

The Bank of East Asia, Limited

Summary

Issuer Rating	A
Outlook	Stable
Location	Hong Kong
Industry	Banking
Date	17 October 2025

Key Figures of BEA

(HKD billion)	2024	June 2025
Total Assets	877.8	891.4
Loans and Advances to Customers	532.9	539.2
Common Equity Tier 1 Ratio	17.7%	23.7%
Total Capital Adequacy Ratio	22.3%	28.6%
Impaired Loans to Gross Loans	2.72%	2.63%
Return on Assets (Annualized)	0.5%	0.5%
Gross Loans and Advances to Customer Deposits	82.9%	81.1%

Source: BEA and Lianhe Global's calculations

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'A' global scale Long-term Issuer Credit Rating of The Bank of East Asia, Limited ("BEA" or "the bank"); Issuer Rating Outlook Stable

Summary

The Issuer Rating reflects BEA's established market position, strong capitalization and adequate funding and liquidity profile. The rating also considers its moderate profitability and persistent asset quality pressure, particularly from its real-estate related exposure. In addition, we expect a moderate possibility of extraordinary support to be provided by the Hong Kong government, if needed, considering BEA's significant asset market share in Hong Kong's banking system.

The Stable Outlook reflects our expectation that BEA will maintain its prudent risk control and capital position to withstand unfavorable market movements.

Rating Rationale

Focus on Risk Control and Business Diversification: BEA continued to broaden its client base, diversify its portfolio, and bolster non-interest income. It invested in technology to improve customer experience and streamline services, while maintaining disciplined cost control. The bank's strategic emphasis on non-interest income, such as sales of insurance and investment products, helped mitigate pressure from reduced net interest income amid declining interest rates. Gross loans and advances to customers increased by only 1.2% in 1H2025 to HKD539.2 billion as the bank remained cautious in new lending and devoted to resolve troubled loans in the real estate sector.

Further Reduction in Real Estate-Related Exposure: About two-thirds of BEA's loan portfolio were corporate loans, and real estate-related exposure decreased significantly with loans for property development and investment representing about 20.6% of its gross loans at end-June 2025 (end-2023: 29.7%). At end-June 2025, 47.2% of the bank's gross loans were for use in Hong Kong, while mainland China accounting for 29.7%.

Strong Capital Position: BEA has maintained strong capitalization to withstand unfavorable economic conditions and market movements. As of end-June 2025, the bank's total capital ratio and common equity tier 1 capital ratio rose to 28.6% and 23.7%, respectively, benefiting from the implementation of the Basel III final reform on 1 January 2025.

Manageable Asset Quality on Interest Rate Cuts and Supportive Policies: The Chinese government has launched a series of policies and measures to support the economy and property market, while the interest rate cuts by the Fed will likely improve the funding environment in Hong Kong. Together with BEA's proactive measures in resolving problem loans, we expect further pressure on BEA's asset quality to be manageable, although provisions may still be needed for weak borrowers. BEA's impaired loan ratio stood at 2.63% at end-June 2025, down from 2.72% at end-2024.

Loan Impairments Weigh on Profitability: BEA maintained moderate profitability with annualized return on assets staying at about 0.5% in 2024 and 1H2025. Growth in non-interest income offset the impact of decreased net interest income and supported the bank's

Analysts

Joyce Huang, CFA
(852) 3462 9586
joyce.huang@lhratingsglobal.com

Jack Li, CESGA
(852) 3462 9585
jack.li@lhratingsglobal.com

Applicable Criteria

Banking Rating Criteria
(20 March 2023)

pre-provisioning earnings performance, while still significant loan loss provisions weighed on its bottom line.

Adequate Funding Structure and Liquidity: BEA has maintained a stable funding profile with its loans-to-customer deposits ratio staying at around 81% as of end-June 2025. Total deposits from customers were HKD665.2 billion at end-June 2025, including HKD429.9 billion of time deposits. BEA also issued certificates of deposit and other debt securities for funding. Its liquidity coverage ratio remained well above the statutory minimum of 100% in 1H2025, which was 176.5% for the second quarter of 2025.

Rating Sensitivities

We would consider downgrading BEA's rating if there is 1) significant deterioration in capital adequacy and liquidity, or 2) notable deterioration in asset quality and profitability, or 3) weakened funding structure, or 4) perceived lower possibility of government support.

We would consider upgrading BEA's rating if it were to 1) improve its profitability and asset quality, and 2) improve the diversification of business profile and loan portfolio.

Company Profile

Incorporated in 1918, BEA is a Hong Kong-based bank listed on the Stock Exchange of Hong Kong. The bank is dedicated to providing comprehensive wholesale banking, personal banking, wealth management, and investment services to its customers in Hong Kong, mainland China, and other major markets, with total consolidated assets of HKD891.4 billion as of end-1H2025. BEA has 48 branches, 42 Supreme Gold Centres, and 3 i-Financial Centres throughout Hong Kong and has outlets in 38 cities nationwide in mainland China.

BEA established a locally-incorporated bank in mainland China in 2007. This wholly-owned subsidiary, namely The Bank of East Asia (China) Limited, offers a full range of banking and financial services to local residents and corporates. Overseas, BEA has established a presence in Southeast Asia, the United Kingdom, and the United States. BEA totally operates about 120 outlets and employs around 8,000 people worldwide.

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