; (ii) decreased for insurance acquisition cash flows paid in the period; (iii) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and (iv) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC to the amounts of the FCFs determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised.

2. Material accounting policies (continued)

2.20 Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise balances with original maturity less than three months from the date of acquisition, including cash, balances with banks and other financial institutions, short-term bills and notes classified as investment securities and certificates of deposit.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.22 Employee benefits

(1) Retirement benefit costs

The Group contributes to defined contribution retirement schemes under either recognised ORSO schemes or MPF schemes that are available to the Group's employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries for the ORSO schemes and in accordance with the MPF rules for MPF schemes. The retirement benefit scheme costs are charged to the income statement as incurred and represent contributions payable by the Group to the schemes. Contributions made by the Group that are forfeited by those employees who leave the ORSO scheme prior to the full vesting of their entitlement to the contributions are used by the Group to reduce the existing level of contributions or to meet its expenses under the trust deed of the ORSO schemes.

The assets of the schemes are held in independently-administered funds separate from those of the Group.

(2) Leave entitlements

Employee entitlements to annual leave and sick leave are recognised when they accrue to employees. A provision is made for the estimated liability for unused annual leave and the amount of sick leave expected to be paid as a result of services rendered by employees up to the end of the reporting period.

Compensated absences other than sick leave and special approved annual leave are non-accumulating; they lapse if the current period's entitlement is not used in full. Except for unexpired annual leave, they do not entitle employees to a cash payment for unused entitlement on leaving the Group.

(3) Bonus plans

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans that are expected to be settled longer than twelve months will be discounted if the amounts are significant.

2. Material accounting policies (continued)

2.23 Current and deferred income taxes

Tax expenses for the period comprise current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

Income tax payable on profits, based on the applicable tax law enacted or substantially enacted at the end of the reporting period in each jurisdiction where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income, is recognised as a current income tax expense in the period in which profits arise.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The principal temporary differences arise from asset impairment provisions, depreciation of premises and equipment, and revaluation of certain assets including securities at FVOCI and premises. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are provided in full on all taxable temporary differences. Deferred tax assets are recognised on deductible temporary differences, the carry forward of any unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax is charged or credited in the income statement except for deferred income tax relating to fair value remeasurement of securities at FVOCI and revaluation of premises which are charged or credited to other comprehensive income, in which case the deferred income tax is also credited or charged to other comprehensive income and is subsequently recognised in the income statement together with the realisation of the deferred gain and loss.

Deferred tax liability or deferred tax asset arising from an investment property is determined based on the presumption that the revaluation amount of such investment property will be recovered through sale with the relevant tax rate applied.

2.24 Fiduciary activities

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are excluded from these financial statements, as they are not assets of the Group.

2. Material accounting policies (continued)

2.25 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised as a provision but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When the inflow is virtually certain, it will be recognised as an asset.

2.26 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if that party (i) controls, jointly controls or has significant influence over the Group; (ii) is a member of the same financial reporting group, such as parents, subsidiaries and fellow subsidiaries; (iii) is an associate or a joint venture of the Group or parent reporting group; (iv) is a key management personnel of the Group or parents; (v) is subject to common control with the Group; (vi) is an entity in which a person identified in (iv) controls; and (vii) provides key management personnel services to the Group or its parent. Related parties may be individuals or entities.

3. Critical estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the carrying amounts of assets and liabilities within the next reporting period. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgements, which affect the carrying amount of assets and liabilities, are set out below. The effects of changes to either the key assumptions or other estimation uncertainties are presented below if it is practicable to determine. It is possible that actual results may require material adjustments to the estimates referred to below.

3.1 Impairment losses on advances to customers

The Group reviews its credit portfolios to assess impairment at least on a quarterly basis. Under HKFRS 9, the measurement of impairment losses across all categories of financial asset requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes of which can result in different levels of allowances.

3. Critical estimates and judgements in applying accounting policies (continued)

3.1 Impairment losses on advances to customers (continued)

The Group's ECL calculations are outputs of complex models. The choice of variable inputs and their interdependencies involves a series of assumptions. ECL models for stage 1 and stage 2 exposures are developed by leveraging on the parameters implemented under Note 4.1, where feasible and available. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit rating models, which assign Probability of Defaults to the individual ratings;
- The Group's significant credit deterioration criteria (including internal credit rating downgrade, days past due, drop in Mark-to-Market and qualitative assessment) for assessing whether the financial assets' impairment allowances should be measured on a lifetime ECL basis;
- The segmentation of financial assets according to credit risk characteristics (portfolios including Sovereign, Bank, Corporates, Retail Small Medium-sized Enterprise, Residential Mortgage Loan and Credit Card) when their ECLs are assessed on a collective basis;
- Development of ECL models, including the determination of macroeconomic factor forecasts (including Gross Domestic Product growth, Consumer Price Index, Property Price Index and Unemployment Rate) and the effect on Probability of Defaults, Loss Given Defaults and Exposure at Defaults; and
- Selection of forward-looking macroeconomic scenarios (including four independent scenarios i.e. good, baseline, bad and alternative) and their probability weightings.

In respect of credit-impaired exposures, expected credit losses are measured on an individual basis by estimating the future recoverable cash flows. Factors affecting this estimate include, among other things, the granularity of financial information related to specific borrowers and their guarantors, the availability of meaningful information of competitors and the relevance of sector trends to the future performance of specific borrowers and cash flows from the sale of collateral.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Carrying amounts of advances to customers as at 31 December 2025 are shown in Note 25.

3.2 Fair values of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Valuation techniques used include the use of recent arm's length transactions, discounted cash flows analysis and models with built-in functions available in externally acquired financial analysis or risk management systems widely used by the industry such as option pricing models, and other commonly used market pricing models. To the extent practical, the models use observable data. In addition, valuation adjustments may be adopted if factors such as credit risk are not considered in the valuation models. Management judgement and estimates are required for the selection of appropriate valuation parameters, assumptions and modelling techniques.

3. Critical estimates and judgements in applying accounting policies (continued)

3.2 Fair values of financial instruments (continued)

The Group assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, have been updated to reflect market conditions at the financial reporting date. Further details will be discussed in Note 5.

3.3 Insurance contract liabilities

(a) Estimate of future benefit payments and premiums arising from long term insurance contracts

Assumptions including mortality and morbidity rates, lapse rates and expenses are used when estimating future cash flows. The present value of future cash flows is estimated using deterministic scenarios, except where stochastic modelling is used to measure options and guarantees embedded in the insurance contracts. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

(b) Determining coverage units

The Group uses the amount that indicates the sum which policyholders are able to validly claim, such as the contractual cover in each period or number of policies with consideration of policy size subject to certain scenarios as the basis for the quantity of benefits for all insurance coverages, investment-return and investment-related services.

The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period. The coverage units are determined at the end of each reporting period prospectively by considering the following items:

- the quantity of benefits provided by contracts in the group;
- the expected coverage period of contracts in the group; and
- the likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

In performing the above determination, the Management applied judgement that might impact the CSM carrying values and amounts of the CSM allocation recognised in the income statement for the period.

(c) Discount rates

Life insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to relevant market yield information. The illiquidity premium is based on market observable liquidity premiums in financial assets, adjusted to reflect the illiquidity characteristics of the liability cash flows.

3. Critical estimates and judgements in applying accounting policies (continued)

3.3 Insurance contract liabilities (continued)

(c) Discount rates (continued)

The yield curves used to discount expected future cash flows denominated in USD range from 3.45% to 6.34% as at 31 December 2025 (2024: 3.98% to 5.81%), 1.34% to 4.69% as at 31 December 2025 (2024: 1.08% to 4.64%) for expected future cash flows denominated in RMB, 2.63% to 4.43% as at 31 December 2025 (2024: 3.56% to 4.61%) for expected future cash flows denominated in HKD, and 1.41% to 6.34% as at 31 December 2025 (2024: 2.23% to 5.81%) for expected future cash flows denominated in other foreign currencies.

(d) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk, lapse risk and expense risk. The Group has estimated the risk adjustment using confidence level technique.

The risk adjustment for life insurance and reinsurance contracts corresponds to 75% confidence level (2024: 75%).

3.4 Deferred tax assets

Deferred tax assets on unused tax losses and unused tax credits are recognised and the determination of the amount to be recognised requires significant management judgement. Deferred tax asset on unused tax losses are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. For deferred tax assets on unused tax credits, judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimation of available tax credits and the possibility to recover such deferred tax assets recognised.

3.5 Determination of lease terms of leases

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to renew the leases for additional terms of three to nine years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option on the lease commencement date. During the evaluation, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Carrying amounts of right-of-use assets as at 31 December 2025 are shown in Note 29.

4. Financial risk management

The Group is exposed to financial risks as a result of engaging in a variety of business activities. The principal financial risks are credit risk, market risk (including currency risk and interest rate risk in the banking book) and liquidity risk. This note summarises the Group's exposures to these risks, as well as its objectives, risk management governance structure, policies and processes for managing and the methods used to measure these risks.

Financial risk management framework

The Group's risk management governance structure is designed to cover all business processes and to ensure various risks are properly managed and controlled in the course of conducting business. The Group has a robust risk management organisational structure with a comprehensive set of policies and procedures to identify, measure, monitor and control various risks that may arise. These risk management policies and procedures are regularly reviewed and updated to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

The Board of Directors, representing the interests of shareholders, is the highest decision-making authority of the Group and has the ultimate responsibility for risk management. The Board, with the assistance of its committees, has the primary responsibility for the formulation of risk management strategies, risk appetite and risk culture and ensuring that the Group has an effective risk management system to implement these strategies.

The RC, a standing committee established by the Board of Directors, is responsible for overseeing the Group's comprehensive risk and various types of risks, approving Level I risk management policies and monitoring their implementation, and approving significant or high risk exposures or transactions. The Audit Committee assists the Board in fulfilling its role in overseeing the internal control system.

The senior management is responsible for the implementation of comprehensive risk management and various types of risk management. The Chief Executive ("CE") is responsible for managing the Group's comprehensive and various types of risks, and approving material risk exposures or transactions within his authority delegated by the Board of Directors. The Deputy Chief Executives ("DCEs") assist the CE in fulfilling his responsibilities on the day-to-day management of various types of risk, and are responsible for approving material risk exposures or transactions within their authorities delegated by the CE. The Chief Risk Officer ("CRO") assists the CE in fulfilling his responsibilities on day-to-day management of various types of risks and internal control; responsible for initiating new risk management strategies, projects and measures in response to regulatory changes that will enable the Group to better monitor and manage any risks that may arise from time to time from new businesses, products and changes in the operating environment and responsible for reviewing material risk exposures or transactions within the delegated authority. In accordance with the principle of setting the hierarchy of risk management policies approved by the Board, senior management is responsible for approving the detailed risk management policies of their areas.

4. Financial risk management (continued)

Financial risk management framework (continued)

Various units of the Group have their respective risk management responsibilities. Business units act as the first line of defence while risk management units, which are the second line of defence and are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibility for drafting, reviewing and updating various risk management policies and procedures.

The Group's principal banking subsidiaries are subjected to risk management policies that are consistent with those of the Group. Moreover, the Group's non-banking subsidiaries, such as BOC Life, are subject to the Group's risk management requirements. These subsidiaries are required to formulate their respective risk management policies based on the characteristics of their own industries, perform daily risk management responsibilities and report to BOCHK on a regular basis. Risk management units of BOCHK monitor the risk management status of these subsidiaries.

The Group has put in place appropriate internal control systems, including the establishment of an organisation structure that sets clear lines of authority and responsibility for monitoring compliance with policies, procedures and limits. Proper reporting lines also provide sufficient independence of the control functions from the business areas, as well as adequate segregation of duties throughout the organisation which helps to promote an appropriate internal control environment.

Product development and risk monitoring

To ensure the effectiveness of risk assessment and monitoring, the Group has a comprehensive product development and risk monitoring system where roles and responsibilities of all related units are clearly defined and proper due diligence processes on product development are in place.

In accordance with the strategic objectives set by the Board and the Management, respective product management units are responsible for formulating business and product development plans, and proceeding to specific product development activities. The department of strategic development shall ensure the plans are aligned with the Group's overall strategies. Departments that are responsible for risk management, legal, compliance and finance, etc. are accountable for review of the risk assessment results.

Apart from product development and ongoing monitoring on existing products, respective product management units shall identify and assess the risks of new products and existing products. Risk management units shall conduct independent review on the product risk assessment results and the corresponding risk management measures. Products can only be launched upon completion of the product due diligence process to the satisfaction of all risk management units.

A prudent approach is adopted in offering treasury products to our clients. All new treasury products require approval from a dedicated committee before launching.

4. Financial risk management (continued)

4.1 Credit risk

Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. Credit risk exists in the trading book and banking book, as well as from on- and off-balance sheet transactions of the Group. It arises principally from lending, trade finance and treasury businesses.

Credit risk management framework

The Group has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with changes in market conditions and business strategies.

The Group's organisation structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits.

The Chief Credit Officer, who reports directly to the CRO, takes charge of credit risk management and is also responsible for the control of credit risk exposures of subsidiaries in line with the credit risk management principles and requirements set by the Group. Various units of the Group have their respective credit risk management responsibilities. Business units act as the first line of defence in risk management. The Risk Management Department ("RMD"), which is independent from the business units, is responsible for the day-to-day management of credit risks and provides an independent due diligence through identifying, measuring, monitoring and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures. It is also responsible for the design, development and maintenance of the Group's internal rating system and ensures the system complies with the relevant regulatory requirements. Back offices are responsible for credit administration, providing operations support and supervision on the implementation of prerequisite terms and conditions of credit facilities.

In accordance with the Group's operating principle, the Group's principal subsidiaries have to formulate their own credit risk policies that are consistent with those of the Group's core principle. These subsidiaries are required to submit their risk management reports to the Group's Management on a regular basis.

The Board of Directors delegates credit approval authority to the CE. The CE can further delegate to the subordinates within his limit authorised by the Board of Directors. The Group sets the limits of credit approval authority according to the credit business nature, rating, the level of transaction risk, and the extent of the credit exposure.

Credit risk measurement and control

In view of the rapidly changing market conditions, the Group has been continuously revisiting its credit strategies and conducting rigorous reviews on the concerned portfolios.

4. Financial risk management (continued)

4.1 Credit risk (continued)

Credit risk measurement and control (continued)

Advances

Different credit approval and control procedures are adopted according to the level of risk associated with the customer, counterparty or transaction. The Credit Risk Assessment Committee, comprising experts from credit and other functions, is responsible for making an independent assessment of material credit applications which require the approval of DCEs or above. Credit applications for non-retail exposures are independently reviewed and objectively assessed by risk management units. Obligor ratings (in terms of probability of default) and facility ratings (in terms of loss given default) are assigned to these portfolios to support credit approval. Retail internal rating systems are deployed in the risk assessment of retail credit transactions, including small business loans under retail exposures, residential mortgage loans, personal loans and credit cards, etc. Loan grades, obligor and facility ratings as well as loss estimates (if applicable) are used to support credit approval.

The Group also uses loan grades, obligor ratings and loss estimates (if applicable) to support credit monitoring, reporting and analysis of credit risk information. For non-retail exposures, more frequent rating review and closer monitoring are required for higher-risk customers. For retail exposures, monthly updated internal ratings and loss estimates are used for credit monitoring on a portfolio basis. More comprehensive review is required for obligors being identified under high-risk pools.

The Group employs an internal master rating scale that can be mapped to Standard & Poor's external credit ratings. The structure of internal master rating scale is in compliance with the requirement of the Banking (Capital) Rules under the Hong Kong Banking Ordinance.

The RMD provides regular credit management information reports and ad hoc reports to the Management Committee ("MC"), the RC and Board of Directors to facilitate their continuous monitoring of credit risk.

In addition, the Group identifies credit concentration risk by industry, geography, customer or counterparty. The Group monitors changes to every counterparties credit risk, quality of the credit portfolio and credit risk concentrations, and reports regularly to the Group's Management.

The Group adopts loan grading criteria which divide credit assets into five categories with reference to the HKMA's guidelines, as below:

"Pass" represents loans where the borrower is current in meeting its repayment obligations and full repayment of interest and principal is not in doubt.

"Special Mention" represents loans where the borrower is experiencing difficulties which may threaten the Group's recoverability of the loan principal and interest. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

"Substandard" represents loans where the borrower displays a definable weakness that is likely to jeopardise repayment.

4. Financial risk management (continued)

4.1 Credit risk (continued)

Credit risk measurement and control (continued)

Advances (continued)

"Doubtful" represents loans where collection in full is improbable and the Group expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.

"Loss" represents loans which are considered uncollectible after all collection options (such as the realisation of collateral or the institution of legal proceedings) have been exhausted.

The Group will write-off the financial assets, either partially or in full, when there is no realistic prospect of recovery or reasonable expectation of full recovery upon assessment. After realisation of the collateral of secured financial assets, the net value of the financial assets will be written-off if there is no prospect of recovery.

Debt securities and derivatives

For investments in debt securities, the obligor ratings or external credit ratings and credit limits setting on customer/security issuer basis are used for managing credit risk associated with the investment. For derivatives, the Group sets customer limits to manage the credit risk involved and follows the same approval and control processes as applied for advances. On-going monitoring and stop-loss procedures are established.

Settlement risk arises mainly from foreign exchange transactions with counterparties and also from derivative transactions in any situation where a payment in cash, securities or equities is made but the corresponding receipt in cash, securities or equities is not received. Daily settlement limits are established for each counterparty or customer to cover all settlement risks arising from the Group's market transactions on any single day.

Financial instruments are considered to be in default when one or more events that have a detrimental impact on the estimated future cash flows occurred such as past due for more than 90 days or the borrower is unlikely to pay in full for its debt obligations to the Group.

Credit-impaired financial instruments are classified as Stage 3 and lifetime expected credit losses will be recognised. Evidence that a financial instrument is credit-impaired include observable data about the following events:

– Significant financial difficulty incurred by the borrower;

– A breach of contract, such as a default or delinquency in principal or interest payment;

– For economic or contractual reasons related to the borrower's financial difficulty, the Group has granted to the borrower a concession that it would not otherwise consider;

– Probable that the borrower will become bankrupt or undergo other financial reorganisation;

– The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; or

– Other observable data indicating that there is a measurable decrease in the estimated future cash flows from such financial instruments.

4. Financial risk management (continued)

4.1 Credit risk (continued)

Expected Credit Loss ("ECL") Methodology

For impairment assessment, an impairment model is introduced in compliance with HKFRS 9, it requires the recognition of ECL for financial instruments held at amortised cost and fair value through other comprehensive income. Under HKFRS 9, ECL is assessed in three stages and the financial assets, loan commitments and financial guarantees are classified in one of the three stages.

Stage 1: if the financial instruments are not credit-impaired during origination and their credit risk has not increased significantly since origination, and the impairment allowance is measured at an amount up to 12-month ECL;

Stage 2: if the financial instruments are not credit-impaired during origination but their credit risk has increased significantly since origination, and the impairment allowance is measured at an amount equal to the lifetime ECL;

Stage 3: if the financial instruments are credit-impaired and their future cash flows of that financial instruments are adversely affected by one or more events, and the impairment allowance is measured at an amount equal to the lifetime ECL.

The Group has established the significant credit deterioration criteria framework to determine the stage of the financial instruments. The framework incorporates both quantitative and qualitative assessment, taking into account of factors such as number of days past due, change in IRB rating, low credit risk threshold and the watchlist.

The customer credit ratings in the internal model are classified into 27 grades. The lowest (27th) credit grading equates to defaulted customers while the others are assigned to non-defaulted customers. The quantitative and qualitative criteria considered in determining significant credit deterioration include:

Quantitative criteria

– Failure to make payments of principal or interest 30 days after the contractual due dates;

– At the reporting date, the credit risk is deemed to increase significantly when the remaining lifetime PD rises by more than a certain range from initial recognition, and reflected as a drop in customer's credit rating by corresponding level according to the different PD at initial recognition. On average, there is a significant increase in credit risk when the customer's credit rating drops by 5 grades.

Qualitative criteria

– Significant adverse change in debtor's operations or financial status;

– Customers with sign of credit deterioration are put into watchlist for staging review.

The Group leverages the parameters implemented under Basel IRB models and internal models where feasible and available to assess ECL. For the portfolios without models, all other reasonable and supportable information such as historical information, relevant loss experience or proxies are utilised. The measurement of ECL is the product of the financial instrument's probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") discounted at the effective interest rate to the reporting date.

4. Financial risk management (continued)

4.1 Credit risk (continued)

Expected Credit Loss ("ECL") Methodology (continued)

ECL is measured at an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Group adopts four economic scenarios in the ECL measurement, including "Good", "Baseline", "Bad" and "Alternative" scenarios, to meet the requirements of HKFRS 9. The "Baseline" scenario represents a most likely outcome. "Good" and "Bad" scenarios represent the estimated deviations of the "Baseline" scenario, which are either more optimistic or more pessimistic as compared with "Baseline" scenario. The "Alternative" scenario represents a more pessimistic scenario than the "Bad" scenario, to reflect the Management's view on severe downside risks of the idiosyncratic events that may have severe impact on the performance and asset quality of the credit portfolio, when the Management considers the risk cannot be fully reflected in the three scenarios (i.e. "Good", "Baseline" and "Bad" scenarios) derived from forecasts and historical data.

The "Baseline" and "Alternative" scenarios are prepared by the Group's Economics & Strategic Planning Department. Historical data, economic trend, external economic forecast from governmental and non-governmental organisation, etc. are also used as reference benchmarks to ensure the "Baseline" scenario is reasonable and supportable. For the "Good" and "Bad" scenarios, the Group makes reference to the historical macroeconomics data for estimating the deviations. The "Alternative" scenario reflects the Management's review of the tail of the economic distribution, incorporating a number of risk events, including further escalation of geopolitical tensions coupled with other uncertainties, worsening of global supply chains, rising global inflation rate, the monetary tightening policy of Central Banks and interest rate hikes which eventually pose a significant pressure on economy.

The core macroeconomic factors in the major countries/regions where the Group operates such as Gross Domestic Product ("GDP") growth, and other key macroeconomic factors such as Consumer Price Index, Property Price Index and Unemployment Rate are applied in the economic scenarios. These macroeconomic factors are considered important to the Group's ECL in statistical analysis and business opinion.

The probability weight assigned for each scenario reflects the Group's view for the economic environment, following the Group's prudent and consistent credit strategy of ensuring the adequacy of impairment allowance. A higher probability weight is assigned to the "Baseline" scenario to reflect the most likely outcome and a lower probability weight is assigned to the "Good", "Bad" and "Alternative" scenarios to reflect the less likely outcomes. As of December 2025, the probability weight of the Group's "Baseline" scenario is higher than the sum of probability weight of "Good", "Bad" and "Alternative" scenarios.

4. Financial risk management (continued)

4.1 Credit risk (continued)

Expected Credit Loss ("ECL") Methodology (continued)

The core macroeconomic factor used by the Group to assess ECL:

Macroeconomic Factor	Good Scenario	Baseline Scenario	Bad Scenario	Alternative Scenario
2026 Hong Kong GDP Growth	6.50%	3.00%	-0.50%	-6.00%

The calculation of ECL is affected by macroeconomic factors and economic scenarios. In principle, an increase in ECL would be resulted if more pessimistic macroeconomic factors are applied in ECL assessment or a higher probability weight is assigned to the "Bad" scenario. The Group reviews the macroeconomic factors used in the ECL model and the probability weight of economic scenarios on a quarterly basis according to the established mechanism.

RC is responsible for approving ECL methodology and the Management is responsible for the ECL model implementation. Credit Risk Management is responsible for the maintenance of ECL methodology including models review and parameters update on a regular basis. Independent Model Validation Team is responsible for the annual validation of ECL models. If there is any change in ECL methodology, the Group will follow the proper approval process.

As at 31 December 2025, the ECL will be increased by 1.72% (2024: 1.67%) if 5% of the probability weight is shifted from "Baseline" scenario to "Bad" scenario; and will be decreased by 0.99% (2024: 0.80%) if 5% of the probability weight is shifted from "Baseline" scenario to "Good" scenario.

Collateral held as security and other credit enhancements

The valuation and management of collateral have been documented in the credit risk management policies and procedures which cover acceptance criteria, validity of collateral, loan-to-value ratio, haircut ratio, valuation and insurance, etc. The collateral is revalued on a regular basis, though the frequency and the method used varies with the type of collateral involved and the nature and the risk of the underlying credit. The Group has established a mechanism to update the value of its main type of collateral, property collateral including the use of public indices on a portfolio basis. Collateral is insured with the Group as the primary beneficiary. In the personal sector, the main types of collateral are real estate, cash deposits and securities. In the commercial and industrial sector, the types of collateral include real estate, securities, cash deposits, vessels, aircraft, etc.

For loans guaranteed by a third party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

As at 31 December 2025, the fair value of collateral held by the Group that was permitted to sell or re-pledge in the absence of default by the borrower amounted to HK$46,035 million (2024: HK$32,350 million). The Group had not sold or re-pledged such collateral (2024: Nil). These transactions are conducted under terms that are usual and customary to reverse repurchase and securities borrowing agreements.

4. Financial risk management (continued)

4.1 Credit risk (continued)

(A) Credit exposures

The maximum credit exposure is the worst case scenario of exposure to the Group without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the maximum exposure to credit risk equals their carrying amount. For letters of guarantee issued, the maximum exposure to credit risk is the maximum amount that the Group could be required to pay if the guarantees are called upon. For loan commitment and other credit related liabilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The nature of the collateral held and other credit enhancements and their financial effect to the different classes of the Group's financial assets are as follows.

Balances and placements with banks and other financial institutions

These exposures are generally considered to be low risk due to the nature of the counterparties. Collateral is generally not sought on these assets.

Financial assets at fair value through profit or loss and investment in securities

Collateral is generally not sought on debt securities.

Derivative financial instruments

The Master Agreement published by the International Swaps and Derivatives Association, Inc. ("ISDA Master Agreement") is the preferred agreement for documenting derivative activities of the Group. It provides the contractual framework under which dealing activities of over-the-counter ("OTC") transactions are conducted, and sets out close-out netting provisions upon termination following the occurrence of an event of default or a termination event. In addition, if deemed necessary, Credit Support Annexes will be included to form part of the Schedule to the ISDA Master Agreement. Under the Credit Support Annexes, collateral is passed from one counterparty to another, as appropriate, to mitigate the credit exposures.

Advances and other accounts, loan commitments and financial guarantee contracts

The general types of collateral are disclosed on page 176. Advances and other accounts, loan commitments and financial guarantee contracts are collateralised to the extent considered appropriate by the Group taking account of the risk assessment of individual exposures. The collateral coverage of advances to customers is analysed on pages 186 to 187. The components and nature of loan commitments and financial guarantee contracts are disclosed in Note 41. Regarding the commitments that are unconditionally cancellable without prior notice, the Group would assess the necessity to withdraw the credit line in case where the credit quality of a borrower deteriorates. For loan commitments and financial guarantee contracts, 10.19% (2024: 10.67%) were covered by collateral as at 31 December 2025.

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts

Gross advances and other accounts before impairment allowances are summarised by product type as follows:

	2025 HK$'m	2024 HK$'m
Advances to customers		
Personal		
– Mortgages	**474,995**	451,107
– Credit cards	**13,046**	13,204
– Others	**135,240**	136,633
Corporate		
– Commercial loans	**1,051,304**	1,031,092
– Trade finance	**41,202**	44,850
	1,715,787	1,676,886
Trade bills	**3,157**	2,154
Advances to banks and other financial institutions	**4,985**	2,222
	1,723,929	1,681,262

Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances 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 instruction or when the advances have remained continuously to exceed the approved limit that was advised to the borrower.

Advances classified as Stage 3 may not necessarily result in impairment loss where the advances are fully collateralised.

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

Gross advances and other accounts before impairment allowances are analysed by internal credit grade and stage classification as follows:

	2025			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Advances to customers				
Pass	1,630,708	27,817	–	1,658,525
Special mention	1,870	35,811	–	37,681
Substandard or below	–	–	19,558	19,558
	1,632,578	63,628	19,558	1,715,764
Trade bills				
Pass	3,157	–	–	3,157
Special mention	–	–	–	–
Substandard or below	–	–	–	–
	3,157	–	–	3,157
Advances to banks and other financial institutions				
Pass	4,985	–	–	4,985
Special mention	–	–	–	–
Substandard or below	–	–	–	–
	4,985	–	–	4,985
	1,640,720	63,628	19,558	1,723,906

	2025			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Impairment allowances				
Advances and other accounts at amortised cost	(4,023)	(7,081)	(7,653)	(18,757)
Advances and other accounts at fair value through other comprehensive income	(11)	–	(1)	(12)

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

	2024			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Advances to customers				
Pass	1,621,815	13,574	–	1,635,389
Special mention	2,288	20,748	–	23,036
Substandard or below	–	–	17,652	17,652
	1,624,103	34,322	17,652	1,676,077
Trade bills				
Pass	2,153	–	–	2,153
Special mention	1	–	–	1
Substandard or below	–	–	–	–
	2,154	–	–	2,154
Advances to banks and other financial institutions				
Pass	2,222	–	–	2,222
Special mention	–	–	–	–
Substandard or below	–	–	–	–
	2,222	–	–	2,222
	1,628,479	34,322	17,652	1,680,453

	2024			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Impairment allowances				
Advances and other accounts at amortised cost	(5,459)	(1,551)	(7,950)	(14,960)
Advances and other accounts at fair value through other comprehensive income	(6)	–	–	(6)

As at 31 December 2025 and 2024, advances and other accounts by internal credit grade and stage classification did not include advances and other accounts mandatorily classified at fair value through profit or loss.

As at 31 December 2025, included in the Stage 3 advances and other accounts at fair value through other comprehensive income are purchased or originated credit-impaired ("POCI") and impairment allowances made in respect of such advances amounted to HK$169 million (2024: Nil) and HK$1 million (2024: Nil) respectively.

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

Reconciliation of impairment allowances and gross amount for advances and other accounts is as follows:

	2025			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Impairment allowances				
At 1 January 2025	5,459	1,551	7,950	14,960
Transfer to Stage 1	52	(49)	(3)	–
Transfer to Stage 2	(2,444)	2,448	(4)	–
Transfer to Stage 3	(7)	(384)	391	–
Changes arising from transfer of stage	(31)	3,018	1,364	4,351
Charge for the year(i)	3,263	898	3,032	7,193
Reversal for the year(ii)	(2,344)	(399)	(559)	(3,302)
Write-offs	–	–	(4,798)	(4,798)
Recoveries	–	–	151	151
Exchange difference and others	75	(2)	129	202
At 31 December 2025	4,023	7,081	7,653	18,757
Charged to income statement (Note 13)				8,242

	2025			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Gross amount				
At 1 January 2025	1,628,479	34,322	17,652	1,680,453
Transfer to Stage 1	1,375	(1,342)	(33)	–
Transfer to Stage 2	(32,481)	32,500	(19)	–
Transfer to Stage 3	(1,121)	(3,641)	4,762	–
Net change in exposures	35,877	1,764	1,847	39,488
Write-offs	–	–	(4,798)	(4,798)
Exchange difference and others	8,591	25	147	8,763
At 31 December 2025	1,640,720	63,628	19,558	1,723,906

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

	2024			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Impairment allowances				
At 1 January 2024	4,113	1,056	9,555	14,724
Transfer to Stage 1	208	(205)	(3)	–
Transfer to Stage 2	(108)	252	(144)	–
Transfer to Stage 3	(6)	(286)	292	–
Changes arising from transfer of stage	(193)	345	647	799
Charge for the year(i)	3,485	1,019	2,961	7,465
Reversal for the year(ii)	(2,007)	(611)	(678)	(3,296)
Write-offs	–	–	(4,718)	(4,718)
Recoveries	–	–	168	168
Exchange difference and others	(33)	(19)	(130)	(182)
At 31 December 2024	5,459	1,551	7,950	14,960
Charged to income statement (Note 13)				4,968

	2024			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Gross amount				
At 1 January 2024	1,668,162	21,046	17,797	1,707,005
Transfer to Stage 1	3,999	(3,974)	(25)	–
Transfer to Stage 2	(19,087)	19,393	(306)	–
Transfer to Stage 3	(326)	(4,521)	4,847	–
Net change in exposures	(20,360)	2,472	89	(17,799)
Write-offs	–	–	(4,718)	(4,718)
Exchange difference and others	(3,909)	(94)	(32)	(4,035)
At 31 December 2024	1,628,479	34,322	17,652	1,680,453

(i) Charge for the year comprises the impairment losses attributable to new loans, remaining loans without stage transfers, and changes to risk parameters, etc.

(ii) Reversal for the year comprises reversal of impairment losses attributable to loan repaid, remaining loans without stage transfers, and changes to risk parameters, etc.

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(a) Impaired advances

Impaired advances to customers are analysed as follows:

	2025 HK$'m	2024 HK$'m
Gross impaired advances to customers	**19,558**	17,652
Percentage of gross advances to customers	**1.14%**	1.05%
Impairment allowances made in respect of such advances	**7,653**	7,950

The impairment allowances were made after taking into account the value of collateral in respect of the credit-impaired advances.

	2025 HK$'m	2024 HK$'m
Current market value of collateral held against the covered portion of such advances to customers	**24,008**	14,927
Covered portion of such advances to customers	**11,103**	8,248
Uncovered portion of such advances to customers	**8,455**	9,404

As at 31 December 2025, there were no impaired trade bills and advances to banks and other financial institutions (2024: Nil).

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(b) Advances overdue for more than three months

The gross amount of advances overdue for more than three months is analysed as follows:

	2025		2024	
	Amount HK$'m	**% of gross advances to customers**	Amount HK$'m	% of gross advances to customers
Gross advances to customers which have been overdue for:				
– six months or less but over three months	**4,213**	**0.24%**	914	0.05%
– one year or less but over six months	**2,711**	**0.16%**	1,321	0.08%
– over one year	**8,404**	**0.49%**	9,979	0.60%
Advances overdue for over three months	**15,328**	**0.89%**	12,214	0.73%
Impairment allowances made in respect of such advances – Stage 3	**6,693**		6,926	

	2025 HK$'m	2024 HK$'m
Current market value of collateral held against the covered portion of such advances to customers	**13,705**	4,594
Covered portion of such advances to customers	**9,462**	3,801
Uncovered portion of such advances to customers	**5,866**	8,413

Collateral held against overdue or impaired loans is principally represented by charges over business assets such as commercial and residential premises for corporate loans and mortgages over residential properties for personal loans.

As at 31 December 2025, there were no trade bills and advances to banks and other financial institutions overdue for more than three months (2024: Nil).

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(c) Rescheduled advances

	2025		2024	
	Amount HK$'m	**% of gross advances to customers**	Amount HK$'m	% of gross advances to customers
Rescheduled advances to customers net of amounts included in "Advances overdue for more than three months"	**328**	**0.02%**	1,338	0.08%

Rescheduled advances are those advances that have been restructured and renegotiated between the bank and borrowers because of deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule, and the revised repayment terms, either of interest or the repayment period, are "non-commercial" to the Group. Rescheduled advances, which have been overdue for more than three months under the revised repayment terms, are included in "Advances overdue for more than three months".

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(d) Concentration of advances to customers

(i) Sectoral analysis of gross advances to customers

The following analysis of the gross advances to customers by industry sector is based on the categories with reference to the completion instructions for the HKMA return of loans and advances.

	2025					
	Gross advances to customers HK$'m	% covered by collateral or other security	Impaired HK$'m	Overdue HK$'m	Impairment allowances – Stage 3 HK$'m	Impairment allowances – Stages 1 and 2 HK$'m
Loans for use in Hong Kong						
Industrial, commercial and financial						
– Property development	156,785	23.33%	4,321	2,092	798	2,297
– Property investment	95,904	59.17%	5,025	5,025	1,110	804
– Financial concerns	25,091	0.69%	50	–	16	45
– Stockbrokers	4,362	81.74%	–	–	–	2
– Wholesale and retail trade	41,831	26.37%	414	352	92	123
– Manufacturing	59,046	5.28%	369	105	156	182
– Transport and transport equipment	66,265	11.62%	16	28	11	124
– Recreational activities	17	96.96%	–	–	–	–
– Information technology	32,339	0.63%	3	6	1	57
– Others	207,592	29.11%	4,166	4,629	2,869	598
Individuals						
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	63,926	99.85%	166	665	2	105
– Loans for purchase of other residential properties	407,914	99.20%	454	2,366	58	377
– Credit card advances	13,035	–	100	437	61	236
– Others	125,396	95.63%	178	1,056	62	138
Total loans for use in Hong Kong	1,299,503	59.10%	15,262	16,761	5,236	5,088
Trade financing	41,202	18.13%	460	451	244	58
Loans for use outside Hong Kong	375,082	5.25%	3,836	3,125	2,173	5,948
Gross advances to customers	1,715,787	46.34%	19,558	20,337	7,653	11,094

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(d) Concentration of advances to customers (continued)

(i) Sectoral analysis of gross advances to customers (continued)

	2024					
	Gross advances to customers HK$'m	% covered by collateral or other security	Impaired HK$'m	Overdue HK$'m	Impairment allowances – Stage 3 HK$'m	Impairment allowances – Stages 1 and 2 HK$'m
Loans for use in Hong Kong						
Industrial, commercial and financial						
– Property development	166,412	25.77%	2,327	1,352	107	1,320
– Property investment	90,844	60.34%	1,986	117	149	661
– Financial concerns	16,140	1.68%	–	–	–	24
– Stockbrokers	3,475	64.70%	–	–	–	–
– Wholesale and retail trade	35,172	34.51%	183	267	75	143
– Manufacturing	54,468	6.44%	86	103	59	102
– Transport and transport equipment	65,531	11.80%	82	26	62	125
– Recreational activities	11	90.14%	–	–	–	–
– Information technology	40,297	0.28%	–	4	–	72
– Others	197,084	34.41%	4,269	5,253	2,213	577
Individuals						
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	51,167	99.74%	17	577	1	102
– Loans for purchase of other residential properties	397,228	98.47%	360	2,409	30	438
– Credit card advances	13,192	–	101	460	63	224
– Others	122,380	95.53%	149	1,091	56	168
Total loans for use in Hong Kong	1,253,401	59.89%	9,560	11,659	2,815	3,956
Trade financing	44,850	19.53%	513	415	241	61
Loans for use outside Hong Kong	378,635	4.53%	7,579	7,298	4,894	2,988
Gross advances to customers	1,676,886	46.31%	17,652	19,372	7,950	7,005

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(d) Concentration of advances to customers (continued)

(i) Sectoral analysis of gross advances to customers (continued)

For those industry sectors constituting not less than 10% of the Group's gross advances to customers, the amounts of new impairment allowances charged to the income statement, and impaired loans written off during the year are shown below:

	2025		2024	
	New impairment allowances HK$'m	**Impaired loans written off HK$'m**	New impairment allowances HK$'m	Impaired loans written off HK$'m
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Others	**1,058**	**7**	1,996	15
Individuals				
– Loans for purchase of other residential properties	**104**	**–**	186	–

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(d) Concentration of advances to customers (continued)

(ii) Geographical analysis of gross advances to customers

The following geographical analysis of advances to customers is based on the locations of the counterparties, after taking into account the transfer of risk. For an advance to customer guaranteed by a party situated in a location different from the customer, the risk will be transferred to the location of the guarantor.

Gross advances to customers

	2025 HK$'m	2024 HK$'m
Hong Kong, China	**1,450,773**	1,431,173
Chinese Mainland	**90,606**	71,150
Others	**174,408**	174,563
	1,715,787	1,676,886
Impairment allowances made in respect of the gross advances to customers – Stages 1 and 2		
Hong Kong, China	**8,240**	4,850
Chinese Mainland	**1,370**	189
Others	**1,484**	1,966
	11,094	7,005

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(d) Concentration of advances to customers (continued)

(ii) Geographical analysis of gross advances to customers (continued)

Overdue advances

	2025 HK$'m	2024 HK$'m
Hong Kong, China	**17,865**	15,570
Chinese Mainland	**463**	506
Others	**2,009**	3,296
	20,337	19,372
Impairment allowances made in respect of the overdue advances		
– Stage 3		
Hong Kong, China	**5,486**	4,909
Chinese Mainland	**202**	275
Others	**1,063**	2,179
	6,751	7,363

Impaired advances

	2025 HK$'m	2024 HK$'m
Hong Kong, China	**17,020**	13,795
Chinese Mainland	**380**	348
Others	**2,158**	3,509
	19,558	17,652
Impairment allowances made in respect of the impaired advances		
– Stage 3		
Hong Kong, China	**6,057**	5,326
Chinese Mainland	**280**	275
Others	**1,316**	2,349
	7,653	7,950

4. Financial risk management (continued)

4.1 Credit risk (continued)

(C) Repossessed assets

The estimated market value and carrying value of repossessed assets held by the Group as at 31 December 2025 amounted to HK$320 million (2024: HK$80 million) and HK$402 million (2024: HK$54 million) respectively. The repossessed assets mainly comprise securities and properties in respect of which the Group has acquired access or control (e.g. through court proceedings or voluntary actions by the proprietors concerned) and the carrying amount of the loan concerned is reduced correspondingly.

When the repossessed assets are not readily convertible into cash, the Group may consider the following alternatives:

– adjusting the selling prices

– selling the loans together with the assets

– arranging loan restructuring

4. Financial risk management (continued)

4.1 Credit risk (continued)

(D) Balances and placements with banks and other financial institutions

Balances and placements with banks and other financial institutions before impairment allowances are analysed by internal credit grade and stage classification as follows:

	2025			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Central banks				
Pass	**203,501**	**–**	**–**	**203,501**
Special mention	**–**	**–**	**–**	**–**
Substandard or below	**–**	**–**	**–**	**–**
	203,501	**–**	**–**	**203,501**
Other banks and other financial institutions				
Pass	**346,231**	**–**	**–**	**346,231**
Special mention	**–**	**–**	**–**	**–**
Substandard or below	**–**	**–**	**30**	**30**
	346,231	**–**	**30**	**346,261**
	549,732	**–**	**30**	**549,762**
Impairment allowances	**(122)**	**–**	**(30)**	**(152)**
	549,610	**–**	**–**	**549,610**

	2024			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Central banks				
Pass	304,127	–	–	304,127
Special mention	–	–	–	–
Substandard or below	–	–	–	–
	304,127	–	–	304,127
Other banks and other financial institutions				
Pass	285,201	–	–	285,201
Special mention	–	–	–	–
Substandard or below	–	–	31	31
	285,201	–	31	285,232
	589,328	–	31	589,359
Impairment allowances	(104)	–	(31)	(135)
	589,224	–	–	589,224

4. Financial risk management (continued)

4.1 Credit risk (continued)

(D) Balances and placements with banks and other financial institutions (continued)

Reconciliation of impairment allowances for balances and placements with banks and other financial institutions is as follows:

	2025			
	Stage 1 HK$'m	**Stage 2 HK$'m**	**Stage 3 HK$'m**	**Total HK$'m**
At 1 January 2025	**104**	**–**	**31**	**135**
Changes arising from transfer of stage	**–**	**–**	**–**	**–**
Net charge for the year	**19**	**–**	**–**	**19**
Exchange difference	**(1)**	**–**	**(1)**	**(2)**
At 31 December 2025	**122**	**–**	**30**	**152**
Charged to income statement (Note 13)				**19**

	2024			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
At 1 January 2024	48	–	33	81
Changes arising from transfer of stage	–	–	–	–
Net charge for the year	57	–	–	57
Exchange difference	(1)	–	(2)	(3)
At 31 December 2024	104	–	31	135
Charged to income statement (Note 13)				57

As at 31 December 2025, gross overdue or impaired balances and placements with banks and other financial institutions amounted to HK$30 million (2024: HK$31 million). The aforesaid balances and placements have been overdue for more than one year as at 31 December 2025 and 2024.

4. Financial risk management (continued)

4.1 Credit risk (continued)

(E) Debt securities and certificates of deposit

The following tables present an analysis of the carrying value of debt securities and certificates of deposit by issue rating and stage classification. In the absence of such issue ratings, the ratings designated for the issuers are reported.

	2025 HK$'m	2024 HK$'m
Investment in securities at fair value through other comprehensive income		
– Stage 1		
Aaa	**143,645**	280,279
Aa1 to Aa3	**612,058**	372,736
A1 to A3	**470,727**	364,684
Lower than A3	**27,233**	23,081
Unrated	**4,422**	6,389
	1,258,085	1,047,169
– Stage 2	**–**	–
– Stage 3	**–**	–
	1,258,085	1,047,169
Of which: impairment allowances	**(270)**	(253)
Investment in securities at amortised cost		
– Stage 1		
Aaa	**78,074**	109,502
Aa1 to Aa3	**42,413**	19,749
A1 to A3	**24,741**	33,466
Lower than A3	**8,422**	7,553
Unrated	**9,049**	7,202
	162,699	177,472
– Stage 2	**–**	–
– Stage 3	**–**	–
	162,699	177,472
Impairment allowances	**(55)**	(50)
	162,644	177,422
Financial assets at fair value through profit or loss		
Aaa	**3,327**	4,769
Aa1 to Aa3	**105,888**	82,966
A1 to A3	**109,960**	89,024
Lower than A3	**11,066**	11,347
Unrated	**2,377**	921
	232,618	189,027

The comparative figures in the note have been restated to conform with current year presentation.

4. Financial risk management (continued)

4.1 Credit risk (continued)

(E) Debt securities and certificates of deposit (continued)

Reconciliation of impairment allowances for debt securities and certificates of deposit is as follows:

	2025			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Investment in securities at fair value through other comprehensive income				
At 1 January 2025	**253**	**–**	**–**	**253**
Changes arising from transfer of stage	**–**	**–**	**–**	**–**
Net charge for the year	**13**	**–**	**–**	**13**
Exchange difference and others	**4**	**–**	**–**	**4**
At 31 December 2025	**270**	**–**	**–**	**270**
Charged to income statement (Note 13)				**13**
Investment in securities at amortised cost				
At 1 January 2025	**50**	**–**	**–**	**50**
Changes arising from transfer of stage	**–**	**–**	**–**	**–**
Net charge for the year	**5**	**–**	**–**	**5**
Exchange difference and others	**–**	**–**	**–**	**–**
At 31 December 2025	**55**	**–**	**–**	**55**
Charged to income statement (Note 13)				**5**

4. Financial risk management (continued)

4.1 Credit risk (continued)

(E) Debt securities and certificates of deposit (continued)

	2024			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Investment in securities at fair value through other comprehensive income				
At 1 January 2024	195	3	–	198
Changes arising from transfer of stage	3	(3)	–	–
Net charge for the year	59	–	–	59
Exchange difference and others	(4)	–	–	(4)
At 31 December 2024	253	–	–	253
Charged to income statement (Note 13)				59
Investment in securities at amortised cost				
At 1 January 2024	47	–	–	47
Changes arising from transfer of stage	–	–	–	–
Net charge for the year	3	–	–	3
Exchange difference and others	–	–	–	–
At 31 December 2024	50	–	–	50
Charged to income statement (Note 13)				3

As at 31 December 2025, there were no overdue or impaired debt securities and certificates of deposit (2024: There were no impaired debt securities and certificates of deposit. Debt securities and certificates of deposit which have been overdue for one year or less but over six months and overdue for over one year amounted to HK$12 million and HK$31 million respectively and were measured at fair value through profit or loss).

4. Financial risk management (continued)

4.1 Credit risk (continued)

(F) Loan commitments and financial guarantee contracts

Loan commitments and financial guarantee contracts are analysed by internal credit grade and stage classification as follows:

	2025			
	Stage 1 HK$'m	**Stage 2 HK$'m**	**Stage 3 HK$'m**	**Total HK$'m**
Loan commitments and financial guarantee contracts				
Pass	**857,540**	**2,174**	**–**	**859,714**
Special mention	**241**	**1,595**	**–**	**1,836**
Substandard or below	**–**	**–**	**112**	**112**
	857,781	**3,769**	**112**	**861,662**

	2024			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Loan commitments and financial guarantee contracts				
Pass	847,999	2,670	–	850,669
Special mention	865	1,498	–	2,363
Substandard or below	–	–	1,127	1,127
	848,864	4,168	1,127	854,159

4. Financial risk management (continued)

4.1 Credit risk (continued)

(F) Loan commitments and financial guarantee contracts (continued)

Reconciliation of impairment allowances for loan commitments and financial guarantee contracts is as follows:

	2025			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
At 1 January 2025	232	97	21	350
Transfer to Stage 1	1	(1)	–	–
Transfer to Stage 2	(3)	6	(3)	–
Transfer to Stage 3	–	–	–	–
Changes arising from transfer of stage	(1)	(5)	1	(5)
Net charge/(reversal) for the year	16	(59)	22	(21)
Exchange difference and others	3	1	2	6
At 31 December 2025	248	39	43	330
Credited to income statement (Note 13)				(26)

	2024			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
At 1 January 2024	319	30	21	370
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	(14)	14	–	–
Transfer to Stage 3	–	–	–	–
Changes arising from transfer of stage	–	21	–	21
Net (reversal)/charge for the year	(71)	32	–	(39)
Exchange difference and others	(2)	–	–	(2)
At 31 December 2024	232	97	21	350
Credited to income statement (Note 13)				(18)

Majority of credit risk exposures of loan commitments and financial guarantee contracts are classified as Stage 1 and categorised as "Pass" in the internal credit grade throughout the year.

4. Financial risk management (continued)

4.2 Market risk

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of financial market price (foreign exchange rate, interest rate, credit spreads, equity price, commodity price). The Group adopts a moderate market risk appetite to achieve a balance between risk and return. The Group's objective in managing market risk is to secure healthy growth of the treasury business, by the effective management of potential market risk in the Group's business, according to the Group's overall risk appetite and strategy of the treasury business on the basis of a well-established risk management regime and related management measures.

In accordance with the Group's corporate governance principles in respect of risk management, the Board and RC, senior management and functional departments/units perform their duties and responsibilities to manage the Group's market risk. The RMD is responsible for the Group's market risk management, assisting senior management to perform their day-to-day duties, independently monitoring the market risk profile and compliance of management policies and limits of the Group and BOCHK, and ensuring that the aggregate and individual market risks are within acceptable levels.

The Group's market risk management covers BOCHK and its subsidiaries. The Group establishes market risk management policies to regulate BOCHK's and its subsidiaries' market risk management; meanwhile, the Group sets up the Group's VaR and stress test limits, which are allocated and monitored across the Group according to the business requirements and risk tolerance levels. In line with the requirements set in the Group's policy, the subsidiaries formulate the detailed policies and procedures and are responsible for managing their daily market risk.

The Group sets up market risk indicators and limits to identify, measure, monitor and control market risk. Major risk indicators and limits include but are not limited to VaR, Stop Loss, Open Position, Stress Testing and Sensitivity Analysis (Basis Point Value, Greeks), etc. To meet management's requirements, major risk indicators and limits are classified into three levels, and are approved by the RC, senior management or the head of the respective business unit respectively. The treasury business units of BOCHK and subsidiaries (as for Group Limit) are required to conduct their business within approved market risk indicators and limits.

(A) VaR

The Group uses the VaR to measure and report general market risks to the RC and senior management on a periodic basis. The Group adopts a uniformed VaR calculation model, using a historical simulation approach and two years of historical market data, to calculate the VaR of the Group and its subsidiaries over a one-day holding period with a 99% confidence level, and sets up the VaR limit of the Group and its subsidiaries.

4. Financial risk management (continued)

4.2 Market risk (continued)

(A) VaR (continued)

The following table sets out the VaR for all general market risk exposures[1] of the Group.

	Year	At 31 December HK$'m	Minimum for the year HK$'m	Maximum for the year HK$'m	Average for the year HK$'m
VaR for all market risk	**2025**	**103.8**	**93.9**	**172.0**	**125.8**
	2024	138.2	67.9	148.7	107.0
VaR for foreign exchange risk	**2025**	**30.8**	**24.9**	**61.4**	**42.9**
	2024	39.7	26.0	64.4	42.1
VaR for interest rate risk in the trading book	**2025**	**92.9**	**91.0**	**160.6**	**117.3**
	2024	122.5	64.0	139.8	103.6
VaR for equity risk in the trading book	**2025**	**9.1**	**4.8**	**10.4**	**8.6**
	2024	5.1	0.3	8.0	2.3
VaR for commodity risk	**2025**	**56.0**	**0.0**	**86.4**	**35.7**
	2024	0.1	0.0	7.6	1.2

Note:
1. Structural FX positions have been excluded.

Although there is a valuable guide to market risk, VaR should always be viewed in the context of its limitations. For example:

– the use of historical market data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;

– the use of a one-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;

– the use of a 99% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence; and

– VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

The Group recognises these limitations by formulating stress test indicators and limits to assess and manage the market risk uncovered by VaR. The stress testing programme of the market risk includes sensitivity testing on changes in risk factors with various degrees of severity, as well as scenario analysis on historical events including the 1987 Equity Market Crash, 1994 Bond Market Crash, 1997 Asian Financial Crisis, 2001 9-11 event and 2008 Financial Tsunami, etc.

4. Financial risk management (continued)

4.2 Market risk (continued)

(B) Currency risk

The Group's assets and liabilities are denominated in major currencies, particularly HK Dollar, US Dollar and Renminbi. To ensure the currency risk exposure of the Group is kept to an acceptable level, risk limits (e.g. Position and VaR limit) are used to serve as a monitoring tool. Moreover, the Group seeks to minimise the gap between assets and liabilities in the same currency. Foreign exchange contracts (e.g. FX swaps) are usually used to manage FX risk associated with foreign currency-denominated assets and liabilities.

The following is a summary of the Group's major foreign currency exposures arising from trading, non-trading and structural positions and is prepared with reference to the completion instructions for the HKMA return of foreign currency position. The net options position is calculated based on the basis of delta-weighted positions of all foreign exchange options contracts.

	2025							
	Equivalent in million of HK$							
	US Dollars	**Pound Sterling**	**Japanese Yen**	**Euro**	**Renminbi**	**Australian Dollars**	**Other foreign currencies**	**Total foreign currencies**
Spot assets	**1,344,473**	**32,036**	**186,568**	**84,101**	**742,143**	**38,934**	**122,151**	**2,550,406**
Spot liabilities	**(1,378,868)**	**(28,700)**	**(27,487)**	**(42,946)**	**(593,604)**	**(34,371)**	**(84,919)**	**(2,190,895)**
Forward purchases	**2,471,267**	**46,505**	**123,629**	**103,620**	**1,432,113**	**45,735**	**92,187**	**4,315,056**
Forward sales	**(2,409,504)**	**(49,776)**	**(278,462)**	**(144,399)**	**(1,578,794)**	**(50,475)**	**(129,671)**	**(4,641,081)**
Net options position	**(3,584)**	**(137)**	**956**	**(40)**	**(512)**	**68**	**482**	**(2,767)**
Net long/(short) position	**23,784**	**(72)**	**5,204**	**336**	**1,346**	**(109)**	**230**	**30,719**

	2024							
	Equivalent in million of HK$							
	US Dollars	Pound Sterling	Japanese Yen	Euro	Renminbi	Australian Dollars	Other foreign currencies	Total foreign currencies
Spot assets	1,188,738	22,899	126,087	45,278	782,041	23,869	91,042	2,279,954
Spot liabilities	(1,188,269)	(27,057)	(28,149)	(38,663)	(576,857)	(32,561)	(86,299)	(1,977,855)
Forward purchases	2,131,692	24,750	96,893	124,131	1,179,401	52,133	91,755	3,700,755
Forward sales	(2,115,735)	(20,470)	(188,877)	(130,446)	(1,372,220)	(43,279)	(97,584)	(3,968,611)
Net options position	2,651	(21)	301	(19)	(2,932)	(59)	(50)	(129)
Net long/(short) position	19,077	101	6,255	281	9,433	103	(1,136)	34,114

4. Financial risk management (continued)

4.2 Market risk (continued)

(B) Currency risk (continued)

	2025						
	Equivalent in million of HK$						
	US Dollars	Baht	Malaysian Ringgit	Philippine Peso	Rupiah	Other foreign currencies	Total foreign currencies
Net structural position	**9,149**	**3,732**	**4,769**	**2,234**	**4,765**	**2,293**	**26,942**

	2024						
	Equivalent in million of HK$						
	US Dollars	Baht	Malaysian Ringgit	Philippine Peso	Rupiah	Other foreign currencies	Total foreign currencies
Net structural position	8,559	2,971	3,682	2,155	4,076	1,936	23,379

(C) Interest rate risk in the banking book

Interest rate risk in the banking book ("IRRBB") means the risks of loss to a bank's earnings and economic value arising from movements in interest rate and term structures of the banking book asset and liability positions. The Group's IRRBB exposures are mainly from structural positions. The major types of IRRBB from structural positions are:

– Gap risk: mismatches in the maturity or repricing periods of assets and liabilities that may affect net interest income and economic value;

– Basis risk: different pricing basis for different transactions resulting that the yield on assets and cost of liabilities may change by different amounts within the same repricing period; and

– Option risk: exercise of the options embedded in assets, liabilities or off-balance sheet items that can cause a change in the cash flows of assets and liabilities.

The Group's risk management framework applies also to IRRBB management. The ALCO exercises its oversight of IRRBB in accordance with the "Banking Book Interest Rate Risk Management Policy of BOCHK Group" approved by the RC. The RMD is responsible for the Group's IRRBB management. With the cooperation of the Financial Management Department and Investment Management, etc., RMD assists the ALCO to perform day-to-day IRRBB management. Its roles include, but are not limited to, the formulation of management policies, selection of methodologies, setting of risk indicators and limits, assessment of target balance sheet, monitoring of the compliance with policies and limits, and submission of IRRBB management reports to senior management and the RC, etc.

4. Financial risk management (continued)

4.2 Market risk (continued)

(C) Interest rate risk in the banking book (continued)

The Group sets out IRRBB indicators and limits to identify, measure, monitor and control IRRBB on a daily basis. The key indicators and limits include, but are not limited to, repricing gap, basis risk, duration, price value of a basis point ("PVBP"), net interest income sensitivity ratio ("NII"), economic value sensitivity ratio ("EVE"), etc. The key indicators and limits are classified into different levels, which are approved by the CFO, CRO, ALCO and RC accordingly. Risk-taking business units are required to conduct their business within the boundary of the IRRBB limits. Before launching a new product or business in the banking book, the relevant units are required to go through a risk assessment process, which includes the assessment of underlying IRRBB and consideration of the adequacy of current risk monitoring mechanism. Any material impact on IRRBB noted during the risk assessment process will be submitted to the RC for approval.

NII and EVE assess the impact of interest rate movement on the Group's net interest income and capital base. They are the Group's key IRRBB indicators. The former assesses the impact of interest rate movement on net interest income as a percentage to the projected net interest income for the year. The latter assesses the impact of interest rate movement on economic value (i.e. the net present value of cash flows of assets, liabilities and off-balance sheet items discounted using the market interest rate) as a percentage to the latest Tier 1 capital. Limits are set by the RC on these two indicators to monitor and control the Group's banking book interest rate risk.

The Group uses scenario analyses and stress tests to assess the IRRBB that the Group would face under adverse circumstances. Scenario analyses and stress tests are also used to assess the impact on net interest income and economic value arising from non-maturity deposits, the prepayment of mortgage loans and the prepayment of debt securities with embedded options, etc.

4. Financial risk management (continued)

4.2 Market risk (continued)

(C) Interest rate risk in the banking book (continued)

The Group is principally exposed to HK Dollar, US Dollar and Renminbi in terms of interest rate risk in the banking book. As at 31 December 2025, if market interest rates had a 100 basis point parallel shift of the yield curve with other variables held constant, the sensitivities on net interest income over a twelve-month period and on reserves for the Group would have been as follows:

	Impact on net interest income over the next twelve months at 31 December		Impact on reserves at 31 December	
	2025 HK$'m	2024 HK$'m	**2025 HK$'m**	2024 HK$'m
100 basis point parallel up of yield curve				
Total	**(223)**	956	**(16,083)**	(13,333)
Of which:				
HK Dollar	**3,448**	3,873	**(1,715)**	(894)
US Dollar	**(2,631)**	(2,177)	**(9,482)**	(9,530)
Renminbi	**(868)**	(702)	**(2,701)**	(2,132)
100 basis point parallel down of yield curve				
Total	**222**	(959)	**16,083**	13,333
Of which:				
HK Dollar	**(3,448)**	(3,873)	**1,715**	894
US Dollar	**2,631**	2,175	**9,482**	9,530
Renminbi	**868**	702	**2,701**	2,132

4. Financial risk management (continued)

4.2 Market risk (continued)

(C) Interest rate risk in the banking book (continued)

In a parallel shift up of 100 basis points of yield curve, the overall impact on net interest income of the above currencies is negative in 2025. Meanwhile, reserves of the Group would have been reduced because of the expected reduction in valuation of the debt securities portfolio and relevant interest rate derivatives under hedge accounting due to a parallel shift up of 100 basis points in the yield curve. The impact on net interest income turned from positive to negative compared with 2024 as the size of debt securities portfolio with longer tenor increased, which were mainly funded by customer deposits with short tenor, leading to an increase of short dated negative gap. The reduction of impact on reserves rose compared with 2024 as the size and duration of debt securities portfolio increased.

In a parallel shift down of 100 basis points of yield curve, the overall impact on net interest income of the above currencies is positive in 2025. Meanwhile, reserves of the Group would have been increased because of the expected increase in valuation of the debt securities portfolio and relevant interest rate derivatives under hedge accounting due to a parallel shift down of 100 basis points in the yield curve. The impact on net interest income turned from negative to positive compared with 2024 as the size of debt securities portfolio with longer tenor increased, which were mainly funded by customer deposits with short tenor, leading to an increase of short dated negative gap. The increase of impact on reserves rose compared with 2024 as the size and duration of debt securities portfolio increased.

The sensitivities above are for illustration only and are based on several assumptions, including, but not limited to, the change in the correlation between interest rates of relevant currencies, parallel movement of interest rates, the absence of actions that would be taken to mitigate the impact of IRRBB, the effectiveness of hedge accounting, all positions being assumed to run to maturity, behavioural assumptions of products in which the actual repricing date differs from the contractual repricing date or products without contractual maturity.

4. Financial risk management (continued)

4.2 Market risk (continued)

(D) Repricing gap analysis

The tables below summarise the Group's on-balance sheet exposure to interest rate risk. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing date and maturity date.

	2025						
	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Non-interest bearing HK$'m	Total HK$'m
Assets							
Cash and balances and placements with banks and other financial institutions	337,458	40,413	136,313	2,717	–	50,517	567,418
Financial assets at fair value through profit or loss	33,480	43,594	26,960	56,502	91,125	54,408	306,069
Derivative financial instruments	–	–	–	–	–	65,255	65,255
Hong Kong SAR Government certificates of indebtedness	–	–	–	–	–	243,190	243,190
Advances and other accounts	1,419,945	101,063	77,641	85,222	13,341	7,960	1,705,172
Investment in securities							
– At FVOCI	269,664	269,186	314,147	293,725	111,363	5,171	1,263,256
– At amortised cost	10,559	10,404	21,897	83,588	36,196	–	162,644
Interests in associates and joint ventures	–	–	–	–	–	844	844
Investment properties	–	–	–	–	–	12,599	12,599
Properties, plant and equipment	–	–	–	–	–	33,770	33,770
Other assets (including current and deferred tax assets)	20,760	–	–	–	–	108,832	129,592
Total assets	2,091,866	464,660	576,958	521,754	252,025	582,546	4,489,809
Liabilities							
Hong Kong SAR currency notes in circulation	–	–	–	–	–	243,190	243,190
Deposits and balances from banks and other financial institutions	308,843	8,550	3,586	–	–	28,501	349,480
Financial liabilities at fair value through profit or loss	38,324	39,560	15,842	3,920	1,938	–	99,584
Derivative financial instruments	–	–	–	–	–	57,528	57,528
Deposits from customers	2,014,098	547,266	155,014	3,678	–	213,446	2,933,502
Debt securities and certificates of deposit in issue	–	56	5,577	5,618	–	–	11,251
Other accounts and provisions (including current and deferred tax liabilities)	37,226	12	42	824	716	84,875	123,695
Insurance contract liabilities	–	–	–	–	–	232,347	232,347
Subordinated liabilities	–	–	–	43,889	31,868	–	75,757
Total liabilities	2,398,491	595,444	180,061	57,929	34,522	859,887	4,126,334
Interest sensitivity gap	(306,625)	(130,784)	396,897	463,825	217,503	(277,341)	363,475

4. Financial risk management (continued)

4.2 Market risk (continued)

(D) Repricing gap analysis (continued)

	2024						
	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Non-interest bearing HK$'m	Total HK$'m
Assets							
Cash and balances and placements with banks and other financial institutions	450,697	24,723	82,285	823	–	51,407	609,935
Financial assets at fair value through profit or loss	13,042	46,835	39,308	29,658	71,424	26,889	227,156
Derivative financial instruments	–	–	–	–	–	73,914	73,914
Hong Kong SAR Government certificates of indebtedness	–	–	–	–	–	223,510	223,510
Advances and other accounts	1,387,031	106,490	85,821	68,466	10,051	8,443	1,666,302
Investment in securities							
– At FVOCI	211,132	218,426	287,753	228,323	101,535	4,531	1,051,700
– At amortised cost	6,581	10,897	32,584	88,934	38,426	–	177,422
Interests in associates and joint ventures	–	–	–	–	–	1,196	1,196
Investment properties	–	–	–	–	–	14,046	14,046
Properties, plant and equipment	–	–	–	–	–	38,242	38,242
Other assets (including current and deferred tax assets)	16,041	–	–	–	–	94,944	110,985
Total assets	2,084,524	407,371	527,751	416,204	221,436	537,122	4,194,408
Liabilities							
Hong Kong SAR currency notes in circulation	–	–	–	–	–	223,510	223,510
Deposits and balances from banks and other financial institutions	320,091	7,392	7,196	–	–	17,373	352,052
Financial liabilities at fair value through profit or loss	38,287	14,215	21,863	4,336	120	–	78,821
Derivative financial instruments	–	–	–	–	–	56,779	56,779
Deposits from customers	1,667,379	641,555	226,444	1,149	–	176,883	2,713,410
Debt securities and certificates of deposit in issue	–	–	–	5,296	–	–	5,296
Other accounts and provisions (including current and deferred tax liabilities)	30,036	12	111	719	560	135,135	166,573
Insurance contract liabilities	–	–	–	–	–	183,755	183,755
Subordinated liabilities	–	–	–	46,206	25,776	–	71,982
Total liabilities	2,055,793	663,174	255,614	57,706	26,456	793,435	3,852,178
Interest sensitivity gap	28,731	(255,803)	272,137	358,498	194,980	(256,313)	342,230

Assets and liabilities in the tables, including insurance contract liabilities, are measured in accordance with relevant accounting standards as described in Note 2 material accounting policies.

4. Financial risk management (continued)

4.3 Liquidity risk

Liquidity risk is the risk that banks may not be able to obtain sufficient and timely funding at a reasonable cost to meet their obligations as they fall due. The Group maintains a sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances and stressed scenarios.

In accordance with the Group's corporate governance principles in respect of risk management, the Board and the RC, senior management and functional departments/units perform their duties and responsibilities to manage the Group's liquidity risk. The RC is the decision-making authority of liquidity risk management, and assumes the ultimate responsibility of liquidity risk management. As authorised by the RC, ALCO exercises its oversight of liquidity risk and ensures the daily operations of the Group are in accordance with the risk appetite and policies as set by the RC. The RMD is responsible for the Group's liquidity risk management. It cooperates with the Financial Management Department and Investment Management, etc. to assist the ALCO to perform liquidity management functions according to their specific responsibilities.

The Group's liquidity risk management objective is to effectively manage the liquidity of on- and off-balance sheet items with a reasonable cost based on the liquidity risk appetite to achieve sound operation and sustainable profitability. Deposits from customers are the Group's primary source of funds. To ensure stable and sufficient sources of funds are in place, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market and by issuing bills in the capital market. According to different term maturities and the results of funding needs estimated from stressed scenarios, the Group adjusts its asset structure (including loans, bonds investment, interbank placement, etc.) to maintain sufficient liquid assets which provides adequate funds in support of normal business needs and ensure its ability to raise funds at a reasonable cost to serve external claims in case of emergency. The Group is committed to diversify the sources, tenors and use of funding to avoid excessive concentration of assets and liabilities; and prevent triggering liquidity risk due to the break of funding strand resulting from over-concentration of sources and use of funding in a particular area where problems occur. In order to manage such risk, the Group sets concentration limits on collateral pools and sources of funding such as Tier 1 high-quality readily liquefiable assets to total high-quality readily liquefiable assets ratio, top ten depositors ratio and large depositors ratio. Whenever necessary, the Group could improve the liquidity position by taking mitigation actions including, but not limited to obtaining funding through interbank borrowings or repos in the money market, selling bonds or retaining existing and attracting new customer deposits. Apart from increasing the funding, the Group would maintain good communication with the counterparties, the parent bank and the regulators to enhance mutual confidence.

The Group has established intra-group liquidity risk management guidelines to manage the liquidity funding among different entities within the Group, and to restrict their reliance of funding on each other. The Group also pays attention to manage liquidity risk created by off-balance sheet activities, such as loan commitments, derivatives, options and other complex structured products. The Group has an overall liquidity risk management strategy to cover the liquidity management of foreign currency assets and liabilities, collateral, intra-day liquidity, intra-group liquidity, the liquidity risk arising from other risks, etc., and has formulated corresponding contingency plan.

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

The Group established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on a daily basis. These indicators and limits include, but are not limited to liquidity coverage ratio ("LCR"), net stable funding ratio ("NSFR"), loan-to-deposit ratio, Maximum Cumulative Cash Outflow ("MCO") and liquidity cushion. The Group applies a cash flow analysis to assess the Group's liquidity condition under normal conditions and also performs a liquidity stress test (including institution specific, general market crisis and combined crisis) and other methods at least on a monthly basis to assess the Group's capability to withstand various severe liquidity crises. Also, relevant management information systems such as the Assets and Liabilities Management System and the Basel Liquidity Ratio Management System are developed to provide data and to prepare for regular management reports to facilitate liquidity risk management duties.

In accordance with the requirements of Supervisory Policy Manual LM-2 "Sound Systems and Controls for Liquidity Risk Management" issued by the HKMA, the Group has implemented a behaviour model and assumptions of cash flow analysis and stress test to enhance the Group's cash flow analysis under both normal and stressed conditions. In cash flow analysis under normal circumstances, assumptions have been made relating to on-balance sheet items (such as deposits from customers) and off-balance sheet items (such as loan commitments). According to various characteristics of the assets, liabilities and off-balance sheet items, the Group forecasts the future cash flow based on the contractual maturity date and the assumptions of customer behaviour and balance sheet changes. The Group establishes the MCO indicator which predicts the future 30 days maximum cumulative net cash outflow in normal situations based on the above assumptions, to assess if the Group has sufficient financing capacity to meet the cash flow gap in order to achieve the objective of continuing operations. As at 31 December 2025, before taking the cash inflow through the sale of outstanding marketable securities into consideration, BOCHK's 30-day cumulative cash flow was a net cash inflow, amounting to HK$160,660 million (2024: HK$238,618 million) and was in compliance with the internal limit requirements.

In the liquidity stress test, institution specific, general market crisis and combined crisis scenarios have been set up, a combined crisis scenario is a combination of institution specific and general market crisis to assess the Group's capability to withstand a more severe liquidity crisis, with a more stringent set of assumptions being adopted. Stress test assumptions include the run-off rate of retail, wholesale and interbank deposits; the drawdown rate of loan commitments and trade-related contingent liabilities; the delinquency ratio and rollover rate of customer loans; and haircut of interbank placement and marketable securities. As at 31 December 2025, the Group was able to maintain a net cash inflow under the three stressed scenarios, indicating the Group has the ability to meet financing needs under stressed conditions. In addition, the Group has a policy in place to maintain a liquidity cushion which includes high quality or comparable quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks or marketable securities issued by non-financial corporates to ensure funding needs even under stressed scenarios. As at 31 December 2025, the liquidity cushion (before haircut) of BOCHK was HK$1,107,199 million (2024: HK$961,451 million). A contingency plan is being established which details the conditions to trigger the plan based on stress test results and early warning indicators, the action plans and relevant procedures and responsibility of relevant departments.

The Group, being classified as a category 1 authorised institution by the HKMA, is required to calculate the LCR and NSFR on a consolidated basis in accordance with the Banking (Liquidity) Rules. The Group is required to maintain a LCR and NSFR not less than 100%.

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

In certain derivative contracts, the counterparties have the right to request from the Group additional collateral if they have concerns about the Group's creditworthiness.

The Group's liquidity risk management also covers new products or business developments. Before launching a new product or business, the relevant units are required to go through a risk assessment process, which includes the assessment of underlying liquidity risk and consideration of the adequacy of the current risk management mechanism. Any material impact on liquidity risk noted during the risk assessment process will be reported to the RC for approval.

The Group has established a set of uniform liquidity risk management policies which serve as standards and guidance to all the Group's members for liquidity risk management. On the basis of the Group's uniform policies, each of the subsidiaries develops its own liquidity management policies according to its own characteristics, and assumes its own liquidity risk management responsibility. Subsidiaries are required to report their respective liquidity positions with relevant liquidity ratios on a regular basis to the RMD of BOCHK, which consolidates this information and evaluates group-wide liquidity risk to ensure relevant requirements are satisfied.

(A) Liquidity coverage ratio and net stable funding ratio

	2025	2024
Average value of liquidity coverage ratio		
– First quarter	**231.50%**	223.79%
– Second quarter	**185.34%**	250.58%
– Third quarter	**191.26%**	231.81%
– Fourth quarter	**184.39%**	201.06%

Average value of liquidity coverage ratio is calculated based on the arithmetic mean of the liquidity coverage ratio as at the end of each working day in the quarter and the calculation methodology and instructions set out in the HKMA return of liquidity position.

	2025	2024
Quarter-end value of net stable funding ratio		
– First quarter	**140.67%**	140.36%
– Second quarter	**139.34%**	140.96%
– Third quarter	**143.07%**	140.29%
– Fourth quarter	**142.30%**	141.83%

Quarter-end value of net stable funding ratio is calculated based on the calculation methodology and instructions set out in the HKMA return of stable funding position.

Liquidity coverage ratio and net stable funding ratio are computed on the consolidated basis which comprise the positions of BOCHK and certain subsidiaries specified by the HKMA in accordance with the Banking (Liquidity) Rules.

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

(B) Maturity analysis

The following analysis of the Group's assets and liabilities into relevant maturity groupings is based on the remaining period at balance sheet date to the contractual maturity date.

	2025							
	On demand HK$'m	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Indefinite HK$'m	Total HK$'m
Assets								
Cash and balances and placements with banks and other financial institutions	321,068	66,907	40,429	136,326	2,688	-	-	567,418
Financial assets at fair value through profit or loss	-	30,945	44,113	27,530	59,012	89,761	54,708	306,069
Derivative financial instruments	16,619	7,773	9,435	14,262	13,257	3,909	-	65,255
Hong Kong SAR Government certificates of indebtedness	243,190	-	-	-	-	-	-	243,190
Advances and other accounts	387,586	68,679	66,885	189,245	534,834	445,902	12,041	1,705,172
Investment in securities								
– At FVOCI	-	183,402	268,050	322,806	314,057	169,770	5,171	1,263,256
– At amortised cost	-	9,961	11,020	22,148	83,709	35,806	-	162,644
Interests in associates and joint ventures	-	-	-	-	-	-	844	844
Investment properties	-	-	-	-	-	-	12,599	12,599
Properties, plant and equipment	-	-	-	-	-	-	33,770	33,770
Other assets (including current and deferred tax assets)	55,521	34,141	1,985	8,648	15,615	11,093	2,589	129,592
Total assets	1,023,984	401,808	441,917	720,965	1,023,172	756,241	121,722	4,489,809
Liabilities								
Hong Kong SAR currency notes in circulation	243,190	-	-	-	-	-	-	243,190
Deposits and balances from banks and other financial institutions	227,775	109,569	8,550	3,586	-	-	-	349,480
Financial liabilities at fair value through profit or loss	-	38,324	39,572	15,873	3,894	1,921	-	99,584
Derivative financial instruments	14,326	8,613	9,277	8,624	13,076	3,612	-	57,528
Deposits from customers	1,571,366	656,178	547,266	155,014	3,678	-	-	2,933,502
Debt securities and certificates of deposit in issue	-	-	56	5,630	5,565	-	-	11,251
Other accounts and provisions (including current and deferred tax liabilities)	74,661	35,050	2,948	6,364	4,410	262	-	123,695
Insurance contract liabilities	-	1,533	2,834	10,805	35,102	160,169	-	210,443
Subordinated liabilities	-	-	-	236	43,775	31,746	-	75,757
Total liabilities	2,131,318	849,267	610,503	206,132	109,500	197,710	-	4,104,430
Net liquidity gap	(1,107,334)	(447,459)	(168,586)	514,833	913,672	558,531	121,722	385,379

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

(B) Maturity analysis (continued)

	2024							
	On demand HK$'m	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Indefinite HK$'m	Total HK$'m
Assets								
Cash and balances and placements with banks and other financial institutions	291,741	210,363	24,736	81,549	1,546	–	–	609,935
Financial assets at fair value through profit or loss	–	7,992	50,923	39,673	31,113	70,518	26,937	227,156
Derivative financial instruments	15,463	8,576	8,769	20,571	14,751	5,784	–	73,914
Hong Kong SAR Government certificates of indebtedness	223,510	–	–	–	–	–	–	223,510
Advances and other accounts	360,278	67,176	76,275	186,745	532,964	433,028	9,836	1,666,302
Investment in securities								
– At FVOCI	–	175,053	219,194	290,372	239,277	123,273	4,531	1,051,700
– At amortised cost	–	6,331	11,480	33,140	88,437	38,034	–	177,422
Interests in associates and joint ventures	–	–	–	–	–	–	1,196	1,196
Investment properties	–	–	–	–	–	–	14,046	14,046
Properties, plant and equipment	–	–	–	–	–	–	38,242	38,242
Other assets (including current and deferred tax assets)	35,571	34,461	720	4,093	10,853	22,692	2,595	110,985
Total assets	926,563	509,952	392,097	656,143	918,941	693,329	97,383	4,194,408
Liabilities								
Hong Kong SAR currency notes in circulation	223,510	–	–	–	–	–	–	223,510
Deposits and balances from banks and other financial institutions	187,590	149,874	7,392	7,196	–	–	–	352,052
Financial liabilities at fair value through profit or loss	–	38,287	14,238	21,863	4,313	120	–	78,821
Derivative financial instruments	11,744	6,421	7,788	12,766	13,894	4,166	–	56,779
Deposits from customers	1,264,522	579,740	641,555	226,444	1,149	–	–	2,713,410
Debt securities and certificates of deposit in issue	–	–	–	10	5,286	–	–	5,296
Other accounts and provisions (including current and deferred tax liabilities)	61,235	91,724	2,595	5,064	5,679	276	–	166,573
Insurance contract liabilities	–	2,155	2,401	11,111	46,609	107,363	–	169,639
Subordinated liabilities	–	–	–	213	46,047	25,722	–	71,982
Total liabilities	1,748,601	868,201	675,969	284,667	122,977	137,647	–	3,838,062
Net liquidity gap	(822,038)	(358,249)	(283,872)	371,476	795,964	555,682	97,383	356,346

The analysis of debt securities by remaining period to maturity is based on contractual maturity date. The disclosure does not imply that the securities will be held to maturity.

The above analysis in respect of insurance contract liabilities represents the estimated timing of net cash outflows resulting from recognised insurance contract liabilities on the balance sheet and excludes the contractual service margin and risk adjustment for non-financial risk.

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

(C) Analysis of undiscounted cash flows by contractual maturities

(a) Non-derivative cash flows

The tables below summarise the cash flows of the Group as at 31 December for non-derivative financial liabilities by remaining contractual maturity.

	2025					
	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Total HK$'m
Financial liabilities						
Hong Kong SAR currency notes in circulation	243,190	–	–	–	–	243,190
Deposits and balances from banks and other financial institutions	337,383	8,580	3,637	–	–	349,600
Financial liabilities at fair value through profit or loss	38,341	39,722	16,031	4,103	2,286	100,483
Deposits from customers	2,228,257	549,900	156,879	3,886	–	2,938,922
Debt securities and certificates of deposit in issue	–	56	5,780	5,769	–	11,605
Subordinated liabilities	–	–	1,637	49,604	32,422	83,663
Lease liabilities	42	90	365	959	274	1,730
Other financial liabilities	105,430	–	156	18	–	105,604
Total financial liabilities	2,952,643	598,348	184,485	64,339	34,982	3,834,797

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

(C) Analysis of undiscounted cash flows by contractual maturities (continued)

(a) Non-derivative cash flows (continued)

	2024					
	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Total HK$'m
Financial liabilities						
Hong Kong SAR currency notes in circulation	223,510	–	–	–	–	223,510
Deposits and balances from banks and other financial institutions	337,560	7,447	7,300	–	–	352,307
Financial liabilities at fair value through profit or loss	38,326	14,317	22,005	4,624	173	79,445
Deposits from customers	1,845,007	645,597	230,115	1,224	–	2,721,943
Debt securities and certificates of deposit in issue	–	–	106	5,398	–	5,504
Subordinated liabilities	–	–	1,541	49,967	26,288	77,796
Lease liabilities	45	89	337	790	276	1,537
Other financial liabilities	149,487	–	140	13	–	149,640
Total financial liabilities	2,593,935	667,450	261,544	62,016	26,737	3,611,682

As at 31 December 2025, the amounts payable on demand of insurance contracts liabilities is HK$33,770 million (2024: HK$37,451 million).

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

(C) Analysis of undiscounted cash flows by contractual maturities (continued)

(b) Derivative cash flows

The tables below summarise the cash flows of the Group by remaining contractual maturity as at 31 December for derivative financial liabilities that will be settled on a net basis, together with all derivative financial instruments that will be settled on a gross basis regardless of whether the contract is in an asset or liability position. The amounts disclosed in the tables are the contractual undiscounted cash flows, except for certain derivatives which are disclosed at fair value.

The Group's derivative financial instruments that will be settled on a net basis mainly include interest rate swaps whereas derivative financial instruments that will be settled on a gross basis mainly include currency forwards and currency swaps.

	2025					
	Up to 1 month HK$'m	**1 to 3 months HK$'m**	**3 to 12 months HK$'m**	**1 to 5 years HK$'m**	**Over 5 years HK$'m**	**Total HK$'m**
Derivative financial liabilities settled on a net basis	**(14,528)**	**(1,090)**	**(3,822)**	**(7,912)**	**(1,835)**	**(29,187)**
Derivative financial instruments settled on a gross basis						
Total inflow	**1,755,579**	**1,227,368**	**1,631,883**	**656,832**	**49,538**	**5,321,200**
Total outflow	**(1,757,177)**	**(1,225,094)**	**(1,615,926)**	**(655,419)**	**(49,320)**	**(5,302,936)**

	2024					
	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Total HK$'m
Derivative financial liabilities settled on a net basis	(12,115)	(1,447)	(4,655)	(10,114)	(1,373)	(29,704)
Derivative financial instruments settled on a gross basis						
Total inflow	1,644,506	782,438	1,465,539	431,728	30,190	4,354,401
Total outflow	(1,639,160)	(779,825)	(1,452,995)	(431,595)	(29,805)	(4,333,380)

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

(C) Analysis of undiscounted cash flows by contractual maturities (continued)

(c) Off-balance sheet items

Loan commitments

The contractual amounts of the Group's off-balance sheet financial instruments as at 31 December 2025 that the Group commits to extend credit to customers and other facilities amounted to HK$809,861 million (2024: HK$804,832 million). Majority of those loan commitments can be drawn within one year.

Financial guarantee contracts

Majority of financial guarantees and other financial facilities of the Group as at 31 December 2025 amounting to HK$51,801 million (2024: HK$49,327 million) are maturing no later than one year.

4.4 Insurance risk

The Group is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. The Group manages these risks through the application of its underwriting strategy, reinsurance arrangements and regular experience monitoring.

The underwriting strategy is intended to set premium pricing at an appropriate level that corresponds with the underlying exposure of the risks underwritten and the Group's underwriting procedures include screening processes, such as the review of health condition and family medical history to ensure alignment with the underwriting strategy.

Within the insurance process, concentrations of risk may arise where a particular event or a series of events could impact heavily on the Group's claim liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant claim liabilities could arise.

For the in-force insurance contracts, most of the underlying insurance liabilities are related to endowment, universal life, annuity, whole life and unit-linked insurance products. For most of the insurance policies issued, the Group has a retention limit on any single life insured. The Group cedes the excess of the insured benefit over the limit to reinsurer under an excess of loss reinsurance arrangement. For some of the insurance business, the Group has entered into reinsurance arrangements that reinsure most of the insurance risk.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality, morbidity and persistency. In this regard, the Group has conducted relevant experience studies and researches regularly to identify emerging trends. Results would be taken into account in pricing and underwriting management. The results of such studies are also considered in determining the assumptions used in the estimates of fulfilment cash flows.

4. Financial risk management (continued)

4.4 Insurance risk (continued)

(A) Change in assumptions

The Group has updated the assumptions for mortality, lapse, expense and discount rates to reflect the changes in Group's experience and market conditions.

(B) Sensitivity analysis

The following table presents the sensitivity analysis of the key assumptions used in the estimation of insurance contracts:

	2025			2024		
	Increase/ (decrease) in profit before taxation HK$'m	**Increase/ (decrease) in equity before taxation HK$'m**	**Increase/ (decrease) in CSM HK$'m**	Increase/ (decrease) in profit before taxation HK$'m	Increase/ (decrease) in equity before taxation HK$'m	Increase/ (decrease) in CSM HK$'m
+10% mortality rate and morbidity rate	**(29)**	**(30)**	**(242)**	(42)	(39)	(221)
+10% lapse/surrender rate	**13**	**(120)**	**(323)**	50	(6)	(173)
+10% expense	**(52)**	**(51)**	**(393)**	(43)	(41)	(235)
+50 basis points shift in yield curves*	**31**	**(159)**	**(29)**	(32)	(709)	332
– 10% mortality rate and morbidity rate	**30**	**31**	**252**	43	39	231
– 10% lapse/surrender rate	**(14)**	**139**	**360**	(50)	12	191
– 10% expense	**52**	**51**	**393**	42	40	235
– 50 basis points shift in yield curves*	**(62)**	**154**	**49**	33	757	(424)

* Sensitivities presented includes insurance contracts and reinsurance contracts held and financial instruments.

The above analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated, for example, changes in lapse rate, in future mortality rate and morbidity rate.

4.5 Capital management

The major objective of the Group's capital management is to maximise total shareholders' return while maintaining a capital adequacy position in relation to the Group's overall risk profile. The ALCO periodically reviews the Group's capital structure to maintain an optimal balance among risk, return and capital adequacy.

The Group has developed and maintained a sound framework of policies and controls on capital management to support the development of the Group's business and to meet the statutory capital adequacy ratio and loss-absorbing capacity requirements.

4. Financial risk management (continued)

4.5 Capital management (continued)

The Group has complied with all the statutory capital requirements and loss-absorbing capacity requirements of the HKMA for the reported periods in respect of banking operation. The HKMA supervises BOCHK and certain subsidiaries specified by the HKMA on a consolidated and solo basis and, as such, receives information on the capital adequacy of, and sets capital requirements for those companies as a whole. Individual overseas banking subsidiaries and branches are directly regulated by their local banking supervisors, who set and monitor their capital adequacy requirements. Certain non-banking financial subsidiaries are also subject to the supervision and capital requirements of local regulatory authorities.

The ALCO monitors the Group's capital adequacy and adjusts the capital mix where appropriate. The Group has adopted the foundation internal ratings-based ("FIRB") approach to calculate the credit risk capital charge for the majority of its non-securitisation exposures. Small residual credit exposures are remained under the standardised (credit risk) ("STC") approach. The Group has adopted the reduced basic credit valuation adjustment ("CVA") approach to calculate the capital charge for the CVA risk of the counterparty.

Effective from 1 January 2025, the Group has adopted the standardised approach to calculate market risk capital requirements in accordance with the HKMA's Supervisory Policy Manual MR-1 "Market Risk Capital Charge".

Effective from 1 January 2025, the Group has adopted the standardised approach under the Basel III final reform package to calculate the operational risk capital charge.

The Group has continued to adopt an internal capital adequacy assessment process ("ICAAP") to comply with the HKMA's requirements in the Supervisory Policy Manual "Supervisory Review Process" in 2025. Based on the HKMA's guidelines on Pillar II, ICAAP has been initiated to assess the extra capital needed to cover the material risks not captured or not adequately captured under Pillar I, and therefore minimum Common Equity Tier 1 capital ratio, minimum Tier 1 capital ratio and minimum Total capital ratio are determined. The Group considers this ICAAP as an on-going process for capital management and periodically reviews and adjusts its capital structure where appropriate in relation to the overall risk profile.

The HKMA has classified BOCHK as a material subsidiary of the BOC resolution group and required BOCHK to comply with the applicable internal loss-absorbing capacity requirements under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules ("LAC Rules"), with compliance period starting from 1 January 2023.

In addition, the capital plan of the Group is drawn up annually and then submitted to the Board for approval after endorsement of the ALCO. The plan is built up by assessing the implications of various factors upon capital adequacy such as the business strategies, return on equity, risk appetite, credit rating, as well as regulatory requirements. Hence, the future capital requirement is determined and capital sources are identified also. The plan is to ensure the Group maintains adequate capital and appropriate capital structure which align with its business development needs, thereby achieving an optimal balance among risk, return and capital adequacy.

(A) Basis of regulatory consolidation

The consolidation basis for regulatory purposes comprises the positions of BOCHK and certain subsidiaries specified by the HKMA in accordance with the Banking (Capital) Rules. For accounting purposes, subsidiaries are consolidated in accordance with HKFRS Accounting Standards.

The Company, its subsidiaries (BOC Group Life Assurance Company Limited and BOCHK Asset Management (Cayman) Limited (including their subsidiaries)) and certain subsidiaries of BOCHK are included within the accounting scope of consolidation but not included within the regulatory scope of consolidation.

4. Financial risk management (continued)

4.5 Capital management (continued)

(A) Basis of regulatory consolidation (continued)

The particulars of the above-mentioned subsidiaries of BOCHK are as follows:

Name	2025		2024	
	Total assets HK$'m	**Total equity HK$'m**	Total assets HK$'m	Total equity HK$'m
BOC Group Trustee Company Limited	**201**	**201**	201	201
BOCI-Prudential Trustee Limited	**625**	**478**	656	529
Bank of China (Hong Kong) Nominees Limited	**–**	**–**	–	–
Bank of China (Hong Kong) Trustees Limited	**5**	**5**	9	8
BOC Digital Services (Nanning) Company Limited	**524**	**416**	112	52
BOCHK Information Technology (Shenzhen) Co., Ltd.	**361**	**255**	362	256
BOCHK Information Technology Services (Shenzhen) Co., Ltd.*	**N/A**	**N/A**	404	339
Po Sang Financial Investment Services Company Limited	**347**	**347**	347	346
Po Sang Securities Limited	**589**	**395**	1,016	381
Sin Hua Trustee Limited	**4**	**4**	4	4
Billion Express Development Inc.	**–**	**–**	–	–
Billion Orient Holdings Ltd.	**–**	**–**	–	–
Elite Bond Investments Ltd.	**–**	**–**	–	–
Express Capital Enterprise Inc.	**–**	**–**	–	–
Express Charm Holdings Corp.	**–**	**–**	–	–
Express Shine Assets Holdings Corp.	**–**	**–**	–	–
Express Talent Investment Ltd.	**–**	**–**	–	–
Gold Medal Capital Inc.	**–**	**–**	–	–
Gold Tap Enterprises Inc.	**–**	**–**	–	–
Maxi Success Holdings Ltd.	**–**	**–**	–	–
Smart Linkage Holdings Inc.	**–**	**–**	–	–
Smart Union Capital Investments Ltd.	**–**	**–**	–	–
Success Trend Development Ltd.	**–**	**–**	–	–
Wise Key Enterprises Corp.	**–**	**–**	–	–

* BOCHK Information Technology Services (Shenzhen) Co., Ltd was dissolved on 22 December 2025.

4. Financial risk management (continued)

4.5 Capital management (continued)

(A) Basis of regulatory consolidation (continued)

The principal activities of the above subsidiaries are set out in "Appendix – Subsidiaries of the Company".

There were no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation as at 31 December 2025 (2024: Nil).

There were also no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation where the methods of consolidation differ as at 31 December 2025 (2024: Nil).

The Group operates subsidiaries in different countries/regions where capital is governed by local rules and there may be restrictions on the transfer of funds or regulatory capital between the members of the Group.

(B) Capital ratio

The capital ratios are analysed as follows:

	2025	2024
CET1 capital ratio	**24.01%**	20.02%
Tier 1 capital ratio	**24.01%**	20.02%
Total capital ratio	**25.98%**	22.00%

4. Financial risk management (continued)

4.5 Capital management (continued)

(B) Capital ratio (continued)

The consolidated capital base after deductions used in the calculation of the above capital ratios is analysed as follows:

	2025 HK$'m	2024 HK$'m
CET1 capital: instruments and reserves		
Directly issued qualifying CET1 capital instruments	**43,043**	43,043
Retained earnings	**258,432**	236,932
Disclosed reserves	**37,186**	37,995
CET1 capital before regulatory deductions	**338,661**	317,970
CET1 capital: regulatory deductions		
Valuation adjustments	**(47)**	(40)
Other intangible assets (net of associated deferred tax liabilities)	**(2,012)**	(2,006)
Deferred tax assets (net of associated deferred tax liabilities)	**(204)**	(358)
Gains and losses due to changes in own credit risk on fair valued liabilities	**(5)**	(67)
Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	**(37,382)**	(41,863)
Regulatory reserve for general banking risks	**(2,223)**	(6,028)
Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	**(1,072)**	(957)
Total regulatory deductions to CET1 capital	**(42,945)**	(51,319)
CET1 capital	**295,716**	266,651
AT1 capital: regulatory deductions		
Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	**(1,072)**	(957)
Total regulatory deductions to AT1 capital	**(1,072)**	(957)
AT1 capital	**–**	–
Tier 1 capital	**295,716**	266,651

4. Financial risk management (continued)

4.5 Capital management (continued)

(B) Capital ratio (continued)

	2025 HK$'m	2024 HK$'m
Tier 2 capital: instruments and provisions		
Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	**7,429**	7,491
Tier 2 capital before regulatory deductions	**7,429**	7,491
Tier 2 capital: regulatory deductions		
Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	**16,822**	18,838
Total regulatory adjustments to Tier 2 capital	**16,822**	18,838
Tier 2 capital	**24,251**	26,329
Total regulatory capital	**319,967**	292,980

The capital buffer ratios are analysed as follows:

	2025	2024
Capital conservation buffer ratio	**2.500%**	2.500%
Higher loss absorbency ratio	**1.500%**	1.500%
Countercyclical capital buffer ratio	**0.420%**	0.422%

(C) Leverage ratio

The leverage ratio is analysed as follows:

	2025 HK$'m	2024 HK$'m
Tier 1 capital	**295,716**	266,651
Leverage ratio exposure	**4,136,373**	3,915,413
Leverage ratio	**7.15%**	6.81%

5. Fair values of assets and liabilities

All assets and liabilities for which fair values are measured or disclosed in the financial statements are categorised within the fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The categorisation are determined with reference to the observability and significance of the inputs used in the valuation methods and based on the lowest level input that is significant to the fair value measurement as a whole:

– Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes equity securities listed on exchange, debt instruments issued by certain governments and certain exchange-traded derivative contracts.

– Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly. This category includes majority of the OTC derivative contracts, debt securities and certificates of deposit with quote from pricing services vendors, issued structured deposits, advances and other accounts and other debt instruments. It also includes certain foreign exchange contracts, precious metals and properties with insignificant adjustments or calibrations made to observable market inputs.

– Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This category includes equity investments, funds, advances and other accounts and other debt instruments with significant unobservable inputs. It also includes properties with significant adjustments made to observable market inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5.1 Financial instruments measured at fair value

The Group has an established governance structure and controls framework to ensure that fair values are either determined or validated by control units independent of the front offices. Control units have overall responsibility for independent verification of valuation results from front line businesses and all other significant fair value measurements. Other specific controls include verification of observable pricing inputs; review and approval for new models and changes to models; calibration and back-testing of models against observed market transactions; analysis and investigation of significant daily valuation movements; review of significant unobservable inputs and valuation adjustments. Significant valuation issues are reported to senior management, Risk Committee and Audit Committee.

Generally, the unit of account for a financial instrument is the individual instrument. HKFRS 13 permits a portfolio exception, through an accounting policy election, to measure the fair value of a portfolio of financial assets and financial liabilities on the basis of the net open risk position when certain criteria are met. The Group applies valuation adjustments at an individual instrument level, consistent with that unit of account. According to its risk management policies and systems to manage derivative financial instruments, the fair value adjustments of certain derivative portfolios that meet those criteria are measured on the basis of the price to be received or paid for net open risk. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of its relative net risk exposure to the portfolio.

The Group uses valuation techniques or broker/dealer quotations to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

5. Fair values of assets and liabilities (continued)

5.1 Financial instruments measured at fair value (continued)

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stock prices, commodity prices, volatilities and correlations, counterparty credit spreads and others, which are mostly observable and obtainable from open market.

The techniques used to calculate the fair value of the following financial instruments are as below:

Debt securities and certificates of deposit, advances and other accounts and other debt instruments

The fair values of these instruments are determined by obtaining quoted market prices from exchange, dealer or independent pricing service vendors or using discounted cash flow technique. Discounted cash flow model is a valuation technique that measures present value using estimated expected future cash flows from the instruments and then discounts these cash flows using a discount rate which may include a margin that reflects the credit spreads required by the market for instruments with similar risk. These inputs are observable or can be corroborated by observable or unobservable market data.

Mortgage backed securities

For this class of instruments, external prices are obtained from independent third parties. The valuation of these securities, depending on the nature of transaction, is estimated from market standard cash flow models with input parameters which include spreads to discount rates, default and recovery rates and prepayment rates that may be observable or compiled through matrix pricing for similar issues.

Derivatives

OTC derivative contracts include forward, swap and option contracts on foreign exchange, interest rate, equity, commodity or credit. The fair values of these contracts are mainly measured using valuation techniques such as discounted cash flow models and option pricing models. The inputs can be observable or unobservable market data. Observable inputs include interest rate, foreign exchange rates, equity and stock prices, commodity prices, credit default swap spreads, volatilities and correlations. Unobservable inputs may be used for less commonly traded option products which are embedded in structured deposits. For certain complex derivative contracts, the fair values are determined based on broker/dealer price quotations.

Credit valuation adjustments ("CVAs") and debit valuation adjustments ("DVAs") are applied to the Group's OTC derivatives. These adjustments reflect market factors movement, expectations of counterparty creditworthiness and the Group's own credit spread respectively. They are mainly determined for each counterparty and are dependent on expected future values of exposures, default probabilities and recovery rates.

5. Fair values of assets and liabilities (continued)

5.1 Financial instruments measured at fair value (continued)

(A) Fair value hierarchy

	2025			
	Level 1 HK$'m	Level 2 HK$'m	Level 3 HK$'m	Total HK$'m
Financial assets				
Trading assets (Note 23)				
– Debt securities and certificates of deposit	**8,796**	**128,809**	**–**	**137,605**
– Equity securities	**21**	**–**	**–**	**21**
– Other debt instruments	**–**	**3,812**	**–**	**3,812**
Other financial assets mandatorily classified at fair value through profit or loss (Note 23)				
– Debt securities and certificates of deposit	**–**	**37,580**	**–**	**37,580**
– Equity securities	**5,024**	**–**	**–**	**5,024**
– Funds	**13,175**	**12,726**	**23,462**	**49,363**
Financial assets designated at fair value through profit or loss (Note 23)				
– Debt securities and certificates of deposit	**7,807**	**49,626**	**–**	**57,433**
– Other debt instruments	**–**	**15,231**	**–**	**15,231**
Derivative financial instruments (Note 24)	**22**	**65,233**	**–**	**65,255**
Advances and other accounts at fair value	**–**	**5,109**	**192**	**5,301**
Investment in securities at FVOCI (Note 26)				
– Debt securities and certificates of deposit	**303,557**	**954,528**	**–**	**1,258,085**
– Equity securities	**1,135**	**293**	**3,743**	**5,171**
Financial liabilities				
Financial liabilities at fair value through profit or loss (Note 32)				
– Trading liabilities	**82**	**88,153**	**–**	**88,235**
– Financial liabilities designated at fair value through profit or loss	**–**	**11,349**	**–**	**11,349**
Derivative financial instruments (Note 24)	**21**	**57,507**	**–**	**57,528**

5. Fair values of assets and liabilities (continued)

5.1 Financial instruments measured at fair value (continued)

(A) Fair value hierarchy (continued)

	2024			
	Level 1 HK$'m	Level 2 HK$'m	Level 3 HK$'m	Total HK$'m
Financial assets				
Trading assets (Note 23)				
– Debt securities and certificates of deposit	525	115,020	–	115,545
– Equity securities	51	–	–	51
– Other debt instruments	–	3,800	–	3,800
Other financial assets mandatorily classified at fair value through profit or loss (Note 23)				
– Debt securities and certificates of deposit	–	34,729	43	34,772
– Equity securities	4,861	–	–	4,861
– Funds	7,100	4,819	10,058	21,977
Financial assets designated at fair value through profit or loss (Note 23)				
– Debt securities and certificates of deposit	2,338	36,372	–	38,710
– Other debt instruments	–	7,440	–	7,440
Derivative financial instruments (Note 24)	40	73,874	–	73,914
Advances and other accounts at fair value	–	2,163	809	2,972
Investment in securities at FVOCI (Note 26)				
– Debt securities and certificates of deposit	249,452	797,717	–	1,047,169
– Equity securities	841	125	3,565	4,531
Financial liabilities				
Financial liabilities at fair value through profit or loss (Note 32)				
– Trading liabilities	565	61,638	–	62,203
– Financial liabilities designated at fair value through profit or loss	–	16,618	–	16,618
Derivative financial instruments (Note 24)	219	56,560	–	56,779

There were no significant financial asset and liability transfers between level 1 and level 2 for the Group during the year (2024: Nil).

5. Fair values of assets and liabilities (continued)

5.1 Financial instruments measured at fair value (continued)

(B) Reconciliation of level 3 items

	2025			
	Financial assets			
	Other financial assets mandatorily classified at FVPL		Advances and other accounts at fair value	Investment in securities at FVOCI
	Debt securities HK$'m	Funds HK$'m	HK$'m	Equity securities HK$'m
At 1 January 2025	43	10,058	809	3,565
Gains				
– Income statement				
– Net gain on other financial instruments at fair value through profit or loss	–	429	–	–
– Other comprehensive income				
– Change in fair value	–	–	–	178
Additions	–	14,134	192	–
Disposals, redemptions and maturity	(43)	(1,159)	(809)	–
Exchange difference	–	–	–	–
At 31 December 2025	–	23,462	192	3,743
Total unrealised gains for the year included in income statement for financial assets held as at 31 December 2025				
– Net gain on other financial instruments at fair value through profit or loss	–	429	–	–

5. Fair values of assets and liabilities (continued)

5.1 Financial instruments measured at fair value (continued)

(B) Reconciliation of level 3 items (continued)

	2024			
	Financial assets			
	Other financial assets mandatorily classified at FVPL		Advances and other accounts at fair value	Investment in securities at FVOCI
	Debt securities HK$'m	Funds HK$'m	HK$'m	Equity securities HK$'m
At 1 January 2024	70	7,689	863	3,262
(Losses)/gains				
– Income statement				
– Net loss on other financial instruments at fair value through profit or loss	(27)	(227)	–	–
– Other comprehensive income				
– Change in fair value	–	–	–	304
Additions	–	3,039	–	–
Disposals, redemptions and maturity	–	(443)	–	(1)
Exchange difference	–	–	(54)	–
At 31 December 2024	43	10,058	809	3,565
Total unrealised losses for the year included in income statement for financial assets held as at 31 December 2024				
– Net loss on other financial instruments at fair value through profit or loss	(27)	(227)	–	–

5. Fair values of assets and liabilities (continued)

5.1 Financial instruments measured at fair value (continued)

(B) Reconciliation of level 3 items (continued)

As at 31 December 2025 and 2024, financial instruments categorised as level 3 are mainly comprised of certain debt and equity securities, funds, advances and other accounts and unlisted equity shares.

For certain illiquid debt securities and funds, the Group obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value and market comparison approach, which may be based on unobservable inputs with significant impact on valuation. For certain equity securities, advances and other accounts, the multiples or credit spreads of comparable companies and discount rates used in valuation techniques are unobservable inputs with significant impact on valuation. Therefore, these instruments have been classified by the Group as level 3. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

The fair values of unlisted FVOCI equity investments are determined with reference to (i) multiples of comparable listed companies, including average of the price/earnings ratios or average of the price/book values ratios of the comparables; or (ii) dividend discount model calculation of the underlying equity investments; or (iii) net asset value with fair value adjustments on certain assets or liabilities held (if applicable), if neither appropriate comparables nor dividend discount model calculation is available or applicable. The significant unobservable inputs and their range applied in the fair values measurement of the Group's unlisted equity investments includes price/earnings ratios of the comparables of 10.54x – 35.81x, price/book values ratios of the comparables of 0.24x – 0.76x, liquidity discount of 25% – 30%, dividend payout ratio of 23.44% – 84.90% and discount rate of 8.25% – 11.90%. The fair value is positively correlated to the price/earnings ratios and price/book value ratios of appropriate comparables, forecasted stream of future dividend payout or net asset values, and is negatively correlated to the liquidity discount used in the average of price/earnings ratios and price/book value ratios of comparables or discount rate used in dividend discount model and net asset values.

Had all of the significant unobservable inputs applied on the valuation techniques favourably changed/unfavourably changed by 5% (2024: 5%), the Group's other comprehensive income would have increased by HK$125 million and decreased by HK$124 million, respectively (2024: increased by HK$122 million and decreased by HK$121 million, respectively).

5. Fair values of assets and liabilities (continued)

5.2 Financial instruments not measured at fair value

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable.

Balances with/from banks and other financial institutions and trade bills

Substantially all the financial assets and liabilities mature within one year from the balance sheet date and their carrying value approximates fair value.

Hong Kong SAR Government certificates of indebtedness and Hong Kong SAR currency notes in circulation

The carrying value of Hong Kong SAR Government certificates of indebtedness and Hong Kong SAR currency notes in circulation approximates their fair value.

Advances to customers and banks and other financial institutions

Substantially all the advances to customers and banks and other financial institutions are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

Investment in securities at amortised cost

The fair value of securities at amortised cost is determined by using the same approach as those debt securities and certificates of deposit and mortgage backed securities measured at fair value as described in Note 5.1.

Deposits from customers

Substantially all the deposits from customers mature within one year from the balance sheet date and their carrying value approximates fair value.

Debt securities and certificates of deposit in issue

The fair value of these instruments is determined by using the same approach as those debt securities and certificates of deposit measured at fair value as described in Note 5.1.

Subordinated liabilities

The fair value of subordinated liabilities is determined by using the same approach as those debt securities and certificates of deposit measured at fair value as described in Note 5.1 and their carrying value approximates fair value.

5. Fair values of assets and liabilities (continued)

5.2 Financial instruments not measured at fair value (continued)

The following tables set out the carrying values and fair values of the financial instruments not measured at fair value, except for the above with their carrying values being approximation of fair values.

	2025		2024	
	Carrying value HK$'m	**Fair value HK$'m**	Carrying value HK$'m	Fair value HK$'m
Financial assets				
Investment in securities at amortised cost (Note 26)	**162,644**	**162,717**	177,422	173,974
Financial liabilities				
Debt securities and certificates of deposit in issue (Note 34)	**11,251**	**11,264**	5,296	5,331

The following tables show the fair value hierarchy for financial instruments with fair values disclosed.

	2025			
	Level 1 HK$'m	**Level 2 HK$'m**	**Level 3 HK$'m**	**Total HK$'m**
Financial assets				
Investment in securities at amortised cost	**9,222**	**153,244**	**251**	**162,717**
Financial liabilities				
Debt securities and certificates of deposit in issue	**–**	**11,264**	**–**	**11,264**

	2024			
	Level 1 HK$'m	Level 2 HK$'m	Level 3 HK$'m	Total HK$'m
Financial assets				
Investment in securities at amortised cost	20,268	153,648	58	173,974
Financial liabilities				
Debt securities and certificates of deposit in issue	–	5,331	–	5,331

5. Fair values of assets and liabilities (continued)

5.3 Non-financial instruments measured at fair value

The Group uses valuation techniques or quoted market prices in active market to determine the fair value of non-financial instruments.

Investment properties and premises

The Group's properties can be divided into investment properties and premises. All of the Group's investment properties and premises were revalued as at year end. This year, the valuations were carried out by an independent firm of chartered surveyors, Knight Frank Petty Limited, who have among their staff Fellow and Members of The Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued. The Group's Management had discussions with the surveyors on the valuation methods, valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date. There has been no change in valuation methods during the year and the methods used are consistent with last year.

(i) Valuation methods and inputs used in level 2 fair value measurements

The fair value of properties classified as level 2 is determined using either the market comparison approach by reference to recent sales price of comparable properties or the income capitalisation approach by reference to market rent and capitalisation rate, with appropriate adjustments to reflect the differences between the comparable properties and the subject properties. These adjustments are considered as insignificant to the measurement.

The Group's properties are located in Hong Kong, certain major cities in the Chinese Mainland and Malaysia where the property markets are considered active and transparent. Sales price, market rent and capitalisation rate of comparable properties are generally observable either directly or indirectly in these markets.

(ii) Information about level 3 fair value measurements

The fair value of all of the Group's properties classified as level 3, except for the bank vault, is determined using either the market comparison approach or the income capitalisation approach, adjusted for a premium or a discount specific to the features of the Group's properties compared to the comparable properties.

The fair value of the bank vault is determined using the depreciated replacement cost approach as no direct comparable is available given the specialised nature of the property. The major inputs are the market value of the existing land, the current cost of replacing the property and the depreciation rate. Appropriate adjustments are made to reflect the specialised nature of the property.

5. Fair values of assets and liabilities (continued)

5.3 Non-financial instruments measured at fair value (continued)

Investment properties and premises (continued)

(ii) Information about level 3 fair value measurements (continued)

The valuation methods and significant unobservable inputs used in the fair value measurement of the Group's properties classified as level 3 are as follows:

	Valuation method	Significant unobservable inputs	Weighted average	Relationship of unobservable inputs to fair value
Bank vault	Depreciated replacement cost approach	Depreciation rate	2% (2024: 2%) per year	The higher the depreciation rate, the lower the fair value.
		Premium on specialised nature of the property	+15% (2024: +15%) to building cost	The higher the premium, the higher the fair value.
Other properties	Market comparison approach or income capitalisation approach	Discount on features of the property compared to comparable properties	-6.3% (2024: -7.2%)	The higher the discount, the lower the fair value.

Premium/(discount) on features of a property is determined after taken into account various factors, such as time for market movement, location, accessibility, building age/condition, floor level, size, layout, etc., with reference to the differences in features with comparable properties.

For the fair value of the property with a development plan, it is measured on a development basis by adopting residual approach which is a valuation method generally used to value development of lands. Gross Development Value ("GDV") is first determined using market comparison approach by reference to recent transactions of comparable properties and adjusted for a premium or a discount specific to the quality of the Group's development compared to the comparable properties. The ultimate fair value of the redevelopment is the residual value after deducting the present value of the future development costs (including professional fees, demolition cost, constructions cost etc.) and developer's profit from the present value of the GDV. The higher the GDV, the higher the fair value; the higher the development costs and the discount rate, the lower is the fair value.

Precious metals

The fair values of precious metals are determined by obtaining quoted market prices in active market or market quote with certain adjustments.

5. Fair values of assets and liabilities (continued)

5.3 Non-financial instruments measured at fair value (continued)

(A) Fair value hierarchy

	2025			
	Level 1 HK$'m	Level 2 HK$'m	Level 3 HK$'m	Total HK$'m
Non-financial assets				
Investment properties (Note 28)	**–**	**777**	**11,822**	**12,599**
Properties, plant and equipment (Note 29)				
– Premises	**–**	**1,229**	**29,857**	**31,086**
Other assets (Note 30)				
– Precious metals	**–**	**28,594**	**–**	**28,594**

	2024			
	Level 1 HK$'m	Level 2 HK$'m	Level 3 HK$'m	Total HK$'m
Non-financial assets				
Investment properties (Note 28)	–	305	13,741	14,046
Properties, plant and equipment (Note 29)				
– Premises	–	843	35,060	35,903
Other assets (Note 30)				
– Precious metals	–	15,176	–	15,176

There were no non-financial asset transfers between level 1 and level 2 for the Group during the year (2024: Nil).

5. Fair values of assets and liabilities (continued)

5.3 Non-financial instruments measured at fair value (continued)

(B) Reconciliation of level 3 items

	2025	
	Non-financial assets	
		Properties, plant and equipment
	Investment properties HK$'m	Premises HK$'m
At 1 January 2025	13,741	35,060
Losses		
– Income statement		
– Net loss from fair value adjustments on investment properties	(1,583)	–
– Net loss from revaluation of premises	–	(3,475)
– Other comprehensive income		
– Revaluation of premises	–	(354)
Depreciation	–	(1,023)
Additions	143	116
Transfer into level 3	–	–
Transfer out of level 3	(445)	(505)
Reclassification	(34)	34
Exchange difference	–	4
At 31 December 2025	11,822	29,857
Total unrealised losses for the year included in income statement for non-financial assets held as at 31 December 2025		
– Net loss from fair value adjustments on investment properties	(1,583)	–
– Net loss from revaluation of premises	–	(3,475)
	(1,583)	(3,475)

5. Fair values of assets and liabilities (continued)

5.3 Non-financial instruments measured at fair value (continued)

(B) Reconciliation of level 3 items (continued)

	2024	
	Non-financial assets	
		Properties, plant and equipment
	Investment properties HK$'m	Premises HK$'m
At 1 January 2024	14,567	38,380
Losses		
– Income statement		
– Net loss from fair value adjustments on investment properties	(1,469)	–
– Net loss from revaluation of premises	–	(329)
– Other comprehensive income		
– Revaluation of premises	–	(2,508)
Depreciation	–	(1,125)
Additions	118	1,014
Disposals	(1)	(6)
Transfer into level 3	–	159
Transfer out of level 3	–	–
Reclassification	526	(526)
Exchange difference	–	1
At 31 December 2024	13,741	35,060
Total unrealised losses for the year included in income statement for non-financial assets held as at 31 December 2024		
– Net loss from fair value adjustments on investment properties	(1,469)	–
– Net loss from revaluation of premises	–	(329)
	(1,469)	(329)

The transfer of properties into and out of level 3 is due to change in the premium/(discount) on features applied between the subject and comparable properties during the year. Premium/(discount) on features is determined with reference to differences in features between the subject properties and the comparable properties recently transacted in the market. As comparable properties that come from recent market transactions may be different in each year, the premium/(discount) on features applied between the subject and comparable properties would change from year to year accordingly. As a result, the significance of adjustments made to observable market inputs may vary and lead to the transfer of properties into and out of level 3.

6. Net interest income

	2025 HK$'m	2024 HK$'m
Interest income		
Advances to customers, due from banks and other financial institutions	**71,359**	91,294
Investment in securities and financial assets at fair value through profit or loss	**48,311**	47,467
Others	**685**	678
	120,355	139,439
Interest expense		
Deposits from customers, due to banks and other financial institutions	**(62,937)**	(81,037)
Debt securities and certificates of deposit in issue	**(166)**	(25)
Subordinated liabilities	**(1,595)**	(2,447)
Lease liabilities	**(48)**	(42)
Others	**(2,698)**	(3,554)
	(67,444)	(87,105)
Net interest income	**52,911**	52,334

Included within interest income are HK$78,237 million (2024: HK$97,224 million) and HK$35,760 million (2024: HK$32,580 million) for financial assets measured at amortised cost and at fair value through other comprehensive income respectively.

Included within interest expense are HK$65,940 million (2024: HK$85,213 million) for financial liabilities that are not measured at fair value through profit or loss.

7. Net fee and commission income

	2025 **HK$'m**	2024 HK$'m
Fee and commission income		
Securities brokerage	**3,290**	2,266
Credit card business	**2,760**	2,559
Insurance	**1,991**	1,018
Loan commissions	**1,868**	2,236
Funds distribution	**957**	669
Trust and custody services	**902**	909
Payment services	**776**	745
Currency exchange	**503**	540
Bills commissions	**452**	444
Safe deposit box	**293**	290
Funds management	**148**	42
Others	**1,187**	1,567
	15,127	13,285
Fee and commission expense		
Credit card business	**(2,129)**	(1,962)
Securities brokerage	**(500)**	(325)
Others	**(1,229)**	(1,105)
	(3,858)	(3,392)
Net fee and commission income	**11,269**	9,893
Of which arise from:		
Financial assets or financial liabilities that are not measured at fair value through profit or loss		
– Fee and commission income	**2,104**	2,492
– Fee and commission expense	**(9)**	(10)
	2,095	2,482
Trust and other fiduciary activities		
– Fee and commission income	**1,091**	1,103
– Fee and commission expense	**(62)**	(63)
	1,029	1,040

8. Net trading gain

	2025 HK$'m	2024 HK$'m
Net gain/(loss) from:		
Foreign exchange and foreign exchange products	**15,405**	10,585
Interest rate instruments and items under fair value hedge	**498**	151
Commodities	**851**	361
Equity instruments	**51**	(109)
	16,805	10,988

9. Net gain/(loss) on other financial instruments at fair value through profit or loss

	2025 HK$'m	2024 HK$'m
Net gain on other financial instruments mandatorily classified at fair value through profit or loss	**7,585**	1,973
Net gain/(loss) on financial instruments designated at fair value through profit or loss	**388**	(2,755)
	7,973	(782)

10. Net loss on other financial instruments

	2025 HK$'m	2024 HK$'m
Net loss on disposal/redemption of investment in securities at FVOCI	**(1,453)**	(1,394)
Net loss on redemption of investment in securities at amortised cost	**(34)**	(27)
Others	**3**	5
	(1,484)	(1,416)

11. Insurance finance expenses

	2025 HK$'m	2024 HK$'m
Finance (expenses)/income from insurance contracts issued		
Interest accreted	**(2,299)**	(2,880)
The effect of and changes in financial risk	**(124)**	(1,526)
Exchange difference	**(1,947)**	1,725
Changes in fair value of underlying items of contracts under variable fee approach	**(11,599)**	(1,234)
	(15,969)	(3,915)
Finance income/(expenses) from reinsurance contracts held		
Interest accreted	**947**	1,011
The effect of and changes in financial risk	**1**	547
Exchange difference	**1,202**	(967)
	2,150	591
	(13,819)	(3,324)
Amount recognised in income statement	**(13,527)**	(2,139)
Amount recognised in other comprehensive income	**(292)**	(1,185)
	(13,819)	(3,324)

12. Other operating income

	2025 HK$'m	2024 HK$'m
Dividend income		
– From investment in securities at FVOCI derecognised during the year	**–**	20
– From investment in securities at FVOCI held at the end of the year	**128**	77
Gross rental income from investment properties	**421**	433
Less: Outgoings in respect of investment properties	**(73)**	(76)
Others	**122**	170
	598	624

Included in the "Outgoings in respect of investment properties" is HK$10 million (2024: HK$19 million) of direct operating expenses related to investment properties that were not let during the year.

13. Net charge of impairment allowances

	2025 HK$'m	2024 HK$'m
Net (charge)/reversal of impairment allowances on:		
Advances and other accounts		
– At FVOCI	**(6)**	23
– At amortised cost	**(8,242)**	(4,968)
	(8,248)	(4,945)
Balances and placements with banks and other financial institutions	**(19)**	(57)
Investment in securities		
– At FVOCI	**(13)**	(59)
– At amortised cost	**(5)**	(3)
	(18)	(62)
Loan commitments and financial guarantee contracts	**26**	18
	(8,259)	(5,046)
Others	**(35)**	(36)
Net charge of impairment allowances	**(8,294)**	(5,082)

14. Operating expenses

	2025 HK$'m	2024 HK$'m
Staff costs (including directors' emoluments)		
– Salaries and other costs	**11,439**	10,858
– Pension cost	**627**	612
	12,066	11,470
Premises and equipment expenses (excluding depreciation and amortisation)		
– Short-term leases, leases of low-value assets and variable lease payments	**33**	91
– Others	**1,586**	1,434
	1,619	1,525
Depreciation and amortisation	**2,741**	2,867
Auditor's remuneration		
– Audit services	**30**	36
– Non-audit services	**7**	9
Other operating expenses	**2,954**	2,794
	19,417	18,701
Less: Costs directly attributable to insurance contracts	**(1,224)**	(1,207)
	18,193	17,494

15. Net loss from disposal of/fair value adjustments on investment properties

	2025 HK$'m	2024 HK$'m
Net loss from fair value adjustments on investment properties (Note 28)	**(1,607)**	(1,487)

16. Net loss from properties, plant and equipment and other assets

	2025 HK$'m	2024 HK$'m
Net loss from disposal of equipment, fixtures and fittings	**–**	(3)
Net loss from revaluation of premises (Note 29)	**(361)**	(329)
Net gain from disposal of intangible assets	**3**	–
	(358)	(332)

17. Taxation

Taxation in the income statement represents:

	2025 HK$'m	2024 HK$'m
Current tax		
Hong Kong profits tax		
– Current year taxation	**8,811**	7,447
– Over-provision in prior years	**(208)**	(243)
	8,603	7,204
Taxation outside Hong Kong		
– Current year taxation	**987**	1,404
– Over-provision in prior years	**(103)**	(114)
	9,487	8,494
Deferred tax		
Origination and reversal of temporary differences and unused tax credits (Note 36)	**(2,102)**	(858)
	7,385	7,636

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries/regions in which the Group operates.

17. Taxation (continued)

The taxation on the Group's profit before taxation that differs from the theoretical amount that would arise using the taxation rate of Hong Kong is as follows:

	2025 HK$'m	2024 HK$'m
Profit before taxation	**48,574**	46,754
Calculated at a taxation rate of 16.5% (2024: 16.5%)	**8,015**	7,714
Effect of different taxation rates in other countries/regions	**210**	227
Income not subject to taxation	**(1,796)**	(2,445)
Expenses not deductible for taxation purposes	**916**	1,804
Over-provision in prior years	**(311)**	(357)
Tax losses not recognised	**2**	–
Withholding tax outside Hong Kong	**222**	667
Others	**127**	26
Taxation charge	**7,385**	7,636
Effective tax rate	**15.2%**	16.3%

Organisation for Economic Co-operation and Development's ("OECD") Global Minimum Tax ("Pillar Two") model rules

The Group is within the scope of the OECD's Pillar Two model rules. Pillar Two legislation was enacted in Vietnam, Hong Kong (China), Indonesia, Malaysia and Thailand, among the jurisdictions in which the Group operates and has become effective in Vietnam since 1 January 2024 and in Hong Kong (China), Indonesia, Malaysia and Thailand from 1 January 2025 respectively. Under the applicable rules of the Pillar Two legislation enacted in Vietnam, Hong Kong (China), Indonesia, Malaysia and Thailand, the Group is liable to pay a top-up tax for the difference between the Global Anti-Base Erosion ("GloBE") effective tax rate for the Group's operating jurisdictions, and the 15% minimum rate.

The Group has assessed that there shall not be additional current tax expense. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 "Income Taxes" issued in July 2023.

18. Dividends

	2025		2024	
	Per share HK$	Total HK$'m	Per share HK$	Total HK$'m
Interim dividend paid	**0.870**	**9,198**	0.570	6,026
Proposed final dividend	**1.255**	**13,269**	1.419	15,003
	2.125	**22,467**	1.989	21,029

The final dividend of HK$1.419 per ordinary share for the year ended 31 December 2024 amounting to approximately HK$15,003 million was approved at the Annual General Meeting held on 26 June 2025 and was paid on 17 July 2025.

At meetings held on 29 April 2025, 29 August 2025 and 28 October 2025, the Board declared interim dividends for 2025 of HK$0.290 per ordinary share respectively, each amounting to approximately HK$3,066 million.

At a meeting held on 30 March 2026, the Board proposed to recommend to the 2026 Annual General Meeting a final dividend of HK$1.255 per ordinary share for the year ended 31 December 2025 amounting to approximately HK$13,269 million. This proposed final dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2026.

19. Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2025 is based on the consolidated profit for the year attributable to equity holders of the Company of approximately HK$40,121 million (2024: HK$38,233 million) and on the ordinary shares in issue of 10,572,780,266 shares (2024: 10,572,780,266 ordinary shares).

There was no dilution of earnings per share as no potential ordinary shares were in issue for the year ended 31 December 2025 (2024: Nil).

20. Retirement benefit costs

Retirement benefits are provided to eligible employees of the Group.

In Hong Kong, defined contribution schemes for the Group's employees are ORSO scheme exempted under the MPF Schemes Ordinance and the BOC-Prudential Easy Choice MPF Scheme.

Under the ORSO scheme, employees make monthly contributions to the ORSO scheme equal to 5% of their basic salaries, while the employer makes monthly contributions equal to 5% to 15% of the employees' monthly basic salaries, depending on years of service. The employees are entitled to receive 100% of the employer's contributions upon retirement, early retirement or termination of employment after completing 10 years of service. Employees with 3 to 9 years of service are entitled to receive the employer's contributions at a scale ranging from 30% to 90% upon termination of employment for other reasons other than summary dismissal. All employer's contributions received by employee are subject to MPF Schemes Ordinance.

With the implementation of the MPF Schemes Ordinance on 1 December 2000, the Group also launched the MPF Scheme according to the regulatory requirement. Since 2019, employees with 5 years of service or above are entitled to employer's voluntary contribution. The trustee of the Scheme is BOCI-Prudential Trustee and the investment manager is BOCI-Prudential Asset Management, which are related parties of the Company.

The Group's total contributions made to the ORSO scheme for the year ended 31 December 2025 amounted to approximately HK$384 million (2024: approximately HK$378 million), after a deduction of forfeited contributions of approximately HK$11 million (2024: approximately HK$13 million). For the MPF Scheme, the Group contributed approximately HK$160 million (2024: approximately HK$158 million) for the year ended 31 December 2025.

All eligible employees of institutions in other countries and regions participate in the local defined contribution schemes or defined benefit plans in accordance with local regulations and market practices.

21. Directors', senior management's and Key Personnel's emoluments

(a) Directors' and senior management's emoluments

(i) Directors' emoluments

Details of the emoluments paid to or receivable by the directors of the Company in respect of their services rendered for the Company and managing the subsidiaries within the Group during the year are as follows:

	2025				
	Directors' fee HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Other payments# HK$'000	Total HK$'000
Executive Director					
SUN Yu (Chief Executive)	–	6,733	2,905	–	9,638
Non-executive Directors					
GE Haijao	–	–	–	–	–
ZHANG Hui [Note 1]	–	–	–	–	–
CAI Zhao [Note 1]	–	–	–	–	–
CHENG Eva*	600	–	–	–	600
CHOI Koon Shum*	600	–	–	–	600
FUNG Yuen Mei Anita*	700	–	–	–	700
LAW Yee Kwan Quinn*	550	–	–	–	550
LEE Sunny Wai Kwong*	650	–	–	–	650
LIP Sai Wo*	650	–	–	–	650
MA Si Hang Frederick*	550	–	–	–	550
	4,300	–	–	–	4,300
	4,300	6,733	2,905	–	13,938

Note 1: Appointed during the year.

21. Directors', senior management's and Key Personnel's emoluments (continued)

(a) Directors' and senior management's emoluments (continued)

(i) Directors' emoluments (continued)

	2024				
	Directors' fee HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Other payments# HK$'000	Total HK$'000
Executive Director					
SUN Yu (Chief Executive)	–	6,499	2,905	–	9,404
Non-executive Directors					
GE Haijao	–	–	–	–	–
CHENG Eva*	600	–	–	–	600
CHOI Koon Shum*	600	–	–	–	600
FUNG Yuen Mei Anita*	700	–	–	–	700
LAW Yee Kwan Quinn*	550	–	–	–	550
LEE Sunny Wai Kwong*	650	–	–	–	650
LIP Sai Wo*	650	–	–	–	650
MA Si Hang Frederick*	550	–	–	–	550
	4,300	–	–	–	4,300
	4,300	6,499	2,905	–	13,704

* Independent Non-executive Directors

\# Including the contributions to pension scheme for directors, inducement to join the Group and the compensation for the loss of office paid to or receivable by directors.

Except as disclosed in above tables, director resigned during the years received no emoluments.

There were no directors waived emoluments for the year ended 31 December 2025 (2024: Nil).

21. Directors', senior management's and Key Personnel's emoluments (continued)

(a) Directors' and senior management's emoluments (continued)

(ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2024: one) director whose emolument is reflected in the analysis presented above. The emoluments payable to the remaining four (2024: four) individuals during the year are as follows:

	2025 HK$'m	2024 HK$'m
Basic salaries and allowances	**17**	17
Bonus	**17**	15
Contributions to pension schemes	**1**	1
	35	33

Emoluments paid to or receivable by individuals during the year with reference to their tenure are within the following bands:

	Number of individuals	
	2025	2024
HK$7,500,001 to HK$8,000,000	**–**	3
HK$8,000,001 to HK$8,500,000	**2**	–
HK$8,500,001 to HK$9,000,000	**1**	–
HK$9,500,001 to HK$10,000,000	**1**	1

21. Directors', senior management's and Key Personnel's emoluments (continued)

(a) Directors' and senior management's emoluments (continued)

(iii) Senior management's emoluments

Emoluments paid to or receivable by individuals during the year with reference to their tenure as senior management are within the following bands:

	Number of individuals	
	2025	2024
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	2
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$5,500,000	**2**	1
HK$6,000,001 to HK$6,500,000	**1**	–
HK$6,500,001 to HK$7,000,000	**1**	1
HK$9,000,001 to HK$9,500,000	**–**	1
HK$9,500,001 to HK$10,000,000	**1**	–

(b) Remuneration for Senior Management and Key Personnel under CG-5

For the purpose of disclosure, Senior Management and Key Personnel are defined as follows:

– Senior Management: The senior management designated by the Board who are responsible for oversight of the Group-wide strategy or activities or material business lines, including the Chief Executive, Deputy Chief Executives, Deputy Chief Executive and Chief Financial Officer, Deputy Chief Executive and Chief Risk Officer, Board Secretary and General Manager of Group Audit.

– Key Personnel: The employees whose duties or activities involve the assumption of material risk, or those who take on material exposures on behalf of the Group, or whose individual responsibilities have direct and material impact on the risk management and affect the profitability of the Group directly, including heads of frontline business units, local major subsidiaries and Southeast Asian entities, head of trading, heads of functional units that have direct and material impact on the Group's risk management and affect the profitability of the Group directly, general managers who report directly to the Chief Executive, as well as "managers" appointed by the Group according to the Banking Ordinance.

21. Directors', senior management's and Key Personnel's emoluments (continued)

(b) Remuneration for Senior Management and Key Personnel under CG-5 (continued)

Details of the remuneration for Senior Management and Key Personnel of the Group during the year are as follows:

(i) Remuneration awarded during financial year

	2025		2024	
	Senior Management HK$'m	**Key Personnel HK$'m**	Senior Management HK$'m	Key Personnel HK$'m
Fixed remuneration				
Cash-based	**35**	**119**	33	120
Of which: deferred	**–**	**–**	–	–
Variable remuneration				
Cash-based	**14**	**75**	14	69
Of which: deferred	***7***	***30***	*5*	*28*
Total remuneration	**49**	**194**	47	189
Number of employees				
Fixed remuneration	**9**	**42**	10	47
Variable remuneration	**9**	**42**	10	47

(ii) Special payments

There were no guaranteed bonuses, sign-on awards and severance payments to Senior Management and Key Personnel for the year ended 31 December 2025 (2024: Nil).

21. Directors', senior management's and Key Personnel's emoluments (continued)

(b) Remuneration for Senior Management and Key Personnel under CG-5 (continued)

(iii) Deferred remuneration

	2025				
	Total amount of outstanding deferred remuneration HK$'m	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment HK$'m	Total amount of amendment during the year due to ex post explicit adjustments HK$'m	Total amount of amendment during the year due to ex post implicit adjustments HK$'m	Total amount of deferred remuneration paid out in the financial year HK$'m
Senior Management					
Cash	**12**	**12**	**–**	**–**	**(6)**
Key Personnel					
Cash	**58**	**58**	**–**	**–**	**(27)**
Total	**70**	**70**	**–**	**–**	**(33)**

	2024				
	Total amount of outstanding deferred remuneration HK$'m	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment HK$'m	Total amount of amendment during the year due to ex post explicit adjustments HK$'m	Total amount of amendment during the year due to ex post implicit adjustments HK$'m	Total amount of deferred remuneration paid out in the financial year HK$'m
Senior Management					
Cash	11	11	–	–	(5)
Key Personnel					
Cash	55	55	–	–	(21)
Total	66	66	–	–	(26)

22. Cash and balances and placements with banks and other financial institutions

	2025 HK$'m	2024 HK$'m
Cash	**17,808**	20,711
Balances with central banks	**196,198**	178,747
Placements with central banks maturing within one month	**4,344**	116,633
Placements with central banks maturing between one and twelve months	**746**	7,653
Placements with central banks maturing over one year	**2,213**	1,094
	203,501	304,127
Balances with other banks and other financial institutions	**107,099**	92,329
Placements with other banks and other financial institutions maturing within one month	**62,604**	93,772
Placements with other banks and other financial institutions maturing between one and twelve months	**176,083**	98,679
Placements with other banks and other financial institutions maturing over one year	**475**	452
	346,261	285,232
	567,570	610,070
Less: Impairment allowances		
– Stage 1	**(122)**	(104)
– Stage 2	**–**	–
– Stage 3	**(30)**	(31)
	567,418	609,935

23. Financial assets at fair value through profit or loss

	2025 HK$'m	2024 HK$'m
Securities		
Trading assets		
– Treasury bills	**48,099**	59,299
– Certificates of deposit	**8,879**	13,111
– Other debt securities	**80,627**	43,135
	137,605	115,545
– Equity securities	**21**	51
	137,626	115,596
Other financial assets mandatorily classified at fair value through profit or loss		
– Certificates of deposit	**405**	390
– Other debt securities	**37,175**	34,382
	37,580	34,772
– Equity securities	**5,024**	4,861
– Funds	**49,363**	21,977
	91,967	61,610
Financial assets designated at fair value through profit or loss		
– Treasury bills	**926**	404
– Certificates of deposit	**1,129**	930
– Other debt securities	**55,378**	37,376
	57,433	38,710
Total securities	**287,026**	215,916
Other debt instruments		
Trading assets	**3,812**	3,800
Financial assets designated at fair value through profit or loss	**15,231**	7,440
Total other debt instruments	**19,043**	11,240
	306,069	227,156

23. Financial assets at fair value through profit or loss (continued)

Total securities are analysed by place of listing as follows:

	2025 HK$'m	2024 HK$'m
Debt securities and certificates of deposit		
– Listed in Hong Kong	**37,495**	21,219
– Listed outside Hong Kong	**66,579**	48,629
– Unlisted	**128,544**	119,179
	232,618	189,027
Equity securities		
– Listed in Hong Kong	**4,299**	2,617
– Listed outside Hong Kong	**746**	2,295
	5,045	4,912
Funds		
– Listed in Hong Kong	**6,842**	4,371
– Listed outside Hong Kong	**6,333**	2,025
– Unlisted	**36,188**	15,581
	49,363	21,977
Total securities	**287,026**	215,916

Total securities are analysed by type of issuer as follows:

	2025 HK$'m	2024 HK$'m
Sovereigns	**119,920**	99,456
Public sector entities	**6,362**	2,919
Banks and other financial institutions	**118,921**	74,377
Corporate entities	**41,823**	39,164
Total securities	**287,026**	215,916

24. Derivative financial instruments and hedge accounting

The Group enters into foreign exchange rate, interest rate, commodity and equity related derivative financial instrument contracts for trading and risk management purposes.

The contract/notional amounts and fair values of derivative financial instruments entered into by the Group are set out in the following tables. The contract/notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet dates and certain of them provide a basis for comparison with the fair values of instruments recognised on the balance sheet. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates, commodity prices or equity prices relative to their terms. The aggregated fair values of derivative financial instruments can fluctuate significantly from time to time.

(a) Derivative financial instruments

The Group trades derivative products (both exchange-traded and OTC) mainly for customer business. The Group strictly follows risk management policies and requirements in providing derivative products to our customers and in trading of derivative products in the interbank market.

Derivatives are also used to manage the interest rate risk and foreign exchange rate risk of the banking book. A derivative instrument must be included in the approved product list before any transactions for that instrument can be made. There are limits to control the notional amount of exposure arising from derivative transactions, and the maximum tenor of the deal is set. Every derivative transaction must be input into the relevant system for settlement, mark-to-market revaluation, reporting and control.

24. Derivative financial instruments and hedge accounting (continued)

(a) Derivative financial instruments (continued)

The following tables summarise the contract/notional amounts and fair values of each class of derivative financial instrument as at 31 December:

	2025		
	Contract/ notional amounts HK$'m	Fair values	
		Assets HK$'m	Liabilities HK$'m
Foreign exchange rate contracts			
Spot, forwards and futures	**266,548**	**15,000**	**(11,628)**
Swaps	**4,079,927**	**31,549**	**(25,906)**
Options	**81,946**	**346**	**(236)**
	4,428,421	**46,895**	**(37,770)**
Interest rate contracts			
Futures	**123,177**	**18**	**(8)**
Swaps	**4,200,952**	**13,875**	**(13,809)**
Options	**832**	**–**	**–**
	4,324,961	**13,893**	**(13,817)**
Commodity contracts	**78,812**	**4,461**	**(5,934)**
Equity contracts	**933**	**6**	**(7)**
	8,833,127	**65,255**	**(57,528)**

24. Derivative financial instruments and hedge accounting (continued)

(a) Derivative financial instruments (continued)

	2024		
	Contract/ notional amounts HK$'m	Fair values Assets HK$'m	Fair values Liabilities HK$'m
Foreign exchange rate contracts			
Spot, forwards and futures	285,199	15,030	(11,801)
Swaps	3,346,471	37,910	(26,698)
Options	93,749	662	(345)
	3,725,419	53,602	(38,844)
Interest rate contracts			
Futures	70,934	26	(210)
Swaps	2,352,193	19,297	(16,832)
Options	1,284	–	–
	2,424,411	19,323	(17,042)
Commodity contracts	26,517	983	(887)
Equity contracts	730	6	(6)
	6,177,077	73,914	(56,779)

(b) Hedge accounting

(i) Fair value hedges

The Group uses interest rate swaps to hedge against change in fair value of financial assets and liabilities arising from movements in market interest rates. Interest rate risk to which the Group applies hedge accounting arises from fixed-rate debt securities and senior notes, whose fair value fluctuates when benchmark interest rates change. The Group only designates interest rate risks to the extent of benchmark interest rates as the hedged risks because the changes in fair value of the fixed-rate debt securities and senior notes are significantly influenced by the changes in the benchmark interest rates. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

Possible sources of ineffectiveness are as follows:

– Notional and timing differences between the hedged items and hedging instruments;

– Significant changes in counterparties' credit risk.

24. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(i) Fair value hedges (continued)

The table below summarises the contract/notional amounts and average fixed interest rate of the hedging instruments as at 31 December by remaining contractual maturity.

	2025					
	Up to 1 month HK$'m	**1 to 3 months HK$'m**	**3 to 12 months HK$'m**	**1 to 5 years HK$'m**	**Over 5 years HK$'m**	**Total HK$'m**
Interest rate swaps						
Contract/notional amounts	**1,074**	**817**	**12,344**	**41,391**	**13,158**	**68,784**
Average fixed interest rate	**3.44%**	**3.72%**	**2.84%**	**3.50%**	**3.72%**	**N/A**

	2024					
	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Total HK$'m
Interest rate swaps						
Contract/notional amounts	350	2,624	17,852	38,099	19,742	78,667
Average fixed interest rate	2.32%	2.99%	3.15%	3.34%	2.95%	N/A

24. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(i) Fair value hedges (continued)

The amounts relating to items designated as hedging instruments are as follows:

	2025			
	Contract/ notional amounts HK$'m	Fair values		Change in fair value used for recognising hedge ineffectiveness HK$'m
		Assets HK$'m	Liabilities HK$'m	
Derivative financial instruments				
Interest rate swaps	**68,784**	**1,746**	**(429)**	**(2,143)**

	2024			
	Contract/ notional amounts HK$'m	Fair values		Change in fair value used for recognising hedge ineffectiveness HK$'m
		Assets HK$'m	Liabilities HK$'m	
Derivative financial instruments				
Interest rate swaps	78,667	3,668	(54)	(1,036)

24. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(i) Fair value hedges (continued)

The amounts relating to hedged items are as follows:

	2025				
	Carrying amounts		Accumulated amount of fair value hedge adjustment included in the carrying amounts		Change in value used for recognising hedge ineffectiveness
	Assets HK$'m	Liabilities HK$'m	Assets HK$'m	Liabilities HK$'m	HK$'m
Investment in securities					
Debt securities	**68,166**	**–**	**(1,042)**	**–**	**1,993**
Debt securities and certificates of deposit in issue					
Senior notes	**–**	**–**	**–**	**–**	**–**
	68,166	**–**	**(1,042)**	**–**	**1,993**

	2024				
	Carrying amounts		Accumulated amount of fair value hedge adjustment included in the carrying amounts		Change in value used for recognising hedge ineffectiveness
	Assets HK$'m	Liabilities HK$'m	Assets HK$'m	Liabilities HK$'m	HK$'m
Investment in securities					
Debt securities	74,911	–	(4,146)	–	990
Debt securities and certificates of deposit in issue					
Senior notes	–	–	–	–	(10)
	74,911	–	(4,146)	–	980

24. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(i) Fair value hedges (continued)

Hedge ineffectiveness recognised is as follows:

	2025 HK$'m	2024 HK$'m
Net trading loss	**(150)**	(56)

(ii) Cash flow hedges

The Group uses cross-currency interest rate swaps to hedge against the variability in cash flows of certain debt securities denominated in foreign currency arising from foreign exchange rate risk. The Group hedges the variability of cash flows in functional currency terms from principal and interest settlements of the debt securities arising from changes in foreign exchange rates. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria. The Group excludes from the designation the currency basis spread element of the derivatives, which is recognised in OCI and amortised to profit or loss on a rational basis.

Possible sources of ineffectiveness are as follows:

– Fair value of the hedging instrument on the hedge relationship designation date is non-zero;

– Changes in the contractual terms or timing of the interests of the hedged item;

– Changes in counterparties' credit risk;

– Difference in method of calculation of coupon payment date.

24. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(ii) Cash flow hedges (continued)

The table below summarises the contract/notional amounts, average fixed interest rate and average exchange rate of the hedging instruments as at 31 December by remaining contractual maturity.

	2025					
	Up to 1 month HK$'m	**1 to 3 months HK$'m**	**3 to 12 months HK$'m**	**1 to 5 years HK$'m**	**Over 5 years HK$'m**	**Total HK$'m**
Cross-currency interest rate swaps						
Contract/notional amounts	**1,482**	**8,638**	**20,228**	**8,442**	**–**	**38,790**
Average fixed interest rate	**3.40%**	**3.33%**	**2.39%**	**2.21%**	**–**	**N/A**
Average exchange rate of Japanese Yen/ Hong Kong dollar	**0.0507**	**0.0517**	**0.0529**	**0.0509**	**–**	**N/A**

	2024					
	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Total HK$'m
Cross-currency interest rate swaps						
Contract/notional amounts	–	–	–	–	–	–
Average fixed interest rate	–	–	–	–	–	N/A
Average exchange rate of Japanese Yen/ Hong Kong dollar	–	–	–	–	–	N/A

24. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(ii) Cash flow hedges (continued)

The amounts relating to items designated as hedging instruments are as follows:

	2025			
	Contract/ notional amounts HK$'m	Fair values Assets HK$'m	Fair values Liabilities HK$'m	Change in fair value used for recognising hedge ineffectiveness HK$'m
Derivative financial instruments				
Cross-currency interest rate swaps	**38,790**	**2,501**	**–**	**2,606**

	2024			
	Contract/ notional amounts HK$'m	Fair values Assets HK$'m	Fair values Liabilities HK$'m	Change in fair value used for recognising hedge ineffectiveness HK$'m
Derivative financial instruments				
Cross-currency interest rate swaps	–	–	–	–

24. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(ii) Cash flow hedges (continued)

The amounts relating to hedged items are as follows:

	2025		
	Change in value used for recognising hedge ineffectiveness HK$'m	Cash flow hedge reserve HK$'m	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied HK$'m
Investment in securities			
Debt securities	**(2,606)**	**110**	**–**

	2024		
	Change in value used for recognising hedge ineffectiveness HK$'m	Cash flow hedge reserve HK$'m	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied HK$'m
Investment in securities			
Debt securities	–	–	–

24. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

(ii) Cash flow hedges (continued)

Hedge ineffectiveness recognised is as follows:

	2025 HK$'m	2024 HK$'m
Net trading gain	**–**	–

Reconciliation of equity and analysis of other comprehensive income:

	2025 HK$'m	2024 HK$'m
At 1 January	**–**	–
Fair value gains	**2,603**	–
Fair value gains reclassified from the cash flow hedge reserve to the income statement in respect of:		
– hedged items that has affected profit or loss	**(2,518)**	–
Related tax impact	**(14)**	–
At 31 December	**71**	–

25. Advances and other accounts

	2025 HK$'m	2024 HK$'m
Personal loans and advances	**623,281**	600,944
Corporate loans and advances	**1,092,506**	1,075,942
Advances to customers	**1,715,787**	1,676,886
Less: Impairment allowances		
– Stage 1	**(4,013)**	(5,454)
– Stage 2	**(7,081)**	(1,551)
– Stage 3	**(7,653)**	(7,950)
	1,697,040	1,661,931
Trade bills	**3,157**	2,154
Less: Impairment allowances		
– Stage 1	**(1)**	(1)
– Stage 2	**–**	–
– Stage 3	**–**	–
	3,156	2,153
Advances to banks and other financial institutions	**4,985**	2,222
Less: Impairment allowances		
– Stage 1	**(9)**	(4)
– Stage 2	**–**	–
– Stage 3	**–**	–
	4,976	2,218
	1,705,172	1,666,302

As at 31 December 2025, advances to customers included accrued interest of HK$5,110 million (2024: HK$5,519 million).

As at 31 December 2025, advances and other accounts at fair value through other comprehensive income and mandatorily classified at fair value through profit or loss amounted to HK$5,278 million (2024: HK$2,163 million) and HK$23 million (2024: HK$809 million) respectively.

As at 31 December 2025, impairment allowance of advances and other accounts at fair value through other comprehensive income amounted to HK$12 million (2024: HK$6 million) and was credited to other comprehensive income.

26. Investment in securities

	2025 HK$'m	2024 HK$'m
Investment in securities at fair value through other comprehensive income		
– Treasury bills	**518,382**	474,367
– Certificates of deposit	**71,556**	43,341
– Other debt securities	**668,147**	529,461
	1,258,085	1,047,169
– Equity securities	**5,171**	4,531
	1,263,256	1,051,700
Investment in securities at amortised cost		
– Treasury bills	**8,572**	58
– Certificates of deposit	**137**	122
– Other debt securities	**153,990**	177,292
	162,699	177,472
Less: Impairment allowances		
– Stage 1	**(55)**	(50)
– Stage 2	**–**	–
– Stage 3	**–**	–
	162,644	177,422
	1,425,900	1,229,122

26. Investment in securities (continued)

Investment in securities is analysed by place of listing as follows:

	2025 HK$'m	2024 HK$'m
Investment in securities at fair value through other comprehensive income		
Debt securities and certificates of deposit		
– Listed in Hong Kong	**104,186**	91,396
– Listed outside Hong Kong	**332,194**	207,254
– Unlisted	**821,705**	748,519
	1,258,085	1,047,169
Equity securities		
– Listed in Hong Kong	**1,266**	966
– Listed outside Hong Kong	**162**	–
– Unlisted	**3,743**	3,565
	5,171	4,531
	1,263,256	1,051,700
Investment in securities at amortised cost		
Debt securities and certificates of deposit		
– Listed in Hong Kong	**15,481**	15,597
– Listed outside Hong Kong	**100,033**	109,574
– Unlisted	**47,130**	52,251
	162,644	177,422
	1,425,900	1,229,122
Market value of listed securities at amortised cost	**116,478**	123,226

Investment in securities is analysed by type of issuer as follows:

	2025 HK$'m	2024 HK$'m
Sovereigns	**766,646**	682,918
Public sector entities	**214,293**	143,567
Banks and other financial institutions	**366,907**	324,209
Corporate entities	**78,054**	78,428
	1,425,900	1,229,122

26. Investment in securities (continued)

The movements in investment in securities are summarised as follows:

	2025	
	At fair value through other comprehensive income HK$'m	**At amortised cost HK$'m**
At 1 January 2025	**1,051,700**	**177,422**
Additions	**2,423,718**	**45,867**
Disposals, redemptions and maturity	**(2,232,500)**	**(62,934)**
Amortisation	**1,727**	**563**
Change in fair value/fair value hedge adjustment	**8,012**	**345**
Net charge of impairment allowances	**–**	**(5)**
Exchange difference	**10,599**	**1,386**
At 31 December 2025	**1,263,256**	**162,644**

	2024	
	At fair value through other comprehensive income HK$'m	At amortised cost HK$'m
At 1 January 2024	770,362	208,078
Additions	1,524,535	45,525
Disposals, redemptions and maturity	(1,228,954)	(73,748)
Amortisation	2,439	(151)
Change in fair value/fair value hedge adjustment	1,214	24
Net charge of impairment allowances	–	(3)
Exchange difference	(17,896)	(2,303)
At 31 December 2024	1,051,700	177,422

The Group has designated certain equity securities as equity securities at fair value through other comprehensive income. The fair value through other comprehensive income designation was made because these are held for strategic investments. Investments include subordinated Additional Tier 1 securities, listed and unlisted equity shares.

The Group did not derecognise equity securities at fair value through other comprehensive income during the year (2024: The Group derecognised certain equity securities at fair value through other comprehensive income with fair value of HK$488 million. The derecognition was made because of portfolio rebalancing and the redemption by issuer).

27. Interests in associates and joint ventures

	2025 HK$'m	2024 HK$'m
At 1 January	**1,196**	1,275
Addition of associates and joint ventures	**31**	25
Share of results	**7**	(92)
Share of tax	**–**	(12)
Disposals	**(392)**	–
Exchange difference and others	**2**	–
At 31 December	**844**	1,196

The particulars of the Group's principal associates and joint ventures, all of which are unlisted, are as follows:

Name	Place of incorporation and operation	Issued share capital	Interest held	Principal activities
BOC Services Company Limited	Beijing, China	Registered capital RMB50,000,000	45%	Credit card back-end service support
Joint Electronic Teller Services Limited	Hong Kong, China	HK$10,025,200	19.96%	Operation of a private inter-bank message switching network in respect of ATM services
Livi Bank Limited	Hong Kong, China	HK$3,792,000,000	49.91%	Banking business

None of the above associates and joint ventures is considered individually or in aggregate material to the Group.

28. Investment properties

	2025 HK$'m	2024 HK$'m
At 1 January	**14,046**	14,875
Additions	**145**	118
Disposals	**–**	(1)
Fair value losses (Note 15)	**(1,607)**	(1,487)
Reclassification from properties, plant and equipment (Note 29)	**15**	541
At 31 December	**12,599**	14,046

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

	2025 HK$'m	2024 HK$'m
Held in Hong Kong		
On long-term lease (over 50 years)	**4,474**	4,562
On medium-term lease (10 to 50 years)	**7,800**	9,201
Held outside Hong Kong		
On medium-term lease (10 to 50 years)	**287**	232
On short-term lease (less than 10 years)	**38**	51
	12,599	14,046

As at 31 December 2025, investment properties were included in the balance sheet at valuation carried out at 31 December 2025 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each investment property in an orderly transaction with market participants at the measurement date.

29. Properties, plant and equipment

	Premises HK$'m	Equipment, fixtures and fittings HK$'m	Right-of-use assets* HK$'m	Total HK$'m
Net book value at 1 January 2025	35,903	908	1,431	38,242
Additions	155	534	702	1,391
Disposals	–	(4)	–	(4)
Revaluation	(3,889)	–	–	(3,889)
Depreciation for the year	(1,073)	(366)	(529)	(1,968)
Reclassification to investment properties (Note 28)	(15)	–	–	(15)
Exchange difference	5	3	5	13
Net book value at 31 December 2025	31,086	1,075	1,609	33,770
At 31 December 2025				
Cost or valuation	31,086	6,913	3,649	41,648
Accumulated depreciation and impairment	–	(5,838)	(2,040)	(7,878)
Net book value at 31 December 2025	31,086	1,075	1,609	33,770
The analysis of cost or valuation of the above assets is as follows:				
At 31 December 2025				
At cost	–	6,913	3,649	10,562
At valuation	31,086	–	–	31,086
	31,086	6,913	3,649	41,648

29. Properties, plant and equipment (continued)

	Premises HK$'m	Equipment, fixtures and fittings HK$'m	Right-of-use assets* HK$'m	Total HK$'m
Net book value at 1 January 2024	39,455	1,051	1,232	41,738
Additions	1,045	249	782	2,076
Disposals	(6)	(4)	(24)	(34)
Revaluation	(2,877)	–	–	(2,877)
Depreciation for the year	(1,174)	(386)	(556)	(2,116)
Reclassification to investment properties (Note 28)	(541)	–	–	(541)
Exchange difference	1	(2)	(3)	(4)
Net book value at 31 December 2024	35,903	908	1,431	38,242
At 31 December 2024				
Cost or valuation	35,903	6,559	3,219	45,681
Accumulated depreciation and impairment	–	(5,651)	(1,788)	(7,439)
Net book value at 31 December 2024	35,903	908	1,431	38,242
The analysis of cost or valuation of the above assets is as follows:				
At 31 December 2024				
At cost	–	6,559	3,219	9,778
At valuation	35,903	–	–	35,903
	35,903	6,559	3,219	45,681

* The right-of-use assets of the Group are mainly related to lease of properties.

29. Properties, plant and equipment (continued)

The carrying value of premises is analysed based on the remaining terms of the leases as follows:

	2025 HK$'m	2024 HK$'m
Held in Hong Kong		
On long-term lease (over 50 years)	**8,555**	10,403
On medium-term lease (10 to 50 years)	**22,328**	25,217
Held outside Hong Kong		
On long-term lease (over 50 years)	**56**	51
On medium-term lease (10 to 50 years)	**117**	201
On short-term lease (less than 10 years)	**30**	31
	31,086	35,903

As at 31 December 2025, premises were included in the balance sheet at valuation carried out at 31 December 2025 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each premise in an orderly transaction with market participants at the measurement date.

As a result of the above-mentioned revaluations, changes in value of the premises were recognised as follows:

	2025 HK$'m	2024 HK$'m
Decrease in valuation charged to income statement (Note 16)	**(361)**	(329)
Decrease in valuation charged to other comprehensive income	**(3,528)**	(2,548)
	(3,889)	(2,877)

As at 31 December 2025, the net book value of premises that would have been included in the Group's balance sheet had the premises been carried at cost less accumulated depreciation and impairment losses was HK$9,395 million (2024: HK$9,528 million).

30. Other assets

	2025 HK$'m	2024 HK$'m
Precious metals	**28,594**	15,176
Intangible assets	**2,557**	2,535
Accounts receivable, prepayments and others	**61,041**	55,415
Insurance contract assets (Note 37)	**2**	2
Reinsurance contract assets	**34,249**	35,878
	126,443	109,006

The movements in intangible assets are summarised as follows:

	2025 HK$'m	2024 HK$'m
Net book value at 1 January	**2,535**	2,382
Additions	**852**	934
Disposals	**(21)**	–
Amortisation for the year	**(809)**	(781)
Net book value at 31 December	**2,557**	2,535
At 31 December		
Cost	**8,677**	7,849
Accumulated amortisation and impairment	**(6,120)**	(5,314)
Net book value at 31 December	**2,557**	2,535

31. Hong Kong SAR currency notes in circulation

The Hong Kong SAR currency notes in circulation are secured by deposit of funds in respect of which the Hong Kong SAR Government certificates of indebtedness are held.

32. Financial liabilities at fair value through profit or loss

	2025 HK$'m	2024 HK$'m
Trading liabilities		
– Short positions in securities	**88,235**	62,203
Financial liabilities designated at fair value through profit or loss		
– Repurchase agreements	**4,388**	5,807
– Structured deposits (Note 33)	**6,961**	10,811
	11,349	16,618
	99,584	78,821

As at 31 December 2025 and 2024, the difference between the carrying amount of financial liabilities designated at fair value through profit or loss and the amount that the Group would be contractually required to pay at maturity to the holders was not significant.

33. Deposits from customers

	2025 HK$'m	2024 HK$'m
Current, savings and other deposit accounts (per balance sheet)	**2,933,502**	2,713,410
Structured deposits reported as financial liabilities at fair value through profit or loss (Note 32)	**6,961**	10,811
	2,940,463	2,724,221
Analysed by:		
Demand deposits and current accounts		
– Corporate	**195,594**	156,246
– Personal	**96,332**	74,101
	291,926	230,347
Savings deposits		
– Corporate	**708,119**	549,864
– Personal	**570,560**	483,593
	1,278,679	1,033,457
Time, call and notice deposits		
– Corporate	**739,781**	789,749
– Personal	**630,077**	670,668
	1,369,858	1,460,417
	2,940,463	2,724,221

34. Debt securities and certificates of deposit in issue

	2025 HK$'m	2024 HK$'m
At amortised cost		
– Certificates of deposit	**56**	–
– Renminbi bonds[(i)]	**5,577**	5,296
– Renminbi bonds[(ii)]	**5,618**	–
	11,251	5,296

(i) In November 2024, BOCHK issued RMB5 billion bonds, interest rate at 2% per annum payable annually, due in 2026.
(ii) In June 2025, BOCHK issued RMB5 billion bonds, interest rate at 1.79% per annum payable annually, due in 2028.

35. Other accounts and provisions

	2025 HK$'m	2024 HK$'m
Other accounts payable and provisions	**111,080**	154,123
Lease liabilities	**1,594**	1,402
Impairment allowances on loan commitments and financial guarantee contracts		
– Stage 1	**248**	232
– Stage 2	**39**	97
– Stage 3	**43**	21
Reinsurance contract liabilities	**6**	29
	113,010	155,904

36. Deferred taxation

Deferred tax is recognised in respect of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and unused tax credits in accordance with HKAS 12 "Income Taxes".

The major components of deferred tax (assets)/liabilities recorded in the balance sheet, and the movements during the year are as follows:

	2025					
	Accelerated tax depreciation HK$'m	Property revaluation HK$'m	Losses HK$'m	Impairment allowances HK$'m	Others HK$'m	Total HK$'m
At 1 January 2025	**874**	**5,208**	**(998)**	**(1,263)**	**(1,832)**	**1,989**
Charged/(credited) to income statement (Note 17)	**25**	**(98)**	**(938)**	**(647)**	**(444)**	**(2,102)**
(Credited)/charged to other comprehensive income	**–**	**(659)**	**–**	**–**	**912**	**253**
Release upon disposal of equity instruments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Exchange difference	**–**	**–**	**–**	**(1)**	**(6)**	**(7)**
At 31 December 2025	**899**	**4,451**	**(1,936)**	**(1,911)**	**(1,370)**	**133**

	2024					
	Accelerated tax depreciation HK$'m	Property revaluation HK$'m	Losses HK$'m	Impairment allowances HK$'m	Others HK$'m	Total HK$'m
At 1 January 2024	865	5,911	(918)	(1,019)	(1,577)	3,262
Charged/(credited) to income statement (Note 17)	9	(195)	(80)	(251)	(341)	(858)
(Credited)/charged to other comprehensive income	–	(508)	–	–	79	(429)
Release upon disposal of equity instruments at fair value through other comprehensive income	–	–	–	–	7	7
Exchange difference	–	–	–	7	–	7
At 31 December 2024	874	5,208	(998)	(1,263)	(1,832)	1,989

36. Deferred taxation (continued)

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2025 HK$'m	2024 HK$'m
Deferred tax assets	**(3,133)**	(1,952)
Deferred tax liabilities	**3,266**	3,941
	133	1,989

	2025 HK$'m	2024 HK$'m
Deferred tax assets to be recovered after more than twelve months	**(3,075)**	(1,764)
Deferred tax liabilities to be settled after more than twelve months	**3,501**	4,935
	426	3,171

As at 31 December 2025, the Group has not recognised deferred tax assets in respect of tax losses amounting to HK$390 million (2024: Nil). All of the amount for the Group has no expiry date under the current tax legislation in different countries/regions.

37. Insurance contracts

(a) Reconciliation of remaining coverage and incurred claims for insurance contracts issued

	2025			
	Liabilities for remaining coverage			
	Excluding loss component HK$'m	Loss component HK$'m	Liabilities for incurred claims HK$'m	Total HK$'m
At 1 January	**182,350**	**1,084**	**319**	**183,753**
Insurance revenue	**(3,389)**	**–**	**–**	**(3,389)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	**–**	**(8)**	**487**	**479**
Amortisation of insurance acquisition cash flows	**571**	**–**	**–**	**571**
Changes that relate to past service – changes in the fulfilment cash flow relating to the liabilities for incurred claims	**–**	**–**	**(25)**	**(25)**
Losses on onerous contracts and reversals of those losses	**–**	**65**	**–**	**65**
Losses for the net outflow recognised on initial recognition	**–**	**88**	**–**	**88**
	571	**145**	**462**	**1,178**
Insurance finance expenses	**15,792**	**173**	**4**	**15,969**
Investment components	**(20,246)**	**–**	**20,246**	**–**
Cash flows				
Premiums received	**58,066**	**–**	**–**	**58,066**
Claims and other directly attributable expenses paid	**–**	**–**	**(20,768)**	**(20,768)**
Insurance acquisition cash flows	**(2,464)**	**–**	**–**	**(2,464)**
	55,602	**–**	**(20,768)**	**34,834**
At 31 December	**230,680**	**1,402**	**263**	**232,345**
Insurance contract liabilities	**230,682**	**1,402**	**263**	**232,347**
Insurance contract assets	**(2)**	**–**	**–**	**(2)**
	230,680	**1,402**	**263**	**232,345**

37. Insurance contracts (continued)

(a) Reconciliation of remaining coverage and incurred claims for insurance contracts issued (continued)

	2024			
	Liabilities for remaining coverage			
	Excluding loss component HK$'m	Loss component HK$'m	Liabilities for incurred claims HK$'m	Total HK$'m
At 1 January	176,912	625	334	177,871
Insurance revenue	(2,695)	–	–	(2,695)
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(11)	441	430
Amortisation of insurance acquisition cash flows	367	–	–	367
Changes that relate to past service – changes in the fulfilment cash flow relating to the liabilities for incurred claims	–	–	(5)	(5)
Losses on onerous contracts and reversals of those losses	–	287	–	287
Losses for the net outflow recognised on initial recognition	–	138	–	138
	367	414	436	1,217
Insurance finance expenses/(income)	3,873	45	(3)	3,915
Investment components	(31,927)	–	31,927	–
Cash flows				
Premiums received	37,674	–	–	37,674
Claims and other directly attributable expenses paid	–	–	(32,375)	(32,375)
Insurance acquisition cash flows	(1,854)	–	–	(1,854)
	35,820	–	(32,375)	3,445
At 31 December	182,350	1,084	319	183,753
Insurance contract liabilities	182,352	1,084	319	183,755
Insurance contract assets	(2)	–	–	(2)
	182,350	1,084	319	183,753

37. Insurance contracts (continued)

(b) Reconciliation of the measurement components of insurance contracts not measured under the premium allocation approach

	2025			
		Contractual service margin		
	Present value of future cash flows and risk adjustment for non-financial risk HK$'m	Contracts recognised after transition date HK$'m	Contracts measured under the fair value approach at transition HK$'m	Total HK$'m
At 1 January	**169,976**	**8,398**	**5,379**	**183,753**
Changes that relate to current service				
Contractual service margin recognised for the service provided	**–**	**(1,180)**	**(765)**	**(1,945)**
Change in the risk adjustment for non-financial risk for the risk expired	**(42)**	**–**	**–**	**(42)**
Experience adjustments	**(329)**	**–**	**–**	**(329)**
	(371)	**(1,180)**	**(765)**	**(2,316)**
Changes that relate to future service				
Changes in estimates that adjust the contractual service margin	**(3,615)**	**3,193**	**422**	**–**
Changes in estimates that result in onerous contract losses and reversals of those losses	**65**	**–**	**–**	**65**
Contracts initially recognised	**(5,708)**	**5,796**	**–**	**88**
	(9,258)	**8,989**	**422**	**153**
Changes that relate to past service				
Changes in the fulfilment cash flow relating to the liabilities for incurred claims	**(30)**	**–**	**–**	**(30)**
Experience adjustments	**–**	**–**	**–**	**–**
	(30)	**–**	**–**	**(30)**
Insurance finance expenses/(income)	**15,909**	**(15)**	**75**	**15,969**
Cash flows				
Premiums received	**58,035**	**–**	**–**	**58,035**
Claims and other directly attributable expenses paid	**(20,756)**	**–**	**–**	**(20,756)**
Insurance acquisition cash flows	**(2,463)**	**–**	**–**	**(2,463)**
	34,816	**–**	**–**	**34,816**
At 31 December	**211,042**	**16,192**	**5,111**	**232,345**
Insurance contract liabilities	**211,043**	**16,192**	**5,111**	**232,346**
Insurance contract assets	**(1)**	**–**	**–**	**(1)**
	211,042	**16,192**	**5,111**	**232,345**

37. Insurance contracts (continued)

(b) Reconciliation of the measurement components of insurance contracts not measured under the premium allocation approach (continued)

	2024			
		Contractual service margin		
	Present value of future cash flows and risk adjustment for non-financial risk HK$'m	Contracts recognised after transition date HK$'m	Contracts measured under the fair value approach at transition HK$'m	Total HK$'m
At 1 January	166,528	4,470	6,863	177,861
Changes that relate to current service				
Contractual service margin recognised for the service provided	–	(572)	(1,034)	(1,606)
Change in the risk adjustment for non-financial risk for the risk expired	(41)	–	–	(41)
Experience adjustments	(228)	–	–	(228)
	(269)	(572)	(1,034)	(1,875)
Changes that relate to future service				
Changes in estimates that adjust the contractual service margin	140	446	(586)	–
Changes in estimates that result in onerous contract losses and reversals of those losses	287	–	–	287
Contracts initially recognised	(3,998)	4,136	–	138
	(3,571)	4,582	(586)	425
Changes that relate to past service				
Changes in the fulfilment cash flow relating to the liabilities for incurred claims	(5)	–	–	(5)
Experience adjustments	–	–	–	–
	(5)	–	–	(5)
Insurance finance expenses/(income)	3,861	(82)	136	3,915
Cash flows				
Premiums received	37,634	–	–	37,634
Claims and other directly attributable expenses paid	(32,351)	–	–	(32,351)
Insurance acquisition cash flows	(1,851)	–	–	(1,851)
	3,432	–	–	3,432
At 31 December	169,976	8,398	5,379	183,753
Insurance contract liabilities	169,977	8,398	5,379	183,754
Insurance contract assets	(1)	–	–	(1)
	169,976	8,398	5,379	183,753

37. Insurance contracts (continued)

(c) Impact of insurance contracts recognised in the year

	2025		
	Non-onerous contracts originated HK$'m	**Onerous contracts originated HK$'m**	**Total HK$'m**
Estimates of the present value of future cash outflows			
Insurance acquisition cash flows	**2,989**	**98**	**3,087**
Claims and other directly attributable expenses	**40,855**	**7,290**	**48,145**
	43,844	**7,388**	**51,232**
Estimates of the present value of future cash inflows	**(49,745)**	**(7,312)**	**(57,057)**
Risk adjustment for non-financial risk	**105**	**12**	**117**
Contractual service margin	**5,796**	**–**	**5,796**
Loss component on initial recognition	**–**	**88**	**88**

	2024		
	Non-onerous contracts originated HK$'m	Onerous contracts originated HK$'m	Total HK$'m
Estimates of the present value of future cash outflows			
Insurance acquisition cash flows	1,717	453	2,170
Claims and other directly attributable expenses	24,802	7,754	32,556
	26,519	8,207	34,726
Estimates of the present value of future cash inflows	(30,720)	(8,080)	(38,800)
Risk adjustment for non-financial risk	65	11	76
Contractual service margin	4,136	–	4,136
Loss component on initial recognition	–	138	138

37. Insurance contracts (continued)

(d) Expected release of the contractual service margin

An analysis of the expected release of the contractual service margin remaining at the end of the reporting period charge to income statement after the reporting date is provided in the following table:

	2025			
	Less than 1 year HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Total HK$'m
Insurance contracts issued	**1,459**	**4,968**	**14,876**	**21,303**

	2024			
	Less than 1 year HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Total HK$'m
Insurance contracts issued	1,078	3,427	9,272	13,777

The amounts disclosed in the table include projections of the contractual service margin recognition for the services that will be provided or received in the future for the contracts in force as at the reporting date, but do not take account of future interest accretion under the general measurement model and future adjustments of the contractual service margin reflecting changes in the variable fee for contracts under the variable fee approach.

38. Subordinated liabilities

	2025 HK$'m	2024 HK$'m
Subordinated loans, at amortised cost		
RMB28.5 billion(i)	–	30,282
RMB7.5 billion(ii)	**8,380**	7,965
RMB7.5 billion(iii)	**8,379**	7,959
RMB17.0 billion(iv)	**18,981**	18,037
RMB7.3 billion(v)	**8,149**	7,739
RMB28.5 billion(vi)	**31,868**	–
	75,757	71,982

In compliance with the applicable internal loss-absorbing capacity requirements under LAC rules, BOCHK early repaid RMB28.5 billion non-capital loss-absorbing capacity debt instrument in 2025. On the same day, BOC has granted RMB28.5 billion this instrument to BOCHK.

(i) Interest rate at 2.11% per annum payable annually, early repaid in 2025.
(ii) Interest rate at 2.19% per annum payable annually, due in 2028 with early repayment option.
(iii) Interest rate at 2.13% per annum payable annually, due in 2028 with early repayment option.
(iv) Interest rate at 2.28% per annum payable annually, due in 2030 with early repayment option.
(v) Interest rate at 2.10% per annum payable annually, due in 2030 with early repayment option.
(vi) Interest rate at 2.13% per annum payable annually, due in 2031 with early repayment option.

39. Share capital

	2025 HK$'m	2024 HK$'m
Issued and fully paid:		
10,572,780,266 ordinary shares	**52,864**	52,864

40. Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to operating cash (outflow)/inflow before taxation

	2025 **HK$'m**	2024 HK$'m
Operating profit	**50,532**	48,677
Depreciation and amortisation	**2,741**	2,867
Net charge of impairment allowances	**8,294**	5,082
Unwind of discount on impairment allowances	**(75)**	(162)
Advances written off net of recoveries	**(4,647)**	(4,550)
Net movements in cash flow hedge reserve	**85**	–
Interest expense on lease liabilities	**48**	42
Change in subordinated liabilities	**5,397**	470
Change in balances and placements with banks and other financial institutions with original maturity over three months	**(47,938)**	(56,147)
Change in financial assets at fair value through profit or loss	**(74,444)**	(53,217)
Change in derivative financial instruments	**9,408**	(4,477)
Change in advances and other accounts	**(42,667)**	26,606
Change in investment in securities	**(203,459)**	(234,616)
Change in other assets	**(18,908)**	(26,057)
Change in deposits and balances from banks and other financial institutions	**(2,572)**	(21,621)
Change in financial liabilities at fair value through profit or loss	**20,763**	12,618
Change in deposits from customers	**220,092**	211,728
Change in debt securities and certificates of deposit in issue	**5,955**	3,297
Change in other accounts and provisions	**(43,043)**	71,718
Change in insurance and reinsurance contract assets/liabilities	**49,906**	11,926
Effect of changes in exchange rates	**(13,786)**	13,987
Operating cash (outflow)/inflow before taxation	**(78,318)**	8,171

40. Notes to consolidated cash flow statement (continued)

(b) Reconciliation of liabilities arising from financing activities

	2025 HK$'m	2024 HK$'m
Subordinated liabilities		
At 1 January	**71,982**	75,323
Cash flows:		
Payment for redemption of subordinated liabilities	**(31,746)**	(73,045)
Interest paid for subordinated liabilities	**(1,622)**	(2,535)
Proceeds from subordinated liabilities	**31,746**	71,769
Non-cash changes:		
Exchange difference	**3,802**	(1,977)
Other changes	**1,595**	2,447
At 31 December	**75,757**	71,982

	2025 HK$'m	2024 HK$'m
Lease liabilities		
At 1 January	**1,402**	1,206
Cash flows:		
Payment of lease liabilities	**(558)**	(600)
Non-cash changes:		
Additions	**702**	778
Disposal	**–**	(24)
Other changes	**48**	42
At 31 December	**1,594**	1,402

(c) Analysis of the balances of cash and cash equivalents

	2025 HK$'m	2024 HK$'m
Cash and balances and placements with banks and other financial institutions with original maturity within three months	**402,271**	492,709
Treasury bills, certificates of deposit and other debt instruments with original maturity within three months		
– financial assets at fair value through profit or loss	**33,917**	29,840
– investment in securities	**112,330**	126,739
	548,518	649,288

41. Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment and the aggregate credit risk-weighted amount and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio. In response to the HKMA revision of the relevant completion instructions, which took effect from 1 January 2025, the following analysis at 31 December 2025 is prepared with reference to the revised completion instructions:

	2025 HK$'m	2024 HK$'m
Direct credit substitutes	**3,130**	1,104
Transaction-related contingencies	**32,110**	35,614
Trade-related contingencies	**14,343**	12,609
Commitments that are unconditionally cancellable without prior notice	**629,356**	625,977
Other commitments with an original maturity of		
– up to one year	**22,252**	16,093
– over one year	**158,253**	162,762
Others	**2,218**	–
	861,662	854,159
Credit risk-weighted amount	**69,933**	74,205

The credit risk-weighted amount is calculated in accordance with the Banking (Capital) Rules. The amount is dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

42. Capital commitments

The Group has the following outstanding capital commitments not provided for in the financial statements:

	2025 HK$'m	2024 HK$'m
Authorised and contracted for but not provided for	**795**	446
Authorised but not contracted for	**154**	132
	949	578

The above capital commitments mainly relate to commitments to purchase computer equipment and software, and to renovate the Group's premises.

43. Operating lease commitments

As lessor

The Group has contracted with tenants for the following future minimum lease receivables under non-cancellable operating leases:

	2025 HK$'m	2024 HK$'m
Properties and equipment		
– Not later than one year	**357**	375
– One to two years	**239**	199
– Two to three years	**106**	81
– Three to four years	**–**	4
– Four to five years	**–**	–
	702	659

The Group leases its investment properties under operating lease arrangements, with leases typically for a period from one to three years. The terms of the leases generally require the tenants to pay security deposits and provide for rent adjustments according to the prevailing market conditions upon the lease renewal.

44. Litigation

The Group has been served a number of claims and counterclaims by various independent parties. These claims and counterclaims are in relation to the normal commercial activities of the Group.

No material provision was made against these claims and counterclaims because the directors believe that the Group has meritorious defences against the claimants or the amounts involved in these claims are not expected to be material, or these claims and counterclaims are still at an early stage of litigation or arbitration process that the estimation of ultimate outcomes involves significant uncertainties. Should the ultimate outcomes of these matters differ from the initial estimation, such differences will impact the profit or loss in the period during which such a determination is made.

45. Segmental reporting

The Group manages the business mainly from a business segment perspective and over 90% of the Group's revenues, profits before tax and assets are derived from Hong Kong. Currently, four operating segments are identified: Personal Banking, Corporate Banking, Treasury and Insurance. The classification of the Group's operating segments is based on customer segment and product type, which is aligned with the RPC (relationship, product and channel) management model of the Group.

Both Personal Banking and Corporate Banking provide general banking services including various deposit products, overdrafts, loans, credit cards, trade related products and other credit facilities, investment and insurance products, and foreign currency and derivative products. Personal Banking mainly serves retail customers and small enterprises, while Corporate Banking mainly deals with corporate customers. Treasury manages the funding and liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. The Insurance segment represents business mainly relating to life insurance products, including individual life insurance and group life insurance products. "Others" mainly represents the Group's holdings of premises, investment properties, equity investments, certain interests in associates and joint ventures and the businesses of the Southeast Asian entities.

Measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group, which is primarily based on market rates with the consideration of specific features of the product.

As the Group derives a majority of revenue from interest and the senior management relies primarily on net interest income in managing the business, interest income and expense for all reportable segments are presented on a net basis. Under the same consideration, insurance service result is also presented on a net basis.

Several products/businesses have been reclassified among operating segments in accordance with the latest management model of the Group. Comparative amounts have been restated to conform with current year presentation.

45. Segmental reporting (continued)

	Personal Banking HK$'m	Corporate Banking HK$'m	Treasury HK$'m	Insurance HK$'m	Others HK$'m	Subtotal HK$'m	Eliminations HK$'m	Consolidated HK$'m
Year ended 31 December 2025								
Net interest (expense)/income								
– External	(5,787)	4,146	45,742	5,341	3,469	52,911	–	52,911
– Inter-segment	25,740	13,823	(39,630)	(69)	136	–	–	–
	19,953	17,969	6,112	5,272	3,605	52,911	–	52,911
Net fee and commission income/(expense)								
– External	10,732	3,382	208	(3,525)	472	11,269	–	11,269
– Inter-segment	(3,438)	9	125	3,519	736	951	(951)	–
	7,294	3,391	333	(6)	1,208	12,220	(951)	11,269
Insurance service result	503	–	–	1,809	–	2,312	162	2,474
Net trading gain	971	1,666	13,192	202	757	16,788	17	16,805
Net (loss)/gain on other financial instruments at fair value through profit or loss	(3)	–	(408)	8,382	–	7,971	2	7,973
Net gain/(loss) on other financial instruments	–	4	(1,231)	(257)	–	(1,484)	–	(1,484)
Insurance finance expenses	(9)	–	–	(13,518)	–	(13,527)	–	(13,527)
Other operating income	18	–	22	17	1,746	1,803	(1,205)	598
Net operating income before impairment allowances	28,727	23,030	18,020	1,901	7,316	78,994	(1,975)	77,019
Net (charge)/reversal of impairment allowances	(262)	(7,950)	(43)	13	(52)	(8,294)	–	(8,294)
Net operating income	28,465	15,080	17,977	1,914	7,264	70,700	(1,975)	68,725
Operating expenses	(10,617)	(4,280)	(1,841)	(95)	(3,335)	(20,168)	1,975	(18,193)
Operating profit	17,848	10,800	16,136	1,819	3,929	50,532	–	50,532
Net loss from disposal of/fair value adjustments on investment properties	–	–	–	–	(1,607)	(1,607)	–	(1,607)
Net loss from properties, plant and equipment and other assets	–	–	–	–	(358)	(358)	–	(358)
Share of results after tax of associates and joint ventures	8	–	–	3	(4)	7	–	7
Profit before taxation	17,856	10,800	16,136	1,822	1,960	48,574	–	48,574
At 31 December 2025								
ASSETS								
Segment assets	656,691	1,018,033	2,417,465	240,200	215,630	4,548,019	(59,054)	4,488,965
Interests in associates and joint ventures	106	–	4	–	734	844	–	844
	656,797	1,018,033	2,417,469	240,200	216,364	4,548,863	(59,054)	4,489,809
LIABILITIES								
Segment liabilities	1,459,291	1,455,978	890,469	230,673	148,977	4,185,388	(59,054)	4,126,334
Year ended 31 December 2025								
Other information								
Capital expenditure	39	12	–	83	2,254	2,388	–	2,388
Depreciation and amortisation	1,104	333	159	89	1,100	2,785	(44)	2,741

45. Segmental reporting (continued)

	Personal Banking HK$'m	Corporate Banking HK$'m	Treasury HK$'m	Insurance HK$'m	Others HK$'m	Subtotal HK$'m	Eliminations HK$'m	Consolidated HK$'m
Year ended 31 December 2024								
Net interest (expense)/income								
– External	(12,632)	12,902	43,094	5,116	3,854	52,334	–	52,334
– Inter-segment	31,537	6,134	(37,549)	(119)	(3)	–	–	–
	18,905	19,036	5,545	4,997	3,851	52,334	–	52,334
Net fee and commission income/(expense)								
– External	7,724	3,763	275	(2,567)	698	9,893	–	9,893
– Inter-segment	(2,515)	5	131	2,561	676	858	(858)	–
	5,209	3,768	406	(6)	1,374	10,751	(858)	9,893
Insurance service result	272	–	–	1,331	–	1,603	148	1,751
Net trading gain/(loss)	546	1,674	10,197	(2,136)	688	10,969	19	10,988
Net loss on other financial instruments at fair value through profit or loss	(11)	–	(376)	(397)	–	(784)	2	(782)
Net gain/(loss) on other financial instruments	–	5	(1,301)	(123)	3	(1,416)	–	(1,416)
Insurance finance expenses	–	–	–	(2,139)	–	(2,139)	–	(2,139)
Other operating income	31	1	37	17	1,748	1,834	(1,210)	624
Net operating income before impairment allowances	24,952	24,484	14,508	1,544	7,664	73,152	(1,899)	71,253
Net (charge)/reversal of impairment allowances	(388)	(4,328)	(98)	1	(269)	(5,082)	–	(5,082)
Net operating income	24,564	20,156	14,410	1,545	7,395	68,070	(1,899)	66,171
Operating expenses	(10,011)	(3,961)	(1,731)	(96)	(3,594)	(19,393)	1,899	(17,494)
Operating profit	14,553	16,195	12,679	1,449	3,801	48,677	–	48,677
Net loss from disposal of/fair value adjustments on investment properties	–	–	–	–	(1,487)	(1,487)	–	(1,487)
Net loss from properties, plant and equipment and other assets	(2)	–	–	–	(330)	(332)	–	(332)
Share of results after tax of associates and joint ventures	(15)	–	2	23	(114)	(104)	–	(104)
Profit before taxation	14,536	16,195	12,681	1,472	1,870	46,754	–	46,754
At 31 December 2024								
ASSETS								
Segment assets	633,099	1,012,672	2,218,383	191,079	193,582	4,248,815	(55,603)	4,193,212
Interests in associates and joint ventures	98	–	5	357	736	1,196	–	1,196
	633,197	1,012,672	2,218,388	191,436	194,318	4,250,011	(55,603)	4,194,408
LIABILITIES								
Segment liabilities	1,377,626	1,324,199	893,360	184,894	127,702	3,907,781	(55,603)	3,852,178
Year ended 31 December 2024								
Other information								
Capital expenditure	64	71	–	106	2,887	3,128	–	3,128
Depreciation and amortisation	1,067	338	142	86	1,277	2,910	(43)	2,867

46. Offsetting financial instruments

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

	2025					
				Related amounts not set off in the balance sheet		
	Gross amounts of recognised financial assets HK$'m	Gross amounts of recognised financial liabilities set off in the balance sheet HK$'m	Net amounts of financial assets presented in the balance sheet HK$'m	Financial instruments* HK$'m	Cash collateral received HK$'m	Net amount HK$'m
Assets						
Derivative financial instruments	46,990	–	46,990	(30,348)	(14,474)	2,168
Reverse repurchase agreements	44,578	–	44,578	(41,111)	–	3,467
Securities borrowing agreements	3,812	–	3,812	(3,812)	–	–
Other assets	19,354	(13,555)	5,799	(1)	–	5,798
	114,734	(13,555)	101,179	(75,272)	(14,474)	11,433

	2025					
				Related amounts not set off in the balance sheet		
	Gross amounts of recognised financial liabilities HK$'m	Gross amounts of recognised financial assets set off in the balance sheet HK$'m	Net amounts of financial liabilities presented in the balance sheet HK$'m	Financial instruments* HK$'m	Cash collateral pledged HK$'m	Net amount HK$'m
Liabilities						
Derivative financial instruments	42,909	–	42,909	(30,515)	(4,627)	7,767
Repurchase agreements	62,221	–	62,221	(62,221)	–	–
Other liabilities	16,444	(13,555)	2,889	(1)	–	2,888
	121,574	(13,555)	108,019	(92,737)	(4,627)	10,655

46. Offsetting financial instruments (continued)

	2024					
				Related amounts not set off in the balance sheet		
	Gross amounts of recognised financial assets HK$'m	Gross amounts of recognised financial liabilities set off in the balance sheet HK$'m	Net amounts of financial assets presented in the balance sheet HK$'m	Financial instruments* HK$'m	Cash collateral received HK$'m	Net amount HK$'m
Assets						
Derivative financial instruments	56,770	–	56,770	(31,851)	(18,675)	6,244
Reverse repurchase agreements	27,879	–	27,879	(27,879)	–	–
Securities borrowing agreements	3,800	–	3,800	(3,800)	–	–
Other assets	15,585	(8,694)	6,891	(1)	–	6,890
	104,034	(8,694)	95,340	(63,531)	(18,675)	13,134

	2024					
				Related amounts not set off in the balance sheet		
	Gross amounts of recognised financial liabilities HK$'m	Gross amounts of recognised financial assets set off in the balance sheet HK$'m	Net amounts of financial liabilities presented in the balance sheet HK$'m	Financial instruments* HK$'m	Cash collateral pledged HK$'m	Net amount HK$'m
Liabilities						
Derivative financial instruments	42,548	–	42,548	(31,613)	(8,613)	2,322
Repurchase agreements	96,933	–	96,933	(96,933)	–	–
Other liabilities	8,995	(8,694)	301	(1)	–	300
	148,476	(8,694)	139,782	(128,547)	(8,613)	2,622

* Including non-cash collateral.

For master netting agreements of OTC derivative, sale and repurchase and securities lending and borrowing transactions entered into by the Group, related amounts with the same counterparty can be offset if an event of default or other predetermined events occur.

47. Assets pledged as security

As at 31 December 2025, the liabilities of the Group amounting to HK$58,002 million (2024: HK$31,957 million) were secured by assets deposited with central depositories to facilitate settlement operations. In addition, the liabilities of the Group amounting to HK$85,300 million (2024: HK$116,933 million) were secured by debt securities related to sale and repurchase arrangements. The amount of assets pledged by the Group to secure these liabilities was HK$143,839 million (2024: HK$149,091 million) mainly included in "Financial assets at fair value through profit or loss" and "Investment in securities".

In addition, the Group pledges securities amounting to HK$5,644 million (2024: HK$3,179 million) as margin for derivative transactions.

48. Transfers of financial assets

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under sale and repurchase agreements. The counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have an obligation to return the securities upon maturity of the contract. These securities are not derecognised since the Group retains substantially all the risks and rewards. Amounts received under sale and repurchase agreements are recognised as financial liabilities.

The following table analyses the carrying amount of the financial assets transferred to counterparties that do not qualify for derecognition and their associated financial liabilities:

	2025		2024	
	Carrying amount of transferred assets HK$'m	**Carrying amount of associated liabilities HK$'m**	Carrying amount of transferred assets HK$'m	Carrying amount of associated liabilities HK$'m
Repurchase agreements	**62,641**	**62,221**	97,135	96,933

49. Interests in unconsolidated structured entities

The Group involves a number of investment funds in the normal course of business, which meet the definition of unconsolidated structured entities, and earns management fee and trustee fee from those sponsored by the Group. The Group's investment holding interests in the unconsolidated structured entities were recognised in financial assets measured at FVPL. As at 31 December 2025, the total net asset value of unconsolidated structured entities sponsored by the Group amounted to HK$466,507 million (2024: HK$302,388 million). Interests in unconsolidated structured entities sponsored by the Group amounted to HK$2,361 million (2024: HK$660 million) and interests in those sponsored by other financial institutions amounted to HK$47,002 million (2024: HK$21,317 million). For the year ended 31 December 2025, the above-mentioned management fee and trustee fee amounted to HK$876 million (2024: HK$776 million). The maximum exposure to loss from Group's interests in these fund investments is equal to the total fair value of its investments in these funds.

50. Loans to directors

Particulars of loans made to directors of the Company pursuant to section 383 of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2025 HK$'m	2024 HK$'m
Aggregate amount of relevant transactions outstanding at year end	**4**	5
Maximum aggregate amount of relevant transactions outstanding during the year	**5**	6

51. Significant related party transactions

The Group is subject to the control of the State Council of the PRC Government through China Investment Corporation ("CIC"), its wholly-owned subsidiary Central Huijin Investment Ltd. ("Central Huijin"), and BOC in which Central Huijin has controlling equity interests.

(a) Transactions with the parent companies and the other companies controlled by the parent companies

General information of the parent companies:

The Group is controlled by BOC. Central Huijin is the controlling entity of BOC, and it is a wholly-owned subsidiary of CIC which is a wholly state-owned company engaging in foreign currency investment management.

Central Huijin has controlling equity interests in certain other entities in the PRC.

The Group enters into banking and other transactions with these entities in the normal course of business which include loans, investment securities, money market and reinsurance transactions.

51. Significant related party transactions (continued)

(a) Transactions with the parent companies and the other companies controlled by the parent companies (continued)

The majority of transactions with BOC arise from money market activities. Related party transactions with BOC as disclosed below constitute connected transactions as defined in Chapter 14A of the Listing Rules but under exemption from its disclosure requirement.

	2025 HK$'m	2024 HK$'m
Income statement items		
– Interest income	**2,756**	3,190
– Interest expenses	**2,301**	3,694
Balance sheet items		
– Cash and balances and placements with banks and other financial institutions	**139,908**	117,459
– Other assets	**8,381**	585
– Investment in securities	**8,619**	14,070
– Deposits and balances from banks and other financial institutions	**89,401**	74,463

Related party transactions with subsidiaries of BOC are summarised as below:

	2025 HK$'m	2024 HK$'m
Income statement items		
– Fee and commission expense	**3,186**	585
Balance sheet items		
– Cash and balances and placements with banks and other financial institutions	**1,198**	1,627
– Advances and other accounts	**9,813**	12,109
– Deposits and balances from banks and other financial institutions	**9,205**	16,693

For details of POCI advances and other accounts purchased from BOC, please refer to Note 4.1.

For details of subordinated liabilities granted by BOC, please refer to Note 38.

Except as disclosed above, other transactions with BOC and with companies controlled by BOC are not considered significant.

51. Significant related party transactions (continued)

(b) Transactions with government authorities, agencies, affiliates and other state controlled entities

The Group is subject to the control of the State Council of the PRC Government through CIC and Central Huijin, which also directly or indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other state controlled entities. The Group enters into banking transactions with government authorities, agencies, affiliates and other state controlled entities in the normal course of business at commercial terms.

These transactions include, but are not limited to, the following:

- lending, provision of credits and guarantees, and deposit taking;
- inter-bank balance taking and placing;
- sales, purchases, underwriting and redemption of bonds issued by other state controlled entities;
- rendering of foreign exchange, remittance and investment related services;
- provision of fiduciary activities; and
- purchase of utilities, transport, telecommunication and postage services.

(c) Summary of transactions entered into during the ordinary course of business with associates, joint ventures and other related parties

The Group enters into banking and other transactions with associates, joint ventures and other related parties which include but are not limited to loans, investment securities and money market transactions. The aggregate income/expenses and balances arising from related party transactions with these entities are summarised as follows:

	2025 HK$'m	2024 HK$'m
Income statement items		
Associates and joint ventures		
– Fee and commission income	**16**	12
– Other operating expenses	**1**	14
Balance sheet items		
Associates and joint ventures		
– Investment in securities	**1,072**	957
– Deposits and balances from banks and other financial institutions	**75**	49

51. Significant related party transactions (continued)

(c) Summary of transactions entered into during the ordinary course of business with associates, joint ventures and other related parties (continued)

The related party transactions in respect of the other operating expenses arising from associates and joint ventures above constitute connected transactions as defined in Chapter 14A of the Listing Rules and the required disclosures are provided in "Connected transactions" on pages 308 to 309.

Except as disclosed above, other transactions with associates, joint ventures and other related parties of the Group are not considered significant.

(d) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and senior management. The Group accepts deposits from and grants loans and credit facilities to key management personnel in the ordinary course of business. During both the current and prior years, no significant transaction was conducted with key management personnel of the Company and its holding companies, as well as parties related to them.

The compensation of key management personnel for the year ended 31 December is detailed as follows:

	2025 HK$'m	2024 HK$'m
Salaries and other short-term employee benefits	**45**	43

52. International claims

The below analysis is prepared with reference to the completion instructions for the HKMA return of international banking statistics. International claims are exposures to counterparties on which the ultimate risk lies based on the locations of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies. For a claim guaranteed by a party situated in a location different from the counterparty, the risk will be transferred to the location of the guarantor. For a claim on an overseas branch of a bank whose head office is located in another location, the risk will be transferred to the location where its head office is located.

Claims on individual countries/regions, after risk transfer, amounting to 10% or more of the aggregate international claims of the Group in either year end are shown as follows:

	2025				
			Non-bank private sector		
	Banks HK$'m	**Official sector HK$'m**	**Non-bank financial institutions HK$'m**	**Non-financial private sector HK$'m**	**Total HK$'m**
Chinese Mainland	**334,238**	**314,391**	**16,186**	**83,715**	**748,530**
Hong Kong, China	**16,792**	**27,749**	**35,321**	**386,615**	**466,477**
United States	**34,025**	**174,526**	**92,433**	**11,053**	**312,037**

	2024				
			Non-bank private sector		
	Banks HK$'m	Official sector HK$'m	Non-bank financial institutions HK$'m	Non-financial private sector HK$'m	Total HK$'m
Chinese Mainland	339,628	344,179	14,223	63,022	761,052
Hong Kong, China	13,587	17,796	35,876	366,393	433,652
United States	23,897	191,831	58,687	8,145	282,560

53. Non-bank Mainland exposures

The analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the types of direct exposures with reference to the completion instructions for the HKMA return of Mainland activities, which includes the Mainland exposures extended by BOCHK's Hong Kong office only.

	2025			
	Items in the HKMA return	On-balance sheet exposure HK$'m	Off-balance sheet exposure HK$'m	Total exposure HK$'m
Central government, central government-owned entities and their subsidiaries and joint ventures	1	**366,846**	**27,270**	**394,116**
Local governments, local government-owned entities and their subsidiaries and joint ventures	2	**69,807**	**6,297**	**76,104**
PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	3	**102,842**	**31,258**	**134,100**
Other entities of central government not reported in item 1 above	4	**34,478**	**6,517**	**40,995**
Other entities of local governments not reported in item 2 above	5	**–**	**42**	**42**
PRC nationals residing outside Mainland or entities incorporated outside Mainland where the credit is granted for use in Mainland	6	**44,284**	**10,543**	**54,827**
Other counterparties where the exposures are considered to be non-bank Mainland exposures	7	**1,376**	**–**	**1,376**
Total	8	**619,633**	**81,927**	**701,560**
Total assets after provision	9	**4,150,235**		
On-balance sheet exposures as percentage of total assets	10	**14.93%**		

53. Non-bank Mainland exposures (continued)

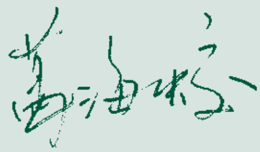
	2024			
	Items in the HKMA return	On-balance sheet exposure HK$'m	Off-balance sheet exposure HK$'m	Total exposure HK$'m
Central government, central government-owned entities and their subsidiaries and joint ventures	1	333,254	43,226	376,480
Local governments, local government-owned entities and their subsidiaries and joint ventures	2	71,221	3,893	75,114
PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	3	105,293	11,873	117,166
Other entities of central government not reported in item 1 above	4	27,687	2,804	30,491
Other entities of local governments not reported in item 2 above	5	900	1	901
PRC nationals residing outside Mainland or entities incorporated outside Mainland where the credit is granted for use in Mainland	6	49,494	6,337	55,831
Other counterparties where the exposures are considered to be non-bank Mainland exposures	7	2,475	–	2,475
Total	8	590,324	68,134	658,458
Total assets after provision	9	3,925,776		
On-balance sheet exposures as percentage of total assets	10	15.04%		

54. Balance sheet and statement of changes in equity

(a) Balance sheet

As at 31 December	**2025 HK$'m**	2024 HK$'m
ASSETS		
Bank balances with a subsidiary	**4,143**	1,011
Investment in securities	**1,136**	841
Investment in subsidiaries	**55,422**	55,422
Amounts due from a subsidiary	**14,118**	17,906
Investment in associates and joint ventures	**685**	685
Other assets	**–**	–
Total assets	**75,504**	75,865
LIABILITIES		
Amounts due to a subsidiary	**4**	3
Total liabilities	**4**	3
EQUITY		
Share capital	**52,864**	52,864
Reserves	**22,636**	22,998
Total equity	**75,500**	75,862
Total liabilities and equity	**75,504**	75,865

Approved by the Board of Directors on 30 March 2026 and signed on behalf of the Board by:



GE Haijiao
Director

SUN Yu
Director

54. Balance sheet and statement of changes in equity (continued)

(b) Statement of changes in equity

		Reserves		
	Share capital HK$'m	Reserve for financial assets at FVOCI HK$'m	Retained earnings HK$'m	Total equity HK$'m
At 1 January 2024	52,864	(3,165)	20,712	70,411
Profit for the year	–	–	23,564	23,564
Other comprehensive income:				
Equity instruments at fair value through other comprehensive income	–	19	–	19
Total comprehensive income	–	19	23,564	23,583
Dividends	–	–	(18,132)	(18,132)
At 31 December 2024	52,864	(3,146)	26,144	75,862
At 1 January 2025	**52,864**	**(3,146)**	**26,144**	**75,862**
Profit for the year	**–**	**–**	**23,544**	**23,544**
Other comprehensive income:				
Equity instruments at fair value through other comprehensive income	**–**	**295**	**–**	**295**
Total comprehensive income	**–**	**295**	**23,544**	**23,839**
Dividends	**–**	**–**	**(24,201)**	**(24,201)**
At 31 December 2025	**52,864**	**(2,851)**	**25,487**	**75,500**

55. Principal subsidiaries

The following is a list of principal subsidiaries as at 31 December 2025:

Name	Place of incorporation and operation	Issued share capital	Interest held	Principal activities
Bank of China (Hong Kong) Limited	Hong Kong, China	HK$43,042,840,858	*100%	Banking business
BOC Group Life Assurance Company Limited	Hong Kong, China	HK$3,538,000,000	*51%	Life insurance business
BOC Credit Card (International) Limited	Hong Kong, China	HK$565,000,000	100%	Credit card services
Bank of China (Malaysia) Berhad	Malaysia	RM814,734,790	100%	Banking business
Bank of China (Thai) Public Company Limited	Thailand	Baht10,000,000,000	100%	Banking business

* Shares held directly by the Company

The issued share capital of Bank of China (Malaysia) Berhad had increased by RM54,216,310 to RM814,734,790 on 28 February 2025.

The particulars of a subsidiary with significant non-controlling interests are as follows:

BOC Group Life Assurance Company Limited

	2025	2024
Proportion of ownership interests and voting rights held by non-controlling interests	**49%**	49%

	2025 HK$'m	2024 HK$'m
Profit attributable to non-controlling interests	**886**	678
Accumulated non-controlling interests	**4,668**	3,206
Summarised financial information:		
– total assets	**240,200**	191,436
– total liabilities	**230,673**	184,894
– profit for the year	**1,808**	1,384
– total comprehensive income for the year	**3,038**	485
– dividend paid to non-controlling interests	**26**	25

56. Ultimate and immediate holding companies

The Group is subject to the control of the State Council of the PRC Government through China Investment Corporation, its wholly-owned subsidiary Central Huijin Investment Ltd. ("Central Huijin"), and BOC in which Central Huijin has controlling equity interests. The immediate holding company of the Group is BOC Hong Kong (BVI) Limited, an indirect wholly-owned subsidiary of BOC.

57. Events after the balance sheet date

According to the announcement of the Company made on 28 January 2026, all of the conditions precedent set out in each of the Acquisition Agreement and the Disposal Agreement with respect to the announcement of the Company made on 24 January 2025 had been satisfied. Completion of the Proposed Acquisition and the Proposed Disposal took place on 30 January 2026 in accordance with the terms and conditions of the Acquisition Agreement and the Disposal Agreement, respectively. After completion of the Proposed Acquisition and the Proposed Disposal, BOCHK owns all the issued shares of Bank of China International Limited, which becomes an indirect wholly-owned subsidiary of the Company and has ceased to own any of the issued shares of Po Sang Securities Limited, which no longer be a direct subsidiary of BOCHK and an indirect subsidiary of the Company. For further details, please refer to the announcement of the Company dated 28 January 2026.

58. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2026.

Unaudited Supplementary Financial Information

1. Regulatory Disclosures

The Regulatory Disclosures, together with the disclosures in this Annual Report, contained all the disclosures required by the Banking (Disclosure) Rules and Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules issued by the HKMA. The Regulatory Disclosures is available under the section "Regulatory Disclosures" on BOCHK's website at www.bochk.com.

This Annual Report and the Regulatory Disclosures are prepared according to the Group's disclosure policy. The disclosure policy sets out a robust mechanism for the Group's disclosures of financial information on a legitimate and compliant basis. It depicts the principles and internal control measures to ensure the timeliness, fairness, accuracy, integrity, completeness and legitimacy of financial disclosures.

2. Connected transactions

In 2025, BOCHK, a wholly-owned subsidiary of the Company, and its subsidiaries engaged on a regular basis and in the usual course of their business in numerous transactions with BOC and its Associates. As BOC is the Company's controlling shareholder and therefore a connected person of the Company, all such transactions constituted connected transactions for the purposes of the Listing Rules. The Group is subject to the control of the State Council of the PRC Government through China Investment Corporation ("CIC"), its wholly-owned subsidiary Central Huijin Investment Ltd. ("Central Huijin"), and BOC in which Central Huijin has controlling equity interests. Central Huijin is the ultimate controlling shareholder of the Company. Central Huijin has accepted PRC Government's authorisation in carrying out equity investment in core financial enterprises. For the purposes of this report, therefore, Central Huijin and its Associates have not been treated as connected persons to the Company.

The transactions fell into the following two categories:

1. exempted transactions entered into in the ordinary and usual course of business and under normal commercial terms or better. Such transactions were (1) fully exempted from shareholders' approval, annual review and all disclosure requirements and/or (2) exempted from shareholders' approval requirement by virtue of Rules 14A.76 and 14A.87 to 14A.101 of the Listing Rules;

2. certain continuing connected transactions conducted pursuant to the Services and Relationship Agreement entered into among, inter alia, the Company and BOC dated 30 December 2022 (which the parties will continue to carry out, amongst others, the Continuing Connected Transactions during the period commencing from 1 January 2023 to 31 December 2025), whereas BOC has agreed to, and agreed to procure its Associates to, enter into all future arrangements with the Group on an arm's length basis, on normal commercial terms and at rates no less favourable than those offered to independent third parties, in relation to certain areas including, among others, information technology services, administration services, foreign exchange transactions, derivatives transactions, support and services to the BOCHK entities, and the Company has agreed to, and agreed to procure its subsidiaries to, enter into all future arrangements on the same basis, provided that the rates offered by the Group to BOC and its Associates will be no more favourable than those offered to independent third parties. On 30 December 2022 the Company made an announcement (the "Announcement") in accordance with Rule 14A.35 of the Listing Rules, and has got the approval from the independent shareholders on 29 June 2023. The Announcement listed those continuing connected transactions that exceeded the de minimis threshold and set out caps in respect of such transactions for 2023-2025. These transactions were conducted in the ordinary and usual course of its business and on normal commercial terms or better. Details of these continuing connected transactions are set out below and are described in the announcements which may be viewed at the Company's website. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

2. Connected transactions (continued)

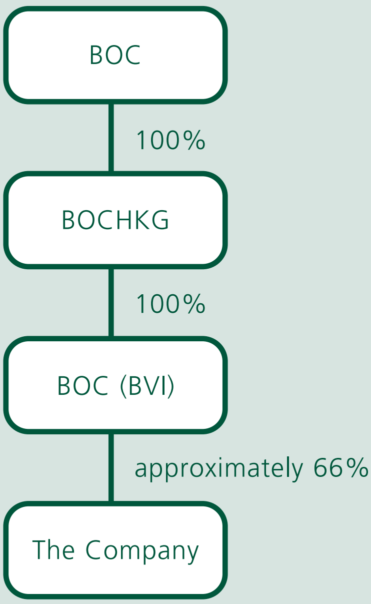
Type of Transaction	2025 Cap (HK$'m)	2025 Actual Amount (HK$'m)
Information Technology Services	**1,000**	**224**
Property Transactions	**1,000**	**201**
Bank-note Delivery	**1,000**	**251**
Provision of Insurance Cover	**1,000**	**285**
Card Services	**1,000**	**63**
Custody Business	**1,000**	**137**
Contact Centre Services	**1,000**	**–**
Securities Transactions	**10,000**	**370**
Fund Distribution Transactions	**10,000**	**62**
Insurance Agency and Insurance Referral	**10,000**	**3,720**
Investment Products Transactions	**350,000**	**4,076**
Asset Management and Referral Services	**10,000**	**173**
Foreign Exchange Transactions	**10,000**	**1,821**
Derivatives Transactions	**10,000**	**17**
Trading of Financial Assets	**350,000**	**6,549**
Inter-bank Capital Markets	**350,000**	**121,917**

3. Reconciliation between HKFRS Accounting Standards vs IFRS Accounting Standards/CASs

The Company understands that BOC, an intermediate holding company as well as controlling shareholder of the Company, will prepare and disclose consolidated financial information in accordance with IFRS Accounting Standards and CASs for which the Company and its subsidiaries will form part of the consolidated financial statements. The requirements of CASs have substantially converged with HKFRS Accounting Standards and IFRS Accounting Standards.

The consolidated financial information of "BOC Hong Kong Group" for the periods disclosed by BOC in its consolidated financial statements is not the same as the consolidated financial information of the Group for the periods published by the Company pursuant to applicable laws and regulations in Hong Kong. There are two reasons for this.

First, the definitions of "BOC Hong Kong Group" (as adopted by BOC for the purpose of its own financial disclosure) and "Group" (as adopted by the Company in preparing and presenting its consolidated financial information) are different: "BOC Hong Kong Group" refers to BOCHKG and its subsidiaries, whereas "Group" refers to the Company and its subsidiaries (see the below organisation chart). Though there is difference in definitions between "BOC Hong Kong Group" and "Group", their financial results for the periods presented are substantially the same. This is because BOCHKG and BOC (BVI) are holding companies only and have no substantive operations of their own.



Second, the Group has prepared its consolidated financial statements in accordance with HKFRS Accounting Standards; whereas the consolidated financial information reported to BOC is prepared in accordance with IFRS Accounting Standards and CASs respectively. There is a difference in the election of subsequent measurement basis of bank premises by the Group and by BOC respectively.

3. Reconciliation between HKFRS Accounting Standards vs IFRS Accounting Standards/CASs (continued)

The Board considers that the best way to ensure that shareholders and the investing public understand the material differences between the consolidated financial information of the Group published by the Company on the one hand, and the consolidated financial information of BOC Hong Kong Group disclosed by BOC in its consolidated financial statements on the other hand, is to present reconciliations of the profit after tax/net assets of the Group prepared under HKFRS Accounting Standards to the profit after tax/net assets of the Group prepared under IFRS Accounting Standards/CASs respectively for the periods presented.

The major differences which arise from the difference in measurement basis relate to the following:

(a) Restatement of carrying value of bank premises

The Company has elected for a revaluation model rather than cost model to account for bank premises under HKFRS Accounting Standards. On the contrary, BOC has elected for the cost model for bank premises under IFRS Accounting Standards and CASs. Therefore, adjustments have been made to the carrying value of bank premises as well as to re-calculate the depreciation charge and disposal gain/loss under IFRS Accounting Standards and CASs.

(b) Deferred tax adjustments

These represent the deferred tax effect of the aforesaid adjustments.

Profit after tax/net assets reconciliation

HKFRS Accounting Standards vs IFRS Accounting Standards/CASs

	Profit after tax		Net assets	
	2025 HK$'m	2024 HK$'m	**2025 HK$'m**	2024 HK$'m
Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under HKFRS Accounting Standards	**41,189**	39,118	**363,475**	342,230
Add: IFRS Accounting Standards/CASs				
Restatement of carrying value of bank premises	**1,069**	1,159	**(18,158)**	(23,144)
Deferred tax adjustments	**(103)**	(161)	**3,109**	3,890
Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under IFRS Accounting Standards/CASs	**42,155**	40,116	**348,426**	322,976

Appendix

Subsidiaries of the Company

The particulars of subsidiaries are as follows:

Name	Place and date of incorporation/ operation	Issued share capital	Interest held	Principal activities
Directly held:				
Bank of China (Hong Kong) Limited	Hong Kong, China 16 October 1964	HK$43,042,840,858	100.00%	Banking business
BOC Group Life Assurance Company Limited	Hong Kong, China 12 March 1997	HK$3,538,000,000	51.00%	Life insurance business
BOCHK Asset Management (Cayman) Limited	Cayman Islands 7 October 2010	HK$383,000,000	100.00%	Investment holding
Indirectly held:				
BOC Credit Card (International) Limited	Hong Kong, China 9 September 1980	HK$565,000,000	100.00%	Credit card services
BOC Group Trustee Company Limited	Hong Kong, China 1 December 1997	HK$200,000,000	66.00%	Investment holding
BOCI-Prudential Trustee Limited	Hong Kong, China 11 October 1999	HK$300,000,000	42.24%*	Trustee services
Bank of China (Malaysia) Berhad	Malaysia 14 April 2000	RM814,734,790	100.00%	Banking business
Bank of China (Thai) Public Company Limited	Thailand 1 April 2014	Baht10,000,000,000	100.00%	Banking business
Bank of China (Hong Kong) Nominees Limited	Hong Kong, China 1 October 1985	HK$2	100.00%	Nominee services
Bank of China (Hong Kong) Trustees Limited	Hong Kong, China 6 November 1987	HK$3,000,000	100.00%	Trustee and agency services
BOC Digital Services (Nanning) Company Limited**	Nanning, China 19 February 2019	Registered capital HK$60,000,000	100.00%	Financial operational and information technology services
BOCHK Information Technology (Shenzhen) Co., Ltd.**	Shenzhen, China 16 April 1990	Registered capital HK$70,000,000	100.00%	Property holding
Po Sang Financial Investment Services Company Limited	Hong Kong, China 23 September 1980	HK$335,000,000	100.00%	Gold trading and investment holding
Po Sang Securities Limited	Hong Kong, China 19 October 1993	HK$335,000,000	100.00%	Securities brokerage
Sin Hua Trustee Limited	Hong Kong, China 27 October 1978	HK$3,000,000	100.00%	Trustee services
Billion Express Development Inc.	British Virgin Islands 7 February 2014	US$1	100.00%	Investment holding
Billion Orient Holdings Ltd.	British Virgin Islands 3 February 2014	US$1	100.00%	Investment holding
Elite Bond Investments Ltd.	British Virgin Islands 7 February 2014	US$1	100.00%	Investment holding

Subsidiaries of the Company (continued)

Name	Place and date of incorporation/ operation	Issued share capital	Interest held	Principal activities
Express Capital Enterprise Inc.	British Virgin Islands 3 February 2014	US$1	100.00%	Investment holding
Express Charm Holdings Corp.	British Virgin Islands 7 February 2014	US$1	100.00%	Investment holding
Express Shine Assets Holdings Corp.	British Virgin Islands 3 January 2014	US$1	100.00%	Investment holding
Express Talent Investment Ltd.	British Virgin Islands 13 February 2014	US$1	100.00%	Investment holding
Gold Medal Capital Inc.	British Virgin Islands 3 January 2014	US$1	100.00%	Investment holding
Gold Tap Enterprises Inc.	British Virgin Islands 13 February 2014	US$1	100.00%	Investment holding
Maxi Success Holdings Ltd.	British Virgin Islands 7 February 2014	US$1	100.00%	Investment holding
Smart Linkage Holdings Inc.	British Virgin Islands 13 February 2014	US$1	100.00%	Investment holding
Smart Union Capital Investments Ltd.	British Virgin Islands 3 January 2014	US$1	100.00%	Investment holding
Success Trend Development Ltd.	British Virgin Islands 18 February 2014	US$1	100.00%	Investment holding
Wise Key Enterprises Corp.	British Virgin Islands 18 February 2014	US$1	100.00%	Investment holding
BOCHK Asset Management Limited	Hong Kong, China 28 October 2010	HK$372,500,000	100.00%	Asset management
Greater Bay Area Investment (GP) Limited	Hong Kong, China 4 February 2021	HK$1	100.00%	Investment holding

* BOCI-Prudential Trustee Limited is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

** It is registered as limited liability company in China.

The issued share capital of Bank of China (Malaysia) Berhad had increased by RM54,216,310 to RM814,734,790 on 28 February 2025.

BOCHK Information Technology Services (Shenzhen) Co., Ltd. was dissolved on 22 December 2025.

The disposal of Po Sang Securities Limited was completed on 30 January 2026.

The acquisition of Bank of China International Limited was completed on 30 January 2026.

Definitions

In this Annual Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

Terms	Meanings
"Acquisition Agreement"	the sale and purchase agreement entered into on 24 January 2025 between BOCHK and BOCI Asia Limited for the acquisition of all of the issued shares of Bank of China International Limited by BOCHK from BOCI Asia Limited
"ADR"	American Depositary Receipt
"ADS(s)"	American Depositary Share(s)
"ALCO"	the Asset and Liability Management Committee
"AT1"	Additional Tier 1
"ATM"	Automated Teller Machine
"Associates"	has the meaning ascribed to "associates" in the Listing Rules
"BOC"	Bank of China Limited, a joint stock commercial bank with limited liability established under the laws of the PRC, the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
"BOC (BVI)"	BOC Hong Kong (BVI) Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of BOCHKG
"BOCCC"	BOC Credit Card (International) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOCHK
"BOCG Insurance"	Bank of China Group Insurance Company Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOC
"BOCHKG"	BOC Hong Kong (Group) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOC
"BOCHK" or "the Bank"	Bank of China (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
"BOCI"	BOC International Holdings Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOC
"BOCI-Prudential Asset Management"	BOCI-Prudential Asset Management Limited, a company incorporated under the laws of Hong Kong, in which BOCI Asset Management Limited, a wholly-owned subsidiary of BOC International Holdings Limited, and Prudential Corporation Holdings Limited hold equity interests of 64% and 36% respectively
"BOCI-Prudential Trustee"	BOCI-Prudential Trustee Limited, a company incorporated under the laws of Hong Kong, in which BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited hold equity interests of 64% and 36% respectively
"BOC Life"	BOC Group Life Assurance Company Limited, a company incorporated under the laws of Hong Kong, in which the Group and BOCG Insurance hold equity interests of 51% and 49% respectively
"BOC Malaysia"	Bank of China (Malaysia) Berhad, a wholly-owned subsidiary of BOCHK
"BOC Thailand"	Bank of China (Thai) Public Company Limited, a wholly-owned subsidiary of BOCHK
"Board" or "Board of Directors"	the Board of Directors of the Company
"CAS"	Chinese Accounting Standard for Business Enterprises
"CE"	Chief Executive
"CET1"	Common Equity Tier 1
"CFO"	Chief Financial Officer

Terms	Meanings
"CIC"	China Investment Corporation
"CRO"	Chief Risk Officer
"CVA"	Credit Valuation Adjustment
"Central Huijin"	Central Huijin Investment Ltd.
"DCE"	Deputy Chief Executive
"Disposal Agreement"	the sale and purchase agreement entered into on 24 January 2025 between BOCHK and BOCI Asia Limited for the disposal of all of the issued shares of Po Sang Securities Limited by BOCHK to BOCI Asia Limited
"DVA"	Debit Valuation Adjustment
"ECL"	Expected Credit Loss
"EVE"	Economic Value Sensitivity Ratio
"FCC"	the Financial Crime Compliance Department
"FIRB"	Foundation Internal Ratings-based
"Fitch"	Fitch Ratings
"FVOCI"	Fair value through other comprehensive income
"FVPL"	Fair value through profit or loss
"GDP"	Gross Domestic Product
"HIBOR"	Hong Kong Interbank Offered Rate
"HKAS"	Hong Kong Accounting Standard
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKMA"	Hong Kong Monetary Authority
"Hong Kong" or "Hong Kong SAR" or "HKSAR" or "Hong Kong, China"	Hong Kong Special Administrative Region of the PRC
"ICAAP"	Internal Capital Adequacy Assessment Process
"IFRS"	International Financial Reporting Standard
"IT"	Information Technology
"LCO"	the Legal & Compliance and Operational Risk Management Department
"LCR"	Liquidity Coverage Ratio
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MC"	the Management Committee
"MCO"	Maximum Cumulative Cash Outflow
"MPF"	Mandatory Provident Fund
"MPF Schemes Ordinance"	the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong, as amended
"Moody's"	Moody's Investors Service
"N/A"	Not applicable
"NII"	Net Interest Income Sensitivity Ratio
"NSFR"	Net Stable Funding Ratio
"ORSO schemes"	the Occupational Retirement Schemes under Occupational Retirement Schemes Ordinance, Chapter 426 of the Laws of Hong Kong
"OTC"	Over-the-counter

DEFINITIONS

Terms	Meanings
"PD"	Probability of Default
"PRC" or "China"	the People's Republic of China
"Proposed Acquisition"	the proposed acquisition of Bank of China International Limited pursuant to the terms and conditions of the Acquisition Agreement
"Proposed Disposal"	the proposed disposal of Po Sang Securities Limited pursuant to the terms and conditions of the Disposal Agreement
"PVBP"	Price Value of a Basis Point
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RC"	the Risk Committee
"RMD"	the Risk Management Department
"RWAs"	Risk-weighted Assets
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SME"	Small and Medium-sized Enterprise
"STC"	Standardised (Credit Risk)
"Standard & Poor's"	Standard & Poor's Ratings Services
"Stock Exchange" or "Hong Kong Stock Exchange" or "Stock Exchange of Hong Kong"	The Stock Exchange of Hong Kong Limited
"the Company"	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong
"the Group"	the Company and its subsidiaries collectively referred as the Group
"US"	the United States of America
"VaR"	Value at Risk

REVIEW OF ANNUAL RESULTS

The 2025 annual results have been reviewed by the Audit Committee of the Company.

By Order of the Board
HUANG Xuefei
Company Secretary

Hong Kong, 30 March 2026

As at the date of this announcement, the Board comprises Mr GE Haijiao (Chairman), Mr ZHANG Hui* (Vice Chairman), Mr SUN Yu (Vice Chairman and Chief Executive), Mr CAI Zhao*, Madam CHENG Eva**, Dr CHOI Koon Shum**, Madam FUNG Yuen Mei Anita**, Mr LAW Yee Kwan Quinn**, Professor LEE Sunny Wai Kwong**, Mr LIAO Cheung Kong Martin**, Mr LIP Sai Wo** and Professor MA Si Hang Frederick**.*

* *Non-executive Directors*
** *Independent Non-executive Directors*