



PAO BANK LIMITED

REGULATORY DISCLOSURE STATEMENT (Unaudited)

AS AT 30 September 2025

PAO BANK LIMITED

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1. Introduction

General information

The information contained in this document is for PAO Bank Limited (“the Bank”), and prepared in accordance with the Banking (Disclosure) Rules (“BDR”) and disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”).

Basis of preparation

The capital adequacy ratios of the Bank were calculated in accordance with Banking (Capital) Rules (“BCR”) of the Banking Ordinance. The Bank adopted the following approach to calculate its capital charge for:

Credit risk: Standardised (Credit Risk) Approach;
Market risk: Standardised (Market Risk) Approach;
Operational Risk: Business Indicator Approach.

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2. Key prudential ratios

2.1 KM1: Key prudential ratios

The table below provides an overview of the Bank's key prudential ratios.

		(a)	(b)	(c)	(d)	(e)
HK\$'000		At 30 Sep 2025	At 30 Jun 2025	At 31 Mar 2025	At 31 Dec 2024	At 30 Sep 2024
	Regulatory capital (amount)					
1 & 1a	Common Equity Tier 1 (CET1)	823,582	683,705	729,970	788,595	877,957
2 & 2a	Tier 1	823,582	683,705	729,970	788,595	877,957
3 & 3a	Total capital	843,376	697,903	742,715	803,442	890,815
	RWA (amount)					
4	Total RWA	1,787,388	1,313,427	1,182,898	1,358,875	1,237,990
4a	Total RWA (pre-floor)	1,787,388	1,313,427	1,182,898	1,358,875	1,237,990
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5 & 5a	CET1 ratio (%)	46.1%	52.1%	61.7%	58.0%	70.9%
5b	CET1 ratio (%) (pre-floor ratio)	46.1%	52.1%	61.7%	58.0%	70.9%
6 & 6a	Tier 1 ratio (%)	46.1%	52.1%	61.7%	58.0%	70.9%
6b	Tier 1 ratio (%) (pre-floor ratio)	46.1%	52.1%	61.7%	58.0%	70.9%
7 & 7a	Total capital ratio (%)	47.2%	53.1%	62.8%	59.1%	72.0%
7b	Total capital ratio (%) (pre-floor ratio)	47.2%	53.1%	62.8%	59.1%	72.0%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical capital buffer requirement (%)	0.499%	0.499%	0.499%	0.499%	0.999%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	NA	NA	NA	NA	NA
11	Total AI-specific CET1 buffer requirements (%)	2.999%	2.999%	2.999%	2.999%	3.499%
12	CET1 available after meeting the AI's minimum capital requirements (%)	39.2%	45.1%	54.8%	51.1%	64.0%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	9,444,569	6,714,580	5,691,098	5,243,636	4,957,229
13a	LR exposure measure based on mean values of gross assets of SFTs	–	–	–	–	–
14, 14a & 14b	LR (%)	8.7%	10.2%	12.8%	15.0%	17.7%
14c & 14d	LR (%) based on mean values of gross assets of SFTs	–	–	–	–	–
	Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institutions only:					
15	Total high quality liquid assets (HQLA)	NA	NA	NA	NA	NA
16	Total net cash outflows	NA	NA	NA	NA	NA
17	LCR (%)	NA	NA	NA	NA	NA
	Applicable to category 2 institutions only:					
17a	LMR (%) ¹	184.4%	146.7%	161.2%	132.6%	148.0%
	Net Stable Funding Ratio (NSFR)/Core Funding Ratio (CFR)					
	Applicable to category 1 institutions only:					
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR (%)	NA	NA	NA	NA	NA
	Applicable to category 2A institutions only:					
20a	CFR (%)	NA	NA	NA	NA	NA

The capital ratios and LMR remained well above the minimum regulatory requirements. Decrease in capital ratios were mainly driven by the increase in RWA associated with banking exposures. Increase in average LMR was mainly due to the increase in average liquefiable assets driven by growth in treasury investments during the quarter.

¹ The LMR disclosed above represent the arithmetic mean of the average value of its LMR for each calendar month within the quarter.

3. Overview of risk management and risk-weighted amount (“RWA”)

3.1 OV1: Overview of risk-weighted amount (“RWA”)

The following table provides an overview of capital requirements in terms of a detailed breakdowns of RWAs for various risks.

		(a)	(b)	(c)
		RWA		Minimum capital requirements
HK\$'000		30 Sep 2025	31 Jun 2025	30 Sep 2025
1	Credit risk for non-securitization exposures	1,583,488	1,135,817	126,679
2	Of which STC approach	1,583,488	1,135,817	126,679
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	–	–	–
7	Of which SA-CCR approach	–	–	–
7a	Of which CEM	–	–	–
8	Of which IMM (CCR) approach	–	–	–
9	Of which others	–	–	–
10	CVA risk	–	–	–
11	Equity positions in banking book under the simple risk-weight method and internal models method	N/A	N/A	N/A
12	Collective investment scheme (“CIS”) exposures – look-through approach/third-party approach	–	–	–
13	CIS exposures – mandate-based approach	–	–	–
14	CIS exposures – fall-back approach	–	–	–
14a	CIS exposures – combination of approaches	–	–	–
15	Settlement risk	–	–	–
16	Securitization exposures in banking book	–	–	–
17	Of which SEC-IRBA	–	–	–
18	Of which SEC-ERBA (including IAA)	–	–	–
19	Of which SEC-SA	–	–	–
19a	Of which SEC-FBA	–	–	–
20	Market risk	–	–	–
21	Of which STM approach	–	–	–
22	Of which IMA	–	–	–
22a	Of which SSTM approach	–	–	–
23	Capital charge for moving exposures between trading book and banking book	–	–	–
24	Operational risk	232,275	209,338	18,582
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)	N/A	N/A	N/A
28a	Deduction to RWA	28,375	31,728	2,270
28b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	28,375	31,728	2,270
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	1,787,388	1,313,427	142,991

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4. Leverage ratio

4.1 LR2: Leverage ratio (“LR”)

The table below provides a detailed breakdown of the components of the LR denominator as at 30 Sep 2025.

		(a)	(b)
		As at	As at
HK\$'000		30 Sep 2025	30 Jun 2025
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivative contracts and SFTs, but including related on-balance sheet collateral)	9,464,441	6,737,304
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	–	–
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	–	–
6	Less: Asset amounts deducted in determining Tier 1 capital	(27,236)	(28,993)
7	Total on-balance sheet exposures (excluding derivative contracts and SFTs) (sum of rows 1 to 6)	9,437,205	6,708,311
Exposures arising from derivative contracts			
8	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	–	–
9	Add-on amounts for PFE associated with all derivative contracts	–	–
10	Less: Exempted CCP leg of client-cleared trade exposures	–	–
11	Adjusted effective notional amount of written credit-related derivative contracts	–	–
12	Less: Permitted reductions in effective notional amount and permitted deductions from add-on amounts for PFE of written credit-related derivative contracts	–	–
13	Total exposures arising from derivative contracts (sum of rows 8 to 12)	–	–
Exposures arising from SFTs			
14	Gross amount of SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	–	–
15	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
16	CCR exposure for SFT assets	–	–
17	Agent transaction exposures	–	–
18	Total exposures arising from SFTs (sum of rows 14 to 17)	–	–

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4. Leverage ratio (Continued)

4.1 LR2: Leverage ratio (“LR”) (Continued)

		(a)	(b)
HK\$'000		As at 30 Sep 2025	As at 30 June 2025
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	73,639	62,693
20	Less: Adjustments for conversion to credit equivalent amounts	(66,275)	(56,424)
21	Less: Specific and collective provisions associated with off-balance sheet exposures that are deducted from Tier 1 capital	–	–
22	Off-balance sheet items (sum of rows 19 to 21)	7,364	6,269
Capital and total exposures			
23	Tier 1 capital	823,582	683,705
24	Total exposures (sum of rows 7, 13, 18 and 22)	9,444,569	6,714,580
Leverage ratio			
25 & 25a	Leverage ratio	8.7%	10.2%
26	Minimum leverage ratio requirement	3.0%	3.0%
27	Applicable leverage buffers	Not applicable	Not applicable
Disclosure of mean values			
28	Mean value of gross assets of SFTs, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	–	–
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	–	–
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)	–	–
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)	–	–

The decrease in leverage ratio mainly due to the growth of balance sheet exposures driven by the increase of treasury investments.

5. Abbreviations

Abbreviations	Brief Description
AI	Authorized Institution
BCR	Banking Capital Rules
BDR	Banking Disclosure Rules
BSC	Basic Approach
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CFR	Core Funding Ratio
CIS	Collective Investment Scheme
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Authorized Institution
FBA	Fall-Back Approach
G-SIB	Global Systemically Important Authorized Institution
HQLA	High Quality Liquid Assets
IAA	Internal Assessment Approach
IMM	Internal Models Method
IMM (CCR)	Internal Models Method (Counterparty Credit Risk)
IRB	Internal Ratings-Based
LCR	Liquidity Coverage Ratio
LMR	Liquidity Maintenance Ratio
LR	Leverage Ratio
LTA	Look Through Approach
MBA	Mandate-based Approach
NA	Not Applicable
NSFR	Net Stable Funding Ratio
PFE	Potential Future Exposure
RW	Risk Weight
RWA	Risk Weighted Amount
SA-CCR	Standardized Approach (Counterparty Credit Risk)
SEC-ERBA	Securitization External Ratings-Based Approach
SEC-FBA	Securitization Fall-back Approach
SEC-IRBA	Securitization Internal Ratings-Based Approach
SEC-SA	Securitization Standardized Approach
SFT	Securities Financing Transaction
STC	Standardized (Credit Risk)
STM	Standardized (Market Risk)