

Report of the Directors and Audited Financial Statements

BANK OF CHINA INTERNATIONAL LIMITED

中銀國際有限公司

Year ended 31 December 2025

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

CONTENTS

	Pages
REPORT OF THE DIRECTORS	1 – 2
INDEPENDENT AUDITOR’S REPORT	3 – 5
AUDITED FINANCIAL STATEMENTS	
Statement of profit or loss	6
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11 – 62
SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)	63 – 149

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of Bank of China International Limited (the “Company”) for the year ended 31 December 2025.

Principal activities

The Company is a restricted licence bank authorised under the Hong Kong Banking Ordinance. The principal activities of the Company are the provision of banking, financial and other related services.

Business review

No business review is presented for the year ended 31 December 2025 as the Company is entitled to claim an exemption under section 388(3)(b) of the Companies Ordinance Cap. 622 since it is a wholly owned subsidiary of BOC International Holdings Limited until 30 January 2026 and is currently a wholly owned subsidiary of Bank of China (Hong Kong) Limited from and on 30 January 2026.

Results and appropriations

The results of the Company for the year are set out in the statement of profit or loss on page 6.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2025 (2024: Nil).

Shares issued

There were no movements in the Company’s share capital during the year. Details of the share capital are set out in note 19 to the financial statements.

Directors

The directors of the Company during the year and up to the date of this report are:

Chan Man (appointed on 30 January 2026)
Guo Zhiqiang
Hu Xinghua (appointed on 30 January 2026)
Ip Sio Kai (resigned on 30 January 2026)
Kam Yu Man Edmund (appointed on 30 January 2026)
Lam Kwong Siu (resigned on 30 January 2026)
Liu Min (resigned on 30 January 2026)
Ng Kim Lam
Suen Man Tak
Tang Nai Pan
Wang Yan (resigned on 14 February 2025)
Wang Ying (resigned on 30 January 2026)
Wang Zeyu (resigned on 14 February 2025)

In accordance with the Company’s articles of association, all directors retire by rotation and, being eligible, offer themselves for re-election.

Directors’ interests

The Company has entered into an agreement with BOCI Finance Limited, under which the Company grants BOCI Finance Limited a funded participation in all or, as case may be, part of the loans and advances of the Company.

Save for the above, no contracts of significance in relation to the Company’s business to which the Company, any of its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS (continued)

Directors' interests (continued)

At no time during the year was the Company, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors nor a connected entity of the directors and chief executive of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

Management contracts

During the financial year ended 31 December 2025, the Company has entered into an agreement with BOC International Holdings Limited ("BOCIH"), under which the BOCIH provides administration and support services to the Company in return for a fee which is agreed and reviewed on an annual basis. This agreement can be terminated by both parties giving not less than one month's written notice. In addition, the Company has entered into agreements with its BOCI Securities Limited and BOCI Private Wealth Management Limited, under which the Company provides referral services in return for a fee which is agreed and reviewed on an annual basis.

The Company has an intra-group arrangement agreement with BOCIH under which the Company transfers its payment obligations or indebtedness liabilities to BOCIH. BOCIH is entitled to set off payments, sums and/ or liabilities owed by it to any subsidiaries against any payments, sums and/ or liabilities owed to it by any subsidiaries. During the year, offsetting payments on intragroup transactions have been made by the Company.

Permitted indemnity provision

Every director shall be indemnified against all liabilities incurred by him/ her to the extent permitted by the Hong Kong Companies Ordinance. The intermediate holding company has maintained insurance for the benefit of directors against liability.

Compliance with the Banking (Disclosure) Rules

The Company has fully complied with the requirements set out in the Banking (Disclosure) Rules under the Hong Kong Banking Ordinance.

Events after the reporting period

Details of the Company's significant events after the reporting period are set out in note 24 to the financial statements.

Auditors

The financial statements for the year ended 31 December 2025 have been audited by EY who will retire, and being eligible offer themselves for re-appointment as auditor of the Company.

ON BEHALF OF THE BOARD



.....
Chan Man
Chairman

Hong Kong



Ernst & Young
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Independent Auditor's Report

To the Members of Bank of China International Limited
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Bank of China International Limited (the "Company") set out on pages 6 to 62, which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the report of the directors and unaudited supplementary financial information, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (continued)

To the Members of Bank of China International Limited
(incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board members.

Independent Auditor's Report (continued)

To the Members of Bank of China International Limited
(incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is TSO, Miu Yue, Agnes (practising certificate number: P05087).

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Certified Public Accountants
Hong Kong,
29 April 2026

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2025

In HK\$ thousands	Note	2025	2024
Interest income	4	208,616	271,307
Interest expense	4	(105,736)	(148,448)
Net interest income	4	102,880	122,859
Fee and commission income	5	102,728	93,710
Fee and commission expense	5	(118)	(156)
Net fee and commission income	5	102,610	93,554
Net trading gains	6	8,498	1,795
Operating income		213,988	218,208
Operating expenses	8	(183,625)	(242,587)
Profit/(loss) before impairment allowances		30,363	(24,379)
Net release/(charge) of impairment allowances	9	411	(235)
Profit/(loss) before taxation		30,774	(24,614)
Income tax (expense)/credit	10	(2,790)	5,161
Profit/(loss) for the year		27,984	(19,453)

The accompanying notes form an integral part of these financial statements.

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2025

In HK\$ thousands	2025	2024
Profit/(loss) for the year	27,984	(19,453)
Other comprehensive income/(expense)		
Item that may be reclassified subsequently to the profit or loss:		
Debt instruments at fair value through other comprehensive income ("FVTOCI")		
- Change in fair value	9,633	(6,838)
- Income tax effect	(1,646)	1,229
Other comprehensive income /(expense) for the year, net of tax	7,987	(5,609)
Total comprehensive income/(expense) for the year	35,971	(25,062)

The accompanying notes form an integral part of these financial statements.

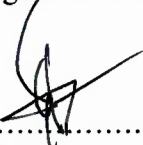

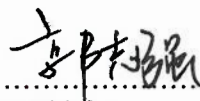
BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

In HK\$ thousands	Notes	31 December 2025	31 December 2024
ASSETS			
Cash and due from banks	11	357,876	1,042,875
Derivative financial instruments	12	2,346	3,330
Loans and advances to customers	13	1,305,263	1,823,046
Debt instruments	14	3,936,170	3,258,618
Deferred tax assets	10	3,282	7,711
Other assets	15	3,432	4,277
Total assets		5,608,369	6,139,857
LIABILITIES			
Deposits from customers	16	3,726,911	4,256,760
Amounts due to an intermediate holding company	17	20,459	59,365
Derivative financial instruments	12	1,543	10,698
Other liabilities	18	50,223	39,772
Total liabilities		3,799,136	4,366,595
EQUITY			
Share capital	19	1,000,000	1,000,000
Reserves		2,378	(5,609)
Retained earnings		806,855	778,871
		1,809,233	1,773,262
Total liabilities and equity		5,608,369	6,139,857

The financial statements on pages 6 to 62 were approved by the Board of Directors on 29 April 2026 and were signed on its behalf:

		
.....
Chan Man Director	Kam Yu Man Edmund Director	Guo Zhiqiang Director

The accompanying notes form an integral part of these financial statements.

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

In HK\$ thousands	Share capital	Revaluation reserve	Retained earnings	Total
Balance at 1 January 2024	1,000,000	-	798,324	1,798,324
Loss for the year	-	-	(19,453)	(19,453)
Other comprehensive (expense) for the year:				
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	(5,609)	-	(5,609)
Total comprehensive expense for the year	-	(5,609)	(19,453)	(25,062)
Balance at 31 December 2024 and 1 January 2025	1,000,000	(5,609)	778,871	1,773,262
Profit for the year	-	-	27,984	27,984
Other comprehensive income for the year:				
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	7,987	-	7,987
Total comprehensive income for the year	-	7,987	27,984	35,971
Balance at 31 December 2025	1,000,000	2,378	806,855	1,809,233

¹ As at 31 December 2025, a regulatory reserve of HK\$13,038,000 (2024: HK\$18,202,000) was earmarked in the retained earnings above. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose and in consultation with the Hong Kong Monetary Authority (“HKMA”). Movements in the reserves are made directly through retained earnings.

The accompanying notes form an integral part of these financial statements.

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

STATEMENT OF CASH FLOWS

Year ended 31 December 2025

In HK\$ thousands	2025	2024
Cash flows from operating activities		
Profit/(loss) before taxation	30,774	(24,614)
Net (release)/charge of impairment allowances	(411)	235
Decrease in balances and placements with banks with original maturity over three months	-	101,191
(Increase)/ decrease in derivative financial instruments	(8,171)	7,327
Decrease in other assets	845	418
Decrease in loans and advances to customers	517,783	413,817
Increase in debt instruments	(667,535)	(670,007)
Decrease in deposits from customers	(529,849)	(41,656)
Decrease in amounts due to an intermediate holding company	(38,906)	(18,522)
Increase in other liabilities	10,451	2,825
Hong Kong and overseas profits tax (paid)/refunded	(7)	353
Net cash used in operating activities	<u>(685,026)</u>	<u>(228,633)</u>
Net decrease in cash and cash equivalents	(685,026)	(228,633)
Cash and cash equivalents at beginning of year	<u>1,042,902</u>	<u>1,271,535</u>
Cash and cash equivalents at end of year	<u>357,876</u>	<u>1,042,902</u>
Analysis of balances of cash and cash equivalents:		
Cash and due from banks with original maturity within three months	<u>357,876</u>	<u>1,042,902</u>
Cash flows from operating activities included:		
- Interest received	89,281	159,682
- Interest paid	(130,170)	(152,791)

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

1. CORPORATE AND COMPANY INFORMATION

Bank of China International Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The address of its registered office is 2/F & 3/F, Bank of China Building, 2A Des Voeux Road Central, Central, Hong Kong.

The Company is a restricted licence bank authorised under the Hong Kong Banking Ordinance. The principal activities of the Company are the provision of banking, financial and other related services.

These financial statements have been approved for issue by the Board of Directors on 29 April 2026.

In the opinion of the directors, the immediate holding company of the Company is BOCI Asia Limited, which is incorporated in Hong Kong. The Company is subject to the control of the State Council of the People Republic China Government through China Investment Corporation Limited and its wholly-owned subsidiary Central Huijin Investment Ltd. From and on 30 January 2026, the immediate holding company has changed to Bank of China (Hong Kong) Limited pursuant to the completion of transaction as disclosed in note 24.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with HKFRS Accounting Standards and requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, as modified for the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and at fair value through other comprehensive income, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 23 to the financial statements.

(a) New and amended standards adopted by the Company

The Company has adopted amendments to HKAS 21 *Lack of exchangeability* for the first time for the current year’s financial statements. The Company has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Company had transacted in were exchangeable, the amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretations issued that are not yet mandatorily effective and have not been early adopted by the Company in 2025

The Company has not applied the following new and revised HKFRS Accounting Standards, that have been issued but are not yet effective, in the financial statements.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual periods beginning on or after 1 January 2027

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Company is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Company's financial statements.

The above new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the Company. Other than disclosed above, the remaining new standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Hong Kong dollars, which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or exchange rates at the end of the reporting period for items that are re-measured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions using the exchange rates prevailing at the dates of the transactions and monetary assets and liabilities denominated in foreign currencies translated at the exchange rate at the end of the reporting period are recognised directly in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on monetary securities held at fair value through profit or loss are reported as part of the fair value gain or loss. Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the statement of profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

2.3 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Potential indications of impairment may include significant adverse changes in the technological, market, economic or legal environment in which the assets operate or whether there has been a significant or prolonged decline in value below their cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Impairment of intangible assets with indefinite useful life are tested for impairment annually.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impaired assets are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial assets and liabilities

2.4.1 Financial assets and liabilities

2.4.1.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (“ECL”) is recognised for financial assets measured at amortised cost, FVTOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

2.4.1.2 Classification and subsequent measurement

Classification and subsequent measurement of financial assets depend on:

- (i) the Company’s business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Company classified its financial assets as:

- **Amortised cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (“SPPI”), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured as described in note 23 to these financial statements. Interest income from these financial assets is recognised in profit or loss using the effective interest rate method.

- **FVTOCI**

Debt instruments are subsequently measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows, and the contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets and liabilities (continued)

• **FVPL**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4.1.3 Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate (“EIR”) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost a financial liability. The calculation does not consider ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the EIR, such as origination fees. For purchased or originated credit-impaired financial assets – assets that are credit-impaired at initial recognition – the Company calculates the credit-adjusted EIR, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of ECL in estimated future cash flows.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liabilities is adjusted to reflect the new estimate discounted using the original EIR. Any changes are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial assets and liabilities (continued)

2.4.2 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset.

When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2.4.3 Impairment of financial assets

The Company records the allowance for ECL for debt instruments measured at amortised cost and FVTOCI, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss, in this section all referred to as "financial instruments".

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime basis), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the twelve months' ECL (the twelve-month basis).

The twelve-month basis is the portion of the lifetime basis that represents the ECL that result from default events on a financial instrument that are possible within the twelve months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial assets and liabilities (continued)

2.4.3 Impairment of financial assets (continued)

Both lifetime basis and twelve-month basis are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained note 23 to these financial statements.

Based on the above process, the Company classifies financial assets into three stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile in each instance:

- A financial asset is classified under Stage 1 if it was not credit-impaired upon origination and there has not been a significant increase in its credit risk since inception. A provision for twelve-month ECL is required.
- A financial asset is classified under Stage 2 if it was not credit-impaired upon origination but has since suffered a significant increase in credit risk. A provision for life-time ECL is required.
- A financial asset which has been credit-impaired with objective evidence of default is classified under Stage 3. The assessed ECL is expected to be unchanged from the existing individual allowances taken for such assets.

For financial assets which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

2.4.4 Financial liabilities

2.4.4.1 Classification and subsequent measurement

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities. All financial liabilities are classified at inception and recognised initially at fair value. Fair value represents quoted prices if active market exists. When no active market exists, fair value is estimated by valuation techniques that are commonly used by market participants or dealer quotes.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial assets and liabilities (continued)

2.4.4 Financial liabilities (continued)

2.4.4.1 Classification and subsequent measurement (continued)

Financial liabilities at fair value through profit or loss

This category has two sub-categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception.

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is carried at fair value and any gains and losses from changes in fair value are recognised in the statement of profit or loss.

A financial liability is typically classified as fair value through profit or loss at inception if it meets the following criteria:

- (i) The designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring the financial assets or financial liabilities or recognising the gains and losses on them on different bases;
- (ii) A group of financial assets and/or financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the financial assets and/or financial liabilities is provided internally to the management; or
- (iii) The designation relates to financial instruments containing one or more embedded derivative that significantly modifies the cash flow resulting from those financial instruments.

Financial liabilities at fair value through profit or loss are designated as such at inception. Financial liabilities held for trading and those designated at fair value through profit or loss are carried at fair value and any gains and losses from changes in fair value are recognised in the statement of profit or loss.

Other financial liabilities

Other financial liabilities are carried at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of profit or loss over the period of the other financial liabilities using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Financial assets and liabilities (continued)

2.4.4 Financial liabilities (continued)

2.4.4.2 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.5 Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

2.6 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and through the use of valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are recognised immediately in the statement of profit or loss.

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.8 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance costs.

2.9 Employee benefits

(a) **Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave or paternity leave are not recognised until the time of leave.

(b) **Bonus plans**

Provisions for bonus plans are recognised when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

The Company recognises a liability and an expense for bonuses, with reference to the performance of the Company. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Liabilities for bonus plans that are expected to be settled within twelve months are measured at the amounts expected to be paid when they are settled.

Bonus payments that are not due wholly within twelve months after the end of the year in which the employees render the related services are included as staff costs. The long-term employee benefits are measured at the present value of the expected payments which also reflects the possibility that some employees may leave without receiving the bonus.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Employee benefits (continued)

(c) Pension obligations

The Company offers a mandatory provident fund scheme and a defined contribution plan, the assets of which are generally held in separate trustee-administered funds. These pension plans are generally funded by payments from employees and by the Company.

The Company's contributions to the mandatory provident fund scheme and the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

2.10 Income tax

Tax expenses for the period comprise current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting periods and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiary, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not be reversed in the foreseeable future.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurement of financial assets at fair value through other comprehensive income and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statement of profit or loss together with the realization of the deferred gain or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.11 Interest income and fee and commission income

2.11.1 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. When the contract contains a financing component which provides the Company a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Fee and commission income is recognised on a point-in-time basis when the relevant services are rendered.

Interest income from financial assets is recognised under HKFRS 9. Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounting at original EIR of the instrument, and continues unwinding the discount as interest income.

Certain foreign exchange swap contracts are used for the Company's liquidity management and funding activities. The interest rate differential between the original currency and swapped currency of these foreign exchange swap contracts is reflected in net interest income using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.12 Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

3. FINANCIAL RISK MANAGEMENT

In line with the principle of “security, liquidity and profitability”, sticking to the concept of balancing “risk, capital and income”, the Company operates in a legal, compliant and prudential manner, prevents systematic risks, maintains reasonable capital adequacy level and sufficient liquidity, and strives to achieve a satisfactory return to the shareholder. The Company plays overall advantages, identifies, assesses and manages risk, captures and seizes development opportunities, creates values through professional, effective risk management, and supports the business strategy.

The Company's activities expose it to a variety of risks: market risk, interest rate risk, credit risk, operational risk, liquidity risk, legal risk, compliance risk, reputation risk and strategic risk, including any other risks which are transmitted into the aforementioned risk types. The Company establishes the risk management system commensurate with the business strategy, scale and complexity. Risk management technologies and tools adopted identify, measure, report, control and mitigate materials risks in time, therefore control the risk level within the scope set by the risk appetite approved by the Board of Directors (“Board”) at least on an annual basis.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

Risk Governance Structure

The Company establishes a comprehensive organization structure with both decision-making and control functions. The structure comprises three basic tiers: (1) the Shareholder, (2) the Board and (3) the Senior Management as led by the Chief Executive (“CE”).

Shareholder level

The Company is a wholly-owned subsidiary of BOCI Asia Limited. BOCI Asia Limited, as the sole shareholder of the Company, authorises the Board to lead the Company.

Board level

The Board is responsible for setting the fundamental strategic goals and risk vision of the Company. The Board appoints the Risk Committee (“RC”) and the Audit Committee (“AC”), which assist the Board in overseeing the Company’s risk management functions.

RC is a sub-committee of the Board of the Company. The general principal objective of setting up RC of the Company is for RC to provide independent oversight and guidance to the Board and senior management on risk issues, which shall include risks such as market, credit, operational, interest rate, liquidity, legal, compliance, anti-money laundering, strategic and reputation risks, as well as any other risks which are transmitted into the aforementioned risk types. RC is also responsible for organizing, advising, coordinating and overseeing the risk management within the Company, according to the authorization from the Board.

AC is responsible for assisting the Board in overseeing and supervision of the risk management and internal control of the Company, the integrity of the Company’s audited financial statements, the performance of Internal Audit function and also the qualifications, independence and service level of the external auditor of the Company.

Senior Management level

During the year, the Executive Committee (“EC”) was chaired and led by CE (“the Chairperson”) and is composed of the CE, Alternative Chief Executives, Deputy Chief Executives, Head of Sales, and the s72B managers under the Banking Ordinance who are responsible for AML, compliance, risk management, internal audit, finance, treasury and investment functions. It operates on a partnership model to provide integrated executive leadership. Moreover, it is responsible for the appointment and operation of the Risk Control and Credit Committee (the “RCCC”), Asset and Liability Committee (the “ALCO”), Anti-Money Laundering Committee (the “AMLC”), and New Business and Product Committee (the “NBPC”).

The roles, functions and compositions of these committees are disclosed in the unaudited supplementary information.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

Senior Management level (continued)

The RCCC is a sub-committee of the EC of the Company. The general objective of setting up RCCC is to organise, advise, coordinate and enable senior management to monitor the Company's risk exposure through reporting of major risk matters on market, credit, interest rate, liquidity, operational, strategic, reputation, IT and climate risks of the Company, according to the authorization from the EC as well as the Board and the RC.

3.1 Market risk

The Company takes on exposure to market risk, which is the risk that the market value or fair value of a financial instrument will fluctuate because of the changes in market parameters.

The Company's exposures on market risks mainly arise from its interest rate and foreign exchange positions. These exposures are managed by the Product Marketing Team and Treasury Department, the exposures risks are monitored by the Risk Management Department (the "RMD") on a daily basis.

3.1.1 Interest rate risk

The Company takes on interest rate risk mainly from both cash flow interest rate risk and fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in interest rates.

The Company manages the interest rate risk with the aim to preserving capital and to ensure the steadiness and continuation of operations by:

- Maintaining an effective internal control system to identify, measure, monitor and control the extent and nature of risk on interest rate risk exposure; and
- Ensuring interest rate exposures are within internal limits.

The RMD sets limits on the level of DV01 (dollar value sensitivity of 1 basis point movement in interest rates), interest rate mismatch and duration gap to control the risks associated with parallel shifts of yield curves. Interest rate stress test limits are also approved by the Board and RC to control the adverse impact in case of extreme market conditions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Market risk (continued)

3.1.1 Interest rate risk (continued)

The following table shows the expected repricing dates (or maturity dates whichever are earlier) for financial assets and liabilities at the end of the reporting periods.

In HK\$ thousands	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Non-interest bearing	Total
31 December 2025					
Cash and due from banks	350,528	-	-	7,348	357,876
Derivative financial instruments	-	-	-	2,346	2,346
Loans and advances to customers	1,158,740	144,387	721	1,415	1,305,263
Debt instruments	1,377,001	1,150,769	1,402,133	6,267	3,936,170
Total assets	2,886,269	1,295,156	1,402,854	17,376	5,601,655
Deposits from customers	3,625,565	74,855	25,187	1,304	3,726,911
Amounts due to an intermediate holding company	-	-	-	20,459	20,459
Derivative financial instruments	-	-	-	1,543	1,543
Financial liabilities included in other liabilities	-	-	-	22,182	22,182
Total liabilities	3,625,565	74,855	25,187	45,488	3,771,095
Total interest repricing gap	(739,296)	1,220,301	1,377,667		

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Market risk (continued)

3.1.1 Interest rate risk (continued)

In HK\$ thousands	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Non-interest bearing	Total
31 December 2024					
Cash and due from banks	432,754	382,483	-	227,638	1,042,875
Derivative financial instruments	-	-	-	3,330	3,330
Loans and advances to customers	1,609,644	205,947	4,618	2,837	1,823,046
Debt instruments	865,781	763,394	1,629,443	-	3,258,618
Total assets	2,908,179	1,351,824	1,634,061	233,805	6,127,869
Deposits from customers	2,952,025	593,453	685,545	25,737	4,256,760
Amounts due to an intermediate holding company	-	-	-	59,365	59,365
Derivative financial instruments	-	-	-	10,698	10,698
Financial liabilities included in other liabilities	-	-	-	8,705	8,705
Total liabilities	2,952,025	593,453	685,545	104,505	4,335,528
Total interest repricing gap	(43,846)	758,371	948,516		

Interest-bearing assets and liabilities of the Company include cash and due from banks, loans and advances to customers, debt instruments, deposits and balances from banks and deposits from customers. If the general market interest rates increase/decrease by 1%, profit before taxation for the year is estimated to decrease/increase by approximately HK\$8,250,000 (2024: loss before taxation increase/decrease HK\$9,457,000).

3.1.2 Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency rates fluctuations. The Company may use foreign exchange derivatives to manage its own net foreign exchange positions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Market risk (continued)

3.1.2 Foreign exchange risk (continued)

The Company manages the foreign exchange risk with the aim to ensuring that its earnings and capital adequacy are not significantly threatened by the excessive exposure to foreign exchange risk by:

- Maintaining an effective internal control system to identify, measure, monitor and control the extent and nature of risk on both foreign exchange operation and exposure; and
- Ensuring foreign exchange exposures are within internal limits.

The RMD sets limits on individual and aggregate net open positions of various currencies to control the foreign exchange risk. Foreign exchange stress test limits are also approved by the Board and RC to control the adverse impact in case of extreme market conditions.

The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Company's financial assets and liabilities at carrying amounts, categorised by currency.

In HK\$ thousands	USD	CNY	Others	Total
31 December 2025				
Spot assets	2,412,137	155,728	150,793	2,718,658
Spot liabilities	(1,978,151)	(508,737)	(90,791)	(2,577,679)
Net on-balance sheet position	433,986	(353,009)	60,002	140,979
Off-balance sheet net notional position	(348,267)	336,513	(8,375)	(20,129)
In HK\$ thousands	USD	CNY	Others	Total
31 December 2024				
Spot assets	1,413,089	144,625	158,468	1,716,182
Spot liabilities	(2,070,525)	(574,758)	(72,791)	(2,718,074)
Net on-balance sheet position	(657,436)	(430,133)	85,677	(1,001,892)
Off-balance sheet net notional position	753,492	439,809	(44,270)	1,149,031

Since HKD is pegged to USD, the financial impact on exchange difference between HKD and USD is expected to be immaterial and no sensitivity analysis has been prepared.

At 31 December 2025, if HKD had weakened/strengthened by 1% against CNY with all other variables held constant, the profit before taxation for the year would have been approximately HK\$165,000 lower/higher (2024: loss before tax HK\$97,000 higher/lower), mainly as a result of foreign exchange differences on translation of CNY denominated financial assets compensated by foreign exchange differences on translation of CNY denominated financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Market risk (continued)

3.1.2 Foreign exchange risk (continued)

At 31 December 2025, if HKD had weakened/strengthened by 1% against other currencies with all other variables held constant, the profit before taxation for the year would have been approximately HK\$516,000 higher/lower (2024: loss before tax HK\$414,000 lower/higher), mainly as a result of foreign exchange differences on translation of other currencies denominated financial assets compensated by foreign exchange differences on translation of other currencies denominated financial liabilities.

3.2 Credit risk

Credit risk represents the loss that the Company would suffer if a client or counterparty fails to meet its contractual obligations. Credit exposures arise principally in loans and receivables, debt instruments, derivative financial instruments as well as cash and bank balances. The credit risk management and control are generally centralised in the RMD.

3.2.1 Loans and receivables

The Company's loans and receivables are loans and advances to customers.

The Company assesses credit risk of loans to corporates, individuals and financial institutions by performing credit assessment.

The credit risk management system of the Company comprises pre-trade and post-trade credit control functions.

Regarding the pre-trade credit control functions, the Company has policies and procedures in place to ensure that credits are granted to clients with creditworthiness. The Company has its own in-house assessment methodologies and credit approval process for evaluating the creditworthiness of its clients and the risks related to the specific type of credit facility.

Credit limits are set up to cap the maximum credit exposures that the Company intends to assume over specified periods. The Company's credit policy and procedures also set out the procedures for the approval of exceptional cases when the Company may assume exposures beyond the set limits.

The Company has maintained relationships with various financial institutions and other counterparties, and has credit limits in place for these counterparties with reference to the financial strengths.

Post-trade credit control encompasses exposure and collateral monitoring and reporting. The collaterals covering the credit risk exposure in case of default are subject to mark-to-market and monitoring on a regular basis in accordance with the collateral types.

As of 31 December 2025, there was no impaired loan (2024:Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.1 Loans and receivables (continued)

(a) Loans and advances to customers neither overdue nor impaired

Loans and advances to customers that were neither overdue nor impaired are analysed by internal credit grades as follows:

In HK\$ thousands	2025			2024		
	Pass	Special mention	Total	Pass	Special mention	Total
Loans and advances to customers	1,305,263	-	1,305,263	1,823,046	-	1,823,046

(b) Loans and advances to customers overdue but not impaired

There were no overdue but not impaired loans and advances to customers as at 31 December 2025 (2024: Nil).

(c) Impaired loans and advances to customers

There were no impaired loans and advances to customers as at 31 December 2025 (2024: Nil).

Classified or impaired loans and advances to customers represent loans and advances which are either classified as “substandard”, “doubtful” or “loss” under the Company’s classification of loan quality, or individually assessed to be impaired.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.2 Debt instruments

Debt instruments refer to debt securities primarily issued by governments, government agencies and banks. The debt securities are of good credit quality and serve as a source of liquefiable assets for the Company. To effectively manage the risks associated with the debt securities portfolio, the Company has established a comprehensive debt securities investment framework that encompasses the key risk management principles.

3.2.3 Derivative financial instruments

Credit risk is inherent in derivative transactions entered by the Company.

The Company assesses credit risk of derivative counterparties using external credit ratings and internal credit assessment. The Company controls the credit exposures by imposing potential market exposure limits. At any one time, the amount subject to credit risk includes (i) the current fair value of instruments that are favourable to the Company (i.e. assets where their fair values are positive) and (ii) the potential future exposures of each counterparty from market movements. The credit risk exposure is monitored on a daily basis and collateral is obtained to mitigate the credit risk depending on credit assessment of the counterparty.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk arising from the Company's market transactions on any single day.

From client credit risk perspectives, the Company assesses credit risk of individuals by performing internal credit assessment. The Company controls the credit exposures by imposing trading limits, and the credit risk exposure is monitored on a daily basis and collateral is obtained to mitigate the credit risk depending on the derivative transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.3 Offsetting financial instruments

The following tables present details of the Company's financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

In HK\$ thousands	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		
				Financial instruments	Cash collateral received	Net amount

31 December 2025

Financial assets

Derivative financial instruments

1,318	-	1,318	(1,318)	-	-
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Related amounts not set off in the statement of financial position

In HK\$ thousands	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		
				Financial instruments	Cash collateral pledged	Net amount

31 December 2025

Financial liabilities

Amounts due to an intermediate holding company

20,459	-	20,459	-	-	20,459
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Derivative financial instruments

1,327	-	1,327	(1,318)	-	9
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NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.3 Offsetting financial instruments (continued)

In HK\$ thousands	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
31 December 2024						
Financial assets						
Derivative financial instruments	2,989	-	2,989	(96)	-	2,893
In HK\$ thousands	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
31 December 2024						
Financial liabilities						
Amounts due to an intermediate holding company	59,365	-	59,365	-	-	59,365
Derivative financial instruments	96	-	96	(96)	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.3 Offsetting financial instruments (continued)

The Company further manages its credit exposure by entering into master netting arrangements with counterparties where it is appropriate and feasible to do so. Master netting arrangements do not generally result in an offset of assets and liabilities as transactions are usually accounted for individually on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs.

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Company and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial asset and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar arrangement will have the option to settle all such amounts on a net basis in the event of default of the other party.

The Company has an intra-group arrangement agreement with its intermediate holding company (BOC International Holdings Limited) under which the Company transfers its payment obligations or indebtedness liabilities to the intermediate holding company. The intermediate holding company is entitled to set off payments, sums and/ or liabilities owed by it to any subsidiaries against any payments, sums and/ or liabilities owed to it by any subsidiaries. During the year, offsetting payments on intragroup transactions have been made by the Company.

3.2.4 Collateral

The Company has policies and practices in place to mitigate credit risk. The most common of these is the taking of collateral.

Term loans are generally secured by various forms of collaterals such as listed stocks, bonds, funds, structured investment products, properties, insurance policies and deposits. For derivative transactions, generally the Company will require customers to provide collateral supporting the potential market exposure.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.5 Maximum exposure to credit risk before collateral held or other credit enhancement

As at the end of the reporting periods, the maximum exposure to credit risk for each category of financial assets is the net carrying amount stated in the statement of financial position.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Company resulting from its loans and receivables, debt instruments, derivatives as well as cash and bank balances based on the following:

- Secured term loans to individuals and corporates are fully backed by various types of collaterals, such as listed stocks, bonds, funds, structured investment products, properties, insurance policies and deposits, with fair value of collaterals greater than the outstanding loan amounts.
- Debt instruments refer to debt securities primarily issued by governments, government agencies and banks. The debt securities are of good credit quality and serve as a source of liquefiable assets for the Company. No debt instruments were considered to be impaired.
- The Company enters into derivative transactions with a fellow subsidiary banking group of Bank of China Limited, BOC International Holdings Limited (“BOCI Group”) and other financially strong banks. There was no impairment arising from derivative counterparties as at the end of the reporting periods.
- Cash and due from banks were deposited in reputable commercial banks.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.6 Impairment allowances

The Company has below financial assets that are subject to the ECL model, the maximum exposure of these financial assets equal to each of their carrying amounts.

- Loan and advances to customer
- Debt instruments
- Financial assets included in other assets
- Cash and balances with bank

The Company assessed the ECL of the above financial assets by applying a general ('three-stage') impairment model based on changes in credit quality since initial recognition of financial assets as summarised below:

Stage 1: A loss allowance for a financial instrument should be measured at an amount equal to 12-month ECL if the credit risk on that financial instrument has not increased significantly since initial recognition.

Stage 2: A loss allowance for a financial instrument should be measured at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition.

Stage 3: Lifetime ECL are recognised on the financial instrument if the credit risk of a financial instrument increases to the point that it is considered credit-impaired.

The following table summaries the impairment requirements under HKFRS 9 (other than purchased or originated credit-impaired financial assets):

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month ECL	Lifetime ECL	Lifetime ECL

For those financial assets classified in stage 1 and 2, the Company establishes model for measuring the ECL by using a statistical approach. This approach involves estimation of four risk parameters, i.e. Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD") and expected life, as well as the use of EIR and forward-looking information.

For those financial assets classified in stage 3, the Company assesses the ECL by measuring the recoverable amount for each credit-impaired asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Credit risk (continued)

3.2.6 Impairment allowances (continued)

Definition of default and credit-impaired assets

Default under the definition of HKFRS 9 is considered occurred when one of the following conditions is met:

- Loans or receivables which are considered uncollectible after exhausting all collection efforts, have no asset value and have already been classified as “loss”;
- A debtor with difficulty in repayment applies for debt restructuring to cut the outstanding debt; and
- Loans or receivables require to be written off as specified by the local regulatory authorities.

Staging criteria

Movement between Stages 1, 2 and 3 is based on a set of predefined criteria whereas the Company has adopted a guideline to identify significant increase in credit risk since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition that is consistent with the internal credit risk management strategy. The criteria included, but not limited to, the following elements:

- External/internal credit rating;
- Days past due record;
- Loan classification for loan portfolio; and
- Other credit risk events, such as margin call, force liquidation, bankruptcy.

The financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company. No significant changes to estimation techniques or assumptions were made during the reporting period.

Multiple scenarios and forward-looking information

ECL is calculated as a probability-weighted product of the PD, LGD and present value of exposure at default discounted at EIR across scenarios. Three scenarios are adopted in the probability-weighted ECL which included the Baseline, Upside, and Downside scenarios which presented different severity under the respective macroeconomic scenarios.

The Company considers both historical loss experience and current observable data, and uses reasonable and supportable information of future economic forecasts to estimate the amount of ECL. The Company adopted macroeconomic forecast data for countries/regions that have material impact to the Company’s business. Besides, with reference to the macroeconomic factors (“MEF”) normally adopted in International Monetary Fund (“IMF”) stress testing, 6 macroeconomic factors are shortlisted in the forward-looking model, namely gross domestic product (“GDP”), consumer price index (“CPI”), unemployment rate, property price index, equity price index, and interest rate. The Company adopted MEF forecasts and probability data from external vendor to ensure independence for unbiased ECL measurement.

Analysis of the gross carrying amount and recognised ECL allowance according to the stage of ECL of financial instruments for which an ECL allowance is recognised was presented in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its obligations as they fall due without incurring unacceptable losses. This may be caused by the Company's inability to liquidate assets or to obtain funding to meet its liquidity needs. The problem could also be the result of a market disruption or liquidity squeeze whereby the Company may only be able to unwind specific exposures at significantly discounted values.

The objective of liquidity risk management is to ensure the availability of adequate funding at all times, so as to meet its obligations as and when they fall due, as well as maintain a sufficient stock of high quality liquid assets to cater for a funding crisis.

Governance Structure and Management Policies

The Company has set up Liquidity Risk Management Policy (the "Policy") to govern the overall liquidity risk management with aims to ensure the availability of adequate funding at all times, so as to meet its payment obligations as and when they fall due, as well as maintain a sufficient stock of High Quality Liquid Assets ("HQLA") to cater for a funding crisis.

The Policy is approved by the Board at least on an annual basis. The ALCO, authorised by EC, is the governing body responsible for the implementation of risk management process to facilitate the identification, measurement, monitoring, reporting and control of liquidity risk.

Liquidity Risk Management Strategy

To manage liquidity risk, the Company performs the following strategies and approaches:

- a. To maintain ample and diverse funding capacity, liquid assets and other sources of cash to accommodate fluctuations in asset and liability levels due to changes in our business operations or unanticipated events;
- b. To maintain an effective internal control system to identify, measure, monitor and control the extent and nature of liquidity risk arising from the Company's funding operations;
- c. To ensure the liquidity management of the Company complies with regulatory guidelines and requirements and internal limits;
- d. To establish a liquidity book HQLA for liquidity and emergency funding needs; and
- e. To develop and maintain a contingency funding plan that addresses the Company's liquidity under stressed market conditions and specify actions and procedures to be implemented under liquidity stress.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

Liquidity Risk Management Framework

The liquidity risk management framework of the Company to identify, measure, monitor and control liquidity risks, that mainly includes the following aspects and approaches:

1. Liquidity Risk Tolerance

The Company adopts a series of liquidity risk management tools as a matrix to monitor and control the Company's overall liquidity risk in normal and stressed conditions. The risk limit framework includes Liquidity Maintenance Ratio ("LMR", both regulatory and internal limit), maturity mismatch ratio, loan to client deposit ratio, wholesale funding dependency ratio, FX swap to client deposit ratio, funding source concentration from intragroup companies, liquidity book (HQLA portfolio) framework, and monthly cumulative cashflow and stress test, etc. Management action trigger ("MAT") control for funding size from BOCI Securities Limited's client accounts is also set up.

The Company sets a more stringent internal limit on the LMR than the HKMA regulatory minimum liquidity requirement.

2. Liquidity Stress Testing

Monthly cashflow analysis for the Company under both normal and stressed conditions are performed in the monthly liquidity stress testing, in order to identify sources of potential liquidity strain and ensure compliance to the limit structure under different stress scenarios. Stress testing analysis for the LMR is also performed on a monthly basis, in order to analyze the potential impact to the LMR level under stress scenarios.

3. Intraday Liquidity Risk Management

The objective of intraday liquidity risk management for the Company is to ensure its payment obligations are met on a timely basis when they become due and to avoid any potential shortfall of cashflow on intraday basis and minimise the need of intraday or overnight borrowings.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining periods at end of the reporting periods to the contractual maturity date.

In HK\$ thousands	On demand and up to 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Undated/ Indefinite/ Overdue	Total
31 December 2025						
Cash and due from banks	357,876	-	-	-	-	357,876
Derivative financial instruments	1,882	464	-	-	-	2,346
Loans and advances to customers	1,159,591	144,942	730	-	-	1,305,263
Debt instruments	1,377,001	1,157,036	1,402,133	-	-	3,936,170
Total assets	2,896,350	1,302,442	1,402,863	-	-	5,601,655
Deposits from customers	3,626,711	74,968	25,232	-	-	3,726,911
Amounts due to an intermediate holding company	20,459	-	-	-	-	20,459
Derivative financial instruments	1,543	-	-	-	-	1,543
Financial liabilities included in other liabilities	21,763	-	419	-	-	22,182
Total liabilities	3,670,476	74,968	25,651	-	-	3,771,095
Net liquidity gap	(774,126)	1,227,474	1,377,212	-	-	1,830,560

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

In HK\$ thousands	On demand and up to 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Undated/ Indefinite/ Overdue	Total
31 December 2024						
Cash and due from banks	660,392	382,483	-	-	-	1,042,875
Derivative financial instruments	3,065	-	265	-	-	3,330
Loans and advances to customers	1,612,264	206,150	4,632	-	-	1,823,046
Debt instruments	865,781	763,394	1,629,443	-	-	3,258,618
Total assets	3,141,502	1,352,027	1,634,340	-	-	6,127,869
Deposits from customers	2,967,328	598,807	690,625	-	-	4,256,760
Amounts due to an intermediate holding company	59,365	-	-	-	-	59,365
Derivative financial instruments	2,929	6,530	1,239	-	-	10,698
Financial liabilities included in other liabilities	8,293	-	412	-	-	8,705
Total liabilities	3,037,915	605,337	692,276	-	-	4,335,528
Net liquidity gap	103,587	746,690	942,064	-	-	1,792,341

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

The table below presents the cash flows payable by the Company under non-derivative financial liabilities and derivative financial instruments that will be settled on a gross basis by remaining contractual maturities at the end of the reporting periods.

The Company's derivative financial instruments, including foreign exchange options, forwards and swaps, will be settled on a gross basis.

The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on the expected undiscounted cash flows.

In HK\$ thousands	On demand/ Up to 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Undated/ Indefinite/ Overdue	Total
31 December 2025						
Non-derivative cash outflow liabilities						
Deposits from customers	3,627,450	75,089	25,359	-	-	3,727,898
Amounts due to an intermediate holding company	20,459	-	-	-	-	20,459
Financial liabilities included in other liabilities	21,763	-	419	-	-	22,182
Total	3,669,672	75,089	25,778	-	-	3,770,539
Derivative financial instruments cash flow						
Settled on a gross basis						
Total inflow	697,459	13,527	-	-	-	710,986
Total outflow	(696,992)	(13,063)	-	-	-	(710,055)
	467	464	-	-	-	931

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

In HK\$ thousands	On demand/ Up to 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Undated/ Indefinite/ Overdue	Total
31 December 2024						
Non-derivative cash outflow liabilities						
Deposits from customers	2,969,322	602,128	699,423	-	-	4,270,873
Amounts due to an intermediate holding company	59,365	-	-	-	-	59,365
Financial liabilities included in other liabilities	8,293	-	412	-	-	8,705
Total	3,036,980	602,128	699,835	-	-	4,338,943
Derivative financial instruments cash flow						
Settled on a gross basis						
Total inflow	2,221,591	144,440	376,465	-	-	2,742,496
Total outflow	(2,221,280)	(151,122)	(377,840)	-	-	(2,750,242)
	311	(6,682)	(1,375)	-	-	(7,746)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Financial instruments by category

The carrying amount of each of the categories of financial instruments as at the end of the reporting period are as below:

In HK\$ thousands	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
At 31 December 2025				
<u>Financial assets</u>				
Cash and due from banks	-	-	357,876	357,876
Derivative financial instruments	-	2,346	-	2,346
Loans and advances to customers	-	-	1,305,263	1,305,263
Debt instruments	2,521,913	-	1,414,257	3,936,170
	2,521,913	-	1,414,257	3,936,170
Total financial assets	2,521,913	2,346	3,077,396	5,601,655

In HK\$ thousands	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
<u>Financial liabilities</u>			
Deposits from customers	-	3,726,911	3,726,911
Amounts due to an intermediate holding company	-	20,459	20,459
Derivative financial instruments	1,543	-	1,543
Other liabilities	-	22,182	22,182
	1,543	22,182	23,725
Total financial liabilities	1,543	3,769,552	3,771,095

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Financial instruments by category (continued)

In HK\$ thousands	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
At 31 December 2024				
<u>Financial assets</u>				
Cash and due from banks	-		1,042,875	1,042,875
Derivative financial instruments	-	3,330	-	3,330
Loans and advances to customers	-	-	1,823,046	1,823,046
Debt instruments	1,921,273	-	1,337,345	3,258,618
Total financial assets	1,921,273	3,330	4,203,266	6,127,869

In HK\$ thousands	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
<u>Financial liabilities</u>			
Deposits from customers	-	4,256,760	4,256,760
Amounts due to an intermediate holding company	-	59,365	59,365
Derivative financial instruments	10,698	-	10,698
Other liabilities	-	8,705	8,705
Total financial liabilities	10,698	4,324,830	4,335,528

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Fair value of financial assets and liabilities

For financial instruments that are not measured at fair value, including debt instruments at amortised cost, loans and receivables, cash and cash equivalents, amounts due to an intermediate holding company, other assets, other liabilities, deposits from customers and deposits and balances from banks, their fair values approximate the carrying amounts.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as defined in HKFRS 13, “Fair value measurement”, described as follows, with reference to the observability and significance of the inputs used in the valuation methods and based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchanges traded derivatives like bond futures.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of debt securities without active secondary markets, the over-the-counter (“OTC”) derivative contracts and issued structured notes. The sources of input parameters like SOFR yield curve or counterparty credit risk are Bloomberg and Reuters.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

As at the end of the reporting periods, except for debt instruments US Treasury bills at FVTOCI which is classified as Level 1, all other debt instruments at FVTOCI and derivative financial instruments, which are OTC derivatives contracts, are classified as Level 2. OTC derivative contracts include forward, swap and option contracts on foreign exchange or interest rate. The fair values of these contracts are mainly measured using valuation techniques such as discounted cash flow models and option pricing models. The inputs can be observable market data, including interest rates, foreign exchange rates and volatilities.

There were no level 3 instruments during and as at the end of the reporting periods.

During 2025 and 2024, there were no transfers between level 1 and level 2 and no transfers into or out of level 3 for both financial assets and financial liabilities.

3.6 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel or systems, or from external events. An operational risk management framework, which is ultimately approved by the Board at least on an annual basis, has been developed with the objective to ensure that operational risk exposed by the Company is properly identified, assessed, controlled, measured, monitored and reported in a structured, systematic and consistent manner.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Operational risk (continued)

Respective business units are responsible for managing and reporting operational risks specific to their units by applying various tools such as risk and control assessment, key risk indicators and operational risk events reporting mechanism to identify, assess and control the risks inherent in their business processes, activities and products. Risk and control assessment can help identify and assess risk within a business/function and evaluate the effectiveness of the controls that are in place to manage these risks. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring. Risk events, including any significant incidents that may result in different risk impacts such as customer, regulatory, legal and financial impacts to the Company, are required to be reported based on certain thresholds established. The RMD regularly evaluates the operational risk profile, records operational risk data and reports operational risk issues to the EC and the Board of the Company to ensure that a robust operational risk framework is implemented.

Each new product or service introduced is subject to a rigorous risk assessment and approval process where all relevant risks identified, including but not limited to operational risk are assessed by departments independent of the risk-taking unit proposing the new product or service. Modification of existing products or services with significant changes in their risk portfolio is also subject to a similar risk assessment and approval process. The Company has in place operational risk mitigation programmes include business continuity management and is currently developing the operational resilience framework in accordance with the regulatory timeline.

3.7 Capital management

The objective of the Company's capital management is to maximise total shareholders' return while maintaining a capital adequacy position in relation to the Company's overall risk profile.

The Company has established capital policy, which sets out:

- Capital management objective;
- Roles and responsibilities of various departments/ divisions in capital management;
- Internal capital target;
- Capital allocation and measurement; and
- Remedial action and procedures

The Company adopts the standardised approach to calculate its credit risk, market risk and operational risk respectively; and adopts solo basis to calculate capital adequacy ratio.

The detailed information on the Company's capital management is disclosed in the unaudited supplementary information.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

4. NET INTEREST INCOME

In HK\$ thousands	2025	2024
Interest income		
- loans and advances to customers	65,570	112,055
- due from banks	23,704	42,224
- debt instruments at amortised cost	38,604	71,858
- debt instruments at FVTOCI	80,738	45,170
	<u>208,616</u>	<u>271,307</u>
Interest expense		
- deposits from customers	(105,524)	(148,208)
- deposits and balances from banks	(212)	(240)
	<u>(105,736)</u>	<u>(148,448)</u>
Net interest income	<u><u>102,880</u></u>	<u><u>122,859</u></u>

5. NET FEE AND COMMISSION INCOME

In HK\$ thousands	2025	2024
Investment services fees received from fellow subsidiaries (note 21)	102,694	93,689
Others	34	21
	<u>102,728</u>	<u>93,710</u>
Less: fee and commission expense	(118)	(156)
Net fee and commission income	<u><u>102,610</u></u>	<u><u>93,554</u></u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

6. NET TRADING GAINS

In HK\$ thousands	2025	2024
Foreign exchange	<u>8,498</u>	<u>1,795</u>

The amounts include gains and losses from spot, options, forward and swap and revaluation difference of assets and liabilities denominated in foreign currencies into HK dollars at the end of the reporting period.

7. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Total directors' emoluments amounted to HK\$13,039,000 (2024: HK\$11,306,000) of which HK\$3,798,000 (2024: HK\$3,436,000) was paid by the Company. The remaining HK\$9,241,000 (2024: HK\$7,870,000) was paid by an intermediate holding company and a fellow subsidiary in respect of the directors' services to the intermediate holding company and its subsidiaries which is considered impracticable to apportion this amount between their services to the Company and their services to the Company's intermediate holding company and the fellow subsidiaries. As a result, no apportionment is made for such amount. There were no termination benefits (2024: Nil) and retirement benefits (2024: Nil) granted in 2025.

During the year, there were no loans to directors which are required to be disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (2024: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

8. OPERATING EXPENSES

In HK\$ thousands	2025	2024
Management fee expense (note 21)	52,310	96,749
Staff costs	118,545	131,667
Auditor's remuneration	388	388
Property management related expenses	2,022	1,716
Information technology and communications expenses	6,010	7,706
Miscellaneous expenses	4,350	4,361
	<u>183,625</u>	<u>242,587</u>

9. NET RELEASE/(CHARGE) OF IMPAIRMENT ALLOWANCES

In HK\$ thousands		2025			
	Note	Stage 1	Stage 2	Stage 3	Total
Release:					
Cash and due from banks	11	28	-	-	28
Debt instruments					
- At amortised cost	14	41	-	-	41
- At FVTOCI	14	342	-	-	342
		<u>383</u>	<u>-</u>	<u>-</u>	<u>383</u>
Net impairment release		<u>411</u>	<u>-</u>	<u>-</u>	<u>411</u>
In HK\$ thousands		2024			
	Note	Stage 1	Stage 2	Stage 3	Total
(Charge)/release:					
Cash and due from banks	11	13	-	-	13
Debt instruments					
- At amortised cost	14	368	-	-	368
- At FVTOCI	14	(616)	-	-	(616)
		<u>(248)</u>	<u>-</u>	<u>-</u>	<u>(248)</u>
Net impairment charge		<u>(235)</u>	<u>-</u>	<u>-</u>	<u>(235)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profit for the year.

The amount of taxation charged to the statement of profit or loss represents:

In HK\$ thousands	2025	2024
Current income tax:		
Hong Kong profits tax		
- Provision for the year	-	-
Taxation outside Hong Kong		
- Withholding tax for the year	7	-
Deferred tax expense/(credit)	2,783	(5,161)
	2,790	(5,161)
	2,790	(5,161)

The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the tax rate of Hong Kong are as follows:

In HK\$ thousands	2025	2024
Profit/(loss) before taxation	30,774	(24,614)
Tax calculated at statutory tax rate at 16.5% (2024: 16.5%)	5,078	(4,061)
Income not subject to tax	(3,481)	(1,866)
Expenses not deductible for tax	1,186	766
Withholding tax	7	-
Income tax expense/(credit)	2,790	(5,161)
	2,790	(5,161)

As at 31 December 2025, deferred tax assets of HK\$3,282,000 have been recognised in respect of temporary differences arising from fixed assets, impairment allowances and tax losses (31 December 2024: HK\$7,711,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

10. INCOME TAX (continued)

In HK\$ thousands	Depreciation	Impairment allowances	Tax losses and others	Total
At 1 January 2024	12	76	1,233	1,321
Credited to other comprehensive income	-	-	1,229	1,229
(Charged)/credited to income statement	(2)	38	5,125	5,161
At 31 December 2024/At 1 January 2025	10	114	7,587	7,711
Charged to other comprehensive income	-	-	(1,646)	(1,646)
Charged to income statement	(2)	(68)	(2,713)	(2,783)
At 31 December 2025	<u>8</u>	<u>46</u>	<u>3,228</u>	<u>3,282</u>

11. CASH AND DUE FROM BANKS

In HK\$ thousands	31 December 2025	31 December 2024
Cash and due from banks	357,877	402,756
Placements with banks remaining maturity of one month or less	-	257,641
Placements with banks remaining maturity over one month	-	382,505
Less: allowance for impairment losses – Stage 1	(1)	(27)
	<u>357,876</u>	<u>1,042,875</u>

Included in the balance, there were no accrued interest receivable as at 31 December 2025 (31 December 2024: HK\$4,852,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

11. CASH AND DUE FROM BANKS (continued)

The movement in provision for impairment against cash and due from banks is as follows:

In HK\$ thousands	2025	2024
Beginning of year - Stage 1	27	41
Net release during the year - Stage 1	(28)	(13)
Exchange difference	2	(1)
At 31 December	<u>1</u>	<u>27</u>

There were no overdue or impaired cash and due from banks as at 31 December 2025 (31 December 2024: Nil).

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative instruments including forwards and swaps contracts for risk management purposes.

The contractual/notional amounts and fair values of derivative financial instruments held by the Company are set out in the following tables. The contractual notional amounts of these instruments indicate the volume of transactions outstanding at the end of the reporting periods and certain of them provide a basis for comparison with fair value instruments recognised on the statement of financial position. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Company's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial instruments assets and liabilities can fluctuate significantly from time to time.

No hedge accounting was adopted by the Company to account for its transaction in derivatives.

Derivative financial instruments entered by the Company are mainly for customer needs and for its own accounts.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

12. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

As at the end of the reporting periods, the Company has the following derivatives positions:

In HK\$ thousands	Notional amount	Fair value assets	Fair value liabilities
31 December 2025			
Derivatives			
- Foreign exchange forward and swap	710,985	2,346	(1,543)
- Foreign exchange options	-	-	-
		<u>2,346</u>	<u>(1,543)</u>
31 December 2024			
Derivatives			
- Foreign exchange forward and swap	2,739,376	3,304	(10,672)
- Foreign exchange options	3,134	26	(26)
		<u>3,330</u>	<u>(10,698)</u>

13. LOANS AND ADVANCES TO CUSTOMERS

In HK\$ thousands	31 December 2025	31 December 2024
Loans and advances to customers:		
- Individuals	1,169,664	1,671,539
- Corporates	135,599	151,507
	<u>1,305,263</u>	<u>1,823,046</u>
Less: allowance for impairment losses	-	-
Total	<u>1,305,263</u>	<u>1,823,046</u>

The carrying amounts of loans and advances to customers approximated their fair value. Included in the balance accrued interest receivable of HK\$1,415,000 (31 December 2024: HK\$2,837,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

13. LOANS AND ADVANCES TO CUSTOMERS (continued)

The movement in provision for impairment against loans and advances to customers is as follows:

In HK\$ thousands	Stage 1	Stage 2	Stage 3	Total
At 1 January 2024	-	-	1,276	1,276
Write off during the year	-	-	(1,271)	(1,271)
Exchange difference	-	-	(5)	(5)
At 31 December 2024 and 1 January 2025	-	-	-	-
Write off during the year	-	-	-	-
At 31 December 2025	-	-	-	-

As at 31 December 2025, loans and advances to customers classified under stage 1 amounted to HK\$1,305,263,000 (2024: HK\$1,823,046,000). There were no overdue or impaired loans and advances to customers as of 31 December 2025 (31 December 2024: Nil).

14. DEBT INSTRUMENTS

In HK\$ thousands	31 December 2025		31 December 2024	
	<u>Debt instruments at amortised cost</u>	<u>Debt instruments at FVTOCI</u>	<u>Debt instruments at amortised cost</u>	<u>Debt instruments at FVTOCI</u>
Hong Kong Exchange Fund				
Bills, unlisted	1,208,024	-	644,930	-
Other debt securities, unlisted	206,267	2,329,195	615,823	1,921,273
Other debt securities, listed	-	192,718	76,667	-
Less: allowance for impairment loss – Stage 1	(34)	-	(5)	-
	<u>1,414,257</u>	<u>2,521,913</u>	<u>1,337,345</u>	<u>1,921,273</u>
Analysed by type of issuers as follows:				
Sovereign	1,208,000	192,718	938,643	-
Public sector entity	206,257	-	398,702	-
Banks	-	2,329,195	-	1,921,273
	<u>1,414,257</u>	<u>2,521,913</u>	<u>1,337,345</u>	<u>1,921,273</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

14. DEBT INSTRUMENTS (continued)

In HK\$ thousands	31 December 2025		31 December 2024	
	<u>Debt instruments at amortised cost</u>	<u>Debt instruments at FVTOCI</u>	<u>Debt instruments at amortised cost</u>	<u>Debt instruments at FVTOCI</u>
Analysed by issue specific credit rating as follows:				
AA+ to AA-	1,414,257	192,718	1,337,345	-
A+ to A-	-	2,329,195	-	1,921,273
	<u>1,414,257</u>	<u>2,521,913</u>	<u>1,337,345</u>	<u>1,921,273</u>

There was accrued interest receivable HK\$6,267,000 as at 31 December 2025 (31 December 2024: Nil).

The movement in provision for impairment against debt instruments is as follows:

In HK\$ thousands	At 31 December 2025		At 31 December 2024	
	<u>Debt instruments at amortised cost</u>	<u>Debt instruments at FVTOCI</u>	<u>Debt instruments at amortised cost</u>	<u>Debt instruments at FVTOCI</u>
Stage 1:				
Beginning of the year	75	616	445	-
Net (release)/charge during the year	(41)	(342)	(368)	616
Exchange difference	-	-	(2)	-
At year end	<u>34</u>	<u>274</u>	<u>75</u>	<u>616</u>

There were no overdue debt instruments as at 31 December 2025 (31 December 2024: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

15. OTHER ASSETS

In HK\$ thousands	31 December 2025	31 December 2024
Prepayments and other receivables	3,432	4,277
Less: allowance for impairment losses – Stage 1	-	-
	<u>3,432</u>	<u>4,277</u>

As at 31 December 2025, the balances included prepaid expenses of HK\$3,416,000 (2024: HK\$4,258,000).

There was no provision for impairment against other assets as at 31 December 2025 (31 December 2024: Nil).

16. DEPOSITS FROM CUSTOMERS

In HK\$ thousands	31 December 2025	31 December 2024
Time and call deposits:		
- Individuals	225,265	273,135
- Corporates	3,501,646	3,982,062
	<u>3,726,911</u>	<u>4,255,197</u>
Currency-linked deposits	-	1,563
	<u>3,726,911</u>	<u>4,256,760</u>

Balance includes accrued interest payable of HK\$1,304,000 (2024: HK\$25,737,000).

17. AMOUNTS DUE TO AN INTERMEDIATE HOLDING COMPANY

The amounts due to an intermediate holding company are interest free, unsecured and repayable on demand.

18. OTHER LIABILITIES

Included in the amount the provision for bonus of HK\$26,788,000 (2024: HK\$29,514,000) as part of employee benefits, other payables and accruals of expenses. Charge, prior year over-provision and settlement of bonus provision were HK\$24,306,000, HK\$401,000 and HK\$26,631,000 respectively during 2025.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

19. SHARE CAPITAL

In HK\$ thousands	31 December 2025	31 December 2024
Issued and fully paid: 1,000,000 (31 December 2024: 1,000,000) ordinary shares	1,000,000	1,000,000

20. KEY ELEMENTS OF THE DISCLOSURE POLICY

The Disclosure Policy of the Company sets out the approach used by the Company to (i) determine the content, appropriateness and frequency of the information it discloses to the general public relating to its state of affairs including its profit or loss and its financial resources (including capital/ liquidity resources) and (ii) descriptions of its own risk profile as required by the Banking (Disclosure) Rules.

21. RELATED PARTY TRANSACTIONS

Other than related party transactions disclosed elsewhere in the financial statements, the major transactions with related parties, which the Company entered into during the year are summarised as follows:

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries and Bank of China Limited and its subsidiaries

In HK\$ thousands	Notes	BOC International Holdings Limited and its subsidiaries	Bank of China Limited and its subsidiaries
2025			
<u>Statement of profit or loss</u>			
Interest income	i	-	24,270
Interest expense	ii	(102,274)	(213)
Fees and commission income	iii	102,689	5
Management fee expense	iv	(52,310)	-
Staff cost	viii	-	(3,520)
Property management related expense	vii	(1,773)	-
Miscellaneous expense	viii	-	(392)
		-	(3,520)
2024			
<u>Statement of profit or loss</u>			
Interest income	i	-	14,884
Interest expense	ii	(136,187)	(241)
Fees and commission income	iii	93,689	-
Management fee expense	iv	(96,749)	-
Staff cost	viii	-	(2,729)
Property management related expense	vii	(1,691)	-
Miscellaneous expense	viii	-	(350)
		-	(3,079)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

21. RELATED PARTY TRANSACTIONS (continued)

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries and Bank of China Limited and its subsidiaries (continued)

In HK\$ thousands	Notes	BOC International Holdings Limited and its subsidiaries	Bank of China Limited and its subsidiaries
2025			
<u>Statement of financial position</u>			
Cash and due from banks	i	-	352,730
Derivative financial instruments	v	1,028	1,318
Debt instruments	i	-	615,414
		<u> </u>	<u> </u>
Deposits from customers	ii	3,401,374	2,243
Derivative financial instruments	v	215	1,328
Other liabilities	ix	14,521	-
		<u> </u>	<u> </u>
2024			
<u>Statement of financial position</u>			
Cash and due from banks	i	-	394,846
Derivative financial instruments	v	316	2,988
Debt instruments	i	-	412,719
		<u> </u>	<u> </u>
Deposits from customers	ii	3,899,462	2,211
Derivative financial instruments	v	10,576	96
		<u> </u>	<u> </u>

- (i) Interest income from bank deposits, bank balances, debt instruments and foreign exchange swap contracts.

In the ordinary course of business, the Company placed its cash and due from banks with Bank of China Limited and its related entities.

In the ordinary course of business, the Company purchased debt instruments issued by Bank of China Limited and its related entities. These transactions were executed at the relevant market prices at the time of the transactions.

In the ordinary course of business, the Company entered into foreign exchange swap contracts with related parties for funding purposes. These transactions were executed at the relevant market rates at the time of the transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

21. RELATED PARTY TRANSACTIONS (continued)

(a) Summary of transactions entered into during the ordinary course of business with BOC International Holdings Limited and its subsidiaries and Bank of China Limited and its subsidiaries (continued)

- (ii) Interest expense on deposits from customers, balances from banks and foreign exchange swap contracts

In the ordinary course of business, the Company accepted deposits and borrowing from related parties.

In the ordinary course of business, the Company entered into foreign exchange swap contracts with related parties for funding purposes. These transactions were executed at the relevant market rates at the time of the transactions.

- (iii) The Company received investment services fees from its fellow subsidiaries, BOCI Securities Limited and BOCI Private Wealth Management Limited and Bank of China (Hong Kong) Limited, for the services provided by the Company in the capacity as an agent to introduce client businesses to the fellow subsidiaries.
- (iv) The Company has an agreement with its intermediate holding company, BOC International Holdings Limited, under which the intermediate holding company provides administration and support services to the Company in return for a fee which is agreed and reviewed on an annual basis. This agreement can be terminated by both parties giving not less than one month's written notice.
- (v) In the ordinary course of business, the Company entered into exchange rate contracts with the related entities. These transactions were executed at the relevant market rates at the time of the transactions.
- (vi) Directors' emoluments are disclosed in note 7 to the financial statements.
- (vii) In the ordinary course of business, the intermediate holding company, BOC International Holdings Limited, has lease agreements with Bank of China Limited and its subsidiaries. The Company was recharged for part of the property management related expenses by its intermediate holding company at the relevant market rate at the time of the transaction.
- (viii) The Company paid fees to the Bank of China Limited group for the insurance, training services and welfare provided to the Company.
- (ix) In the ordinary course of business, the Company may receive funds in transit from BOC International Holdings Limited and its subsidiaries pending for placement of deposits and other payment execution.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

22. CONTINGENT LIABILITIES AND COMMITMENTS

The following is a summary of the contractual amounts of each class of contingent liability and commitment and the aggregate credit risk-weighted amount and is prepared with reference to the completion instruction for the HKMA return of capital adequacy ratio. The Company has no other contingent liabilities, no irrevocable loan commitment and no forward deposits placed as at 31 December 2025 and 31 December 2024.

In HK\$ thousands	2025	2024
Commitments that are unconditionally cancellable without prior notice	4,799,374	5,774,247
Credit risk-weighted amount	330,675	31,939

The credit risk-weighted amount is calculated in accordance with the Banking (Capital) Rules. The amount is dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

23. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Company's financial statements and its financial result are influenced by accounting policies, assumptions, estimates, and management judgement which necessarily have to be made in the course of preparation of the financial statements.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events.

Accounting policies and management's judgements for certain items are especially critical for the Company's results and financial situation due to their materiality in amount.

(a) **Impairment allowances**

In determining ECL under HKFRS 9, judgement has been applied in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and assessment of future economic conditions. Judgement has been applied in determining the lifetime and point of initial recognition of revolving facilities. The PD and LGD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience. The criteria for ECL assessments and the economic conditions have been regularly updated with the considerations of the likelihood of further economic downturn and the negative impacts on the credit risk of the customers. Refer to note 3.2.6 for details.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2025

23. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(b) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in active markets is determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(c) Taxes

Determining tax provisions involves significant judgement. There are many transactions and calculation for which the ultimate tax determination is uncertain. The Company evaluates tax implications of transactions and tax provisions are set up accordingly. Deferred tax assets are recognised for tax losses not yet used and temporary deductible difference arising from provisions. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

24. EVENTS AFTER THE REPORTING PERIOD

On 24 January 2025, the Company's immediate holding company, BOCI Asia, entered into a sales and purchase agreement with BOC Hong Kong (Holdings) Limited to dispose 100% issued capital of the Company. The transaction was completed on 30 January 2026.

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

The following information is disclosed as part of the accompanying information to the financial statements and does not form part of the audited financial statements.

1. KEY PRUDENTIAL RATIOS

	31/12/2025	30/09/2025	30/06/2025	31/03/2025	31/12/2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Regulatory capital (amount)					
1 & 1a Common Equity Tier 1 (CET1)	1,792,913	1,767,369	1,771,181	1,757,905	1,747,349
2 & 2a Tier 1	1,792,913	1,767,369	1,771,181	1,757,905	1,747,349
3 & 3a Total capital	1,805,986	1,781,978	1,787,605	1,775,052	1,765,655
RWA (amount)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
4 Total RWA	2,206,350	2,191,824	2,410,651	2,365,793	2,499,582
4a Total RWA (pre-floor)	2,206,350	2,191,824	2,410,651	2,365,793	2,499,582
Risk-based regulatory capital ratios (as a percentage of RWA)					
5 & 5a CET1 ratio (%)	81.26%	80.63%	73.47%	74.31%	69.91%
5b CET1 ratio (%) (pre-floor ratio)	81.26%	80.63%	73.47%	74.31%	69.91%
6 & 6a Tier 1 ratio (%)	81.26%	80.63%	73.47%	74.31%	69.91%
6b Tier 1 ratio (%) (pre-floor ratio)	81.26%	80.63%	73.47%	74.31%	69.91%
7 & 7a Total capital ratio (%) ¹	81.85%	81.30%	74.15%	75.03%	70.64%
7b Total capital ratio (%) (pre-floor ratio)	81.85%	81.30%	74.15%	75.03%	70.64%
Additional CET1 buffer requirements (as a percentage of RWA)					
8 Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9 Countercyclical capital buffer requirement (%) ²	0.253%	0.247%	0.265%	0.267%	0.232%
10 Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11 Total AI-specific CET1 buffer requirements (%)	2.753%	2.747%	2.765%	2.767%	2.732%
12 CET1 available after meeting the AI's minimum capital requirements (%)	71.10%	70.55%	63.40%	64.28%	59.39%

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

1. KEY PRUDENTIAL RATIOS (continued)

	31/12/2025	30/09/2025	30/06/2025	31/03/2025	31/12/2024
Basel III leverage ratio					
13					
	Total leverage ratio (LR) exposure measure (HK\$'000)	6,106,211	6,374,656	6,444,497	6,782,086
13a	LR exposure measure based on mean values of gross assets of SFTs	6,106,211	6,374,656	6,444,497	6,782,086
14, 14a & 14b	LR (%)	29.36%	27.78%	27.28%	25.76%
14c & 14d	LR (%) based on mean values of gross assets of SFTs	29.36%	27.78%	27.28%	25.76%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A
Applicable to category 2 institution only:					
17a	LMR (%)	98.07%	128.84%	129.69%	151.92%
Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
Applicable to category 1 institution only:					
18	Total available stable funding	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A
Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A

¹ Total capital ratio adjusted for unrealised gain for debt securities at amortised cost was 82.11% at 31 December 2025 (31 December 2024: 70.57%).

² The applicable jurisdictional countercyclical capital buffer (CCyB) ratio for Hong Kong used in the calculation of CCyB buffer requirement was 0.5% for 2025 Q1 to Q4.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

2. OVERVIEW OF RISK MANAGEMENT AND RISK-WEIGHTED AMOUNT (“RWA”)

(a) Overview of risk management

The Company identifies, assesses and manages risk from a macroeconomic perspective, as well as creates values through professional, effective risk management, and supports the business strategy. The Company’s activities expose it to a variety of risks, for example: market risk, interest rate risk, credit risk, operational risk, liquidity risk, legal risk, compliance risk, reputation risk and strategic risk, including any other risks which are transmitted into the aforementioned risk types. The Company establishes the risk management system commensurate with the business strategy, scale and complexity. Risk management technologies and tools adopted identify, measure, report, control and mitigate materials risks in time, therefore control the risk level within the scope set by the risk appetite. For details of the Company’s risk management governance, please refer to note 3 of the Financial Statements.

The Company adopts the three lines of defense approach to clearly define the roles and responsibilities of different units to safeguard the risk management system. The first line of defense consists of the business units and front-line employees, whose roles are to identify risk and apply internal controls and risk responses to ensure business activities adhere to the Company’s risk appetite and internal requirements on risk management.

The second line of defense is formed by Risk Management Department (“RMD”), Compliance and AML Compliance which are responsible for providing independent oversight of risk management activities over the first line and formulating the related policies and procedures. These independent risk monitoring functions carry out their functions by collaborating with the departmental risk coordinators, performing regular reviews and reporting updates and escalating significant risk matters to the senior management to ensure the risks exposed by the Company are actively and appropriately managed.

The third line of defense is formed by Internal Audit Department, who reports to the AC. It is responsible for providing assurance on the effectiveness of the Company’s risk management framework including the risk governance arrangements of the first and second lines of defence.

The Company aims at establishing a proactive and responsive management culture, reducing business disruptions and facilitating a risk-aware culture across the Company. The Company has formulated a set of policies and guidelines for governing different types of risk in accordance with the approved risk appetite. The policies and guidelines explain the key inherent risks the Company faced, and include the internal requirements which all relevant units have to adhere to, as well as the proper reporting and escalation channel. These set of standards are properly documented and approved by the senior management and the Board, and available to relevant staff through internal channels. Furthermore, periodic trainings in risk related aspects are provided to maintain the risk awareness of the Company.

Risk management reports are provided to senior management, the RC and the Board on a regular basis. The reports mainly cover the current position and exposures in various risk areas including portfolio analysis, credit limit usage and projection, risk exposures, stress test results and significant risk events and remedial actions.

Stress test is also part of the Company’s risk management framework. The Company develops different tools to perform the stress test on individual and integrated basis. By using sensitivity, scenario or reverse stress test methods, the tools assess the potential loss to the Company under economic downturn or adverse market movements. The Company includes a series of remedial actions and escalation procedures when the test results reach the critical level. The stress test result is considered when formulating the business strategy, defining the risk attitude and formulating the recovery plan of the Company.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

2. OVERVIEW OF RISK MANAGEMENT AND RISK-WEIGHTED AMOUNT (“RWA”) (continued)

(b) Overview of RWA

(In HK\$ thousands)		RWA		Minimum capital requirements
		As at 31 December 2025	As at 30 September 2025	As at 31 December 2025
1	Credit risk for non-securitization exposures	1,798,691	1,754,339	193,359
2	Of which STC approach	1,798,691	1,754,339	193,359
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	4,246	9,122	456
7	Of which SA-CCR approach	4,246	9,122	456
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	1,475	3,025	159
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	73,900	93,750	7,944
21	Of which STM approach	73,900	93,750	7,944
22	Of which IMM approach	-	-	-
22a	Of which SSTM approach	-	-	-
23	Capital charge for moving exposures between trading book and banking book	-	-	-
24	Operational risk	328,038	331,588	35,264
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)	-	-	-

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

2. OVERVIEW OF RISK MANAGEMENT AND RISK-WEIGHTED AMOUNT (“RWA”) (continued)

(b) Overview of RWA (continued)

		RWA		Minimum capital requirements
		As at 31 December 2025	As at 30 September 2025	As at 31 December 2025
(In HK\$ thousands)				
28	Floor adjustment (after application of transitional cap)	N/A	N/A	N/A
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	2,206,350	2,191,824	237,182
N/A: Not applicable in the case of Hong Kong				

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

3. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

(a) Prudent valuation adjustments

The following table shows a detailed breakdown of the constituent elements of valuation adjustments for all assets measured at fair value that the Company has made under section 4A of the Banking (Capital) Rules as of 31 December 2025.

		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
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	-	-	-	-	-	-	-	-
12	Total adjustments	-	-	-	-	-	-	-	-

The Company has established its own fair valuation policy (the “Fair Value Policy”) and has undertaken independent price verification regularly to govern the valuation of the financial instruments measured at fair value. Valuation adjustments are made for assets measured at fair value either through marked to market or marked to model, including non-derivative and derivative instruments. The Company periodically reviews its Fair Value Policy to consider and assess any valuation uncertainty that shall be taken into account in the valuation process for those which are important and significant to the valuation of assets measured at fair value when compared to the market/model valuation.

The Company has currently considered the following elements of valuation adjustment in accordance with the Company’s fair valuation policy:

- Credit valuation adjustment and debit valuation adjustment where applicable
- Model risk – including model specific adjustment for complex products
- Concentration – including liquidity valuation adjustment on less liquid fixed income securities

The other elements of valuation adjustment are not considered in the valuation process in the view that the risk and financial impact involved are considered to be insignificant.

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

3. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES (continued)

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

	As of 31 December 2025						
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	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 deduction from capital
(In HK\$ thousands)							
Assets							
Cash and due from banks	357,876	357,876	357,876	-	-	-	-
Derivative financial instruments	2,346	2,346	-	2,346	-	2,346	-
Loans and advances to customers	1,305,263	1,305,263	1,305,263	-	-	-	-
Debt instruments at amortised cost	1,414,257	1,414,257	1,414,257	-	-	-	-
Debt instruments at fair value through other comprehensive income	2,521,913	2,521,913	2,521,913	-	-	-	-
Deferred tax assets	3,282	3,282	-	-	-	-	3,282
Tax recoverable	-	-	-	-	-	-	-
Other assets	3,432	3,432	3,432	-	-	-	-
Total assets	5,608,369	5,608,369	5,602,741	2,346	-	2,346	3,282
Liabilities							
Deposits from customers	3,726,911	3,726,911	-	-	-	-	3,726,911
Amounts due to an intermediate holding company	20,459	20,459	-	-	-	-	20,459
Derivative financial instruments	1,543	1,543	-	-	-	1,543	-
Other liabilities	50,223	50,223	-	-	-	-	50,223
Total liabilities	3,799,136	3,799,136	-	-	-	1,543	3,797,593

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

3. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES (continued)

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

	As of 31 December 2024						
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	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
(In HK\$ thousands)							
Assets							
Cash and due from banks	1,042,875	1,042,875	1,042,875	-	-	-	-
Derivative financial instruments	3,330	3,330	-	3,304	-	3,304	26
Loans and advances to customers	1,823,046	1,823,046	1,823,046	-	-	-	-
Debt instruments at amortised cost	1,337,345	1,337,345	1,337,345	-	-	-	-
Debt instruments at fair value through other comprehensive income	1,921,273	1,921,273	1,921,273	-	-	-	-
Deferred tax assets	7,711	7,711	-	-	-	-	7,711
Tax recoverable	-	-	-	-	-	-	-
Other assets	4,277	4,277	4,277	-	-	-	-
Total assets	6,139,857	6,139,857	6,128,816	3,304	-	3,304	7,737
Liabilities							
Deposits from customers	4,256,760	4,256,760	-	-	-	-	4,256,760
Amounts due to an intermediate holding company	59,365	59,365	-	-	-	-	59,365
Derivative financial instruments	10,698	10,698	-	-	-	10,672	26
Other liabilities	39,772	39,772	-	-	-	-	39,772
Total liabilities	4,366,595	4,366,595	-	-	-	10,672	4,355,923

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

3. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES
(continued)

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

The above table illustrates the key differences between regulatory exposure amounts and accounting carrying values under the regulatory scope of consolidation. The amounts shown in the column “Carrying values under scope of regulatory consolidation” do not equal to the sum of the amounts shown in the remaining columns of the table for derivative financial instruments as it is subject to regulatory capital charges in counterparty credit risk and market risk categories.

The basis of consolidation for regulatory purposes is the same as the basis for accounting purposes. The Bank does not have subsidiary or overseas branch for accounting and regulatory consolidation.

(c) Main sources of differences between regulatory exposure amounts and carrying values in financial statements

(In HK\$ thousands)		As of 31 December 2025				
		Total	Items subject to:			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
1	Asset carrying value under scope of regulatory consolidation	5,608,369	5,602,741	-	2,346	2,346
2	Liabilities carrying value under regulatory scope of consolidation	(1,543)	-	-	-	(1,543)
3	Total net amount under regulatory scope of consolidation	5,606,826	5,602,741	-	2,346	803
4	Off-balance sheet amounts	4,799,374	479,937	-	-	-
5	Differences due to potential future exposures	5,733	-	-	5,733	-
6	Differences due to credit risk mitigation	(612,332)	(612,332)	-	-	-
7	Differences due to consideration of provisions	35	35	-	-	-
8	Exposure amounts considered for regulatory purposes	9,799,636	5,470,381	-	8,079	803

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

3. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES
(continued)

(c) Main sources of differences between regulatory exposure amounts and carrying values in financial statements (continued)

(In HK\$ thousands)		As of 31 December 2024				
		Total	Items subject to:			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
1	Asset carrying value under scope of regulatory consolidation	6,139,857	6,128,816	-	3,304	3,304
2	Liabilities carrying value under regulatory scope of consolidation	(10,698)	-	-	-	(10,672)
3	Total net amount under regulatory scope of consolidation	6,129,159	6,128,816	-	3,304	(7,368)
4	Off-balance sheet amounts	-	-	-	-	-
5	Differences due to potential future exposures	25,828	-	-	25,828	-
6	Differences due to credit risk mitigation	(1,037,233)	(1,037,233)	-	-	-
7	Differences due to consideration of provisions	104	104	-	-	-
8	Exposure amounts considered for regulatory purposes	5,117,858	5,091,687	-	29,132	(7,368)

The key differences between regulatory exposure amounts and accounting carrying values under the regulatory scope of consolidation are: (i) off-balance sheet exposures, (ii) potential future exposures for derivatives and (iii) the exposure amounts for regulatory purposes are after the adjustment for the capital effect of recognised credit risk mitigation on the principal amounts.

(d) Systems and controls of valuation estimates

Please refer to notes 3.5 and 23 to the Company's financial statements for details.

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

4. COMPOSITION OF CAPITAL

(a) Composition of regulatory capital

		Amount (In HK\$ thousands)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
At 31 December 2025			
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	1,000,000	(1)
2	Retained earnings	793,815	(2)
3	Disclosed reserves	15,418	
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	CET1 capital before regulatory deductions	1,809,233	
CET1 capital: regulatory deductions			
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	-	
10	Deferred tax assets (net of associated deferred tax liabilities)	3,282	(4)
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	N/A	N/A
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	N/A	N/A
22	Amount exceeding the 15% threshold	N/A	N/A
23	of which: significant investments in the ordinary share of financial sector entities	N/A	N/A
24	of which: mortgage servicing rights	N/A	N/A
25	of which: deferred tax assets arising from temporary differences	N/A	N/A
26	National specific regulatory adjustments applied to CET1 capital	13,038	(3)
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	13,038	(3)
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	Total regulatory deductions to CET1 capital	16,320	
29	CET1 capital	1,792,913	

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

4. COMPOSITION OF CAPITAL (continued)

(a) Composition of regulatory capital (continued)

		Amount (In HK\$ thousands)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
At 31 December 2025			
AT1 capital: instruments			
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	AT1 capital before regulatory deductions	-	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	1,792,913	
Tier 2 capital : instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	13,073	
51	Tier 2 capital before regulatory deductions	13,073	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-	

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

4. COMPOSITION OF CAPITAL (continued)

(a) Composition of regulatory capital (continued)

	Amount (In HK\$ thousands)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
At 31 December 2025		
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 §48(1)(g) of BCR	-
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	13,073
59	Total regulatory capital (TC = T1 + T2)	1,805,986
60	Total RWA	2,206,350
Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	81.26%
62	Tier 1 capital ratio	81.26%
63	Total capital ratio	81.85%
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	2.753%
65	of which: capital conservation buffer requirement	2.500%
66	of which: bank specific countercyclical capital buffer requirement	0.253%
67	of which: higher loss absorbency requirement	-
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	71.1%
National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	N/A
70	National Tier 1 minimum ratio	N/A
71	National Total capital minimum ratio	N/A
Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	-
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)	N/A
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	N/A
Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	13,073
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	22,537
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	-

N/A: Not applicable

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

4. COMPOSITION OF CAPITAL (continued)

(a) Composition of regulatory capital (continued)

At 31 December 2024		Amount (In HK\$ thousands)	Cross reference to balance sheet under the regulatory scope of consolidation
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	1,000,000	(1)
2	Retained earnings	760,669	(2)
3	Disclosed reserves	12,593	(3)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	N/A	N/A
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 Company)	-	
6	CET1 capital before regulatory deductions	1,773,262	
CET1 capital: regulatory deductions			
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	-	
10	Deferred tax assets (net of associated deferred tax liabilities)	7,711	(4)
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

4. COMPOSITION OF CAPITAL (continued)

(a) Composition of regulatory capital (continued)

At 31 December 2024		Amount (In HK\$ thousands)	Cross reference to balance sheet under the regulatory scope of consolidation
20	Mortgage servicing rights (net of associated deferred tax liabilities)	N/A	N/A
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	N/A	N/A
22	Amount exceeding the 15% threshold	N/A	N/A
23	of which: significant investments in the ordinary share of financial sector entities	N/A	N/A
24	of which: mortgage servicing rights	N/A	N/A
25	of which: deferred tax assets arising from temporary differences	N/A	N/A
26	National specific regulatory adjustments applied to CET1 capital	18,202	(3)
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	18,202	(3)
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	Total regulatory deductions to CET1 capital	25,913	
29	CET1 capital	1,747,349	

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

4. COMPOSITION OF CAPITAL (continued)

(a) Composition of regulatory capital (continued)

		Amount (In HK\$ thousands)	Cross reference to balance sheet under the regulatory scope of consolidation
At 31 December 2024			
AT1 capital: instruments			
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	-	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the Company)	-	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	-	
36	AT1 capital before regulatory deductions	-	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	1,747,349	

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

4. COMPOSITION OF CAPITAL (continued)

(a) Composition of regulatory capital (continued)

		Amount (In HK\$ thousands)	Cross reference to balance sheet under the regulatory scope of consolidation
At 31 December 2024			
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the Company)	-	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	18,306	
51	Tier 2 capital before regulatory deductions	18,306	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as “section 2 institution” under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-	

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

4. COMPOSITION OF CAPITAL (continued)

(a) Composition of regulatory capital (continued)

		Amount (In HK\$ thousands)	Cross reference to balance sheet under the regulatory scope of consolidation
At 31 December 2024			
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 §48(1)(g) of BCR	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	18,306	
59	Total regulatory capital (TC = T1 + T2)	1,765,655	
60	Total RWA	2,499,582	
61 CET1 capital ratio			
		69.91	
62 Tier 1 capital ratio			
		69.91	
63 Total capital ratio			
		70.64	
64 Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)			
		2.732	
65	of which: capital conservation buffer requirement	2.5	
66	of which: bank specific countercyclical capital buffer requirement	0.232	
67	of which: higher loss absorbency requirement	-	
68 CET1 (as a percentage of RWA) available after meeting minimum capital requirements			
		59.39	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	N/A	N/A
70	National Tier 1 minimum ratio	N/A	N/A
71	National Total capital minimum ratio	N/A	N/A
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	-	
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)	N/A	N/A
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	N/A	N/A

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

4. COMPOSITION OF CAPITAL (continued)

(a) Composition of regulatory capital (continued)

		Amount (In HK\$ thousands)	Cross reference to balance sheet under the regulatory scope of consolidation
At 31 December 2024			
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	18,306	
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	25,286	
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	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	<i>Current cap on CET1 capital instruments subject to phase out arrangements</i>	N/A	N/A
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	N/A	N/A
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	-	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	-	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	-	

N/A: Not applicable

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

4. COMPOSITION OF CAPITAL (continued)

(b) Reconciliation of regulatory capital to balance sheet

In HK\$ thousands	Balance sheet as in published financial statements At 31 December 2025	Under regulatory scope of consolidation At 31 December 2025	Reference
ASSETS			
Cash and due from banks	357,876	357,876	
Derivative financial instruments	2,346	2,346	
Loans and advances to customers	1,305,263	1,305,263	
Debt instruments at amortised cost	1,414,257	1,414,257	
Debt instruments at fair value through other comprehensive income	2,521,913	2,521,913	
Deferred tax assets	3,282	3,282	(4)
Tax recoverable	-	-	
Other assets	3,432	3,432	
Total assets	5,608,369	5,608,369	
LIABILITIES			
Deposits from customers	3,726,911	3,726,911	
Amount due to an intermediate holding company	20,459	20,459	
Derivative financial instruments	1,543	1,543	
Other liabilities	50,223	50,223	
Total liabilities	3,799,136	3,799,136	
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	1,000,000	1,000,000	(1)
Reserves	809,233	809,233	
<i>Of which: Retained earnings (including current period profit or loss)</i>		793,815	(2)
<i>Retained earnings earmarked as regulatory reserve eligible for inclusion in Tier 2 capital</i>		13,038	(3)
<i>Reserve for financial assets at fair value through other comprehensive income</i>		2,380	(3)
Total equity	1,809,233	1,809,233	
Total liabilities and equity	5,608,369	5,608,369	

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

4. COMPOSITION OF CAPITAL (continued)

(b) Reconciliation of regulatory capital to balance sheet (continued)

In HK\$ thousands	Balance sheet as in published financial statements At 31 December 2024	Under regulatory scope of consolidation At 31 December 2024	Reference
ASSETS			
Cash and due from banks	1,042,875	1,042,875	
Derivative financial instruments	3,330	3,330	
Loans and advances to customers	1,823,046	1,823,046	
Debt instruments at amortised cost	1,337,345	1,337,345	
Debt instruments at fair value through other comprehensive income	1,921,273	1,921,273	
Deferred tax assets	7,711	7,711	(4)
Tax recoverable	-	-	
Other assets	4,277	4,277	
Total assets	6,139,857	6,139,857	
LIABILITIES			
Deposits from customers	4,256,760	4,256,760	
Amount due to an intermediate holding company	59,365	59,365	
Derivative financial instruments	10,698	10,698	
Other liabilities	39,772	39,772	
Total liabilities	4,366,595	4,366,595	
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	1,000,000	1,000,000	(1)
Reserves	773,262	773,262	
<i>Of which: Retained earnings (including current period profit or loss)</i>		760,669	(2)
<i>Retained earnings earmarked as regulatory reserve eligible for inclusion in Tier 2 capital</i>		18,202	(3)
<i>Reserve for financial assets at fair value through other comprehensive income</i>		(5,609)	(3)
Total equity	1,773,262	1,773,262	
Total liabilities and equity	6,139,857	6,139,857	

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

4. COMPOSITION OF CAPITAL (continued)

(c) Main features of regulatory capital instruments

Ordinary Shares as at 31 December 2025 and 31 December 2024

1	Issuer	Bank of China International Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	0390704D HK Equity
3	Governing law(s) of the instrument	Hong Kong Law
	Regulatory treatment	
4	Transitional Basel III rules ¹	Common Equity Tier 1
5	Post-transitional Basel III rules ²	Common Equity Tier 1
6	Eligible at solo / group / solo and group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HKD1,000 million as at 31 December 2025 and 31 December 2024
9	Par value of instrument	N/A
10	Accounting classification	Share capital
11	Original date of issuance	a) 2 ordinary shares issued on 2 March 1979 b) 49,998 ordinary shares issued on 2 April 1979 c) 50,000 ordinary shares issued on 3 February 1989 d) 315,000 ordinary shares issued on 7 April 2009 e) 585,000 ordinary shares issued on 1 November 2011
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A

¹ Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR.

² Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

4. COMPOSITION OF CAPITAL (continued)

(c) Main features of regulatory capital instruments (continued)

Ordinary Shares as at 31 December 2025 and 31 December 2024 (continued)

	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating dividend amount
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	The ordinary shares shall, on the return of capital in a winding-up, entitle the shareholders thereof rights of participation in any surplus profits or assets of the Company after all obligations have been satisfied.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Information relating to the disclosure of the full terms and conditions of the capital instruments issued by the Company can be viewed on the website:

<http://www.bocigroup.com/PrivateBank/en/>

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

5. MACROPRUDENTIAL SUPERVISORY MEASURES

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

At 31 December 2025

	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		(%)	(HK\$'000)	(%)	(HK\$'000)
1	Hong Kong SAR	0.500%	512,437		
2	Sum		512,437		
3	Total		1,013,536	0.253%	5,582

At 31 December 2024

	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio	CCyB amount
		(%)	(HK\$'000)	(%)	(HK\$'000)
1	Hong Kong SAR	0.500%	357,666		
2	Sum		357,666		
3	Total		771,697	0.232%	5,799

The Basel III CCyB, which is built up during periods of excess credit growth to protect against future losses, was phased-in on 1 January 2016 in Hong Kong. The Company’s CCyB ratio as at 31 December 2025 was 0.253% (31 December 2024: 0.232%) as the majority of its private sector credit exposures are attributed to Hong Kong.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

6. LEVERAGE RATIO

(a) Summary comparison of accounting assets against leverage ratio exposure measure

		As at 31 December 2025	As at 31 December 2024
	Item	Value under the LR framework (HK\$'000 equivalent)	Value under the LR framework (HK\$'000 equivalent)
1	Total consolidated assets as per published financial statements	5,608,369	6,139,857
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	N/A	N/A
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	12,083	45,546
9	Adjustment for SFTs (i.e. repos and similar secured lending)	-	-
10	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	479,937	577,425
11	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from LR exposure measure	(35)	(104)
12	Other adjustments	5,857	19,362
13	Leverage ratio exposure measure	6,106,211	6,782,086

The movement of the leverage ratio exposure measure was mainly arising from asset size movement.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

6. LEVERAGE RATIO (continued)

(b) Leverage ratio

		HK\$'000 equivalent	
		As at 31 December 2025	As at 31 December 2024
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivative contracts and SFTs, but including related on-balance sheet collateral)	5,627,264	6,177,421
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	(35)	(104)
6	Less: Asset amounts deducted in determining Tier 1 capital	(13,038)	(18,202)
7	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	5,614,191	6,159,115
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)	3,284	4,626
9	Add-on amounts for PFE associated with all derivative contracts	8,799	40,920
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	12,083	45,546
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	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	4,799,374	5,774,247
20	Less: Adjustments for conversion to credit equivalent amounts	(4,319,437)	(5,196,822)
21	Less: Specific and collective provisions associated with off-balance sheet exposures that are deducted from Tier 1 capital	-	-
22	Off-balance sheet items	479,937	577,425
Capital and total exposures			
23	Tier 1 capital	1,792,913	1,747,348
24	Total exposures	6,106,211	6,782,086

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

6. LEVERAGE RATIO (continued)

(b) Leverage ratio

		HK\$'000 equivalent	
		As at 31 December 2025	As at 31 December 2024
Leverage ratio			
25 & 25a	Leverage ratio	29.36%	25.76%
26	Minimum leverage ratio requirement	3.00%	3.00%
27	Applicable leverage buffers	Not applicable	Not applicable
Disclosure of mean values			
28	Mean value of gross assets of SFTs, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
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)	6,106,211	6,782,086
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)	29.36%	25.76%

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

7. LIQUIDITY

(a) Governance of liquidity risk management

Please refer to note 3.3 to the Company's financial statements for details.

(b) Funding strategy

The funding strategy of the Company is to maintain ample and diverse funding capacity, liquid assets and other sources of cash to accommodate fluctuations in asset and liability levels to changes in the Company's business operations or unanticipated events.

The Company mainly relies on its client deposits and deposits made by other subsidiaries under BOC International Holdings Limited as major funding source. The Company also seeks to diversify its funding sources by establishing strong and lasting relationships with other financial institutions.

(c) Liquidity risk mitigation techniques

Please refer to note 3.3 to the Company's financial statements for details.

(d) Liquidity stress testing

Please refer to note 3.3 to the Company's financial statements for details.

(e) Contingency funding plan

As stated in the Liquidity Risk Management Guidelines ("Guidelines"), the Company's ability to withstand both temporary and longer-term liquidity disruptions depends on its ability to secure funding in a timely manner and at a reasonable cost. The Contingency Funding Plan ("CFP") section serves as the supplementary document to the Guidelines, which documents the key strategy, procedures, roles and responsibilities and other important matters for the Company to deal with emergency liquidity issues. The CFP is regularly updated by RMD, and is reviewed and approved by the RC and the Board.

(f) Liquidity risk measurement tools or metrics

Liquidity Maintenance Ratio (the "LMR")

LMR is measured according to the Banking (Liquidity) Rules and the Supervisory Policy Manual issued by HKMA to monitor the overall short term liquidity risk profile of the Company. Both regulatory limit which is set up by HKMA and internal limit which is set up within the Company are monitored.

Loan to Deposit Ratio

Loan to deposit ratio is measured to monitor the overall usage of the client loan against client deposit.

Wholesale Funding Dependency Ratio

Wholesale funding dependency ratio is measured to monitor the overall reliance of wholesale funding.

FX Swap to Client Deposit Ratio

FX swap to client deposit ratio is measured to monitor the overall reliance of funding from FX swap market.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

7. LIQUIDITY (continued)

(f) Liquidity risk measurement tools or metrics (continued)

Funding source concentration from intra-group companies

The funding source concentration from intra-group companies limit is measured to monitor the concentration of funding from intra-group companies.

Metrics	December 2025
Liquidity Maintenance Ratio ¹	100.93%
Loan to Deposit Ratio ²	36.10%
Wholesale Funding Dependency Ratio ²	0.00%
FX Swap to Client Deposit Ratio	
- Local currency swap ratio (HKD) ²	0.00%
- Foreign currency swap ratio (non-HKD) ²	2.96%
Funding source concentration from intra-group companies	19.86%

¹ average as submitted to the HKMA

² measured in monthly average

Maturity Mismatch Ratio

Maturity mismatch ratios for major currencies (including HKD, USD and CNY) are measured to monitor the 1-week and 1-month mismatch in asset and liability relative to the total liabilities.

As at 31 December 2025, the maturity mismatch ratio for major currencies are as followed:

Currency	Tenor - 1 week	Tenor - 1 month
HKD	13.92%	88.28%
USD	2.17%	3.88%
CNY	17.35%	-2.83%

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

7. LIQUIDITY (continued)

(f) Liquidity risk measurement tools or metrics (continued)

The Company's analysis of on- and off-balance sheet items by remaining maturity and the resultant liquidity gaps as of 31 December 2025 and 2024 is shown as follows:

In HK\$ thousands	Next day	2 to 7 days	8 days to 1 month	Between 1 to 3 months	Between 3 to 12 months	Over 1 year	Undated/ Indefinite/ Overdue	Total
31 December 2025								
Cash and due from banks	357,876	-	-	-	-	-	-	357,876
Loans and advances to customers	133,580	871,947	154,065	144,941	730	-	-	1,305,263
Debt instruments	3,936,638	-	-	-	-	-	-	3,936,638
Other assets	-	-	-	-	-	-	6,714	6,714
Total on-balance sheet assets	4,428,094	871,947	154,065	144,941	730	-	6,714	5,606,491
Deposits from customers	1,613,129	1,984,025	29,557	74,968	25,232	-	-	3,726,911
Other liabilities	34,980	-	7,242	1,254	26,285	921	35	70,717
Total on-balance sheet liabilities	1,648,109	1,984,025	36,799	76,222	51,517	921	35	3,797,628
Off-balance sheet claims	149,322	280,799	267,338	13,527	-	-	1,024,000	
Off-balance sheet obligations	148,584	407,841	268,012	13,063	-	-	-	
Maturity mismatch	2,780,723	(1,239,120)	116,592	69,183	(50,787)	(921)	1,030,679	
Cumulative maturity mismatch	2,780,723	1,541,603	1,658,195	1,727,378	3,394,092	1,675,670	2,706,349	

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

7. LIQUIDITY (continued)

(f) Liquidity risk measurement tools or metrics (continued)

In HK\$ thousands	Next day	2 to 7 days	8 days to 1 month	Between 1 to 3 months	Between 3 to 12 months	Over 1 year	Undated/ Indefinite/ Overdue	Total
31 December 2024								
Cash and due from banks	402,756	-	257,642	382,506	-	-	-	1,042,904
Loans and advances to customers	96,223	1,348,964	167,077	206,150	4,632	-	-	1,823,046
Debt instruments	3,218,298	38,777	-	-	-	-	-	3,257,075
Other assets	-	-	-	-	-	-	11,988	11,988
Total on-balance sheet assets	3,717,277	1,387,741	424,719	588,656	4,632	-	11,988	6,135,013
Deposits from customers	1,778,964	226,685	961,678	598,808	690,625	-	-	4,256,760
Other liabilities	59,365	3	8,290	1,553	29,259	667	104	99,241
Total on-balance sheet liabilities	1,838,329	226,688	969,968	600,361	719,884	667	104	4,356,001
Off-balance sheet claims	1,576,176	290,725	351,595	144,440	376,465	-	1,024,000	
Off-balance sheet obligations	1,576,376	359,230	353,371	151,122	377,840	-	-	
Maturity mismatch	1,878,748	1,092,548	(547,025)	(18,387)	(716,627)	(667)	1,035,884	
Cumulative maturity mismatch	1,878,748	2,971,296	2,424,271	2,405,884	1,689,257	1,688,590	2,724,474	

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK

(a) General information about credit risk

Overview

Credit risk is the risk of loss as a result of the borrower or the trading counterparty being unable or unwilling to perform its obligations in a transaction. Credit risk exists in the trading book and banking book, on-balance sheet and off-balance sheet of the Company. It arises from lending business, OTC trading business and treasury business.

The Company has established policies, guidelines and procedures to identify, measure, review, manage, monitor, control and report credit risk. All credit risk related policies have been approved by the Board and subject to ongoing review in order to be in line with the regulatory guideline and statutory requirement, business strategy and risk appetite.

Credit Risk Management

Credit risk management framework and a well-defined operating structure have been established to ensure proper governance, a high level of independence and integrity. Each party in the operating structure has respective roles and responsibilities with clear reporting line defined.

The Company has in place a firm-wide risk management framework with the related standards and procedures to effectively manage credit risk. The Company's credit risk policy is established and aims to document the credit risk identification, assessment, monitoring and control of the Company's lending and trading business. A credit risk limit framework, which comprises of credit risk limit structure and credit risk limit approval hierarchy, was established.

Under the risk framework, the credit limits and credit exposures to borrowers are well-defined and monitored regularly. Following the credit limit initial application or subsequent limit change request submission received from the business division based on the business needs and capital requirement framework, the RMD performs the independent risk assessment according to the credit approval procedures. Under the approval hierarchy, business endorsement/support and risk approvers approval must be obtained. The credit limits of clients are reviewed and approved on annual basis at minimum.

Furthermore, the RMD carries out regular risk reporting include credit risk exposures, limit usage and stress test to senior management, risk committees or the Board in order to control and monitor the credit risk.

Internal audit is appointed by the Board to constantly oversee the effectiveness of the credit risk management for the Company.

With an existence of different roles and responsibility with clear reporting structure, it provides assurance on the effectiveness of the Company's credit risk management framework.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(b) Credit quality of exposures

		As at 31 December 2025						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a) + (b) - (c)
In HK\$ thousands		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans	-	1,305,263	-	-	-	-	1,305,263
2	Debt securities	-	3,936,204	34	-	34	-	3,936,170
3	Off-balance sheet exposures	-	4,799,374	-	-	-	-	4,799,374
4	Total	-	10,040,841	34	-	34	-	10,040,807

		As at 31 December 2024						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a) + (b) - (c)
In HK\$ thousands		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans	-	1,823,046	-	-	-	-	1,823,046
2	Debt securities	-	3,258,693	75	-	75	-	3,258,618
3	Off-balance sheet exposures	-	5,774,247	-	-	-	-	5,774,247
4	Total	-	10,855,986	75	-	75	-	10,855,911

Defaulted exposures refer to unsecured portions of claims past due for more than 90 days or repayment of fully secured principal and accrued interests being overdue for more than 12 months.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(c) Changes in defaulted loans and debt securities

(In HK\$ thousands)		Amount
1	Defaulted loans and debt securities at end of the previous reporting period (31 December 2024)	-
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	-
6	Defaulted loans and debt securities at end of the current reporting period (31 December 2025)	-

(In HK\$ thousands)		Amount
1	Defaulted loans and debt securities at end of the previous reporting period (31 December 2023)	1,276
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-defaulted status	-
4	Amounts written off	(1,271)
5	Other changes	(5)
6	Defaulted loans and debt securities at end of the current reporting period (31 December 2024)	-

(d) Additional disclosure related to credit quality of exposures

Under the HKMA regulatory regime, loans and advances are to be classified into five categories: Pass, Special Mention, Substandard, Doubtful and Loss.

An account is considered past due when a contractually agreed payment is not received on a date mutually agreed between the borrower and the lender.

The Company assesses at each balance sheet date whether there is any objective evidence that a loan or group of loans is impaired. A loan or a group of loans is impaired and impairment losses are incurred if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and the loss event has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(d) Additional disclosure related to credit quality of exposures (continued)

The credit quality of exposures can be analysed as follows:

Geographical breakdown of exposures

In HK\$ thousands	As at 31 December 2025	As at 31 December 2024
Hong Kong SAR	2,441,139	3,244,322
Korea	780,768	-
Mainland China	554,774	713,508
Singapore	305,180	18,598
Others	1,520,880	2,152,388
Total credit exposures	5,602,741	6,128,816

Concentration of exposures by industry

In HK\$ thousands	As at 31 December 2025	As at 31 December 2024
Banks	2,687,071	2,964,148
Official sector	1,606,975	1,337,345
Non-bank private sector		
- Investment companies	135,599	151,507
- Individuals	1,169,664	1,671,539
- Others	3,432	4,277
Total credit exposures	5,602,741	6,128,816

Exposures by residual maturity

In HK\$ thousands	As at 31 December 2025	As at 31 December 2024
Up to 1 month	2,894,468	3,138,437
Between 1-3 months	1,301,978	1,352,027
Between 3-12 months	1,402,863	1,634,075
Undated/ Indefinite	3,432	4,277
Total credit exposures	5,602,741	6,128,816

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(d) Additional disclosure related to credit quality of exposures (continued)

Impaired exposures and related allowances can be analysed as follows:

Geographical breakdown of impaired exposures and related allowances

In HK\$ thousands	As at 31 December 2025	As at 31 December 2024
Hong Kong SAR	-	-
Gross impaired exposures	-	-
Less: individual impairment allowance	-	-
Net exposures	-	-

Impaired exposures and related allowances by industry

In HK\$ thousands	As at 31 December 2025	As at 31 December 2024
Individual	-	-
Gross impaired exposures	-	-
Less: individual impairment allowance	-	-
Net exposures	-	-

Please refer to note 3.2.1 to the financial statements for the aging analysis of the past due exposures.

Rescheduled loans and 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.

Please refer to supplementary financial information note 16(iv) to the financial statements for details of rescheduled exposures.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(e) Qualitative disclosures related to credit risk mitigation

The credit risk management and control are generally centralised in the RMD. The Company applies prudent assessments of eligibility and quality of collateral. Marketable securities are marked-to-market in accordance with the frequency detailed in the relevant policy and guideline. Established framework and policies are in place for close monitoring. For regulatory capital calculation, only recognised collateral stipulated by the Banking (Capital) Rules are considered as recognised credit risk mitigations and the Company follows the Banking (Capital) Rules when assessing the eligibility. Recognised collateral include financial instruments such as cash deposits. The exposure amount after mitigation is determined by applying the standard supervisory haircut required under the Banking (Capital) Rules as an adjustment to the current market value of the recognised collateral. Information about both credit and market risk concentrations within the credit risk mitigation are stated in note 3.2.5 of the Company's financial statements. On-balance and off-balance sheet recognised netting is not adopted by the Company.

(f) Overview of recognised credit risk mitigation

		As at 31 December 2025				
(In HK\$ thousands)		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	Exposures secured by recognised credit derivative contracts
1	Loans	512,771	792,492	612,332	-	-
2	Debt securities	3,936,170	-	-	-	-
3	Total	4,448,941	792,492	612,332	-	-
4	Of which defaulted	-	-	-	-	-

		As at 31 December 2024				
(In HK\$ thousands)		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	Exposures secured by recognised credit derivative contracts
1	Loans	595,912	1,227,134	1,037,233	-	-
2	Debt securities	3,258,618	-	-	-	-
3	Total	3,854,530	1,227,134	1,037,233	-	-
4	Of which defaulted	-	-	-	-	-

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(g) Qualitative disclosures on use of ECAI ratings under STC approach

Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings are the External Credit Assessment Institutions ("ECAIs") that the Company has used in relation to the credit risk exposures under the following exposure classes:

- Sovereign exposures;
- Bank exposures;
- Securities firm exposures; and
- Corporate exposures.

The process it used to map ECAI issuer ratings or ECAI issue specific ratings to exposures booked in its banking book is a process as prescribed in Part 4 of the Banking (Capital) Rules.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(h) Credit risk exposures and effects of recognised credit risk mitigation – for STC approach

Exposure classes	As at 31 December 2025							
	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density		RWA	RWA density
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount				
1 Sovereign exposures	1,400,742	-	1,400,742	-	-	-	0%	
2 Public sector entity exposures	206,267	-	206,267	-	-	41,253	20%	
3 Multilateral development bank exposures	-	-	-	-	-	-	-	
3a Unspecified multilateral body exposures	-	-	-	-	-	-	-	
4 Bank exposures	2,687,071	275,957	2,687,071	5,012	748,149	-	28%	
4a Qualifying non-bank financial institution exposures	-	-	-	-	-	-	-	
5 Eligible covered bond exposures	-	-	-	-	-	-	-	
6 General corporate exposures	135,599	882,998	110,577	30,701	138,129	-	98%	
6a Of which: non-bank financial institution exposures excluding those reported under row 4a	-	-	-	-	-	-	-	
6b Specialized lending	-	-	-	-	-	-	-	
7 Equity exposures	-	-	-	-	-	-	-	
7a Significant capital investments in commercial entities	-	-	-	-	-	-	-	
7b Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities	-	-	-	-	-	-	-	
7c Subordinated debts issued by banks, qualifying non-bank financial institutions and corporates	-	-	-	-	-	-	-	
8 Retail exposures	1,169,664	4,351,404	582,355	317,441	871,975	-	97%	
8a Exposures arising from IPO financing	-	-	-	-	-	-	-	
9 Real estate exposures	-	-	-	-	-	-	-	

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(h) Credit risk exposures and effects of recognised credit risk mitigation – for STC approach

		As at 31 December 2025					
(In HK\$ thousands)		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
9a	Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-
9b	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-
9c	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-
9d	Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-
9e	Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-
9f	Of which: other real estate exposures (materially dependent on cash flows generated by mortgaged properties)	-	-	-	-	-	-
9g	Of which: land acquisition, development and construction exposures	-	-	-	-	-	-
10	Defaulted exposures	-	-	-	-	-	-
11	Other exposures	3,432	-	-	-	-	-
11a	Cash and gold	-	-	3,432	-	3,432	100%
11b	Items in the process of clearing or settlement	-	-	-	-	-	-
12	Total	5,602,775	5,510,360	4,990,444	353,154	1,802,937	34%

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(h) Credit risk exposures and effects of recognised credit risk mitigation – for STC approach (continued)

	As at 31 December 2024					
	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Sovereign exposures	938,708	-	938,708	-	-	-
2 PSE exposures	398,712	-	398,712	-	79,742	20%
2a Of which: domestic PSEs	398,712	-	398,712	-	79,742	20%
2b Of which: foreign PSEs	-	-	-	-	-	-
3 Multilateral development bank exposures	-	-	-	-	-	-
4 Bank exposures	2,964,177	610,987	2,964,177	11,057	1,171,429	39%
5 Securities firm exposures	-	-	-	-	-	-
6 Corporate exposures	145,637	3,164,824	105,545	29,728	135,273	100%
7 CIS exposures	-	-	-	-	-	-
8 Cash items	-	-	-	-	-	-
9 Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-
10 Regulatory retail exposures	177,618	916,506	48,906	-	36,679	75%
11 Residential mortgage loans	61,101	32,295	61,101	-	25,207	41%
12 Other exposures which are not past due exposures	1,442,967	3,792,145	574,538	-	574,538	100%
13 Past due exposures	-	-	-	-	-	-
14 Significant exposures to commercial entities	-	-	-	-	-	-
15 Total	6,128,920	8,516,757	5,091,687	40,785	2,022,868	39%

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(i) Credit risk exposures by asset classes and by risk weights – for STC approach

1	(HK\$'000)	0%		20%		50%		100%		150%	Other	Total credit exposure amount (post-CCF and post-CRM)		
	Sovereign exposures		1,400,742	-	-	-	-	-	-	-	-	1,400,742		
2	(HK\$'000)	0%		20%		50%		100%		150%	Other	Total credit exposure amount (post-CCF and post-CRM)		
	Public sector entity exposures		-	206,267	-	-	-	-	-	-	-	206,267		
3	(HK\$'000)	0%	20%		30%		50%		100%		Other	Total credit exposure amount (post-CCF and post-CRM)		
	Multilateral development bank exposures		-	-	-	-	-	-	-	-	-	-		
3a	(HK\$'000)	20%		30%		50%		100%		150%	Other	Total credit exposure amount (post-CCF and post-CRM)		
	Unspecified multilateral body exposures		-	-	-	-	-	-	-	-	-	-		
4	(HK\$'000)	20%		30%		40%		50%		75%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
	Bank exposures		590,692	2,096,379	-	-	-	-	-	-	-	-	-	2,687,071

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(i) Credit risk exposures by asset classes and by risk weights – for STC approach (continued)

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

	(HK\$'000)	10%	15%	20%	25%	35%	50%	100%	Other	Total credit exposure amount (post-CCF and post-CRM)
5	Eligible covered bond exposures	-	-	-	-	-	-	-	-	-

	(HK\$'000)	20%	30%	50%	65%	75%	85%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
6	General corporate exposures	-	-	-	-	-	-	110,577	-	-	110,577
6a	Of which: non-bank financial institution exposures excluding those reported under row 4a	-	-	-	-	-	-	-	-	-	-

	(HK\$'000)	20%	50%	75%	80%	100%	130%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
6b	Specialized lending	-	-	-	-	-	-	-	-	-

	(HK\$'000)	100%	250%	400%	Other	Total credit exposure amount (post-CCF and post-CRM)
7	Equity exposures	-	-	-	-	-

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(i) Credit risk exposures by asset classes and by risk weights – for STC approach (continued)

7a	(HK\$'000) Significant capital investments in commercial entities	250%	400%	1250%	Other	Total credit exposure amount (post-CCF and post-CRM)	-
7b	(HK\$'000) Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities	150%	250%	400%	Other	Total credit exposure amount (post-CCF and post-CRM)	-
7c	(HK\$'000) Subordinated debts issued by banks, qualifying non-bank financial institutions and corporates	150%		Other		Total credit exposure amount (post-CCF and post-CRM)	-
8	(HK\$'000) Retail exposures	45%	75%	100%	Other	Total credit exposure amount (post CCF and post-CRM)	582,355
8a	(HK\$'000) Exposures arising from IPO financing	0%		Other		Total credit exposure amount (post-CCF and post-CRM)	-

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(i) Credit risk exposures by asset classes and by risk weights – for STC approach (continued)

	0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)	
(HK\$'000)																					
9 Real estate exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9a Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)																					
9b Of which: no loan splitting applied																					
9c Of which: loan splitting applied (secured)																					
9d Of which: loan splitting applied (unsecured)																					

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(i) Credit risk exposures by asset classes and by risk weights – for STC approach (continued)

	(HK\$'000)	0 %	20 %	25 %	30 %	35 %	40 %	45 %	50 %	60 %	65 %	70 %	75 %	85 %	90 %	100 %	105 %	110 %	150 %	Other	Total credit exposure amount (post-CCF and post-CRM)	
9e	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)				-	-																
9f	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)				-	-																
9g	Of which: no loan splitting applied				-	-																
9h	Of which: loan splitting applied (secured)																					
9i	Of which: loan splitting applied (unsecured)																					

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(i) Credit risk exposures by asset classes and by risk weights – for STC approach (continued)

	(HK\$'000)	0 %	20 %	25 %	30 %	35 %	40 %	45 %	50 %	60 %	65 %	70 %	75 %	85 %	90 %	100 %	105 %	110 %	150 %	Other	Total credit exposure amount (post-CCF and post-CRM)		
9j	Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties)											-										-	
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)																						

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(i) Credit risk exposures by asset classes and by risk weights – for STC approach (continued)

11a	(HK\$'000)	0%		100%	Other	Total credit exposure amount (post-CCF and post-CRM)
	Cash and gold		-	-		-
11b	(HK\$'000)	0%		20%	Other	Total credit exposure amount (post-CCF and post-CRM)
	Items in the process of clearing or settlement		-	-		-

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(i) Credit risk exposures by asset classes and by risk weights – for STC approach (continued)

	Risk Weight [#]	(a)		(b)		(c)		(d)	
		On-balance exposure (HK\$'000)	sheet	Off-balance exposure (pre-CCF) (HK\$'000)	sheet	Weighted CCF*	average	Exposure (post-CCF and post-CRM) (HK\$'000)	
1	Less than 40%	4,294,080		275,957		0%		4,299,092	
2	40-70%	-		435,028		0%		6,299	
3	75%	49,632		828,566		10%		111,286	
4	85%	-		-		-		-	
5	90-100%	646,732		3,970,808		10%		926,921	
6	105-130%	-		-		-		-	
7	150%	-		-		-		-	
8	250%	-		-		-		-	
9	400%	-		-		-		-	
10	1,250%	-		-		-		-	
11	Total exposures	4,990,444		5,510,359		9%		5,343,598	

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

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

8. CREDIT RISK (continued)

(i) Credit risk exposures by asset classes and by risk weights – for STC approach (continued)

		As at 31 December 2024											Total credit risk exposures amount (post CCF and post CRM)
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others		
	Risk Weight	(In HK\$ thousands)											
	Exposure class												
1	Sovereign exposures	938,708	-	-	-	-	-	-	-	-	-	-	938,708
2	PSE exposures	-	-	398,712	-	-	-	-	-	-	-	-	398,712
2a	Of which: domestic PSEs	-	-	398,712	-	-	-	-	-	-	-	-	398,712
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	1,042,904	-	1,921,273	-	-	-	-	-	-	2,964,177
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	105,545	-	-	-	-	105,545
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	-	-	-	-	-	-	-	-	-	-	-	-
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	48,906	-	-	-	-	-	48,906
11	Residential mortgage loans	-	-	-	55,221	-	-	5,880	-	-	-	-	61,101
12	Other exposures which are not past due exposures	-	-	-	-	-	-	574,538	-	-	-	-	574,538
13	Past due exposures	-	-	-	-	-	-	-	-	-	-	-	-
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-	-
15	Total	938,708	-	1,441,616	55,221	1,921,273	48,906	685,963	-	-	-	-	5,091,687

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

9. COUNTERPARTY CREDIT RISK (“CCR”)

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

Counterparty credit risk comprises pre-settlement risk and settlement risk arising from derivative or securities financing transactions. The pre-settlement risk is the risk of loss due to counterparty defaults or counterparty credit deterioration before the settlement date. Settlement risk is the risk of failed settlement that the counterparty fails to deliver the terms on a contract at the settlement date.

The Company has in place risk management framework with the related standards and procedures to effectively manage the counterparty credit risk. The standard “Credit Risk Management Guideline for Treasury and Product Marketing” (“CCR Guideline”) is established and aims to document the credit risk identification, assessment, monitoring and control of the Company’s trading, Product Marketing Team and Treasury Department activities with external and intragroup counterparties. The CCR Guideline is formulated with consideration of regulatory requirements and rules and approved by the RC and the Board.

Under the risk management framework, the credit limits and credit exposures to counterparties are defined and monitored regularly. The counterparty credit risk exposures are measured under Standardized Approach of Counterparty Credit Risk (SA-CCR) method and peak settlement approach according to different types of risk and presented in both individual counterparty level and group of related counterparty level. A formal credit limit setting and approval procedure is set forth to govern the counterparty credit risk. Following the credit limit initial application or subsequent limit change request submission received from the business division based on the business needs and capital requirement framework, RMD performs independent risk assessment according to the credit approval procedures. Under the approval hierarchy, business endorsement/support and risk approvers must be obtained. The credit limits of counterparties are reviewed and approved at least on an annual basis.

Furthermore, the RMD carries out regular risk reporting include credit risk exposures, limit usage and stress test to senior management, risk committees or the Board in order to control and monitor the counterparty credit risk.

The Company’s risk management framework defines the collateral requirements to mitigate the counterparty risk. In principle, ISDA master agreement must be executed in advance for over-the-counter (“OTC”) derivatives trading, with effective close-out netting enforceability.

General wrong-way risk arises when the probability of default of counterparties is positively correlated with general market risk factors. Specific wrong-way risk arises when the exposure to counterparty is positively correlated with the probability of default of the counterparty due to the nature of the transaction with the counterparty. The Company sets up the controls in various areas including the collateral requirements and stress testing to manage and assess the potential impact of the risk.

While the Company has no credit rating, in the event of credit downgrade by its parent company (say, 3-notch downgrade), the impact on the Company’s collateral obligations under derivative contracts is minimal.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

9. COUNTERPARTY CREDIT RISK (“CCR”) (continued)

(b) Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

(In HK\$ thousands)		As at 31 December 2025					
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR approach (for derivative contracts)	2,346	5,733		1.4	11,311	4,246
1a	CEM (for derivative contracts)	-	-		1.4	-	-
2	IMM (CCR) approach				N/A	-	-
3	Simple approach (for SFTs)					-	-
4	Comprehensive approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						4,246

(In HK\$ thousands)		As at 31 December 2024					
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)	3,304	25,828		1.4	40,785	31,939
1a	CEM	-	-		N/A	-	-
2	IMM (CCR) approach			-	N/A	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						31,939

The SA-CCR method is used for calculating default risk exposures of derivative contracts.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

9. COUNTERPARTY CREDIT RISK (“CCR”) (continued)

(c) Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach

		As at 31 December 2025											
(In HK\$ thousands)		(a)	(b)	(c)	(ca)	(cb)	(d)	(e)	(ea)	(f)	(g)	(h)	(i)
Exposure class		0%	10%	20%	30%	40%	50%	75%	85%	100%	150%	Others	Total default risk exposure after CRM
Risk Weight													
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-	-
2	Public sector entity exposures	-	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-	-
4	Unspecified multilateral body exposures	-	-	-	-	-	-	-	-	-	-	-	-
5	Bank exposures	-	-	4,069	943	-	-	-	-	-	-	-	5,012
6	Qualifying non-bank financial institution exposures	-	-	-	-	-	-	-	-	-	-	-	-
7	General corporate exposures	-	-	-	-	-	6,299	-	-	-	-	-	6,299
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-	-
9	Defaulted exposures	-	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures	-	-	-	-	-	-	-	-	-	-	-	-
11	Total	-	-	4,069	943	-	6,299	-	-	-	-	-	11,311

The movement of the total default risk exposure after CRM was mainly arisen from forwards and swaps contracts for funding and risk management purposes.

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

9. COUNTERPARTY CREDIT RISK (“CCR”) (continued)

(c) Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach (continued)

Exposure class		As at 31 December 2024										Total default risk exposure after CRM				
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others					
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	11,057	-	-	-	-	-	-	-	-	-	-	-	11,057
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	-	-	29,728	-	-	-	-	-	29,728
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Total	-	-	11,057	-	-	-	-	-	29,728	-	-	-	-	-	40,785

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

9. COUNTERPARTY CREDIT RISK (“CCR”) (continued)

(d) Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

(In HK\$ thousands)	As at 31 December 2025					
	Derivative contracts				SFTs	
	Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	-	-	-	-	-
Total	-	-	-	-	-	-

(In HK\$ thousands)	As at 31 December 2024					
	Derivative contracts				SFTs	
	Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	-	-	-	-	-
Total	-	-	-	-	-	-

(e) Credit-related derivatives contracts

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

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

9. COUNTERPARTY CREDIT RISK (“CCR”) (continued)

(f) Exposures to CCPs

		(a)	(b)
		Exposure after CRM	RWA
1	Exposures of the AI as clearing member or clearing client³ to qualifying CCPs (total)	-	-
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	-	-
3	(i) OTC derivative transactions	-	-
4	(ii) Exchange-traded derivative contracts	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets subject to valid cross-product netting agreements	-	-
7	Segregated initial margin	-	-
8	Unsegregated initial margin	-	-
9	Funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)	-	-
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13	(i) OTC derivative transactions	-	-
14	(ii) Exchange-traded derivative contracts	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets subject to valid cross-product netting agreements	-	-
17	Segregated initial margin	-	-
18	Unsegregated initial margin	-	-
19	Funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

³ “Clearing client” here may mean a direct client, or an indirect client within a multi-level client structure, as applicable. These terms have the meaning given by the BCR.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

10. CREDIT VALUATION ADJUSTMENT RISK

Qualitative disclosures related to CVA risk

Credit Valuation Adjustment (CVA) risk refers to the potential loss resulting from fluctuations in credit spreads of counterparties, which impact the market value of Over-the-Counter (OTC) derivatives. Unlike default risk, which focuses on the actual insolvency of a counterparty, CVA risk reflects the market's evolving perception of a counterparty's creditworthiness while still solvent.

To manage CVA risk effectively, the Company employs the same risk management principles utilized for counterparty credit risk. RMD conducts regular credit assessment of OTC counterparties and continuously monitors their credit profiles. Additionally, to mitigate CVA risk further, the Company primarily engages in OTC derivatives transactions with intragroup and affiliate entities, thereby reducing exposures to external counterparties.

In accordance with Banking (Capital) Rules, the Company has opted to set its RWA for CVA risk at 100% of its RWA for counterparty credit risk exposures.

11. MARKET RISK

(a) **Qualitative disclosures related to market risk**

The Company has formulated market risk management policy to identify, measure, control and report the market risk exposures and information. The Company has also defined its market risk appetite in accordance with the Company's business strategies and objectives. Please refer to note 3.1 "Market Risk" to the financial statement for details.

The Company has established risk governance management framework to manage market risk. Please refer to the "Risk Governance Structure" section in note 3 to the financial statements for details.

For measuring and monitoring market risk, the analysis is carried out on different dimensions (e.g. by risk factors, by currencies and by tenors) and results in the potential loss or sensitivity impact. The market risk limits are set with reference to the risk appetite, business model and usage. To facilitate the measurement and analysis of market risk, multiple systems such as the Company's treasury system and market risk system are employed. For the reporting of market risk, it is compiled and monitored on a daily basis. Besides, management reports are compiled and reported for different level of governance on a regular basis.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

11. MARKET RISK (continued)

(b) Market risk under STM approach

		As at 31 December 2025
		Market risk capital charges under STM approach (HK\$'000)
1	General interest rate risk	-
2	Equity risk	-
3	Commodity risk	-
4	Foreign exchange risk	73,900
5	Credit spread risk (non-securitization)	-
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)	-
9	SA-DRC (securitization: non-CTP)	-
10	SA-DRC (securitization: CTP)	-
11	Residual risk add-on	-
12	Total	73,900

12. INTEREST RATE RISK IN BANKING BOOK

(a) Interest rate risk in banking book – risk management objectives and policies

Interest Rate Risk in the Banking book (“IRRBB”) refers to the risk to the Company’s overall earnings and economic value due to adverse movements in interest rates or changes to the balance sheet structure. IRRBB arises from the Company’s core business activities, such as providing loans and taking deposits, or treasury business that have differing repricing maturities and interest rates, which expose the Company’s capital and earnings to risk when there are changes in the interest rate environment.

Governance structure and management policies

The Company has set up the Interest Rate Risk in the Banking Book Management Policy (the “IRRBB Policy”) to effectively manage its IRRBB by establishing and implementing a conceptually sound management system according to the risk appetite as set out by the Board. The Policy is established in accordance with the Supervisory Policy Manual on Interest Rate Risk in the Banking Book (“IR-1”) issued by the HKMA.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

12. INTEREST RATE RISK IN BANKING BOOK (continued)

(a) Interest rate risk in banking book – risk management objectives and policies (continued)

Governance structure and management policies (continued)

The Policy is approved by the Board at least on an annual basis. The ALCO, authorised by EC, is the governing body responsible for the implementation of risk management process to facilitate the identification, assessment, measurement, monitoring, reporting and controlling on interest rate risk in a comprehensive and consistent manner. Various limits and Management Alert Trigger (“MAT”) levels are set to control and monitor the Interest Rates risk. The measurement of IRRBB outcomes are based on the earnings-based measures and economic value measures. For earnings-based measures, the focus for analysis is the impact of changes in interest rates on future accrued or reported earnings. The change in Net Interest Income (“ Δ NII”), therefore the change of the difference between total interest income and total interest expense directly link to changes in interest rates.

For economic value measures, the focus on measuring the level of change to the net present value of the relevant balance sheet items, based on existing or adjusted cash flows that are revalued in line with the interest rate shock and stress scenarios. The change in the valuation is a measure of the level of IRRBB, and can be compared with the current value of equity to determine the change to the economic value of equity (“EVE”).

Overall IRRBB and mitigation strategies

The overview of risk management is described under supplementary note 2 (a) of the Company’s financial statements. For the role and practices of the ALCO, please refer to supplementary note 20 (g) of the Company’s financial statements.

For the nature of the risk, please refer to note 3.1.1 of the Company’s financial statements for details.

RMD is responsible for monitoring of change in EVE and net interest income (“NII”) and the compliance against the approved IRRBB limits by the RC and the Board, on a monthly basis. Risk limits and MAT are established for ongoing monitoring of impact to change in EVE and NII resulting from future interest rate movement.

Stress testing analysis on IRRBB is conducted on a monthly basis to measure the vulnerability to loss arising from interest rate movement, in order to analyze the potential impact to the capital positions. The Company considers the stress results when establishing and reviewing the IRRBB Policy and risk limits. Currently, the Company adopts the six standardised interest rate shock scenarios and two parallel shock scenarios set out in IR-1 to estimate changes in economic value and earnings respectively.

RMD regularly reviews and updates these risk limits with regards to the business and market conditions.

Furthermore, RMD carries out periodic risk reporting include interest rate risk, limit usage and stress test to senior management, risk committees or the Board in order to control and monitor the interest rate risk.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

12. INTEREST RATE RISK IN BANKING BOOK (continued)

(a) Interest rate risk in banking book – risk management objectives and policies (continued)

Overall IRRBB and mitigation strategies (continued)

The Company adopts a prudent measure to monitor, control and manage the interest rate risk in the banking book within the Company's risk appetite and internal limits. Whenever necessary and for the sake of reducing the interest rate risk exposure, the Company may re-balance the asset liability mix to reduce the IRRBB exposure to an acceptable level.

Hedge accounting treatment under Hong Kong Financial Reporting Standard would be considered to apply to avoid fluctuation of profit and loss arising from mark-to-market of the hedging derivatives. The Company did not apply hedge accounting during the year ended 31 December 2025 and 2024.

Key modeling and parametric assumptions in measuring the changes in EVE and NII disclosed in (b)

1. Treatment of commercial margin and other spread components used in the measurement of the changes in EVE

In computing the impact on EVE, the cash flows including commercial margins and spread components are discounted with a risk-free rate curve composite of interbank offering rates and swap rate on currency-basis.

2. Methodology used to estimate the early withdrawal rates for time deposits

The early withdrawal rate modelling on term deposits has been used to forecast early redemption rates on retail fixed rate term deposits. The methodology used to determine withdrawal rates of the term deposits undergoes a model fitting process between various parametric time series models and mean model.

3. Other assumptions

- a. Interbank borrowing and lending are not considered as having embedded early termination option. Based on the market practice, early termination of loans and deposits are not allowed.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

12. INTEREST RATE RISK IN BANKING BOOK (continued)

(a) Interest rate risk in banking book – risk management objectives and policies (continued)

Key modeling and parametric assumptions in measuring the changes in EVE and NII disclosed in (b) (continued)

4. Methods of aggregation across currencies and any significant interest rate correlations between different currencies

The method of aggregation for impact on EVE follows the exact formula provided by HKMA which only positive impact on EVE are taken during aggregation. While for impact on NII, the exposures are directly netted over currencies.

The Company does not offer any non-maturity deposits.

Other than the key assumptions detailed above, no other assumptions have been made in deriving the changes in EVE and NII disclosed in (b) below.

(b) Interest rate risk exposures in banking book

The following table displays the changes in economic value of equity and net interest income under each of the prescribed interest rate shock scenarios in respect of the Company's interest rate risk exposures arising from the banking book positions as at 31 December 2025 and 2024.

(In HK\$ million)		(a)	(b)	(c)	(d)
		Δ EVE		Δ NII	
	Period	As of 31 December 2025	As of 31 December 2024	As of 31 December 2025	As of 31 December 2024
1	Parallel up	17	17	(24)	(18)
2	Parallel down	-	-	24	18
3	Steeper	-	-		
4	Flattener	17	15		
5	Short rate up	22	21		
6	Short rate down	-	-		
7	Maximum	22	21	24	18
	Period	As of 31 December 2025		As of 31 December 2024	
8	Tier 1 capital	1,793		1,764	

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

13. OPERATIONAL RISK

(a) General information on operational risk framework

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and system, or from external events. The risk is inherent in all banking products, activities, processes and systems and confronted by the Company in its day-to-day operational activities.

The Company has adopted a "Three Lines of Defense" model for managing operational risk. The first line of defense consists of all departments, which are primarily responsible for operational risk management. They engage in self-assessment, self-checking, self-correction, and self-development during business operations.

The Risk Management Department (RMD), together with specialized functional units in relation to operational risk management e.g. the Compliance Department, AML Compliance Department,— are the second line of defense. These units are responsible for assessing and monitoring the operational risk environment of the first line of defense while providing essential support.

As an independent department, RMD aids management in overseeing the Company's operational risk by developing and reviewing the operational risk management policy, designing risk management tools, and reporting the overall operational risk profile to both management and the Risk Committee (RC) delegated by the Board of Directors. Specialist functional units also perform their leading managerial duties in the second line of defense, addressing specific operational risks and related issues. They not only manage operational risk within their units but also provide professional advice and training to other units while leading the bank-wide operational risk management process.

The Internal Audit Department serves as the third line of defense, delivering an independent assessment of the operational risk management framework's effectiveness and compliance. They conduct risk-based reviews of various departments' activities regarding operational risk management and offer recommendations for improvement.

The Company has established a robust operational risk reporting framework. Key operational risks and their mitigation measures are regularly reported to senior management and the Board of Directors. This includes updates on significant new operational risks arising from, material incidents and losses, pertinent external events and regulatory changes, operational risk limit monitoring, exception reporting, and an annual review of the insurance program.

An effective internal control process is in place at the Company, requiring the establishment of policies and control procedures for all key activities. The fundamental principle of proper segregation of duties and authorisation is strictly followed. Various operational risk management tools and methodologies, such as key operational risk indicators, operational risk assessments, and event management, are employed to identify, assess, monitor, and control risks associated with business activities and products. Additionally, insurance may be purchased as needed to mitigate unmanageable operational risks.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

13. OPERATIONAL RISK (continued)

(a) General information on operational risk framework (continued)

Every new product or service initiative and outsourcing arrangement undergoes a risk assessment and governance process, whereby the business unit initially identifies and assesses risks, followed by a review by the relevant second line of defense in accordance with risk-based principles. Changes to existing products, services, and outsourcing arrangements are subject to a similar review process. Business continuity plans are established to ensure operational resilience in emergencies or disasters, with sufficient backup facilities maintained and periodic drills conducted.

(b) Business indicator and business indicator components breakdown

The following table shows the BI and its components which are used in the calculation of the operational risk capital requirement as at 31 December 2025.

(In HK\$ thousands)		(a)	(b)	(c)
	BI and its subcomponents	2025	2024	2023
1	Interest, leases and dividend component	117,887		
1a	Interest and leases income	208,616	271,307	265,649
1b	Interest and leases expenses	105,736	148,448	137,727
1c	Interest earning assets	5,295,266	5,267,216	5,659,771
1d	Dividend income	-	-	-
2	Services component	93,957		
2a	Fee and commission income	102,728	93,710	85,434
2b	Fee and commission expenses	118	156	161
2c	Other operating income	-	-	-
2d	Other operating expenses	-	-	-
3	Financial component	6,846		
3a	Net P&L on trading book	3,463	5,061	1,141
3b	Net P&L on banking book	5,035	(3,266)	2,571
4	BI	218,690		
5	Business indicator component (BIC)	26,243		

(c) Minimum operational risk capital requirement

The following table shows the operational risk regulatory capital requirements as at 31 December 2025.

(In HK\$ thousands)		(a)
1	Business indicator component (BIC)	26,243
2	Internal loss multiplier (ILM)	1
3	Minimum operational risk capital requirement	26,243
4	Total RWA for operational risk	328,038

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

14. ASSET ENCUMBRANCE

The following table provides the carrying amounts of encumbered and unencumbered assets on the balance sheet under regulatory scope of consolidation:

(In HK\$ thousands)	Encumbered assets	Unencumbered assets	Total
Cash and due from banks	-	357,876	357,876
Derivatives financial instruments	-	2,346	2,346
Loans and advances to customers	-	1,305,263	1,305,263
Debt instruments	-	3,936,170	3,936,170
Deferred tax assets	-	3,282	3,282
Other assets	-	3,432	3,432

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

15. REMUNERATION

(a) Remuneration policy

The Company adopts the remuneration practices following the remuneration principles of BOC International Holdings Limited (“BOCI Group”) and establishes its own remuneration policy to provide general guidance on the governance and control arrangements for and operations of, the remuneration system of its employees. The remuneration matters have been disclosed according to the guideline in Part 3 of the Supervisory Policy Manual module CG5, namely “Guideline on a Sound Remuneration System” issued by the HKMA.

The objective of the remuneration system is to define a reward framework that can attract, retain, and motivate employees, and create incentives for delivering sustainable performance.

The Company may appoint external consultant to provide advice on market practice and to make improvement on governance and remuneration policy. In 2025, the Company has not requested to seek advice from external consultant on matters relating to remuneration.

(i) Governance

The Nomination and Remuneration Committee (the “NRC”) assists the Board in identifying and nominating candidates as directors and senior management of the Company for appointment and approval of the Board as well as in its overseeing the formulation and implementation of the Company’s remuneration policy. NRC involves in the process of design and implementation of nomination and remuneration policy and plays a continuing role in the operation of the nomination and remuneration system:

- To establish and review the Selection, Appointment and Succession Policy of the Board of Directors;
- To establish the annual self-evaluation mechanism for the Board and its sub committees;
- To establish and review the Succession Policy for Key Positions to provide continuity in leadership and avoid extended vacancies in key positions;
- To ensure to have an orderly selection, appointment and succession on the Director and Key Position as set out in the policies;
- To undertake regular assessments of the effectiveness of the Board and its sub committees as well as the contribution made by each individual director to the effectiveness of the Board;
- To establish remuneration strategies, plans and policies;
- To review and supervise the execution of remuneration policy to ensure that it is consistent with the regulatory guideline and any other legal or regulatory requirements;
- To establish a professional and effective incentive scheme and control mechanism; and
- To improve, enhance and ensure the competitiveness and quality of human capital.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

15. REMUNERATION (continued)

(a) Remuneration policy (continued)

(i) Governance (continued)

The remuneration policy introduced the establishment and functions of the NRC for the Company. The risk factors and measures are also described in the policy in order to promote effective risk management between risk and reward and provide long-term interests of the Company, and maintain financial soundness for the Company. The NRC meets at least once a year. During the year, the NRC held four meetings and in addition, passed four written resolutions. The remuneration policy has been reviewed by the NRC and endorsed by the Board, and some minor amendments were made, mainly including:

- Updating section 2 in the remuneration policy to reflect the latest corporate chart and meet the requirement under section 2.1.1 in Supervisory Policy Manual (“SPM”) CG-5;
- Revising the description for vesting period in section 9.3.3 in the remuneration policy to reflect the requirement under section 2.4.7 in SPM CG-5.

The policies and regulations set out in the remuneration policy are applicable to all employees in the Company. Some of them are further categorized in 4 groups with specific regard to their remuneration, given that they might have a material impact on the Company’s risk profile and financial soundness: i) senior management responsible for the oversight of the Company’s firm-wide strategy, activities or material business lines; ii) key personnel with duties or activities in the course of their employment which involve the assumption of material risk or the taking on of material exposures on behalf of the Company; iii) groups of employees whose duties in aggregate may expose the Company to material amounts of risk on behalf of the Company and who are subject to the same or similar incentives arrangements; and iv) employees within the risk control functions who have responsibilities to monitor and report risk of the Company.

(ii) Remuneration structures

The employees’ total remuneration consists of fixed pay (e.g. salary and allowances) and variable remuneration (e.g. discretionary bonus). It is determined on the basis of their roles and responsibilities, performance, contributions, and market dynamics. All fixed and variable remuneration are in cash form.

It differentiates the variable/ fixed remuneration ratios across employees based on performance, seniority, and their functions. This helps to ensure that employee incentives remain focused on prudent risk taking and/ or effective control, depending on the employee’s role.

The Company will reward employees by directly linking compensation to performance based on their annual objective setting and annual performance evaluation, taking account of the overall performance of the Company as a whole over the longer term; performance of the relevant business units; contribution of individual employees to the above performance; and the outlook of BOCI Group.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

15. REMUNERATION (continued)

(a) Remuneration policy (continued)

(ii) Remuneration structures (continued)

The Company implements an annual objective setting process as an instrument for employee's performance measurement. The performance evaluation process is a means for performance measure, which consists of the financial and non-financial factors as a basis for assessing the employee's performance during the annual performance evaluation.

The total variable remuneration pool for the whole BOCI Group is expressed as a percentage of profit, adjusted for total fixed remuneration cost and various discretionary factors. After the variable remuneration pool has been endorsed by the Board of BOCI Group, the management of the Company works with Human Resources Function to allocate it across business units based on their financial and non-financial performance, the quantum and nature of the risk exposures and the market conditions, which comprises metrics related to shareholder, client and employee performance, and the realisation of medium to long-term strategic objectives. The business units' heads follow a similar approach when allocating the bonus to teams/individuals.

The variable remuneration of employees eligible to the deferred plan is paid on deferral rates ranging from 20% to 50% (depending on the employee categories and variable remuneration amount as stipulated in deferral rate table of the Remuneration Policy of the Company) up to 3 years. Deferral of the payment of a portion of the variable remuneration will allow employees' performance, including the associated risks, to be observed and validated over a period of time before payment is actually made. The adjustment of the amount to be paid will enable the remuneration ultimately received by the employees to more accurately reflect the time horizon of risks and risk outcomes.

The award of variable remuneration and its amount will be made at the Company's sole discretion. If the payment is not justified by the performance of the Company or the business objectives are not achieved over the assessment period or when it is necessary to protect the financial soundness of the Company or it is under unexpected special circumstances, all or part of the variable remuneration may be withheld or deferred by the Company.

Remuneration of the risk control personnel shall be determined in accordance with their performance objectives and commensurate with their key role in the Company, and will be compensated independent of the performance of the business areas that they oversee.

Aggregate quantitative information on the remuneration for the Company's senior management and key personnel is set out below. Their remunerations are paid by BOCI Group companies. An apportionment has been made as the management considers that it is practicable to apportion this amount between their services to the Company and their services to BOCI Group companies. This was reviewed and approved in the regular nomination and remuneration committee meetings during the financial year. The Company followed the remuneration policy of holding a regular meeting (at least annually) to review the Company's remuneration system. The apportionment is recharged through management fee to the Company.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

15. REMUNERATION (continued)

(b) Remuneration awarded during the financial year

(In HK\$ thousands)			2025	
	Remuneration amount and quantitative information		Senior management	Key personnel
1	Fixed	Number of employees	6	4
2	remuneration	Total fixed remuneration	9,532	6,682
3		Of which: cash-based	9,532	6,682
4		Of which: deferred	-	-
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	-	-
8		Of which: deferred	-	-
9	Variable	Number of employees	6	4
10	remuneration	Total variable remuneration	3,048	3,659
11		Of which: cash-based	3,048	3,659
12		Of which: deferred	1,219	1,463
13		Of which: shares or other share-linked instruments	-	-
14		Of which: deferred	-	-
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	Total remuneration		12,580	10,341

(In HK\$ thousands)			2024	
	Remuneration amount and quantitative information		Senior management	Key personnel
1	Fixed	Number of employees	8	4
2	remuneration	Total fixed remuneration	13,434	5,797
3		Of which: cash-based	13,434	5,797
4		Of which: deferred	-	-
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	-	-
8		Of which: deferred	-	-
9	Variable	Number of employees	8	4
10	remuneration	Total variable remuneration	3,273	4,626
11		Of which: cash-based	3,273	4,626
12		Of which: deferred	1,309	1,850
13		Of which: shares or other share-linked instruments	-	-
14		Of which: deferred	-	-
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	Total remuneration		16,707	10,423

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

15. REMUNERATION (continued)

(c) Special payments

(In HK\$ thousands)		2025					
	Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
		Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
1	Senior management	-	-	-	-	-	-
2	Key personnel	-	-	-	-	-	-

(In HK\$ thousands)		2024					
	Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
		Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
1	Senior management	1	335	1	349	-	-
2	Key personnel	-	-	-	-	1	151

No severance payment (2024: HK\$151,000) was awarded and made to Senior Management and Key Personnel during 2025.

(d) Deferred remuneration

(In HK\$ thousands)		2025				
	Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which:	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
			Total amount of outstanding deferred remuneration exposed to ex post explicit and/or implicit adjustment			
1	Senior management					
2	Cash	1,160	-	-	-	2,726
3	Shares	-	-	-	-	-
4	Cash-linked instruments	-	-	-	-	-
5	Other	-	-	-	-	-
6	Key personnel					
7	Cash	1,146	-	-	-	2,713
8	Shares	-	-	-	-	-
9	Cash-linked instruments	-	-	-	-	-
10	Other	-	-	-	-	-
11	Total	2,306				5,439

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

15. REMUNERATION (continued)

(d) Deferred remuneration (continued)

(In HK\$ thousands)		2024				
	Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
1	Senior management					
2	Cash	730	-	-	-	27
3	Shares	-	-	-	-	-
4	Cash-linked instruments	-	-	-	-	-
5	Other	-	-	-	-	-
6	Key personnel					
7	Cash	724	-	-	-	124
8	Shares	-	-	-	-	-
9	Cash-linked instruments	-	-	-	-	-
10	Other	-	-	-	-	-
11	Total	1,454	-	-	-	151

There was no deferred remuneration reduced through performance adjustments for Senior Management and Key Personnel during 2025 (2024: Nil).

There was no reductions due to ex post explicit adjustments and/or due to ex post implicit adjustments for Senior Management and Key Personnel during 2025 (2024: Nil).

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

16. SEGMENTAL INFORMATION

(i) Segmental information by geographical area

All income, profit or loss, assets, liabilities and off-balance sheet items of the Company are derived from Hong Kong.

(ii) Segmental information by class of business

The main business segment of the Company is as follows:

Private banking	Provides a range of services for high net-worth individual clients and corporate clients
-----------------	--

The Company's business segment results for 2025 and 2024 are as follows:

In HK\$ thousands	2025 Private banking	2024 Private banking
Net interest income	102,880	122,859
Net fee and commission income	102,610	93,554
Net trading gains	8,498	1,795
Operating income	213,988	218,208
Operating expenses	(183,625)	(242,587)
Profit/(Loss) before impairment allowances	30,363	(24,379)
Net charge of impairment allowances	411	(235)
Profit/(Loss) before taxation	30,774	(24,614)
Segment assets	5,608,369	6,139,857
Segment liabilities	3,799,136	4,366,595

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

17. LOANS AND ADVANCES TO CUSTOMERS

(i) Loans and advances to customers by industry sectors

In HK\$ thousands	Gross advances	% covered by collateral or other security	Classified or impaired loans	Overdue loans	Stage 1 impairment allowances	Stage 3 impairment allowances
		%				
At 31 December 2025						
Loans for use in Hong Kong						
Individuals						
- Loans for other private purpose	1,169,664	100%	-	-	-	-
Financial concerns						
- Investment companies	135,599	100%	-	-	-	-
	<u>1,305,263</u>					
Loans for use outside Hong Kong	-					
	<u>1,305,263</u>					
	<u><u>1,305,263</u></u>					
In HK\$ thousands	Gross advances	% covered by collateral or other security	Classified or impaired loans	Overdue loans	Stage 1 impairment allowances	Stage 3 impairment allowances
		%				
At 31 December 2024						
Loans for use in Hong Kong						
Individuals						
- Loans for other private purpose	1,671,539	100%	-	-	-	-
Financial concerns						
- Investment companies	151,507	100%	-	-	-	-
	<u>1,823,046</u>					
Loans for use outside Hong Kong	-					
	<u>1,823,046</u>					
	<u><u>1,823,046</u></u>					

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

17. LOANS AND ADVANCES TO CUSTOMERS (continued)

(ii) Loans and advances to customers by geographical areas

The following geographical analysis of advances to customers is based on the location of the counterparties, after taking into account the transfer of risk. For an advance to customer guaranteed by a party situated in a country different from the customer, the risk will be transferred to the country of the guarantor. Only regions constituting 10% or more of the aggregate gross advances to customers are separately disclosed.

In HK\$ thousands	Gross advances	Classified or impaired loans	Overdue loans	Stage 1 impairment allowances	Stage 3 impairment allowances
At 31 December 2025					
Hong Kong	570,266	-	-	-	-
Mainland China	663,493	-	-	-	-
Others	71,504	-	-	-	-
	<u>1,305,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>1,305,263</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
In HK\$ thousands	Gross advances	Classified or impaired loans	Overdue loans	Stage 1 impairment allowances	Stage 3 impairment allowances
At 31 December 2024					
Hong Kong	869,869	-	-	-	-
Mainland China	713,508	-	-	-	-
Others	239,669	-	-	-	-
	<u>1,823,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>1,823,046</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

17. LOANS AND ADVANCES TO CUSTOMERS (continued)

(iii) Non-bank mainland exposures

Below is a breakdown of the Company's mainland exposures to non-bank counterparties. The below figures are disclosed in accordance with the return relating to Mainland Activities submitted to the HKMA.

In HK\$ thousands	On-balance sheet exposures	Off-balance sheet exposures	Total exposures
<u>Type of counterparties</u>			
At 31 December 2025			
Central government, central government- owned entities and their subsidiaries and joint ventures			
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	549,488	-	549,488
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	56,888	-	56,888
	<u>606,376</u>	<u>-</u>	<u>606,376</u>
 Total assets after provision	 <u>5,632,857</u>		
 On-balance sheet exposures as percentage of total assets	 <u>10.76%</u>		

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

17. LOANS AND ADVANCES TO CUSTOMERS (continued)

(iii) Non-bank mainland exposures (continued)

In HK\$ thousands	On-balance sheet exposures	Off-balance sheet exposures	Total exposures
<u>Type of counterparties</u>			
At 31 December 2024			
Central government, central government- owned entities and their subsidiaries and joint ventures	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	685,628	-	685,628
Other counterparties where the exposures are considered to be non-bank Mainland China exposures	68,856	-	68,856
	<u>754,484</u>	<u>-</u>	<u>754,484</u>
 Total assets after provision	 <u>6,188,358</u>		
 On-balance sheet exposures as percentage of total assets	 <u>12.2%</u>		

(iv) Rescheduled assets

There were no rescheduled loans and advances to customers, banks and other financial institutions and rescheduled debt securities as at 31 December 2025 (2024: Nil).

(v) Repossessed assets

There were no repossessed assets as at 31 December 2025 (2024: Nil).

BANK OF CHINA INTERNATIONAL LIMITED
中銀國際有限公司

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

18. CURRENCY CONCENTRATIONS

In HK\$ thousands	USD	CNY	JPY	CAD	CHF	SGD	EUR	AUD	GBP	Others	Total
2025											
Spot assets	2,412,137	155,728	29,364	4,619	59,198	13,153	25,278	4,977	10,573	3,631	2,718,658
Spot liabilities	(1,978,151)	(508,737)	(14,916)	(13,708)	-	(19,514)	(3)	(42,630)	(20)	-	(2,577,679)
Forward purchases	114,329	414,513	32,314	12,491	-	12,108	-	36,938	11,513	-	634,206
Forward sales	(462,596)	(78,000)	(38,371)	-	(46,642)	-	(18,259)	-	(10,467)	-	(654,335)
Net long/(short) position	85,719	(16,496)	8,391	3,402	12,556	5,747	7,016	(715)	11,599	3,631	120,850
2024											
Spot assets	1,413,089	144,625	35,435	3,565	67,200	6,727	20,492	6,024	15,874	3,151	1,716,182
Spot liabilities	(2,070,525)	(574,758)	(14,918)	(12,841)	-	(18,377)	(2)	(26,635)	(18)	-	(2,718,074)
Forward purchases	1,751,973	439,809	29,837	11,880	-	22,839	8,083	21,720	10,719	-	2,296,860
Forward sales	(998,481)	-	(37,382)	-	(68,553)	(7,757)	(16,166)	-	(19,490)	-	(1,147,829)
Net long/(short) position	96,056	9,676	12,972	2,604	(1,353)	3,432	12,407	1,109	7,085	3,151	147,139

There were no net structural positions as at 31 December 2025 and 31 December 2024.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

19. INTERNATIONAL CLAIMS

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

Analysis of cross-border claims by location and type of counterparty is as follows:

In HK\$ million	Banks	Non-bank private sector			Total
		Official sector	Non-bank financial institutions	Non-financial private sector	
<u>At 31 December 2025</u>					
Developed countries	5	193	-	18	216
Offshore centres	-	-	-	209	209
Developing Latin America and Caribbean	-	-	-	6	6
Developing Africa and Middle East	-	-	-	-	-
Developing Asia and Pacific	2,621	-	-	657	3,278
<i>Of which: Mainland China</i>	2,621	-	-	632	3,253
	<u>2,626</u>	<u>193</u>	<u>-</u>	<u>890</u>	<u>3,709</u>

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

19. INTERNATIONAL CLAIMS (continued)

In HK\$ million	Banks	Non-bank private sector			Total
		Official sector	Non-bank financial institutions	Non-financial private sector	
<u>At 31 December 2024</u>					
Developed countries	165	294	-	46	505
Offshore centres	-	-	-	180	180
Developing Latin America and Caribbean	-	-	-	9	9
Developing Africa and Middle East	-	-	-	-	-
Developing Asia and Pacific	1,630	-	-	973	2,603
<i>Of which: Mainland China</i>	<i>1,630</i>	<i>-</i>	<i>-</i>	<i>919</i>	<i>2,549</i>
	1,795	294	-	1,208	3,297
	1,795	294	-	1,208	3,297

20. CORPORATE GOVERNANCE

The Company recognises the importance of sound corporate governance. The Company follows and observes the guidelines set out in the HKMA Supervisory Policy Manual module “CG-1 Corporate Governance of Locally Incorporated Authorized Institutions”.

All staff members of the Company are expected to consistently maintain high ethical standards and are required to strictly follow the Code of Conduct. The Code of Conduct sets out standards and values to which all the Company’s staff members are required to adhere. Topics including, but not limited to, use of information, responsible business conduct, equal opportunity, and conduct when obtaining business, are covered by the Code of Conduct. The Company periodically reminds staff of the requirement to adhere to the Code of Conduct via various communication channels.

(a) **Board of Directors**

The Board of the Company consists of eight directors as of 31 December 2025. The Board held four meetings and passed eight written resolutions during the year ended 31 December 2025.

The Board is responsible for leading, overseeing and managing the development of the Company to maximise shareholder’s return by balancing risk exposures. The Board is responsible for formulating the Company’s short-term and long-term business strategies and monitoring the implementation thereof.

The Board authorises the management to carry on the daily operation of the Company. The Board is responsible for overseeing the implementation of strategies and business by the management. The Board is also responsible for making decisions on matters that the management has not been empowered.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

20. CORPORATE GOVERNANCE (continued)

(a) Board of Directors (continued)

Under the Board, there are four committees, namely Audit Committee, Risk Committee, Nomination and Remuneration Committee and Strategy and Budget Committee to assist it in carrying out its responsibilities.

(b) Audit Committee

The Audit Committee (“AC”) consists of three members, two independent non-executive directors and one non-executive director. The AC is chaired by an independent non-executive director. Four meetings were held during the year ended 31 December 2025.

The mandate of the Audit Committee is to assist the Board in overseeing and supervision of the risk management and internal control of the Company; the integrity of the Company’s audited financial statements; the performance of Internal Audit function and also the qualifications, independence and service level of the external auditor of the Company.

(c) Risk Committee

The Risk Committee (the “RC”) of the Company was established under the Board. It consists of three members (two independent non-executive directors including the Chairperson, and one non-executive director). Four meetings were held during the year ended 31 December 2025.

The principal objective of the RC is to provide independent oversight and guidance to the Board on risk issues in the areas of market, credit, operational, interest rate, liquidity, strategic, legal, compliance, anti-money laundering and reputation risks of the Company, including any other risks which are transmitted into the aforementioned risk types. The RC is also responsible for organising, advising, coordinating and monitoring the risk management within the Company in accordance with the authorization from the Board.

The RC is authorised by the Board to perform the following key functions:

- Review and provide recommendation of the Company’s risk appetite, risk management strategies, risk policies and guidelines and the adequacy of the Company’s risk management framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively at least on an annual basis;
- Oversee the establishment and maintenance of appropriate infrastructure, resources and systems for risk management, particularly in relation to the Company’s adherence to the approved risk appetite and related policies;
- Oversee the strategies for capital and liquidity management to ensure they are consistent with the stated risk appetite, and the design and execution of stress testing and scenario analyses adopted by the Company;
- Review and examine periodic reports provided by the senior management on the state of the Company’s risk culture, risk exposure and risk management activities; and
- Review and recommend to the Board for the approval of new business and approve risk limits and significant business transactions according to the authority delegated by the Board.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

20. CORPORATE GOVERNANCE (continued)

(c) Risk Committee (continued)

The RC supervises the Company's overall risk appetite in accordance with the risk appetite statement.

(d) Nomination and Remuneration Committee

The NRC, which is composed of two independent non-executive directors (including the Chairman) and one non-executive director, assists the Board in reviewing the remuneration system of the Company, identifying individuals suitably qualified to become director, senior management and key personnel of the Company. It also advises and assists the Board in discharging its responsibilities for the Company's culture-related matters. The NRC held four meetings and passed four written resolutions during the year ended 31 December 2025.

(e) Strategy and Budget Committee

The Strategy and Budget Committee (the "SBC"), which is composed of three non-executive directors (including Chairman). The SBC convened three physical meetings and passed one written resolution during the year ended 31 December 2025.

It advises the Board on the Company's medium to long-term development needs and goals, the Company's strategic business plan, annual financial budget, major investments, capital expenditure, and strategic commitments of the Company. It also assists the Board in overseeing the implementation status of the Company's strategic and budgetary plans, evaluating the level and trend of the Company's strategic risk as well as the adequacy and effectiveness of the Company's strategic risk management framework.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

20. CORPORATE GOVERNANCE (continued)

(f) Executive Committee

During the year, the Executive Committee (“EC”) was chaired and led by CE (“the Chairperson”), and is composed of the CE, Alternate Chief Executives, Deputy Chief Executives, Head of Sales, and the s72B managers who are responsible for AML, compliance, risk management, internal audit, finance, treasury and investment functions. It operates on a partnership model to provide integrated executive leadership. Moreover, it is responsible for the appointment and operation of the Risk Control and Credit Committee (the “RCCC”), Asset and Liability Committee (the “ALCO”), Anti-Money Laundering Committee (the “AMLC”), and New Business and Product Committee (the “NBPC”) and Accountability Management Committee (the “AMC”).

(g) Asset and Liability Committee

The ALCO is a sub-committee of the EC.

The principal objective of the ALCO is to oversee the management of assets and liabilities. In particular, the committee is charged with the responsibilities to:

- Formulate strategies and tactics in the allocation of asset and liability;
- Provide oversight on interest rate, liquidity and foreign exchange rate risks in accordance with the Company’s risk management framework adopted by the RC or the Board;
- Oversee capital matters, including capital planning and allocation of capital; and
- Formulate relevant policies and important guidelines in accordance with the authorization of EC.

The ALCO is composed of the senior staff including the Chief Executive, the Head of Finance, the Head of Treasury, the Head of Risk Management, the Chief Operating Officer and the Head of Sales. All the ALCO members, including the Chairperson, are appointed by the EC. None of the ALCO members is independent non-executive director. The ALCO held twelve meetings during the year ended 31 December 2025.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

20. CORPORATE GOVERNANCE (continued)

(g) Asset and Liability Committee (continued)

The ALCO is authorized by the EC to perform the following functions:

- To formulate and recommend strategies on asset and liability management, including but not limit to matters related to climate risk;
- To formulate and recommend strategies on capital matters, including capital planning and allocation;
- To oversee interest rate, foreign exchange and liquidity risks in accordance with the guidelines approved by the RCCC and/or the policies approved by the EC and RC/ the Board;
- To oversee the management of assets and liabilities, review the fair value calculation results of balance sheet items measured at fair value, and review and approve relevant policies and guidelines.
- To review and recommend guidelines on capital matters to the EC for approval and policy on capital matters to the EC and SBC/ the Board for approval;
- At the request from any relevant regulatory authorities, to assist the Board and the EC to examine and report on the Company's risk status and any relevant risk management issues associated with asset and liability management;
- Where the EC or the Board has delegated the approval authority to the Committee, to review and approve asset and liability transactions, and delegation of relevant limits;
- To act on other issues as directed by the EC and the Board; and
- To recommend the Chief Executive to activate the Recovery Plan upon the occurrence of either liquidity or capital shortfall events.

21. APPROACH FOR RECRUITMENT AND SELECTION OF MEMBERS OF THE BOARD

The Company places great emphasis on fitness and propriety of directors. It has formulated the Selection, Appointment and Succession Policy of the Board of Directors, which lays out the fit and proper criteria that the Board shall consider whether a proposed candidate is suitable and appropriate for the appointment as director of the Company. All director appointments are made on merit, in the context of the skills and experience to the Board as a whole requires, taking into account various aspects of the Board diversity which include but not limited to professional experience, skills and knowledge, etc. Currently the Board comprises eight members, one executive director, four non-executive directors and three independent non-executive directors. All of them satisfied the requirements of HKMA of being a fit and proper person to occupy their positions as directors of the Company.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

22. INFORMATION ABOUT BOARD MEMBERS AND SENIOR STAFF MEMBERS

Role	Name	Information
Chairperson	WANG Ying	Resigned on 30 January 2026
Board Members	LIU Min	Resigned on 30 January 2026
	LAM Kwong Siu	Resigned on 30 January 2026
	IP Sio Kai	Resigned on 30 January 2026
	WANG Yan	Resigned on 14 February 2025
	WANG Zeyu	Resigned on 14 February 2025
	GUO Zhiqiang	Profile 1
Independent Non-executive Director	NG Kim Lam	Profile 2
	SUEN Man Tak	Profile 3
	TANG Nai Pan	Profile 4
Chief Risk Officer	XING Shanshan	Appointed on 20 May 2021
Head of Internal Audit Division	YIP Heung Wing Wayne	Appointed on 10 March 2023

The information about Board Members below is as of 31 December 2025.

Profile 1 – GUO Zhiqiang

Mr. GUO Zhiqiang, aged 56, is an Executive Director and Chief Executive of the Company. Mr. GUO has more than 33 years of banking experience. Before joining the Company in 2021, Mr. GUO served as Vice President of Bank of China (Luxembourg) Limited Lisbon Branch, General Manager of Wealth Management Centre in Bank of China Singapore Branch, and Deputy General Manager of Personal Banking Department of Bank of China Shandong Branch.

Mr. GUO holds a Master degree in Business Administration from Tsinghua University School of Economics and Management.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

22. INFORMATION ABOUT BOARD MEMBERS AND SENIOR STAFF MEMBERS (continued)

Profile 2 – NG Kim Lam

Mr. NG Kim Lam, aged 53, is an Independent Non-executive Director, Chairperson of the Audit Committee and during the year re-designated as a member from the Strategy and Budget Committee to a member of the Nomination and Remuneration Committee. Mr. NG has over 30 years of experience in providing professional services to conglomerates in various industries, including financial services, technology, energy, retail and manufacturing etc. Mr. NG is the Vice Chairman and General Manager of Green Technology Center of Green Development Institute, aims at promoting the development of green technologies and green finance in Hong Kong and mainland China. Mr. NG was re-appointed as a committee member of Green Technology and Finance Development Committee of the Hong Kong SAR Government on 23 June 2025, for a term of two years. Mr. NG was appointed as a member of the Stablecoin Review Tribunal of the Hong Kong SAR Government on 1 November 2025, for a term of three years. Mr. NG was the national head of technology and media sectors for KPMG in China. In this role, Mr. NG founded the innovative startup center in 2015, established an online and offline model in serving high growth technology companies, and led the teams which developed an online ecosystem app connecting startups, corporates, investors, research institutes and government bodies and a SIP framework to identify and evaluate early stage technology companies. Mr. NG served as the core/lead partner establishing the ecosystem of high growth technology companies in China, including Autotech, RetailTech, Fintech, Biotech and Chipset.

In addition, Mr. NG has been serving as an Independent Non-executive Director of Poly Property Group Co., Limited (stock code: 119.HK) since May 2024. Mr. NG served as an Independent Non-executive Director of Aquila Acquisition Corporation (stock code: 7836.HK) since February 2022 until its De-SPAC transaction was completed in March 2025.

Mr. NG is a Certified Information Systems Security Professional, a Certified Information Systems Auditor and a Member of American Institute of Certified Public Accountants.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

22. INFORMATION ABOUT BOARD MEMBERS AND SENIOR STAFF MEMBERS (continued)

Profile 3 – SUEN Man Tak

Mr. SUEN Man Tak, aged 67, is an Independent Non-Executive Director, Chairperson of Nomination and Remuneration Committee and a member of Risk Committee of the Company. Mr. SUEN has extensive experience in the enforcement of securities and futures related legislation as well as commercial crime investigations. Mr. SUEN had served with Securities and Futures Commission of Hong Kong (“SFC”) for more than 17 years. He is now a practicing barrister-at-law specializing in litigation and advisory work on Securities and Futures Ordinance, Codes on Takeovers and Mergers and Share Buy-backs, Rules Governing the Listing of Securities on the Stock Exchange, Code of Conduct for Persons Licensed by or Registered with the SFC, market misconduct, white collar crimes and anti-money laundering activities. Mr. SUEN is an Independent Non-Executive Director of China Jinmao Holdings Group Limited, which is listed on the Stock Exchange of Hong Kong Limited. Mr. SUEN was appointed as an Independent Non-Executive Director of Sino-Ocean Group Holdings Limited from December 2015 to June 2023, an independent director of Inception Growth Acquisition Limited, a company listed on The Nasdaq Global Market from March 2021 to March 2023 and an Independent Non-Executive Director of Zijin Mining Group Co., Ltd. from December 2019 to December 2025.

Mr. SUEN received his master’s degree in Accountancy from Charles Sturt University, Australia in September 1996. He further obtained a degree of Juris Doctor in July 2010 and a postgraduate certificate in Laws in July 2011, both from City University of Hong Kong. He was called to the Hong Kong Bar in February 2013. Mr. SUEN has been a member of Hong Kong Institute of Certified Public Accountants since July 1998 and a member of Hong Kong Securities and Investment Institute since April 1999.

Profile 4 – TANG Nai Pan

Mr. TANG Nai Pan, aged 64, is an Independent Non-Executive Director, Chairperson of Risk Committee and a member of Audit Committee of the Company. Mr. TANG has 30 years of leadership and hands-on banking experience including treasury, risk management, balance sheet management, compliance, economic research, and bank strategy. He worked in major international and Chinese banks in Hong Kong, Shanghai, Singapore and Malaysia. Strong knowledge in quantitative skills, financial markets and macro-economics. Mr. TANG is now a professor of practice in finance in the Chinese University of Hong Kong. He is also a director of Financial Dispute Resolution Centre (Hong Kong) and a member of the Finance Committee of Hong Kong Arts Centre. Mr. TANG was appointed as a non-executive director of Yantai Bank Limited from January 2012 to December 2014, a non-executive director of CNCBI Investment Holdings Limited from September 2019 to January 2023, a non-executive director of CITIC Bank International (China) Limited and CNCBI Asset Management Limited from December 2019 to January 2023, and a director and executive committee member of Hong Kong Institute of Bankers from December 2019 to March 2022.

Mr. TANG received his bachelor’s degree, double major in Mathematics and Statistics, in University of Minnesota, USA in 1984 and his master’s degree in Statistics in University of Chicago, USA in 1986. He is also an honorary certified banker by Hong Kong Institution of Bankers.

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

31 December 2025

23. KEY ELEMENTS OF THE DISCLOSURE POLICY

The banking disclosures are governed by the Company's Disclosure Policy, which has been approved by the Board. The Disclosure Policy sets out the governance, control and assurance requirements for publication of the document. While the supplementary information is not required to be externally audited, the document has been subject to independent review in accordance with the Company's policies on disclosure and its financial reporting and governance process.

The Disclosure Policy of the Company is prepared in accordance with the requirements specified in the Banking (Disclosure) Rules, the applicable accounting standards and the HKMA Supervisory Policy Manual CA-D-1 "Guideline on the Application of the Banking (Disclosure) Rules".