

# REGULATORY DISCLOSURE STATEMENT

31 December 2025 (Unaudited)



CREATE SHARED VALUE

Bank of Communications (Hong Kong) Limited

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**BANK OF COMMUNICATIONS (HONG KONG) LIMITED**

(incorporated in Hong Kong with limited liability)

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## Introduction

The information contained in this document is prepared in accordance with the Banking (Disclosure) Rules (“BDR”) and disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”). It should be read in conjunction with the Bank’s Annual Report. The Bank’s Annual Report and the Regulatory Disclosure Statement, taken together, comply with the BDR. Within this document, Mainland China excludes Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”), Macau Special Administrative Region of the People’s Republic of China and Taiwan.

The key elements of the Bank’s disclosure policy, please refer to note 1 of General of the 2025 Annual Report.

## The Regulatory Disclosure Statement

The Regulatory Disclosure Statement comprises Pillar 3 Disclosure Requirements under the framework of the Basel Committee on Banking Supervision. These disclosures are supplemented by specific additional requirements of the HKMA set out in the BDR.

According to the BDR, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates. Prior period disclosures can be found in the Regulatory Disclosures section of our website [www.hk.bankcomm.com](http://www.hk.bankcomm.com).

The Regulatory Disclosure Statement includes the majority of the information required under the BDR. The remainder of the disclosure requirements are covered in the 2025 Annual Report which can be found in the Financial Statements section of our website [www.hk.bankcomm.com](http://www.hk.bankcomm.com).

Disclosure requirements covered in the Bank’s 2025 Annual Report:	Reference in 2025 Annual Report
– BDR section 16FJ – LIQA: Liquidity risk management	Note 3.3
– BDR section 44 – assets used as security	Note 35
– BDR section 46 – the general disclosure of the major business activities	Note 37
– BDR section 52 – corporate governance	Unaudited Supplementary Financial Information

## Key prudential ratios and overview of risk management and RWA

### KM1: Key prudential ratios

		31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025	31 Dec 2024
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<b>Regulatory capital (amount)</b>					
1 & 1a.	Common Equity Tier 1 (CET1)	61,905,467	60,385,218	58,310,568	56,845,879	55,177,830
2 & 2a.	Tier 1	61,905,467	60,385,218	58,310,568	56,845,879	59,049,280
3 & 3a.	Total capital	71,677,705	70,118,625	68,205,879	66,650,883	68,759,460
	<b>RWA (amount)</b>					
4.	Total RWA	251,470,424	251,052,678	261,739,881	266,062,391	290,900,268
4a.	Total RWA (pre-floor)	251,470,424	251,052,678	261,739,881	266,062,391	290,900,268
	<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>					
5 & 5a.	CET1 ratio (%)	24.62%	24.05%	22.28%	21.37%	18.97%
5b.	CET1 ratio (%) (pre-floor ratio)	24.62%	24.05%	22.28%	21.37%	18.97%
6 & 6a.	Tier 1 ratio (%)	24.62%	24.05%	22.28%	21.37%	20.30%
6b.	Tier 1 ratio (%) (pre-floor ratio)	24.62%	24.05%	22.28%	21.37%	20.30%
7 & 7a.	Total capital ratio (%)	28.50%	27.93%	26.06%	25.05%	23.64%
7b.	Total capital ratio (%) (pre-floor ratio)	28.50%	27.93%	26.06%	25.05%	23.64%
	<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>					
8.	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9.	Countercyclical capital buffer requirement (%)	0.423%	0.426%	0.419%	0.417%	0.412%
10.	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.000%	0.000%	0.000%	0.000%	0.000%
11.	Total AI-specific CET1 buffer requirements (%)	2.923%	2.926%	2.919%	2.917%	2.912%
12.	CET1 available after meeting the AI's minimum capital requirements (%)	18.62%	18.05%	16.28%	15.37%	14.30%
	<b>Basel III leverage ratio</b>					
13.	Total leverage ratio (LR) exposure measure	449,602,235	443,532,991	455,620,206	458,386,720	447,356,478
13a.	LR exposure measure based on mean values of gross assets of SFTs	448,142,674	442,067,908	456,297,949	460,495,356	N/A
14, 14a & 14b.	LR (%)	13.77%	13.61%	12.80%	12.40%	13.20%
14c & 14d.	LR (%) based on mean values of gross assets of SFTs	13.81%	13.66%	12.78%	12.34%	N/A
	<b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>					
	Applicable to category 1 institution only:					
15.	Total high quality liquid assets (HQLA)	60,466,204	61,429,923	62,661,638	64,881,050	62,542,159
16.	Total net cash outflows	34,105,554	25,486,292	29,920,889	39,989,677	37,779,897
17.	LCR (%)	182.92%	244.86%	213.99%	165.51%	167.03%
	Applicable to category 2 institution only:					
17a.	LMR (%)	N/A	N/A	N/A	N/A	N/A
	<b>Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)</b>					
	Applicable to category 1 institution only:					
18.	Total available stable funding	339,837,026	341,248,078	350,335,076	340,148,392	336,770,774
19.	Total required stable funding	259,389,382	257,168,766	261,935,985	267,963,330	260,200,350
20.	NSFR (%)	131.01%	132.69%	133.75%	126.94%	129.43%
	Applicable to category 2A institution only:					
20a.	CFR (%)	N/A	N/A	N/A	N/A	N/A

## Key prudential ratios and overview of risk management and RWA (Continued)

### OVA: Overview of risk management

#### Overview

Throughout 2025, the Bank has maintained “stable, balanced, compliant and innovative” as the core concept behind its risk appetite. Through excellent risk management, the Bank is guided onto a sustainable growth path and strengthened its market leading position.

During this reporting period, the Bank thoroughly implements a sound strategy and establishes a mature management structure. Under the guidance of the Board of Directors, the Bank pursues balance between returns and risks, thereby achieving a balanced development in scale, quality and efficiency. We adhere to the principle of compliance management, comply with all regulatory requirements, strengthen the maintenance of risk data, increase the technical level of risk measurements, and enhance the overall risk management capabilities. Through the spirit of risk management, we inherited innovative thinking, grasped development opportunities, achieved strategic goals and created greater value.

As the Bank’s main business is still dominated by credit business such as lending, trade finance and treasury businesses, credit risk is one of key risks encountered by the Bank. The Bank also attaches great importance to the development of treasury business, but market risks such as exchange rate risk, interest rate risk and option risk arise from such market price fluctuations. Beyond credit and market risks, key risks encountered by the Bank also include operational, strategy, liquidity, legal and compliance, climate risk.

#### Risk Governance

The Bank’s risk management governance structure is designed to cover all business processes. It ensures various risks are properly managed and controlled throughout the course of conducting business. The Bank has a robust organisational structure for risk management and a comprehensive set of policies and procedures to identify, measure, monitor and control various risks that may arise. These risk management policies and procedures are regularly reviewed and updated to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

The Board of Directors, with the assistance of its committees, has the primary responsibility for the formulation of risk management strategies and ensuring that the Bank has an effective risk management system to implement these strategies. The Risk Management Committee, a standing committee established by the Board of Directors, is responsible for overseeing the Bank’s various types of risks, approving high level risk management policies and monitoring their implementation, reviewing significant or high risk exposures or transactions and exercising its power of veto if it considers that any transaction should not proceed.

The Chief Executive is responsible for managing the Bank’s various types of risks, and material risk exposures or transactions within his authority delegated by the Board of Directors. The Chief Risk Officer assists the Chief Executive in fulfilling his responsibilities for the day-to-day management of risks. The Chief Risk Officer is responsible for initiating new risk management strategies, projects and measures in response to regulatory changes that will enable the Bank to better monitor and manage new risk issues or areas that may arise from time to time from new businesses, products and changes in the operating environment. The Chief Risk Officer is also responsible for reviewing material risk exposures or transactions within his delegated authority. In accordance with the principle of setting the hierarchy of risk management policies approved by the Board of Directors, Senior Management are also responsible for approving the detailed risk management policies of their responsible areas.

Various units of the Bank have their respective risk management responsibilities. Business units act as the first line of defence while risk management units, which are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibilities for drafting, reviewing and updating various risk management policies and procedures.

## Key prudential ratios and overview of risk management and RWA (Continued)

### OVA: Overview of risk management (Continued)

#### Risk Governance (Continued)

As the main operational function in risk management, the risk management units are tasked with identifying, understanding, controlling and reporting of all risks. The risk management units should also provide reliable and comprehensive risk information (such as risk heat map). Other than that, the risk management units are tasked with performing stress tests and reporting the Bank's risk situation under stressed scenarios. Finally, when any event that causes major changes to the Bank's financial and risk situation arises, the risk management units should draw the Board of Director's, Risk Management Committee's and Chief Executive's attention to said event.

Risk information is taken from different risk measurement systems of the risk management units. The information is analysed and presented in management committees. The information is visualized using different business intelligence tools, targeting to provide management with some easy-to-understand risk analytics accompanied with suitable narratives. The committees then report to the Board of Directors with a summary of discussions and recommendations supported by analyses and figures.

#### Risk Culture

A prudent risk management culture is maintained through making clear risk governance, providing staff trainings, creating proper incentives and setting up various communication channels. The management believes that a strong risk culture would be one of the key attributes stakeholders are looking forward, which will in turn help the Bank sustains in a long run. The promotion of risk culture is aligned with the management incentives through proper performance evaluations. This ensures both the financial and non-financial targets would be achieved simultaneously.

#### Stress Testing

Stress testing is an important risk management tool for estimating risk exposures under stressed conditions arising from extreme but plausible external factors. The Bank uses a comprehensive bank-wide stress testing program to support risk management and capital planning. The Bank's stress testing policy is approved by Risk Management Committee. The stress test results are presented in the same committee. The stress testing program aims to provide management with the performance and capital strength of the Bank under some stress scenarios. It enables them to better understand and mitigate risks. The Bank's resilience to market shocks is thus enhanced. Stress testing tools include sensitivity analysis, hypothetical and historical stress scenarios as well as reverse stress test. Under stress tests, the incremental expected and the unexpected loss would be reflected in a decrease in capital level and an increase in risk weighted assets respectively.

In sensitivity analysis, it is assumed that extreme changes occur to a single risk factor (such as USD exchange rate decreasing by 10% or yield curve shifting up by 200 bps). These stress test scenarios are used to test the sensitivity of the Bank's business to a single factor, thereby evaluating if the Bank's risk is overly concentrated.

Scenario analysis assumes extreme changes to multiple risk factors at the same time. There are two types of scenario analysis, namely historical scenario analysis and hypothetical scenario analysis. Historical scenario analysis assumes historical extreme fluctuations periods (such as the 1997 Asian Financial Crisis) reoccur. Hypothetical situation analysis uses the discretion and professional judgment of test conductors to design potential movement in future extreme fluctuation periods.

Reverse stress testing assumes that stress test results are above the threshold, such as low capital adequacy ratio, low liquidity or losses beyond profit level, identifying risk drivers that can cause such situations and their respective scenario changes. After that, the probability of such events are identified through quantitative analysis and then classified as very low, low, medium or high.

## Key prudential ratios and overview of risk management and RWA (Continued)

### OV1: Overview of RWA

		RWA		Minimum capital requirements
		As at 31 Dec 2025	As at 30 Sep 2025	As at 31 Dec 2025
		HK\$'000	HK\$'000	HK\$'000
1.	Credit risk for non-securitization exposures	228,370,379	227,195,386	18,269,630
2.	Of which STC approach	228,370,379	227,195,386	18,269,630
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	3,190,382	3,315,629	255,231
7.	Of which SA-CCR approach	3,107,620	3,236,834	248,610
7a.	Of which CEM	–	–	–
8.	Of which IMM(CCR) approach	–	–	–
9.	Of which others	82,762	78,795	6,621
10.	CVA risk	3,286,075	3,650,850	262,886
11.	Equity positions in banking book under the simple risk-weight method and internal models method	Not applicable*	Not applicable*	Not applicable*
12.	Collective investment scheme (“CIS”) exposures – look-through approach / third-party approach	–	–	–
13.	CIS exposures – mandate-based approach	–	–	–
14.	CIS exposures – fall-back approach	–	–	–
14a.	CIS exposures – combination of approaches	–	–	–
15.	Settlement risk	–	–	–
16.	Securitization exposures in banking book	–	–	–
17.	Of which SEC-IRBA	–	–	–
18.	Of which SEC-ERBA (including IAA)	–	–	–
19.	Of which SEC-SA	–	–	–
19a.	Of which SEC-FBA	–	–	–
20.	Market risk	380,088	589,088	30,407
21.	Of which STM approach	380,088	589,088	30,407
22.	Of which IMA	–	–	–
22a.	Of which SSTM approach	–	–	–
23.	Capital charge for moving exposures between trading book and banking book	–	–	–
24.	Operational risk	16,243,500	16,301,725	1,299,480
24a.	Sovereign concentration risk	–	–	–
25.	Amounts below the thresholds for deduction (subject to 250% RW)	–	–	–
26.	Output floor level applied	–	–	–
27.	Floor adjustment (before application of transitional cap)	–	–	–
28.	Floor adjustment (after application of transitional cap)	Not applicable*	Not applicable*	Not applicable*
28a.	Deduction to RWA	–	–	–
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	–	–	–
29.	Total	251,470,424	251,052,678	20,117,634

\* Not applicable in the case of Hong Kong

## Key prudential ratios and overview of risk management and RWA (Continued)

### OV1: Overview of RWA (Continued)

During the fourth quarter in 2025, the total RWA increased by HK\$418 million. The key contributor was the credit risk RWA for non-securitization exposures, which was mainly driven by the ascent in due from bank of credit risk exposure.

### Linkages between financial statements and regulatory exposures

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

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework*	not subject to capital requirements or subject to deduction from capital
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>							
Cash and balances with central bank	1,756,650	1,756,650	1,756,650	–	–	–	–
Due from and placements with banks and other financial institutions	48,527,304	48,527,304	48,527,304	–	–	–	–
Loans and advances to customers	198,663,548	198,663,548	198,663,548	–	–	–	–
Financial assets at fair value through profit or loss	5,064,781	5,064,781	167,080	4,682,382	–	626,739	–
Financial assets at fair value through other comprehensive income	128,404,734	128,404,734	128,404,734	4,085,353	–	–	–
Financial assets at amortized cost	47,151,171	47,151,171	47,151,171	385,541	–	–	–
Fixed assets	114,645	114,645	114,645	–	–	–	–
Right-of-use assets	214,070	214,070	214,070	–	–	–	–
Other assets	8,081,036	8,081,036	7,985,443	59,572	–	32	95,561
<b>Total assets</b>	<b>437,977,939</b>	<b>437,977,939</b>	<b>432,984,645</b>	<b>9,212,848</b>	<b>–</b>	<b>626,771</b>	<b>95,561</b>

## Linkages between financial statements and regulatory exposures (Continued)

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

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework*	not subject to capital requirements or subject to deduction from capital
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Liabilities</b>							
Due to banks and other financial institutions	17,122,903	17,122,903	–	4,379,432	–	–	12,743,471
Financial liabilities at fair value through profit or loss	1,973,681	1,973,681	–	–	–	657,497	1,316,184
Due to customers	341,418,005	341,418,005	–	–	–	–	341,418,005
Current tax liabilities	288,898	288,898	–	–	–	–	288,898
Debt securities issued	7,784,100	7,784,100	–	–	–	–	7,784,100
Deferred tax liabilities	217,177	217,177	–	–	–	–	217,177
Lease liabilities	219,007	219,007	–	–	–	–	219,007
Other liabilities	6,058,466	6,058,466	–	23,075	–	–	6,035,391
<b>Total liabilities</b>	<b>375,082,237</b>	<b>375,082,237</b>	<b>–</b>	<b>4,402,507</b>	<b>–</b>	<b>657,497</b>	<b>370,022,233</b>

\* For the purpose of this template, this column also includes items subject to CVA risk framework.

## Linkages between financial statements and regulatory exposures (Continued)

### L12: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		Items subject to:				
		Total	credit risk framework	securitization framework	counterparty credit risk framework	market risk framework*
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>1.</b>	<b>Asset carrying value amount under scope of regulatory consolidation (as per template LI1)</b>	437,882,378	432,984,645	–	9,212,848	626,771
2.	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	5,060,004	–	–	4,402,507	657,497
3.	Total net amount under regulatory scope of consolidation	432,822,374	432,984,645	–	4,810,341	(30,726)
4.	Off-balance sheet amounts	41,529,856	8,009,335	–	–	–
5.	Differences due to consideration of provisions	1,066,026	1,066,026	–	–	–
6.	Apply SA-CCR approach for measuring the exposure at default of derivatives contracts	4,494,477	–	–	4,494,477	–
7.	Differences due to credit risk mitigation	4,402,507	–	–	4,402,507	–
<b>8.</b>	<b>Exposure amounts considered for regulatory purposes</b>	<b>484,315,240</b>	<b>442,060,006</b>	<b>–</b>	<b>13,707,325</b>	<b>(30,726)</b>

\* For the purpose of this template, this column also includes items subject to CVA risk framework.

### LIA: Explanations of differences between accounting and regulatory exposure amounts

The main differences between accounting values and amounts considered for regulatory purpose are as follow:

- (i) Off-balance sheet items under regulatory purpose are converted into credit equivalent amount through the use of credit conversion factors (CCFs);
- (ii) Carrying amounts reported in financial statements are net of Stage 1, 2 and 3 provisions, whereas exposure amount under regulatory purpose are net of Stage 3 provision only;
- (iii) Apply SA-CCR approach for measuring the exposure at default of derivatives contracts;
- (iv) Regulatory exposure amounts take into account the recognized collateral received under SFTs.

Disclosure for valuation methodologies and independent price verification, please refer to note 3.4 of Fair value of financial assets and liabilities under Financial Risk Management Section of the 2025 Annual Report.

## Linkages between financial statements and regulatory exposures (Continued)

### PV1: Prudent valuation adjustments

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

Prudent valuation adjustment applies to exotic and / or illiquid financial instruments which require alternative valuation. As the Bank does not current possess such financial instruments, no prudent valuation adjustment is necessary.

## Composition of regulatory capital

### CC1: Composition of regulatory capital

		Amount	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
		HK\$'000	
<b>CET1 capital: instruments and reserves</b>			
1.	Directly issued qualifying CET1 capital instruments plus any related share premium	44,999,807	(12)
2.	Retained earnings	15,795,529	(15)
3.	Disclosed reserves	2,100,366	(13)
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.	<b>CET1 capital before regulatory deductions</b>	62,895,702	–
<b>CET1 capital: regulatory deductions</b>			
7.	Valuation adjustments	–	–
8.	Goodwill (net of associated deferred tax liabilities)	–	–
9.	Other intangible assets (net of associated deferred tax liabilities)	79,794	(7)-(10)
10.	Deferred tax assets (net of associated deferred tax liabilities)	–	–
11.	Cash flow hedge reserve	15,154	(14)
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	1,633	(4)+(8)
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

## Composition of regulatory capital (Continued)

### CC1: Composition of regulatory capital (Continued)

		Amount HK\$'000	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
22.	Amount exceeding the 15% threshold	Not applicable	Not applicable
23.	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24.	of which: mortgage servicing rights	Not applicable	Not applicable
25.	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26.	National specific regulatory adjustments applied to CET1 capital	893,654	–
26a.	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	–	–
26b.	Regulatory reserve for general banking risks	893,654	(16)
26c.	Securitization exposures specified in a notice given by the MA	–	–
26d.	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	–	–
26e.	Capital shortfall of regulated non-bank subsidiaries	–	–
26f.	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	–	–
27.	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	–	–
28.	<b>Total regulatory deductions to CET1 capital</b>	990,235	–
29.	<b>CET1 capital</b>	61,905,467	–
<b>AT1 capital: instruments</b>			
30.	Qualifying AT1 capital instruments plus any related share premium	–	–
31.	of which: classified as equity under applicable accounting standards	–	–
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.	<b>AT1 capital before regulatory deductions</b>	–	–
<b>AT1 capital: regulatory deductions</b>			
37.	Investments in own AT1 capital instruments	–	–
38.	Reciprocal cross-holdings in AT1 capital instruments	–	–
39.	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–
40.	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	–
41.	National specific regulatory adjustments applied to AT1 capital	–	–
42.	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	–	–
43.	<b>Total regulatory deductions to AT1 capital</b>	–	–
44.	<b>AT1 capital</b>	–	–
45.	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	61,905,467	–

## Composition of regulatory capital (Continued)

### CC1: Composition of regulatory capital (Continued)

		Amount HK\$'000	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
<b>Tier 2 capital: instruments and provisions</b>			
46.	Qualifying Tier 2 capital instruments plus any related share premium	7,784,100	(9)
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	1,988,138	(11)+(16)-(1) –(2)-(3)-(5)-(6)
51.	<b>Tier 2 capital before regulatory deductions</b>	9,772,238	–
<b>Tier 2 capital: regulatory deductions</b>			
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	–	–
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	–	–
56b.	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within BCR §48(1)(g)	–	–
57.	<b>Total regulatory adjustments to Tier 2 capital</b>	–	–
58.	<b>Tier 2 capital (T2)</b>	9,772,238	–
59.	<b>Total regulatory capital (TC = T1 + T2)</b>	71,677,705	–
60.	<b>Total RWA</b>	251,470,424	–
<b>Capital ratios (as a percentage of RWA)</b>			
61.	<b>CET1 capital ratio</b>	24.62%	–
62.	<b>Tier 1 capital ratio</b>	24.62%	–
63.	<b>Total capital ratio</b>	28.50%	–

## Composition of regulatory capital (Continued)

### CC1: Composition of regulatory capital (Continued)

		Amount	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
		HK\$'000	
64.	<b>Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)</b>	2.923%	–
65.	of which: capital conservation buffer requirement	2.500%	–
66.	of which: bank specific countercyclical capital buffer requirement	0.423%	–
67.	of which: higher loss absorbency requirement	0.000%	–
68.	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	18.62%	–
<b>National minima (if different from Basel 3 minimum)</b>			
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
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
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	2,164,795	–
73.	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	–
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
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>			
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)	1,988,138	–
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	2,893,790	–
78.	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	–	–
79.	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	–	–

## Composition of regulatory capital (Continued)

### CC1: Composition of regulatory capital (Continued)

#### Notes to the Template

	Description	Hong Kong basis	Basel III basis
		HK\$'000	HK\$'000
9.	<b>Other intangible assets (net of associated deferred tax liabilities)</b>	79,794	79,794
	<p><u>Explanation</u></p> <p>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.</p>		
10.	<b>Deferred tax assets (net of associated deferred tax liabilities)</b>	–	–
	<p><u>Explanation</u></p> <p>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.</p>		
18.	<b>Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	–	–
	<p><u>Explanation</u></p> <p>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.</p>		

## Composition of regulatory capital (Continued)

### CC1: Composition of regulatory capital (Continued)

#### Notes to the Template (Continued)

	Description	Hong Kong basis	Basel III basis
		HK\$'000	HK\$'000
19.	<b>Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	–	–
	<p><u>Explanation</u></p> <p>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.</p>		
39.	<b>Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	–	–
	<p><u>Explanation</u></p> <p>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.</p>		
54.	<b>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)</b>	–	–
	<p><u>Explanation</u></p> <p>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.</p>		
<p>Remarks:</p> <p>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.</p>			

## Composition of regulatory capital (Continued)

### CC2: Reconciliation of regulatory capital to balance sheet

	Balance sheet as in published financial statements (as at 31 Dec 2025)	Under regulatory scope of consolidation (as at 31 Dec 2025)	Reference
	HK\$'000	HK\$'000	
<b>Assets</b>			
Cash and balances with central bank	1,756,650	1,756,650	
<i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i>		(835)	(1)
Due from and placements with banks and other financial institutions	48,527,304	48,527,304	
<i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i>		(34,328)	(2)
Loans and advances to customers	198,663,548	198,663,548	
<i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i>		(971,876)	(3)
Financial assets at fair value through profit or loss	5,064,781	5,064,781	
<i>of which: debit valuation adjustments in respects of derivative contracts</i>		1,179	(4)
Financial assets at fair value through other comprehensive income	128,404,734	128,404,734	
Financial assets at amortized cost	47,151,171	47,151,171	
<i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i>		(53,888)	(5)
Fixed assets	114,645	114,645	
Right-of-use assets	214,070	214,070	
Other assets	8,081,036	8,081,036	
<i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i>		(5,099)	(6)
<i>of which: other intangible assets</i>		95,561	(7)
<b>Total assets</b>	<b>437,977,939</b>	<b>437,977,939</b>	

## Composition of regulatory capital (Continued)

### CC2: Reconciliation of regulatory capital to balance sheet (Continued)

	Balance sheet as in published financial statements (as at 31 Dec 2025)	Under regulatory scope of consolidation (as at 31 Dec 2025)	Reference
	HK\$'000	HK\$'000	
<b>Liabilities</b>			
Due to banks and other financial institutions	17,122,903	17,122,903	
Financial liabilities at fair value through profit or loss	1,973,681	1,973,681	
<i>of which: debit valuation adjustments in respects of derivative contracts</i>		454	(8)
Due to customers	341,418,005	341,418,005	
Current tax liabilities	288,898	288,898	
Debt securities issued	7,784,100	7,784,100	(9)
Deferred tax liabilities	217,177	217,177	
<i>of which: deferred income tax liabilities on other intangible assets</i>		15,767	(10)
Lease liabilities	219,007	219,007	
Other liabilities	6,058,466	6,058,466	
<i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i>		28,458	(11)
<b>Total liabilities</b>	<b>375,082,237</b>	<b>375,082,237</b>	
<b>Equity</b>			
Share capital	44,999,807	44,999,807	(12)
Other reserves	2,100,366	2,100,366	(13)
<i>of which: cash flow hedge reserve</i>		15,154	(14)
Retained earnings	15,795,529	15,795,529	(15)
<i>of which: regulatory capital for general banking risk</i>		893,654	(16)
<b>Total equity</b>	<b>62,895,702</b>	<b>62,895,702</b>	
<b>Total equity and liabilities</b>	<b>437,977,939</b>	<b>437,977,939</b>	

## Composition of regulatory capital (Continued)

### CCA: Main features of regulatory capital instruments

		Ordinary shares	Tier 2 capital bonds
1.	Issuer	Bank of Communications (Hong Kong) Limited	Bank of Communications (Hong Kong) Limited
2.	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	ISIN: XS2357352702
3.	Governing law(s) of the instrument	Hong Kong law	The Bonds are governed by, and shall be construed in accordance with, English law, except that the subordination provisions shall be governed by and construed in accordance with the laws of Hong Kong.
	<i>Regulatory treatment</i>		
4.	Transitional Basel III rules	Not applicable	Not applicable
5.	Basel III rules	Common Equity Tier 1	Tier 2
6.	Eligible at solo / group / solo and group	Solo	Solo
7.	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Tier 2 capital
8.	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$44,999,807,000	US\$1,000 million
9.	Par value of instrument	Not applicable	US\$1,000 million
10.	Accounting classification	Shareholders' equity	Liability – amortized cost
11.	Original date of issuance	1 share issued on 29 July 2014 299,999,999 shares issued on 9 February 2015 7,600,000,000 shares issued on 19 January 2018 10,000,000,000 shares issued on 28 June 2018 20,000,000,000 shares issued on 21 September 2020	8 July 2021
12.	Perpetual or dated	Perpetual	Dated
13.	Original maturity date	No maturity	8 July 2031

## Composition of regulatory capital (Continued)

### CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Tier 2 capital bonds
14.	Issuer call subject to prior supervisory approval	No	Yes
15.	Optional call date, contingent call dates and redemption amount	Not applicable	First call date: 8 July 2026 (Redemption in whole at 100%)
16.	Subsequent call dates, if applicable	No	Not applicable
	<i>Coupons / dividends</i>		
17.	Fixed or floating dividend / coupon	Not applicable	Fixed
18.	Coupon rate and any related index	Not applicable	Year 1-5: 2.304% per annum payable, semi-annually in arrear; Year 5 onwards: resettable on year 5 at the prevailing 5-year U.S. Treasury yield plus 1.4% per annum.
19.	Existence of a dividend stopper	Not applicable	No
20.	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21.	Existence of step-up or other incentive to redeem	Not applicable	No
22.	Non-cumulative or cumulative	Non-cumulative	Cumulative
23.	Convertible or non-convertible	Non-convertible	Non-convertible
24.	If convertible, conversion trigger(s)	Not applicable	Not applicable
25.	If convertible, fully or partially	Not applicable	Not applicable
26.	If convertible, conversion rate	Not applicable	Not applicable
27.	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28.	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29.	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable

## Composition of regulatory capital (Continued)

### CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Tier 2 capital bonds
30.	Write-down feature	No	Yes
31.	If write-down, write-down trigger(s)	Not applicable	If a Non-Viability Event occurs and is continuing. "Non-Viability Event" means the earlier of: (a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and (b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.
32.	If write-down, full or partial	Not applicable	Full or partial
33.	If write-down, permanent or temporary	Not applicable	Permanent
34.	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable

## Composition of regulatory capital (Continued)

### CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Tier 2 capital bonds
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Represents the most subordinated claim in liquidation	Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up of the Issuer (other than pursuant to a Permitted Reorganisation), the rights and claims of the Bondholders in respect of or arising under the Bonds, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all depositors and unsubordinated creditors of the Issuer and (b) all other holders of Subordinated Indebtedness of the Issuer whose claims are stated to rank senior to the Bonds or rank senior to the Bonds by operation of law or contract; (ii) pari passu in right of payment to and of all claims of the holders of Parity Obligations; and (iii) senior in right of payment to, and of all claims of, the holders of Junior Obligation which include all classes of share capital of the Issuer and any Tier 1 Capital Instruments.
36.	Non-compliant transitioned features	Not applicable	Not applicable
37.	If yes, specify non-compliant features	Not applicable	Not applicable
	Full terms and conditions of capital instruments	Ordinary shares	Tier 2 capital bonds due 2031

## Macprudential supervisory measures

### CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer (“CCyB”)

	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 SAR	0.5%	148,194,745		
2.	Australia	1%	339		
3.	Belgium	1%	139,606		
4.	Denmark	2.5%	167,237		
5.	France	1%	193,536		
6.	Germany	0.75%	34,315		
7.	Ireland	1.5%	2,521,188		
8.	Netherlands	2%	516,933		
9.	South Korea	1%	101,234		
10.	Spain	0.5%	117,520		
11.	Sweden	2%	314,476		
12.	United Kingdom	2%	944,736		
13.	Sum		153,245,865		
14.	Total		194,502,538	0.423%	1,063,720

CCyB ratio is calculated as the weighted average of the applicable jurisdictional CCyB ratio, effective at the date for which the determination is made, in respect of the jurisdictions (including Hong Kong) where the Bank has private sector credit exposures. The weight to be attributed to a given jurisdiction’s applicable CCyB ratio is the ratio of the Bank’s aggregate risk-weighted amount for its private sector credit exposures (in both the banking book and the trading book) in that jurisdiction (RWA<sub>j</sub>) to the sum of the Bank’s aggregate RWA<sub>j</sub> across all jurisdictions in which the AI has private sector credit exposure.

## Leverage ratio

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

	Item	Value under the LR framework (HK\$'000)
1.	Total consolidated assets as per published financial statements	437,977,939
2.	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
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	5,578,558
9.	Adjustment for SFTs (i.e. repos and similar secured lending)	127,959
10.	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	8,009,335
11.	Adjustment for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(1,941,005)
12.	Other adjustments	(150,551)
<b>13.</b>	<b>Leverage ratio exposure measure</b>	<b>449,602,235</b>

\* Not applicable in the case of Hong Kong

## Leverage ratio (Continued)

### LR2: Leverage ratio

		31 Dec 2025	30 Sep 2025
		HK\$'000	HK\$'000
<b>On-balance sheet exposures</b>			
1.	On-balance sheet exposures (excluding derivative contracts and SFTs, but including related on-balance sheet collateral)	430,966,922	426,531,779
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	(1,234,641)	(858,591)
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	(1,921,197)	(1,852,374)
6.	Less: Asset amounts deducted in determining Tier 1 capital	(989,781)	(1,031,975)
7.	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs) (sum of rows 1 to 6)</b>	<b>426,821,303</b>	<b>422,788,839</b>
<b>Exposures arising from derivative contracts</b>			
8.	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and / or with bilateral netting)	5,911,024	5,785,011
9.	Add-on amounts for PFE associated with all derivative contracts	4,349,915	4,687,846
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.	<b>Total exposures arising from derivative contracts (sum of rows 8 to 12)</b>	<b>10,260,939</b>	<b>10,472,857</b>
<b>Exposures arising from SFTs</b>			
14.	Gross amount of SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	4,402,507	3,493,938
15.	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
16.	CCR exposure for SFT assets	127,959	87,932
17.	Agent transaction exposures	–	–
18.	<b>Total exposures arising from SFTs (sum of rows 14 to 17)</b>	<b>4,530,466</b>	<b>3,581,870</b>
<b>Other off-balance sheet exposures</b>			
19.	Off-balance sheet exposure at gross notional amount	24,343,139	21,302,589
20.	Less: Adjustments for conversion to credit equivalent amounts	(16,333,804)	(14,598,443)
21.	Less: Specific and collective provisions associated with off-balance sheet exposures that are deducted from Tier 1 capital	(19,808)	(14,721)
22.	<b>Off-balance sheet items (sum of rows 19 to 21)</b>	<b>7,989,527</b>	<b>6,689,425</b>

## Leverage ratio (Continued)

### LR2: Leverage ratio (Continued)

		31 Dec 2025	30 Sep 2025
		HK\$'000	HK\$'000
<b>Capital and total exposures</b>			
23.	<b>Tier 1 capital</b>	61,905,467	60,385,218
24.	<b>Total exposures (sum of rows 7, 13, 18 and 22)</b>	449,602,235	443,532,991
<b>Leverage ratio</b>			
25 & 25a.	<b>Leverage ratio</b>	13.77%	13.61%
26.	<b>Minimum leverage ratio requirement</b>	3%	3%
27.	Applicable leverage buffers	Not applicable*	Not applicable*
<b>Disclosure of mean values</b>			
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	2,942,946	2,028,855
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	4,402,507	3,493,938
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)	448,142,674	442,067,908
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)	13.81%	13.66%

\* Not applicable in the case of Hong Kong

## Liquidity

31 Dec 2025

Average liquidity coverage ratio ("LCR")	
– Fourth quarter	182.92%
Average LCR for the period	201.97%
Net stable funding ratio ("NSFR")	
– Third quarter end	132.69%
– Fourth quarter end	131.01%

The Bank's LCR and HKD HQLA Level 1 LCR were above the regulatory requirement for the period.

The Bank's average LCR in year 2025 was 201.97%. The Bank's NSFR for the quarter ends of year 2025 were 126.94%, 133.75%, 132.69% and 131.01% respectively.

In the fourth quarter of year 2025, the Bank's LCR decreased as a result of increase in loans and increase in money market placement.

In the fourth quarter end of year 2025, the Bank's NSFR decreased as a result of increase in loans.

Level 1 HQLA is the major component of the Bank's HQLA portfolio, which consists of balance with the HKMA, Exchange Fund Bills / Notes and unencumbered sovereign bonds. The Bank also holds a portion of Level 2 HQLA, which include corporate bonds with high credit rating. The main drivers of net cash outflows are retail deposits and small business funding, wholesale funding and loans during the quarter. Deposit is the major funding source of the Bank.

LCR net cash outflow arising from off-balance sheet derivatives and additional collateral provision are not material. The Bank's major liquidity profile is captured in the LCR calculation.

The Bank's HKD HQLA Level 1 LCR was above the regulatory requirement for the period. The Bank holds Level 1 HQLA denominated in foreign currencies (mainly CNY and USD) to cover respective LCR net cash outflow in foreign currency. The foreign currency LCR mismatch is bolstered mainly by our HKD-denominated HQLA through FX contracts. The Bank has established internal monitoring limit on LCR for foreign major currencies according to Supervisory Policy Manual LM-1 issued by the HKMA.

The Bank has established internal limit and management action trigger level on LCR and NSFR to ensure our liquidity risk is controlled at the level commensurate with our risk appetite. The Bank's daily liquidity management is governed by the liquidity management requirement of parent bank and there is considerable level of interaction between members of the parent group. The Bank submits liquidity management reports to parent bank regularly and participates in the group liquidity stress test.

### LIQA: Liquidity risk management

Quantitative information relating to the Bank's liquidity risk management, please refer to note 3.3 of Liquidity Risk under Financial Risk Management Section of the 2025 Annual Report.

## Liquidity (Continued)

### LIQ1: Liquidity Coverage Ratio – for category 1 institution

2025 Fourth quarter:

Number of data points used in calculating the average value of the LCR and related components set out in this template for the quarter ending on 31 Dec 2025: (75)		HK\$'000	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: Hong Kong office			
<b>A. HQLA</b>			
1.	Total HQLA		60,466,204
<b>B. Cash Outflows</b>			
2.	Retail deposits and small business funding, of which:	261,892,286	18,154,616
3.	<i>Stable retail deposits and stable small business funding</i>	12,318,705	615,935
4.	<i>Less stable retail deposits and less stable small business funding</i>	101,200,027	10,120,003
4a.	<i>Retail term deposits and small business term funding</i>	148,373,554	7,418,678
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	59,751,867	31,472,914
6.	<i>Operational deposits</i>	2,833,159	645,901
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	56,897,490	30,805,795
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	21,218	21,218
9.	Secured funding transactions (including securities swap transactions)		26,495
10.	Additional requirements, of which:	24,301,409	5,038,314
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	2,213,833	2,187,110
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>	22,087,576	2,851,204
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	3,381,829	3,381,829
15.	Other contingent funding obligations (whether contractual or non-contractual)	21,578,175	44,889
16.	<b>Total Cash Outflows</b>		58,119,057
<b>C. Cash Inflows</b>			
17.	Secured lending transactions (including securities swap transactions)	–	–
18.	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	71,365,078	21,013,143
19.	Other cash inflows	3,011,083	3,000,360
20.	<b>Total Cash Inflows</b>	74,376,161	24,013,503
<b>D. Liquidity Coverage Ratio</b>			<b>Adjusted value</b>
21.	<b>Total HQLA</b>		60,466,204
22.	<b>Total Net Cash Outflows</b>		34,105,554
23.	<b>LCR (%)</b>		182.92%

## Liquidity (Continued)

### LIQ2: Net Stable Funding Ratio – for category 1 institution

2025 Fourth quarter end:

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>A.</b>	<b>Available stable funding ("ASF") item</b>					
1.	Capital:	63,990,186	86,170	7,784,100	–	67,882,236
2.	<i>Regulatory capital</i>	63,990,186	86,170	7,784,100	–	67,882,236
2a.	<i>Minority interests not covered by row 2</i>	–	–	–	–	–
3.	<i>Other capital instruments</i>	–	–	–	–	–
4.	Retail deposits and small business funding:	–	255,594,650	5,139,023	9,264	235,337,531
5.	<i>Stable deposits</i>	–	13,213,417	145,797	140	12,691,394
6.	<i>Less stable deposits</i>	–	242,381,233	4,993,226	9,124	222,646,137
7.	Wholesale funding:	–	98,814,602	650,153	–	36,617,259
8.	<i>Operational deposits</i>	–	2,974,607	–	–	1,487,304
9.	<i>Other wholesale funding</i>	–	95,839,995	650,153	–	35,129,955
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	2,230,617	1,039,477	–	–	–
12.	<i>Net derivative liabilities</i>	–	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	2,230,617	1,039,477	–	–	–
14.	<b>Total ASF</b>					339,837,026
<b>B.</b>	<b>Required stable funding ("RSF") item</b>					
15.	Total HQLA for NSFR purposes	378,906	7,261,899	6,663,520	100,704,927	34,987,886
16.	Deposits held at other financial institutions for operational purposes	–	247,449	–	–	123,725
17.	Performing loans and securities:	50,848,321	53,426,155	25,288,109	176,155,356	209,474,590
18.	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	–	–	–	–	–
19.	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	20,581,987	38,123,737	12,594,071	12,765,143	45,362,726

## Liquidity (Continued)

### LIQ2: Net Stable Funding Ratio – for category 1 institution (Continued)

2025 Fourth quarter end: (Continued)

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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>	30,266,334	8,470,102	7,628,546	59,044,474	81,737,897
21.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	3,561,959	829,307	395,905	7,566,109	7,845,849
22.	<i>Performing residential mortgages, of which:</i>	–	960,975	929,802	48,074,861	32,996,253
23.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	880,798	852,226	44,063,837	29,508,007
24.	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	5,871,341	4,135,690	56,270,878	49,377,714
25.	Assets with matching interdependent liabilities	–	–	–	–	–
26.	Other assets:	14,199,148	1,019,756	–	–	13,667,775
27.	<i>Physical traded commodities, including gold</i>	–	–	–	–	–
28.	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	1,768,333	–	–	–	1,503,083
29.	<i>Net derivative assets</i>	3,481,429	–	–	–	3,481,429
30.	<i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	317,706	–	–	–	15,885
31.	<i>All other assets not included in the above categories</i>	8,631,680	1,019,756	–	–	8,667,378
32.	Off-balance sheet items	–	–	–	41,529,857	1,135,406
33.	<b>Total RSF</b>	–	–	–	–	259,389,382
34.	<b>Net Stable Funding Ratio (%)</b>	–	–	–	–	131.01%

## Liquidity (Continued)

### LIQ2: Net Stable Funding Ratio – for category 1 institution (Continued)

2025 Third quarter end:

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>A.</b>	<b>Available stable funding ("ASF") item</b>					
1.	Capital:	62,410,150	41,313	7,780,135	–	66,300,218
2.	<i>Regulatory capital</i>	62,410,150	41,313	7,780,135	–	66,300,218
2a.	<i>Minority interests not covered by row 2</i>	–	–	–	–	–
3.	<i>Other capital instruments</i>	–	–	–	–	–
4.	Retail deposits and small business funding:	–	252,949,046	9,032,613	28,201	236,481,332
5.	<i>Stable deposits</i>		13,152,090	240,668	1,079	12,724,199
6.	<i>Less stable deposits</i>		239,796,956	8,791,945	27,122	223,757,133
7.	Wholesale funding:	–	92,540,420	665,168	104,919	38,466,528
8.	<i>Operational deposits</i>		2,655,988	–	–	1,327,994
9.	<i>Other wholesale funding</i>	–	89,884,432	665,168	104,919	37,138,534
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	3,115,138	1,855,060	–	–	–
12.	<i>Net derivative liabilities</i>	–				
13.	<i>All other funding and liabilities not included in the above categories</i>	3,115,138	1,855,060	–	–	–
14.	<b>Total ASF</b>					341,248,078
<b>B.</b>	<b>Required stable funding ("RSF") item</b>					
15.	Total HQLA for NSFR purposes	344,321	5,545,181	7,516,073	102,352,396	36,122,636
16.	Deposits held at other financial institutions for operational purposes	–	197,935	–	–	98,968
17.	Performing loans and securities:	47,212,390	48,630,542	30,863,000	172,322,101	205,593,517
18.	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	–	–	–	–	–
19.	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	17,052,156	33,648,592	13,554,367	12,594,968	41,471,596

## Liquidity (Continued)

### LIQ2: Net Stable Funding Ratio – for category 1 institution (Continued)

2025 Third quarter end: (Continued)

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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>	30,160,234	9,678,417	9,076,986	59,605,301	83,364,121
21.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	3,633,373	451,838	648,053	7,938,057	8,071,375
22.	<i>Performing residential mortgages, of which:</i>	–	919,729	860,280	45,624,653	31,208,636
23.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	852,942	797,811	42,311,616	28,327,927
24.	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	4,383,804	7,371,367	54,497,179	49,549,164
25.	Assets with matching interdependent liabilities	–	–	–	–	–
26.	Other assets:	14,976,646	1,521,277	–	–	14,384,428
27.	<i>Physical traded commodities, including gold</i>	–				–
28.	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	1,913,120				1,626,152
29.	<i>Net derivative assets</i>	3,645,074				3,645,074
30.	<i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	374,539				18,727
31.	<i>All other assets not included in the above categories</i>	9,043,913	1,521,277	–	–	9,094,475
32.	Off-balance sheet items		–	–	42,686,203	969,217
33.	<b>Total RSF</b>					257,168,766
34.	<b>Net Stable Funding Ratio (%)</b>					132.69%

## Credit risk for non-securitization exposures

### CRA: General information about credit risk

#### Credit Risk

Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. It arises principally from lending, trade finance and treasury businesses. As a local retail bank, according to business model, customer base and market environment derived from the operation risks, has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with changes in market conditions and business strategies.

#### Credit Risk Governance

The Bank's organization structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits. The Chief Credit Officer, who reports directly to the Risk Management Committee, takes charge of credit risk management and is also responsible for the control of credit risk exposures in line with the credit risk management principles and requirements set by the Bank. Various units of the Bank have their respective credit risk management responsibilities. Business units act as the first line of defense. The Risk Management Department, which is independent from the business units, is responsible for the day-to-day management of credit risks and has the primary responsibility for providing an independent due diligence through identifying, measuring, monitoring and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures.

The Board of Directors delegates credit approval authority to the Chief Executive. The Chief Executive can further delegate to the subordinates within his limit authorized by the Board of Directors. The Bank sets the limits of credit approval authority according to the credit business nature, rating, the level of transaction risk, and the extent of the credit exposure. In view of the rapidly changing market conditions, the Bank has been continuously revisiting its credit strategies and conducting rigorous reviews on the concerned portfolios. Different credit approval and control procedures are adopted according to the level of risk associated with the customer, counterparty or transaction. The Credit Committee, comprising experts from credit and other functions, is responsible for making an independent assessment of material credit applications which require the approval of Chief Executives or above. For retail exposures, more comprehensive review is required and monitored regularly on a portfolio basis.

Risk Management Department provides regular credit management information reports and ad hoc reports to the Management, Risk Management Committee and the Board of Directors to facilitate their continuous monitoring of credit risk. In addition, the Bank identifies credit concentration risk by industry, geography, customer and counterparty. The Bank monitors changes to counterparty credit risk, quality of the credit portfolio and credit risk concentrations, and reports regularly to the Bank's Management.

## Credit risk for non-securitization exposures (Continued)

### CR1: Credit quality of exposures

		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
		Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
		HK\$'000	HK\$'000		HK\$'000	HK\$'000		
1.	Loans	3,248,571	247,246,541	1,926,516	919,477	1,007,039	–	248,568,596
2.	Debt securities	116,131	175,604,720	53,888	–	53,888	–	175,666,963
3.	Off-balance sheet exposures	–	18,979,360	23,608	–	23,608	–	18,955,752
<b>4.</b>	<b>Total</b>	<b>3,364,702</b>	<b>441,830,621</b>	<b>2,004,012</b>	<b>919,477</b>	<b>1,084,535</b>	<b>–</b>	<b>443,191,311</b>

### CR2: Changes in defaulted loans and debt securities

		Amount HK\$'000
1.	<b>Defaulted loans and debt securities at 30 Jun 2025</b>	5,460,985
2.	Loans and debt securities that have defaulted since the last reporting period	1,639,013
3.	Returned to non-defaulted status	(68,220)
4.	Amounts written off	(130,862)
5.	Other changes	(3,536,214)
6.	<b>Defaulted loans and debt securities at 31 Dec 2025</b>	<b>3,364,702</b>

Between Jun 2025 and Dec 2025, the Bank's defaulted loans and debt securities decreased from HK\$5,461 million by 38.4% to HK\$3,365 million. The main contributor was the other changes of HK\$3,536 million defaulted during the reporting period.

## Credit risk for non-securitization exposures (Continued)

### CRB: Additional disclosure related to credit quality of exposures

#### Definition of Overdue

Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction or when the advances have remained continuously exceeded the approved limit that was advised to the borrower.

#### Definition Impairment Loss on Advances and Calculations

Advances are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred and that loss event(s) has an impact on the estimated future cash flows of the advances that can be reliably estimated. If there is objective evidence that an impairment loss on advances has been incurred, the amount of loss is measured as the difference between the carrying amount and the present value of estimated future cash flows generated by the advances. Objective evidence that advances are impaired includes observable information that comes to the attention of the Bank about the loss events.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty incurred by the borrower;
- A breach of contract, such as a default or delinquency in principal or interest payment;
- For economic or legal reasons related to the borrower's financial difficulty, the Bank has granted to the borrower a concession that it would not otherwise consider;
- Probable that the borrower will become bankrupt or undergo other financial reorganization; or
- Other observable data indicating that there is a measurable decrease in the estimated future cash flows from such advances.

#### Definition of Rescheduled Advances

Rescheduled advances are those advances that have been restructured or renegotiated because of deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule. Rescheduled advances, which have been overdue for more than three months under the revised repayment terms, are included in "Advances overdue for more than three months".

### i) Credit quality of exposures by geographical areas

	31 Dec 2025 HK\$'000
Hong Kong	238,986,039
People's Republic of China	84,994,665
Others	121,214,619
Total	<u>445,195,323</u>

## Credit risk for non-securitization exposures (Continued)

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

#### ii) Credit quality of exposures by industry

	31 Dec 2025 HK\$'000
Property development and investment	45,861,441
Financial concerns	194,161,417
Individuals	68,202,074
Manufacturing	18,461,748
Others	118,508,643
Total	<u>445,195,323</u>

#### iii) Credit quality of exposures by residual maturity

	31 Dec 2025 HK\$'000
Less than 1 year	141,056,516
More than 1 year but not more than 5 years	187,416,886
More than 5 years	116,721,921
Total	<u>445,195,323</u>

#### iv) Impaired exposures and related allowances and write-offs by geographical areas

	Impaired exposures HK\$'000	Stage 3 provision for ECL HK\$'000	Write-off HK\$'000
<u>As at 31 Dec 2025</u>			
Hong Kong	3,242,339	917,588	353,477
People's Republic of China	4,343	–	–
Other countries	1,889	1,889	–
Total	<u>3,248,571</u>	<u>919,477</u>	<u>353,477</u>

## Credit risk for non-securitization exposures (Continued)

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

#### v) Impaired exposures and related allowances and write-offs by industry

	Impaired exposures HK\$'000	Stage 3 provision for ECL HK\$'000	Write-off HK\$'000
<u>As at 31 Dec 2025</u>			
Property development and investment	1,682,921	512,982	217,415
Financial concerns	–	–	–
Individuals	291,963	56,009	5,267
Others	1,273,687	350,486	130,795
Total	<u>3,248,571</u>	<u>919,477</u>	<u>353,477</u>

#### vi) Aging analysis of accounting past due exposures

Please refer to note 4 of additional balance sheet information.

#### vii) Breakdown of rescheduled exposures

	31 Dec 2025 HK\$'000
Impaired	87,547
Not impaired	14,614
Total	<u>102,161</u>

### CRC: Qualitative disclosures related to credit risk mitigation

#### Collateral and Other Enhancements

The valuation and management of collateral have been documented in the credit risk management policies and procedures which cover acceptance criteria, validity of collateral, loan-to-value ratio, haircut ratio, valuation and insurance, etc. The collateral is revalued on a regular basis, though the frequency and the method used varies with the type of collateral involved and the nature and the risk of the underlying credit. In the personal sector, the main types of collateral are real estate properties, cash deposits and securities. In the commercial and industrial sector, the main types of collateral are real estate properties, securities, receivables, cash deposits and machinery. For loans guaranteed by a third party, the Bank will assess the guarantor's financial condition, credit history and ability to meet obligations. Balances and placements with banks and other financial institutions, these exposures are generally considered to be low risk due to the nature of the counterparties. Collateral is generally not sought on these assets.

#### Credit Exposures

The maximum credit exposure is the worst case scenario of exposure to the Bank without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the maximum exposure to credit risk equals their carrying amount. For letters of guarantee issued, the maximum exposure to credit risk is the maximum amount that the Bank could be required to pay if the guarantees are called upon. For loan commitment and other credit related liabilities, the maximum exposure to credit risk is the full amount of the committed facilities.

## Credit risk for non-securitization exposures (Continued)

### CR3: Overview of recognized credit risk mitigation

		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1.	Loans	234,465,676	14,102,920	1,077,502	2,445,939	–
2.	Debt securities	169,893,932	5,773,031	–	5,773,031	–
<b>3.</b>	<b>Total</b>	404,359,608	19,875,951	1,077,502	8,218,970	–
4.	Of which defaulted	1,737,853	707,372	–	688,163	–

As of Dec 2025, the Bank's carrying amount for unsecured exposures was HK\$404,360 million. There is a decrease of HK\$810 million compared to that of Jun 2025. This was mainly due to the drop in unsecured debt securities of HK\$9,475 million.

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

The Bank uses the following external credit assessment institutions ("ECAIs") to calculate its capital adequacy requirements under the standardized (credit risk) approach prescribed in the Capital Rules:

- Moody's Investors Service
- S&P's Ratings Services
- Fitch Ratings

Where exposures have been rated by the above-mentioned ECAIs, they are categorized under the following class of exposures:

- Sovereign exposures
- Public sector entity exposures
- Multilateral development bank exposures
- Unspecified multilateral body exposures
- Bank exposures
- Qualifying non-bank financial institution exposures
- Eligible covered bond exposures
- General corporate exposures
- Specialized lending exposures

The process used to map ECAIs issuer ratings or ECAIs issue specific ratings in the Bank's banking book is consistent with those prescribed in the Capital Rules.

## Credit risk for non-securitization exposures (Continued)

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

	Exposure classes	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
1.	Sovereign exposures	26,113,385	–	31,834,956	–	3,138,058	10%
2.	Public sector entity exposures	11,441,610	3,055,000	7,493,721	1,352,955	1,769,335	20%
3.	Multilateral development bank exposures	14,113,940	–	14,113,940	–	–	0%
3a.	Unspecified multilateral body exposures	–	–	–	–	–	0%
4.	Bank exposures	95,115,073	–	97,909,427	–	26,009,029	27%
4a.	Qualifying non-bank financial institution exposures	–	–	–	–	–	0%
5.	Eligible covered bond exposures	3,253,137	–	3,253,137	–	325,314	10%
6.	General corporate exposures	184,342,592	28,502,678	180,530,890	4,699,888	146,016,602	79%
6a.	Of which: non-bank financial institution exposures excluding those reported under row 4a	47,012,026	3,159,188	46,342,558	1,243,185	37,182,927	78%
6b.	Specialized lending	1,321,691	–	1,321,691	–	1,321,691	100%
7.	Equity exposures	61,529	–	61,529	–	153,823	250%
7a.	Significant capital investments in commercial entities	–	–	–	–	–	0%
7b.	Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities	2,164,795	–	2,164,795	–	3,247,193	150%
7c.	Subordinated debts issued by banks, qualifying non-bank financial institutions and corporates	–	–	–	–	–	0%
8.	Retail exposures	16,072,586	7,816,735	15,141,315	1,170,560	14,806,330	91%
8a.	Exposures arising from IPO financing	–	–	–	–	–	0%
9.	Real estate exposures	72,758,155	2,150,885	71,850,146	642,894	25,753,258	36%
9a.	Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	57,781,406	548,833	57,474,092	30,006	14,456,204	25%

## Credit risk for non-securitization exposures (Continued)

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

Exposure classes	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density		
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%	
9b.	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)	435,419	–	435,419	–	209,208	48%
9c.	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	11,412,550	262,759	10,816,908	78,757	7,281,604	67%
9d.	Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties)	1,225,534	–	1,225,534	–	857,874	70%
9e.	Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	–	–	–	–	–	0%
9f.	Of which: other real estate exposures (materially dependent on cash flows generated by mortgaged properties)	–	–	–	–	–	0%
9g.	Of which: land acquisition, development and construction exposures	1,903,246	1,339,293	1,898,193	534,131	2,948,368	121%
10.	Defaulted exposures	2,452,662	4,558	2,452,662	1,318	2,525,837	103%
11.	Other exposures	3,130,772	–	3,130,772	–	3,130,772	100%
11a.	Cash and gold	378,906	–	1,461,852	141,720	173,137	11%
11b.	Items in the process of clearing or settlement	1,329,838	–	1,329,838	–	–	0%
12.	<b>Total</b>	434,050,671	41,529,856	434,050,671	8,009,335	228,370,379	52%

Compared with Jun 2025, the bank's credit risk RWA decrease from HK\$236,373 million to HK\$228,370 million, a decrease of 3.4%.

## Credit risk for non-securitization exposures (Continued)

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

	Risk Weight	0%	20%	50%	100%	150%	Other	Total credit risk exposures amount (post-CCF and post-CRM)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1.	Sovereign exposures	18,797,181	11,269,431	1,768,344	–	–	–	31,834,956

	Risk Weight	0%	20%	50%	100%	150%	Other	Total credit risk exposures amount (post-CCF and post-CRM)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2.	Public sector entity exposures	–	8,846,676	–	–	–	–	8,846,676

	Risk Weight	0%	20%	30%	50%	100%	150%	Other	Total credit risk exposures amount (post-CCF and post-CRM)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
3.	Multilateral development bank exposures	14,113,940	–	–	–	–	–	–	14,113,940

	Risk Weight	20%	30%	50%	100%	150%	Other	Total credit risk exposures amount (post-CCF and post-CRM)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
3a.	Unspecified multilateral body exposures	–	–	–	–	–	–	–

## Credit risk for non-securitization exposures (Continued)

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

	Risk Weight	Risk Weight							Other	Total credit risk exposures amount (post-CCF and post-CRM)
		20%	30%	40%	50%	75%	100%	150%		
Exposure classes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
4.	Bank exposures	43,842,586	48,964,546	–	5,102,295	–	–	–	–	97,909,427

	Risk Weight	Risk Weight							Other	Total credit risk exposures amount (post-CCF and post-CRM)
		20%	30%	40%	50%	75%	100%	150%		
Exposure classes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
4a.	Qualifying non-bank financial institution exposures	–	–	–	–	–	–	–	–	–

	Risk Weight	Risk Weight							Other	Total credit risk exposures amount (post-CCF and post-CRM)
		10%	15%	20%	25%	35%	50%	100%		
Exposure classes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
5.	Eligible covered bond exposures	3,253,137	–	–	–	–	–	–	–	3,253,137

	Risk Weight	Risk Weight								Other	Total credit risk exposures amount (post-CCF and post-CRM)
		20%	30%	50%	65%	75%	85%	100%	150%		
Exposure classes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
6.	General corporate exposures	3,164,309	1,859,394	55,879,940	–	46,985,524	2,520,716	65,454,285	9,366,610	–	185,230,778
6a.	Of which: non-bank financial institution exposures excluding those reported under row 4a	1,416,492	–	12,128,678	–	21,191,822	–	8,663,407	4,185,344	–	47,585,743

**Credit risk for non-securitization exposures (Continued)**

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

	Risk Weight	20%	50%	75%	80%	100%	130%	150%	Other	Total credit risk exposures amount (post-CCF and post-CRM)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
6b.	Specialized lending	–	–	–	–	1,321,691	–	–	–	1,321,691

	Risk Weight	100%	250%	400%	Other	Total credit risk exposures amount (post-CCF and post-CRM)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
7.	Equity exposures	–	61,529	–	–	61,529

	Risk Weight	250%	400%	1,250%	Other	Total credit risk exposures amount (post-CCF and post-CRM)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
7a.	Significant capital investments in commercial entities	–	–	–	–	–

	Risk Weight	150%	250%	400%	Other	Total credit risk exposures amount (post-CCF and post-CRM)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
7b.	Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities	2,164,795	–	–	–	2,164,795



## Credit risk for non-securitization exposures (Continued)

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

Exposure classes	Risk Weight	0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Others	Total credit risk exposure amount (post-CCF and post-CRM)
		HK\$'000																			
9.	Real estate exposures	-	31,636,245	10,214,221	11,650,931	-	1,623,035	473,819	1,071,082	8,742,944		2,270,318	-	655,770	-	2,876,603	103,349	-	1,032,087	142,636	72,493,040
9a.	Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)		31,610,350	10,214,221	11,326,038		1,623,035	466,642	1,071,082	5,310		1,044,784	-				-			142,636	57,504,098
9b.	Of which: no loan splitting applied		31,610,350	10,214,221	11,326,038		1,623,035	466,642	1,071,082	5,310		1,044,784	-				-			142,636	57,504,098
9c.	Of which: loan splitting applied (secured)																				
9d.	Of which: loan splitting applied (unsecured)																				
9e.	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)				324,893		-	7,177		-							103,349				435,419
9f.	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	25,895							8,737,634				655,770		1,476,366					10,895,665
9g.	Of which: no loan splitting applied	-	25,895							8,737,634				655,770		1,476,366					10,895,665
9h.	Of which: loan splitting applied (secured)																				
9i.	Of which: loan splitting applied (unsecured)																				
9j.	Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties)											1,225,534				-					1,225,534
9k.	Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-																		-
9l.	Of which: no loan splitting applied	-	-																		-
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)																				-
9p.	Of which: land acquisition, development and construction exposures															1,400,237				1,032,087	2,432,324

## Credit risk for non-securitization exposures (Continued)

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

	Risk Weight	Risk Weight				Total credit risk exposures amount (post-CCF and post-CRM)
		50%	100%	150%	Other	
Exposure classes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
10.	Defaulted exposures		272,226	1,501,999	679,755	2,453,980

	Risk Weight	Risk Weight			Total credit risk exposures amount (post-CCF and post-CRM)
		100%	1,250%	Other	
Exposure classes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
11.	Other exposures	3,130,772	–	–	3,130,772

	Risk Weight	Risk Weight			Total credit risk exposures amount (post-CCF and post-CRM)
		0%	100%	Other	
Exposure classes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
11a.	Cash and gold	737,889	–	865,683	1,603,572

	Risk Weight	Risk Weight			Total credit risk exposures amount (post-CCF and post-CRM)
		0%	20%	Other	
Exposure classes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
11b.	Items in the process of clearing or settlement	1,329,838	–	–	1,329,838

Compared with Jun 2025, the Bank's total credit risk exposures amount (post CCF and post CRM) decreased from HK\$445,928 million to HK\$442,060 million. This was mainly attributed to the decrease in general corporate exposures.

## Credit risk for non-securitization exposures (Continued)

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

Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures:

	Risk Weight	On-balance sheet exposure	Off-balance sheet exposure (pre-CCF)	Weighted average CCF	Exposure (post-CCF and post-CRM)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
1.	Less than 40%	203,394,043	3,962,871	45%	211,368,398
2.	40% – 70%	74,317,092	6,343,109	19%	77,737,438
3.	75%	52,501,720	4,061,116	25%	54,468,569
4.	85%	3,649,762	334,380	39%	3,176,486
5.	90% – 100%	78,981,301	24,317,636	12%	78,586,979
6.	105% – 130%	1,268,960	15,300	10%	1,270,490
7.	150%	19,876,264	2,495,444	40%	15,390,117
8.	250%	61,529	–	0%	61,529
9.	400%	–	–	0%	–
10.	1,250%	–	–	0%	–
<b>11.</b>	<b>Total exposures</b>	434,050,671	41,529,856	19%	442,060,006

## Counterparty credit risk

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

The Bank's organisation structure establishes a clear set of counterparty risk management framework, authority and responsibility for monitoring compliance with policies, procedures and limits that are in line with the credit risk management principles and requirements set by the Bank. Various units of the Bank have their respective credit risk management responsibilities. Business units act as the first line of defence. The Risk Management Department, which is independent from the business units, is responsible for the day-to-day management of credit risks and has the primary responsibility for providing an independent due diligence through identifying, measuring, monitoring and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures. For investments in debt securities, assessment of the underlying assets and credit limits setting on customer / security issuer basis are used for managing credit risk associated with the investment. For derivatives, the Bank sets customer limits to manage the credit risk involved and follows the same approval. For financial assets at fair value through profit or loss and investment in securities collateral is generally not sought on debt securities. For derivative financial instruments, the Master Agreement published by the International Swaps and Derivatives Association, Inc. ("ISDA Master Agreement") is the preferred agreement for documenting derivatives activities of the Bank. It provides the contractual framework under which dealing activities of over-the-counter ("OTC") transactions are conducted, and sets out close-out netting provisions upon termination following the occurrence of an event of default or a termination event. In addition, if deemed necessary, Credit Support Annex ("CSA") will be included to form part of the Schedule to the ISDA Master Agreement. Under a CSA, collateral is passed from one counterparty to another, as appropriate, to mitigate the exposures.

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

		Replacement cost (RC)	PFE	Effective EPE	Alpha ( $\alpha$ ) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000
1.	SA-CCR approach (for derivative contracts)	3,817,384	2,737,515		1.4	9,176,859	3,107,620
1a.	CEM (for derivative contracts)	-	-		1.4	-	-
2.	IMM(CCR) approach			-	-	-	-
3.	Simple approach (for SFTs)					4,530,466	25,174
4.	Comprehensive approach (for SFTs)					-	-
5.	VaR (for SFTs)					-	-
<b>6.</b>	<b>Total</b>						3,132,794

There was a 25.0% decrease in counterparty credit risk RWA on default risk exposures compared to Jun 2025. The main contributor is originated from the decrease of default risk exposure after CRM.

## Counterparty credit risk (Continued)

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

	Risk Weight	0%	10%	20%	30%	40%	50%	75%	85%	100%	150%	Others	Total default risk exposure after CRM
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1.	Sovereign exposures	2,090	–	–	–	–	–	–	–	–	–	–	2,090
2.	Public sector entity exposures	–	–	–	–	–	–	–	–	–	–	–	–
3.	Multilateral development bank exposures	–	–	–	–	–	–	–	–	–	–	–	–
4.	Unspecified multilateral body exposures	–	–	–	–	–	–	–	–	–	–	–	–
5.	Bank exposures	–	–	953,478	7,187,554	–	502,616	–	–	–	–	–	8,643,648
6.	Qualifying non-bank financial institution exposures	–	–	36,139	–	–	–	–	–	–	–	–	36,139
7.	General corporate exposures	–	–	–	–	–	–	–	14,626	167,072	–	–	181,698
8.	Retail exposures	–	–	–	–	–	–	373,801	–	67,442	–	–	441,243
9.	Defaulted exposures	–	–	–	–	–	–	–	–	–	–	–	–
10.	Other exposures	4,402,507	–	–	–	–	–	–	–	–	–	–	4,402,507
11.	<b>Total</b>	4,404,597	–	989,617	7,187,554	–	502,616	373,801	14,626	234,514	–	–	13,707,325

Compared to Jun 2025, total default risk exposure after CRM decreased from HK\$18,982 million to HK\$13,707 million. The main contributor is originated from the decrease in other exposures.

## Counterparty credit risk (Continued)

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

	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash – domestic currency	–	–	28,001	–	250,000	–
Cash – other currencies	6,395	78	2,135,536	487,596	4,152,507	–
Domestic sovereign debt	–	–	–	–	–	250,310
Other sovereign debt	–	–	359,215	1,596	–	1,435,662
Government agency debt	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	2,844,494
Equity securities	–	–	–	–	–	–
Other collateral	–	–	–	–	–	–
<b>Total</b>	6,395	78	2,522,752	489,192	4,402,507	4,530,466

The collateral posted and received resulted from transaction with CCP, counterparties via CSA and repo transaction.

### CCR6: Credit-related derivatives contracts

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

## Counterparty credit risk (Continued)

### CCR8: Exposures to CCPs

		Exposure after CRM	RWA
		HK\$'000	HK\$'000
<b>1.</b>	<b>Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)</b>		57,588
2.	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	2,879,388	57,588
3.	(i) OTC derivative transactions	2,879,388	57,588
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	1,775,707	
8.	Unsegregated initial margin	–	–
9.	Funded default fund contributions	–	–
10.	Unfunded default fund contributions	–	–
<b>11.</b>	<b>Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)</b>		–
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 to Jun 2025, RWA of default risk exposure to qualifying CCPs decreased by 11%, originating from a decrease in exposure on OTC derivatives. The collateral posted and received resulted from derivatives transaction via CCP.

## Credit valuation adjustment risk

### CVAA: Qualitative disclosures related to CVA risk

The Bank uses mathematics models to measure the CVA risks of all non-centrally cleared derivatives. Regarding CVA risk capital requirements, the bank currently does not hedge CVA risk and uses the reduced basic CVA approach to calculate the CVA risk capital requirement.

The Bank does not set its RWA for CVA risk at 100% of its RWA for counterparty credit risk exposures.

### CVA1: CVA risk under reduced basic CVA approach

	Components	CVA risk capital charge under the reduced basic CVA approach
	HK\$'000	HK\$'000
Aggregation of systematic components of CVA risk	523,969	
Aggregation of idiosyncratic components of CVA risk	25,125	
Total		262,886

Compared with Jun 2025, the CVA capital charge decreased from HK\$352 million to HK\$263 million. The main contributor is originated from decrease in derivatives EAD.

## Securitization exposures

### SECA: Qualitative disclosures related to securitization exposures

There were no securitisation exposures as at 31 Dec 2025.

## Securitization exposures (Continued)

### SEC1: Securitization exposures in banking book

		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	–	–	–	–	–	–	–	–	–

## Securitization exposures (Continued)

### SEC2: Securitization exposures in trading book

		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	–	–	–	–	–	–	–	–	–

## Securitization exposures (Continued)

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

		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 <1,250% RW	1,250% RW	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA
		HK\$'000					HK\$'000				HK\$'000				HK\$'000			
1.	<b>Total exposures</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.	Traditional securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.	Of which simple, transparent and comparable	Not applicable*																
6.	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	Of which simple, transparent and comparable	Not applicable*																
8.	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.	Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

\* Not applicable in the case of Hong Kong

## Securitization exposures (Continued)

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

		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 <1,250% RW	1,250% RW	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA
		HK\$'000					HK\$'000				HK\$'000				HK\$'000			
1.	<b>Total exposures</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.	Traditional securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.	Of which simple, transparent and comparable	Not applicable*																
6.	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	Of which simple, transparent and comparable	Not applicable*																
8.	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.	Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.	Of which retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

\* Not applicable in the case of Hong Kong

## Market risk

### MRA: Qualitative disclosures related to market risk

The Bank assumes exposure to market risks, which are triggered by the volatility in the fair value of or future cash flow of financial instruments due to fluctuations in market prices. These market risks emerge from the Bank's open positions in interest rates, exchange rates and equity products, all of which are exposed to market fluctuations and changes in interest rates, foreign exchange rates and equity price.

The Bank established a comprehensive management structure to manage its market risks. This structure is a centralized control framework overseen by the Board of Directors and senior management. Implementing a segregation of duties, the Risk Management Department is responsible for formulating market risk policies and ensuring the Bank's exposure remains within the risk appetite set by the Board of Directors. On the other hand, the Global Markets Department serves as the execution unit for market risk management. The Audit Department is responsible for conducting independent verification of the policies and processes for the market risk management system.

The Bank monitors market risk separately in respect of trading portfolios and non-trading portfolios. The trading account consists of financial instruments held either for trading intent or economic hedging for other elements of the trading account. The non-trading account consists of the investments purchased by the Bank with excess funds and other financial instruments that are not captured in the trading account.

With regard to the exchange rate risks and the interest rate risks of trading book, the Bank established an effective limit management system by implementing Net Position, Risk Sensitivity, Value at Risk ("VaR") and other indicators. In addition, through adequate pricing management and asset allocation, the Bank strived to maximize its rate of return while keeping its risks under control.

The Bank continuously improves the management system of market risk. The Bank conducted stress tests on historical scenarios and hypothetical scenarios with considering the Bank's major market risk factors. The Bank has implemented daily automatic collection of trading data and market data in the system. The Bank conducted the management of risk capital and VaR quota, and formulated the quota allocation plans.

As part of market risk management, the Bank enters into interest rate swaps to hedge the interest rate risk associated with the structured deposits and fix-rate long-term debt securities.

## Market risk (Continued)

### MR1: Market risk under STM approach

		Market risk capital charges under STM approach
		HK\$'000
1.	General interest rate risk	3,344
2.	Equity risk	–
3.	Commodity risk	3,315
4.	Foreign exchange risk	16,046
5.	Credit spread risk (non-securitization)	5,324
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)	2,367
9.	SA-DRC (securitization: non-CTP)	–
10.	SA-DRC (securitization: CTP)	–
11.	Residual risk add-on	11
12.	<b>Total</b>	<b>30,407</b>

Compared with Jun 2025, the market risk capital charge drop from HK\$79 million to HK\$30 million. The change was due to the drop in foreign exchange exposures.

### Interest rate risk in banking book

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

##### Banking Book Interest Rate Risk Management

Interest rate risk in the banking book (“IRRBB”) means the risk to the Bank’s financial condition resulting from adverse movements in interest rates that affect the Bank’s banking book positions. The interest rate risk exposure in the banking book arises from its normal course of banking activities, such as lending, deposit taking, securities investment and debt issuance. The governing objective in interest rate risk management is to control potential significant loss as a result of interest rate changes within risk appetite.

The Bank is exposed to two major sources of IRRBB, namely, gap risk and basis risk.

## Interest rate risk in banking book (Continued)

### IRRBB: Interest rate risk in banking book – risk management objectives and policies (Continued)

#### Banking Book Interest Rate Risk Management (Continued)

Gap risk arises from the changes in the interest rates on assets, liabilities or off-balance sheet items of different maturities. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk).

Basis risk arises from imperfect correlation between changes in the rates earned and paid on different instruments with otherwise similar repricing characteristics. For example, loan assets are being tied to the prime rate, and deposit liabilities tied to the HIBOR. Basis risk primarily occurs in the Bank's Hong Kong dollar books.

The Bank has a robust banking book interest rate risk management framework in accordance with the "The Policy of Interest Rate Risk Management in Banking Book", which is approved by the Board of Directors. Risk Management Committee is responsible for overseeing and reviewing the Bank's risk management strategies including IRRBB. Asset and Liability Management Committee exercises its oversight of IRRBB. Financial Management Department assists Asset and Liability Management Committee to perform day-to-day monitoring on IRRBB. Global Markets Department is responsible for managing and hedging the IRRBB within the limits approved by the Board of Directors and related Committees. The Bank hedges the IRRBB, mainly, through interest rate swap and cross currency swap.

The Bank sets out interest rate risk limits, which are approved by the Board of Directors for implementation. The limits include, but not limited to, net interest income sensitivity ratio ("NII") and economic value sensitivity ratio ("EVE").

Sensitivity analysis in relation to the impact of changes in interest rate on earnings and economic value is assessed through a prescribed interest rate shock scenarios by HKMA's Supervisory Policy Manual IR-1 on the Bank's actual repricing profile on assets, liabilities and off-balance sheet items on a routine basis. Apart from daily risk monitoring, the Bank has established a monthly stress testing to assess potential erosion of earnings and economic value that the Bank may incur from gap risk, basis risk and option risk. The outcome analyses are reported to Senior Management and related Committees on a regular basis.

#### Sensitivity Analysis on IRRBB

The Bank adopts sensitivity analysis to measure the impact of interest rate changes on earnings and economic value.

Sensitivity analysis, which is based on a static interest rate risk profile of assets and liabilities, is used for risk management purposes only. They are based on several assumptions, including but not limited to, run to maturity positions, etc.

The Bank adopts excluding spread components approach in calculating the coupon cash flow for IRRBB monitoring. For products with optionality, including retail fixed rate loans with early prepayment risk and retail term deposits with early redemption risk, the Bank developed customer behavioral models based on historical statistics. Besides, the Bank slots the non-maturity deposits into the appropriate time bands according to the earliest date on which their interest rates can be adjusted, i.e. next day. The Bank regularly reviews and updates the assumptions and parameters setting, and conducts independent model validation regularly.

## Interest rate risk in banking book (Continued)

### IRRBB1: Quantitative information on interest rate risk in banking book

Equivalent in millions of HK\$		ΔEVE		ΔNII	
Period		31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024
1.	Parallel up	2,504	2,012	(719)	(648)
2.	Parallel down	–	–	719	648
3.	Steepener	1,535	1,042		
4.	Flattener	410	446		
5.	Short rate up	843	694		
6.	Short rate down	681	163		
7.	<b>Maximum</b>	2,504	2,012	719	648
	<b>Period</b>	31 Dec 2025		31 Dec 2024	
8.	<b>Tier 1 capital</b>	61,905		59,049	

Explanatory Note

(1) Positive values indicate losses under the prescribed interest rate shock scenarios.

## Remuneration

### REMA: Remuneration policy

In accordance with the disclosure requirement of Banking (Disclosure) Rules and the Supervisory Policy Manual “CG-5 Guideline on a Sound Remuneration System” issued by the HKMA, the following disclosures are made:

#### Governance Structure of the Remuneration System

The Bank has established the Remuneration Committee. The Remuneration Committee shall be chaired by an Independent Non-executive Director, and the majority of members shall be Independent Non-executive Directors. It is mainly responsible for making recommendations to the Board of Directors on the remuneration packages for the Directors, Chief Executive, Senior Management and Key Personnel; making recommendations to the Board of Directors on the remuneration policies and the implementation of such policies; and reviewing the policies regularly. The Remuneration Committee has held meetings during the year, discussed and reviewed remuneration policies of the Bank.

“Senior Management” refers to the senior executives who are responsible for oversight of the Bank’s firm-wide strategy or activities or those of the Bank’s material business lines. “Key Personnel” refers to the individual staff whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Bank. In 2025, the Bank has engaged an external consultant to undertake an independent review and sought advice of the Bank’s remuneration policy and its implementation.

#### Remuneration Policy

The remuneration policy is applicable to all staff employed by the Bank. The remuneration policy supports the Bank’s overall approach to risk management so as to ensure it is not undermined and to encourage staff to support the Bank’s overall risk management, including but not limited to credit risk, market risk, interest rate risk, liquidity risk, operational risk, reputation risk, legal and compliance risk, strategic risk and consistent with the Bank’s climate risk management strategy.

## Remuneration (Continued)

### REMA: Remuneration policy (Continued)

#### Remuneration Policy (Continued)

Staff remuneration is composed of “fixed remuneration” and “variable remuneration”. Both are paid by cash. The proportion of fixed and variable remuneration is determined by the factors such as staff seniority, job responsibilities and the need to encourage staff to support the Bank’s overall risk management, corporate values and long-term financial soundness. Generally, the proportion of variable remuneration would be expected to increase in line with the staff seniority and responsibility. For risk control personnel, their remuneration is determined independent of the performance of the business units they oversee.

Variable remuneration is discretionary and should be granted subject to the budget which is determined based on the factors including (1) the cost and quantity of capital required to support the risks taken; (2) the cost and quantity of the liquidity risk assumed in the conduct of business; and (3) the timing and likelihood of potential future revenues incorporated into current earnings, together with the Bank’s overall performance assessment by Head Office, the Bank’s profit of the year, asset and liability, future development, etc.

The award of variable remuneration to the staff is determined by individual fulfilment of both financial and non-financial factors (including but not limited to the adherence to the risk management policies, compliance with legal, regulatory and ethical standards, bank culture, etc.). Under such arrangement, staff performance shall be assessed comprehensively and appropriately reflected in their variable remuneration after taken into account of other factors such as the Bank’s financial performance and future development.

The Bank has established relevant guidelines, stipulating the consequences of staff misconduct (e.g. cases in which a staff / staff’s supervisor is accountable for misconduct that leads to significant losses for the Bank, or cases in which there is fraud or a serious breach of internal rules) on remuneration (including adjustment to the amount of variable remuneration, reduction of unvested variable remuneration or clawback of variable remuneration paid in the past or which has already vested to the staff, etc). Under such circumstances, the application of the variable remuneration adjustment should be proportionate with the misconduct outcome.

To improve and enhance the remuneration system and to strike a balance between staff current earnings and the delayed risk that might bring to the Bank as well as to support the Bank’s stability and sustainable development, the Bank has implemented a deferral mechanism on variable remuneration (such as performance bonus) with a vesting period of three years. Generally, the proportion of variable remuneration made subject to deferment would be expected to increase in line with staff seniority, responsibility, risk taken, amount of variable remuneration, etc. Apart from considering the Bank’s business performance, if a staff is found to have committed significant operational incidents, non-compliance, identified accountability incidents or other serious incidents, the Bank may recalculate the variable remuneration and / or adjust the deferred variable remuneration of the staff. The Bank has established relevant policies that in case the staff committed the above incidents or events, the Bank should be able to apply clawback of variable remuneration paid in the past or which has already vested to the staff.

The Bank conducts regular internal monitoring to ensure compliance in the implementation of its remuneration policy. Such monitoring is conducted by relevant independent departments responsible for compliance monitoring in accordance with the Bank’s organization structure. The remuneration policy is subject to review periodically and when necessary.

In 2025, the Remuneration Committee has reviewed and enhanced the remuneration policy. Major changes included enhancing the deferral mechanism on variable remuneration and updating the name of relevant departments.

## Remuneration (Continued)

### REM1: Remuneration awarded during financial year

Remuneration amount and quantitative information <sup>Note 1 – 3</sup>			31 Dec 2025
Fixed remuneration	Number of employees	No. of Senior Management:	12
		No. of Key Personnel:	2
			HK\$'000
	Total fixed remuneration		12,590
	Of which: cash-based		12,590
	Of which: deferred		–
	Of which: shares or other share-linked instruments		–
	Of which: deferred		–
	Of which: other forms		–
Of which: deferred		–	
Variable remuneration	Number of employees	No. of Senior Management:	12
		No. of Key Personnel:	2
			HK\$'000
	Total variable remuneration		7,014
	Of which: cash-based		7,014
	Of which: deferred		2,485
	Of which: shares or other share-linked instruments		–
	Of which: deferred		–
Of which: other forms		–	
Of which: deferred		–	
<b>Total remuneration</b>			<b>19,604</b>

Note:

- Given the sensitive nature of related information, aggregate figures instead of separate figures will be disclosed in this part.
- The remuneration of some Senior Management and Key Personnel were paid by Bank of Communications Co., Ltd. Hong Kong Branch and disclosed in its Disclosure of Remuneration Policy.
- Included staff newly joined or left the Bank during the financial year.

## Remuneration (Continued)

### REM2: Special payments

Special payments	31 Dec 2025					
	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount HK\$'000	Number of employees	Total amount HK\$'000	Number of employees	Total amount HK\$'000
Senior Management & Key Personnel	–	–	–	–	–	–

### REM3: Deferred remuneration

Deferred and retained remuneration	31 Dec 2025				
	Total amount of outstanding deferred remuneration HK\$'000	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and / or implicit adjustment HK\$'000	Total amount of amendment during the year due to ex post explicit adjustments HK\$'000	Total amount of amendment during the year due to ex post implicit adjustments HK\$'000	Total amount of deferred remuneration paid out in the financial year HK\$'000
Senior Management & Key Personnel					
Cash	4,306	4,306	–	–	1,449
Shares	–	–	–	–	–
Cash-linked instruments	–	–	–	–	–
Other	–	–	–	–	–
<b>Total</b>	<b>4,306</b>	<b>4,306</b>	<b>–</b>	<b>–</b>	<b>1,449</b>

## Operational risk

### ORA: General information on operational risk framework

Operational risk refers to the risk of direct / indirect losses resulting from inadequate or failed internal processes, people, systems, or external events during the course of the Bank's operations, including legal risk.

#### Operational Risk Governance

The Bank established its operational risk governance framework in accordance to the requirements of HKMA Supervisory Policy Manual OR-1 "Operational Risk Management", the Head Office's operational risk management policy, and other relevant guidelines. The Bank's operational risk management framework comprises of six core elements, including (1) risk governance and risk culture; (2) three lines of defense; (3) strategies, policies, and processes; (4) management procedures; (5) change management, information and communications technology, and business continuity planning; and (6) disclosure. Together, these elements facilitate the comprehensive identification, assessment, mitigation / control, monitoring, and reporting of operational risks.

The Bank's operational risk management structure comprise of the Board of Directors, the Risk Management Committee, the Comprehensive Risk Management and Internal Control Committee established under the Risk Management Committee, and all departments. The Board of Directors retains ultimate responsibility for operational risk management. Its responsibilities include regular review of the operational risk management framework, approval of operational risk management strategies and risk tolerance levels; and the oversight of the Bank's overall operational risk profile.

The Comprehensive Risk Management and Internal Control Committee is primarily responsible for overseeing the management of operational risk and status reporting to the Board of Directors and the Risk Management Committee. The Comprehensive Risk Management and Internal Control Committee includes participation from all senior management, and all management departments constituting the three lines of defense. The Comprehensive Risk Management and Internal Control Committee agenda covers reviewing the performance of the three lines of defense and the overall operational risk profile. The agenda also includes follow-ups on significant operational risk incidents, with specific focus on ensuring the implementation of policies and remedial measures; enhancing staff training programs; case sharing; and conducting accountability investigations where necessary.

To ensure clear accountability in operational risk management, the Bank have in place the three lines of defense model. The first line of defense comprises of Business Units, responsible for identifying, assessing, controlling, and reporting of operational risks in daily operations. The Risk Management Department serves as the second line, responsible for developing and maintaining the operational risk management framework, and overseeing the first line's adherence to the framework. Finally, the Audit Department acts as the third line, providing independent assurance through conducting independent periodic assessments of the framework's integrity and effectiveness.

The Bank employs various tools, including Operational Risk Loss Database, Key Risk Indicators, and Risk and Control Self-Assessment, for daily operational risk management. The tools ensures the risks are proactively identified, assessed, measured, monitored and controls. To maintain oversight, the Risk Management Department formulates monthly operational risk analysis report to senior management covering risk indicators, Basel classifications, significant incidents, investigation findings.

## Operational risk (Continued)

### ORA: General information on operational risk framework (Continued)

#### Operational Risk Measurement System

The Bank has adopted the standardised approach to calculate the operational risk capital charge, the formula for operational risk capital charge is shown below:

$$K = BIC \times ILM$$

Where:

*K* = capital charge for operational risk calculated under the standardized approach;

*BIC* = business indicator component;

*ILM* = internal loss multiplier.

The calculation of business indicator component and internal loss multiplier follow the part 9 of the Banking (Capital) Rules.

#### Risk Mitigation and Risk Transfer

Operational risk is inherent in every aspect of the Bank's operations. The Bank has employed a comprehensive and multi-tiered approach on risk mitigation and transfer, including:

- Risk culture: Actively promoting a strong risk culture through policy guidance and regular risk awareness campaigns;
- Risk appetite and monitoring: Setting an upper limit on operational risk loss rate, which is incorporated into the Bank's risk appetite statement. The metric monitors financial losses arising from operational risk relative to operating income;
- Third-party management: Establishing a robust outsourcing risk management framework and entering into contracts with professional third-party service providers tailored to the Bank's needs;
- Performance Assessment: Strengthening internal controls by integrating operational risk management into the internal control assessment and performance evaluation mechanism. The assessment metrics evaluates both the operational risk management process and outcomes.

To manage residual risks that cannot be entirely eliminated, the Bank has purchased Fraud and Professional Liability Insurance as well as Cyber Liability Insurance, to safeguard the Bank against potential significant financial losses and ensure operational stability.

## Operational risk (Continued)

### OR1: Historical losses

		31 Dec 2025	31 Dec 2024	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	Average
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Using HKD200,000 threshold</b>												
1.	Total amount of operational losses net of recoveries (no exclusions)	15,612	3,720	2,942	1,401	1,632	1,101	1,945	421	–	–	3,597
2.	Total number of operational risk losses	4	3	2	5	3	2	2	2	–	–	3
3.	Total amount of excluded operational risk losses	–	–	–	–	–	–	–	–	–	–	–
4.	Total number of exclusions	–	–	–	–	–	–	–	–	–	–	–
5.	Total amount of operational losses net of recoveries and net of excluded losses	15,612	3,720	2,942	1,401	1,632	1,101	1,945	421	–	–	3,597
<b>Using HKD1 million threshold</b>												
6.	Total amount of operational losses net of recoveries (no exclusions)	15,411	2,577	2,391	–	2,446	–	–	–	–	–	2,853
7.	Total number of operational risk losses	3	1	–	–	2	–	–	–	–	–	1
8.	Total amount of excluded operational risk losses	–	–	–	–	–	–	–	–	–	–	–
9.	Total number of exclusions	–	–	–	–	–	–	–	–	–	–	–
10.	Total amount of operational losses net of recoveries and net of excluded losses	15,411	2,577	2,391	–	2,446	–	–	–	–	–	2,853

## Operational risk (Continued)

### OR1: Historical losses (Continued)

		31 Dec 2025	31 Dec 2024	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	Average
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Details of operational risk capital charge calculation</b>												
11.	Are losses used to calculate the ILM (yes / no)?											No
12.	If "no" in row 11, is the exclusion of internal loss data due to non-compliance with the minimum loss data standards (yes / no)?											No
13.	Loss event threshold: HKD200,000 or HKD1 million for the operational risk capital charge calculation if applicable											N.A.

## Operational risk (Continued)

### OR2: Business indicator and business indicator components breakdown

BI and its subcomponents		31 Dec 2025	31 Dec 2024	31 Dec 2023
		HK\$'000	HK\$'000	HK\$'000
1.	Interest, leases and dividend component	8,926,272		
1a.	Interest and leases income	18,280,896	22,568,056	22,537,520
1b.	Interest and leases expenses	9,594,795	13,198,994	13,814,202
1c.	Interest earning assets	433,849,977	435,022,823	441,596,479
1d.	Dividend income	150	150	35
2.	Services component	1,087,045		
2a.	Fee and commission income	1,211,199	1,042,477	990,255
2b.	Fee and commission expenses	130,822	71,536	75,636
2c.	Other operating income	–	–	–
2d.	Other operating expenses	14,576	2,481	147
3.	Financial component	649,885		
3a.	Net P&L on trading book	39,258	38,165	(95,381)
3b.	Net P&L on banking book	(151,766)	(608,450)	(1,016,637)
4.	BI	10,663,202		
5.	Business indicator component (BIC)	1,299,480		

Disclosure on the BI:		31 Dec 2025
		HK\$'000
6a.	BI gross of excluded divested businesses and activities	–
6b.	Reduction in BI due to excluded divested businesses and activities	–

### OR3: Minimum operational risk capital requirement

		31 Dec 2025
		HK\$'000
1.	Business indicator component (BIC)	1,299,480
2.	Internal loss multiplier (ILM)	1
3.	Minimum operational risk capital requirement	1,299,480
4.	Total RWA for operational risk	16,243,500

## Asset encumbrance

### ENC: Asset encumbrance

	Encumbered assets	Unencumbered assets	Total
	HK\$'000	HK\$'000	HK\$'000
Cash and balances with central bank	–	1,756,650	1,756,650
Due from and placements with banks and other financial Institutions	–	48,527,304	48,527,304
Loans and advances to customers	–	198,663,548	198,663,548
Financial assets	4,473,217	176,147,469	180,620,686
Fixed assets	–	114,645	114,645
Right-of-use assets	–	214,070	214,070
Other assets	–	8,081,036	8,081,036
Total assets	4,473,217	433,504,722	437,977,939

## Additional balance sheet information

### 1. International claims

The information on international claims are prepared in according to the location and types of the counterparties as defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of International Banking Statistics. International claims are on-balance sheet exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies. Geographical segments, constituting 10% or more of the Bank's total international claims after taking into account any recognized risk transfer, are disclosed below.

	Bank	Official sector	Non-bank financial institutions	Non-financial private sector	Total
Equivalent in millions of HK\$					
<u>As at 31 Dec 2025</u>					
Developing Asia-Pacific	43,532	6,565	2,058	28,138	80,293
of which attributed to Mainland China	38,551	4,052	1,856	24,242	68,701
Developed economies	33,773	6,149	4,620	16,376	60,918
Offshore centres	1,266	9,140	30,356	48,832	89,594
of which attributed to Hong Kong	406	9,140	27,918	47,933	85,397
Developing Africa and Middle East	6,612	12,056	1,078	12,260	32,006

### 2. Impaired loans and advances to customers by geographical areas

	Gross amount of loans to customers HK\$'000	Gross amount of trade bills HK\$'000	Total amount of loans and advances to customers HK\$'000	Identified Impaired loans and advances to customers HK\$'000	% of total loans and advances to customers	Stage 1 & 2 provision for ECL HK\$'000	Stage 3 provision for ECL HK\$'000
<u>As at 31 Dec 2025</u>							
Hong Kong	177,626,378	55,200	177,681,578	3,242,339	1.62	878,181	917,588
Mainland China	11,544,487	728,545	12,273,032	4,343	–	49,584	–
Others	10,600,291	–	10,600,291	1,889	–	44,111	1,889
	<u>199,771,156</u>	<u>783,745</u>	<u>200,554,901</u>	<u>3,248,571</u>	1.62	<u>971,876</u>	<u>919,477</u>

The gross amount of loans and advances to customers by geographical segment is classified in accordance with the location of the counterparties after taking into account the transfer of risk. In general, a transfer of risk arises if the loans or advances of a customer are guaranteed by a party in a country which is different from that of the customer. Geographical segment, constituting 10% or more of the Bank's total amount of loans and advances to customers after taking into account any recognized risk transfer, are disclosed above.

## Additional balance sheet information (Continued)

### 3. The risk concentration analysis for loans and advances to customers by industry sectors (gross)

	31 Dec 2025 HK\$'000	% of total secured loans and advances
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
– Property development	19,100,616	17.98
– Property investment	11,595,830	89.07
– Financial concerns	27,943,995	2.80
– Stockbrokers	1,244,092	–
– Wholesale and retail trade	4,446,138	64.08
– Manufacturing	10,610,582	19.65
– Transport and transport equipment	10,576,481	47.91
– Recreational activities	813	100.00
– Information technology	1,429,625	1.50
– Others	23,361,670	19.97
Individuals		
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchases Scheme	89,168	100.00
– Loans for the purchase of other residential properties	50,375,821	100.00
– Credit card advances	126,436	–
– Others	15,690,476	86.90
Sub-total	176,591,743	52.85
Trade finance	647,656	31.58
Loans and advances for use outside Hong Kong	22,531,757	17.03
Total	199,771,156	48.74

## Additional balance sheet information (Continued)

### 3. The risk concentration analysis for loans and advances to customers by industry sectors (gross) (Continued)

Gross loans, impaired loans, overdue loans, provision for Expected Credit Loss ("ECL") in respect of industry sectors which constitute not less than 10% of total amount of loans and advances to customers are analysed as follows:

	Gross amount of loans to customers HK\$'000	Impaired loans HK\$'000	Overdue loans HK\$'000	Stage 1 & 2 provision for ECL HK\$'000	Stage 3 provision for ECL HK\$'000	New impairment allowances HK\$'000	Impaired loans written off during the year HK\$'000
<u>As at 31 Dec 2025</u>							
Loans and advances for use in Hong Kong							
– Industrial, commercial and financial	110,309,842	2,883,692	2,804,726	592,890	812,117	606,376	342,329
– Individuals	66,281,901	291,963	272,497	279,971	56,009	110,801	5,267
Trade finance	647,656	72,790	72,790	3,608	51,300	4,972	–
Loans and advances for use outside Hong Kong	22,531,757	126	100	93,742	51	30,844	–
	<u>199,771,156</u>	<u>3,248,571</u>	<u>3,150,113</u>	<u>970,211</u>	<u>919,477</u>	<u>752,993</u>	<u>347,596</u>

### 4. Gross amount of overdue loans and advances to customers

	31 Dec 2025 HK\$'000	% of total loans and advances to customers
Gross loans and advances to customers which have been overdue for periods of:		
More than 3 months but not more than 6 months	412,331	0.21
More than 6 months but not more than 1 year	1,527,500	0.76
More than 1 year	1,210,282	0.60
	<u>3,150,113</u>	<u>1.57</u>
Gross trade bills to customers which have been overdue for periods of:		
More than 3 months but not more than 6 months	–	–
More than 6 months but not more than 1 year	–	–
More than 1 year	–	–
	<u>–</u>	<u>–</u>
Total gross amount of overdue loans and advances to customers	<u>3,150,113</u>	<u>1.57</u>

## Additional balance sheet information (Continued)

### 5. Overdue loans and advances to customers by geographical areas

	Overdue loans and advances to customers HK\$'000	Stage 3 provision for ECL HK\$'000
<u>As at 31 Dec 2025</u>		
Hong Kong	3,143,881	896,409
Mainland China	4,343	–
Others	1,889	1,889
	<u>3,150,113</u>	<u>898,298</u>

Of which:

Market value of collateral held against the secured of overdue loans and advances	1,105,312
Secured of overdue loans and advances	1,063,288
Unsecured portion of overdue loans and advances	2,086,825
Stage 3 provision for ECL	898,298

Collateral held with respect to overdue loans and advances to customers is mainly properties.

### 6. Overdue and rescheduled loans and advances to customers

	31 Dec 2025 HK\$'000
Total rescheduled loans and advances to customers	102,161
Excluding: rescheduled loans and advances to customers overdue above 3 months	97,672
Net amounts of rescheduled loans and advances to customers	<u>4,489</u>
Percentage of net amounts of rescheduled loans and advances to customers in total loans (%)	0.00

### 7. Overdue assets

There were no other overdue assets as at 31 Dec 2025.

### 8. Repossessed assets

There were no repossessed assets held as at 31 Dec 2025.

## Additional balance sheet information (Continued)

### 9. Non-bank Mainland exposures

The analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of Mainland Activities.

	On-balance sheet exposures HK\$'000	Off-balance sheet exposures HK\$'000	Total exposures HK\$'000
<u>As at 31 Dec 2025</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	50,651,120	790,058	51,441,178
2. Local governments, local government-owned entities and their subsidiaries and JVs	11,332,179	1,274,627	12,606,806
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	24,573,780	2,092,302	26,666,082
4. Other entities of central government not reported in item 1 above	37,019	16,746	53,765
5. Other entities of local governments not reported in item 2 above	147,460	–	147,460
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,521,694	–	2,521,694
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	<u>89,263,252</u>	<u>4,173,733</u>	<u>93,436,985</u>
Total assets after provisions	437,949,539		
On-balance sheet exposures as percentage of total assets	20.38%		

## Additional balance sheet information (Continued)

### 10. Currency concentration

The information concerning the foreign currency exposures of the Bank arising from trading and non-trading positions are disclosed below:

	CNY	EUR	USD	AUD	Total
Equivalent in millions of HK\$					
<u>As at 31 Dec 2025</u>					
Spot assets	39,480	9,514	185,711	24,709	259,414
Spot liabilities	(29,183)	(1,632)	(152,456)	(3,142)	(186,413)
Forward purchases	19,438	266	79,858	921	100,483
Forward sales	(29,729)	(8,208)	(113,234)	(22,524)	(173,695)
Net options position*	(95)	–	178	(4)	79
Net long (short) position	<u>(89)</u>	<u>(60)</u>	<u>57</u>	<u>(40)</u>	<u>(132)</u>
Net structural position	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

\* Net options position is calculated based on the basis of the delta-weighted position of the options contracts.

Except for the above foreign currencies, we do not disclose other foreign currency exposures arising from trading and non-trading positions, which constitutes less than 10% of the total net position in all foreign currencies as above. There is no net structural position in any foreign currencies.

### 11. Off-balance sheet exposures (other than derivative transactions)

The off-balance sheet exposures are based on nominal contract amounts and risk-weighted amounts of contingent liabilities and commitments defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of Capital Adequacy Ratio.

	31 Dec 2025 HK\$'000
Contract amounts	
Direct credit substitutes	139,292
Trade-related contingencies	1,011,807
Commitments that are unconditionally cancellable without prior notice	22,550,496
Commitments which have an original maturity of not more than 1 year	2,931,701
Commitments which have an original maturity of more than 1 year	14,896,560
Total	<u>41,529,856</u>
Risk-weighted amount	<u>6,195,645</u>