

Regulatory Disclosures

31 December 2025



集友銀行
Chiyu Banking Corporation Ltd.



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1. Basis of reporting

Liquidity Coverage Ratio (LCR):

The average value of liquidity coverage ratio is computed on the consolidated basis which comprises the positions of local offices, overseas branches and subsidiaries of the Bank specified by the Hong Kong Monetary Authority (“HKMA”) for its regulatory purposes and in accordance with the Banking (Liquidity) Rules.

Net Stable Funding Ratio (NSFR):

The net stable funding ratio is computed on the consolidated basis which comprises the positions of local offices, overseas branches and subsidiaries of the Bank specified by the HKMA for its regulatory purposes and in accordance with the Banking (Liquidity) Rules.

Capital Adequacy Ratio (CAR):

Total capital ratio is computed on the consolidated basis which comprises the positions of local offices, overseas branches and designated subsidiaries of the Bank specified by the HKMA for its regulatory purposes and in accordance with the Banking (Capital) Rules.

Interest Rate Risk in Banking Book (IRRBB):

The interest rate risk in banking book is computed on consolidated basis which comprises the positions of the Bank’s local offices, overseas branches and designated subsidiaries specified by the HKMA for its regulatory purposes.

2. Key prudential ratios, overview of risk management and RWA

KM1: Key prudential ratios

		At 31 December 2025	At 30 September 2025	At 30 June 2025	At 31 March 2025	At 31 December 2024
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Regulatory capital (amount)						
1 & 1a	Common Equity Tier 1 (CET1)	15,924,087	15,759,903	15,683,942	15,430,627	15,107,186
2 & 2a	Tier 1	17,481,899	17,317,715	17,241,754	16,988,439	16,664,998
3 & 3a	Total capital	20,110,974	19,992,989	19,967,349	19,730,149	19,390,370
RWA (amount)						
4	Total RWA	103,576,476	104,193,225	106,526,165	104,845,736	103,708,573
4a	Total RWA (pre-floor)	103,576,476	104,193,225	106,526,165	104,845,736	N/A
Risk-based regulatory capital ratios (as a percentage of RWA)						
5 & 5a	CET1 ratio (%)	15.37	15.13	14.72	14.72	14.57
5b	CET1 ratio (%) (pre-floor ratio)	15.37	15.13	14.72	14.72	N/A
6 & 6a	Tier 1 ratio (%)	16.88	16.62	16.19	16.20	16.07
6b	Tier 1 ratio (%) (pre-floor ratio)	16.88	16.62	16.19	16.20	N/A
7 & 7a	Total capital ratio (%)	19.42	19.19	18.74	18.82	18.70
7b	Total capital ratio (%) (pre-floor ratio)	19.42	19.19	18.74	18.82	N/A
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.500	2.500	2.500	2.500	2.500
9	Countercyclical capital buffer requirement (%)	0.302	0.287	0.301	0.313	0.312
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	-	-	-	-	-
11	Total AI-specific CET1 buffer requirements (%)	2.802	2.787	2.801	2.813	2.812
12	CET1 available after meeting the AI's minimum capital requirements (%)	10.874	10.621	10.186	10.203	10.067
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	190,455,811	185,747,630	189,379,207	176,932,911	181,517,049
13a	LR exposure measure based on mean values of gross assets of SFTs	185,128,463	183,666,193	187,393,384	176,476,196	N/A
14, 14a & 14b	LR (%)	9.18	9.32	9.10	9.60	9.18
14c & 14d	LR (%) based on mean values of gross assets of SFTs	9.44	9.43	9.19	9.63	N/A
Liquidity Coverage Ratio (LCR)						
15	Total high quality liquid assets (HQLA)	23,089,230	20,352,069	21,978,465	22,011,964	20,993,321
16	Total net cash outflows	12,968,065	10,860,467	9,858,584	9,993,438	11,900,742
17	LCR (%)	179.85	191.27	232.03	231.61	178.75
Net Stable Funding Ratio (NSFR)						
18	Total available stable funding	123,140,467	122,868,901	128,654,215	127,163,520	122,979,135
19	Total required stable funding	93,670,166	96,331,160	98,650,689	93,374,937	94,177,393
20	NSFR (%)	131.46	127.55	130.41	136.19	130.58

2. Key prudential ratios, overview of risk management and RWA (continued)

OVA: Overview of risk management

- (a) The Group believes that sound risk management is crucial to the success of any corporation. In daily operations, the Group attaches high degree of importance to risk management and emphasizes that an appropriate balance between the risk taken and the return attained should be maintained. The Group has a robust risk management framework with a comprehensive set of policies and procedures to identify, measure, evaluate, monitor, report and control or mitigate various material risks that may arise on a timely basis. These risk management policies and procedures are regularly reviewed and updated to reflect changes in markets, business strategies and regulatory requirements.

The Group has adopted a set of prudent risk governance arrangements and a strong risk culture, adhering to the principles of effective governance and full compliance. The Group has a defined risk appetite statement approved by the Board, which is consistent with the Group's strategic, business, capital and financial plans, as well as the Group's risk-taking capacity and remuneration system, in order to achieve its development goals and to meet the expectations of its stakeholders. The Group has also put in place appropriate internal control systems, including high level controls covering clear delegation of authority and responsibility, separation of critical functions, as well as controls related to major operational areas, financial accounting, annual budgeting, management reporting and compilation of prudential returns to the regulators, information technology, outsourced activities, compliance with statutory and regulatory requirements, policies, procedures and limits.

- (b) The Group has followed the guidelines as set out in the Supervisory Policy Manual CG-1 "Corporate Governance of Locally Incorporated Authorised Institutions" issued by the HKMA. The Group is committed to maintaining sound corporate governance standards and considers such commitment essential in balancing the interests of shareholders, customers and employees; and in upholding accountability and transparency.

The Board, representing the interests of shareholders, is the core of The Group's corporate governance framework. The Board is the highest decision-making authority of The Group and has the ultimate responsibility for the oversight of risk management.

The Board, assisted by its standing specialized Risk Management Committee ("RC"), is responsible for determining the Group's overall risk management strategy, ensuring that the Group has an effective risk management system and monitoring the implementation of risk management strategies.

The Board authorizes Senior Management to implement the business strategies, risk appetite and policies as approved by the Board. Senior Management is responsible and accountable for the day-to-day operations of the Group and reports to the Board.

2. Key prudential ratios, overview of risk management and RWA (continued)

OVA: Overview of risk management (continued)

(b) *(continued)*

The Chief Executive is responsible for leading the whole Management to implement significant policies and business development strategies adopted by the Board.

The Chief Risk Officer is responsible for the Group's overall risk management and has a direct reporting line to the Group's Chief Executive, and reports to the Board or its Risk Management Committee regularly and whenever necessary on risk management issues.

Four committees have been established at the Board level to oversee various major areas: Bank's financial performance, risk management, long-term development and matters relating to the remuneration, appointment and removal. The details on the four committees are set out on pages 18-21 of 2025 Annual Report.

(c) Risk management culture is the common belief within the organization about risk awareness, risk-taking and risk management philosophy, vision, values, norms, attitudes and behaviors. The Group advocates proper standards of ethics in conducting its affairs with a high degree of integrity. The core ethical values include but not limited to honesty, integrity, diligence, fairness, responsible citizenship and accountability. The Group develops various codes of conduct and has sound management systems in place to enforce them. The standards of conduct are laid down in its risk management policies, and other operating principles and guidelines. All staff members are required to comply with these standards, when conducting their businesses.

The Group advocates that risk management is the responsibility of every staff. The Group seeks to encourage staff members to continue enhancing and strengthening their knowledge and skills in risk management. The Group makes use of appropriate training programs, remuneration, incentive, reward and penalty schemes, assessment and feedback mechanism to guide and drive staff to conduct business in a responsible, honest, practical and proper manner.

(d) The Group employs effective methodologies and tools for the measurement of various types of risk. The Group adopts different methods or models to measure each type of risk in accordance with the nature, scale and complexity of its business activities and business needs, etc.

(e) The Group has developed management information systems with adequate technological support and processing capacity to effectively capture, aggregate and report on the risks of major business activities within the Group. The comprehensive risk management information systems are capable to provide regular and sufficiently detailed reports for the Board and Senior Management and the HKMA, to facilitate their continuous monitoring of the risk profile of the Group as well as the implementation of risk management policies (especially exceptions).

2. Key prudential ratios, overview of risk management and RWA (continued)

OVA: Overview of risk management (continued)

- (f) Stress testing is an integral part of the Group's risk management. The Group regularly performs stress-tests on the principal risks, where appropriate, covering the Group's major portfolios such as lending and investments. Various stress testing methodologies and techniques including sensitivity tests, scenario analyses and reverse stress testing are adopted to assess the potential impact of stressed business conditions arising from extreme but plausible market or macroeconomic movements (such as Hong Kong and Mainland China Economic Slowdown, the increase of Fed fund target rate by the FOMC and the increase of CNY interbank offered rate in Mainland China) on the Group's financial positions, in particular, capital adequacy, profitability, and liquidity. Stress testing enables us to identify potentially risky portfolio segments as well as inherent systematic risks. Every stress test is documented and the stress testing results are reported to relevant committees. According to the stress testing result, whenever necessary, the Group will develop and execute action plan to mitigate potential impacts.

The result of stress testing will be used in the Internal Capital Adequacy Assessment Process ("ICAAP") and the Capital Plan process in order to align the capital requirement of our business strategy to our Risk Appetite.

The Asset and Liability Management Committee ("ALCO") monitors the results against the key risk limits approved by the RC. Financial Management Department reports the combined stress test results of the Group to the Board and RC regularly.

- (g) Credit Risk

The Group strives to obtain legally enforceable collaterals and guarantee as one of the measures to mitigate credit risk, and has formulated relevant policies and procedures to monitor the value of collateral and creditability of the guarantors effectively. Details on credit risk mitigation are set out on Note 4.1 to the Consolidated Financial Statements.

Market Risk

Risk Management Department is mainly responsible for managing market risk, 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 ensuring that the aggregate and individual market risks are within acceptable levels. For details of the Group's Market Risk Management, please refer to Note 4.2 to the Consolidated Financial Statements.

Interest Rate Risk

Financial Management Department is responsible for interest rate risk management. Its roles include formulation of management policies, selection of methodologies, setting of risk indicators and limits, assessment of targeted balance sheet, monitoring of the compliance with policies and limits, and submission of interest rate risk management reports to the senior management and the RC, etc. For details of the Group's Interest Rate Risk Management, please refer to Note 4.2 to the Consolidated Financial Statements.

2. Key prudential ratios, overview of risk management and RWA (continued)

OVA: Overview of risk management (continued)

(g) *(continued)*

Liquidity Risk

Financial Management Department is responsible for overseeing the Group's liquidity risk. It cooperates with Financial Markets Department to assist the ALCO to perform liquidity management functions according to their specific responsibilities. The Group has established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on daily basis. For details of the Group's Liquidity Risk Management, please refer to Note 4.3 to the Consolidated Financial Statements.

Operational Risk

Operational and Reputation Risk Management Division under Legal and Compliance Department is responsible for managing the Group's operational risk. The Group has established an effective operational risk management framework to identify, assess, monitor and control the operational risks inherent in business activities and products, as well as purchase of insurance to mitigate unforeseeable operational risks.

To ensure operational risks are under proper monitoring, the Group has maintained a centralized operational risk management system which captured operational risk incidents submitted by the business and support units. The overall operational risk position will be reported to the Management and the RC on a regular or need basis.

Legal and Compliance Risk

Compliance Management Division under Legal and Compliance Department is responsible for Legal and Compliance risk. To mitigate legal risk, the Group has maintained a list of recognized local law firms and they are covered by sufficient insured amount of the professional indemnity insurance. Insofar as compliance risk is concerned, the Group has implemented appropriate internal policies, procedures and control measures to mitigate the risk of failure to comply with all applicable laws and regulations.

2. Key prudential ratios, overview of risk management and RWA (continued)

OV1: Overview of RWA

		RWA		Minimum capital requirements
		At 31 December 2025	At 30 September 2025	At 31 December 2025
		HK\$'000	HK\$'000	HK\$'000
1	Credit risk for non-securitization exposures	95,701,710	96,729,450	7,656,137
2	Of which STC approach	95,701,710	96,729,450	7,656,137
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
5a	Of which retail IRB approach	-	-	-
5b	Of which specific risk-weight approach	-	-	-
6	Counterparty credit risk and default fund contributions	240,738	575,694	19,259
7	Of which SA-CCR approach	106,905	139,922	8,552
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	133,833	435,772	10,707
10	CVA risk	129,063	198,988	10,325
11	Equity positions in banking book under the simple risk-weight method and internal models method	N/A	N/A	N/A
12	Collective investment scheme ("CIS") exposures – look-through approach / third-party approach	-	-	-
13	CIS exposures – mandate-based approach	-	-	-
14	CIS exposures – fall-back approach	-	-	-
14a	CIS exposures – combination of approaches	-	-	-
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	2,858,425	2,063,913	228,674
21	Of which STM approach	2,858,425	2,063,913	228,674
22	Of which IMA	-	-	-
22a	Of which SSTM approach	-	-	-
23	Capital charge for moving exposures between trading book and banking book	N/A	N/A	N/A
24	Operational risk	4,485,675	4,375,163	358,854
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	684,543	853,845	54,763
26	Output floor level applied	N/A	N/A	N/A
27	Floor adjustment (before application of transitional cap)	N/A	N/A	N/A
28	Floor adjustment (after application of transitional cap)	N/A	N/A	N/A
28a	Deduction to RWA	523,678	603,828	41,894
28b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
28c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	523,678	603,828	41,894
29	Total	103,576,476	104,193,225	8,286,118

3. Linkages between financial statements and regulatory exposures

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

The following table shows the differences between the carrying values as reported in the Group's financial statements following the scope of accounting consolidation and the carrying values under the scope of regulatory consolidation, with a breakdown into regulatory risk categories of every item of the assets and liabilities reported in financial statements based on the scope of accounting consolidation.

	At 31 December 2025							
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:					not subject to capital requirements or subject to deduction from capital
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Assets								
Cash and balances with banks and other financial institutions	24,060,208	24,034,382	24,034,382	-	-	-	-	
Placements with banks and other financial institutions maturing between one and twelve months	6,138,701	6,138,701	651,701	5,487,000	-	-	-	
Derivative financial instruments	33,689	33,689	-	2,301	-	33,689	31,388	
Advances to customers and trade bills	79,438,932	79,438,932	79,438,932	-	-	-	-	
Investment in securities	73,194,694	72,800,679	68,055,805	6,268,638	-	4,744,874	-	
Investment in subsidiaries	-	239,046	239,046	-	-	-	-	
Amount due from subsidiaries	-	206,439	206,439	-	-	-	-	
Investment properties	2,041,694	2,041,694	2,041,694	-	-	-	-	
Properties, plant and equipment	1,739,426	1,739,365	1,739,365	-	-	-	-	
Current tax assets	4,623	4,623	4,623	-	-	-	-	
Deferred tax assets	50,138	40,539	-	-	-	-	40,539	
Other assets	1,039,359	1,033,308	1,033,308	-	-	-	-	
Total assets	187,741,464	187,751,397	177,445,295	11,757,939	-	4,778,563	71,927	

3. Linkages between financial statements and regulatory exposures (continued)

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (continued)

	At 31 December 2025							
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:					not subject to capital requirements or subject to deduction from capital
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Liabilities								
Deposits and balances from banks and other financial institutions	15,775,922	15,775,922	-	-	-	-	15,775,922	
Derivative financial instruments	371,889	371,889	-	357,449	-	371,889	14,440	
Deposits from customers	147,118,289	147,157,227	-	-	-	-	147,157,227	
Other accounts and provisions	3,233,957	3,232,804	-	-	-	-	3,232,804	
Current tax liabilities	58,864	58,683	-	-	-	-	58,683	
Deferred tax liabilities	198,239	197,997	-	-	-	-	197,997	
Debt securities and certificates of deposit in issue	2,194,276	2,194,276	-	-	-	-	2,194,276	
Total liabilities	168,951,436	168,988,798	-	357,449	-	371,889	168,631,349	

The amounts shown in the column 'Carrying values under scope of regulatory consolidation' do not equal the sum of the amounts shown in the remaining columns of this table for line items 'Derivative financial instruments', as the assets and liabilities included in these items are subject to regulatory capital charges for both CCR and market risk.

3. Linkages between financial statements and regulatory exposures (continued)

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		At 31 December 2025				
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Asset carrying value amount under scope of regulatory consolidation (as per Template LI1)	187,679,470	177,445,295	-	11,757,939	4,778,563
2	Liabilities carrying value amount under regulatory scope of consolidation (as per Template LI1)	357,449	-	-	357,449	371,889
3	Total net amount under regulatory scope of consolidation	187,322,021	177,445,295	-	11,400,490	4,406,674
4	Off-balance sheet amounts	12,830,907	2,106,235	-	-	-
5	Differences due to consideration of default risk exposures under SA-CCR approach	308,254	-	-	308,254	-
6	Differences due to consideration of provisions	352,574	352,574	-	-	-
7	Differences due to CRM	(14,289,800)	(3,240,420)	-	(11,049,380)	-
8	Exposure amounts considered for regulatory purposes	186,523,956	176,663,684	-	659,364	4,406,674

3. Linkages between financial statements and regulatory exposures (continued)

LIA: Explanations of differences between accounting and regulatory exposure amounts

- (a) Differences between the amounts of ‘Carrying values as reported in published financial statements’ and ‘Carrying values under scope of regulatory consolidation’ in template LI1 is due to the difference between basic of consolidation of regulatory purpose and accounting purpose. The combined basis for regulatory purposes comprises the positions of the Group’s local offices, overseas branches and designated subsidiaries specified by the HKMA for its regulatory purposes and in accordance with the Banking (Capital) Rules. For accounting purposes, subsidiaries are consolidated in accordance with HKFRSs and the list of subsidiaries is set out in Note 43 to the Consolidated Financial Statements. Subsidiaries not included in consolidation for regulatory purposes can be referred to ‘Basis of regulatory combination’ under Unaudited Supplementary Financial Information 5.1 of 2025 Annual Report.
- (b) The main drivers for the differences between accounting values and amounts considered for regulatory purposes shown in template LI2 are as follow:
- (i) The exposure amounts for regulatory purposes are after the adjustment for the capital effect of recognised credit risk mitigation.
 - (ii) Off-balance sheet amounts subject to credit risk frameworks include contingent liabilities and commitments, by applying a credit conversion factor (‘CCF’) to these items.
 - (iii) Consideration of potential future exposures (‘PFE’) for counterparty credit risk.
 - (iv) The carrying value reported in the financial statement is net of all stages of impairment allowances while regulatory exposure amount is net of stage 3 of impairment allowances only. Stage 1 and 2 of impairment allowances is included in Tier 2 capital for regulatory capital purposes.
- (c) The Group has an established controls framework to ensure that fair values are either determined or validated by control units independent of the front offices. 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.

The Group chooses appropriate valuation methodologies in corresponding to the nature, position and complexity of treasury products and derivatives. They can be classified into marking-to-market and marking-to-model. Marking-to-market is valuation of positions by adopting readily available and observable close out prices in the market. If market quotation is not available, marking-to-model should be adopted. Marking-to-model is valuation which has to be benchmarked, extrapolated or otherwise derived from market data inputs.

On top of accounting valuation, the Group conducts liquidity risk adjustments for risk management and regulatory capital adequacy purpose in order to arrive at a prudent value. The appropriateness of the valuation adjustments is reviewed regularly.

3. Linkages between financial statements and regulatory exposures (continued)

PV1: Prudent valuation adjustments

		At 31 December 2025							
		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Close-out uncertainty, of which:	-	1,219	-	-	-	1,219	-	1,219
2	<i>Mid-market value</i>	-	-	-	-	-	-	-	-
3	<i>Close-out costs</i>	-	-	-	-	-	-	-	-
4	<i>Concentration</i>	-	1,219	-	-	-	1,219	-	1,219
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risks	-	-	-	-	-	-	-	-
8	Investing and funding costs							-	
9	Unearned credit spreads							-	
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other adjustments	-	-	-	-	-	-	-	-
12	Total adjustments	-	1,219	-	-	-	1,219	-	1,219

4. Composition of regulatory capital

CC1: Composition of regulatory capital

		At 31 December 2025	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
			HK\$'000
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	6,577,871	(2)
2	Retained earnings	9,569,958	(3)
3	Disclosed reserves	1,056,958	(5)+(6)+(7)+(8)
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	CET1 capital before regulatory adjustments	17,204,787	
CET1 capital: regulatory deductions			
7	Valuation adjustments	1,219	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	-	
10	Deferred tax assets (net of associated deferred tax liabilities)	40,539	(1)
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable

4. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 31 December 2025	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
			HK\$'000
CET1 capital: regulatory deductions (continued)			
26	National specific regulatory adjustments applied to CET1 capital	1,238,942	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	952,141	(4) + (5)
26b	Regulatory reserve for general banking risks	286,801	(7)
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	Total regulatory deductions to CET1 capital	1,280,700	
29	CET1 capital	15,924,087	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	1,557,812	(11)
31	of which: classified as equity under applicable accounting standards	1,557,812	
32	of which: classified as liabilities under applicable accounting standards	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
36	AT1 capital before regulatory deductions	1,557,812	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	1,557,812	
45	Tier 1 capital (T1 = CET1 + AT1)	17,481,899	

4. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 31 December 2025	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		HK\$'000	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	1,549,977	(12)
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	650,635	
51	Tier 2 capital before regulatory deductions	2,200,612	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	(428,463)	
56a	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	(428,463)	[(4) + (5)]*45%
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within BCR§48(1)(g)	-	
57	Total regulatory adjustments to Tier 2 capital	(428,463)	
58	Tier 2 capital (T2)	2,629,075	
59	Total regulatory capital (TC = T1 + T2)	20,110,974	
60	Total RWA	103,576,476	

4. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

		At 31 December 2025	
		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		HK\$'000	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	15.37%	
62	Tier 1 capital ratio	16.88%	
63	Total capital ratio	19.42%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	2.802%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.302%	
67	of which: higher loss absorbency requirement	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	10.874%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	390,982	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	239,046	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	650,635	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	1,207,837	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	-	

4. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

	Description	Hong Kong basis	Basel III basis
		HK\$'000	HK\$'000
9	Other intangible assets (net of associated deferred tax liabilities)	-	-
	<u>Explanation</u> As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	Deferred tax assets (net of associated deferred tax liabilities)	40,539	-
	<u>Explanation</u> As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	<u>Explanation</u> For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

4. Composition of regulatory capital (continued)

CC1: Composition of regulatory capital (continued)

	Description	Hong Kong basis	Basel III basis
		HK\$'000	HK\$'000
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	<u>Explanation</u> For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
	<u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	-
	<u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
Remarks: The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.			

4. Composition of regulatory capital (continued)

CC2: Reconciliation of regulatory capital to balance sheet

	At 31 December 2025		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	HK\$'000	HK\$'000	
Assets			
Cash and balances with banks and other financial institutions	24,060,208	24,034,382	
Placements with banks and other financial institutions maturing between one and twelve months	6,138,701	6,138,701	
Derivative financial instruments	33,689	33,689	
Advances to customers and trade bills	79,438,932	79,438,932	
Investment in securities	73,194,694	72,800,679	
Investment in subsidiaries	-	239,046	
Amount due from subsidiaries	-	206,439	
Investment properties	2,041,694	2,041,694	
Properties, plant and equipment	1,739,426	1,739,365	
Current tax assets	4,623	4,623	
Deferred tax assets	50,138	40,539	(1)
Other assets	1,039,359	1,033,308	
Total assets	187,741,464	187,751,397	
Liabilities			
Deposits and balances from banks and other financial institutions	15,775,922	15,775,922	
Derivative financial instruments	371,889	371,889	
Deposits from customers	147,118,289	147,157,227	
Other accounts and provisions	3,233,957	3,232,804	
Current tax liabilities	58,864	58,683	
Deferred tax liabilities	198,239	197,997	
Debt securities and certificates of deposit in issue	2,194,276	2,194,276	
<i>of which: included in Tier 2 capital</i>	-	1,549,977	(12)
Total liabilities	168,951,436	168,988,798	
Shareholders' equity			
Share capital	6,577,871	6,577,871	(2)
Reserves	10,654,345	10,626,916	
Premises revaluation reserve	957,130	957,130	(5)
Fair value reserve	(125,767)	(82,151)	(6)
Regulatory reserve	286,801	286,801	(7)
Translation reserve	(123,513)	(104,822)	(8)
Retained earnings	9,659,694	9,569,958	(3)
<i>of which: cumulative fair value gains arising from the revaluation of investment properties</i>	-	(4,989)	(4)
Additional equity instruments	1,557,812	1,557,812	(11)
<i>of which: included in AT1 capital</i>	-	1,557,812	
Total equity	18,790,028	18,762,599	
Total liabilities and equity	187,741,464	187,751,397	

4. Composition of regulatory capital (continued)

CCA: Main features of regulatory capital instruments

		CET1 Capital Ordinary shares	USD Non-Cumulative Subordinated Additional Tier 1 Capital Securities	USD Tier 2 Capital Subordinated notes
1	Issuer	Chiyu Banking Corporation Limited	Chiyu Banking Corporation Limited	Chiyu Banking Corporation Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	XS2543377068	XS2460522555
3	Governing law(s) of the instrument	Hong Kong law	The Capital Securities are governed by and shall be construed in accordance with English Law, except that the subordination provisions are governed by and shall be construed in accordance with Hong Kong law.	The Capital Securities are governed by and shall be construed in accordance with English Law, except that the subordination provisions are governed by and shall be construed in accordance with Hong Kong law
	<i>Regulatory treatment</i>			
4	Transitional Basel III rules	Not applicable	Not applicable	Not applicable
5	Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2
6	Eligible at solo / group / solo and group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Additional Tier 1 capital instruments	Subordinated Tier 2 Bonds
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$6,578m (as of 31 December 2025)	HK\$1,558m (as of 31 December 2025)	HK\$1,550m (as of 31 December 2025)
9	Par value of instrument	No par value (refer to Note 1 for details)	US\$200m	US\$200m
10	Accounting classification	Shareholders' equity	Equity instruments	Liability – amortised cost
11	Original date of issuance	10 July 1947 (refer to Note 2 for details)	26 October 2022	7 April 2022
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	No maturity	Not applicable	7 April 2032
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	First call date: 26 October 2027 (Redemption in whole at 100%)	First call date: 4 April 2027 (Redemption in whole at 100%)
16	Subsequent call dates, if applicable	Not applicable	Any distribution payment date thereafter	Any Interest Payment Date thereafter
	<i>Dividend / coupon</i>			
17	Fixed or floating dividend / coupon	Floating	Fixed	Fixed

4. Composition of regulatory capital (continued)

CCA: Main features of regulatory capital instruments (continued)

		CET1 Capital Ordinary shares	USD Non-Cumulative Subordinated Additional Tier 1 Capital Securities	USD Tier 2 Capital Subordinated notes
18	Coupon rate and any related index	Not applicable	Year 1-5: 8.00% per annum payable semi-annually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year US Treasury rate plus a fixed initial spread	Year 1 - 5: 5.75% per annum payable semi-annually in arrear; Year 5 onwards: resets on year 5 at the then-prevailing 5-year U.S. Treasury rate plus a fixed initial spread
19	Existence of a dividend stopper	No	Yes	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Mandatory
21	Existence of step-up or other incentive to redeem	No	No	No
22	Non-cumulative or cumulative	Noncumulative	Noncumulative	Not applicable
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
30	Write-down feature	No	Yes	Yes
31	If write-down, write-down trigger(s)	Not applicable	Upon the occurrence of a Non-Viability Event	Upon the occurrence of a Non-Viability Event
32	If write-down, full or partial	Not applicable	Full or Partial	Full or Partial
33	If write-down, permanent or temporary	Not applicable	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not Applicable	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Not applicable	Depositors, bank's unsubordinated creditors, creditors of Tier 2 capital and all other subordinated indebtedness of the bank stated to rank senior to the Capital Securities.	All unsubordinated creditors of the bank (including its depositors), and all other subordinated creditors of the bank whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract

4. Composition of regulatory capital (continued)

CCA: Main features of regulatory capital instruments (continued)

		CET1 Capital Ordinary shares	USD Non-Cumulative Subordinated Additional Tier 1 Capital Securities	USD Tier 2 Capital Subordinated notes
36	Non-compliant transitioned features	Not applicable	Not Applicable	Not Applicable
37	If yes, specify non-compliant features	Not applicable	Not Applicable	Not Applicable

Note 1: Pursuant to the Hong Kong Companies Ordinance (Chapter 622) which has commenced operation on 3 March 2014, all shares issued by a company incorporated in Hong Kong before, on and after that commencement date shall have no par value and the relevant concept of authorised share capital is abolished.

Note 2:

- Several issuance of ordinary share had been made since the first issuance. Last issuance was on 28 December 2020.
- The concepts of par value for shares and authorised share capital have been abolished following the commencement of the Hong Kong Companies Ordinance (Chapter 622) as mentioned in Note 1.

5. Macroprudential supervisory measures

CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer

	Geographical breakdown by Jurisdiction (J)	At 31 December 2025			
		Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		%	HK\$'000	%	HK\$'000
1	Hong Kong SAR	0.500%	42,953,760		
2	Australia	1.000%	215,575		
3	Ireland	1.500%	189,058		
4	Netherlands	2.000%	164,498		
5	South Korea	1.000%	116,528		
6	United Kingdom	2.000%	10,189		
	Sum		43,649,608		
	Total		74,293,912	0.302%	312,905

The sum of RWAs represents the private sector credit exposures in jurisdictions with a non-zero countercyclical buffer rate.

The total RWAs used in the computation of the CCyB ratio represents the total RWAs for the private sector credit exposures in all jurisdictions to which the Group is exposed, including jurisdictions with no countercyclical buffer rate or with a countercyclical buffer rate set at zero. The CCyB amount represents the Group's total RWAs multiplied by the Group's specific CCyB ratio.

6. Leverage ratio

LR1: Summary comparison of accounting assets against leverage ratio exposure measure

	Item	At 31 December 2025
		Value under the LR framework
		HK\$'000
1	Total consolidated assets as per published financial statements	187,741,464
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	9,933
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves	Not applicable
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative contracts	554,447
9	Adjustment for SFTs (i.e. repos and similar secured lending)	215,500
10	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	3,226,478
11	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from LR exposure measure	(11,311)
12	Other adjustments	(1,280,700)
13	Leverage ratio exposure measure	190,455,811

7. Leverage ratio (continued)

LR2: Leverage ratio

		At 31 December 2025	At 30 September 2025
		HK\$'000	HK\$'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivative contracts and SFTs, but including related on-balance sheet collateral)	177,175,809	177,322,831
2	Gross-up for derivative contracts collateral provided where deducted from balance sheet assets pursuant to the applicable accounting standard	-	-
3	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	(171,940)	-
4	Less: Adjustment for securities received under SFTs that are recognised as an asset	-	-
5	Less: Specific and collective provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital	(966,852)	(1,377,253)
6	Less: Asset amounts deducted in determining Tier 1 capital	(1,280,700)	(1,430,394)
7	Total on-balance sheet exposures (excluding derivative contracts and SFTs) (sum of rows 1 to 6)	174,756,317	174,515,184
Exposures arising from derivative contracts			
8	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	243,938	20,171
9	Add-on amounts for PFE associated with all derivative contracts	484,750	458,292
10	Less: Exempted CCP leg of client-cleared trade exposures	-	-
11	Adjusted effective notional amount of written credit-related derivative contracts	-	-
12	Less: Permitted reductions in effective notional amount and permitted deductions from add-on amounts for PFE of written credit-related derivative contracts	-	-
13	Total exposures arising from derivative contracts (sum of rows 8 to 12)	728,688	478,463
Exposures arising from SFTs			
14	Gross amount of SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	11,540,139	7,200,739
15	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
16	CCR exposure for SFT assets	215,500	259,334
17	Agent transaction exposures	-	-
18	Total exposures arising from SFTs (sum of rows 14 to 17)	11,755,639	7,460,073
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	12,830,907	14,604,436
20	Less: Adjustments for conversion to credit equivalent amounts	(9,604,429)	(11,302,844)
21	Less: Specific and collective provisions associated with off-balance sheet exposures that are deducted from Tier 1 capital	(11,311)	(7,682)
22	Off-balance sheet items (sum of rows 19 to 21)	3,215,167	3,293,910
Capital and total exposures			
23	Tier 1 capital	17,481,899	17,317,715
24	Total exposures (sum of rows 7, 13, 18 and 22)	190,455,811	185,747,630
Leverage ratio			
25 & 25a	Leverage ratio	9.18%	9.32%

6. Leverage ratio (continued)

LR2: Leverage ratio (continued)

		At 31 December 2025	At 30 September 2025
		HK\$'000	HK\$'000
26	Minimum leverage ratio requirement	3.00%	3.00%
27	Applicable leverage buffers	Not applicable	Not applicable
Disclosure of mean values			
28	Mean value of gross SFTs, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	6,212,791	5,119,302
29	Quarter-end value of gross SFTs, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	11,540,139	7,200,739
30 & 30a	Total exposures based on mean values from row 28 of gross SFTs (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables)	185,128,463	183,666,193
31 & 31a	Leverage ratio based on mean values from row 28 of gross SFTs (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables)	9.44%	9.43%

7. Liquidity

LIQA: Liquidity risk management

Liquidity risk is the risk that banks fail to provide sufficient funds to grow assets or pay due obligations, and need to bear an unacceptable loss. The Group maintains sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances or stressed scenarios; and to survive with net positive cumulative cash flow in extreme scenarios, without requesting the HKMA to act as the Contingent Term Facility.

The Group's risk management governance structure is designed to cover all business processes and ensures 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 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. 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 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 various types of risks, approving Level I risk management policies and monitoring their implementation, reviewing significant or high risk exposures or transactions (other than credit transactions) and exercising its power of veto if it considers that any transaction should not proceed.

The RC is the decision-making authority of liquidity risk management, and assumes the ultimate responsibility of liquidity risk management. As authorised by RC, ALCO exercises its oversight of liquidity risk and ensures the daily operations of the Group are in accordance with risk appetite and policies as set by Board of Directors. FMD is responsible for overseeing the Group's liquidity risk. It cooperates with Financial Markets Department to assist the ALCO to perform liquidity management functions according to their specific responsibilities.

The Group established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on 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 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 monthly basis to assess the Group's capability to withstand various severe liquidity crises. Also, relevant management information systems such as Assets and Liabilities Management System and Basel Liquidity Ratio Management System are developed to provide data and the preparation for regular management reports to facilitate liquidity risk management duties.

7. Liquidity (continued)

LIQA: Liquidity risk management (continued)

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 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 contractual maturity date and the assumptions of customer behaviour and balance sheet changes. The Group establishes 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 operation. As at 31 December 2025, before taking the cash inflow through the sale of outstanding marketable securities into consideration, the Group’s 30-day cumulative cash flow was a net cash inflow, amounting to HK\$11,140,069,000 (2024: HK\$6,977,623,000) and was in compliance with the internal limit requirements.

In the liquidity stress test, institution specific, general market crisis and combined crisis scenario has been set up, 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. 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 various departments. Where necessary, in order to mitigate liquidity risk, the Group could take different mitigation actions which include, but are not limited to sales of bonds in the secondary market, funding from interbank market or repo in the money market, attracting new deposits and keeping the core deposit.

The Group is committed to diversify the use of funds and sources and tenors of funding to avoid excessive concentration of assets and liabilities and prevent triggering liquidity risk due to the break of funding strand when problem occurred in one concentrated funding source. The group sets concentration limits on collateral pools and sources of funding which include, but are not limited to top ten depositors ratio, large depositors ratio and funding from the interbank market ratio and high- quality collateral ratio.

As the Group efforts to manage the LCR and NSFR effectively, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market to ensure stable, sufficient and diversified source of funds. In 2025, the average LCR of the fourth quarters was 179.85%. Also, the NSFR of the fourth quarter of 2025 was 131.46%.

The Group has established intra-group liquidity risk management guideline to manage the liquidity funding among different entities within the Group, and to restrict their reliance of funding on each other. As at 31 December 2025, the aggregate sums of amounts from Subsidiaries and Mainland branch of the Group arising from transactions entered into during the normal course of business at commercial terms are HK\$5,306,076,000.

7. Liquidity (continued)

LIQA: Liquidity risk management (continued)

As a majority of the Group's liquidity risk arises from the maturity mismatch gap between the Group's asset and liability portfolios, the Group manages liquidity risk by conducting cash flow analysis and projections through the regular use of the Group's management information system. These are carried out on a regular basis to identify funding needs arising from on and off-balance sheet items in a specific time frame over a set of time horizons.

The Group's analysis of on- and off-balance sheet items by remaining maturity and the resultant liquidity gaps as at 31 December 2025 is shown as follows:

	2025							Total HK\$'000
	On demand HK\$'000	Indefinite HK\$'000	Up to 1 month HK\$'000	1 to 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Assets								
Cash and balances with banks and other financial institutions	9,697,428	1,066,460	13,296,320	-	-	-	-	24,060,208
Placements with banks and other financial institutions maturing between one and twelve months	-	-	-	2,466,744	3,671,957	-	-	6,138,701
Derivative financial instruments	31,388	-	1,029	1,272	-	-	-	33,689
Advances to customers and trade bills	2,344,798	-	12,335,473	5,239,417	27,952,733	20,309,750	11,256,761	79,438,932
Investment in securities								
– securities mandatorily measured at FVTPL	1,452	820,272	449,667	2,754,392	1,347,247	237,240	8,218	5,618,488
– securities at FVOCI	218,245	494,573	2,032,332	6,137,810	22,657,646	25,889,622	4,062,798	61,493,026
– securities at amortised cost	-	-	17,894	47,877	4,366,682	1,683,074	-	6,115,527
Investment properties	-	2,041,694	-	-	-	-	-	2,041,694
Properties, plant and equipment	-	1,739,426	-	-	-	-	-	1,739,426
Other assets (including deferred tax assets)	513,219	50,137	501,786	5,709	12,802	9,201	1,266	1,094,120
Total assets	12,806,530	6,212,562	28,634,501	16,653,221	60,009,067	48,128,887	15,329,043	187,773,811
Liabilities								
Deposits and balances from banks and other financial institutions	(191,978)	-	(10,108,925)	(4,169,177)	(1,305,842)	-	-	(15,775,922)
Derivative financial instruments	(14,440)	-	(88,613)	(125,806)	(143,030)	-	-	(371,889)
Deposits from customers	(42,537,722)	-	(34,129,330)	(53,447,846)	(16,507,020)	(496,371)	-	(147,118,289)
Other accounts and provisions (including current and deferred tax liabilities)	(629,452)	(229,853)	(1,952,789)	(96,084)	(440,222)	(141,204)	(1,456)	(3,491,060)
Debt securities and certificates of deposit in issue	-	-	(556,779)	(66,634)	(20,886)	-	(1,549,977)	(2,194,276)
Total liabilities	(43,373,592)	(229,853)	(46,836,436)	(57,905,547)	(18,417,000)	(637,575)	(1,551,433)	(168,951,436)
Net liquidity gap	(30,567,062)	5,982,709	(18,201,935)	(41,252,326)	41,592,067	47,491,312	13,777,610	18,822,375
Total off-balance sheet obligations	-	-	1,031,875	1,772,350	5,615,346	4,405,150	6,185	12,830,906

7. Liquidity (continued)

LIQ1: Liquidity Coverage Ratio

Number of data points used in calculating the average value of the LCR and related components set out in this template		For the quarter ended 31 December 2025: 74 data points	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: consolidated		HK\$'000	HK\$'000
A. HQLA			
1	Total HQLA		23,089,230
B. Cash outflows			
2	Retail deposits and small business funding, of which:	92,676,545	5,777,229
3	<i>Stable retail deposits and stable small business funding</i>	13,434,252	403,028
4	<i>Less stable retail deposits and less stable small business funding</i>	27,945,957	2,794,596
4a	<i>Retail term deposits and small business term funding</i>	51,296,336	2,579,605
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	27,809,338	17,805,189
6	<i>Operational deposits</i>	2,253,294	524,772
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	25,460,897	17,185,270
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	95,147	95,147
9	Secured funding transactions (including securities swap transactions)		107,272
10	Additional requirements, of which:	13,652,360	2,322,052
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	234,918	234,918
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	13,417,442	2,087,134
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,559,638	2,559,638
15	Other contingent funding obligations (whether contractual or non-contractual)	222,568	9,967
16	Total Cash Outflows		28,581,347
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	2,175,062	2,175,062
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	14,149,271	11,506,865
19	Other cash inflows	1,932,289	1,931,355
20	Total Cash Inflows	18,256,622	15,613,282
D. Liquidity Coverage Ratio			
21	Total HQLA		23,089,230
22	Total Net Cash Outflows		12,968,065
23	LCR (%)		179.85%

7. Liquidity (continued)

LIQ1: Liquidity Coverage Ratio (continued)

Notes:

- The weighted amount of HQLA is to be calculated as the amount after applying the haircuts as required under the Banking (Liquidity) Rules.
- The unweighted amounts of cash inflows and cash outflows are to be calculated as the principal amounts in the calculation of the LCR as required under the Banking (Liquidity) Rules.
- The weighted amounts of cash inflows and cash outflows are to be calculated as the amounts after applying the inflow and outflow rates as required under the Banking (Liquidity) Rules.
- The adjusted value of total HQLA and the total net cash outflows have taken into account any applicable ceiling as required under the Banking (Liquidity) Rules.

In 2025, the Group has maintained a healthy liquidity position. The LCR was sensitive to the asset deployment and the funding structure of the Group. The average LCR of the first, second, third and fourth quarters were 231.61%, 232.03%, 191.27% and 179.85% respectively. The average HKD level 1 HQLA to HKD net cash outflow ratio of 2025 was 247.14%, well above the regulatory requirement of 20%. The ratios have maintained at stable and healthy levels.

The HQLA consists of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks and non-financial corporate debt securities. In 2025, the majority of the HQLA was composed of Level 1 HQLA.

The net cash outflow was mainly from retail and corporate customer deposit which are the Group's primary source of funds, together with deposit and balance from bank and other financial institution. To ensure stable, sufficient and diversified source of funds, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. Other cash outflow, such as commitment, cash outflow under derivative contract and potential collateral requirement, were minimal to the LCR.

Majority of the Group's customer deposits are denominated in HKD, USD and RMB. As the supply of HKD denominated HQLA in the market is relatively limited, the Group swaps surplus HKD funding into USD and other foreign currencies, part of funding are deployed to investment in HQLA.

7. Liquidity (continued)

LIQ2: Net Stable Funding Ratio

Basis of disclosure: consolidated		At 31 December 2025				
		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
A. Available stable funding ("ASF") item						
1	Capital:	19,177,933	20,886	-	1,549,977	20,727,910
2	Regulatory capital	19,126,270	20,886	-	1,549,977	20,676,247
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	51,663	-	-	-	51,663
4	Retail deposits and small business funding:	-	92,057,720	1,303,331	63,016	85,124,378
5	Stable deposits	-	20,542,040	186,280	1,641	19,693,545
6	Less stable deposits	-	71,515,680	1,117,051	61,375	65,430,833
7	Wholesale funding:	-	66,307,915	3,023,513	433,831	17,288,179
8	Operational deposits	-	2,118,453	-	-	1,059,227
9	Other wholesale funding	-	64,189,462	3,023,513	433,831	16,228,952
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	1,018,109	3,031,241	-	-	-
12	Net derivative liabilities	-	-	-	-	-
13	All other funding and liabilities not included in the above categories	1,018,109	3,031,241	-	-	-
14	Total ASF					123,140,467
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes				35,316,694	2,325,658
16	Deposits held at other financial institutions for operational purposes	-	458,828	-	-	229,414
17	Performing loans and securities:	10,601,420	47,524,201	34,387,752	52,543,449	83,832,620
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	27,822,453	6,138,283	3,917,568	11,160,077
20	Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:	9,956,757	13,711,903	11,492,165	20,703,348	38,559,634
21	With a risk-weight of less than or equal to 35% under the STC approach	-	777,716	641,576	517,447	1,045,987
22	Performing residential mortgages, of which:	-	174,848	170,332	7,798,911	5,241,882
23	With a risk-weight of less than or equal to 35% under the STC approach	-	174,848	170,332	7,798,911	5,241,882
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	644,663	5,814,997	16,586,972	20,123,622	28,871,027
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	6,524,251	816,056	3,469	10,469	6,711,216
27	Physical traded commodities, including gold	133,865	-	-	-	133,865
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	5,000	-	-	-	4,250
29	Net derivative assets	-	-	-	-	-
30	Total derivative liabilities before adjustments for deduction of variation margin posted	199,301	-	-	-	9,965
31	All other assets not included in the above categories	6,186,085	816,056	3,469	10,469	6,563,136
32	Off-balance sheet items				12,830,907	571,258
33	Total RSF					93,670,166
34	Net Stable Funding Ratio (%)					131.46%

7. Liquidity (continued)

LIQ2: Net Stable Funding Ratio (continued)

Basis of disclosure: consolidated		At 30 September 2025				
		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
A. Available stable funding ("ASF") item						
1	Capital:	19,155,533	43,245	-	1,549,300	20,704,833
2	<i>Regulatory capital</i>	19,094,095	43,245	-	1,549,300	20,643,395
2a	<i>Minority interests not covered by row 2</i>	-	-	-	-	-
3	<i>Other capital instruments</i>	61,438	-	-	-	61,438
4	Retail deposits and small business funding:	-	89,185,479	1,618,398	60,552	82,807,907
5	<i>Stable deposits</i>	-	20,247,849	229,477	2,173	19,455,632
6	<i>Less stable deposits</i>	-	68,937,630	1,388,921	58,379	63,352,275
7	Wholesale funding:	-	59,597,460	5,852,242	1,519,294	19,356,161
8	<i>Operational deposits</i>	-	2,688,200	-	-	1,344,100
9	<i>Other wholesale funding</i>	-	56,909,260	5,852,242	1,519,294	18,012,061
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	1,681,909	2,200,250	-	-	-
12	<i>Net derivative liabilities</i>	-	-	-	-	-
13	<i>All other funding and liabilities not included in the above categories</i>	1,681,909	2,200,250	-	-	-
14	Total ASF					122,868,901
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes				29,902,547	2,835,365
16	Deposits held at other financial institutions for operational purposes	-	342,216	-	-	171,108
17	Performing loans and securities:	10,174,965	36,143,399	40,822,594	54,814,504	84,908,054
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	-	-	-	-
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	-	21,812,359	8,526,118	3,706,715	11,241,628
20	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	9,780,110	10,937,546	12,656,338	21,185,200	37,939,565
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	1,545,410	930,222	889,455	1,815,962
22	<i>Performing residential mortgages, of which:</i>	-	174,848	170,332	7,798,911	5,241,882
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	174,848	170,332	7,798,911	5,241,882
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	394,855	3,218,646	19,469,806	22,123,678	30,484,979
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	7,456,162	2,499,729	11,258	8,822	7,754,164
27	<i>Physical traded commodities, including gold</i>	112,276	-	-	-	112,276
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	-	-	-	-	-
29	<i>Net derivative assets</i>	-	-	-	-	-
30	<i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	132,651	-	-	-	6,633
31	<i>All other assets not included in the above categories</i>	7,211,235	2,499,729	11,258	8,822	7,635,255
32	Off-balance sheet items				14,604,431	662,469
33	Total RSF					96,331,160
34	Net Stable Funding Ratio (%)					127.55%

7. Liquidity (continued)

LIQ2: Net Stable Funding Ratio (continued)

Notes:

The above disclosures are made pursuant to the section 16FL and 103AB of Banking (Disclosure) Rules. The items disclosed are measured according to the methodology and instructions set out in the Stable Funding Position Return (MA(BS)26) and the requirements set out in Banking (Liquidity) Rules.

Net Stable Funding Ratio ("NSFR") is defined as the amount of available stable funding ("ASF") relative to the amount of required stable funding ("RSF"). The ratio is calculated after applying the respective ASF or RSF factors required under the Stable Funding Position Return (MA(BS)26). It requires banks to maintain a stable funding profile in relation to the composition of banks' assets and off-balance sheet activities.

The NSFR of the group remained robust and well above the regulatory requirement of 100%. The NSFR of the third quarter and the fourth quarter of 2025 were 127.55% and 131.46% respectively. The weighted amount of ASF items mainly consists of retail deposits. The weighted amount of RSF items mainly consists of loans to customers and investments in debt securities.

8. Interest rate risk in banking book

IRRBB: Interest rate risk in banking book – risk management objectives and policies

- (a) Interest rate risk means the risks to a bank's earnings and economic value arising from movements in interest rate and term structures of the Group's asset and liability positions. The Group's interest rate risk exposures are mainly structural. The major types of interest rate risk from structural positions are gap risk, basis risk and option risk. For details of the Group's Interest Rate Risk Management, please refer to Note 4.2 to the Consolidated Financial Statements.
- (b) The Group sets out interest rate risk indicators and limits to identify, measure, monitor and control interest rate risk. The indicators and limits include, but are not limited to, repricing gap limits, basis risk, price value of a basis point ("PVBP"), net interest income sensitivity ratio ("NII"), economic value sensitivity ratio ("EV"), etc. According to the Group's development strategy, risk appetite, interest rate risk monitor and control procedure, the indicators and limits are classified into different levels, which are approved by the RC, the CEO Executive Meeting, the General Manager of FMD accordingly. Risk-taking business units are required to conduct their business within the boundary of the interest rate risk limits. Before launching a new product or business in the banking book, the relevant departments are required to go through a risk assessment process, which includes the assessment of underlying interest rate risk and consideration of the adequacy of current risk monitoring mechanism. Any material impact on interest rate risk noted during the risk assessment process will be submitted to the RC for approval.
- (c) NII and EV assess the impact of interest rate movement on the Group's net interest income and capital base. They are the Group's key interest rate risk 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 market interest rate) as a percentage to the latest Tier1 capital base. The Group would calculate interest rate risk in banking book ("IRRBB") measures on a monthly basis and submit the regulatory reports on a quarterly basis. Limits are set by the RC on these two indicators to monitor and control the Group's IRRBB.
- (d) The Group appropriately adjusts the interest rate repricing structure, the pricing method and pricing level at opportune time to facilitate the business development in order to align with the effective control of IRRBB. In addition, financial instruments as approved by the CEO Executive Meeting are effectively used to mitigate the IRRBB. The risk mitigation measures include, but not limited to, the use of interest rate derivatives, adjustment of portfolio duration, etc.

8. Interest rate risk in banking book (continued)

IRRBB: Interest rate risk in banking book – risk management objectives and policies

(continued)

- (e) The Group uses scenario analyses and stress tests to assess the IRRBB that the Group would face under adverse circumstances on a monthly basis. Scenario analyses and stress tests are also used to assess the impact on net interest income and economic value arising from the optionality of savings deposits and the prepayment of mortgage loans.
- (f) To estimate the impact on net interest income and economic value, the Group measures IRRBB by means of the following six scenarios under the regulatory standard framework:
- Parallel shock up;
 - Parallel shock down;
 - Steepener shock (short rates down and long rates up);
 - Flattener shock (short rates up and long rates down);
 - Short rates shock up; and
 - Short rates shock down.
- (g) As of the reporting date 31 December 2025, the Group's maximum ratio of the impact on economic value ("ΔEVE") loss for all major currencies (including HKD, USD, CNY, CNH and EUR) under the six prescribed interest rate shock scenarios is 8.01%, far below the regulatory benchmark 15%, which indicates that the Group's interest rate risk level is under control. For details of the Group's ΔEVE, please refer to IRRBB1.
- (h) In terms of IRRBB management, the key functions of the CEO Executive Meeting are as below:
- To formulate or review regularly (at least annually) the IRRBB management policy and Key Risk Indicators (Level A), for the approval of the RC;
 - The CEO Executive Meeting is authorized to review Level B limits, relevant assumptions and methodologies, including measurement methods and stress testing methodologies;
 - To formulate or review the fund transfer pricing mechanism for effectively transferring the IRRBB to the funding pool to facilitate centralized management;
 - To peruse the Group's risk reports on IRRBB and monitor the trend of risk level of the Group and whether the IRRBB Management Policy is duly implemented; to ensure that the asset-liability strategies, investment and other business strategies are executed within the established IRRBB limit controls;
 - To review limit utilization / excess reports on IRRBB and to approve relevant remedial actions;
 - To report the measurement results of IRRBB and hedging strategies to the RC regularly (at least semi-annually). The report includes, but not limited to, the aggregate IRRBB exposures and the reasons of risk changes, compliance with policies and limits, key assumptions, stress testing results, reviews of IRRBB policies, findings of internal and external auditors and/or other equivalent external parties, and risk hedging strategies.

8. Interest rate risk in banking book (continued)

IRRBB: Interest rate risk in banking book – risk management objectives and policies

(continued)

- (i) The Group has an effective management information system so as to provide timely, accurate and reliable management information and technical support for measuring, monitoring, controlling and reporting IRRBB. The management information system is maintained by a designated unit and continuously enhanced the technical functions to support the needs of business development and risk management requirements.
- (j) When calculate change in economic value, commercial margins and other spread components are included in the cash flows. The margin components are slotted according to their payment schedule until the contractual maturity, irrespective of whether the notional principal has been repriced or not, provided that the notional principal has not yet been repaid and that the margin components do not reprice. The commercial margins are not included in the risk-free rates which are used to discount cash flows.
- (k) The average repricing maturity of NMDs depends on two main factors, which are product characteristics of in-scope products and the behavioural modelling results. In-scope NMDs include VOSTRO account deposits and current account & saving account (“CASA”) deposits.
- Since VOSTRO account deposits are very volatile in nature, they are slotted to overnight time bucket as stipulated by regulation.
 - All other CASA deposits except in HKD and USD are slotted to overnight time bucket as stipulated by regulation, due to the small proportion.
 - The CASA deposits in HKD and USD would undergo quantitative behavioural modelling analysis. Less-stable deposit percentage is obtained from volatility analysis, which is to derive the percentage drop in balance in a portfolio by tracking the same portfolio of accounts for a certain defined period, using daily historical data. Non-core deposit percentage is obtained from pass-through-rate analysis, which is to derive the magnitude in relation to how a change in market rate will correlate to a change in saving rate. The remaining NMD portion would be the core deposit.
- (l) For retail term deposits subject to early redemption without significant penalty (flexi deposits only), early redemption rates are calculated on a balance-weighted average basis using daily historical data, categorized into different segments, which comprise of currency, contractual maturity and interest rate structure. Significant assumptions include:
- Customers in the same segment have the same behaviour:
 - Only terminated transactions are in the scope of modelling so as to track the entire early redemption behaviour within the contractual maturity.

8. Interest rate risk in banking book (continued)

IRRBB: Interest rate risk in banking book – risk management objectives and policies

(continued)

- (m) For retail fixed rate loans subject to prepayment without significant penalty, prepayment rates are calculated on a balance-weighted average basis using daily historical data, categorized into different segments, which comprise of product type and currency. Significant assumptions include:
- Customers in the same segment have the same behaviour;
 - The monthly prepayment rate is independent and constant.
- (n) Methods of aggregation across currencies strictly follow the IRRBB Standardised Framework. Δ EVE losses (i.e., Δ EVE greater than 0) are aggregated under a given interest rate shock scenario and currency. The aggregate economic value risk measure across all applicable currencies is calculated as the maximum loss across the six interest rate shock scenarios. The Group adopts the six supervisory prescribed interest rate shock scenarios to measure IRRBB. No additional correlations between different currencies are applied.
- (o) Average repricing maturity assigned to NMDs is the principal-weighted maturity. That is the sum product of the principal of NMDs and the assigned repricing maturity, divided by the total principal of NMDs. As of the reporting date 31 December 2025, the average repricing maturity the Group assigned to NMDs are as follow:
- Average repricing maturity assigned to NMDs of HKD is 0.40 year/4.82 months;
 - Average repricing maturity assigned to NMDs of USD is 1.53 year/18.34 months;
 - Repricing maturity assigned to other NMDs is overnight.
- (p) As of the reporting date 31 December 2025, the longest repricing maturity the Group assigned to NMDs are as follow:
- Longest repricing maturity assigned to NMDs of HKD is 1 year;
 - Longest repricing maturity assigned to NMDs of USD is 5 years;
 - Repricing maturity assigned to other NMDs is overnight.

8. Interest rate risk in banking book (continued)

IRRBB1: Quantitative information on interest rate risk in banking book

- (a) The following is a summary of possible effects of market interest rates shocks on the Group's interest rate exposure as at 31 December 2025 under the six prescribed interest rate shock scenarios in relevant currency (including HKD, USD, CNY, CNH and EUR).

	Period	Δ EVE*	Δ NII*	Δ EVE*	Δ NII*
		At 31 December 2025	At 31 December 2025	At 31 December 2024	At 31 December 2024
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Parallel up	1,400,000	198,000	1,387,000	180,000
2	Parallel down	-	(198,000)	-	(180,000)
3	Steeper	104,000		261,000	
4	Flattener	238,000		191,000	
5	Short rate up	722,000		557,000	
6	Short rate down	-		-	
7	Maximum	1,400,000	198,000	1,387,000	180,000
	Period	At 31 December 2025		At 31 December 2024	
		HK\$'000		HK\$'000	
8	Tier 1 capital	17,481,899		16,664,998	

*Positive values of Δ EVE and Δ NII indicates losses under the respective scenarios, in accordance with the HKMA's disclosure requirement.

9. Credit risk for non-securitization exposures

CRA: General information about credit risk

(a) Credit risk¹ 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 on- and off-balance sheet transactions. It arises principally from lending, trade finance, debt securities and treasury businesses.

(b) 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 in a proactive and prudent manner. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with changes in market conditions and business strategies. The credit risk policy and credit limits are set out in a sustainable, stable and healthy manner by adopting prudent and consistent credit risk management standards and practices. The Group will not relax the underwriting standards or sacrifice the credit quality in return for a rapid growth or return in loan portfolio or market share or meeting short term targets.

(c) Credit Approval Department (CAD) and Risk Management Department (RMD) are responsible for credit risk management. Various units of the Group have their respective credit risk management responsibilities. Business units act as the first line of defense. Both CAD and RMD, which are independent from the business units, are responsible for the day-to-day management of credit risks and have the primary responsibility for providing 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.

The Board of Directors delegates credit approval authority to the CEO Executive Meeting. The CEO Executive Meeting can further delegate to the subordinates authorized 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.

(d) The Group uses internal ratings in its credit risk management process, which are generated by its internal rating models to support risk assessments in the credit approval, monitoring, making provisions, reporting and so on.

Compliance functions, which are independent from the business units, are responsible for day-to-day management of compliance risks. They have the primary responsibilities for providing an independent due diligence through identifying, measuring, monitoring and controlling compliance risk to ensure an effective check and balance.

¹ Credit risk includes, but not limited to, credit concentration risk on any single credit exposure or exposure to the same group of customer or counterparty, geographical area, industry, or economic sector that could cause substantial losses to the Bank or material changes to the Bank's risk profile. Credit risk also includes counterparty credit risk arising from derivative transactions.

9. Credit risk for non-securitization exposures (continued)

CRA: General information about credit risk (continued)

(d) *(continued)*

Internal audit function is responsible for conducting independent checking, and report to the Board on the quality of risk management supervision, the adequacy and the compliance of internal policies and procedures.

(e) The Group will provide timely, accurate and reliable credit risk reporting for reference by the Board of Directors, the Risk Management Committee, senior management and relevant units in the decision-making process. The Group provides various reports to the Board of Directors, Risk Management Committee and senior management regularly and where appropriate. The highlights include: large exposures and risk concentrations, ratio of credit risk limits, credit structure and quality, exposures to connected parties, impairment provision and stress test results.

9. Credit risk for non-securitization exposures (continued)

CR1: Credit quality of exposures

		At 31 December 2025						Net values HK\$'000
		Gross carrying amounts of		Allowances / Impairments HK\$'000	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures HK\$'000	
		Defaulted exposures HK\$'000	Non- defaulted exposures HK\$'000		Allocated in regulatory category of specific provisions HK\$'000	Allocated in regulatory category of collective provisions HK\$'000		
1	Loans	2,326,123	102,415,943	831,496	483,089	348,407	-	103,910,570
2	Debt securities	218,245	66,897,173	1,438	-	1,438	-	67,113,980
3	Off-balance sheet exposures	8,597	12,822,310	11,311	-	11,311	-	12,819,596
4	Total	2,552,965	182,135,426	844,245	483,089	361,156	-	183,844,146

“Defaulted exposures” are defined as the exposures are past due for more than 90 days or the borrower is unlikely to pay in full for the credit obligations.

CR2: Changes in defaulted loans and debt securities

		HK\$'000
1	Defaulted loans and debt securities as at 30 June 2025	3,175,203
2	Loans and debt securities that have defaulted since the last reporting period	246,857
3	Returned to non-defaulted status	(20,636)
4	Amounts written off	(682,565)
5	Other changes	(174,491)
6	Defaulted loans and debt securities as at 31 December 2025	2,544,368

9. Credit risk for non-securitization exposures (continued)

CRB: Additional disclosure related to credit quality of exposures

- (a) 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 installments are classified as overdue when an installment 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 exceeded the approved limit that was advised to the borrower.

HKFRS 9 commence to implement on 01 Jan 2018, the Group required to make impairment, maximum of 12-month expected credit loss, for the account without significant increase in credit risk since initial recognition, if it happens significant increase in credit risk, lifetime expected credit loss should be considered for the recognition of credit loss. Our bank would base on major credit risk criteria, such as overdue days, credit rating, watchlist and stage consistency appraisal etc, to determine the exposure stage.

- (b) Advances which are past due for more than 90 days are not considered impaired, provided that the present value of estimated future cash flows is sufficient to cover its carrying amount.

- (c) For exposures that are covered by internal model

Stage 1:

Definition: No significant increase in credit risk since initial recognition.

Impairment calculation logic: maximum of 12-month expected credit loss for the recognition of credit loss.

Stage 2:

Definition: Significant increase in credit risk since initial recognition but no objective evidence of credit-impaired event.

Impairment calculation logic: lifetime expected credit loss should be considered for the recognition of credit loss.

Stage 3:

Definition: Significant increase in credit risk since initial recognition with objective evidence of credit-impaired event.

Impairment calculation logic: Asset net value minus collateral value after haircut, the unsecured portion would be assigned for credit loss.

For exposures that are not covered by internal model and under the standardized approach in capital calculation (except sovereign), the ECL% proxy approach will be adopted which calculates ECL based on an estimation with reference to similar exposures covered by an internal model. Below are some types of exposures that do not have any internal rating nor LGD estimates.

1. If the financial assets are under the standardized approach in capital calculation, the ECL% proxy approach is used, except sovereign exposures.



9. Credit risk for non-securitization exposures (continued)

CRB: Additional disclosure related to credit quality of exposures (continued)

(c) (continued)

2. An internal rating is not yet available for some new loans issued in the current month. These exposures will apply the ECL% proxy approach until an internal rating is available
3. Some exposures can only be pushed back onto the ECL engine after the month end. These exposures will apply the ECL% proxy approach.
4. For any future new product type in the impairment scope without an internal model covered, the ECL% proxy approach is also used primarily.

The ECL of these exposures under the ECL% proxy approach is calculated as:

$$ECL = EAD \times ECL\%_{proxy\ portfolio, stage, risk\ class} \times remaining\ expected\ life$$

, where $ECL\%_{proxy\ portfolio, stage, risk\ class}$ is annualized ECL% of proxy portfolio by risk class and stage.

- (d) Rescheduled advances are those advances that have been restructured or renegotiated because of deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule.

9. Credit risk for non-securitization exposures (continued)

CRB: Additional disclosure related to credit quality of exposures (continued)

(e) Breakdown of exposures by geographical areas, industry and residual maturity.

Any segment which constitutes less than 10% of the Group's total RWA for credit risk (after taking into account any recognized CRM) is deemed non-significant exposures and disclosed on an aggregated basis under the category "other".

Exposures subject to credit risk framework are classified by geographical areas:

		At 31 December 2025
		HK\$'000
1	Hong Kong SAR	85,589,535
2	China	39,568,998
3	Others	59,529,858
4	Total	184,688,391

Exposures subject to credit risk framework are classified by industry:

		At 31 December 2025
		HK\$'000
1	Bank	64,554,618
2	Financial concerns	27,392,079
3	Professional & private individuals	22,474,030
4	Sovereign	19,185,198
5	Building & construction, property	16,779,495
6	Others	34,302,971
7	Total	184,688,391

Exposures subject to credit risk framework are classified by residual maturity:

		At 31 December 2025
		HK\$'000
1	Within one year	115,868,645
2	One to five years	52,377,636
3	Over five years	15,375,649
4	Indefinite	1,066,461
5	Total	184,688,391

9. Credit risk for non-securitization exposures (continued)

CRB: Additional disclosure related to credit quality of exposures (continued)

- (f) Amounts of impaired exposures (according to the definitions in use under the applicable accounting standards) broken down by geographical areas and industries:

	At 31 December 2025		
	Gross advances	Stage 3 impairment allowance	Amounts Written off
	HK\$'000	HK\$'000	HK\$'000
Geographical areas			
Hong Kong	2,001,158	413,948	855,597
Mainland of China	207,476	69,141	13,582
Others	453	-	-
Total	2,209,087	483,089	869,179

	At 31 December 2025		
	Gross advances	Stage 3 impairment allowance	Amounts Written off
	HK\$'000	HK\$'000	HK\$'000
Industry			
Property development	752,125	179,985	148,140
Property investment	306,267	1,679	314,456
Wholesale and retail trade	357,746	209,171	7,035
Manufacturing	10,355	3,764	6,547
Financial concerns	63,984	58,853	19,151
Others	718,610	29,637	373,850
Total	2,209,087	483,089	869,179

- (g) Aging analysis of accounting past due exposures:

	At 31 December 2025
	Gross advances
	HK\$'000
Gross advances to customers which have been overdue for	
- less than three months	716,163
- six months or less but over three months	10,355
- one year or less but over six months	498,991
- over one year	1,162,390
Total	2,387,899

- (h) Restructured exposures

	At 31 December 2025
	Gross advances
	HK\$'000
Impaired exposures	675,907
Not impaired exposures	-
Total	675,907

9. Credit risk for non-securitization exposures (continued)

CRC: Qualitative disclosures related to credit risk mitigation

- (a) For collateral recognized for the purpose of capital management, the Group has established clear policies and procedures for collateral valuation and management which are compliant with the operational requirements for recognised collateral of credit risk mitigation set out in the Banking (Capital) Rules.

The Group adopts STC approach for capital calculation. The main types of recognised collaterals include cash deposits, debt securities and equities for non-past due exposures. In addition, real estate collateral is also recognised for past due exposures. The treatment of recognised collateral is compliant with the comprehensive approach for credit risk mitigation set out in the Banking (Capital) Rules. For credit exposures under STC approach, the recognised guarantees for capital calculation include the guarantees given by sovereigns, public sector entities, multilateral development banks or banks and corporates with ECAI issuer ratings that have lower risk weights than the counterparty.

Besides, the recognised netting for credit risk mitigation includes derivatives subject to valid bilateral netting agreements.

- (b) The Group's collateral management policies sets out different valuation methods of collateral, type of valuation agencies, requirements and the form of valuation based on the nature and risk characteristics of loan, collateral and the type of valuation agencies for evaluate/revaluation objectively.

Depending on the level of risk, collateral condition and abnormal situation that may arise, the Group may adopt more prudent requirements on valuation method, frequency and on-site visit etc.

The assumptions of the valuation methodologies to be used in the valuation report should be reasonable and prudent and clearly documented.

The Group sets out different requirements in accordance with the nature of different credit, risk underlying and collateral types, including (but not limited to) monitoring of loan to value ratio, specific haircuts of different collateral, as well as the requirement of insurance.

9. Credit risk for non-securitization exposures (continued)

CRC: Qualitative disclosures related to credit risk mitigation (continued)

- (c) The credit and market risk concentrations within the credit risk mitigation (recognised collateral and guarantees for capital calculation) used by the Group are under a low level.

Up to the date of report, for capital calculation, except OTC derivative transactions cleared by central counterparties and derivatives subject to valid bilateral netting agreements, the Group has not used any other on-balance sheet or off-balance sheet recognised netting for credit risk mitigation. The Group also has not used any recognized credit derivative contracts for credit risk mitigation.

CR3: Overview of recognized credit risk mitigation

		At 31 December 2025				
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Loans	97,245,590	6,664,980	3,252,411	1,388,240	-
2	Debt securities	65,597,637	1,516,343	-	1,516,343	-
3	Total	162,843,227	8,181,323	3,252,411	2,904,583	-
4	Of which defaulted	2,056,586	-	-	-	-

CRD: Qualitative disclosures on use of ECAI ratings under STC approach

- (a) The Group performs the ECAI issuer ratings mapping to its exposures in banking book in accordance with Part 4 of the Banking (Capital) Rules. The ECAIs recognized by the Group include Standard & Poors, Moody's and Fitch. The ECAIs recognized by the Group has no change over the reporting period.
- (b) The Group adopts STC approach based on external credit rating to determine the risk weight of the credit exposure.
- (c) For credit exposures adopting STC approach, the main types of recognised collaterals include cash deposits, debt securities and equities for non-past due exposures. In addition, real estate collateral is also recognised for past due exposures. The treatment of recognised collateral is compliant with the comprehensive approach for credit risk mitigation as mentioned in the Banking (Capital) Rules. For credit exposures under STC approach, the recognised guarantees for capital calculation include the guarantees given by sovereigns, public sector entities, multilateral development banks, banks, securities firms, or corporates with ECAI issuer ratings, that have lower risk weights than the counterparty. Besides, the recognised netting for credit risk mitigation includes derivatives subject to valid bilateral netting agreements.

9. Credit risk for non-securitization exposures (continued)

CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach

	Exposure classes	At 31 December 2025					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
1	Sovereign exposures	24,477,379	-	24,477,379	-	62,496	0.26
2	Public sector entity exposures	3,453,486	300,000	3,790,554	120,000	941,328	24.07
3	Multilateral development bank exposures	1,014,211	-	1,014,211	-	-	0.00
3a	Unspecified multilateral body exposures	222,462	-	222,462	-	44,492	20.00
4	Bank exposures	56,847,746	-	56,847,746	-	15,886,074	27.94
4a	Qualifying non-bank financial institution exposures	1,977,035	141,640	1,977,035	14,164	1,282,177	64.39
5	Eligible covered bond exposures	-	-	-	-	-	0.00
6	General corporate exposure	55,562,325	9,225,116	52,875,459	1,390,692	50,066,587	92.26
6a	Of which: non-bank financial institution exposures excluding those reported under row 4a	14,195,948	847,213	13,776,675	129,110	11,791,327	84.79
6b	Specialized lending	229,534	39,000	229,534	3,900	291,746	124.98
7	Equity exposures	907,054	-	907,054	-	2,267,635	250.00
7a	Significant capital investments in commercial entities	-	-	-	-	-	0.00
7b	Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities	356,211	-	356,211	-	534,317	150.00
7c	Subordinated debts issued by banks, qualifying non-bank financial institutions and corporates	-	-	-	-	-	0.00
8	Retail exposures	11,150,945	2,310,260	11,096,033	256,048	9,242,526	81.42
8a	Exposures arising from IPO financing	-	-	-	-	-	0.00

9. Credit risk for non-securitization exposures (continued)

CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach (continued)

	Exposure classes	At 31 December 2025					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
9	Real estate exposures	14,232,439	806,294	13,397,971	321,431	7,721,287	56.28
9a	Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	8,593,559	-	8,258,039	-	1,948,561	23.60
9b	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)	49,404	1,057	49,404	106	20,513	41.43
9c	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	72,956	69	72,956	7	43,778	60.00
9d	Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties)	855,496	-	855,496	-	598,847	70.00
9e	Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	1,863,930	-	1,771,963	-	1,632,678	92.14
9f	Of which: other real estate exposures (materially dependent on cash flows generated by mortgaged properties)	41,877	5,294	40,329	1,368	62,546	150.00
9g	Of which: land acquisition, development and construction exposures	2,755,217	799,874	2,349,784	319,950	3,414,364	127.89
10	Defaulted exposures	2,066,535	8,597	2,066,533	-	3,073,020	148.70
11	Other exposures	4,288,025	-	4,288,025	-	4,288,025	100.00
11a	Cash and gold	348,310	-	348,310	-	-	0.00
11b	Items in the process of clearing or settlement	389,115	-	389,115	-	-	0.00
12	Total	177,522,812	12,830,907	174,283,632	2,106,235	95,701,710	54.26

9. Credit risk for non-securitization exposures (continued)

CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach

At 31 December 2025 (HK\$'000)

		0%	20%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
1	Sovereign exposures	24,164,900	312,479	-	-	-	-	24,477,379

		0%	20%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
2	Public sector entity exposures	220,189	3,012,850	677,515	-	-	-	3,910,554

		0%	20%	30%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
3	Multilateral development bank exposures	1,014,211		-	-	-	-	-	1,014,211

		20%	30%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
3a	Unspecified multilateral body exposures	222,462	-	-	-	-	-	222,462

		20%	30%	40%	50%	75%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
4	Bank exposures	27,602,821	24,295,573	-	4,347,190	-	-	602,162	-	56,847,746

9. Credit risk for non-securitization exposures (continued)

CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach (continued)

At 31 December 2025 (HK\$'000)

		20%	30%	40%	50%	75%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
4a	Qualifying non-bank financial institution exposures	-	469,382	-	-	1,521,817	-	-	-	1,991,199

		10%	15%	20%	25%	35%	50%	100%	Other	Total credit exposure amount (post-CCF and post-CRM)
5	Eligible covered bond exposures	-	-	-	-	-	-	-	-	-

		20%	30%	50%	65%	75%	85%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
6	General corporate exposures	260,875	-	4,622,883		3,627,256	5,150,720	40,604,417	-	-	54,266,151
6a	Of which: non-bank financial institution exposures excluding those reported under row 4a	183,722	-	2,515,589		2,275,365	938,964	7,992,145	-	-	13,905,785

		20%	50%	75%	80%	100%	130%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
6b	Specialized lending	-	-	-	-	39,061	194,373	-	-	233,434

9. Credit risk for non-securitization exposures (continued)

CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach (continued)

At 31 December 2025 (HK\$'000)

		100%	250%	400%	Other	Total credit exposure amount (post-CCF and post-CRM)
7	Equity exposures		907,054	-	-	907,054

		250%	400%	1250%	Other	Total credit exposure amount (post-CCF and post-CRM)
7a	Significant capital investments in commercial entities	-	-	-	-	-

		150%	250%	400%	Other	Total credit exposure amount (post-CCF and post-CRM)
7b	Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities	356,211	-	-	-	356,211

		150%	Other	Total credit exposure amount (post-CCF and post-CRM)
7c	Subordinated debts issued by banks, qualifying non-bank financial institutions and corporates	-	-	-

		45%	75%	100%	Other	Total credit exposure amount (post CCF and post-CRM)
8	Retail exposures	24,322	8,384,712	2,943,047	-	11,352,081

		0%	Other	Total credit exposure amount (post-CCF and post-CRM)
8a	Exposures arising from IPO financing	-	-	-

9. Credit risk for non-securitization exposures (continued)

CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach (continued)

		At 31 December 2025																			Total credit exposure amount (post-CCF and post-CRM)
		HK\$'000																			
		0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Other	
9	Real estate exposures	-	5,296,897	1,078,100	1,431,700	-	378,799	37,733	84,320	72,963		855,496	549,450	12,816	-	2,390,171	-	-	1,530,957	-	13,719,402
9a	Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)		5,296,897	1,078,100	1,419,923		378,799	-	84,320	-											8,258,039
9b	Of which: no loan splitting applied		5,296,897	1,078,100	1,419,923		378,799	-	84,320	-											8,258,039
9c	Of which: loan splitting applied (secured)																				
9d	Of which: loan splitting applied (unsecured)																				
9e	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)				11,777	-		37,733		-											49,510
9f	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-							72,963											72,963
9g	Of which: no loan splitting applied	-	-							72,963											72,963
9h	Of which: loan splitting applied (secured)																				

9. Credit risk for non-securitization exposures (continued)

CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach (continued)

		At 31 December 2025																			Total credit exposure amount (post-CCF and post-CRM)	
		HK\$'000																				
		0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Other		
9i	Of which: loan splitting applied (unsecured)																					
9j	Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties)										855,496				-					-	855,496	
9k	Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-									549,450	12,816		1,209,697					-	1,771,963	
9l	Of which: no loan splitting applied	-	-									549,450	12,816		1,209,697					-	1,771,963	
9m	Of which: loan splitting applied (secured)																					
9n	Of which: loan splitting applied (unsecured)																					
9o	Of which: other real estate exposures (materially dependent on cash flows generated by mortgaged properties)																			41,697	41,697	
9p	Of which: land acquisition, development and construction exposures																			1,180,474	1,489,260	2,669,734

9. Credit risk for non-securitization exposures (continued)

CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach (continued)

At 31 December 2025 (HK\$'000)

		50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
10	Defaulted exposures		-	2,045,933	20,600	2,066,533

		100%	1250%	Other	Total credit exposure amount (post-CCF and post-CRM)
11	Other exposures	4,288,025	-	-	4,288,025

		0%	100%	Other	Total credit exposure amount (post-CCF and post-CRM)
11a	Cash and gold	348,310	-	-	348,310

		0%	20%	Other	Total credit exposure amount (post-CCF and post-CRM)
11b	Items in the process of clearing or settlement	389,115	-	-	389,115

9. Credit risk for non-securitization exposures (continued)

CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach (continued)

Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures (STC version)

	Risk Weight *	At 31 December 2025			
		(a)	(b)	(c)	(d)
		On-balance sheet exposure	Off-balance sheet exposure (pre-CCF)	Weighted average CCF*	Exposure (post-CCF and post-CRM)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Less than 40%	90,020,358	1,572,824	7.64	90,140,464
2	40-70%	10,702,405	1,030,499	38.70	11,101,221
3	75%	13,872,869	1,890,340	11.13	14,083,235
4	85%	5,122,863	327,582	12.42	5,163,536
5	90-100%	49,194,242	7,314,051	14.64	50,264,721
6	105-130%	190,473	39,000	10.00	194,373
7	150%	4,273,368	656,611	39.89	4,535,263
8	250%	907,054	-	-	907,054
9	400%	-	-	-	-
10	1,250%	-	-	-	-
11	Total exposures	174,283,632	12,830,907	16.42	176,389,867

* Weighting is based on off-balance sheet exposure (pre-CCF).

The sequence in which provisioning, credit risk mitigation measures, CCFs are applied in relation to both on-balance sheet and off-balance sheet exposures.

10. Counterparty credit risk

CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

- (a) The Group's counterparty credit risk arising from derivative contracts and securities financing transactions both in trading and banking book is subject to the same risk management framework as mentioned in Note 4 to the Consolidated Financial Statements. The Group establishes credit limit through formal credit approval procedures to control the pre-settlement credit risk arising from derivative transactions and settlement limit to control the settlement risk arising from foreign exchange-related transactions for counterparties in both the trading book and banking book.
- (b) The Group monitors the risk exposures arising from market fluctuations by using the current exposure and the potential exposure value of the transactions. Exceptions or excesses are timely and closely identified and monitored by RMD.

Credit equivalent amount and capital charge for the relevant counterparty credit exposures are determined following the regulatory capital requirements. The Group has adopted the standardized approach (counterparty credit risk) to calculate its default risk exposures starting from 30 June 2021.

- (c) If the Group has purchased credit protection, credit assessments and reviews should also be conducted on the creditworthiness of the credit protection providers. Whether specific wrong-way risk exists in the Group's exposure to the credit protection providers should also be included in the assessments. For credit protection via purchasing credit derivative contracts, limits are set for each credit protection provider and approvals from relevant level of management should be obtained, in order to control the concentration risk arising from individual credit protection providers.

The Group has procedures in place for requiring limit setting on central counterparty exposures, which is subject to review annually or where necessary. When the limit is breached, relevant business units will be alerted and immediate credit review would be conducted where necessary. Measures such as adjusting the current business strategy or suspending new transactions would also be considered.

- (d) In controlling and monitoring of wrong-way risk (risk of existence of positive correlation between the PD of a counterparty and credit exposures driven by mark-to-market value of the underlying transactions), specific wrong-way risk transactions are generally not allowed.
- (e) The Group has followed Basel III requirements to apply advanced approaches to use the SA-CCR framework for measuring the exposure amount for derivatives contracts.

10. Counterparty credit risk (continued)

CCR1: Analysis of counterparty credit risk exposures (other than those to CCPs) by approaches

		At 31 December 2025					
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000
1	SA-CCR approach (for derivative contracts)	10,975	211,507		1.4	311,475	106,905
1a	CEM (for derivative contracts)	-	-		1.4	-	-
2	IMM (CCR) approach			-	-	-	-
3	Simple approach (for SFTs)					-	-
4	Comprehensive approach (for SFTs)					347,889	133,833
5	VaR (for SFTs)					-	-
6	Total						240,738

10. Counterparty credit risk (continued)

CCR3: Counterparty credit risk exposures (other than those to CCPs) by exposure classes and by risk weights – for STC approach

	Exposure class	Risk Weight	At 31 December 2025										Total default risk exposure after CRM HK\$'000	
			(a)	(b)	(c)	(ca)	(cb)	(d)	(e)	(ea)	(f)	(g)		(h)
			0%	10%	20%	30%	40%	50%	75%	85%	100%	150%		Others
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000
1	Sovereign exposures	28,978	-	-	-	-	-	-	-	-	-	-	-	28,978
2	Public sector entity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Unspecified multilateral body exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Bank exposures	-	-	299,055	193,189	-	84,225	-	-	-	53,886	-	-	630,355
6	Qualifying non-bank financial institution exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
7	General corporate exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail exposures	-	-	-	-	-	-	-	-	29	-	-	-	29
9	Defaulted exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Total	28,978	-	299,055	193,189	-	84,225	-	-	29	53,886	-	-	659,362

10. Counterparty credit risk (continued)

CCR5: Composition of collateral for counterparty credit risk exposures (including those for contracts or transactions cleared through CCPs)

	At 31 December 2025					
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash	-	-	-	-	6,053,354	5,487,000
Domestic sovereign debt	-	-	-	-	-	4,000,000
Other sovereign debt	-	-	-	-	5,646,168	1,919,880
Other bonds	-	-	-	-	-	480,597
Total	-	-	-	-	11,699,522	11,887,477

CCR6: Credit-related derivatives contracts

The Group had no exposures of Credit-related derivatives contracts as at 31 December 2025

CCR7: RWA flow statements of default risk exposures under IMM (CCR) approach

The Group did not use IMM(CCR) approach to measure default risk exposures as at 31 December 2025.

CCR8: Exposures to CCPs

The Group had no exposures to CCP as at 31 December 2025.

11. Credit valuation adjustment risk

CVAA: Qualitative disclosures related to CVA risk

The Group has established systems and model on CVA calculation, and the CVA risk capital charge is calculated under the reduced BA-CVA approach, which fulfils regulatory requirements put forward in HKMA SPM MR-2. The Group has reviewed and validated CVA model, and report CVA capital charge to the senior management.

The Group adopts the Reduced Basic Approach to calculate the CVA capital charge, although it is qualified to set the CVA risk capital charge as 100% of the capital charge for counterparty credit risk.

CVA1: CVA risk under reduced basic CVA approach

		At 31 December 2025	
		(a)	(b)
		Components	CVA risk capital charge under the reduced basic CVA approach
		HK\$'000	HK\$'000
1	Aggregation of systematic components of CVA risk	24,691	
2	Aggregation of idiosyncratic components of CVA risk	11,543	
3	Total		10,325

CVA2: CVA risk under full basic CVA approach

The Group do not use the full basic CVA approach to calculate part or all of the CVA risk capital charges as at 31 December 2025.

CVAB: Additional qualitative disclosures for AI using standardized CVA approach

The Group do not use the standardized CVA approach to calculate part or all of the CVA risk capital charges as at 31 December 2025.

CVA3: CVA risk under standardized CVA approach

The Group do not use the standardized CVA approach to calculate part or all of the CVA risk capital charges as at 31 December 2025.

CVA4: RWA flow statements of CVA risk exposures under standardized CVA

The Group do not use the standardized CVA approach to calculate part or all of the CVA risk capital charges as at 31 December 2025.

12. Securitization exposures

SECA: Qualitative disclosures related to securitization exposures

There were no securitization exposures as at 31 December 2025.

SEC1: Securitization exposures in banking book

There were no securitization exposures in the banking book as at 31 December 2025.

SEC2: Securitization exposures in trading book

There were no securitization exposures in the trading book as at 31 December 2025.

SEC3: Securitization exposures in banking book and associated capital requirements – where AI acts as originator

There were no securitization exposures in the banking book and the associated capital requirements where the Group acts as an originator as at 31 December 2025.

SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor

There were no securitization exposures in the banking book and the associated capital requirements where the Group acts as an investor as at 31 December 2025.

13. Market risk

MRA: Qualitative disclosures related to 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, equity price, commodity price). The Group maintains a stable market risk appetite with the principle of prudent management and rational development, 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 effective management of potential market risk in the Group's business, according to the Group's overall risk appetite and strategy of treasury business on the basis of a well-established risk management regime and related management measures to pursue long-term sustainable development.

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. Risk Management Department is mainly responsible for managing market risk, 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 ensuring that the aggregate and individual market risks are within acceptable levels, as well as reporting general market risks to the RC and senior management on a periodic basis.

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 etc. To meet management requirements, major risk indicators and limits are classified into three levels, and are approved by the RC, CEO and CRO, the General Manager of Risk Management Department respectively. Review of the major risk indicators and limits will be conducted periodically. Business units are required to conduct their business within approved market risk indicators and limits can utilize hedging strategies to manage risk within set limits.

13. Market risk (continued)

MR1: Market risk under STM approach

		At 31 December 2025
		(a)
		Market risk capital charges under STM approach
		HK\$'000
1	General interest rate risk	17,540
2	Equity risk	-
3	Commodity risk	754
4	Foreign exchange risk	159,995
5	Credit spread risk (non-securitization)	24,914
6	Credit spread risk (securitization: non-correlation trading portfolio ("CTP"))	-
7	Credit spread risk (securitization: CTP)	-
8	Standardized default risk charge ("SA-DRC") (non-securitization)	25,471
9	SA-DRC (securitization: non-CTP)	-
10	SA-DRC (securitization: CTP)	-
11	Residual risk add-on	-
12	Total	228,674

MRB: Additional qualitative disclosures for AI using IMA

There were no market risk exposures under the IMA approach as at 31 December 2025.

MR2: Market risk under IMA

There were no market risk exposures under the IMA approach as at 31 December 2025.

MR3: Market risk under SSTM approach

There were no market risk exposures under the SSTM approach as at 31 December 2025.

14. Remuneration

REMA: Remuneration policy

Nomination and Remuneration Committee (“NRC”)

The NRC assists the Board in performing the duties in respect of the Group in the following areas:

- human resources strategy, remuneration strategy and incentive framework of the Group,
- group governance and bank culture promotion,
- selection, nomination and appointment of Directors, Board Committee members and senior Management,
- qualification (including but not limited to gender, age, cultural and educational background, ethnicity, geographical location, professional experience, skills, knowledge and track records, etc.) of the members of the Board and Board Committees;
- remuneration of Directors, Board Committee members, Senior Management and Key Personnel,
- effectiveness of the Board and Board Committees, and
- training and continuous professional development of Directors and Senior Management.

The members of the NRC during the year and up to date of the Report of the Directors are:

Mr. Yu Kwok Chun (Chairman)

Mr. Chiu Ming Wah

Mr. Woo Chia Wei (deceased on 2 March 2025)

Mr. Wang Xiaojian (resigned on 13 June 2025)

Mr. Chan Kar Lok

All of them are Directors of the Bank. Among them, Mr. Yu Kwok Chun, Mr. Chiu Ming Wah, Mr. Chan Kar Lok and the late Mr. Woo Chia Wei are Independent Non-executive Directors. Three NRC meetings were held during the year with an attendance rate of 90%.

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

- review the amendment and formulate the major human resources and remuneration policies;
- review proposal on re-election of Directors and the fixing of the remuneration of the chairpersons and members of the Board and Board Committees;
- review the performance appraisal result and bonus payment for the year of 2024 of the Key Personnel;
- review the performance bonus payment for the year of 2023 of the Senior Management;
- review proposal on the Annual Review of the Four Type of Staff as delineated in the “Guideline on a Sound Remuneration System” of HKMA;
- review the change of Senior Management/Key Personnel of the Bank and related remuneration issues;
- review the 2025 KPI framework of Senior Management and Key Personnel of the Bank;
- review the 2024 Independent Review on Compliance of Guideline on a Sound Remuneration System; and
- review on the bank culture report of the Group

14. Remuneration (continued)

REMA: Remuneration policy (continued)

Remuneration and Incentive Mechanism

The Remuneration and Incentive Mechanism of the Group is based on the principles of “effective motivation” and “sound remuneration management”. It links remuneration with performance and risk factors closely. It serves to encourage staff to enhance their performance and, at the same time, to strengthen their awareness of risk and compliance so as to achieve sound remuneration management.

The Remuneration and Incentive Policy of the Group is generally in line with the board principles set out in the HKMA’s “Guideline on a Sound Remuneration System” and applicable to the Bank and all of its subsidiaries (including the branches and institutions within and outside Hong Kong).

1. “Senior Management” and “Key Personnel”

The following groups of employees have been identified as the “Senior Management” and “Key Personnel” as defined in the HKMA’s “Guideline on a Sound Remuneration System”:

- “Senior Management”: The senior executives designated by the Board who are responsible for oversight of the bank-wide strategy activities or those of bank’s material business lines, including Executive Directors, Chief Executive, Alternate Chief Executive, Deputy Chief Executives, Assistant Chief Executive, all Chief Officers, all Directors and Company Secretary.
- “Key Personnel”: The employees whose individual business activities involve the assumption of material risk which may have significant impact on risk exposure, or whose individual responsibilities are materially linked to the risk management, or those who have direct influence to the profit, including General Managers of material business lines, General Manager of Financial Markets Department, as well as General Managers of risk control functions.

2. 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, Human Resources Department is responsible for proposing the Remuneration Policy of the Group and will seek consultation from the risk control units including risk management, financial management and compliance if necessary, in order to balance the needs for staff motivations, sound remuneration and prudent risk management. The proposed remuneration strategy and planning is submitted to the Nomination and Remuneration Committee for review and thereafter to the Board for approval. The Nomination and Remuneration Committee and the Board will seek opinions from other Board Committees (e.g. Risk Management Committee, Audit Committee, etc.) where they consider necessary under the circumstances.

14. Remuneration (continued)

REMA: Remuneration policy (continued)

Remuneration and Incentive Mechanism (continued)

3. 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 individual staff at different levels, annual targets of the Group will be tied to their job requirements through the performance management mechanism. Performance of individuals will be appraised on their achievement against targets, their contribution towards performance of their units, fulfilment of risk management duties, execution of the bank culture and compliance. Not only is target accomplishment taken into account, but the risk exposure involved during the course of work and their core value could also be evaluated and managed, ensuring security and normal operation of the Group

(2) Risk Adjustment of Remuneration

To put the principle of aligning performance and remuneration with risk into practice, based on the risk adjustment method of the Group, the key risk modifiers of the Bank have been incorporated into the performance management mechanism. Credit risk, market risk, interest rate risk, liquidity risk, operational risk, legal risk, compliance risk and reputation risk form the framework of the risk adjustment method.

(3) Risk-adjusted Remuneration Management

The remuneration of staff is composed of “fixed remuneration”, “variable remuneration” and “fringe benefits”. 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 balance has to be struck between the fixed and variable portion, so as to encourage the staff to follow the philosophy of prudent risk management and sound long-term financial stability. Generally speaking, the higher the grading / responsibility of the individual staff, the bigger the portion of variable pay will be in his/her total remuneration

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.

14. Remuneration (continued)

REMA: Remuneration policy (continued)

Remuneration and Incentive Mechanism (continued)

3. Key Features of the Remuneration and Incentive Mechanism (continued)

(3) Risk-adjusted Remuneration Management (continued)

The size of the Variable Remuneration Pool of the Bank is determined by the Board of the Bank on the basis of its financial performance and the achievement of non-financial strategic business targets under the long-term development of the Group. Thorough consideration is also made to the risk factors in the determination process. The size of the Variable Remuneration Pool is reached by the Board of the Bank who makes discretionary adjustment to it if deemed appropriate under prevailing circumstances. When the Bank's performance is relatively weak (e.g. failed to meet the threshold performance level), no variable remuneration will be paid out that year in principle, however, the Board of the Bank 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 that of each individual staff as well as the unit he/she is attached to, and the assessment of which should include risk modifiers. The performance and remuneration arrangement of risk control personnel are determined by the achievement of their core job responsibilities, which is 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. The better the performance of the Department and the individual staff, the higher will be the variable remuneration for the individual staff. 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.

(4) 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 staff at a certain level or 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 level the staff is or the higher amount of the variable remuneration, the higher will be the proportion of deferral. Deferral period lasts for 3 years or above.

14. Remuneration (continued)

REMA: Remuneration policy (continued)

Remuneration and Incentive Mechanism (continued)

3. Key Features of the Remuneration and Incentive Mechanism (continued)

(4) Linking the payout of the variable remuneration with the time horizon of the risk to reflect the long-term value creation of the Group (continued)

The vesting of the deferred variable remuneration is linked with the long-term value creation of the Group. The vesting conditions are linked to the annual performance (financial and non-financial) of the Group and the behavior of the individual staff to the effect that the variable remuneration could only be vested to such extent as set for the relevant year subject to the condition that the Group's performance has met the threshold requirement in the corresponding year. However, if a staff is found to have committed fraud, or any financial or non-financial factors used in performance measurement or variable pay 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 improper or inadequate risk management, significant incident and economic loss incurred by improper management, etc., part of or full of the unvested portion of the deferred variable remuneration of the relevant staff would be forfeited.

Compared with the previous years, there was no material change in the nature and type of above mentioned measures during the year, so it had no significant influence on the remuneration system of the Bank.

4. Annual Review of Remuneration Policy

- (1) The Remuneration Policy of the Group is subject to annual review with reference to changes on external regulatory requirements, market conditions, organisational structure and risk management requirements, etc.
- (2) The review on the "Remuneration and Incentive Policy" and "Variable Remuneration Management Policy" of the Bank have been conducted during the year, so as to demonstrate the important message of human resources strategy by giving the balance of "effective incentive" and "prudent remuneration management", which is in line with HKMA guidance.
- (3) Based on the latest organization structure and the business strategy of the Bank, the identification criteria & position lists of the "Senior Management" and "Key Personnel" and etc., as delineated in the "Guideline on a Sound Remuneration System", were also reviewed.

5. External Remuneration Consultant

To ensure the suitability and competitiveness of the remuneration and incentive mechanism, the Group appointed external remuneration consultant for independent consultation in areas of pay management and market remuneration data of the key positions as needed.

14. Remuneration (continued)

REMA: Remuneration policy (continued)

Remuneration and Incentive Mechanism (continued)

6. Disclosure on Remuneration

According to HKMA Supervisory Policy Manual CG-5 “Guideline on a Sound Remuneration System”, Authorised Institutions should have proper disclosures in relation to their remuneration systems. 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.

14. Remuneration (continued)

REM1: Remuneration awarded during financial year

Remuneration amount and quantitative information			At 31 December 2025
			Senior management and key personnel
			HK\$'000
1	Fixed remuneration	Total fixed remuneration	49,480
2		Of which: cash-based	39,529
		Of which: other forms	9,951
3	Variable remuneration	Total variable remuneration	13,602
4		Of which: cash-based	13,602
5		Of which: deferred	5,790
6	Other remuneration		0
7	Total remuneration		63,082

There are 10 Senior Management members and 15 Key Personnel in 2025. The aggregate amount of remuneration of the Senior Management and Key Personnel during the year, split into fixed and variable remuneration, is set out above. As the total number of Senior Management and Key Personnel involved is relatively small, to avoid individual figures being deduced from the disclosure, aggregate figures are disclosed in this section.

REM2: Special payments

There were no Guaranteed bonuses, Sign-on awards and Severance payments to senior management and key personnel of the Group during the year 2025.

REM3: Deferred remuneration

Deferred and retained remuneration		At 31 December 2025	
		Total amount of outstanding deferred remuneration	Of which: Total amount of deferred remuneration paid out in the financial year
		HK\$'000	HK\$'000
1	Senior Management and Key Personnel	24,674	4,769
2	Of which: Cash	24,674	4,769

There are 10 Senior Management members and 15 Key Personnel in 2025. The aggregate amount of remuneration of the Senior Management and Key Personnel during the year, split into fixed and variable remuneration, is set out above. As the total number of Senior Management and Key Personnel involved is relatively small, to avoid individual figures being deduced from the disclosure, aggregate figures are disclosed in this section.

15. Operational risk

ORA : General information on operational risk framework

The Bank has formulated relevant policies and procedures to clearly define the level of risk appetite, roles and responsibilities, and management tools for operational risk. The Bank adheres to the fundamental principle of proper segregation of duties and authorisation. To ensure the effectiveness of the operational risk, the Bank defines the responsibilities of the Board of Directors, senior management and all departments/units in managing operational risk. The Board of Directors is the top decision-making body and has the ultimate responsibility for the Bank's operational risk management. The Risk Management Committee is the dedicated committee responsible for approving major operational risk policies and overseeing their implementation. Senior management is responsible for ensuring that relevant policies and procedures are effectively implemented within the Bank. The Bank adopts a "three lines of defence" model to manage operational risk.

The Bank has maintained a centralized operational risk management system which captured operational risk events submitted by the business and support units as well as adopts a new standardised operational risk to calculate the operational risk capital charge. The overall operational risk management is reported to senior management and the Risk Management Committee regularly or as needed.

The Bank has established the operational risk management framework and adopts various operational risk management tools or methodologies, including Key Risk Indicators, Key Control Self Assessment, Operational Risk Events reporting etc. to identify, assess, monitor, report, control and mitigate potential risks inherent in business activities, outsourcing activities, and products, as well as purchase of insurance to mitigate unforeseeable operational risks. Moreover, the operational risk management framework is highly prioritized by the Board of Directors and senior management as part of a robust risk management culture. To emphasize and regulate ethical behavior standards among all employees, the Bank has established the relevant code of conduct that is accessible to the public on the Bank's website and other channels.

15. Operational risk (continued)

OR1: Historical losses

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	
	At 31 Dec 2025	At 31 Dec 2024	At 31 Dec 2023	At 31 Dec 2022	At 31 Dec 2021	At 31 Dec 2020	At 31 Dec 2019	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2016	Average	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Using HKD200,000 threshold												
1	Total amount of operational losses net of recoveries (no exclusions)	0	750	102	0	3,465	300	2,548	200	2,137	500	1,000
2	Total number of operational risk losses	0	2	1	0	2	1	3	1	2	1	1.3
3	Total amount of excluded operational risk losses	0	0	0	0	0	0	0	0	0	0	0
4	Total number of exclusions	0	0	0	0	0	0	0	0	0	0	0
5	Total amount of operational losses net of recoveries and net of excluded losses	0	750	102	0	3,465	300	2,548	200	2,137	500	1,000
Using HKD1 million threshold												
6	Total amount of operational losses net of recoveries (no exclusions)	0	0	0	0	3,465	300	2,207	200	2,137	500	881
7	Total number of operational risk losses	0	0	0	0	2	1	2	1	2	1	0.9
8	Total amount of excluded operational risk losses	0	0	0	0	0	0	0	0	0	0	0
9	Total number of exclusions	0	0	0	0	0	0	0	0	0	0	0
10	Total amount of operational losses net of recoveries and net of excluded losses	0	0	0	0	3,465	300	2,207	200	2,137	500	881

15. Operational risk (continued)

OR1: Historical losses (continued)

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
		At 31 Dec 2025	At 31 Dec 2024	At 31 Dec 2023	At 31 Dec 2022	At 31 Dec 2021	At 31 Dec 2020	At 31 Dec 2019	At 31 Dec 2018	At 31 Dec 2017	At 31 Dec 2016	Average
Details of operational risk capital charge calculation												
11	Are losses used to calculate the ILM (yes/no)?	No										
12	If "no" in row 11, is the exclusion of internal loss data due to non-compliance with the minimum loss data standards (yes/no)?	No										
13	Loss event threshold: HKD200,000 or HKD 1 million for the operational risk capital charge calculation if applicable	Loss event threshold: HKD200,000										
<i>Note:</i> The HKD200,000 threshold also includes losses listed in the HKD1 million threshold.												

15. Operational risk (continued)

OR2: Business indicator and business indicator components breakdown

		(a)	(b)	(c)
	BI and its subcomponents	At 31 December 2025	At 31 December 2024	At 31 December 2023
		HK\$'000	HK\$'000	HK\$'000
1	Interest, leases and dividend component	1,848,969		
1a	Interest and leases income	6,384,565	7,608,517	7,217,727
1b	Interest and leases expenses	4,266,889	5,721,772	5,755,434
1c	Interest earning assets	174,116,550	169,389,171	174,887,359
1d	Dividend income	7,768	29,823	42,602
2	Services component	563,496		
2a	Fee and commission income	635,195	420,395	614,297
2b	Fee and commission expenses	36,705	27,276	26,323
2c	Other operating income	2,432	3,731	7,428
2d	Other operating expenses	8,198	6,607	5,797
3	Financial component	577,986		
3a	Net P&L on trading book	309,669	243,764	233,727
3b	Net P&L on banking book	334,270	458,204	(154,322)
4	BI	2,990,451		
5	Business indicator component (BIC)	358,854		

OR3: Minimum operational risk capital requirement

		(a)
		At 31 December 2025
		HK\$'000
1	Business indicator component (BIC)	358,854
2	Internal loss multiplier (ILM)	1
3	Minimum operational risk capital requirement	358,854
4	Total RWA for operational risk	4,485,675

16. Comparison of modelled and standardized RWA

CMS1: Comparison of modelled and standardized RWA at risk level

The Group did not use model-based approaches to calculate credit risk or market risk as at 31 December 2025.

CMS2: Comparison of modelled and standardized RWAs for credit risk at exposure class level

The Group did not use model-based approaches to calculate credit risk or market risk as at 31 December 2025.

17. Asset encumbrance

ENC: Asset encumbrance

	At 31 December 2025		
	(a)	(c)	(d)
	Encumbered assets	Unencumbered assets	Total
	HK\$'000	HK\$'000	HK\$'000
Cash and balances with banks and other financial	-	24,034,382	24,034,382
Placements with banks and other financial institutions maturing between one and twelve months	-	6,138,701	6,138,701
Derivative financial instruments	-	33,689	33,689
Advances to customers and trade bills	-	79,438,932	79,438,932
Investment in securities	8,315,201	64,485,478	72,800,679
Investment in subsidiaries	-	239,046	239,046
Amount due from subsidiaries	-	206,439	206,439
Investment properties	-	2,041,694	2,041,694
Properties, plant and equipment	-	1,739,365	1,739,365
Current tax assets	-	4,623	4,623
Deferred tax assets	-	40,539	40,539
Other assets	-	1,033,308	1,033,308
Total assets	8,315,201	179,436,196	187,751,397