



INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

中國工商銀行（亞洲）有限公司

(Incorporated in Hong Kong with limited liability)

Regulatory Disclosure Statement

For the period ended June 30, 2026

(UNAUDITED)

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1. Purpose and Basis of Consolidation

The information contained in this Regulatory Disclosure Statement (the "Statement") is for Industrial and Commercial Bank of China (Asia) Limited (the "Bank") and its subsidiaries (collectively the "Group") to comply with the Banking (Disclosure) Rules ("BDR") (Cap. 155M) and Part 6 of the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules, and does not constitute statutory financial statements.

While the Regulatory Disclosure Statement is not required to be subject to external audit, the statement has been reviewed and verified in accordance with the Group's governance processes over financial reporting and policies on disclosures.

Except where indicated otherwise, the financial information contained in this Statement has been prepared on the basis of regulatory scope of consolidation specified by the Hong Kong Monetary Authority ("HKMA") to the Bank.

2. Key Prudential Ratios and Metrics

a. Key Prudential Ratios (KM1)

		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
		30/06/2026	31/03/2026	31/12/2025	30/09/2025	30/06/2025
	Regulatory capital (amount)					
1 & 1a	Common Equity Tier 1 (CET1)	134,228,841	131,837,881	130,210,763	128,432,224	126,780,371
2 & 2a	Tier 1	161,956,571	159,555,180	157,734,112	155,943,551	154,537,096
3 & 3a	Total capital	169,663,256	167,142,457	165,204,362	163,367,941	161,950,523
	RWA (amount)					
4	Total RWA	619,925,885	612,961,332	594,181,908	594,481,610	589,547,928
4a	Total RWA (pre-floor)	619,925,885	612,961,332	594,181,908	594,481,610	589,547,928
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5 & 5a	CET1 ratio (%)	21.65%	21.51%	21.91%	21.60%	21.50%
5b	CET1 ratio (%) (pre-floor ratio)	21.65%	21.51%	21.91%	21.60%	21.50%
6 & 6a	Tier 1 ratio (%)	26.13%	26.03%	26.55%	26.23%	26.21%
6b	Tier 1 ratio (%) (pre-floor ratio)	26.13%	26.03%	26.55%	26.23%	26.21%
7 & 7a	Total capital ratio (%)	27.37%	27.27%	27.80%	27.48%	27.47%
7b	Total capital ratio (%) (pre-floor ratio)	27.37%	27.27%	27.80%	27.48%	27.47%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical capital buffer requirement (%)	0.38%	0.38%	0.37%	0.37%	0.37%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	1.00%	1.00%	1.00%	1.00%	1.00%
11	Total AI-specific CET1 buffer requirements (%)	3.88%	3.88%	3.87%	3.87%	3.87%
12	CET1 available after meeting the AI's minimum capital requirements (%)	17.15%	17.01%	17.41%	17.10%	17.00%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	1,225,391,190	1,143,922,315	1,115,916,815	1,109,525,823	1,151,008,261
13a	LR exposure measure based on mean values of gross assets of SFTs	-	-	-	-	-
14, 14a & 14b	LR (%)	13.22%	13.95%	14.13%	14.05%	13.43%
14c & 14d	LR (%) based on mean values of gross assets of SFTs	-	-	-	-	-

2. Key Prudential Ratios and Metrics (continued)

a. Key Prudential Ratios (KM1) (continued)

		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
		30/06/2026	31/03/2026	31/12/2025	30/09/2025	30/06/2025
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institutions only:					
15	Total high quality liquid assets (HQLA)	210,224,927	196,073,151	185,563,376	212,562,114	238,994,174
16	Total net cash outflows	141,337,577	139,745,664	116,642,709	134,584,052	145,328,902
17	LCR (%)	149.51%	141.09%	160.29%	158.28%	164.84%
	Applicable to category 2 institutions only:					
17a	LMR (%)	N/A	N/A	N/A	N/A	N/A
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institutions only:					
18	Total available stable funding	651,831,590	620,632,131	593,624,622	600,387,916	628,776,580
19	Total required stable funding	503,143,108	490,658,019	478,099,026	475,134,468	476,371,556
20	NSFR (%)	129.55%	126.49%	124.16%	126.36%	131.99%
	Applicable to category 2A institutions only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

2. Key Prudential Ratios and Metrics (continued)

b. Key Metrics – LAC Requirements for the Group (at LAC Consolidation Group Level) (KM2(A))

		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
		30/06/2026	31/03/2026	31/12/2025	30/09/2025	30/06/2025
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available	179,465,444	176,940,957	174,934,300	173,093,629	171,762,961
2	Risk-weighted amount under the LAC Rules	619,925,885	612,961,332	594,181,908	594,481,610	589,547,928
3	Internal LAC risk-weighted ratio	28.95%	28.87%	29.44%	29.12%	29.13%
4	Exposure measure under the LAC Rules	1,225,391,190	1,143,922,315	1,115,916,815	1,109,525,823	1,151,008,261
5	Internal LAC leverage ratio	14.65%	15.47%	15.68%	15.60%	14.92%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?(Note 1)	N/A	N/A	N/A	N/A	N/A
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?(Note 1)	N/A	N/A	N/A	N/A	N/A
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied (Note 1)	N/A	N/A	N/A	N/A	N/A

Note 1: The subordination exemptions in the antepenultimate and penultimate paragraphs of Section 11 of the Financial Stability Board ("FSB") Total Loss Absorbing Capacity ("TLAC") Term Sheet do not apply in Hong Kong under the Loss Absorbing Capacity ("LAC") Rules.

2. Key Prudential Ratios and Metrics (continued)

c. Key Metrics – TLAC Requirements for Non-HK Resolution Entity (at Resolution Group Level) (KM2(B))

		(HK\$ Million)				
		(a)	(b)	(c)	(d)	(e)
		30/06/2026	31/03/2026	31/12/2025	30/09/2025	30/06/2025
Of the non-HK resolution entity at resolution group level (Note 1)						
1	External loss-absorbing capacity available	7,384,692	7,011,208	6,763,493	6,584,800	6,538,550
2	Total risk-weighted amount under the relevant non-HK LAC regime	34,450,235	33,531,125	31,502,136	30,591,800	29,422,894
3	External loss-absorbing capacity as a percentage of risk-weighted amount	21.44%	20.91%	21.47%	21.52%	22.22%
4	Leverage ratio exposure measure under the relevant non-HK LAC regime	69,108,292	66,349,015	62,666,718	60,390,813	59,874,288
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure	10.69%	10.57%	10.79%	10.90%	10.92%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	N/A	N/A	N/A	N/A	N/A
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	N/A	N/A	N/A	N/A	N/A
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	N/A	N/A	N/A	N/A	N/A

Note 1: Starting from January 1, 2025, Mainland China has implemented TLAC regulatory requirements. Therefore, the values in rows 1 to 5 are reported based on the actual total loss-absorbing capacity, risk-weighted assets, and exposure measure of non-Hong Kong resolution entities.

3. Overview of Risk Management and RWA

Overview of Risk-weighted Amount (OV1)

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30/06/2026	31/03/2026	30/06/2026
1	Credit risk for non-securitization exposures	570,363,201	562,053,251	45,629,056
2	Of which STC approach	570,363,201	562,053,251	45,629,056
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	11,622,989	9,864,126	929,839
7	Of which SA-CCR approach	4,119,262	4,078,029	329,541
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	N/A	N/A	N/A
9	Of which others	7,503,727	5,786,097	600,298
10	CVA risk	1,751,013	2,213,700	140,081
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	2,972,917	3,278,294	237,833
13	CIS exposures – mandate-based approach	N/A	N/A	N/A
14	CIS exposures – fall-back approach	N/A	N/A	N/A
14a	CIS exposures – combination of approaches	N/A	N/A	N/A
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	-	-	-

3. Overview of Risk Management and RWA (continued)

Overview of Risk-weighted Amount (OV1) (continued)

		(HK\$'000)		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30/06/2026	31/03/2026	30/06/2026
20	Market risk	16,803,825	19,180,813	1,344,306
21	Of which STM approach	16,803,825	19,180,813	1,344,306
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	14,707,088	14,653,638	1,176,567
24a	Sovereign concentration risk	N/A	N/A	N/A
25	Amounts below the thresholds for deduction (subject to 250% RW)	2,154,344	2,169,985	172,347
26	Output floor level applied (Note 1)	-	-	-
27	Floor adjustment (before application of transitional cap) (Note 2)	-	-	-
28	Floor adjustment (after application of transitional cap)	N/A	N/A	N/A
28a	Deduction to RWA	449,492	452,475	35,959
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	449,492	452,475	35,959
29	Total	619,925,885	612,961,332	49,594,071

3. Overview of Risk Management and RWA (continued)

Overview of Risk-weighted Amount (OV1) (continued)

In the second quarter of 2026, RWA of the Group amounts to HKD 619.93 billion, which is an increase of HKD 6.96 billion or 1.14% compared to the first quarter of 2026. In addition, “of which others” RWA in Counterparty default risk and default fund contributions increased HKD 1.72 billion or 29.69% mainly because of increase of Securities Financing Transactions (SFT). As for CVA risk, driven by the decrease of total number of trades along with a decrement of adjusted notional amount, CVA risk downshifted by HKD 463 million or 20.90% compared to the end of previous quarter. Additionally, the risk-weighted amounts for credit risk, market risk, and operational risk are described below. The credit risk RWA shows an increase of HKD 8.31 billion or 1.48%. The RWA for market risk shows a decrease of HKD 2.38 billion or dropped by 12.39%, and the RWA for operational risk increased slightly by HKD 53.45 million (+0.36%) compared to the last quarter.

The Group is in compliance with the Banking (Capital) (Amendment) Rules 2023 to calculate RWA since January 1st, 2025. The Group adopts the standardized (credit risk) approach (“ STC ”) for the non-securitization credit risk RWA (including equity exposure and CIS exposure) calculation. In accordance with the Banking (Capital) (Amendment) Rules 2023 enacted by HKMA, the Group adopts SA-CCR approach for the calculation of counterparty credit risk exposure arising from the Bank’ s derivatives contracts and default risk exposure from derivatives cleared through central counterparty (“ CCP ”), which is implemented in the counterparty credit risk RWA calculation. The Group adopts simplified basic credit valuation adjustment (“ CVA ”) method for the CVA risk RWA calculation, the standardized (market risk) approach (“ STM ”) for the market risk RWA calculation, the standardized approach (“ STC ”) for the operational risk RWA calculation.

4. Composition of Regulatory Capital
a. Composition of Regulatory Capital (CC1)

		(a)	(b)
		Amount (HK\$'000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	44,187,631	d
2	Retained earnings	88,510,447	e
3	Disclosed reserves	5,179,686	
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 deductions	137,877,764	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	980,154	a
9	Other intangible assets (net of associated deferred tax liabilities)	8,639	b
10	Deferred tax assets (net of associated deferred tax liabilities)	1,903,195	c
11	Cash flow hedge reserve	(80,650)	
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	20,040	g
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

4 Composition of Regulatory Capital (continued)

a. Composition of Regulatory Capital (CC1) (continued)

		(a)	(b)
		Amount (HK\$'000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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
26	National specific regulatory adjustments applied to CET1 capital	817,545	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	817,259	
26b	Regulatory reserve for general banking risks	-	
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	286	
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	3,648,923	
29	CET1 capital	134,228,841	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	27,727,730	
31	of which: classified as equity under applicable accounting standards	27,727,730	
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	27,727,730	
	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	-	

4 Composition of Regulatory Capital (continued)

a. Composition of Regulatory Capital (CC1) (continued)

		(a)	(b)
		Amount (HK\$'000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	27,727,730	
45	Tier 1 capital (T1 = CET1 + AT1)	161,956,571	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
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	7,338,918	f
51	Tier 2 capital before regulatory deductions	7,338,918	
	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	367,767	
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	367,767	
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	367,767	
58	Tier 2 capital (T2)	7,706,685	
59	Total regulatory capital (TC = T1 + T2)	169,663,256	

4 Composition of Regulatory Capital (continued)

a. Composition of Regulatory Capital (CC1) (continued)

		(a)	(b)
		Amount (HK\$'000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
60	Total RWA	619,925,885	
	Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	21.65%	
62	Tier 1 capital ratio	26.13%	
63	Total capital ratio	27.37%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.88%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical capital buffer requirement	0.38%	
67	of which: higher loss absorbency requirement	1.00%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	17.15%	
	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	5,298,256	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	838,415	
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)	7,338,918	
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	7,338,918	
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)	Not applicable	Not applicable
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	Not applicable	Not applicable

4 Composition of Regulatory Capital (continued)

a. Composition of Regulatory Capital (CC1) (continued)

Notes to the template

	Description	Hong Kong basis (HK\$'000)	Basel III basis (HK\$'000)
9	Other intangible assets (net of associated deferred tax liabilities)	8,639	8,639
	<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)	1,903,195	-
	<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)

a. Composition of Regulatory Capital (CC1) (continued)

Notes to the template

	Description	Hong Kong basis (HK\$'000)	Basel III basis (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.		
Remark: 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)

a. Composition of Regulatory Capital (CC1) (continued)

A list of these unconsolidated subsidiaries is shown below:

	Principal activities	Total assets HK\$'000	Total equity HK\$'000
ICBC (Asia) Bullion Company Limited	Provision of bullion business	6,000	6,000
ICBC Asset Management (Global) Company Limited*	Provision of asset management services	630,487	600,316
ICBC (Asia) Securities Limited	Provision of securities brokerage services	2,329,397	1,726,433
ICBC (Asia) Trustee Company Limited	Provision of trustee services	401,889	388,907
ICBC (Asia) Financial Services Company Limited	Provision of trustee and company services	-	-
Greater China Fund	Trust fund	6,403,614	6,350,764

* Included consolidated subsidiaries in the name of 工銀亞投股權投資管理（深圳）有限公司, 亞投銀欣（廈門）投資管理有限公司, 蘇州銀晟投資管理有限公司.

As at 30 June 2026, there are no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation but the method of consolidation differs. There are also no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation.

4 Composition of Regulatory Capital (continued)

b. Reconciliation between Accounting and Regulatory Balance Sheets (CC2)

	(HK\$'000)		
	(a)	(b)	(c)
	Balance sheet as in published financial statements 30/06/2026	Under regulatory scope of consolidation 30/06/2026	Reference
Assets			
Cash and balances with banks and other financial institutions	32,777,283	32,706,199	
Placements with banks and other financial institutions	225,399,401	225,399,401	
Derivative financial instruments	11,768,484	11,768,484	
Advances and other accounts	471,215,228	471,232,802	
of which: collective impairment allowances reflected in regulated capital	-	(7,338,918)	f
Financial investments:	335,914,428	329,799,924	
- held for trading	26,953,772	26,780,601	
- measured at fair value through profit or loss other than held for trading	5,940,333	-	
- measured at fair value through other comprehensive income	214,253,519	214,252,519	
- measured at amortised cost	88,766,804	88,766,804	
Investment in associates	186,821	132,224	
Investment in subsidiaries	-	5,870,082	
Goodwill and other intangible assets	1,010,248	988,793	
of which: goodwill	-	980,154	a
of which: other intangible assets	-	8,639	b
Investment properties	190,000	190,000	
of which: cumulative revaluation gain on investment properties	-	(21,694)	
Property, plant and equipment	1,580,700	1,561,278	
Current income tax assets	1,966	1,547	
Deferred income tax assets	1,903,195	1,903,195	c
Other assets	24,060,645	24,417,851	
Total assets	1,106,008,399	1,105,971,780	

4 Composition of Regulatory Capital (continued)

b. Reconciliation between Accounting and Regulatory Balance Sheets (CC2) (continued)

	(HK\$'000)		
	(a)	(b)	(c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	30/06/2026	30/06/2026	
Liabilities			
Deposits from banks and other financial institutions	137,322,924	137,322,924	
Trading liabilities	150,203	149,018	
Derivative financial instruments	11,829,152	11,829,152	
of which: debit valuation adjustments in respect of derivative contracts	-	20,040	g
Deposits from customers	749,674,202	752,515,420	
- designated at fair value through profit or loss	-	12,705,560	
- at amortised cost	-	739,809,860	
Certificates of deposit issued at amortised cost	1,857,574	1,857,574	
Debt securities in issue	15,713,219	15,713,219	
- designated at fair value through profit or loss	-	-	
- at amortised cost	-	15,713,219	
Current income tax liabilities	1,436,698	1,355,866	
Deferred income tax liabilities	1,632	-	
Subordinated debts measured at amortised cost	-	-	
of which: subordinate debts not eligible for inclusion in regulatory capital	-	-	
of which: subordinate debt eligible for inclusion in regulatory capital	-	-	
Other liabilities	19,067,881	19,495,591	
Total liabilities	937,053,485	940,238,764	
Shareholders' equity			
Share capital	44,187,631	44,187,631	d
Retained earnings	91,710,858	88,510,447	e
of which: regulatory reserve for general banking risks	-	-	
Other reserves	5,387,660	5,366,173	
of which: bank premises revaluation reserve	-	741,353	
of which: investment revaluation reserve	-	807,694	

4 Composition of Regulatory Capital (continued)

b. Reconciliation between Accounting and Regulatory Balance Sheets (CC2) (continued)

	(HK\$'000)		
	(a)	(b)	(c)
	Balance sheet as in published financial statements 30/06/2026	Under regulatory scope of consolidation 30/06/2026	Reference
of which: cash flow hedge reserve	-	(119,657)	
of which: exchange reserve	-	(209,451)	
of which: general reserve	-	4,146,234	
Additional equity instruments	27,668,765	27,668,765	
Total shareholders' equity	168,954,914	165,733,016	
Total shareholders' equity and liabilities	1,106,008,399	1,105,971,780	

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A))

The following is a summary of the Group's CET1 capital instrument, AT1 capital instrument and non-capital LAC debt instruments. The full terms and conditions of the Group's capital instruments and non-capital LAC debt instruments can be found in the "Terms and conditions of the capital instruments issued" and "Terms and conditions of the non-capital LAC debt instruments issued" of Regulatory Disclosures - Banking (Disclosure) Rules section of our website, www.icbcasia.com.

The regulatory capital and/or LAC instruments included in the Bank's consolidated capital base as of 30 June 2026 are as follows:

Both regulatory capital and LAC requirement

- Common Equity Tier 1 Capital (Ordinary share capital)
- USD Non-Cumulative Subordinated Additional Tier 1 Capital Securities with perpetual maturity - issued on 21 March 2018 (restated on 21 Mar 2023)
- USD Non-Cumulative Subordinated Additional Tier 1 Capital Securities with perpetual maturity – issued on 21 July 2021

* Subsequent to 30 June 2026, in accordance with the terms and conditions of the US\$1 billion Additional Tier 1 Capital Securities, the Bank did not exercise its call option on the first call date on 21 July 2026. Accordingly, the distribution rate was reset from 3.3% per annum to 6.89% per annum with effect from the first call date until the next reset date.

Only LAC (but not regulatory capital) requirement

- USD Loss-absorbing Notes due 2027 – issued on 20 December 2024

The main features of the regulatory capital instruments and non-capital LAC debt instruments are set out in the following sections.

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

(i) Both regulatory capital and LAC requirement

		(a)
		Quantitative / qualitative information
1	Issuer	Industrial and Commercial Bank of China (Asia) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Companies Ordinance
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
	Regulatory treatment	
4	Transitional Basel III rules	N/A
5	Basel III rules	Common Equity Tier 1
6	Eligible at solo* / group / solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$44,188 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$44,188 million
9	Par value of instrument	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	Since incorporation
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption price	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend / coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Depositors, bank's creditors, holders' of certificates of deposit, issued debt securities in issue and subordinated debts in issue.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

(i) Both regulatory capital and LAC requirement (continued)

		(b)
		Quantitative / qualitative information
1	Issuer	Industrial and Commercial Bank of China (Asia) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	The Capital Securities are governed by and shall be construed in accordance with the laws of Hong Kong.
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
	Regulatory treatment	
4	Transitional Basel III rules	N/A
5	Basel III rules	Additional Tier 1
6	Eligible at solo* / group / solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$19,886 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$19,886 million
9	Par value of instrument	US\$2.536 billion
10	Accounting classification	Equity instruments
11	Original date of issuance	21 March 2018
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption price	Revised First call date: 21 March 2028 Included tax, regulatory event and loss absorption disqualification event calls Redemption in whole at 100%
16	Subsequent call dates, if applicable	Any distribution payment date after the revised first call date
	Coupons / dividends	
17	Fixed or floating dividend / coupon	Fixed
18	Coupon rate and any related index	Year 1-5: 4.90% per annum payable semi-annually in arrear; Year 5-10: 5.80% per annum payable semi-annually in arrear; Year 10 onwards: resettable on year 10 and every 5 years thereafter at then prevailing 5-year US Treasury yield plus a fixed spread of 2.2192%
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible [1]	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

(i) Both Regulatory Capital and LAC Requirement (continued)

		(b)
		Quantitative / qualitative information
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature [2]	Yes
31	If write-down, write-down trigger(s)	Upon the occurrence of a Non-Viability Event
32	If write-down, full or partial	May be written down partially
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Issuer's depositors and all other unsubordinated creditors, creditors in respect of non-preferred loss absorbing instruments, creditors in respect of tier 2 capital instruments, and creditors in respect of all other subordinated indebtedness of the Issuer whose claims rank or are expressed to rank by operation of law or contract senior to the Capital Securities
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

[1] The instrument is contractually subject to the powers under the Financial Institutions (Resolution) Ordinance (Cap. 628) (FIRO). The holders of the instrument have acknowledged and agreed to being bound by any write off, cancellation, conversion or modification of the instrument, or to having the form of the instrument changed, in the exercise of any such powers under FIRO.

[2] The instrument is contractually subject to the powers under the Financial Institutions (Resolution) Ordinance (Cap. 628) (FIRO). The holders of the instrument have acknowledged and agreed to being bound by any write off, cancellation, conversion or modification of the instrument, or to having the form of the instrument changed, in the exercise of any such powers under FIRO.

* Include solo-consolidated.

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

(i) Both Regulatory Capital and LAC Requirement (continued)

		(c)
		Quantitative / qualitative information
1	Issuer	Industrial and Commercial Bank of China (Asia) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	The Capital Securities are governed by and shall be construed in accordance with the laws of Hong Kong.
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
	Regulatory treatment	
4	Transitional Basel III rules	N/A
5	Basel III rules	Additional Tier 1
6	Eligible at solo* / group / solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$7,842 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$7,842 million
9	Par value of instrument	US\$ 1 billion
10	Accounting classification	Equity instruments
11	Original date of issuance	21 July 2021
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption price	First call date: 21 July 2026. Included tax and regulatory event calls. Redemption in whole at 100%
16	Subsequent call dates, if applicable	Any distribution payment date after the first call date
	Coupons / dividends	
17	Fixed or floating dividend / coupon	Fixed
18	Coupon rate and any related index	Year 1-5: 3.3% per annum payable semi-annually in arrear; Year 5-10: 6.89% per annum payable semi-annually in arrear; Year 10 onwards: resettable on year 10 and every 5 years thereafter at then prevailing 5-year US Treasury yield plus a fixed initial spread of 2.59%
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible [1]	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature [2]	Yes
31	If write-down, write-down trigger(s)	Upon the occurrence of a Non-Viability Event
32	If write-down, full or partial	May be written down partially
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

(i) Both Regulatory Capital and LAC Requirement (continued)

		(c)
		Quantitative / qualitative information
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Depositors, Issuer's creditors, holders of non-preferred loss absorbing instruments and tier 2 capital instruments and creditors of all other subordinated indebtedness of the Issuer whose claims rank or are expressed to rank by operation of law or contract senior to the Capital Securities
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

[1] The instrument is contractually subject to the powers under the Financial Institutions (Resolution) Ordinance (Cap. 628) (FIRO). The holders of the instrument have acknowledged and agreed to being bound by any write off, cancellation, conversion or modification of the instrument, or to having the form of the instrument changed, in the exercise of any such powers under FIRO.

[2] The instrument is contractually subject to the powers under the Financial Institutions (Resolution) Ordinance (Cap. 628) (FIRO). The holders of the instrument have acknowledged and agreed to being bound by any write off, cancellation, conversion or modification of the instrument, or to having the form of the instrument changed, in the exercise of any such powers under FIRO.

* Include solo-consolidated.

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

(ii) Only LAC (but not Regulatory Capital) Requirement

		(d)
		Quantitative / qualitative information
1	Issuer	Industrial and Commercial Bank of China (Asia) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	The Notes are governed by and shall be construed in accordance with the laws of Hong Kong.
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
	Regulatory treatment	
4	Transitional Basel III rules	N/A
5	Basel III rules	Ineligible
6	Eligible at solo* / group / solo and group (for regulatory capital purposes)	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK\$9,802 million
9	Par value of instrument	US\$1,250 million
10	Accounting classification	Liability – amortised costs
11	Original date of issuance	20 December 2024
12	Perpetual or dated	Dated
13	Original maturity date	20 December 2027
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption price	First call date: 20 December 2026 Included tax and loss absorption disqualification event calls Redemption in whole at 100%
16	Subsequent call dates, if applicable	Any interest payment date after the first call date
	Coupons / dividends	
17	Fixed or floating dividend / coupon	Fixed
18	Coupon rate and any related index	4.838% per annum payable semi-annually in arrear
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Cumulative
23	Convertible or non-convertible [1]	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature [2]	Yes

4 Composition of Regulatory Capital (continued)

c. Main Features of Regulatory Capital Instruments (CCA) and Non-capital LAC Debt Instruments (CCA(A)) (continued)

(ii) Only LAC (but not Regulatory Capital) Requirement (continued)

		(d)
		Quantitative / qualitative information
31	If write-down, write-down trigger(s)	Upon the occurrence of a Loss Absorption Event "Loss Absorption Event" means the occurrence of: (i) the relevant Hong Kong Resolution Authority notifying the Issuer in writing that the Relevant Hong Kong Resolution Authority is satisfied that the Issuer has ceased, or is likely to cease, to be viable and there is no reasonable prospect that private sector action (outside of resolution) would result in it again becoming viable within a reasonable period (in both cases, without taking into account the write-down or conversion into ordinary shares of any LAC debt instruments); and (ii) for Notes issued directly to a group company of the Issuer established or incorporated in a non-Hong Kong jurisdiction, as specified in the applicable Final Terms, the relevant Hong Kong Resolution Authority notifying the Issuer in writing that: (A) the relevant Hong Kong Resolution Authority has notified the Home Authority of the relevant Hong Kong Resolution Authority's intention to notify the Issuer under paragraph (i) above; and (B) the Home Authority (x) has consented to the write-down or conversion of the relevant Notes issued by the Issuer or (y) has not, within 24 hours after receiving notice under subparagraph (ii)(A) above, objected to the write-down or conversion of the relevant Notes issued by the Issuer.
32	If write-down, full or partial	May be written down partially
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Subordinated to depositors and all other unsubordinated creditors of the Issuer.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

[1] The instrument is contractually subject to the powers under the Financial Institutions (Resolution) Ordinance (Cap. 628) (FIRO). The holders of the instrument have acknowledged and agreed to being bound by any write off, cancellation, conversion or modification of the instrument, or to having the form of the instrument changed, in the exercise of any such powers under FIRO.

[2] The instrument is contractually subject to the powers under the Financial Institutions (Resolution) Ordinance (Cap. 628) (FIRO). The holders of the instrument have acknowledged and agreed to being bound by any write off, cancellation, conversion or modification of the instrument, or to having the form of the instrument changed, in the exercise of any such powers under FIRO.

* Include solo-consolidated.

4 Composition of Regulatory Capital (continued)

d. LAC Composition of Material Subsidiary (at LAC Consolidation Group Level) (TLAC1(A))

		(a)
		Amount (HK\$'000)
Regulatory capital elements of internal loss-absorbing capacity and adjustments		
1	Common Equity Tier 1 ("CET1") capital	134,228,841
2	Additional Tier 1 ("AT1") capital before LAC adjustments	27,727,730
3	AT1 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
4	Other adjustments	-
5	AT1 capital eligible under the LAC Rules	27,727,730
6	Tier 2 ("T2") capital before LAC adjustments	7,706,685
7	Amortized portion of T2 capital instruments that are internal LAC debt instruments issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
8	T2 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	-
9	Other adjustments	-
10	T2 capital eligible under the LAC Rules	7,706,685
11	Internal loss-absorbing capacity arising from regulatory capital	169,663,256
Non-regulatory capital elements of internal loss-absorbing capacity		
12	Internal non-capital LAC debt instruments issued directly or indirectly to, and held indirectly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	9,802,188
13	External non-capital LAC debt instruments issued directly by the resolution entity and that do not meet subordination requirements but meet all other LAC eligibility requirements	-
14	Of which: amount eligible as external loss-absorbing capacity after application of the caps	-
15	External non-capital LAC debt instruments issued by funding vehicles prior to 1 January 2022	-
16	Eligible ex ante commitments to recapitalise a resolution entity in resolution	-
17	Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments	9,802,188
Non-regulatory capital elements of internal loss-absorbing capacity: adjustments		
18	Internal loss-absorbing capacity before deductions	179,465,444
19	Deductions of exposures between the material subsidiary's LAC consolidation group and group companies outside that group that correspond to non-capital items eligible for internal loss-absorbing capacity	-
20	Deduction of holdings of its own non-capital LAC liabilities	-
21	Other adjustments to internal loss-absorbing capacity	-
22	Internal loss-absorbing capacity after deductions	179,465,444
Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes		
23	Risk-weighted amount under the LAC Rules	619,925,885
24	Exposure measure under the LAC Rules	1,225,391,190

4 Composition of Regulatory Capital (continued)

d. LAC Composition of Material Subsidiary (at LAC Consolidation Group Level) (TLAC1

(A)) (continued)

		(a)
		Amount (HK\$'000)
	Internal LAC ratios and buffers	
25	Internal LAC risk-weighted ratio	28.95%
26	Internal LAC leverage ratio	14.65%
27	CET1 capital (as a percentage of RWA under the Banking (Capital) Rules ("BCR")) available after meeting the LAC consolidation group's minimum capital and LAC requirements	13.95%
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA under the BCR)	3.88%
29	Of which: capital conservation buffer requirement	2.50%
30	Of which: institution-specific countercyclical capital buffer requirement	0.38%
31	Of which: higher loss absorbency requirement	1.00%

4 Composition of Regulatory Capital (continued)

e. Material Subsidiary – Creditor Ranking at Legal Entity Level (TLAC2)

		Creditor ranking HK\$ million			Total HK\$ million
		1 (most junior)	2	3 (most senior)	
1	Is a resolution entity or a non-HK resolution entity the creditor/investor?	Yes	Yes	Yes	
2	Description of creditor ranking	CET1 capital instruments (Note 1)	AT1 capital instruments	Non-capital LAC debt instruments	
3	Total capital and liabilities net of credit risk mitigation	44,188	27,728	9,802	81,718
4	Subset of row 3 that are excluded liabilities	-	-	-	-
5	Total capital and liabilities less excluded liabilities	44,188	27,728	9,802	81,718
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	44,188	27,728	9,802	81,718
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	9,802	9,802
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	-	-
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	-	-
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-
11	Subset of row 6 that is perpetual securities	44,188	27,728	-	71,916

Note 1: Issued and fully paid ordinary shares.

5. Macroprudential Supervisory Measures

Geographical Distribution of Credit Exposures used in Countercyclical Capital Buffer (CCyB1)

	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio (HK\$'000)	AI-specific CCyB ratio	CCyB amount (HK\$'000)
1	Hong Kong, China	0.50%	318,157,717		
2	China	0.00%	125,636,466		
3	Argentina	0.00%	5		
4	Australia (includes Christmas Islands, Cocos Islands, Norfolk Islands, Heard and McDonald Islands, Territory of Ashmore and Cartier Islands and Territory of Coral Sea Islands)	1.00%	1,473,871		
5	Austria	0.00%	5		
6	Bangladesh	0.00%	2		
7	Belgium	1.00%	28		
8	Brazil	0.00%	166,387		
9	British Virgin Islands	0.00%	2,413,788		
10	Burundi	0.00%	1		
11	Cambodia (formerly Kampuchea)	0.00%	677,492		
12	Canada	0.00%	23,028		
13	Cayman Islands	0.00%	1,876,257		
14	Finland (includes Aland Islands)	0.00%	1		
15	France (includes French Guiana, Guadeloupe, Martinique, Mayotte, Monaco, Réunion, Saint Barthélemy, Saint Martin (French part) and Saint Pierre and Miquelon)	1.00%	1,135,341		
16	Germany (includes the European Central Bank)	0.75%	6,264,774		
17	Hungary	0.00%	5		
18	India	0.00%	437		
19	Indonesia	0.00%	260,713		
20	Iran	0.00%	2		
21	Ireland	1.50%	2,740,996		
22	Japan	0.00%	38,296		
23	Kazakhstan	0.00%	1,276,380		
24	Latvia	0.00%	36		
25	Luxembourg	0.50%	331,222		
26	Macao, China	0.00%	52,663		
27	Malaysia (includes Labuan International Financial Offshore Centre)	0.00%	1,031,526		

5. Macroprudential Supervisory Measures (continued)
Geographical Distribution of Credit Exposures used in Countercyclical Capital Buffer
(CCyB1) (continued)

	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio (HK\$'000)	AI-specific CCyB ratio	CCyB amount (HK\$'000)
28	Nepal	0.00%	1		
29	Netherlands	2.00%	1,002,690		
30	New Zealand (includes Cook Islands, Minor Islands, Niue, Ross Dependency and Tokelau)	0.00%	30		
31	Peru	0.00%	486,189		
32	Philippines	0.00%	157,034		
33	Portugal (includes the Azores and Madeira)	0.00%	27		
34	Qatar	0.00%	316,928		
35	Russia	0.00%	5		
36	Saudi Arabia	1.00%	768,789		
37	Singapore	0.00%	1,446,236		
38	South Korea	1.00%	983,515		
39	Spain (includes Balearic Islands, Canary Islands and Ceuta and Melilla)	0.50%	29		
40	St. Christopher / St. Kitts - Nevis	0.00%	239		
41	Switzerland (includes Bank for International Settlements)	0.00%	3,159,803		
42	Taiwan, China	0.00%	26,351		
43	Thailand	0.00%	94,126		
44	Turkey	0.00%	521,804		
45	United Kingdom (includes British Indian Ocean Territory (comprises Chagos Archipelago), Pitcairn, Saint Helena, Ascension & Tristan da Cunha, South Georgia & South Sandwich Islands, excludes Guernsey, Isle of Man and Jersey)	2.00%	3,841,115		
46	United States (includes American Samoa, Guam, Midway Islands, Northern Mariana Islands, Puerto Rico, United States Minor Outlying Islands, US Virgin Islands and Wake Islands)	0.00%	3,089,477		
47	Uruguay	0.00%	5		
48	Uzbekistan	0.00%	313,666		
49	Vietnam	0.00%	5		
	Sum		479,765,503		
	Total		479,765,503	0.380%	1,821,037

6. Leverage Ratio

a. Summary Comparison of Accounting Asset against Leverage Ratio Exposure Measure (LR1)

		(a)
	Item	Value under the LR framework (HK\$'000)
1	Total consolidated assets as per published financial statements	1,106,008,399
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	5,815,485
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	11,120,205
9	Adjustment for SFTs (i.e. repos and similar secured lending)	26,922,977
10	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	82,407,578
11	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from LR exposure measure	(10,606,785)
12	Other adjustments	3,723,331
13	Leverage ratio exposure measure	1,225,391,190

6. Leverage Ratio (continued)

b. Leverage Ratio (LR2)

		(a)	(b)
		(HK\$'000)	
		30/06/2026	31/03/2026
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivative contracts and SFTs, but including related on-balance sheet collateral)	1,065,035,796	991,858,886
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	(212,904)	(217,056)
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	(10,131,724)	(9,673,499)
6	Less: Asset amounts deducted in determining Tier 1 capital	(1,725,402)	(1,918,673)
7	Total on-balance sheet exposures (excluding derivative contracts and SFTs) (sum of rows 1 to 6)	1,052,965,766	980,049,658
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)	4,596,958	3,431,901
9	Add-on amounts for PFE associated with all derivative contracts	18,672,251	17,853,263
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)	23,269,209	21,285,164
Exposures arising from SFTs			
14	Gross amount of SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	40,300,721	47,905,443
15	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	(6,356,371)
16	CCR exposure for SFT assets	26,922,977	21,050,885
17	Agent transaction exposures	-	-
18	Total exposures arising from SFTs (sum of rows 14 to 17)	67,223,698	62,599,957
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	454,446,201	398,843,880
20	Less: Adjustments for conversion to credit equivalent amounts	(372,038,623)	(318,382,518)
21	Less: Specific and collective provisions associated with off-balance sheet exposures that are deducted from Tier 1 capital	(475,061)	(473,826)
22	Off-balance sheet items (sum of rows 19 to 21)	81,932,517	79,987,536
Capital and total exposures			
23	Tier 1 capital	161,956,571	159,555,180
24	Total exposures (sum of rows 7, 13, 18 and 22)	1,225,391,190	1,143,922,315

6. Leverage Ratio (continued)
- b. Leverage Ratio (LR2) (continued)

		(a)	(b)
		(HK\$'000)	
		30/06/2026	31/03/2026
Leverage ratio			
25 & 25a	Leverage ratio	13.22%	13.95%
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 assets of SFTs, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	62,982,011	51,881,384
29	Quarter-end value of gross amount of SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	40,300,721	41,549,072
30 & 30a	Total exposures based on mean values from row 28 of gross assets of SFTs (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables)	1,248,072,480	1,154,254,627
31 & 31a	Leverage ratio based on mean values from row 28 of gross assets of SFTs (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables)	12.98%	13.82%

- 6. Leverage Ratio (continued)
- b. Leverage Ratio (LR2) (continued)

Item 8:

The replacement cost associated with all derivative contracts increased by HKD 1,165 million or an increase of 33.95% compared to last quarter due to fair value change of derivative contracts.

Item 16:

CCR exposure for SFT assets increased by HKD 5,872 million or an increase of 27.89% compared to last quarter mainly driven by repo-style transactions.

Item 28:

Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables increased by HKD 11,101 million or an increase of 21.40% compared to last quarter mainly driven by repo-style transactions.

7. Liquidity

a. Liquidity Coverage Ratio – for Category 1 Institution (LIQ1)

Number of data points used in calculating the average value of the LCR and related components set out in this template: (71)		(HK\$'000)	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
A. HQLA			
1	Total HQLA		210,224,927
B. Cash outflows			
2	Retail deposits and small business funding, of which:	246,115,158	23,380,614
3	<i>Stable retail deposits and stable small business funding</i>	17,620,984	531,197
4	<i>Less stable retail deposits and less stable small business funding</i>	228,494,174	22,849,417
4a	<i>Retail term deposits and small business term funding</i>	-	-
5	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	388,972,296	218,169,317
6	<i>Operational deposits</i>	18,540	4,370
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	388,819,978	218,031,169
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	133,778	133,778
9	Secured funding transactions (including securities swap transactions)		92,283
10	Additional requirements, of which:	91,818,274	14,643,148
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	5,720,559	5,610,123
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>	86,097,715	9,033,025
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	9,844,796	9,844,796
15	Other contingent funding obligations (whether contractual or non-contractual)	608,114,988	2,580,233
16	Total Cash Outflows		268,710,391
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	44,771,740	20,777,751
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	124,278,574	87,510,120
19	Other cash inflows	75,715,394	19,084,943
20	Total Cash Inflows	244,765,708	127,372,814
D. Liquidity Coverage Ratio			
		Adjusted value	
21	Total HQLA		210,224,927

7. Liquidity (continued)

a. Liquidity Coverage Ratio – for Category 1 Institution (LIQ1) (continued)

Number of data points used in calculating the average value of the LCR and related components set out in this template: (71)		(HK\$'000)	
		(a)	(b)
Basis of disclosure: consolidated		Unweighted value (average)	Weighted value (average)
22	Total Net Cash Outflows		141,337,577
23	LCR (%)		149.51%

Liquidity Coverage Ratio

The Liquidity Coverage Ratio ("LCR") throughout the second quarter of 2026 meets the regulatory requirement and maintains at a safe level.

The average LCR as of the second quarter of 2026 increased by 8.42% compared to that as of the first quarter of 2026. Such increased was mainly due to the increase of HQLA by HKD 14.2 billion, which was partially net off by the increase of total net cash outflows by HKD 1.6 billion resulting from the maturing impact from various kinds of asset and liability.

(i) Main drivers of LCR results

The change in the Bank's LCR is mainly due to the changes in HQLA position, as well as the maturing impacts from various kinds of asset and liability which impacts the net cash outflows.

(ii) Composition of High Quality Liquid Assets ("HQLA")

The Bank holds a portfolio of unencumbered HQLA which can be readily liquidated to meet cash flow obligations under stress scenarios, as defined in the LCR rules. These liquid assets consist primarily of Level 1 HQLA, such as the Hong Kong Exchange Fund Bills and Notes as well as other government debt securities, supplemented by Level 2A and 2B HQLA, such as bonds issued by highly rated corporate issuers.

7. Liquidity (continued)

a. Liquidity Coverage Ratio – for Category 1 Institution (LIQ1) (continued)

(iii) Concentration of funding sources

The Bank maintains a diversified funding base composed mainly by retail and corporate customer deposits, supplemented by wholesale funding including but not limited to issuance of certificates of deposit and term debts. Short-term interbank money market borrowing is also used from time to time to meet temporary funding needs. The Bank continues to expand and diversify its deposit base, and to increase the proportion of stable deposits in its overall funding pool.

(iv) Derivative exposures

The Bank closely monitors all its exchange traded and over-the-counter derivative exposures arising from customer transactions and their corresponding hedging activities. Such derivative contracts comprise mainly of foreign exchange forwards, interest rate and cross currency swaps. Collateral may be required to be posted to counterparties depending on the marked-to-market of the derivative contracts.

(v) Currency mismatch

The fundings of the Bank are mainly customer deposits and capital denominated in HKD. To meet customer loan demand, the Bank swaps surplus HKD funding into USD and other foreign currencies. This represents the major currency mismatch of the Bank.

On the other hand, the Bank covers its HKD mismatch by holding HQLA denominated in USD when necessary. This is in line with the LCR alternative liquidity approach option elected by the HKMA.

(vi) Centralization of liquidity management

The Bank has a wholly owned subsidiary in Mainland China, Chinese Mercantile Bank ("CMB"), which has set up its own liquidity risk management policy and managed liquidity risk in accordance with its local regulatory requirements. CMB calculates its own LCR, which would then be consolidated with the Bank's LCR to reflect the liquidity position on a Group basis.

7. Liquidity (continued)

a. Liquidity Coverage Ratio – for Category 1 Institution (LIQ1) (continued)

(vii) Approach to liquidity risk management

The Bank has established a comprehensive liquidity risk management framework in accordance with the HKMA requirements and Basel Committee on Banking Supervision guidance. The Board is ultimately responsible for liquidity risk management, with the support from the Risk Management Committee of Board of Directors, senior management committees including the Risk Management and Internal Control Committee and the Asset and Liability Committee. Policies and procedures are in place, with properly approved limits and indicators in order to identify, measure and monitor liquidity risk. Stress tests are conducted regularly, and the Bank has readied the Contingency Funding Plan with detailed procedures in dealing with a potential liquidity crisis.

7. Liquidity (continued)

b. Net Stable Funding Ratio – for Category 1 Institution (LIQ2)

		30/06/2026				
		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		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	
A. Available stable funding ("ASF") item						
1	Capital:	173,312,179	-	-	-	173,312,179
2	Regulatory capital	173,312,179	-	-	-	173,312,179
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	252,197,398	154,878	1,669	228,008,202
5	Stable deposits		17,634,816	154,878	1,669	16,901,878
6	Less stable deposits		234,562,582	-	-	211,106,324
7	Wholesale funding:	-	570,465,624	57,454,777	12,505,806	237,095,508
8	Operational deposits		24,624	-	-	12,312
9	Other wholesale funding	-	570,441,000	57,454,777	12,505,806	237,083,196
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	15,071,413	5,793,040	-	13,415,701	13,415,701
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	15,071,413	5,793,040	-	13,415,701	13,415,701
14	Total ASF					651,831,590
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes	258,509,385				28,668,791
16	Deposits held at other financial institutions for operational purposes	-	218,962	-	-	109,481
17	Performing loans and securities:	2,331,876	390,645,402	95,677,192	331,583,322	440,237,879
18	Performing loans to financial institutions secured by Level 1 HQLA	-	4,926,435	1,577,147	-	1,281,217
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	213,947,046	34,627,408	39,705,167	89,110,927

7. Liquidity (continued)

b. Net Stable Funding Ratio – for Category 1 Institution (LIQ2) (continued)

		30/06/2026				
		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		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	
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>	2,331,876	126,103,642	48,381,582	162,084,204	226,588,195
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	85,446	2,719,638	2,040,425	2,728,818
22	<i>Performing residential mortgages, of which:</i>	-	1,758,592	1,681,619	93,230,596	65,519,126
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	1,515,843	1,453,840	77,234,934	51,687,549
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	-	43,909,687	9,409,436	36,563,355	57,738,414
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	33,547,748	21,962,309	1,552,511	557	29,864,204
27	<i>Physical traded commodities, including gold</i>	8,204,140				6,973,519
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	570,061				484,552
29	<i>Net derivative assets</i>	511,095				511,095
30	<i>Total derivative liabilities before deduction of variation margin posted</i>	9,450,786				472,540
31	<i>All other assets not included in the above categories</i>	14,811,666	21,962,309	1,552,511	557	21,422,498
32	Off-balance sheet items				454,365,800	4,262,753
33	Total RSF					503,143,108
34	Net Stable Funding Ratio (%)					129.55%

7. Liquidity (continued)

b. Net Stable Funding Ratio – for Category 1 Institution (LIQ2) (continued)

		31/03/2026				
		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		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	
A. Available stable funding ("ASF") item						
1	Capital:	170,901,427	-	-	-	170,901,427
2	Regulatory capital	170,901,427	-	-	-	170,901,427
2a	Minority interests not covered by row 2	-	-	-	-	-
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and small business funding:	-	236,589,869	118,940	560	213,926,581
5	Stable deposits		17,642,901	118,940	560	16,874,308
6	Less stable deposits		218,946,968	-	-	197,052,273
7	Wholesale funding:	-	537,751,023	39,329,389	12,327,313	222,470,170
8	Operational deposits		31,325	-	-	15,662
9	Other wholesale funding	-	537,719,698	39,329,389	12,327,313	222,454,508
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	15,535,048	5,758,084	-	13,333,951	13,333,953
12	Net derivative liabilities	-				
13	All other funding and liabilities not included in the above categories	15,535,048	5,758,084	-	13,333,951	13,333,953
14	Total ASF					620,632,131
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes	219,766,177				25,299,544
16	Deposits held at other financial institutions for operational purposes	-	258,088	-	-	129,044
17	Performing loans and securities:	2,816,835	312,698,219	129,036,111	326,770,369	436,693,145
18	Performing loans to financial institutions secured by Level 1 HQLA	-	580,953	1,964,091	-	1,040,141
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	153,592,543	54,831,992	31,566,459	82,021,337

7. Liquidity (continued)

b. Net Stable Funding Ratio – for Category 1 Institution (LIQ2) (continued)

		31/03/2026				
		(HK\$'000)				
		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: consolidated		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	
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:	2,816,835	114,896,320	54,814,169	229,637,745	269,470,886
21	With a risk-weight of less than or equal to 35% under the STC approach	-	1,257,429	81,700	64,853,755	42,824,505
22	Performing residential mortgages, of which:	-	1,709,687	1,675,746	28,210,127	23,573,735
23	With a risk-weight of less than or equal to 35% under the STC approach	-	1,437,318	1,411,556	10,487,952	8,241,606
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	41,918,716	15,750,113	37,356,038	60,587,046
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	24,622,538	42,534,128	1,414,471	17,393	24,674,445
27	Physical traded commodities, including gold	-				-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	1,304,351				1,108,698
29	Net derivative assets	1,041,326				1,041,326
30	Total derivative liabilities before deduction of variation margin posted	7,235,579				361,779
31	All other assets not included in the above categories	15,041,282	42,534,128	1,414,471	17,393	22,162,642
32	Off-balance sheet items				398,184,623	3,861,841
33	Total RSF					490,658,019
34	Net Stable Funding Ratio (%)					126.49%

7. Liquidity (continued)

b. Net Stable Funding Ratio – for Category 1 Institution (LIQ2) (continued)

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 Net Stable Funding Ratio throughout the second quarter of 2026 meets the regulatory requirement and maintains at a safe level.

(i) Main drivers of NSFR results

The Bank's NSFR is mainly driven by the composition and size of various kinds of asset and liability. For the liability side, the major funding source is customer deposit. It is relatively stable which brings support to the NSFR. For the asset side, the major product is customer loan. In overall, the NSFR is maintained smoothly and the liquidity situation is kept at a safe level.

(ii) Centralization of liquidity management

The Bank has a wholly owned subsidiary in Mainland China, Chinese Mercantile Bank ("CMB"), which has set up its own liquidity risk management policy and managed liquidity risk in accordance with its local regulatory requirements. CMB calculates its own NSFR, which would then be consolidated with the Bank's NSFR to reflect the liquidity position on a Group basis.

8. Credit Risk for Non-Securitization Exposures

a. Credit Quality of Exposures (CR1)

		(HK\$'000)						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory of specific provisions	Allocated in regulatory of collective provisions		
1	Loans	4,097,068	730,636,497	10,110,389	2,631,651	7,478,738	-	724,623,176
2	Debt securities	63,603	302,444,545	27,384	-	27,384	-	302,480,764
3	Off-balance sheet exposures		454,446,201	475,061	-	475,061	-	453,971,140
4	Total	4,160,671	1,487,527,243	10,612,834	2,631,651	7,981,183	-	1,481,075,080

Definition of default

A credit exposure is defined as defaulted if borrower is displaying a definable weakness which is likely to jeopardize repayment, including but not limiting to:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

8. Credit Risk for Non-Securitization Exposures (continued)

b. Changes in Defaulted Loans and Debt Securities (CR2)

		(HK\$'000)
		(a)
		Amount
1	Defaulted loans and debt securities at the end of the previous reporting period	5,799,497
2	Loans and debt securities that have defaulted since the last reporting period	218,911
3	Returned to non-defaulted status	(10,397)
4	Amounts written off	(1,858,951)
5	Other changes	37,901
6	Defaulted loans and debt securities at the end of the current reporting period	4,186,961

Loans and debt securities that have defaulted since the last reporting period amounted to HKD 219 million. Since sufficient provision has been made based on assessments of the aforesaid defaulted loans, risk is considered controllable. During the period, loans written off amounted to HKD 1.9 billion. These loans were written off during the reporting period after exhaustion of all recovery efforts in accordance with relevant policies and procedures.

Additionally, item of "Other Changes" is mainly attributed by proceeds of full or partial settlement of the defaulted loans and exchange rate difference, etc.

8. Credit Risk for Non-Securitization Exposures (continued)

c. Overview of Recognized Credit Risk Mitigation (CR3)

		(HK\$'000)				
		(a)	(b1)	(b)	(d)	(f)
		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
1	Loans	715,356,484	9,266,692	420,829	8,845,863	-
2	Debt securities	256,083,398	46,397,366	-	46,397,366	-
3	Total	971,439,882	55,664,058	420,829	55,243,229	-
4	Of which defaulted	4,153,543	7,128	1,997	5,131	-

The Group adopts the standardized (credit risk) approach ("STC") for all the non-securitization credit risk RWA, and the simple approach in treatment of recognized collateral for the purpose of calculating RWA. Meanwhile, the recognized collateral and the recognized guarantees were used as risk mitigation measures to manage the credit risk exposure, without involving any recognized credit derivative contract.

In the first half of 2026, the "Exposures to be secured" under "Exposures secured by recognized collateral" increased by HKD 53.81 million (+14.66%), while "Exposures secured by recognized guarantees" rose by HKD 4,652.67 million (+110.96%), driving a total increase of HKD 4,706.48 million (+103.21%) in overall "Exposures to be secured" for loans increased compared to prior year-end. This was mainly due to increased risk exposure in corporate terms loans and syndicated loans secured by recognized collateral and guarantees.

Additionally, owing to a significant decline in risk exposure from loans overdue by more than 90 days, the "Exposures unsecured" under "Of which defaulted" decreased by HKD 1,626.76 million (-28.14%) compared to end of 2025, while "Exposures to be secured" under "Of which defaulted" declined by HKD 12.07 million (-62.87%). This decrease in secured exposures was primarily driven by a HKD 1.44 million (-41.93%) reduction in "Exposures secured by recognized collateral" and a HKD 10.63 million (-67.43%) drop in "Exposures secured by recognized guarantees"..

8. Credit Risk for Non-Securitization Exposures (continued)

d. Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation – for STC Approach (CR4)

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	101,408,105.84	4,227,576.47	147,805,472.11	422,757.65	1,302,570.93	0.01
2	Public sector entity exposures	37,394,646.08	8,600,734.38	41,565,811.14	2,007,573.44	5,136,647.45	0.12
3	Multilateral development bank exposures	8,412,543.23	-	8,412,543.23	-	-	-
3a	Unspecified multilateral body exposures	-	-	-	-	-	-
4	Bank exposures	283,285,410.90	87,466,139.53	283,292,345.31	9,661,987.87	86,111,332.06	0.29
4a	Non-bank financial institution exposures	2,378,155.35	6,020,702.55	2,378,155.35	1,041,668.69	2,159,045.35	0.63
5	Eligible covered bond exposures	-	-	-	-	-	-
6	General corporate exposures	373,547,574.50	324,688,994.59	327,262,464.94	54,860,232.42	336,587,037.61	0.88
6a	Of which: securities firms and financial institutions	118,345,621.30	60,788,513.90	71,019,028.38	8,173,212.76	75,559,209.03	0.95
6b	Specialized lending	650,958.19	-	650,958.19	-	650,958.19	1.00
7	Equity exposures	-	-	-	-	-	-
7a	Significant capital investments in commercial entities	-	-	-	-	-	-
7b	Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities	4,728,576.85	-	4,728,576.85	-	7,092,863.85	1.50
7c	Subordinated debts issued by banks, non-bank financial institutions and corporates	-	-	-	-	-	-
8	Retail exposures	26,871,146.06	19,090,565.41	26,685,332.53	1,909,054.32	23,055,377.15	0.81
8a	[Reserved for Class X in the Division A, Part IIIb of the to be revised CAR return]	-	-	-	-	-	-

8. Credit Risk for Non-Securitization Exposures (continued)

d. Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation – for STC Approach (CR4) (continued)

9	Real estate exposures	155,598,717.82	3,381,766.82	151,073,709.41	709,460.21	102,387,989.05	0.67
9a	Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	91,463,079.86	6,029.97	87,309,824.66	603.00	24,396,193.47	0.28
9b	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-
9c	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-
9d	Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties)	3,861,712.23	-	3,861,712.23	-	3,975,964.97	1.03
9e	Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	1,316,444.96	-	1,316,444.96	-	1,214,325.13	0.92
9f	Of which: other real estate exposures (materially dependent on cash flows generated by mortgaged properties)	32,606,565.77	2,972,145.41	32,508,108.56	551,254.65	49,589,044.81	1.50
9g	Of which: land acquisition, development and construction exposures	18,378,780.29	403,591.44	18,105,484.29	157,602.56	21,175,030.88	1.16
10	Defaulted exposures	663,570.28	589,320.00	663,570.28	58,932.00	1,052,474.61	1.46
11	Other exposures	27,980,471.51	-	27,980,471.51	-	4,758,480.23	0.17
11a	Cash and gold	610,878.22	-	1,031,343.99	11,535,510.46	68,443.59	0.01
11b	Items in the process of clearing or settlement	29.80	-	29.80	-	5.96	0.20
12	Total	1,023,530,784.63	454,065,799.75	1,023,530,784.64	82,207,177.06	570,363,226.03	8.70

8. Credit Risk for Non-Securitization Exposures (continued)

d. Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation – for STC Approach (CR4) (continued)

In the first half of 2026, due to an increase of trade-related contingencies secured by sovereigns, the off-balance sheet amount of "Exposures post-CCF and post-CRM" to sovereign exposures increased by HKD 392.46 million or a 1295.40% rise. Therefore, the 'Risk-weighted amount' under 'Sovereign exposure' increased by approximately HKD 299.90 million, a 29.91% increase, and its 'RWA density' rise by 35.14%.

Of which in PSE (public sector entity) exposures, because of an increase in debt securities exposures of domestic PSEs, the on-balance sheet amount of "Exposures pre-CCF and pre-CRM" to domestic PSEs exposures increased by HKD 8.80 billion or 30.77%. However, the off-balance sheet amount of "Exposures post-CCF and post-CRM" to domestic PSEs exposures decreased by HKD 710 million or 26.14% drop.

The on-balance sheet amount of "Exposures pre-CCF and pre-CRM" and "Exposures post-CCF and post-CRM" to multilateral development bank exposures both are increased by HKD 2.41 billion or 40.12%, mainly due to increase of bonds investment to multilateral development bank.

Due to an increase in the balance of commitments to banks with an original term of more than one year, the 'off-balance sheet amount' under 'Bank exposures' that 'Exposures pre-CCF and pre-CRM' and 'Exposures post-CCF and post-CRM' increased by approximately HKD 40.65 billion and HKD 3.82 billion, respectively, representing increases of 86.83% and 65.47%.

Due to mortgage loan commitments, direct credit risk and potential performance liabilities have increased. The 'off-balance sheet amounts' under 'real estate exposures' that 'Exposures pre-CCF and pre-CRM' and 'Exposures post-CCF and post-CRM' increased by approximately HKD 1.31 billion and HKD 0.15 billion, respectively, representing increases of 63.49% and 27.33%.

The decrease in cash collateral for the off-balance sheet exposures resulted in a HKD 4.75 billion (-29.16%) reduction in 'Cash and gold' category under 'Exposures post-CCF and post-CRM', while driving a HKD 11.62 million (20.44%) increase in the risk-weighted amount (RWA) and a corresponding 203.86% surge in risk-weighted amount density due to the lower collateral coverage.

Due to the strict implementation of business approval and the detailed classification of risk categories and weights, the RWA of 'Other exposures' decreased by HKD 1.77 billion, a decline of 27.06%.

8. Credit Risk for Non-Securitization Exposures (continued)

d. Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation – for STC Approach (CR4) (continued)

Because of decrease in non-performing loans exposure, the on-balance sheet amount under “defaulted exposure” that 'Exposures pre-CCF and pre-CRM' and 'Exposures post-CCF and post-CRM' decreased by HKD 235 million, a reduction of 26.16%. However, the off-balance-sheet amount of defaulted exposures increased by 151.92%, primarily due to lower counterparty ratings, which led to their classification into the default category based on prudential principles. In total, the RWA decreased by HKD 294 million, a decline of 21.82%.

8. Credit Risk for Non-Securitization Exposures (continued)

e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5)

	(HK\$'m)	0%	20%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
1	Sovereign exposures	141,715	6,513	-	-	-	-	148,228

	(HK\$'m)	0%	20%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
2	Public sector entity exposures	19,158	23,569	846	-	-	-	43,573

	(HK\$'m)	0%	20%	30%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
3	Multilateral development bank exposures	8,413	-	-	-	-	-	-	8,413

	(HK\$'m)	20%	30%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
3a	Unspecified multilateral body exposures	-	-	-	-	-	-	-

	(HK\$'m)	20%	30%	40%	50%	75%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
4	Bank exposures	89,899	164,891	17,272	18,286	-	2,593	13	-	292,954

8. Credit Risk for Non-Securitization Exposures (continued)

e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5) (continued)

	(HK\$'m)	20%	30%	40%	50%	75%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
4a	Non-bank financial institution exposures	-	902	-	-	2,518	-	-	-	3,420

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

	(HK\$'m)	20%	30%	50%	65%	75%	85%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
6	General corporate exposures	6,818	-	54,407	-	49,657	8,268	261,420	1,553	-	382,123
6a	Of which: securities firms and financial institutions	612	-	3,372	-	8,239	-	66,969	-	-	79,192

	(HK\$'m)	20%	50%	75%	80%	100%	130%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
6b	Specialized lending	-	-	-	-	651	-	-	-	651

	(HK\$'m)	100%	250%	400%	Other	Total credit exposure amount (post-CCF and post-CRM)
7	Equity exposures	-	1	-	-	1

8. Credit Risk for Non-Securitization Exposures (continued)

e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5) (continued)

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

	(HK\$'m)	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	4,729	860	-	-	5,589

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

	(HK\$'m)	45%	75%	100%	Other	Total credit exposure amount (post-CCF and post-CRM)
8	Retail exposures	1,633	18,567	8,386	8	28,594

	(HK\$'m)	0%	Other	Total credit exposure amount (post-CCF and post-CRM)
8a	[Reserved for Class X in the Division A, Part IIIb of the to be revised CAR return]	-	-	-

8. Credit Risk for Non-Securitization Exposures (continued)

e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5) (continued)

	(HK\$'m)	0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
9	Real estate exposures	-	29,807	16,573	28,016	-	7,866	-	3,966	-	-	1,745	1	679	34	8,241	-	3,165	36,736	14,954	151,783
9a	Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	29,807	16,573	28,016	-	7,866	-	3,966	-	-	1,082	-	-	-	-	-	-	-	-	87,310
9b	Of which: no loan splitting applied	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9c	Of which: loan splitting applied (secured)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9d	Of which: loan splitting applied (unsecured)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

8. Credit Risk for Non-Securitization Exposures (continued)

e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5) (continued)

	(HK\$'m)	0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
9e	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9f	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9g	Of which: no loan splitting applied	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9h	Of which: loan splitting applied (secured)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

8. Credit Risk for Non-Securitization Exposures (continued)

e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5) (continued)

	(HK\$'m)	0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
9i	Of which: loan splitting applied (unsecured)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9j	Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-	-	-	-	-	663	-	-	34	-	-	3,165	-	-	3,862
9k	Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-	-	-	-	-	-	1	679	-	636	-	-	-	-	1,316
9l	Of which: no loan splitting applied	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

8. Credit Risk for Non-Securitization Exposures (continued)

e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5) (continued)

	(HK\$'m)	0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
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)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,059	-	33,059
9p	Of which: land acquisition, development and construction exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,605	-	-	3,676	6,982	18,263

8. Credit Risk for Non-Securitization Exposures (continued)

e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5) (continued)

	(HK\$'m)	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
10	Defaulted exposures	-	59	662	1	722

	(HK\$'m)	100%	1250%	Other	Total credit exposure amount (post-CCF and post-CRM)
11	Other exposures	4,525	-	23,455	27,980

	(HK\$'m)	0%	100%	Other	Total credit exposure amount (post-CCF and post-CRM)
11a	Cash and gold	12,225	-	342	12,567

	(HK\$'m)	0%	20%	100%	625%	938%	1250%	Other	Total credit exposure amount (post-CCF and post-CRM)
11b	Items in the process of clearing or settlement	-	0.03	-	-	-	-	-	0.03

8. Credit Risk for Non-Securitization Exposures (continued)

e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5) (continued)

In the first half of 2026, the sovereign exposures with 20% risk weight increased by HKD 1.50 billion or 29.91%, mainly due to the increase in debt securities exposures with 20% risk weight to sovereign exposures.

Of which in PSE exposures, because of the increase in debt securities exposures, the PSEs exposures with 0% risk weight increased by HKD 6.31 billion or 49.15%. Thus, the total PSEs risk exposures of this category increased by HKD 8.07 billion or 22.72%.

Because of the increase in debt securities exposures, the multilateral development bank exposure with 0% risk weight increased by HKD 2.41 billion or 40.12%, resulting in total credit risk exposure of multilateral development bank uplifted by HKD 2.41 billion or 40.12%.

Because of the increase in interbank lending and cross-border trade activities, the risk exposure to banks with 20%, 40%, 50%, and 150% risk weights increased by HKD 15.24 billion (+20.41%), HKD 2.93 billion (+20.46%), HKD 4.23 billion (+30.08%), and HKD 12.17 million (+1,821.41%), respectively, resulting in a total credit risk exposure increase of approximately HKD 49.49 billion (+20.33%). Of these, 4a refers to the 'non-bank financial institution risk exposure' which increased by 341 million HKD, a rise of 60.91%.

Within corporate risk exposures, the 20% and 75% risk-weighted exposures rose by HKD 5.84 billion (+597.81%) and HKD 10.51 billion (+26.83%), primarily due to higher short-term financing transactions with securities firms and financial institutions, while 6a of "securities firms financial institution exposures" with 50% and 75% risk weights increased by HKD 2.21 billion (+190.18%) and HKD 3.04 billion (+58.40%). However, the 100% and 130% risk-weighted "specialized loan exposures" of 6b declined by HKD 1.48 billion (-69.40%) and HKD 0.14 billion (-100%), which resulted in 6b a total credit risk exposure decrease of approximately HKD 1.62 billion (-71.29%).

The 250% risk-weighted equity risk exposure declined by HKD 14.8 million (-91.83%) year-over-year, primarily attributable to reduced trading balances in equity positions.

Due to the decrease in unhedged retail risk exposure, the 'regulatory retail risk exposure' classified under other categories decreased by HKD 6.89 million, or 47.74%.

8. Credit Risk for Non-Securitization Exposures (continued)

e. Credit Risk Exposures by Asset Classes and by Risk Weights – for STC Approach (CR5) (continued)

Within real estate risk exposures, the tightening of residential mortgage loan approvals led to a HKD 6.48 billion (+27.80%) increase in 20% risk-weighted "residential mortgage loans," while exposures under 50% – 150% risk weights saw declines: 50% (-HKD 2.24 billion, -36.06%), 70% (-HKD 1.71 billion, -49.48%), 75% (-HKD 0.46 billion, -46.96%), 85% (-HKD 337 million, -33.12%), and 150% (-HKD 766 million, -2.04%); partially offset by a HKD 1.187 billion (+60.03%) rise in 110% risk-weighted residential mortgages.

Due to changes in cash and gold collateral coverage, 0% risk-weighted "Cash and gold" decreased by HKD 4.76 billion (-28.02%), while "other items" under cash and gold rose by HKD 58.09 million (+20.44%), resulting in a net reduction of HKD 4.7 billion (-27.22%) in total credit risk exposure.

Due to non-performing loans exposure decreased, the 150% risk-weighted of defaulted exposures decreased by HKD 190.67 million (-22.36%), while "other items" under defaulted exposures reduced HKD 1.31 million (-50.79%), driving a total defaulted exposure decline of HKD 199.52 million (-21.64%).

Additionally, due to the decline in clearing and unsettled transactions, the 'Items in the process of clearing or settlement' exposures that accounts for 20% decreased by HKD 88,000 (-74.58%), thereby reducing the total credit risk exposure by approximately HKD 88,000, or 74.58%.

9. Counterparty Credit Risk

a. Analysis of Counterparty Default Risk Exposures (other than those to CCPs) by Approaches (CCR1)

		(HK\$'000)					
		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)	512,749	7,215,640		1.4	10,819,745	4,119,262
1a	CEM (for derivative contracts)				1.4		
2	IMM (CCR) approach						
3	Simple Approach (for SFTs)					40,300,721	7,074,417
4	Comprehensive Approach (for SFTs)						
5	VaR (for SFTs)						
6	Total						11,193,679

The Group uses SA-CCR approach and Simple approach to calculate counterparty default risk exposure for derivative contracts and SFTs respectively. Compared with 31 December 2025, total RWA of counterparty default risk exposures decreased by HKD 1.7 billion, which was mainly driven by the default risk exposure decrease from the derivative contracts.

9. Counterparty Credit Risk (continued)

b. Counterparty Default Risk Exposures (other than those to CCPs) by Asset Classes and by Risk Weights – for STC Approach (CCR3)

		(HK\$'000)											
		(a)	(b)	(c)	(ca)	(cb)	(d)	(e)	(ea)	(f)	(g)	(h)	(i)
Risk Weight Exposure class		0%	10%	20%	30%	40%	50%	75%	85%	100%	150%	Others	Total default risk exposure after CRM
1	Sovereign exposures	8,594,741	-	852,112	-	-	521,127	-	-	-	-	-	9,967,980
2	Public sector entity exposures	-	-	193,525	-	-	-	-	-	-	-	-	193,525
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-	-
4	Unspecified multilateral body exposures	-	-	-	-	-	-	-	-	-	-	-	-
5	Bank exposures	-	-	23,546,074	7,060,010	-	552,439	-	-	38,748	359,488	-	31,556,759
6	Qualifying non-bank financial institution exposures	-	-	-	-	-	170,342	-	-	-	-	-	170,342
7	General corporate exposures	-	-	-	-	-	408,159	-	853	2,065,973	-	-	2,474,985
8	Retail exposures	-	-	-	-	-	-	52,853	-	610,884	4,598	25,956	694,292
9	Defaulted exposures	-	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures	6,062,584	-	-	-	-	-	-	-	-	-	-	6,062,584
11	Total	14,657,325	-	24,591,711	7,060,010	-	1,652,067	52,853	853	2,715,605	364,086	25,956	51,120,467

9. Counterparty Credit Risk (continued)

b. Counterparty Default Risk Exposures (other than those to CCPs) by Asset Classes and by Risk Weights – for STC Approach (CCR3) (continued)

Compared with 31 December 2025, the overall default risk exposure decreased by HKD 17.2 billion, mainly contributed by changes in volume of the respective transactions. The 0% risk weight exposure showed a notable decrease of HKD 9 billion, mainly from sovereign exposures. The 20% and 30% risk weight exposures showed a decrease of HKD 4.2 billion and HKD 4.9 billion respectively. The rest of risk weight exposure showed a relatively modest movement. Specifically, the 50% risk weight exposure increased by HKD 0.9 billion, while the 150% risk weight exposure increased by HKD 343 million. Conversely, the 100% risk weight exposure decreased by HKD 338 million.

9. Counterparty Credit Risk (continued)

c. Composition of Collateral for Counterparty Default Risk Exposures (including those for Contracts or Transactions Cleared Through CCPs) (CCR5)

	(HK\$'000)					
	(a)	(b)	(c)	(d)	(e)	(f)
	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		
Cash - domestic currency	-	-	-	-	-	7,775,761
Cash - other currencies	-	3,988,611	-	514,788	6,384,913	20,346,132
Domestic sovereign debt	-	-	-	-	637,433	-
Other sovereign debt	-	17,023	-	-	4,747,479	4,067,195
Domestic PSE debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	426,074	-
Bank bonds/debts	-	-	-	-	92,451	6,926,308
Equity securities	-	-	-	-	1,185,326	-
Other collateral	-	-	-	-	-	-
Total	-	4,005,634	-	514,788	13,473,676	39,115,396

Compared with 31 December 2025, the net fair value of recognized collateral from derivatives contracts have increased by HKD 1 billion and SFTs have decreased by HKD 0.1 billion, which was mainly driven by the decrease in volume of SFT transactions in the first half of 2026.

9. Counterparty Credit Risk (continued)

d. Credit-Related Derivatives Contracts (CCR6)

	(HK\$'000)	
	(a)	(b)
	Protection bought	Protection sold
Notional amounts		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit-related options	-	-
Other credit-related derivative contracts	-	-
Total notional amounts	-	-
Fair values		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

9. Counterparty Credit Risk (continued)

e. Exposures to CCPs (CCR8)

		(HK\$'000)	
		(a)	(b)
		Exposure after CRM	RWA
1	Exposures of the AI as clearing member or client to qualifying CCPs (total)	-	429,311
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	9,696,460	216,796
3	(i) OTC derivative transactions	9,696,460	216,796
4	(ii) Exchange-traded derivative contracts	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets subject to valid cross-product netting agreements	-	-
7	Segregated initial margin	-	-
8	Unsegregated initial margin	3,823,699	77,702
9	Funded default fund contributions	717,318	134,813
10	Unfunded default fund contributions	-	-
11	Exposures of the AI as clearing member or client to non-qualifying CCPs (total)	-	-
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13	(i) OTC derivative transactions	-	-
14	(ii) Exchange-traded derivative contracts	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets subject to valid cross-product netting agreements	-	-
17	Segregated initial margin	-	-
18	Unsegregated initial margin	-	-
19	Funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Compared with 31 December 2025, the qualifying CCPs RWA amount increased by HKD 184 million, which was mainly driven by the increase in OTC derivative transactions.

10. Credit Valuation Adjustment Risk

CVA Risk under Reduced Basic CVA Approach (CVA1)

		(a)	(b)
		Components	CVA risk capital charge under the Reduced basic CVA approach
1	Aggregation of systematic components of CVA risk	259,639,937	
2	Aggregation of idiosyncratic components of CVA risk	60,766,957	
3	Total		140,081,018

11. Securitization Exposures

a. Securitization Exposures in Banking Book (SEC1)

		(HK\$'000)								
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	Retail (total) – of which:	-	-	-	-	-	-	-	-	-
2	residential mortgage	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	-	-	-
4	other retail exposures	-	-	-	-	-	-	-	-	-
5	re-securitization exposures	-	-	-	-	-	-	-	-	-
6	Wholesale (total) – of which:	-	-	-	-	-	-	-	-	-
7	loans to corporates	-	-	-	-	-	-	-	-	-
8	commercial mortgage	-	-	-	-	-	-	-	-	-
9	lease and receivables	-	-	-	-	-	-	-	-	-
10	other wholesale	-	-	-	-	-	-	-	-	-
11	re-securitization exposures	-	-	-	-	-	-	-	-	-

10. Securitization Exposures (continued)

b. Securitization Exposures in Trading Book (SEC2)

		(HK\$'000)								
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	Retail (total) – of which:	-	-	-	-	-	-	-	-	-
2	residential mortgage	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	-	-	-
4	other retail exposures	-	-	-	-	-	-	-	-	-
5	re-securitization exposures	-	-	-	-	-	-	-	-	-
6	Wholesale (total) – of which:	-	-	-	-	-	-	-	-	-
7	loans to corporates	-	-	-	-	-	-	-	-	-
8	commercial mortgage	-	-	-	-	-	-	-	-	-
9	lease and receivables	-	-	-	-	-	-	-	-	-
10	other wholesale	-	-	-	-	-	-	-	-	-
11	re-securitization exposures	-	-	-	-	-	-	-	-	-

10. Securitization Exposures (continued)

c. Securitization Exposures in Banking Book and Associated Capital Requirements – where AI acts as Originator (SEC3)

		(HK\$'000)																
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA
1	Total exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Traditional securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

10. Securitization Exposures (continued)

d. Securitization Exposures in Banking Book and Associated Capital Requirements – where AI acts as Investor (SEC4)

		(HK\$'000)																
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERB A (incl. IAA)	SEC-SA	SEC-FBA
1	Total exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Traditional securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

12. Market risk

Market Risk under STM Approach (MR1)

		(a)
		(HK\$'000)
Item	The ultimate capital charge, of which	Market risk capital charges under STM approach
1	General interest rate risk	248,036
2	Equity risk	-
3	Commodity risk	118,087
4	Foreign exchange risk	353,014
5	Credit spread risk (non-securitization)	298,194
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)	326,917
9	SA-DRC (securitization: non-CTP)	-
10	SA-DRC (securitization: CTP)	-
11	Residual risk add-on	58
12	Total	1,344,306

In accordance with the requirements of the HKMA and Banking (Capital) Rules ("the Rules"), our bank conducted the implementation of the Basel III standards since the beginning of 2025. The market risk capital requirement is calculated under the STM Approach for three components which are:

- (1) The Sensitivity-Based Method (SBM) charge is to capture Delta, Vega, and Curvature risk sensitivities within a prescribed set of risk classes;
- (2) The Standardised default risk charge ("SA-DRC") is to capture jump-to-default ("JTD") risk for equity and credit instruments.
- (3) The residual risk add-on ("RRAO") is to capture any other risks beyond the main risk factors already captured in the sensitivities-based method and the default risk charge.

Compared with that on 31 December 2025, the total market risk capital charge increased by 85.62% to HKD 1.34 billion, the reason is mainly due to the expansion business scales of interest rate derivatives, commodity trading and fixed-income investment, the capital charge of general interest rate risk, commodities risk, credit spread risk and SA-DRC increase to HKD 248 million, 118 million, 298 million and 327 million, accounting for 27.4%, 18.8%, 29% and 27.3% of the total increase in market risk capital charges, respectively.

13. Asset encumbrance

Asset encumbrance (ENC)

	(HK\$'000)		
	(a)	(b)	(c)
	Encumbered assets	Unencumbered assets	Total
Assets			
Cash and balances with banks and other financial institutions	-	32,706,199	32,706,199
Placements with banks and other financial institutions	-	225,399,401	225,399,401
Derivative financial instruments	-	11,768,484	11,768,484
Advances and other accounts	-	471,232,802	471,232,802
Financial investments	10,761,285	319,038,639	329,799,924
Investment in associates	-	132,224	132,224
Investment in subsidiaries	-	5,870,082	5,870,082
Goodwill and other intangible assets	-	988,793	988,793
Investment properties	-	190,000	190,000
Property, plant and equipment	-	1,561,278	1,561,278
Current income tax assets	-	1,547	1,547
Deferred income tax assets	-	1,903,195	1,903,195
Other assets	-	24,417,851	24,417,851
Total assets	10,761,285	1,095,210,495	1,105,971,780

14. International Claims

The information on international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any recognised risk transfer. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. Only regions constituting 10% or more of the aggregate international claims after taking into account any recognised risk transfer are disclosed.

Analysis of the Bank's international claims by location and by type of counterparty is as follows:

	Banks	Official sector	Non-bank private sector		Total
	HK\$ million	HK\$ million	Non-bank financial institutions HK\$ million	Non-financial private sector HK\$ million	HK\$ million
30 June 2026					
Developed countries	61,624	18,741	8,102	65,896	154,363
Offshore centers	19,243	46,324	38,965	344,686	449,218
Developing Europe	99	-	-	536	635
Developing Latin America and Caribbean	150	-	-	116	266
Developing Africa and Middle East	4,122	-	-	848	4,970
Developing Asia-Pacific, of which	223,804	56,290	29,673	117,941	427,708
— Mainland China	215,837	53,827	29,046	113,280	411,990
— Others	7,967	2,463	627	4,661	15,718
International organizations	-	8,437	-	-	8,437
	309,042	129,792	76,740	530,023	1,045,597

14. International Claims (continued)

	Banks	Official sector	Non-bank private sector Non-bank financial institutions	Non-financial private sector	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
31 December 2025					
Developed countries	39,193	16,499	10,405	53,366	119,463
Offshore centers	49,623	49,200	26,980	320,998	446,801
Developing Europe	123	-	-	-	123
Developing Latin America and Caribbean	70	-	-	112	182
Developing Africa and Middle East	4,291	-	-	842	5,133
Developing Asia-Pacific, of which	193,241	35,880	31,385	120,210	380,716
—Mainland China	187,041	35,622	31,200	117,191	371,054
—Others	6,200	258	185	3,019	9,662
International organizations	-	6,004	-	-	6,004
	286,541	107,583	68,770	495,528	958,422

15. Loan and Advances to Customers Analysed by Industry Sectors

	30 June 2026	30 June 2026 % of secured loans and advances	31 December 2025	31 December 2025 % of secured loans and advances
	Gross loans and advances HK\$'000		Gross loans and advances HK\$'000	
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	31,082,888	25.80%	32,870,397	14.20%
- Property investment	26,360,237	73.36%	28,629,476	34.14%
- Financial concerns	28,561,498	0.00%	22,439,232	0.00%
- Stockbrokers	3,387,475	0.00%	1,545,893	0.00%
- Wholesale and retail trade	8,308,993	12.21%	5,072,907	14.80%
- Civil engineering works	2,503,651	7.41%	831,786	20.07%
- Manufacturing	3,896,470	8.60%	3,871,468	10.16%
- Transport and transport equipment	21,541,930	21.59%	17,976,653	21.24%
- Electricity and gas	17,992,501	0.00%	18,735,231	0.00%
- Information technology	15,917,616	0.41%	16,962,745	0.32%
- Hotels, boarding houses and catering	1,919,636	36.63%	1,909,445	36.77%
- Recreational activities	675,000	0.00%	203,000	0.00%
- Others	37,831,654	8.94%	39,749,216	5.62%
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	285,780	95.58%	225,069	98.08%
- Loans for the purchase of other residential properties	89,443,456	98.83%	85,161,681	98.74%
- Credit card advances	404,396	0.00%	422,194	0.00%
- Others	21,911,188	95.57%	22,834,558	95.32%
Trade finance	3,621,000	8.18%	6,142,004	4.41%
Loans for use outside Hong Kong	149,968,129	13.29%	141,078,177	14.36%
	<u>465,613,498</u>	<u>35.98%</u>	<u>446,661,132</u>	<u>33.39%</u>

15. Loan and Advances to Customers Analysed by Industry Sectors (continued)

Individually impaired loans, overdue loans and advances over three months, impairment allowances and impaired loans and advances written off in respect of industry sectors that constitute 10% or more of the total advances to customers are as follows:

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Loans for use outside Hong Kong		
Individually impaired loans	2,011,663	2,558,979
Overdue loans and advances over three months	2,011,143	2,558,428
Lifetime ECL credit-impaired	1,399,053	1,730,903
Lifetime ECL not credit-impaired	3,439,749	3,323,368
12-month ECL	1,575,675	1,273,540
New impairment allowances (credited)/ charged to income statement	846,574	1,414,688
Impaired loans and advances written off during the period/year	759,907	576,081
 Loans for use in Hong Kong		
Individuals		
Loans for the purchase of other residential properties		
Individually impaired loans	62,643	67,842
Overdue loans and advances over three months	1,677	10,658
Lifetime ECL credit-impaired	1,097	1,613
Lifetime ECL not credit-impaired	3,504	8,490
12-month ECL	48,704	54,740
New impairment allowances charged to income statement	(11,538)	(140,276)
Impaired loans and advances written off during the period/year	-	-

16. Loans and Advances to Customers Analysed by Geographical Location

The Group's gross advances to customers by country or geographical area after taking into account any risk transfers are as follows:

	Gross advances to customers HK\$'000	Overdue advances for over three months HK\$'000	Impaired loans and advances HK\$'000	Lifetime ECL credit impaired HK\$'000	Non-credit impaired ECL HK\$'000
30 June 2026					
Hong Kong	334,029,657	2,274,571	2,448,560	1,500,896	3,875,344
Mainland China	109,455,853	1,648,508	1,648,508	1,122,436	2,914,988
Macau	94,673	-	-	-	99
Asia Pacific Region (excluding Hong Kong, Mainland China and Macau)	4,864,679	-	-	-	273,853
Others	17,168,636	58	-	8,319	217,101
Total	465,613,498	3,923,137	4,097,068	2,631,651	7,281,385
	Gross advances to customers HK\$'000	Overdue advances for over three months HK\$'000	Impaired loans and advances HK\$'000	Lifetime ECL credit impaired HK\$'000	Non-credit impaired ECL HK\$'000
31 December 2025					
Hong Kong	317,541,766	3,361,060	3,559,711	2,422,260	4,045,816
Mainland China	109,778,150	2,182,054	2,182,054	1,434,509	2,938,590
Macau	169,351	-	-	-	206
Asia Pacific Region (excluding Hong Kong, Mainland China and Macau)	4,384,746	1,175	1,175	1,175	269,427
Others	14,787,119	3,404	-	8,191	152,601
Total	446,661,132	5,547,693	5,742,940	3,866,135	7,406,640

Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

17. Mainland Activities

The analysis of non-bank Mainland China exposures is based on the categories of non-bank counterparties and the types of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to Part 3 of the "Return of Mainland China exposures - MA(BS) 20", which includes the Mainland China exposures extended by the Bank and its overseas subsidiary and branch.

30 June 2026	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total exposures HK\$'000
Type of counterparties			
(a) Central government, central government owned entities and their subsidiaries and JVs	165,333,573	16,290,668	181,624,241
(b) Local government, local government owned entities and their subsidiaries and JVs	56,044,866	3,627,430	59,672,296
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	88,146,678	27,532,519	115,679,197
(c)(i) Of which, PRC nationals residing in Mainland China or entities beneficially owned by Mainland interest	81,466,667	27,532,519	108,999,186
(d) Other entities of central government not reported in item (a) above	5,076,634	1,105,333	6,181,967
(e) Other entities of local government not reported in item (b) above	543,286	-	543,286
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	875,832	3,000	878,832
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	4,310,711	69,473	4,380,184
	320,331,580	48,628,423	368,960,003

17. Mainland Activities (continued)

31 December 2025	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total exposures HK\$'000
Type of counterparties			
(a) Central government, central government owned entities and their subsidiaries and JVs	151,908,465	22,298,679	174,207,144
(b) Local government, local government owned entities and their subsidiaries and JVs	56,286,603	3,595,356	59,881,959
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	76,462,980	39,955,672	116,418,652
(c)(i) Of which, PRC nationals residing in Mainland China or entities beneficially owned by Mainland interest	70,458,397	39,788,522	110,246,919
(d) Other entities of central government not reported in item (a) above	4,892,547	1,602,305	6,494,852
(e) Other entities of local government not reported in item (b) above	-	-	-
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	882,530	3,000	885,530
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	3,016,283	854,182	3,870,465
	293,449,408	68,309,194	361,758,602

18. Currency Concentrations

The table below summarises the net foreign currency positions of the Group and the Bank. The net positions in foreign currency is disclosed when the currency constitutes 10% or more of the total net position of all foreign currencies. A sensitivity analysis calculates the effect of a reasonably possible movement in a currency rate against the Hong Kong dollar, with all other variables in the income statement and equity held constant.

	US\$	RMB	Other foreign currencies	Total
30 June 2026	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-structural position				
Spot assets	335,239,641	274,554,144	88,313,013	698,106,798
Spot liabilities	(344,278,458)	(270,045,739)	(33,141,230)	(647,465,428)
Forward purchases	612,244,826	360,930,779	41,316,995	1,014,492,600
Forward sales	(635,110,938)	(365,515,784)	(96,343,616)	(1,096,970,338)
Net option position	6,846,247	170,099	(709,890)	6,306,456
Net (short)/long position	(25,058,682)	93,499	(564,728)	(25,529,911)
Net structural position	215,155	19,563,651	-	19,778,806

	US\$	RMB	Other foreign currencies	Total
31 December 2025	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-structural position				
Spot assets	303,818,609	248,308,885	72,166,353	624,293,847
Spot liabilities	(327,089,799)	(214,293,763)	(41,962,518)	(583,346,080)
Forward purchases	386,377,153	215,241,071	38,289,941	639,908,165
Forward sales	(391,145,641)	(246,115,653)	(68,597,592)	(705,858,886)
Net option position	(1,318,371)	497,127	121,871	(699,373)
Net (short)/long position	(29,358,049)	3,637,667	18,055	(25,702,327)
Net structural position	213,569	18,550,563	-	18,764,132

Foreign currency exposures include those arising from trading position. The net option position is calculated on the basis of the delta-weighted position of option contracts. The net structural position of the Group is the structural positions of the Bank's capital investment in Mainland subsidiary, Chinese Mercantile Bank.

19. Off-balance Sheet Exposures

Note 35.1 of the 2026 Interim financial disclosure statements of the Group lists out a summary of the contractual amounts of each significant contingent liability and commitments.

As at 30 June 2026, the total credit risk weighted amount of contingent liabilities and commitments is HKD 55,076 million (31 December 2025: HKD 55,798 million).

20. Analysis of Fees and Commission Income

For details, please refer to Note 7 of the 2026 Interim financial disclosure statements of the Group.

21. Overdue Advances to Customers and Banks and Other Overdue Assets

For details, please refer to Notes 20.2 and 20.3 of the 2026 Interim financial disclosure statements of the Group.

22. Rescheduled Exposures

For details, please refer to Note 20.4 of the 2026 Interim financial disclosure statements of the Group.

23. Repossessed Assets

For details, please refer to Note 20.5 of the 2026 Interim financial disclosure statements of the Group.