招商永隆銀行
CMB WING LUNG BANK

# Regulatory Disclosures

## As at 31 December 2025

# CMB WING LUNG BANK LIMITED

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# CMB WING LUNG BANK LIMITED

## 1 Introduction

### Purpose

The information contained in this document is for CMB Wing Lung Bank Limited ("the Bank") and its subsidiaries (together "the Group") and is prepared in accordance with the Banking (Disclosure) Rules and the disclosure templates issued by the Hong Kong Monetary Authority ("HKMA").

These regulatory disclosures are governed by the Group's disclosure policy, the disclosure policy sets out the governance, control and assurance requirements for publication of the document, while this document is not required to be subject to external audit, it has been reviewed within the Group in accordance with the Group's governance processes over financial reporting and policies on disclosures.

### Basis of Preparation

The approaches used to calculate the Group's regulatory capital or capital charge are in accordance with the Banking (Capital) Rules. The Group uses the standardized approach to calculate its credit risk and operational risk. For market risk and credit valuation adjustment ("CVA") risk, the Group uses the foundation review of trading book ("FRTB") and reduced basic CVA approaches to calculate its market risk and CVA risk respectively.

The financial information contained in this document has been prepared on a consolidated basis including the Bank and certain of its subsidiaries as specified by the Hong Kong Monetary Authority ("HKMA") for its regulatory purposes. For financial reporting purposes, all the subsidiaries have been consolidated in the Group's financial statements, the subsidiaries which are excluded from the regulatory scope of consolidation are specified in Note 1 to the supplementary financial information of the Group's 2025 Annual Report.

# CMB WING LUNG BANK LIMITED

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

### 2.1 KM1: Key prudential ratios

| | | (a) | (b) | (c) | (d) | (e) |
|---|---|---|---|---|---|---|
| | | As at 31 December 2025 HK$'000 | As at 30 September 2025 HK$'000 | As at 30 June 2025 HK$'000 | As at 31 March 2025 HK$'000 | As at 31 December 2024 HK$'000 |
| | **Regulatory capital (amount)** | | | | | |
| 1 & 1a | Common Equity Tier 1 (CET1) | 48,295,870 | 48,334,846 | 46,949,478 | 45,237,343 | 42,629,262 |
| 2 & 2a | Tier 1 | 63,097,661 | 63,136,637 | 61,751,269 | 60,039,134 | 58,533,865 |
| 3 & 3a | Total capital | 68,277,839 | 67,215,372 | 66,335,805 | 64,688,137 | 62,722,677 |
| | **RWA (amount)** | | | | | |
| 4 | Total RWA | 306,686,764 | 314,492,112 | 321,781,679 | 304,422,901 | 292,184,662 |
| 4a | Total RWA (pre-floor) | 306,686,764 | 314,492,112 | 321,781,679 | 304,422,901 | N/A |
| | **Risk-based regulatory capital ratios (as a percentage of RWA)** | | | | | |
| 5 & 5a | CET1 ratio (%) | 15.7% | 15.4% | 14.6% | 14.9% | 14.6% |
| 5b | CET1 ratio (%) (pre-floor ratio) | 15.7% | 15.4% | 14.6% | 14.9% | N/A |
| 6 & 6a | Tier 1 ratio (%) | 20.6% | 20.1% | 19.2% | 19.7% | 20.0% |
| 6b | Tier 1 ratio (%) (pre-floor ratio) | 20.6% | 20.1% | 19.2% | 19.7% | N/A |
| 7 & 7a | Total capital ratio (%) | 22.3% | 21.4% | 20.6% | 21.2% | 21.5% |
| 7b | Total capital ratio (%) (pre-floor ratio) | 22.3% | 21.4% | 20.6% | 21.2% | N/A |
| | **Additional CET1 buffer requirements (as a percentage of RWA)** | | | | | |
| 8 | Capital conservation buffer requirement (%) | 2.500% | 2.500% | 2.500% | 2.500% | 2.500% |
| 9 | Countercyclical capital buffer requirement (%) | 0.298% | 0.293% | 0.287% | 0.288% | 0.313% |
| 10 | Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs) | - | - | - | - | - |
| 11 | Total AI-specific CET1 buffer requirements (%) | 2.798% | 2.793% | 2.787% | 2.788% | 2.813% |
| 12 | CET1 available after meeting the AI's minimum capital requirements (%) | 11.2% | 10.9% | 10.1% | 10.4% | 10.1% |
| | **Basel III leverage ratio** | | | | | |
| 13 | Total leverage ratio (LR) exposure measure | 536,572,352 | 521,084,653 | 548,342,116 | 499,511,043 | 477,707,558 |
| 13a | LR exposure measure based on mean values of gross assets of SFTs | 536,596,106 | 521,054,975 | 548,358,727 | 499,072,330 | 477,554,814 |
| 14, 14a & 14b | LR (%) | 11.8% | 12.1% | 11.3% | 12.0% | 12.3% |
| 14c & 14d | LR (%) based on mean values of gross assets of SFTs | 11.8% | 12.1% | 11.3% | 12.0% | 12.3% |
| | **Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)** | | | | | |
| | Applicable to category 1 institution only: | | | | | |
| 15 | Total high quality liquid assets (HQLA) | 134,724,516 | 127,252,811 | 115,388,435 | 88,299,699 | 91,330,396 |
| 16 | Total net cash outflows | 85,401,363 | 83,198,914 | 77,447,537 | 61,077,631 | 64,808,554 |
| 17 | LCR (%) | 158.2% | 153.5% | 149.5% | 145.6% | 141.3% |
| | Applicable to category 2 institution only: | | | | | |

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

### 2.1 KM1: Key prudential ratios (continued)

| | | (a) | (b) | (c) | (d) | (e) |
|---|---|---|---|---|---|---|
| | | As at 31 December 2025 HK$'000 | As at 30 September 2025 HK$'000 | As at 30 June 2025 HK$'000 | As at 31 March 2025 HK$'000 | As at 31 December 2024 HK$'000 |
| 17a | LMR (%) | - | - | - | - | - |
| | **Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)** | | | | | |
| | Applicable to category 1 institutions only: | | | | | |
| 18 | Total available stable funding | 372,114,625 | 351,367,084 | 357,267,838 | 328,490,298 | 313,301,622 |
| 19 | Total required stable funding | 241,108,197 | 238,570,080 | 236,854,917 | 231,489,190 | 225,003,621 |
| 20 | NSFR (%) | 154.3% | 147.3% | 150.8% | 141.9% | 139.2% |
| | Applicable to category 2A institutions only: | | | | | |
| 20a | CFR (%) | - | - | - | - | - |

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

### 2.2 OVA: Overview of risk management

The Group's activities expose it to a variety of financial risks and these activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group recognises that risk-taking is at the core of its financial business and that operational risk is an inevitable consequence of doing business. The Group's objective is therefore to achieve an appropriate balance between risk and return and to minimise any potential adverse impact on the Group's financial performance.

The Board of Directors and management are responsible for establishing, maintaining and operating an effective system of internal control. The Group's internal control system consists of a well-established organisational structure and comprehensive policies and standards. The Audit Committee, the Risk Committee and other designated committees have been established to assist the Board in managing and monitoring various risks. The Board's expectations regarding the roles, responsibilities and integrity of each department are clearly set out in formal policy statements, including the Code of Conduct, the Internal Control Policy and the Compliance Policy Statement. The Board has clearly defined the lines of authority and responsibility of each business and operating unit to ensure appropriate checks and balances.

The Group's internal control system covers all business and operational functions to safeguard its assets against loss and misappropriation, to maintain proper accounting records to produce reliable financial information and to provide reasonable, but not absolute, assurance against material fraud and error. Policies and procedures are in place to ensure compliance with applicable laws, regulations and industry standards. In order to meet the increasingly stringent requirements of the relevant regulatory authorities and the ever-changing business environment, the Board has devoted increased resources and efforts to further strengthen the Group's management structure and oversight.

The Group has various risk management policies and procedures in place. There are specific committees and units responsible for identifying, assessing, monitoring and managing the risks to which the Group is exposed. Risk management policies and major risk control limits are established and approved by the Board or the Management Committee. A more detailed discussion of the policies and procedures for managing each of the major types of risk faced by the Group, including credit, market, liquidity and operational risk, is included in Note 4 "Financial risk management" to the Group's Annual Report 2025.

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

### 2.2 OVA: Overview of risk management (continued)

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. The Group's internal audit function plays an important role in the Group's internal control framework. It provides objective assurance to the Board that a sound system of internal control is maintained and operated in accordance with established procedures and standards through regular and comprehensive reviews of all business and operational functions. The Audit Committee reviews significant issues raised in internal audit reports. Significant issues raised in management letters from external auditors and reports from regulatory authorities are brought to the attention of the Audit Committee to ensure that prompt corrective action is taken. All recommendations are properly followed up to ensure that they are implemented within a reasonable timeframe. Using a risk-based methodology, the Audit Department plans its internal audit plans on an annual basis, prioritising audit resources towards higher risk areas. The internal audit plan is submitted to the Audit Committee for approval. In order to maintain the independence of the audit function, the Board of Directors has established the Audit Charter, which defines the authority and responsibilities of the Internal Audit function. The Head of Internal Audit reports directly to the Audit Committee, the Chief Executive Officer and ultimately to the Board of Directors.

The members of the Risk Committee are appointed by the Board. Collectively, they have relevant expertise and experience in risk disciplines sufficient to discharge their responsibilities effectively. The principal responsibilities of the Risk Committee include the following:

- To review and recommend for the Board’s approval of the Group’s risk management strategies, key risk policies and risk appetite, at least annually;
- To review and recommend for the Board’s approval of specified types of risk management policies and procedures;
- To review and assess the adequacy of the Group’s risk management framework and policies in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively;
- To monitor, review and conduct regular assessment of the internal control system of the Group and to monitor the risk management of the Group’s exposures to credit risks, market risks, operational risks, interest rate risk, strategic risk, legal and compliance risk, reputation risk, liquidity risk, cyber security, technology risk and climate risk by the Executives;
- To oversee the establishment and maintenance by senior management of appropriate infrastructure, resources and systems for risk management, particularly in relation to the Group’s adherence to the approved risk appetite and related policies;
- To oversee and discuss the strategies for capital and liquidity management, and those for all relevant risks (on both an aggregated basis and by type of risk) of the Group, to ensure they are consistent with the stated risk appetite;
- To oversee and evaluate the design and execution of stress testing and scenario analyses;

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

### 2.2 OVA: Overview of risk management (continued)

- To review periodic reports provided by the senior management (including the Chief Risk Officer) on the state of the Group's risk culture, risk exposure and risk management activities;
- To ensure that the staff members of the Group responsible for implementing risk management systems and controls are sufficiently independent of the Group's relevant risk-taking activities;
- To examine, without prejudice to the tasks of the Remuneration and Appraisal Committee, the incentives created by the remuneration system are aligned with the Group's risk culture and risk appetite, and ensure remuneration awards appropriately reflect risk-taking and risk outcomes; and
- To execute other duties as may be delegated by the Board.

The Group has implemented an Enterprise Risk Management framework to identify and manage the Group's potential risks. Under this framework, three lines of defense are adopted for risk management.

The first line of defense is the business unit risk owners. They are primarily responsible for managing the risks that their unit incurs in the course of its activities. These risk owners are required to establish a specific control mechanism, detailed procedures and ongoing risk monitoring for their unit in accordance with the Group's risk management framework and policies.

The second line of defense is the Risk Control function. They are responsible for providing independent oversight of risk owners by establishing bank-wide frameworks, policies and control mechanisms, reviewing risk issues identified by risk owners and reporting significant risk issues identified to the Risk Committee and the Board of Directors.

The audit function acts as the third line of defense. The audit function assists the Audit Committee in its oversight of the Group's overall risk management and internal control systems by conducting periodic reviews to assess the adequacy of the Group's risk management framework, control and governance processes as designed by the first and second lines of defense.

In order to provide the Board of Directors and senior management with a clear view of the Group's exposure to different types of risk, risk information such as asset quality, credit concentration, liquidity, profitability, portfolio mix, capital adequacy, etc. is regularly reported to the Management Committee, the Risk Committee and the Board of Directors for review and discussion. The information is analysed in the light of factors such as the Group's risk profile, risk management strategies and market statistics.

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

### 2.3 OV1: Overview of RWA

The table below provides an overview of the Group's total RWA, breakdown by the approaches under which the RWA is calculated.

During the fourth quarter of 2025, total RWA decreased by HK$7,805 million, primarily due to a reduction in credit risk RWA for non-securitization exposures, driven mainly by lower loans and advances to banks.

| | | (a) | (b) | (c) |
|---|---|---|---|---|
| | | RWA | | Minimum capital requirements |
| | | As at 31 December 2025 HK$'000 | As at 30 September 2025 HK$'000 | As at 31 December 2025 HK$'000 |
| 1 | Credit risk for non-securitization exposures | 270,612,239 | 279,731,768 | 21,648,979 |
| 2 | Of which STC approach | 270,612,239 | 279,731,768 | 21,648,979 |
| 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 | 2,390,150 | 2,534,622 | 191,212 |
| 7 | Of which SA-CCR approach | 796,630 | 1,202,643 | 63,730 |
| 7a | Of which CEM | - | - | - |
| 8 | Of which IMM(CCR) approach | - | - | - |
| 9 | Of which others | 1,593,520 | 1,331,979 | 127,482 |
| 10 | CVA risk | 213,000 | 352,138 | 17,040 |
| 11 | Equity positions in banking book under the simple risk-weight method and internal models method | N/A | N/A | N/A |
| 12 | Collective investment scheme ("CIS") exposures – look-through approach / third-party approach | 2,935,656 | 1,120,312 | 234,852 |
| 13 | CIS exposures – mandate-based approach | - | - | - |
| 14 | CIS exposures – fall-back approach | - | - | - |
| 14a | CIS exposures – combination of approaches | - | - | - |
| 15 | Settlement risk | - | 181 | - |
| 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 | 14,424,963 | 16,394,975 | 1,153,997 |
| 21 | Of which STM approach | 14,424,963 | 16,394,975 | 1,153,997 |
| 22 | Of which IMA | - | - | - |
| 22a | Of which SSTM approach | - | - | - |
| 23 | Capital charge for moving exposures between trading book and banking book | - | - | - |
| 24 | Operational risk | 15,388,825 | 13,752,475 | 1,231,106 |
| 24a | Sovereign concentration risk | - | - | - |

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

### 2.3 OV1: Overview of RWA (continued)

| | | (a) | (b) | (c) |
|---|---|---|---|---|
| | | RWA | | Minimum capital requirements |
| | | As at 31 December 2025 HK$'000 | As at 30 September 2025 HK$'000 | As at 31 December 2025 HK$'000 |
| 25 | Amounts below the thresholds for deduction (subject to 250% RW) | 3,374,255 | 3,431,858 | 269,940 |
| 26 | Output floor level applied | N/A | N/A | N/A |
| 27 | Floor adjustment (before application of transitional cap) | - | - | - |
| 28 | Floor adjustment (after application of transitional cap) | N/A | N/A | N/A |
| 28a | Deduction to RWA | 2,652,324 | 2,826,217 | 212,186 |
| 28b | Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital | 588,262 | 732,448 | 47,061 |
| 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 | 2,064,062 | 2,093,769 | 165,125 |
| 29 | **Total** | **306,686,764** | **314,492,112** | **24,534,940** |

*N/A: Not applicable in the case of Hong Kong or the Group.*

# CMB WING LUNG BANK LIMITED

## 3 Linkages between financial statements and regulatory exposures

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

| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
|---|---|---|---|---|---|---|---|
| 31 December 2025<br>HK$'000 | Carrying values as reported in published financial statements | Carrying values under scope of regulatory consolidation | Carrying values of items: subject to credit risk framework | subject to counterparty credit risk framework | subject to the securitization framework | subject to market risk framework* | not subject to capital requirements or subject to deduction from capital |
| **Assets** | | | | | | | |
| Cash, balances and placements with and loans and advances to banks | 56,424,014 | 55,656,576 | 55,656,576 | - | - | - | - |
| Derivative financial instruments# | 434,458 | 434,458 | - | 434,458 | - | 434,458 | - |
| Financial assets at fair value through profit or loss | 8,220,123 | 7,463,539 | 928,593 | - | - | 6,534,946 | - |
| Investments in securities | 233,189,312 | 233,189,009 | 233,189,009 | - | - | - | - |
| Advances and other accounts# | 219,521,507 | 219,587,941 | 217,447,258 | 2,058,380 | - | 34,501 | 82,303 |
| Reverse repurchase agreements – non-trading | 1,792,611 | 1,792,611 | 1,792,611 | - | - | - | - |
| Interests in subsidiaries | - | 1,399,672 | 1,399,672 | - | - | - | - |
| Interests in associates and joint ventures | 1,914,650 | 295,500 | 295,500 | - | - | - | - |
| Investment properties | 2,534,060 | 2,676,851 | 2,676,851 | - | - | - | - |
| Leasehold land | 130,271 | 86,752 | 86,752 | - | - | - | - |
| Other properties and equipment | 1,451,172 | 2,067,332 | 2,067,332 | - | - | - | - |
| Tax recoverable | 8,719 | 6,968 | 6,968 | - | - | - | - |
| Deferred tax assets | 920,760 | 913,283 | - | - | - | - | 913,283 |
| Assets classified as held for sale | - | - | - | - | - | - | - |
| **Total Assets** | **526,541,657** | **525,570,492** | **515,547,122** | **2,492,838** | **-** | **7,003,904** | **995,586** |

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

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

| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
|---|---|---|---|---|---|---|---|
| 31 December 2025<br>HK$'000 | Carrying values as reported in published financial statements | Carrying values under scope of regulatory consolidation | Carrying values of items: subject to credit risk framework | Carrying values of items: subject to counterparty credit risk framework | Carrying values of items: subject to the securitization framework | Carrying values of items: subject to market risk framework* | Carrying values of items: not subject to capital requirements or subject to deduction from capital |
| **Liabilities** | | | | | | | |
| Deposits and balances from banks | 4,234,039 | 4,234,039 | - | - | - | - | 4,234,039 |
| Repurchase agreements – non-trading | - | - | - | - | - | - | - |
| Financial liabilities at fair value through profit or loss | 459,262 | - | - | - | - | - | - |
| Derivative financial instruments# | 878,932 | 878,932 | - | 878,932 | - | 878,932 | - |
| Deposits from customers | 437,903,666 | 438,551,151 | - | - | - | - | 438,551,151 |
| Certificates of deposit issued | 259,774 | 259,774 | - | - | - | - | 259,774 |
| Current taxation | 555,255 | 553,469 | - | - | - | - | 553,469 |
| Deferred tax liabilities | 22,016 | 16,923 | - | - | - | - | 16,923 |
| Other accounts and accruals | 13,295,687 | 13,243,698 | - | - | - | - | 13,243,698 |
| **Total Liabilities** | **457,608,631** | **457,737,986** | **-** | **878,932** | **-** | **878,932** | **456,859,054** |

# Assets/liabilities arising from derivative contracts held in the regulatory trading book are subject to both market risk and counterparty credit risk because derivative contracts are marked to market and there is a risk that the counterparty may not be able to fulfil the contractual obligations. Therefore, the amount shown in column (b) does not equal to the sum of the amounts shown in columns (d) and (f).

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

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

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

| | | (a) | (b) | (c) | (d) | (e) |
|---|---|---|---|---|---|---|
| | 31 December 2025<br>HK$'000 | Total | Items subject to: | | | |
| | | | credit risk framework | securitization framework | counterparty credit risk framework | market risk framework* |
| **1** | **Asset carrying value amount under scope of regulatory consolidation (as per Template LI1)** | 524,574,906 | 514,618,529 | - | 2,492,838 | 7,003,904 |
| 2 | Liabilities carrying value amount under regulatory scope of consolidation(as per Template LI1) | (878,932) | - | - | (878,932) | (878,932) |
| 3 | Total net amount under regulatory scope of consolidation | 523,695,974 | 514,618,529 | - | 1,613,906 | 6,124,972 |
| 4 | Off-balance sheet amounts | 201,532,360 | 13,965,595 | - | 1,920,836 | |
| 5 | *Differences due to consideration of provisions* | - | 4,054,099 | - | - | |
| 6 | *Difference due to potential exposure for counterparty credit risk* | - | - | - | 1,146,463 | |
| **7** | **Exposure amounts considered for regulatory purposes** | **725,228,334** | **532,638,223** | **-** | **4,681,205** | |

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

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

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

The basis of consolidation for regulatory purposes is different from the basis of consolidation for accounting purposes. Subsidiaries included in consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with Section 3C of the Banking (Capital) Rules. Subsidiaries not included in consolidation for regulatory purposes are non-financial companies and the insurance companies that are authorized and supervised by a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorized institutions under the Banking (Capital) Rules and the Banking Ordinance.

The main difference between accounting and regulatory exposure amounts is that accounting exposure amount is net of impairment allowance for the expect credit loss ("ECL") for stage 1,2,3 financial assets , whereas regulatory exposure amount is net of impairment allowance for the ECL for stage 3 financial assets only. Impairment allowance for the ECL for stage 1 and 2 financial assets is included in Tier 2 capital for regulatory capital purposes.

For regulatory purposes under the HKMA's SA-CCR framework, counterparty credit risk exposures consist of both the replacement cost of current positions and the potential future exposure, which is determined by applying supervisory add-on factors (credit conversion factors) to the adjusted notional amounts of the transactions or contracts.

**Systems and controls applied to assets valuation**

In order to ensure that the valuation estimates are prudent and reliable, the Group has implemented the following valuation processes and methodologies:

The Group measures fair values using the following hierarchy of methods:

Level 1 – Quoted market price (unadjusted) in active market for an identical instrument.

Level 2 – Valuation techniques based on observable inputs, either directly (as prices) or indirectly (derived from prices). This category includes valuations using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are not active, or other techniques where all significant inputs are observable from market data.

Level 3 – Valuation techniques incorporating significant unobservable inputs. This category applies to instruments where valuation relies on inputs not based on observable market data, and those inputs have a material impact on the valuation. It includes instruments valued using quoted prices for similar instruments with significant adjustments or assumptions to reflect differences.

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

### 3.3 LIA: Explanations of differences between accounting and regulatory exposure amounts (continued)

Market prices and model inputs used in the valuation process are determined or validated by an independent function. Fair values of financial instruments are established with reference to external quoted market prices or observable model inputs, and are validated against secondary sources where appropriate. For valuations derived from models, the validation process may include a review of the methodologies, inputs, and outputs by an independent function, as well as an assessment of any adjustments required in addition to the model results.

Valuation adjustments are applied to instruments where significant valuation uncertainty or potential financial impact may arise. The Group considers bid-offer adjustments, liquidity valuation adjustments, and model risk adjustments to be relevant.

(i) Bid offer adjustment:

For equity, bond, foreign exchange spot, forward and swap contracts, currency options, interest rate swaps, and cross-currency swaps, valuations are adjusted to the prudent side of the bid-offer close-out price.

(ii) Liquidity valuation adjustment:

Liquidity valuation adjustment are applied to level 2 and level 3 financial instruments only.

Fixed income: Adjustments are made for less liquid positions, reflecting product-specific characteristics.

Foreign exchange portfolio: No liquidity adjustment is applied to spot, forward, or swap positions due to the highly liquid nature of the market and the immateriality of minor currency exposures.

Currency options: No adjustment is applied given the insignificant position size.

Interest rate swaps and cross-currency swaps: No adjustment is applied, as outstanding positions largely arise from dynamic hedging of underlying bonds/loans or customer demand. Since customers are generally not permitted or expected to terminate contracts early, the associated hedging positions are held to maturity by the Group.

(iii) Model risk adjustment:

Where simulation techniques are used for structured products, model risk adjustments are considered. Adjustments are based on alternative models if there is a significant variance between the original valuation and the price derived from the alternative model.

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

### 3.4 PV1: Prudent valuation adjustments

The following table shows a detailed breakdown of the constituent elements of valuation adjustment that have not been taken into account in the calculation of the amount of the Group's retained earnings or other disclosed reserves as at 31 December 2025:

| | | (a) | (b) | (c) | (d) | (e) | **(f)** | (g) | (h) |
|---|---|---|---|---|---|---|---|---|---|
| 31 December 2025 HK$'000 | | 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 | *Mid-market value* | - | - | - | - | - | - | - | - |
| 3 | *Close-out costs* | - | - | - | - | - | - | - | - |
| 4 | *Concentration* | - | - | - | - | - | - | - | - |
| 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** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital

### 4.1 CC1: Composition of regulatory capital

| | | (a) | (b) |
|---|---|---|---|
| 31 December 2025 | | **Amount HK$'000** | **Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation** |
| | **CET1 capital: instruments and reserves** | | |
| 1 | Directly issued qualifying CET1 capital instruments plus any related share premium | 1,160,951 | [k] |
| 2 | Retained earnings | 50,019,338 | [r] |
| 3 | Disclosed reserves | 1,850,427 | [l] + [m] + [n] + [q] |
| 5 | Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group) | - | |
| 6 | **CET1 capital before regulatory adjustments** | **53,030,716** | |
| | **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) | 913,283 | [g] |
| 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) | 68,723 | [d] + [h] |
| 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) | - | [a] + [c] + [e] + [f] |
| 20 | Mortgage servicing rights (net of associated deferred tax liabilities) | Not applicable | Not applicable |
| 21 | Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities) | Not applicable | Not applicable |
| 22 | Amount exceeding the 15% threshold | Not applicable | Not applicable |

## 4 Composition of regulatory capital (continued)

### 4.1 CC1: Composition of regulatory capital (continued)

| 31 December 2025 | | (a) Amount HK$'000 | (b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|---|---|---|
| 23 | of which: significant investments in the ordinary share of financial sector entities | Not applicable | Not applicable |
| 24 | of which: mortgage servicing rights | Not applicable | Not applicable |
| 25 | of which: deferred tax assets arising from temporary differences | Not applicable | Not applicable |
| 26 | National specific regulatory adjustments applied to CET1 capital | 3,752,840 | |
| 26a | Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) | 3,752,840 | [m] + [s] |
| 26b | Regulatory reserve for general banking risks | - | [t] |
| 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** | **4,734,846** | |
| 29 | **CET1 capital** | **48,295,870** | |
| | **AT1 capital: instruments** | | |
| 30 | Qualifying AT1 capital instruments plus any related share premium | 14,801,791 | [u] |
| 31 | of which: classified as equity under applicable accounting standards | 14,801,791 | |
| 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** | **14,801,791** | |
| | **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 | - | |

## 4 Composition of regulatory capital (continued)

### 4.1 CC1: Composition of regulatory capital (continued)

| | | (a) | (b) |
|---|---|---|---|
| 31 December 2025 | | **Amount HK$'000** | **Source based on reference numbers/letters of the balance sheet under the regulatory scope of 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** | **14,801,791** | |
| 45 | **Tier 1 capital (T1 = CET1 + AT1)** | **63,097,661** | |
| | **Tier 2 capital: instruments and provisions** | | |
| 46 | Qualifying Tier 2 capital instruments plus any related share premium | - | [j] |
| 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 | 3,491,400 | [-b] + [t] |
| 51 | **Tier 2 capital before regulatory deductions** | 3,491,400 | |
| | **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 | (1,688,778) | |

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

### 4.1 CC1: Composition of regulatory capital (continued)

| | | (a) | (b) |
|---|---|---|---|
| 31 December 2025 | | **Amount HK$'000** | **Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation** |
| 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 | (1,688,778) | 45% of ([m] + [s]) |
| 56b | Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within BCR §48(1)(g) | - | |
| 57 | **Total regulatory adjustments to Tier 2 capital** | **(1,688,778)** | |
| 58 | **Tier 2 capital (T2)** | **5,180,178** | |
| 59 | **Total regulatory capital (TC = T1 + T2)** | **68,277,839** | |
| 60 | **Total RWA** | **306,686,764** | |
| | **Capital ratios (as a percentage of RWA)** | | |
| 61 | **CET1 capital ratio** | **15.75%** | |
| 62 | **Tier 1 capital ratio** | **20.57%** | |
| 63 | **Total capital ratio** | **22.26%** | |
| 64 | **Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)** | **2.798%** | |
| 65 | of which: capital conservation buffer requirement | 2.500% | |
| 66 | of which: bank specific countercyclical capital buffer requirement | 0.298% | |
| 67 | of which: higher loss absorbency requirement | 0.00% | |
| 68 | CET1 (as a percentage of RWA) available after meeting minimum capital requirements | 11.25% | |
| | **National minima (if different from Basel 3 minimum)** | | |
| 69 | National CET1 minimum ratio | Not applicable | Not applicable |
| 70 | National Tier 1 minimum ratio | Not applicable | Not applicable |
| 71 | National Total capital minimum ratio | Not applicable | Not applicable |
| | **Amounts below the thresholds for deduction (before risk weighting)** | | |
| 72 | Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation | 2,060,078 | |
| 73 | Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | 1,345,659 | |
| 74 | Mortgage servicing rights (net of associated deferred tax liabilities) | Not applicable | Not applicable |
| 75 | Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities) | Not applicable | Not applicable |

## 4 Composition of regulatory capital (continued)

### 4.1 CC1: Composition of regulatory capital (continued)

| | | (a) | (b) |
|---|---|---|---|
| 31 December 2025 | | **Amount HK$'000** | **Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation** |
| | **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) | 4,079,662 | |
| 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 | 3,491,404 | |
| 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 | - | |

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

## 4.1 CC1: Composition of regulatory capital (continued)

**Notes to the template:**

| Row No. | Description | Hong Kong basis | Basel III basis |
|---|---|---|---|
| | | HK$'000 | HK$'000 |
| 9 | **Other intangible assets (net of associated deferred tax liabilities)** | - | - |
| | Explanation<br>As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III. | | |
| 10 | **Deferred tax assets (net of associated deferred tax liabilities)** | 913,283 | - |
| | Explanation<br>As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III. | | |
| 18 | **Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)** | - | - |
| | Explanation<br>For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach. | | |
| 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)** | - | - |
| | Explanation<br>For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach. | | |

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

## 4.1 CC1: Composition of regulatory capital (continued)

**Notes to the template:**

| Row No. | Description | Hong Kong basis | Basel III basis |
|---|---|---|---|
| | | HK$'000 | HK$'000 |
| 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)** | - | - |
| | Explanation<br>The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach. | | |
| 54 | **Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)** | - | - |
| | Explanation<br>The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach. | | |
| Remarks:<br>The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime. | | | |

**Abbreviations:**
CET1: Common Equity Tier 1
AT1: Additional Tier 1

## 4 Composition of regulatory capital (continued)

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

| | (a) | (b) | (c) |
|---|---|---|---|
| | **Balance sheet as in published financial statements** As at 31 December 2025 HK$'000 | **Under regulatory scope of consolidation** As at 31 December 2025 HK$'000 | **Reference** |
| **Assets** | | | |
| Cash, balances and placements with and loans and advances to banks | 56,424,014 | 55,656,576 | |
| Derivative financial instruments | 434,458 | 434,458 | |
| Financial assets at fair value through profit or loss | 8,220,123 | 7,463,539 | |
| Investments in securities | 233,189,312 | 233,189,009 | |
| of which: | | | |
| - significant capital investments in financial sector entities exceeding 10% threshold | - | - | [a] |
| Advances and other accounts | 219,521,507 | 219,587,941 | |
| - Loans | - | - | |
| of which: | | | |
| - collective impairment allowances reflected in regulatory capital | - | (3,491,400) | [b] |
| - significant capital investments in financial sector entities exceeding 10% threshold | - | - | [c] |
| - Other assets | - | - | |
| of which: | | | |
| - Defined benefit pension fund net assets | - | 82,303 | [d] |
| Interests in subsidiaries | - | 1,399,672 | |
| of which: | | | |
| - significant capital investments in financial sector entities exceeding 10% threshold | - | - | [e] |
| Reverse repurchase agreements – non-trading | 1,792,611 | 1,792,611 | |
| Interests in associates and joint ventures | 1,914,650 | 295,500 | |
| of which: | | | |
| - significant capital investments in financial sector entities exceeding 10% threshold | - | - | [f] |
| Investment properties | 2,534,060 | 2,676,851 | |
| Leasehold land | 130,271 | 86,752 | |
| Other properties and equipment | 1,451,172 | 2,067,332 | |
| Tax recoverable | 8,719 | 6,968 | |
| Deferred tax assets | 920,760 | 913,283 | [g] |
| of which: | | | |
| - Deferred tax liabilities on defined benefit pension fund net assets | - | (13,580) | [h] |
| Asset classified as held for sale | - | - | |
| **Total assets** | **526,541,657** | **525,570,492** | |

## 4 Composition of regulatory capital (continued)

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

| | (a) | (b) | (c) |
|---|---|---|---|
| | **Balance sheet as in published financial statements** As at 31 December 2025 HK$'000 | **Under regulatory scope of consolidation** As at 31 December 2025 HK$'000 | **Reference** |
| **Liabilities** | | | |
| Deposits and balances from banks | 4,234,039 | 4,234,039 | |
| Repurchase agreements – non-trading | - | - | |
| Financial liabilities at fair value through profit or loss | 459,262 | - | |
| Derivative financial instruments | 878,932 | 878,932 | |
| Deposits from customers | 437,903,666 | 438,551,151 | |
| Certificates of deposit issued | 259,774 | 259,774 | |
| Subordinated debts issued | - | - | |
| of which: | | | |
| - subordinated debt eligible for inclusion in regulatory capital | - | - | [j] |
| Current taxation | 555,255 | 553,469 | |
| Deferred tax liabilities | 22,016 | 16,923 | |
| Other accounts and accruals | 13,295,687 | 13,243,698 | |
| **Total liabilities** | **457,608,631** | **457,737,986** | |
| **Equity** | | | |
| Share capital | 1,160,951 | 1,160,951 | [k] |
| Reserves | 52,970,284 | 51,869,764 | |
| of which: | | | |
| - Capital reserve | - | 20,000 | [l] |
| - Bank premises revaluation reserve | - | 571,615 | [m] |
| - Financial asset revaluation reserve | - | 809,622 | [n] |
| - Other reserve | - | 449,190 | [q] |
| - Retained earnings | - | 50,019,338 | [r] |
| of which: | | | |
| - revaluation of land and buildings | - | 3,181,225 | [s] |
| - regulatory reserve for general banking risks | - | - | [t] |
| **Total equity attributable to shareholders of the Bank** | **54,131,235** | **53,030,716** | |
| Other equity instruments | 14,801,791 | 14,801,791 | [u] |
| Non-controlling interests | - | - | |
| **Total equity** | **68,933,026** | **67,832,506** | |
| **Total equity and liabilities** | **526,541,657** | **525,570,492** | |

## 4 Composition of regulatory capital (continued)

### 4.3 CCA: Main features of regulatory capital instruments

#### 4.3.1 Terms and conditions of regulatory capital instruments issued as at 31 December 2025

The regulatory capital instruments included in the Bank's consolidated capital base as at 31 December 2025 are as follows:

1. Common Equity Tier 1 Capital (Ordinary share capital)

2. US$200 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 23 March 2022)

3. US$500 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 27 December 2023)

4. US$200 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 30 January 2024)

5. US$1,000 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 23 December 2024)

The main features of the regulatory capital instruments are set out in the following sections. Full terms and conditions, which are available in English only, are published on the Bank's website at http://www.cmbwinglungbank.com/wlb_corporate/en/about-us/investor-communication/capital-instruments-issued-terms_202512311.html

# CMB WING LUNG BANK LIMITED

## 4 Composition of regulatory capital (continued)

## 4.3 CCA: Main features of regulatory capital instruments (continued)

### 4.3.2 Common Equity Tier 1 Capital (Ordinary share capital)

| | | (a) |
|---|---|---|
| | | **Quantitative / qualitative information** |
| 1 | Issuer | CMB Wing Lung Bank Limited |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | N/A |
| 3 | Governing law(s) of the instrument | Law of Hong Kong Special Administrative Region |
| | *Regulatory treatment* | |
| 4 | Transitional Basel III rules | N/A |
| 5 | Basel III rules | Common Equity Tier 1 |
| 6 | Eligible at solo / group / solo and group | Solo and group |
| 7 | Instrument type (types to be specified by each jurisdiction) | Ordinary shares |
| 8 | Amount recognized in regulatory capital (currency in millions, as of most recent reporting date) | HK$1,161 million as at 31 December 2025 |
| 9 | Par value of instrument | N/A |
| 10 | Accounting classification | Shareholders' equity |
| 11 | Original date of issuance | Since incorporation |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | No maturity |
| 14 | Issuer call subject to prior supervisory approval | N/A |
| 15 | Optional call date, contingent call dates and redemption amount | N/A |
| 16 | Subsequent call dates, if applicable | N/A |
| | *Coupons / dividends* | |
| 17 | Fixed or floating dividend / coupon | Discretionary dividend amount |
| 18 | Coupon rate and any related index | N/A |
| 19 | Existence of a dividend stopper | N/A |
| 20 | Fully discretionary, partially discretionary or mandatory | Fully discretionary |
| 21 | Existence of step-up or other incentive to redeem | N/A |
| 22 | Non-cumulative or cumulative | N/A |
| 23 | Convertible or non-convertible | N/A |
| 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 | N/A |
| 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 |

## 4 Composition of regulatory capital (continued)

## 4.3 CCA: Main features of regulatory capital instruments (continued)

### 4.3.2 Common Equity Tier 1 Capital (Ordinary share capital) (continued)

| | | (a) |
|---|---|---|
| | | **Quantitative / qualitative information** |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned). | Non-cumulative subordinated additional tier 1 capital securities |
| 36 | Non-compliant transitioned features | N/A |
| 37 | If yes, specify non-compliant features | N/A |

## 4 Composition of regulatory capital (continued)

## 4.3 CCA: Main features of regulatory capital instruments (continued)

### 4.3.3 US$200 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 23 March 2022)

| | | (a) |
|---|---|---|
| | | **Quantitative / qualitative information** |
| 1 | Issuer | CMB Wing Lung Bank Limited |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | N/A |
| 3 | Governing law(s) of the instrument | Hong Kong Laws (subordination governed by Laws of Hong Kong Special Administrative Region) |
| | *Regulatory treatment* | |
| 4 | Transitional Basel III rules | N/A |
| 5 | Basel III rules | Additional Tier 1 |
| 6 | Eligible at solo / group / solo and group | Solo and group |
| 7 | Instrument type (types to be specified by each jurisdiction) | Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities |
| 8 | Amount recognized in regulatory capital (currency in millions, as of most recent reporting date) | US$200 million as at 31 December 2025 |
| 9 | Par value of instrument | US$200 million |
| 10 | Accounting classification | Equity - par value |
| 11 | Original date of issuance | 23 March 2022 |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | No maturity |
| 14 | Issuer call subject to prior supervisory approval | Yes |
| 15 | Optional call date, contingent call dates and redemption amount | - 23 March 2027 (First Call Date)<br>- No fixed redemption date<br>- Optional Redemption (on a designated date on 23 March 2027 or on any Distribution Payment Date thereafter), Tax or Regulatory Redemption are all subject to prior written consent of the HKMA and satisfying any conditions that the HKMA may impose at that time. Redemption amount will be the outstanding principal amount together (if appropriate) with distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event. |
| 16 | Subsequent call dates, if applicable | Any Distribution Payment Date after the First Call Date |
| | *Coupons / dividends* | |
| 17 | Fixed or floating dividend / coupon | Fixed |

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## 4 Composition of regulatory capital (continued)

## 4.3 CCA: Main features of regulatory capital instruments (continued)

### 4.3.3 US$200 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 23 March 2022) (continued)

| | | (a) |
|---|---|---|
| | | **Quantitative / qualitative information** |
| 18 | Coupon rate and any related index | At a fixed rate of 3.34% per annum for the period from, and including, the Issue Date to, but excluding the First Call Date. On the First Call Date and each anniversary falling five years thereafter, the Distribution Rate will reset by reference to the then-prevailing five year U.S. Treasury Rate plus 149 bps per annum.<br><br>Any distributions are subject to there being no Mandatory Distribution Cancellation Event or Optional Distribution Cancellation Event. |
| 19 | Existence of a dividend stopper | Yes |
| 20 | Fully discretionary, partially discretionary or mandatory | Fully discretionary |
| 21 | Existence of step-up or other incentive to redeem | No |
| 22 | Non-cumulative or cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible<br>(The terms of the Capital Securities contain a provision that the holder of the Capital Securities acknowledges and agrees to be bound by the exercise of powers under the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong.) |
| 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 | Yes<br>(The terms of the Capital Securities contain a provision that the holder of the Capital Securities acknowledges and agrees to be bound by the exercise of powers under the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong.) |
| 31 | If write-down, write-down trigger(s) | If a Non-Viability Event occurs and is continuing , the Issuer shall, by the provision of a Non-Viability Event Notice, irrevocably reduce the then prevailing principal amount of, and cancel any accrued but unpaid distribution in respect of , each Capital Security in whole or in part.<br><br>"Non-Viability Event" means the earlier of:<br>(a) the HKMA notifying the Issuer in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and<br>(b) the HKMA notifying the Issuer in writing that a decision has been made by the government body, a |

## 4 Composition of regulatory capital (continued)

## 4.3 CCA: Main features of regulatory capital instruments (continued)

### 4.3.3 US$200 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 23 March 2022) (continued)

| | | (a) |
|---|---|---|
| | | **Quantitative / qualitative information** |
| 31 | If write-down, write-down trigger(s) | government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.<br><br>The Capital Securities may be written off, cancelled, converted or modified, or the form of the Capital Securities may be changed, in the exercise of any Hong Kong Resolution Authority Power under the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:<br>(a) the reduction or cancellation of all or a part of the principal amount of, or Distributions on, the Capital Securities;<br>(b) the conversion of all or a part of the principal amount of, or Distributions on, the Capital Securities into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Capital Securities; and<br>(c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of Distributions payable on the Capital Securities, or the date on which the Distributions become payable, including by suspending payment for a temporary period, or any other amendment or alteration of the terms and conditions of the Capital Securities. |
| 32 | If write-down, full or partial | Full or partial |
| 33 | If write-down, permanent or temporary | Permanent |
| 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). | Subordinate to the claims of:<br>(a) all unsubordinated creditors of the Issuer (including its depositors);<br>(b) creditors in respect of Tier 2 Capital Securities of the Issuer; and<br>(c) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract. |
| 36 | Non-compliant transitioned features | N/A |
| 37 | If yes, specify non-compliant features | N/A |

## 4 Composition of regulatory capital (continued)

## 4.3 CCA: Main features of regulatory capital instruments (continued)

### 4.3.4 US$500 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 27 December 2023)

| | | (a) |
|---|---|---|
| | | **Quantitative / qualitative information** |
| 1 | Issuer | CMB Wing Lung Bank Limited |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | N/A |
| 3 | Governing law(s) of the instrument | Hong Kong Laws (subordination governed by Laws of Hong Kong Special Administrative Region) |
| | *Regulatory treatment* | |
| 4 | Transitional Basel III rules | N/A |
| 5 | Basel III rules | Additional Tier 1 |
| 6 | Eligible at solo / group / solo and group | Solo and group |
| 7 | Instrument type (types to be specified by each jurisdiction) | Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities |
| 8 | Amount recognized in regulatory capital (currency in millions, as of most recent reporting date) | US$500 million as at 31 December 2025 |
| 9 | Par value of instrument | US$500 million |
| 10 | Accounting classification | Equity - par value |
| 11 | Original date of issuance | 27 December 2023 |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | No maturity |
| 14 | Issuer call subject to prior supervisory approval | Yes |
| 15 | Optional call date, contingent call dates and redemption amount | - 27 December 2028 (First Call Date)<br>- No fixed redemption date<br>- Optional Redemption (on a designated date on 27 December 2028 or on any Distribution Payment Date thereafter), Tax or Regulatory Redemption are all subject to prior written consent of the HKMA and satisfying any conditions that the HKMA may impose at that time. Redemption amount will be the outstanding principal amount together (if appropriate) with distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event. |
| 16 | Subsequent call dates, if applicable | Any Distribution Payment Date after the First Call Date |
| | *Coupons / dividends* | |
| 17 | Fixed or floating dividend / coupon | Fixed |

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## 4 Composition of regulatory capital (continued)

## 4.3 CCA: Main features of regulatory capital instruments (continued)

### 4.3.4 US$500 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 27 December 2023) (continued)

| | | (a) |
|---|---|---|
| | | **Quantitative / qualitative information** |
| 18 | Coupon rate and any related index | At a fixed rate of 6.30% per annum for the period from, and including, the Issue Date to, but excluding the First Call Date. On the First Call Date and each anniversary falling five years thereafter, the Distribution Rate will reset by reference to the then-prevailing five year U.S. Treasury Rate plus 242 bps per annum.<br><br>Any distributions are subject to there being no Mandatory Distribution Cancellation Event or Optional Distribution Cancellation Event. |
| 19 | Existence of a dividend stopper | Yes |
| 20 | Fully discretionary, partially discretionary or mandatory | Fully discretionary |
| 21 | Existence of step-up or other incentive to redeem | No |
| 22 | Non-cumulative or cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible<br>(The terms of the Capital Securities contain a provision that the holder of the Capital Securities acknowledges and agrees to be bound by the exercise of powers under the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong.) |
| 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 | Yes<br>(The terms of the Capital Securities contain a provision that the holder of the Capital Securities acknowledges and agrees to be bound by the exercise of powers under the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong.) |
| 31 | If write-down, write-down trigger(s) | If a Non-Viability Event occurs and is continuing , the Issuer shall, by the provision of a Non-Viability Event Notice, irrevocably reduce the then prevailing principal amount of, and cancel any accrued but unpaid distribution in respect of , each Capital Security in whole or in part.<br>"Non-Viability Event" means the earlier of:<br>(a) the HKMA notifying the Issuer in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and<br>(b) the HKMA notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable. |

## 4 Composition of regulatory capital (continued)

## 4.3 CCA: Main features of regulatory capital instruments (continued)

### 4.3.4 US$500 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 27 December 2023) (continued)

| | | (a) |
|---|---|---|
| | | **Quantitative / qualitative information** |
| 31 | If write-down, write-down trigger(s) | The Capital Securities may be written off, cancelled, converted or modified, or the form of the Capital Securities may be changed, in the exercise of any Hong Kong Resolution Authority Power under the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:<br>(a) the reduction or cancellation of all or a part of the principal amount of, or Distributions on, the Capital Securities;<br>(b) the conversion of all or a part of the principal amount of, or Distributions on, the Capital Securities into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Capital Securities; and<br>(c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of Distributions payable on the Capital Securities, or the date on which the Distributions become payable, including by suspending payment for a temporary period, or any other amendment or alteration of the terms and conditions of the Capital Securities. |
| 32 | If write-down, full or partial | Full or partial |
| 33 | If write-down, permanent or temporary | Permanent |
| 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). | Subordinate to the claims of:<br>(a) all unsubordinated creditors of the Issuer (including its depositors);<br>(b) creditors in respect of Tier 2 Capital Securities of the Issuer; and<br>(c) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract. |
| 36 | Non-compliant transitioned features | N/A |
| 37 | If yes, specify non-compliant features | N/A |

## 4 Composition of regulatory capital (continued)

## 4.3 CCA: Main features of regulatory capital instruments (continued)

### 4.3.5 US$200 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 30 January 2024)

| | | (a) |
|---|---|---|
| | | **Quantitative / qualitative information** |
| 1 | Issuer | CMB Wing Lung Bank Limited |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | N/A |
| 3 | Governing law(s) of the instrument | Hong Kong Laws (subordination governed by Laws of Hong Kong Special Administrative Region) |
| | *Regulatory treatment* | |
| 4 | Transitional Basel III rules | N/A |
| 5 | Basel III rules | Additional Tier 1 |
| 6 | Eligible at solo / group / solo and group | Solo and group |
| 7 | Instrument type (types to be specified by each jurisdiction) | Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities |
| 8 | Amount recognised in regulatory capital (currency in millions, as of most recent reporting date) | US$200 million as at 31 December 2025 |
| 9 | Par value of instrument | US$200 million |
| 10 | Accounting classification | Equity - par value |
| 11 | Original date of issuance | 30 January 2024 |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | No maturity |
| 14 | Issuer call subject to prior supervisory approval | Yes |
| 15 | Optional call date, contingent call dates and redemption amount | - 30 January 2029 (First Call Date)<br>- No fixed redemption date<br>- Optional Redemption (on a designated date on 30 January 2029 or on any Distribution Payment Date thereafter), Tax or Regulatory Redemption are all subject to prior written consent of the HKMA and satisfying any conditions that the HKMA may impose at that time. Redemption amount will be the outstanding principal amount together (if appropriate) with distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event. |
| 16 | Subsequent call dates, if applicable | Any Distribution Payment Date after the First Call Date |
| | *Coupons / dividends* | |
| 17 | Fixed or floating dividend / coupon | Fixed |

## 4 Composition of regulatory capital (continued)

## 4.3 CCA: Main features of regulatory capital instruments (continued)

### 4.3.5 US$200 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 30 January 2024) (continued)

| | | (a) |
|---|---|---|
| | | **Quantitative / qualitative information** |
| 18 | Coupon rate and any related index | At a fixed rate of 6.44% per annum for the period from, and including, the Issue Date to, but excluding the First Call Date. On the First Call Date and each anniversary falling five years thereafter, the Distribution Rate will reset by reference to the then-prevailing five year U.S. Treasury Rate plus 242 bps per annum.<br><br>Any distributions are subject to there being no Mandatory Distribution Cancellation Event or Optional Distribution Cancellation Event. |
| 19 | Existence of a dividend stopper | Yes |
| 20 | Fully discretionary, partially discretionary or mandatory | Fully discretionary |
| 21 | Existence of step-up or other incentive to redeem | No |
| 22 | Non-cumulative or cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible<br>(The terms of the Capital Securities contain a provision that the holder of the Capital Securities acknowledges and agrees to be bound by the exercise of powers under the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong.) |
| 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 | Yes<br>(The terms of the Capital Securities contain a provision that the holder of the Capital Securities acknowledges and agrees to be bound by the exercise of powers under the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong.) |

## 4 Composition of regulatory capital (continued)

## 4.3 CCA: Main features of regulatory capital instruments (continued)

### 4.3.5 US$200 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 30 January 2024) (continued)

| | | (a) |
|---|---|---|
| | | **Quantitative / qualitative information** |
| 31 | If write-down, write-down trigger(s) | If a Non-Viability Event occurs and is continuing , the Issuer shall, by the provision of a Non-Viability Event Notice, irrevocably reduce the then prevailing principal amount of, and cancel any accrued but unpaid distribution in respect of , each Capital Security in whole or in part.<br><br>"Non-Viability Event" means the earlier of:<br>(a) the HKMA notifying the Issuer in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and<br>(b) the HKMA notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.<br><br>The Capital Securities may be written off, cancelled, converted or modified, or the form of the Capital Securities may be changed, in the exercise of any Hong Kong Resolution Authority Power under the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:<br>(a) the reduction or cancellation of all or a part of the principal amount of, or Distributions on, the Capital Securities;<br>(b) the conversion of all or a part of the principal amount of, or Distributions on, the Capital Securities into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Capital Securities; and<br>(c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of Distributions payable on the Capital Securities, or the date on which the Distributions become payable, including by suspending payment for a temporary period, or any other amendment or alteration of the terms and conditions of the Capital Securities. |
| 32 | If write-down, full or partial | Full or partial |
| 33 | If write-down, permanent or temporary | Permanent |
| 34 | If temporary write-down, description of write-up mechanism | N/A |

## 4 Composition of regulatory capital (continued)

## 4.3 CCA: Main features of regulatory capital instruments (continued)

### 4.3.5 US$200 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 30 January 2024) (continued)

| | | (a) |
|---|---|---|
| | | **Quantitative / qualitative information** |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned). | Subordinate to the claims of:<br>(a) all unsubordinated creditors of the Issuer (including its depositors);<br>(b) creditors in respect of Tier 2 Capital Securities of the Issuer; and<br>(c) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract. |
| 36 | Non-compliant transitioned features | N/A |
| 37 | If yes, specify non-compliant features | N/A |

## 4 Composition of regulatory capital (continued)

## 4.3 CCA: Main features of regulatory capital instruments (continued)

### 4.3.6 US$1,000 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 23 December 2024)

| | | (a) |
|---|---|---|
| | | **Quantitative / qualitative information** |
| 1 | Issuer | CMB Wing Lung Bank Limited |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | N/A |
| 3 | Governing law(s) of the instrument | Hong Kong Laws (subordination governed by Laws of Hong Kong Special Administrative Region) |
| | *Regulatory treatment* | |
| 4 | Transitional Basel III rules | N/A |
| 5 | Basel III rules | Additional Tier 1 |
| 6 | Eligible at solo / group / solo and group | Solo and group |
| 7 | Instrument type (types to be specified by each jurisdiction) | Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities |
| 8 | Amount recognized in regulatory capital (currency in millions, as of most recent reporting date) | US$1,000 million as at 31 December 2025 |
| 9 | Par value of instrument | US$1,000 million |
| 10 | Accounting classification | Equity - par value |
| 11 | Original date of issuance | 23 December 2024 |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | No maturity |
| 14 | Issuer call subject to prior supervisory approval | Yes |
| 15 | Optional call date, contingent call dates and redemption amount | - 23 December 2029 (First Call Date)<br>- No fixed redemption date<br>- Optional Redemption (on a designated date on 23 December 2029 or on any Distribution Payment Date thereafter), Tax or Regulatory Redemption are all subject to prior written consent of the HKMA and satisfying any conditions that the HKMA may impose at that time. Redemption amount will be the outstanding principal amount together (if appropriate) with distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event. |
| 16 | Subsequent call dates, if applicable | Any Distribution Payment Date after the First Call Date |
| | *Coupons / dividends* | |
| 17 | Fixed or floating dividend / coupon | Fixed |

## 4 Composition of regulatory capital (continued)

## 4.3 CCA: Main features of regulatory capital instruments (continued)

### 4.3.6 US$1,000 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 23 December 2024) (continued)

| | | (a) |
|---|---|---|
| | | **Quantitative / qualitative information** |
| 18 | Coupon rate and any related index | At a fixed rate of 5.609% per annum for the period from, and including, the Issue Date to, but excluding the First Call Date. On the First Call Date and each anniversary falling five years thereafter, the Distribution Rate will reset by reference to the then-prevailing five year U.S. Treasury Rate plus 120 bps per annum.<br><br>Any distributions are subject to there being no Mandatory Distribution Cancellation Event or Optional Distribution Cancellation Event. |
| 19 | Existence of a dividend stopper | Yes |
| 20 | Fully discretionary, partially discretionary or mandatory | Fully discretionary |
| 21 | Existence of step-up or other incentive to redeem | No |
| 22 | Non-cumulative or cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible<br>(The terms of the Capital Securities contain a provision that the holder of the Capital Securities acknowledges and agrees to be bound by the exercise of powers under the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong.) |
| 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 | Yes<br>(The terms of the Capital Securities contain a provision that the holder of the Capital Securities acknowledges and agrees to be bound by the exercise of powers under the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong.) |
| 31 | If write-down, write-down trigger(s) | If a Non-Viability Event occurs and is continuing , the Issuer shall, by the provision of a Non-Viability Event Notice, irrevocably reduce the then prevailing principal amount of, and cancel any accrued but unpaid distribution in respect of , each Capital Security in whole or in part.<br><br>"Non-Viability Event" means the earlier of:<br>(a) the HKMA notifying the Issuer in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and<br>(b) the HKMA notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become |

## 4 Composition of regulatory capital (continued)

## 4.3 CCA: Main features of regulatory capital instruments (continued)

### 4.3.6 US$1,000 million undated non-cumulative subordinated additional tier 1 capital securities (issued on 23 December 2024) (continued)

| | | (a) |
|---|---|---|
| | | **Quantitative / qualitative information** |
| 31 | If write-down, write-down trigger(s) | non-viable.<br><br>The Capital Securities may be written off, cancelled, converted or modified, or the form of the Capital Securities may be changed, in the exercise of any Hong Kong Resolution Authority Power under the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:<br>(a) the reduction or cancellation of all or a part of the principal amount of, or Distributions on, the Capital Securities;<br>(b) the conversion of all or a part of the principal amount of, or Distributions on, the Capital Securities into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Capital Securities; and<br>(c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of Distributions payable on the Capital Securities, or the date on which the Distributions become payable, including by suspending payment for a temporary period, or any other amendment or alteration of the terms and conditions of the Capital Securities. |
| 32 | If write-down, full or partial | Full or partial |
| 33 | If write-down, permanent or temporary | Permanent |
| 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). | Subordinate to the claims of:<br>(a) all unsubordinated creditors of the Issuer (including its depositors);<br>(b) creditors in respect of Tier 2 Capital Securities of the Issuer; and<br>(c) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract. |
| 36 | Non-compliant transitioned features | N/A |
| 37 | If yes, specify non-compliant features | N/A |

## 5 Macroprudential supervisory measures

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

| | 31 December 2025 | (a) | (c) | (d) | (e) |
|---|---|---|---|---|---|
| | **Geographical breakdown by Jurisdiction (J)** | **Applicable JCCyB ratio in effect (%)** | **RWA used in computation of CCyB ratio HK$'000** | **AI-specific CCyB ratio (%)** | **CCyB amount HK$'000** |
| 1 | Hong Kong SAR | 0.5000% | 130,578,745 | | |
| 2 | Australia | 1.0000% | 662,059 | | |
| 3 | Belgium | 1.0000% | 24 | | |
| 4 | Croatia | 1.5000% | 2 | | |
| 5 | Cyprus | 1.0000% | 58 | | |
| 6 | France | 1.0000% | 31 | | |
| 7 | Germany | 0.7500% | 29,756 | | |
| 8 | Hungary | 1.0000% | 840 | | |
| 9 | Ireland | 1.5000% | 401,265 | | |
| 10 | Netherlands | 2.0000% | 66 | | |
| 11 | Poland | 1.0000% | 3 | | |
| 12 | South Korea | 1.0000% | 79,269 | | |
| 13 | Sweden | 2.0000% | 389,264 | | |
| 14 | United Kingdom | 2.0000% | 191,316 | | |
| 16 | Sum | | **132,332,698** | | |
| 17 | Total | | **227,713,848** | **0.2978%** | **678,171** |

## 6 Leverage ratio

### 6.1 LR1: Summary comparison of accounting assets against leverage ratio ("LR") exposure measure

| | 31 December 2025 | (a) |
|---|---|---|
| | **Item** | **Value under the LR framework** (HK$'000) |
| 1 | Total consolidated assets as per published financial statements | 531,634,721 |
| 2 | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | (2,043,984) |
| 3 | Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference | - |
| 4 | Adjustments for temporary exemption of central bank reserves | Not applicable |
| 5 | Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure | - |
| 6 | Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting | - |
| 7 | Adjustments for eligible cash pooling transactions | - |
| 8 | Adjustments for derivative contracts | 2,318,867 |
| 9 | Adjustment for SFTs (i.e. repos and similar secured lending) | 2,098,149 |
| 10 | Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures) | 13,965,669 |
| 11 | Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from LR exposure measure | (6,539,538) |
| 12 | Other adjustments | (4,861,532) |
| **13** | **Leverage ratio exposure measure** | **536,572,352** |

## 6 Leverage ratio (continued)

### 6.2 LR2: Leverage ratio

| | | (a) | (b) |
|---|---|---|---|
| | | HK$'000 | |
| | | As at 31 December 2025 | As at 30 September 2025 |
| **On-balance sheet exposures** | | | |
| 1 | On-balance sheet exposures (excluding derivative contracts and SFTs, but including related on-balance sheet collateral) | 529,590,737 | 512,835,922 |
| 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 | (126,686) | (131,040) |
| 4 | Less: Adjustment for securities received under SFTs that are recognised as an asset | - | - |
| 5 | Less: Specific and collective provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital | (6,513,084) | (5,872,439) |
| 6 | Less: Asset amounts deducted in determining Tier 1 capital | (4,734,846) | (4,222,515) |
| 7 | **Total on-balance sheet exposures (excluding derivative contracts and SFTs) (sum of rows 1 to 6)** | **518,216,121** | **502,609,928** |
| **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) | 285,694 | 414,373 |
| 9 | Add-on amounts for PFE associated with all derivative contracts | 2,033,173 | 2,565,693 |
| 10 | Less: Exempted CCP leg of client-cleared trade exposures | - | - |
| 11 | Adjusted effective notional amount of written credit-related derivative contracts | - | - |
| 12 | Less: Permitted reductions in effective notional amount and permitted deductions from add-on amounts for PFE of written credit-related derivative contracts | - | - |
| 13 | **Total exposures arising from derivative contracts (sum of rows 8 to 12)** | **2,318,867** | **2,980,066** |
| **Exposures arising from SFTs** | | | |
| 14 | Gross amount of SFT assets (with no recognition of netting), after adjusting for sale accounting transactions | 2,058,380 | 1,712,977 |
| 15 | Less: Netted amounts of cash payables and cash receivables of gross SFT assets | - | - |
| 16 | CCR exposure for SFT assets | 39,769 | 25,469 |
| 17 | Agent transaction exposures | - | - |
| 18 | **Total exposures arising from SFTs (sum of rows 14 to 17)** | **2,098,149** | **1,738,446** |
| **Other off-balance sheet exposures** | | | |
| 19 | Off-balance sheet exposure at gross notional amount | 50,807,009 | 48,131,334 |
| 20 | Less: Adjustments for conversion to credit equivalent amounts | (36,841,341) | (34,348,648) |
| 21 | Less: Specific and collective provisions associated with off-balance sheet exposures that are deducted from Tier 1 capital | (26,454) | (26,473) |
| 22 | **Off-balance sheet items (sum of rows 19 to 21)** | **13,939,215** | **13,756,213** |
| **Capital and total exposures** | | | |
| 23 | **Tier 1 capital** | **63,097,661** | **63,136,637** |
| 24 | **Total exposures (sum of rows 7, 13, 18 and 22)** | **536,572,352** | **521,084,653** |
| **Leverage ratio** | | | |
| 25 & 25a | **Leverage ratio** | **11.8%** | **12.1%** |
| 26 | **Minimum leverage ratio requirement** | **3.0%** | **3.0%** |
| 27# | **Applicable leverage buffers** | **N/A** | **N/A** |
| **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 | 2,082,134 | 1,683,299 |

## 6 Leverage ratio (continued)

### 6.2 LR2: Leverage ratio (continued)

| | | (a) | (b) |
|---|---|---|---|
| | | HK$'000 | |
| | | As at 31 December 2025 | As at 30 September 2025 |
| 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 | 2,058,380 | 1,712,977 |
| 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) | 536,596,106 | 521,054,975 |
| 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) | 11.8% | 12.1% |

*#: Not applicable in the case of Hong Kong.*

## 7 Liquidity

### 7.1 LIQA: Liquidity risk management

Governance of liquidity risk management

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. This may be caused by market disruption or liquidity squeeze whereby the Group may only unwind specific exposures at significantly discounted values.

The Group adopts a prudent risk appetite in setting liquidity risk tolerance. Risk appetite is set in the form of liquidity risk limit and metric framework.

The management of the Group's liquidity risk is governed by the liquidity risk management policies and principles which are approved by the Board of Directors ("Board"). Management Committee is one of the committees set up under the Board. The duties of Management Committee are to approve the risk management framework that is in line with the Group's business objectives and risk profile. The Asset and Liability Management Committee ("ALCO") is a committee formed by the Management Committee on behalf of the Board. ALCO is responsible for monitoring the Group's overall liquidity management. ALCO sets the strategy, policy and limits for managing liquidity risk for approval by the Board or the Management Committee and the means for ensuring that such strategy and policy are implemented effectively. Regular meeting is held to review the compliance status of the monitoring matrix established and the needs of change in strategy and policy. Daily liquidity management is managed by the Treasury Management Team of the Asset and Liability Management Department. The limit, triggers or alerts are monitored by the Liquidity Risk Management Team of the Asset and Liability Management Department and reported to the ALCO on a regular basis. The Audit Department performs periodic reviews to make sure that the liquidity risk management functions are carried out effectively.

## 7 Liquidity (continued)

### 7.1 LIQA: Liquidity risk management (continued)

Funding strategy

The Group sets its liquidity funding strategy according to the size and sophistication of its business, as well as the nature and complexity of its activities.

The objective of the Group's funding strategy is to strive for a balance between business growth opportunities and funding stability. The Group seeks to maintain diversified and stable funding sources with an appropriate mix of liabilities including customer deposits, interbank borrowings, issuance of negotiable certificates of deposit and debt instruments.

In setting the Group's annual budget, the diversity and stability of various funding sources is considered so that the appropriate mix of liabilities is maintained.

To manage the currency mismatch and avoid over-reliance on the currency swap market, the Group sets limits on cross currency funding ratios. The cross currency funding ratios limit the extent of one currency's assets being funded by other currencies through the swap market. In addition, the Group sets limits on individual currency liquidity coverage ratios so as to control the extent of cash flow mismatch by currencies.

Liquidity stress testing

Liquidity stress testing is regularly conducted to project the Group's cash flows under stress scenarios and to evaluate the sufficiency of liquidity cushion. The stress scenarios cover institution-specific crisis scenario, general market crisis scenario and combined scenario. The stress test results are regularly reported to ALCO. It is the Group's policy that the liquidity cushion should be able to cover projected cash outflows under various prescribed stress scenarios.

## 7 Liquidity (continued)

### 7.1 LIQA: Liquidity risk management (continued)

Contingency funding plan

Contingency Funding Plan (CFP) of the Group clearly defines a set of triggering events that will activate the Plan. The mechanisms of CFP incorporate:

- A set of early warning indicators that helps to identify any emerging liquidity risks at an early stage.
- A list of potential funding sources, with due consideration of their reliability, priority and the expected available time during liquidity crisis.
- Detailed action steps and properly assigned responsibilities for implementing the CFP in case of need.

Balances of high quality liquid asset and maturity analysis

For details of the high quality liquid asset held by the Group, please refer to Note 4.3 (a)(vi) of the Group's 2025 Annual Report.

For the maturity analysis of the Group, please refer to Notes 4.3 (b) to 4.3 (d) of the Group's 2025 Annual Report.

# CMB WING LUNG BANK LIMITED

## 7 Liquidity (continued)

### 7.2 LIQ1: Liquidity Coverage Ratio - for category 1 institution

### For the quarter ended 31 December 2025

| Number of data points used in calculating the average value of the LCR and related components set out in this template: (75) | | HK$000 equivalent | |
|---|---|---|---|
| | | (a) | (b) |
| Basis of disclosure: unconsolidated | | **Unweighted value** (average) | **Weighted value** (average) |
| **A.** | **HQLA** | | |
| 1 | Total HQLA | | 134,724,516 |
| **B.** | **Cash outflows** | | |
| 2 | Retail deposits and small business funding, of which: | 247,874,005 | 17,221,532 |
| 3 | *Stable retail deposits and stable small business funding* | 12,058,997 | 602,950 |
| 4 | *Less stable retail deposits and less stable small business funding* | 96,556,639 | 9,655,664 |
| 4a | *Retail term deposits and small business term funding* | 139,258,369 | 6,962,918 |
| 5 | Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which: | 134,411,431 | 86,240,102 |
| 6 | *Operational deposits* | - | - |
| 7 | *Unsecured wholesale funding (other than small business funding) not covered in row 6* | 134,411,431 | 86,240,102 |
| 8 | *Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period* | - | - |
| 9 | Secured funding transactions (including securities swap transactions) | | - |
| 10 | Additional requirements, of which: | 36,050,820 | 6,739,217 |
| 11 | *Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements* | 610,766 | 610,766 |
| 12 | *Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions* | - | - |
| 13 | *Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)* | 35,440,054 | 6,128,451 |
| 14 | Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows | 7,684,082 | 7,684,082 |
| 15 | Other contingent funding obligations (whether contractual or non-contractual) | 1,714,695 | 98,980 |
| 16 | **Total Cash Outflows** | | 117,983,913 |
| **C.** | **Cash Inflows** | | |
| 17 | Secured lending transactions (including securities swap transactions) | 1,969,207 | 984,604 |
| 18 | Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions | 82,912,428 | 28,543,085 |
| 19 | Other cash inflows | 3,593,519 | 3,054,861 |
| 20 | **Total Cash Inflows** | 88,475,154 | 32,582,550 |
| **D.** | **Liquidity Coverage Ratio** | | **Adjusted value** |
| 21 | **Total HQLA** | | 134,724,516 |
| 22 | **Total Net Cash Outflows** | | 85,401,363 |
| 23 | **LCR (%)** | | 158.2% |

# CMB WING LUNG BANK LIMITED

## 7 Liquidity (continued)

### 7.2 LIQ1: Liquidity Coverage Ratio - for category 1 institution (continued)

**For the quarter ended 30 September 2025**

| Number of data points used in calculating the average value of the LCR and related components set out in this template: (77) | | HK$000 equivalent | |
|---|---|---|---|
| | | (a) | (b) |
| Basis of disclosure: unconsolidated | | **Unweighted value** (average) | **Weighted value** (average) |
| **A.** | **HQLA** | | |
| 1 | Total HQLA | | 127,252,811 |
| **B.** | **Cash outflows** | | |
| 2 | Retail deposits and small business funding, of which: | 251,070,326 | 17,635,952 |
| 3 | *Stable retail deposits and stable small business funding* | 11,954,164 | 597,708 |
| 4 | *Less stable retail deposits and less stable small business funding* | 101,648,707 | 10,164,871 |
| 4a | *Retail term deposits and small business term funding* | 137,467,455 | 6,873,373 |
| 5 | Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which: | 127,960,595 | 84,403,456 |
| 6 | *Operational deposits* | - | - |
| 7 | *Unsecured wholesale funding (other than small business funding) not covered in row 6* | 127,919,817 | 84,362,678 |
| 8 | *Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period* | 40,778 | 40,778 |
| 9 | Secured funding transactions (including securities swap transactions) | | 256,161 |
| 10 | Additional requirements, of which: | 36,599,748 | 7,109,007 |
| 11 | *Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements* | 751,870 | 751,870 |
| 12 | *Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions* | - | - |
| 13 | *Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)* | 35,847,878 | 6,357,137 |
| 14 | Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows | 8,824,223 | 8,824,223 |
| 15 | Other contingent funding obligations (whether contractual or non-contractual) | 2,975,952 | 214,138 |
| 16 | **Total Cash Outflows** | | 118,442,937 |
| **C.** | **Cash Inflows** | | |
| 17 | Secured lending transactions (including securities swap transactions) | 1,562,730 | 781,365 |
| 18 | Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions | 85,777,531 | 30,776,451 |
| 19 | Other cash inflows | 4,233,826 | 3,686,207 |
| 20 | **Total Cash Inflows** | 91,574,087 | 35,244,023 |
| **D.** | **Liquidity Coverage Ratio** | | **Adjusted value** |
| 21 | **Total HQLA** | | 127,252,811 |
| 22 | **Total Net Cash Outflows** | | 83,198,914 |
| 23 | **LCR (%)** | | 153.5% |

## 7 Liquidity (continued)

### 7.2 LIQ1: Liquidity Coverage Ratio - for category 1 institution (continued)

Notes:

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

The average LCR is calculated as the arithmetic mean of the LCR as at the end of each working day in the quarter on an unconsolidated basis. The average LCR for the third and fourth quarters of 2025 remained stable at 153.5% and 158.2% respectively.

The Group maintains HQLA which can be sold or pledged as collateral to provide liquidity even under periods of stress. The Group invests in good credit quality investments with deep and liquid market to ensure short term funding requirements are covered within prudent limits.

Level 1 assets comprise cash, balances with central bank and high quality central government and central bank securities, while Level 2 assets comprise corporate securities of investment grade. The majority of the HQLA is composed of Level 1 assets.

The net cash outflows are mainly from retail and corporate customer deposits which are the Group's primary source of funds, together with deposits and balances from banks. The Group ensures a sound and diversified range of funding sources, through monitoring the structure, the stability and the core level of the deposit portfolio.

Intra-group funding transactions are transacted at arm's length and treated in a manner in line with other third party transactions, with regular monitoring and appropriate control.

## 7 Liquidity (continued)

### 7.3 LIQ2: Net Stable Funding Ratio - for category 1 institution

| **31 December 2025**<br>**HK$'000** | | (a) | (b) | (c) | (d) | (e) |
|---|---|---|---|---|---|---|
| Basis of disclosure: unconsolidated | | **Unweighted value by residual maturity** | | | | **Weighted amount** |
| | | No specified term to maturity | <6 months or repayable on demand | 6 months to < 12 months | 12 months or more | |
| **A.** | **Available stable funding ("ASF") item** | | | | | |
| 1 | Capital: | 71,157,662 | - | - | - | 71,157,662 |
| 2 | *Regulatory capital* | 71,157,662 | - | - | - | 71,157,662 |
| 2a | *Minority interests not covered by row 2* | - | - | - | - | - |
| 3 | *Other capital instruments* | - | - | - | - | - |
| 4 | Retail deposits and small business funding: | - | 219,588,675 | 25,590,757 | 5,656,079 | 226,930,186 |
| 5 | *Stable deposits* | | 11,320,998 | 931,375 | 158,615 | 11,798,369 |
| 6 | *Less stable deposits* | | 208,267,677 | 24,659,382 | 5,497,464 | 215,131,817 |
| 7 | Wholesale funding: | - | 179,353,761 | 11,277,156 | 5,804,793 | 73,950,950 |
| 8 | *Operational deposits* | | - | - | - | - |
| 9 | *Other wholesale funding* | - | 179,353,761 | 11,277,156 | 5,804,793 | 73,950,950 |
| 10 | Liabilities with matching interdependent assets | - | - | - | - | - |
| 11 | Other liabilities: | 11,950,347 | 125,229 | 151,653 | - | 75,827 |
| 12 | *Net derivative liabilities* | 314,974 | | | | |
| 13 | *All other funding and liabilities not included in the above categories* | 11,635,373 | 125,229 | 151,653 | - | 75,827 |
| 14 | **Total ASF** | | | | | 372,114,625 |
| **B.** | **Required stable funding ("RSF") item** | | | | | |
| 15 | Total HQLA for NSFR purposes | | | | 55,070,961 | 16,618,999 |
| 16 | Deposits held at other financial institutions for operational purposes | - | - | - | - | - |
| 17 | Performing loans and securities: | 39,279,735 | 131,741,535 | 50,347,948 | 136,773,954 | 209,417,552 |
| 18 | *Performing loans to financial institutions secured by Level 1 HQLA* | - | - | - | - | - |
| 19 | *Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions* | 198,541 | 85,147,976 | 16,320,322 | 13,445,696 | 34,576,594 |
| 20 | *Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:* | 38,415,401 | 25,194,396 | 22,356,154 | 48,751,698 | 96,916,119 |

## 7 Liquidity (continued)

### 7.3 LIQ2: Net Stable Funding Ratio - for category 1 institution (continued)

| 31 December 2025<br>HK$'000 | | (a) | (b) | (c) | (d) | (e) |
|---|---|---|---|---|---|---|
| Basis of disclosure: unconsolidated | | Unweighted value by residual maturity | | | | Weighted amount |
| | | No specified term to maturity | <6 months or repayable on demand | 6 months to < 12 months | 12 months or more | |
| 21 | *With a risk-weight of less than or equal to 35% under the STC approach* | - | 170,169 | 138,077 | 4,755,943 | 3,245,486 |
| 22 | *Performing residential mortgages, of which:* | - | 362,244 | 341,393 | 15,045,319 | 10,573,861 |
| 23 | *With a risk-weight of less than or equal to 35% under the STC approach* | - | 326,178 | 307,634 | 12,832,397 | 8,657,964 |
| 24 | *Securities that are not in default and do not qualify as HQLA, including exchange-traded equities* | 665,793 | 21,036,919 | 11,330,079 | 59,531,241 | 67,350,978 |
| 25 | Assets with matching interdependent liabilities | | | | | |
| 26 | Other assets: | 12,207,998 | 1,771,031 | 1,930,538 | - | 13,434,153 |
| 27 | *Physical traded commodities, including gold* | 169,294 | | | | 143,900 |
| 28 | *Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs* | 13,114 | | | | 13,114 |
| 29 | *Net derivative assets* | - | | | | - |
| 30 | *Total derivative liabilities before adjustments for deduction of variation margin posted* | 629,551 | | | | 31,478 |
| 31 | *All other assets not included in the above categories* | 11,396,039 | 1,771,031 | 1,930,538 | - | 13,245,661 |
| 32 | Off-balance sheet items | | | | 51,505,667 | 1,637,493 |
| 33 | **Total RSF** | | | | | 241,108,197 |
| 34 | **Net Stable Funding Ratio (%)** | | | | | 154.3% |

## 7 Liquidity (continued)

### 7.3 LIQ2: Net Stable Funding Ratio - for category 1 institution (continued)

| 30 Sep 2025<br>HK$'000 | | (a) | (b) | (c) | (d) | (e) |
|---|---|---|---|---|---|---|
| Basis of disclosure: unconsolidated | | Unweighted value by residual maturity | | | | Weighted amount |
| | | No specified term to maturity | <6 months or repayable on demand | 6 months to < 12 months | 12 months or more | |
| **A.** | **Available stable funding ("ASF") item** | | | | | |
| 1 | Capital: | 69,864,411 | - | - | - | 69,864,411 |
| 2 | *Regulatory capital* | 69,864,411 | - | - | - | 69,864,411 |
| 2a | *Minority interests not covered by row 2* | - | - | - | - | - |
| 3 | *Other capital instruments* | - | - | - | - | - |
| 4 | Retail deposits and small business funding: | - | 209,157,264 | 31,622,255 | 6,612,650 | 223,912,668 |
| 5 | *Stable deposits* | | 10,826,786 | 1,142,232 | 182,235 | 11,552,802 |
| 6 | *Less stable deposits* | | 198,330,478 | 30,480,023 | 6,430,415 | 212,359,866 |
| 7 | Wholesale funding: | - | 172,167,689 | 6,661,484 | 5,786,211 | 57,515,005 |
| 8 | *Operational deposits* | | | | | |
| 9 | *Other wholesale funding* | | 172,167,689 | 6,661,484 | 5,786,211 | 57,515,005 |
| 10 | Liabilities with matching interdependent assets | - | - | - | - | - |
| 11 | Other liabilities: | 9,366,131 | 1,274,434 | 150,000 | - | 75,000 |
| 12 | *Net derivative liabilities* | - | | | | |
| 13 | *All other funding and liabilities not included in the above categories* | 9,366,131 | 1,274,434 | 150,000 | - | 75,000 |
| 14 | **Total ASF** | | | | | 351,367,084 |
| **B.** | **Required stable funding ("RSF") item** | | | | | |
| 15 | Total HQLA for NSFR purposes | | | | 140,998,409 | 14,966,794 |
| 16 | Deposits held at other financial institutions for operational purposes | - | - | - | - | - |
| 17 | Performing loans and securities: | 39,834,346 | 120,563,957 | 60,576,114 | 132,828,043 | 210,010,639 |
| 18 | *Performing loans to financial institutions secured by Level 1 HQLA* | - | - | - | - | - |
| 19 | *Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions* | 618,011 | 71,312,702 | 17,102,896 | 12,209,664 | 32,076,028 |
| 20 | *Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:* | 38,410,071 | 32,565,795 | 24,968,222 | 45,435,241 | 99,057,089 |

## 7 Liquidity (continued)

### 7.3 LIQ2: Net Stable Funding Ratio - for category 1 institution (continued)

| 30 Sep 2025<br>HK$'000 | | (a) | (b) | (c) | (d) | (e) |
|---|---|---|---|---|---|---|
| Basis of disclosure: unconsolidated | | Unweighted value by residual maturity | | | | Weighted amount |
| | | No specified term to maturity | <6 months or repayable on demand | 6 months to < 12 months | 12 months or more | |
| 21 | *With a risk-weight of less than or equal to 35% under the STC approach* | - | 171,865 | 140,607 | 4,892,177 | 3,336,151 |
| 22 | *Performing residential mortgages, of which:* | - | 357,050 | 337,253 | 15,190,314 | 10,638,950 |
| 23 | *With a risk-weight of less than or equal to 35% under the STC approach* | - | 324,524 | 307,162 | 13,099,839 | 8,830,738 |
| 24 | *Securities that are not in default and do not qualify as HQLA, including exchange-traded equities* | 806,264 | 16,328,410 | 18,167,743 | 59,992,824 | 68,238,572 |
| 25 | Assets with matching interdependent liabilities | | | | | |
| 26 | Other assets: | 11,578,058 | 4,005,722 | 401,703 | - | 12,001,258 |
| 27 | *Physical traded commodities, including gold* | 158,185 | | | | 134,457 |
| 28 | *Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs* | 12,901 | | | | 12,901 |
| 29 | *Net derivative assets* | 19,614 | | | | 19,614 |
| 30 | *Total derivative liabilities before adjustments for deduction of variation margin posted* | 326,319 | | | | 16,316 |
| 31 | *All other assets not included in the above categories* | 11,061,039 | 4,005,722 | 401,703 | - | 11,817,970 |
| 32 | Off-balance sheet items | | | | 52,244,597 | 1,591,389 |
| 33 | **Total RSF** | | | | | 238,570,080 |
| 34 | **Net Stable Funding Ratio (%)** | | | | | 147.3% |

**Note:**

The Group's NSFR was 147.3% and 154.3% as of 30 September and 31 December 2025, respectively. The Group has continuously maintained a healthy NSFR ratio during the second half of 2025. No material change was found in the diversity and stability of funds over the period.

## 8 Credit risk for non-securitization exposures

### 8.1 CRA: General information about credit risk

The Group takes on exposure to credit risk, which is the risk that an obligor (including guarantor) or a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit exposures arise principally from loans and advances, debt securities, derivative financial instruments, treasury bills, and other on-balance sheet exposures to counterparties in the Group's asset portfolio. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. Significant changes in the economy, or in the health of a particular industry segment, could result in losses that are different from those provided for at the end of the reporting period.

The Group has established credit policies that govern credit assessment criteria, credit approval, review and monitoring processes, the internal credit rating system and impairment assessment processes. The Group's credit policies which are mainly centralized in Risk Management Department have to be approved by the Board of Directors, Management Committee, Risk Management Committee and Senior Management. The Group's credit risk control is mainly centralized in Risk Management Department which reports to the Risk Committee and Risk Management Committee regularly. The Board of Directors has ultimate responsibility for the effectiveness of credit risk management processes.

The Group manages and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries and countries.

To avoid concentration risk, credit exposures to individual customers, counterparties and industry sectors are carefully managed and monitored by the use of limits. The Risk Committee and Risk Management Committee are responsible for the portfolio management of risk concentrations. Approval authorities are mainly delegated to the Group's Executive Credit Committee and Credit Committee. The Executive Credit Committee is also responsible for the review and approval of the large credit exposures. Actual credit exposures, including on- and off-balance sheet exposures, limits and asset quality are regularly monitored and controlled by the Risk Management Department by keeping a central liability record for each group of related counterparties and are subject to checks by the internal audit function.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

In assessing credit risk of loans and advances to customers and to banks and other counterparties, effective systems are adopted for measurement and monitoring of the credit risk as part of the credit assessment process. The Group's credit grading system, which in general, takes into account the underlying credit-worthiness of the counterparties, including the financial strengths of the guarantors (as the case may be), collateral pledged and the risk of specific transactions, allows differentiation and management of credit risk for asset portfolios of respective business units.

## 8 Credit risk for non-securitization exposures (continued)

### 8.1 CRA: General information about credit risk (continued)

For debt securities, external ratings from recognized external credit assessment institutions are used for assessing and managing credit risk exposures. The investments in these securities allow the Group to achieve an appropriate level of returns commensurate with the risks and to maintain a readily available source of funding at the same time.

The Group has issued credit related commitments including guarantees and standby letters of credit. The primary purpose of these instruments is to ensure that funds are available to a customer when required. These instruments represent irrevocable assurances that the Group will make payments if a customer fails to meet its obligations to third parties. These instruments are subject to the same credit risk as loans. Commitments to extend credit represent undrawn portions of approved facility limits in the form of loans, guarantees or standby letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss equal to the aggregate amount of undrawn commitments. However, the probable amount of loss is less than the total undrawn commitments as most commitments to extend credit are contingent upon customers maintaining certain credit standards. The Group monitors the term to maturity of credit commitments as longer term commitments generally have a higher degree of credit risk than shorter term commitments.

### 8.2 CR1: Credit quality of exposures

| 31 December 2025 HK$'000 | | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amounts of | | Allowances / impairments | Of which ECL accounting provisions for credit losses on STC approach exposures | | Of which ECL accounting provisions for credit losses on IRB approach exposures | Net values (a+b-c) |
| | | Defaulted Exposures | Non- defaulted exposures | | Allocated in regulatory category of specific provisions | Allocated in regulatory category of collective provisions | | |
| 1 | Loans* | 2,487,274 | 273,866,265 | 5,997,433 | 2,082,439 | 3,914,994 | - | 270,356,106 |
| 2 | Debt securities | - | 234,315,416 | 135,570 | - | 135,570 | - | 234,179,846 |
| 3 | Off-balance sheet exposures | - | 30,529,349 | 29,574 | 892 | 28,682 | - | 30,499,775 |
| **4** | **Total** | **2,487,274** | **538,711,030** | **6,162,577** | **2,083,331** | **4,079,246** | **-** | **535,035,727** |

*****include advances to customers, trade bills, balances and placements with and loans and advances to banks.

The Group identifies defaulted exposures in accordance with the definition of "default" set out in BCR §51(1).

## 8 Credit risk for non-securitization exposures (continued)

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

| 31 December 2025 | | (a) Amount HK$'000 |
|---|---|---|
| 1 | **Defaulted loans and debt securities at end of the previous reporting period (30 June 2025)** | **2,429,737** |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 1,307,989 |
| 3 | Returned to non-defaulted status | (1,263,483) |
| 4 | Amounts written off | (1,786,225) |
| 5 | Other changes | 1,799,256 |
| 6 | **Defaulted loans and debt securities at end of the current reporting period (31 December 2025)** | **2,487,274** |

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

The Group undertakes ongoing credit analysis and monitoring of its credit portfolio, and requires the review of individual financial assets that are above preset thresholds at least annually or more regularly when individual circumstances require. Expected credit loss ("ECL") impairment model under HKFRS 9 requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition. The Group's internal credit rating system assists management to capture the varying level, nature and drivers of credit risk of financial assets in order to reasonably ensure that the corresponding ECL are appropriately measured. ECL is updated on a timely basis to reflect changes in credit risk quality for all in-scope financial assets. The model used in the ECL computation process is validated at least on an annual basis.

At initial recognition, impairment allowance is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less that 12 months) ("12-month ECL"). In the event of a significant increase in credit risk, impairment allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ("life-time ECL"). The application of ECL model will result in three stages of financial assets, namely Stage 1, Stage 2 and Stage 3. Detailed definition of the three stages of financial assets, application of the ECL model and the approach for determining impairment allowances is set out in Notes 1.6 and 4.1(c) of the Group's 2025 Annual Report.

Rescheduled assets refer to those that have been restructured or renegotiated because of a deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule and include assets for which the revised repayment terms, either of interest or of loan repayment period, are 'non-commercial' to the Group.

## 8 Credit risk for non-securitization exposures (continued)

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

**- Breakdown of Credit Risk Exposures by Industry**

The following table illustrates the breakdown of credit risk exposures by industry.

| 31 December 2025 | | (a)<br>Gross carrying amount<br>HK$'000 |
|---|---|---|
| 1 | Property development | 10,706,171 |
| 2 | Property investment | 5,082,517 |
| 3 | Financial concerns | 256,168,652 |
| 4 | Stockbrokers | 6,241,702 |
| 5 | Wholesale and retail trade | 1,468,066 |
| 6 | Manufacturing | 1,027,187 |
| 7 | Transport and transport equipment | 9,510,808 |
| 8 | Recreational activities | 299,562 |
| 9 | Information technology | 6,638,707 |
| 10 | Individuals | 65,558,280 |
| 11 | Trade finance | 832,763 |
| 12 | Loans for use outside Hong Kong | 91,641,400 |
| 13 | Trade bills | 1,331,528 |
| 14 | Others | 84,690,960 |
| **15** | **Total** | **541,198,304** |

**- Breakdown of Credit Risk Exposures by Geographical Areas**

The following table illustrates the breakdown of credit risk exposures by geographical areas.

| 31 December 2025 | | (a)<br>Gross carrying amount<br>HK$'000 |
|---|---|---|
| 1 | Hong Kong SAR | 230,525,465 |
| 2 | Mainland China | 180,954,814 |
| 3 | Macau | 2,335,016 |
| 4 | United States | 67,569,940 |
| 5 | Others | 59,813,069 |
| **6** | **Total** | **541,198,304** |

## 8 Credit risk for non-securitization exposures (continued)

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

**- Breakdown of Credit Risk Exposures by Residual Maturity**

The following table illustrates the breakdown of credit risk exposures by residual maturity.

| | | (a) |
|---|---|---|
| 31 December 2025 | | Gross carrying amount HK$'000 |
| 1 | Less than or equal to 1 year | 313,432,235 |
| 2 | 1 to 5 years | 163,215,963 |
| 3 | More than 5 years | 64,550,105 |
| **4** | **Total** | **541,198,304** |

**- Impaired Exposures of Credit Risk Exposures by industry**

| 31 December 2025 HK$'000 | | (a) Impaired exposures | (b) Allowances | (c ) Write-offs during the year |
|---|---|---|---|---|
| 1 | Property development | 86,930 | 70,584 | - |
| 2 | Property investment | 762,608 | 444,129 | 500,375 |
| 3 | Financial concerns | - | - | - |
| 4 | Stockbrokers | - | - | - |
| 5 | Wholesale and retail trade | - | - | 259 |
| 6 | Manufacturing | - | - | - |
| 7 | Transport and transport equipment | - | - | - |
| 8 | Recreational activities | - | - | - |
| 9 | Information technology | - | - | - |
| 10 | Individuals | 148,447 | 27,068 | 1,880 |
| 11 | Trade finance | 7,566 | 6,666 | - |
| 12 | Loans for use outside Hong Kong | 1,690,894 | 1,412,292 | 872,459 |
| 13 | Trade bills | - | - | - |
| 14 | Others | 242,085 | 122,592 | 411,252 |
| **15** | **Total** | **2,938,530** | **2,083,331** | **1,786,225** |

**- Impaired Exposures of Credit Risk Exposures by geographical areas**

| 31 December 2025 HK$'000 | | (a) Impaired exposures | (b) Allowances | (c ) Write-offs during the year |
|---|---|---|---|---|
| 1 | Hong Kong SAR | 786,364 | 451,428 | 613,542 |
| 2 | Mainland China | 1,762,131 | 1,440,540 | 622,986 |
| 3 | Macau | 390,035 | - | 549,697 |
| 4 | United States | - | - | - |
| 5 | Others | - | - | - |
| **6** | **Total** | **2,938,530** | **2,083,331** | **1,786,225** |

## 8 Credit risk for non-securitization exposures (continued)

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

### - Aging Analysis of Accounting Past Due Exposures

The following table illustrates the aging analysis of accounting past due exposures.

| 31 December 2025 | | | | | |
|---|---|---|---|---|---|
| HK$'000 | | | | | |
| | | (a) | (b) | (c ) | (d) |
| | | Gross Carrying Amounts | | | |
| Overdue for | | Loans | Debt Securities | Off Balance Sheet Items | **Total** |
| 1 | Six months or less, but over three months | 992,144 | - | - | 992,144 |
| 2 | One year or less, but over six months | 337,684 | - | - | 337,684 |
| 3 | Over one year | 1,157,446 | - | - | 1,157,446 |
| **4** | **Total** | **2,487,274** | **-** | **-** | **2,487,274** |

### - Breakdown of Restructured Exposures

The following table illustrates the breakdown of restructured exposures.

| 31 December 2025 | | | | |
|---|---|---|---|---|
| HK$'000 | | | | |
| | | (a) | (b) | (c ) |
| | | Gross Carrying Amounts | | |
| | | Impaired | Not Impaired | **Total** |
| 1 | Restructured exposures | 443,604 | 1,081 | 444,685 |
| **2** | **Total** | **443,604** | **1,081** | **444,685** |

## 8 Credit risk for non-securitization exposures (continued)

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

The Group seeks to obtain collateral to mitigate credit risk to an acceptable level. All credit decisions, whether or not secured by collateral, are based on obligors' repayment capacity. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal types of collateral in credit risk mitigation include:

- Mortgages over residential properties and other properties;
- Charges over business assets such as cash deposits, premises, machineries, inventory and accounts receivable; and
- Charges over financial instruments such as equities, debt securities and life insurance policies.

The Group has established policies to govern the determination of eligibility of assets taken as collateral for credit risk mitigation. In order for an asset to be considered as effective risk mitigation, the market value of the asset should be readily determinable or can be reasonably established. The asset is marketable and there exists a readily available secondary market for disposal of the asset. In addition, the Group is able to secure control over the asset if necessary. The collateral is revalued periodically ranging from daily to annually, depending on the type of collateral. As for those past due exposures, the main types of collateral held are cash deposits and properties.

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of the assets and liabilities in the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis.

The principal derivatives used by the Group are interest and foreign exchange rate related contracts, which are primarily over-the-counter derivatives. Most of the Group's derivative positions have been entered into to meet customer demand and to hedge these and other trading positions. The Management Committee places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions. Given the purpose for entering into such derivative transaction, collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

## 8 Credit risk for non-securitization exposures (continued)

### 8.6 CR3: Overview of recognized credit risk mitigation

| 31 December 2025 | | | | | | |
|---|---|---|---|---|---|---|
| HK$'000 | | | | | | |
| | | (a) | (b) | (c ) | (d) | (e ) |
| | | Exposures unsecured: carrying amount | Exposures to be secured | Exposures secured by recognized collateral | Exposures secured by recognized guarantees | Exposures secured by recognized credit derivative contracts |
| 1 | Loans | 262,034,632 | 8,321,474 | 5,634,204 | 2,687,270 | - |
| 2 | Debt securities | 234,179,846 | - | - | - | - |
| **3** | **Total** | **496,214,478** | **8,321,474** | **5,634,204** | **2,687,270** | **-** |
| 4 | of which defaulted | 621,295 | 181 | - | 181 | - |

## 8 Credit risk for non-securitization exposures (continued)

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

The Group adopts the standardised approach, which primarily involves the risk weighting of credit exposures according to credit ratings provided by External Credit Assessment Institutions ("ECAIs") recognised by the HKMA. There were no changes in ECAIs during the period.

Credit ratings from Moody's Investors Service, Standard and Poor's Ratings Services, etc. are used in the Group for risk-weighting credit risk exposures under the following exposure classes:

- Sovereign;
- Public Sector Entity;
- Multilateral Development Bank;
- Unspecified Multilateral Body;
- Bank;
- Eligible Covered Bond;
- Qualifying Non-Bank Financial Institution;
- General Corporate; and
- Specialized Lending

In accordance with the requirements set out in Part 4 of the Banking (Capital) Rules in relation to the application of ECAI ratings, for an exposure that falls into one of the exposure classes listed above and consists of a debt obligation issued or assumed by an obligor that has one or more ECAI issue-specific ratings, the Group would apply the issue-specific rating(s) directly in the risk weighting of the exposure, whereas for an exposure listed above that does not have an ECAI issue-specific rating and whose obligor has an ECAI issuer rating but no long-term ECAI issue-specific rating assigned to any debt obligation issued or assumed by the obligor, the Group would use the ECAI issuer rating in the risk weight of the exposure in either of the following circumstances.

- The use of the ECAI issuer rating would result in the allocation of a risk weight to the exposure that would be equal to, or higher than, the risk weight allocated to the exposure on the basis that the obligor has neither an ECAI issuer rating nor an ECAI issue specific rating assigned to a debt obligation issued or undertaken by the obligor; the ECAI issuer rating is only applicable to unsecured exposures to the obligor as an issuer that are not subordinated to other exposures to that obligor; and the exposure to the obligor ranks equally with, or is subordinated to, the unsecured exposures referred to above.

- The use of the ECAI issuer rating would result in the allocation of a risk weight to the exposure that would be lower than the risk weight allocated to the exposure on the basis that the obligor has neither an ECAI issuer rating nor an ECAI issue specific rating assigned to a debt obligation issued or undertaken by the obligor; the ECAI issuer rating is only applicable to unsecured exposures to the obligor as an issuer that are not subordinated to other exposures to that obligor; and the exposure to the obligor is not subordinated to other exposures to the obligor as an issuer.

## 8 Credit risk for non-securitization exposures (continued)

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

| | | (a) | (b) | (c) | (d) | (e) | (f) |
|---|---|---|---|---|---|---|---|
| | 31 December 2025 HK$'000 | **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 | 102,467,123 | - | 103,610,900 | - | 6,001,531 | 5.79% |
| 2 | Public sector entity exposures | 17,011,496 | 2,733,000 | 17,793,523 | 1,118,625 | 3,754,320 | 19.85% |
| 3 | Multilateral development bank exposures | 18,176,306 | - | 18,176,306 | - | - | - |
| 3a | Unspecified multilateral body exposures | - | - | - | - | - | - |
| 4 | Bank exposures | 123,300,405 | 985,175 | 124,311,712 | 603,710 | 36,892,330 | 29.53% |
| 4a | Qualifying non-bank financial institution exposures | 4,566,653 | 1,215,473 | 4,566,653 | 485,964 | 1,370,447 | 27.12% |
| 5 | Eligible covered bond exposures | - | - | - | - | - | - |
| 6 | General corporate exposures | 155,935,341 | 30,600,685 | 150,323,322 | 6,829,334 | 145,526,859 | 92.60% |
| 6a | Of which: non-bank financial institution exposures excluding those reported under row 4a | 45,439,251 | 6,123,277 | 44,086,403 | 1,082,234 | 42,167,740 | 93.36% |
| 6b | Specialized lending | - | - | - | - | - | - |
| 7 | Equity exposures | 1,375,938 | - | 1,375,938 | - | 3,439,845 | 250.00% |
| 7a | Significant capital investments in commercial entities | 10 | - | 10 | - | 25 | 250.00% |
| 7b | Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities | 1,019,648 | - | 1,019,648 | - | 2,209,893 | 216.73% |
| 7c | Subordinated debts issued by banks, qualifying non-bank financial institutions and corporates | 904,041 | - | 904,041 | - | 1,356,062 | 150.00% |
| 8 | Retail exposures | 49,087,745 | 16,758,436 | 48,714,579 | 3,558,218 | 45,979,913 | 87.96% |
| 8a | Exposures arising from IPO financing | - | - | - | - | - | - |

## 8 Credit risk for non-securitization exposures (continued)

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

| | | (a) | (b) | (c) | (d) | (e) | (f) |
|---|---|---|---|---|---|---|---|
| | 31 December 2025 HK$'000 | **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 |
| 9 | Real estate exposures | 32,391,938 | 2,389,926 | 31,103,513 | 911,531 | 15,954,753 | 49.84% |
| 9a | Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties) | 20,188,766 | 204,106 | 19,494,870 | 56,218 | 4,815,900 | 24.63% |
| 9b | Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties) | 14,039 | - | 14,039 | - | 4,212 | 30.00% |
| 9c | Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties) | 5,774,446 | 604,543 | 5,750,000 | 240,003 | 4,808,662 | 80.28% |
| 9d | Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties) | 1,353,435 | 6,426 | 1,353,435 | 2,570 | 978,485 | 72.16% |
| 9e | Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties) | 274,941 | - | 262,149 | - | 196,612 | 75.00% |
| 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 | 4,786,311 | 1,574,851 | 4,229,020 | 612,740 | 5,150,882 | 106.38% |
| 10 | Defaulted exposures | 898,816 | 7,802 | 898,816 | 780 | 1,286,720 | 143.03% |
| 11 | Other exposures | 6,204,559 | - | 6,204,559 | - | 6,204,559 | 100.00% |
| 11a | Cash and gold | 873,979 | | 5,210,476 | 453,389 | 634,982 | 11.21% |
| 11b | Items in the process of clearing or settlement | - | - | - | - | - | - |
| 12 | **Total** | **514,213,998** | **54,690,497** | **514,213,996** | **13,961,551** | **270,612,239** | **51.24%** |

## 8 Credit risk for non-securitization exposures (continued)

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

31 December 2025 HK$'000

| | | 0% | 20% | 50% | 100% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
|---|---|---|---|---|---|---|---|---|
| 1 | Sovereign exposures | 73,814,170 | 29,656,115 | 140,615 | - | - | - | 103,610,900 |

| | | 0% | 20% | 50% | 100% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
|---|---|---|---|---|---|---|---|---|
| 2 | Public sector entity exposures | 140,546 | 18,771,602 | - | - | - | - | 18,912,148 |

| | | 0% | 20% | 30% | 50% | 100% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
|---|---|---|---|---|---|---|---|---|---|
| 3 | Multilateral development bank exposures | 18,176,306 | | - | - | - | - | - | 18,176,306 |

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

## 8 Credit risk for non-securitization exposures (continued)

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

| | | 20% | 30% | 40% | 50% | 75% | 100% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
|---|---|---|---|---|---|---|---|---|---|---|
| 4 | Bank exposures | 37,302,375 | 73,202,606 | 2,631,886 | 10,764,230 | - | 970,562 | 43,763 | - | 124,915,422 |

| | | 20% | 30% | 40% | 50% | 75% | 100% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
|---|---|---|---|---|---|---|---|---|---|---|
| 4a | Qualifying non-bank financial institution exposures | 3,223,852 | 951,929 | 0 | 870,118 | 6,718 | 0 | 0 | 0 | 5,052,617 |

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

| | | 20% | 30% | 50% | 65% | 75% | 85% | 100% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 | General corporate exposures | - | - | 9,260,775 | | 15,842,176 | 25,363,618 | 105,146,728 | 1,539,359 | - | 157,152,656 |
| 6a | Of which: non-bank financial institution exposures excluding those reported under row 4a | - | - | 2,232,662 | | 5,336,674 | 3,744,364 | 33,832,423 | 22,514 | - | 45,168,637 |

## 8 Credit risk for non-securitization exposures (continued)

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

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

| | | 100% | 250% | 400% | Other | Total credit exposure amount (post-CCF and post-CRM) |
|---|---|---|---|---|---|---|
| 7 | Equity exposures | | 1,375,938 | - | - | 1,375,938 |

| | | 250% | 400% | 1250% | Other | Total credit exposure amount (post-CCF and post-CRM) |
|---|---|---|---|---|---|---|
| 7a | Significant capital investments in commercial entities | 10 | - | - | - | 10 |

| | | 150% | 250% | 400% | Other | Total credit exposure amount (post-CCF and post-CRM) |
|---|---|---|---|---|---|---|
| 7b | Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities | 339,227 | 680,421 | - | - | 1,019,648 |

## 8 Credit risk for non-securitization exposures (continued)

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

| | | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
|---|---|---|---|---|
| 7c | Subordinated debts issued by banks, qualifying non-bank financial institutions and corporates | 904,041 | - | 904,041 |

| | | 45% | 75% | 100% | Other | Total credit exposure amount (post CCF and post-CRM) |
|---|---|---|---|---|---|---|
| 8 | Retail exposures | 400,431 | 24,321,568 | 27,529,538 | 21,260 | 52,272,797 |

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

## 8 Credit risk for non-securitization exposures (continued)

### 8.9 CR5: Credit risk exposures by exposure 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) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9 | Real estate exposures | - | 11,656,926 | 2,135,774 | 4,077,881 | - | 1,154,079 | 86,161 | 379,221 | 1,734,291 | | 1,217,077 | 276,800 | 3,261,745 | 131,447 | 5,216,082 | - | 7,481 | 618,244 | 61,835 | 32,015,044 |
| 9a | Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties) | | 11,656,926 | 2,135,774 | 4,063,842 | | 1,154,079 | 86,161 | 379,221 | 13,250 | | - | - | | | | - | | | 61,835 | 19,551,088 |
| 9b | Of which: no loan splitting applied | | 11,656,926 | 2,135,774 | 4,063,842 | | 1,154,079 | 86,161 | 379,221 | 13,250 | | - | - | | | | - | | | 61,835 | 19,551,088 |
| 9c | Of which: loan splitting applied (secured) | | | | | | | | | | | | | | | | | | | | |

## 8 Credit risk for non-securitization exposures (continued)

### 8.9 CR5: Credit risk exposures by exposure 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) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9d | Of which: loan splitting applied (unsecured) | | | | | | | | | | | | | | | | | | | | |
| 9e | Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties) | | | | 14,039 | - | | - | | - | | | - | | - | | - | | | - | 14,039 |
| 9f | Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties) | - | - | | - | | - | | - | 1,721,041 | | | 14,651 | 3,261,745 | | 992,566 | | | - | - | 5,990,003 |
| 9g | Of which: no loan splitting applied | - | - | | - | | - | | - | 1,721,041 | | | 14,651 | 3,261,745 | | 992,566 | | | - | - | 5,990,003 |

## 8 Credit risk for non-securitization exposures (continued)

### 8.9 CR5: Credit risk exposures by exposure 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) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9h | Of which: loan splitting applied (secured) | | | | | | | | | | | | | | | | | | | | |
| 9i | Of which: loan splitting applied (unsecured) | | | | | | | | | | | | | | | | | | | | |
| 9j | Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties) | | | | | | | | | | | 1,217,077 | | | 131,447 | | | 7,481 | | - | 1,356,005 |

## 8 Credit risk for non-securitization exposures (continued)

### 8.9 CR5: Credit risk exposures by exposure 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) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9k | Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties) | - | - | | - | | - | | - | | | | 262,149 | - | | - | | | - | - | 262,149 |
| 9l | Of which: no loan splitting applied | - | - | | - | | - | | - | | | | 262,149 | - | | - | | | - | - | 262,149 |
| 9m | Of which: loan splitting applied (secured) | | | | | | | | | | | | | | | | | | | | |
| 9n | Of which: loan splitting applied (unsecured) | | | | | | | | | | | | | | | | | | | | |

## 8 Credit risk for non-securitization exposures (continued)

### 8.9 CR5: Credit risk exposures by exposure 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) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9o | Of which: other real estate exposures (materially dependent on cash flows generated by mortgaged properties) | | | | | | | | | | | | | | | | | | - | - | - |
| 9p | Of which: land acquisition, development and construction exposures | | | | | | | | | | | | | | | 4,223,516 | | | 618,244 | - | 4,841,760 |

| | | 50% | 100% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
|---|---|---|---|---|---|---|
| 10 | Defaulted exposures | | 101,408 | 788,228 | 9,960 | 899,596 |

## 8 Credit risk for non-securitization exposures (continued)

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

| | | 100% | 1250% | Other | Total credit exposure amount (post-CCF and post-CRM) |
|---|---|---|---|---|---|
| 11 | Other exposures | 6,204,559 | - | - | 6,204,559 |

| | | 0% | 100% | Other | Total credit exposure amount (post-CCF and post-CRM) |
|---|---|---|---|---|---|
| 11a | Cash and gold | 3,162,007 | 168,264 | 2,333,594 | 5,663,865 |

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

## 8 Credit risk for non-securitization exposures (continued)

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

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

**31 December 2025 HK$'000**

| | Risk Weight | (a) | (b) | (c) | (d) |
|---|---|---|---|---|---|
| | | On-balance sheet exposure | Off-balance sheet exposure (pre-CCF) | Weighted average CCF* | Exposure (post-CCF and post-CRM) |
| 1 | Less than 40% | 275,971,302 | 7,099,605 | 0.3792 | 278,663,789 |
| 2 | 40-70% | 27,969,976 | 3,397,946 | 0.1969 | 28,638,885 |
| 3 | 75% | 37,504,933 | 12,054,598 | 0.2441 | 40,447,260 |
| 4 | 85% | 27,411,266 | 4,122,465 | 0.2945 | 28,625,363 |
| 5 | 90- 100% | 139,134,928 | 27,734,862 | 0.2284 | 145,468,590 |
| 6 | 105-130% | 28,857 | - | - | 28,857 |
| 7 | 150% | 4,136,367 | 281,021 | 0.3917 | 4,246,434 |
| 8 | 250% | 2,056,369 | - | - | 2,056,369 |
| 9 | 400% | - | - | - | - |
| 10 | 1,250% | - | - | - | - |
| 11 | **Total exposures** | **514,213,998** | **54,690,497** | **0.2553** | **528,175,547** |

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

## 9 Counterparty Credit risk

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

Counterparty credit risk ("CCR") is the risk of a counterparty defaulting before the final settlement of the transaction, which generally represents uncertain exposures that can vary over time with the movement of underlying market factors such as those in over-the-counter ("OTC") derivatives.

To mitigate the credit risk arise from counterparty, credit risk mitigation may be considered to include obtaining guarantee from a third party with stronger financial standing, or other measures such as rights of set-off, option-to-terminate and material-change triggers etc. to be incorporated in the master or bilateral agreements.

The Group currently adopted the Standardized Approach for Counterparty Credit Risk (SA-CCR) for purpose of providing capital for counterparty credit exposures in accordance with the Banking (Capital) Rules. Internally, the Group measures counterparty credit exposure using the marked-to-market exposure with appropriate add-on for future potential exposures.

For prudent risk management, the Group has defined risk-based haircut and concentration monitoring mechanism for initial margin & variation margin, which is based on factors such as asset types, external rating, maturities, etc.

Wrong-way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. It is further classified into "general wrong-way risk" and "specific wrong-way risk".

- 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 a counterparty is positively correlated with the probability of default of the counterparty due to the nature of the transaction with the counterparty.

The Group has established policies to govern the wrong-way risk. Any wrong-way risk will be assessed before considering to grant a credit line.

A credit rating downgrade clause in International Swaps and Derivatives Association ("ISDA") Master Agreement or a credit rating downgrade threshold clause in a Credit Support Annexes ("CSA") is designed to trigger an action if the credit rating of the affected party falls below a specified level, if deemed required. These actions may include the requirement to pay or increase collateral, the termination of transactions by the non-affected party or the assignment of transactions by the affected party.

All Credit Support Annexes ("CSA") will be centralized dealing in Global Financial Markets Department, and the Group is using mark-to-market ("MTM") approach for collateral management. As such, the impact of downgrade of the Group to the collateral will be minimal.

## 9 Counterparty Credit risk (continued)

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

| | | (a) | (b) | (c) | (d) | (e) | (f) |
|---|---|---|---|---|---|---|---|
| 31 December 2025<br>HK$'000 | | 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) | 215,058 | 1,146,463 | | 1.4 | 1,906,130 | 796,630 |
| 1a | CEM (for derivative contracts) | - | - | | 1.4 | - | - |
| 2 | IMM (CCR) approach | | | - | - | - | - |
| 3 | Simple Approach (for SFTs) | | | | | 2,058,380 | 1,593,226 |
| 4 | Comprehensive Approach (for SFTs) | | | | | - | - |
| 5 | VaR (for SFTs) | | | | | - | - |
| 6 | **Total** | | | | | | **2,389,856** |

## 9 Counterparty Credit risk (continued)

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

| | 31 December 2025<br>HK$'000 | (a) | (b) | (c) | (ca) | (cb) | (d) | (e) | (ea) | (f) | (g) | (h) | (i) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exposure class \ Risk Weight | 0% | 10% | 20% | 30% | 40% | 50% | 75% | 85% | 100% | 150% | Others | Total default risk exposure after CRM |
| 1 | Sovereign exposures | - | - | - | - | - | - | - | - | - | - | - | - |
| 2 | Public sector entity exposures | - | - | 6 | - | - | - | - | - | - | - | - | 6 |
| 3 | Multilateral development bank exposures | - | - | - | - | - | - | - | - | - | - | - | - |
| 4 | Unspecified multilateral body exposures | - | - | - | - | - | - | - | - | - | - | - | - |
| 5 | Bank exposures | - | - | 497,983 | 723,374 | - | 387,078 | - | - | 11,451 | - | - | 1,619,886 |
| 6 | Qualifying non-bank financial institution exposures | - | - | - | - | - | - | - | - | - | - | - | - |
| 7 | General corporate exposures | - | - | - | - | - | - | 39,465 | 260,679 | 187,709 | - | - | 487,853 |
| 8 | Retail exposures | - | - | - | - | - | - | 876,754 | - | 719,758 | - | - | 1,596,512 |
| 9 | Defaulted exposures | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 | Other exposures | - | - | 260,253 | - | - | - | - | - | - | - | - | 260,253 |
| 11 | **Total** | **-** | **-** | **758,242** | **723,374** | **-** | **387,078** | **916,219** | **260,679** | **918,918** | **-** | **-** | **3,964,510** |

## 9 Counterparty Credit risk (continued)

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

| | (a) | (b) | (c) | (d) | (e) | (f) |
|---|---|---|---|---|---|---|
| | Derivative contracts | | | | SFTs | |
| 31 December 2025<br>HK$'000 | Fair value of recognized collateral received | | Fair value of posted collateral | | Fair value of recognized collateral received | Fair value of posted collateral |
| | Segregated | Unsegregated | Segregated | Unsegregated | | |
| Cash - domestic currency | - | - | - | - | 84,337 | 1,564,851 |
| Cash - other currencies | - | 136,292 | 13,114 | 224,714 | 175,916 | 493,529 |
| Domestic sovereign debt | - | - | - | - | - | - |
| Other sovereign debt | - | - | - | - | - | - |
| Government agency debt | - | - | - | - | - | - |
| Corporate bonds | - | - | - | - | - | - |
| Equity securities | - | - | - | - | - | - |
| Other collateral | - | - | - | - | - | - |
| **Total** | **-** | **136,292** | **13,114** | **224,714** | **260,253** | **2,058,380** |

### 9.5 CCR6: Credit-related derivatives contracts

| 31 December 2025<br>HK$'000 | (a) | (b) |
|---|---|---|
| | Protection bought | Protection sold |
| **Notional amounts** | | |
| Single-name credit default swaps | - | - |
| Index credit default swaps | - | - |
| Total return swaps | - | - |
| Credit-related options | - | - |
| Other credit-related derivative contracts | - | - |
| **Total notional amounts** | - | - |
| **Fair values** | | |
| Positive fair value (asset) | - | - |
| Negative fair value (liability) | - | - |

## 9 Counterparty Credit risk (continued)

### 9.6 CCR8: Exposures to CCPs

| 31 December 2025<br>HK$'000 | | (a)<br>Exposure after CRM | (b)<br>RWA |
|---|---|---|---|
| **1** | **Exposures of the AI as clearing member or clearing client[1] to qualifying CCPs (total)** | | **294** |
| 2 | Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which: | 14,706 | 294 |
| 3 | (i) OTC derivative transactions | 14,706 | 294 |
| 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 | 13,114 | |
| 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 | - | - |

[1] "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.

## 10 Credit valuation adjustment risk

### 10.1 CVAA: Qualitative disclosures related to CVA risk

Market risk management policies have been set up to identify, measure, monitor, control and report on the CVA risk, where appropriate, to allocate adequate capital to cover those risks.

Under the revised CVA risk framework, CVA stands for regulatory credit valuation adjustment specified at a counterparty level which excludes the effect of the Group's own default. CVA reflects the adjustment of default risk-free prices of derivatives and securities financing transactions (SFTs) due to a potential default of the Group's counterparty. CVA risk is defined as the risk of losses arising from changing CVA values in response to changes in counterparty credit spreads and market risk factors that drive prices of the covered transactions.

The Group calculates the CVA capital charge for its CVA portfolio on a standalone basis (SCVA). The CVA portfolio includes all covered transactions in both banking book and trading book. Since the Group does not have material position in fair valued SFTs, CVA risk scope will be only focusing on derivatives. Moreover, the Group will not enter into internal or external CVA hedges.

The Group has not chosen to set its RWA for CVA risk at 100% of its RWA for counterparty credit risk exposures. It adopts the reduced BA-CVA for CVA capital charge calculation, which eliminates the element of hedging recognition from the full BA-CVA and is intended for banks that do not hedge their CVA risk or prefer a simpler approach.

The Group reports CVA capital charge to HKMA on monthly basis, together with other market risk metrics. The Group has implemented a standardized risk measurement system in compliance with the regulatory requirements for the CVA capital charge calculation, where risk weights are based on industry sectors and credit ratings of the counterparties traded with the Group.

## 10 Credit valuation adjustment risk (continued)

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

| | 31 December 2025<br>HK$'000 | (a)<br>Components | (b)<br>CVA risk capital charge under the reduced basic CVA approach |
|---|---|---|---|
| 1 | Aggregation of systematic components of CVA risk | 525,230,314,192 | |
| 2 | Aggregation of idiosyncratic components of CVA risk | 162,019,013,152 | |
| **3** | **Total** | | **17,040** |

The Group will not enter into internal or external CVA hedges.

## 11 Market risk

### 11.1 MRA: Qualitative disclosures related to market risk

The Group has established risk governance management framework to oversee and monitor market risk. This framework is built around a structure that enables the Board to discharge the responsibility for on-going market risk management to the Risk Committee ("RC"), the Management Committee ("MC"), the Risk Management Committee ("RMC") and the Asset and Liability Management Committee ("ALCO"). The ALCO deals with all market risk limits issues of the Group and decides the corresponding strategy while RMC is responsible for conducting a regular review of market risk faced by the Group, stress testing and deciding the Market Risk Appetite of the Group. Risk appetite has been defined in accordance with the Group's business strategies and objectives to govern the Trading Book activities; and under the approved risk appetite, risk limits and management action triggers are set with reference to the nature, volume of transaction and risk appetite of the Group. Market Risk Appetite is approved by the Board and the market risk limits are approved by the MC.

The Group has implemented Enterprise Risk Management framework for identifying and managing potential risks of the Group. Under such framework, three lines of defense are adopted for market risk management. The first line of defense comprises risk owners at business units. They are primarily responsible for the day-to-day market risk management. The second line of defense refers to the Market Risk Management Department ("MRD") and the third line of defense refers to the Audit Department.

MRD coordinates market risk management related matters of the Group and formulates market risk management policies. MRD also carries out the daily monitoring of the market risk/Trading Book position and reports to the Risk Management Department and Group's Chief Risk Officer who is responsible for overseeing the Group's risk management issues which include, but are not limited to, the risk management infrastructure, strategies, risk appetites, culture and resources.

Market risk management policies have been set up to identify, measure, monitor, control and report on the market risk, where appropriate, to allocate adequate capital to cover those risks. Market risk management policies and limits are regularly reviewed and monitored to align with market changes, statutory requirements, and best practices in risk management processes.

**Trading Book market risk management**

A Trading Book typically contains instruments that the Group intends to actively trade or hedge in the short term with the goal of generating profit from price movements. Trading Book inherently creates market risk because it consists of financial instruments held for short-term trading or hedging, which are subject to daily mark-to-market valuation, making them sensitive to price fluctuations.

## 11 Market risk

### 11.1 MRA: Qualitative disclosures related to market risk (continued)

Market risk is defined as the risk of losses arising from movements in market prices. The risks subject to market risk capital charges includes:

- Interest rate risk, credit spread risk, equity risk, foreign exchange risk, commodities risk and default risk for Trading Book instruments; and
- Foreign exchange risk and commodities risk for Banking Book instruments.

As one of the most critical component of market risk management framework, market risk limit is integrated into the Group's daily business-running. The risk limit setting in the internal policy should be followed, any new limit or limit revise should be submitted to ALCO for review before final approval.

In general, the market risk limits are divided into:

- Position Limit
- Sensitivity Limit
- FRTB market risk capital charge Limit
- Stop Loss Limit/Management Action Trigger Limit

Front office should manage trades and positions in a prudent way, comply with the limit of the trading positions approved by the Board and the MC. MRD should report the Group's market risk exposures, utilization of the major limits, trading profit and loss as well as any exceptions and limit breaches of Trading Book to the General Manager of Risk Management Division and relevant committees.

**Designation of Trading Book Positions**

The Group implemented policies and procedures for designation of financial instruments to Trading Book according to Banking (Capital) Rules ("BCR") requirements.

The Group should only include a financial instrument in the Trading Book when there is no legal impediment against selling or fully hedging it. In addition, the Group should designate financial instrument into Trading Book if any of the following criteria:

- Holding of the financial instrument meet the purposes stated in Section 281B (1) of BCR; and/or;
- Characteristics of the financial instrument fit the descriptions stated in Section 281B (2) or Section 281B(3) of BCR.

## 11 Market risk (continued)

### 11.1 MRA: Qualitative disclosures related to market risk (continued)

The Group placed strict limit on the ability to move instruments between the Trading Book and the Banking Book by its own discretion after initial designation.

Stale positions are defined as trading positions which are lack of real-time and observable market data for valuation position. The Group has various internal control procedures on market data in accordance with the requirements under SPM CA-S-10 "Fair Value Practices" as to ensure timely and accurate market data are being used in valuation and market risk measurement.

**Deviation from Trading Book presumptive list and moving between books**

The Group obtained approval from Hong Kong Monetary Authority ("HKMA") to assign bad debt recovery products to Banking Book for the calculation of market risk capital charge considering such positions are passively received and not intentionally held for short-term resale, profiting from short price movements, locking in arbitrage profits and/or hedge risks arising from an instrument held for one or more of those purposes as stated in Section 281B(1) of BCR. Meanwhile, no instruments have been moved between the banking book and the trading book since last reporting period.

**Internal risk transfer**

The Group has not obtained approval for GIRR internal risk transfer trading desk. Also, the Group does not trade instrument according to BCR Section 99 for credit risk internal risk transfer.

**Banking Book market risk management and Risk hedging**

As distinguished from Trading Book, the Banking Book tends to hold less liquid assets for a long period of time. The securities under the Banking Book are not held for trading intent nor for hedging other instruments of the Trading Book. The Banking Book also includes the positions from the Group's liquidity management and loan-lending business. There are two major market risks from Banking Book:

- Foreign Exchange Risk: Derivatives may be used to convert debt, borrowings or deposits issued in foreign currencies into HKD, RMB or USD. The purpose of such hedges is to mitigate currency risk associated with debt issued in a foreign currency.

- Interest Rate Risk: Derivatives may be used to convert fixed rate instrument into floating rate instrument so that interest rate risk can be minimized. The purpose of such hedges is to mitigate interest rate risk associated with fixed rate instrument.

## 11 Market risk (continued)

### 11.1 MRA: Qualitative disclosures related to market risk (continued)

Due to the volatility and fluctuation of the market prices, the profitability, cash flow position and economic value may be negatively affected if the prices move unfavorable to the Group, so hedging is used to control and mitigate the market risk.

Each time a hedging transaction is entered, it is mandatory to prepare the necessary hedging document to:

- Identify the hedged item
- Identify the hedging instrument
- State the hedging strategy
- State how hedge effectiveness will be measured (effectiveness should be measured in a consistent manner for similar hedging transaction)

The hedging document must follow the hedging policy requirement or hedge accounting requirement where applicable.

**Market Risk Measurement and Reporting**

Market risk measurement is mainly performed by the MUREX system, supported by tools such as Bloomberg. It is based on multiple risk measurement methods including sensitivity analysis, convexity, FRTB market risk capital charge and stress testing.

- **Sensitivity Analysis:** A technique to analyze the impact of the income or economic value of the financial instruments or investment portfolio that are influenced by the change of some underlying market risk factors such as interest rate risk, foreign exchange risk, equity risk, commodity risk and credit spread risk. The sensitivity analysis should be conducted and the results should be delivered to RMC on a regular basis.

- **Convexity:** To overcome the limitations of sensitivity analysis and improve the accuracy of nonlinear financial products' valuation, convexity is introduced to capture the second order movements of the underlying risk.

## 11 Market risk (continued)

### 11.1 MRA: Qualitative disclosures related to market risk (continued)

- **FRTB market risk capital charge:** The Group applies Standardized (market risk) approach on market risk capital charge calculation. This approach includes 3 components which is specified in the HKMA SPM MR-1, and the Group has implemented a standardized risk measurement system in compliance with the regulatory requirements for the calculation.

  (1) Sensitivities-based method ("SBM"), which allows the use of sensitivities to capture delta, vega and curvature risks within a prescribed set of risk classes, which includes General Interest Rate Risk, Credit Spread Risk, Foreign Exchange Risk, Equity Risk, and Commodity Risk;
  (2) Standardised default risk charge ("SA-DRC") is intended to capture jump-to-default ("JTD") risk for equity and credit instruments; and
  (3) Residual risk add-on ("RRAO"), which is introduced to capture any other risks beyond the main risk factors already captured in the sensitivities-based method and the default risk charge. It provides for a simple and conservative capital treatment for the universe of more sophisticated instruments.

- **Stress testing:** A methodology to assess the potential impact of extreme market movements or crisis on Trading Book portfolio, which includes the impact on profitability and capital adequacy. The stress scenarios should cover the factors contributing to remarkable gains or losses in the Trading Book portfolios (include interest rate risk, foreign exchange risk, equity risk, commodity risk, credit spread risk and implied volatility risk).

  In order to testify the Group's trading portfolio against the significant market disturbance, a series of simulated stressful scenarios for Trading Book market risk exposures will be conducted, where the scenarios should capture the past volatile distressed market periods such as the Asian crisis in 1997.

  The Group should perform market risk stress-testing on Trading Book on a regular basis to evaluate the potential impact under abnormal market conditions. The results of stress test should be reported to RMC for review.

## 11 Market Risk (continued)

### 11.2 MR1: Market risk under STM approach

| | 31 December 2025<br>HK$'000 | (a)<br>Market risk capital charges under STM approach |
|---|---|---|
| 1 | General interest rate risk | 116,022 |
| 2 | Equity risk | - |
| 3 | Commodity risk | 2,415 |
| 4 | Foreign exchange risk | 520,904 |
| 5 | Credit spread risk (non-securitization) | 410,679 |
| 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) | 103,974 |
| 9 | SA-DRC (securitization: non-CTP) | - |
| 10 | SA-DRC (securitization: CTP) | - |
| 11 | Residual risk add-on | 3 |
| **12** | **Total** | **1,153,997** |

There is no material change on market risk capital charge over the current reporting period. There is no change in scope of application for which market risk capital charges are calculated using the STM approach.

## 12 Interest rate risk in banking book

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

**Qualitative Disclosures of Interest Rate Risk in Banking Book (IRRBB)**

This section contains qualitative disclosures providing a description of the risk management objective and policies concerning IRRBB.

**a) Definition of IRRBB for the purpose of risk control and measurement**

The Group defines IRRBB as risk to the Group's financial condition resulting from adverse movements in interest rates that affect the banking book positions. Changes in interest rate can affect both the underlying economic value of the Group's assets, liabilities and off -balance sheet instruments and its net interest income. Excessive interest rate risk can pose a significant threat to the Group's earnings and capital base.

IRRBB comprises:

**GAP risk** arises from changes in the interest rates on instruments of different maturities. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve or differentially by period.

**Basis risk** arises from imperfect correlation between changes in the rates earned and paid on different instruments with otherwise similar repricing characteristics.

**Option risk** arises from interest rate option derivatives or from optional elements embedded in the Group's assets, liabilities and/or off-balance sheet instruments, where the Group or the customer can alter the level and timing of the cash flows.

**b) The Group's IRRBB management and mitigation strategies**

IRRBB is centrally coordinated in Asset and Liability Management Committee. Market Risk Management Department and Financial Management Department are responsible for the interest rate monitoring and reporting. The Board of directors has the ultimate jurisdictions for conducting interest rate risk control practices, oversees and ensures that the risk is in line with the risk appetite set out by the Board. The Board of directors has delegated its responsibility for IRRBB management to Management Committee (MC). MC ensures that the IRRBB is within the range set by the Board, providing the recommendation on IRRBB management to the Board.

## 12 Interest rate risk in banking book (continued)

### 12.1 IRRBBA: Interest rate risk in banking book – risk management objectives and policies (continued)

ALCO is a standing commi2ttee established under the MC to assist the MC in Asset and Liability Management of the Group and the IRRBB is included in its working areas.

As the Board assumes ultimate responsibility for IRRBB, the Board has defined the Group's overall risk appetite for IRRBB. Appropriate limits have been set to measure this risk for earnings and Economic Value of Equity (EVE). Compliance with this limit is measured and reported to ALCO and the Board.

ALCO's functions include: reviewing and discussing the IRRBB framework to identify, measure, evaluate, control and monitor IRRBB in the Group's balance sheet, access and manage the risk on Bank-wide assets and liabilities whenever new interest rate environment arises. Measurement outcomes including outcome analysis of EVE and net interest income (NII) would also be reported to ALCO periodically.

Hedging – The Group primarily maintains its risk position within the desired level through adjustments to balance composition. If or when a hedge is concluded to be executed the proper documentation is maintained and accounting is done as per relevant HKFRS standard.

Conduct of Stress Testing – The Group currently conducts stress tests for net income variation, by assessing the impact of parallel/down interest rate shocks on the Group's earnings in NII. In addition, EVE stress tests under 6 standard scenarios as required by the HKMA have been adopted by the Group.

Model Validation – Independent model validations are conducted regularly and the model validation reports are presented to relevant committee.

The Group has implemented Enterprise Risk Management framework for identifying and managing potential risks of the Group. Under such framework, three lines of defense are adopted for interest rate risk management. The first line of defense comprises risk owners at business units. They are primarily responsible for the day-to-day interest risk management.

## 12 Interest rate risk in banking book (continued)

### 12.1 IRRBBA: Interest rate risk in banking book – risk management objectives and policies (continued)

The second line of defense refers to the Market Risk Management Department ("MRD") and the third line of defense refers to the Audit Department.

Interest rate risk measure scenarios: The Group has adopted the HKMA regulatory scenarios on the △EVE and △NII risk measures. Beyond the regulatory scenarios, the Group will also review periodically and consider if additional internal interest rate shock scenarios is necessary to apply reflecting the changes in macroeconomic conditions and specific interest rate environments.

**c) The periodicity of the calculation of the Group's IRRBB measures**

The Group would undertake its IRRBB measurement on a monthly basis to measure interest rate sensitivity in banking book on both interest earning and economic value basis. This would include the stress tests of earning and economic value for multiple stress interest rate scenarios.

Earning Approach: This is defined by calculating the impact of changes in interest rate on the Group's earnings over the next 12 month. Under this approach, the impact on earnings is measured by the changes in the NII by assuming a constant balance sheet implying that the repricing or maturing cash flow should be replaced by new cash flow with the same amount, repricing period and spread component.

Economic Value approach (EVE): EVE sensitivity is computed with the assumption of a run-off balance sheet implying that the existing interest sensitive positions in the Banking book are amortized based on the repricing cash flows and are not replaced by any new business. The economic value of an instrument represents an assessment of the present value of its expected net cash flows, discounted to reflect market rates.

**d) Interest rate shock and stress scenarios**

The Group has adopted the following six standard interest rate shock scenarios which are prescribed in the HKMA guideline.

- Parallel up;
- Parallel down;
- Steepener (short rates down and long rates up);
- Flatterer(short rates up and long rates down);
- Short rate up; and
- Short rate down.

## 12 Interest rate risk in banking book (continued)

### 12.1 IRRBBA: Interest rate risk in banking book – risk management objectives and policies (continued)

While 6 scenarios are applied for △EVE calculations, only the parallel up/down are used to compute the △NII in the income approach.

**e) Modeling assumptions**

The assumption used in the Group's internal measurement systems aligns with the assumption prescribed for the disclosure in template IRRBB1.

**f) IRRBB hedging**

The Group does not fully hedge the interest rate risk but targets to maintain its IRRBB position at a desired level, within the risk appetite, mainly through strategic planning of balance sheet composition including an appropriate tenor and repricing mix of fixed and floating rate products. Hedging could be excused by the Group for interest risk management purpose if necessary.

**g) Key modeling assumption**

The key modeling assumptions considered for the IRRBB computation:

- The Group includes commercial margins and other spread components into the cash flows and discounts them with risk-free rates in the standardised framework implementation.
- Historical data are used for the analysis and development of the Non-maturity deposits (NMDs) model, covering the determination of the core deposit ratios and the cash flow distributions of NMDs. As at the reporting date, the weighted average repricing maturity and the longest repricing maturity for NMDs is 1.2 years and 4.5 years respectively.
- A static analysis approach is used with the historical data for the development of the prepayment model for retail fixed rate loan and retail floating rate loan subject to prepayment risk.
- A static analysis approach is used with the historical data for the development of the early redemption model for retail term deposits subject to early redemption risk.

## 12 Interest rate risk in banking book (continued)

### 12.1 IRRBBA: Interest rate risk in banking book – risk management objectives and policies (continued)

- The Group has significant currency exposure in HKD, USD, CNH and CNY. The Group also includes minor currency exposures in the terms of basis currency (HKD) by using the conversion rate as on the reporting date. Accordingly, significant interest rate correlations between different currencies are not applicable.

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

**Quantitative Disclosures of IRRBB**

Among the six scenarios, the max of ΔEVE loss is under the parallel up scenario. Comparing with last year end, the increase of ΔEVE loss was mainly due to the increase in the bond investments in banking book.

The change of ΔNII between 31 December 2025 and 31 December 2024 is mainly due to the increase of the overall positive gap positions within 1 year.

| | | (a) | (b) | (c) | (d) |
|---|---|---|---|---|---|
| HK$ Million | | **ΔEVE** | | **ΔNII** | |
| | **Period** | **31 December 2025** | **31 December 2024** | **31 December 2025** | **31 December 2024** |
| 1 | Parallel up | 4,200 | 3,306 | -422 | -137 |
| 2 | Parallel down | 775 | 1,008 | 422 | 144 |
| 3 | Steepener | 797 | 426 | | |
| 4 | Flattener | 970 | 924 | | |
| 5 | Short rate up | 2,314 | 2,088 | | |
| 6 | Short rate down | 451 | 698 | | |
| 7 | **Maximum** | 4,200 | 3,306 | 422 | 144 |
| | **Period** | **31 December 2025** | | **31 December 2024** | |
| 8 | **Tier 1 capital** | **63,098** | | **58,534** | |

## 13 Remuneration

### 13.1 REMA: Remuneration policy

**The Remuneration and Appraisal Committee**

The Remuneration and Appraisal Committee ("Remuneration Committee") is established with specific terms of reference and chaired by an independent non-executive director with majority of its members (over 50%) are independent non-executive directors. The Remuneration Committee is delegated by the Board with the authority and duties to study, review and approve the Bank's remuneration policy and to monitor its implementation in the Bank (including its subsidiaries and overseas branches). The Remuneration Committee is also responsible for reviewing and approving the remuneration of the Bank's Senior Management and Key Personnel.

Senior Management are Management Committee members who are responsible for oversight of the firm-wide strategy or activities or those of the material business lines. (During the year of 2025, there are 7 members including 2 are employed by China Merchants Bank Hong Kong Branch).

Key Personnel are employees whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Bank, including Chief Business Officer, Chief Officer / Director of Functional Lines, Department Heads (including Acting Heads) of frontline businesses directly report to Chief Executive Officer, General Managers, Deputy General Managers, Chief Business Officer or Assistant General Manager; Subsidiary Heads (including Acting Subsidiary Heads) and proprietary traders and dealers. (During the year of 2025, there are 24 Key Personnel including 3 are employed by China Merchants Bank Hong Kong Branch).

**Design and Structure of Remuneration Process**

The remuneration policy of the Bank is designed to encourage employee behaviour that supports the Bank's overall business goals and objectives, long-term financial soundness and risk management framework. It aims to create long-term value for the Bank and to align the remuneration of employees with the Bank's profitability, time horizon of risks and capital adequacy.

## 13 Remuneration (continued)

### 13.1 REMA: Remuneration policy (continued)

The risk control functions of the Bank conduct regular review (at least annually), independent of the Bank's Management, on the adequacy and effectiveness of the Bank's remuneration policy and its implementation to ensure that it is consistent with regulatory requirements and promotes effective risk management. The remuneration policy is reviewed and approved by the Remuneration Committee once a year. Risk control personnel are compensated in a manner that is independent of the business areas they oversee, aligned with their performance objectives and commensurate with their respective roles in the Bank.

**Remuneration Structure**

The remuneration of employees is composed of an appropriate mix of fixed and variable remuneration. Fixed remuneration includes salaries, allowances, year-end payments and pension contributions. Variable remuneration refers to cash bonus payments and is awarded based on the performance of the Bank, units and individual employees. The fixed remuneration is set at a level which is sufficient to attract and retain employees with relevant skills, knowledge and expertise to discharge their functions while the award of variable remuneration does not induce excessive risk taking. The size and allocation of variable remuneration take into account of the full range of current and potential risks associated with the relevant employees' activities. The proportion of variable remuneration to total remuneration generally increases in line with the seniority, roles, responsibilities and activities of employees within the Bank.

**Performance Measurement**

Pre-determined performance criteria including both financial and non-financial factors are used to assess the performance of individual employees and support the award of variable remuneration. Financial factors include quantitative measures such as profit, revenue, turnover or volume. Non-financial factors include criteria such as adherence to risk management policies, compliance with legal/ regulatory/ ethical standards, result of internal audit reviews, adherence to corporate values and customer satisfaction. The non-financial factors constitute a significant part of employees' overall performance measurement. In general, both quantitative measures and qualitative assessments play vital roles in determining risk adjustments and assessments for all types of risks.

## 13 Remuneration (continued)

### 13.1 REMA: Remuneration policy (continued)

**Deferral Arrangement**

A proportion of the employees' variable remuneration is required to be deferred and be realized over a timeframe if the payout amount reaches a certain prescribed threshold so as to allow their performance and the associated risks to be observed and validated over a sufficient period of time.

The award of deferred variable remuneration is subject to a 3-year vesting period and pre-defined vesting conditions. The payment of deferred variable remuneration will be made gradually over the vesting period and no faster than on a pro-rata basis.

In circumstances where it is later established that any performance measurement on the part of the relevant employees was based on data which is later proven to have been manifestly misstated, or there has been fraud or other malfeasance, or violations of regulations or the Bank's policies, or misconduct that leads to significant deterioration of the Bank's financial performance or economic capital, the deferred variable remuneration of the relevant employees will be forfeited or claw-back.

**Remuneration Instrument**

The remuneration (including fixed and variable portions) is paid in cash.

## 13 Remuneration (continued)

### 13.2 REM1: Remuneration awarded during financial year

| 31 December 2025 | | | (a) | (b) |
|---|---|---|---|---|
| Remuneration amount and quantitative information | | | Senior management HK$'000 | Key personnel HK$'000 |
| 1 | Fixed remuneration | Number of employees | 5 | 21 |
| 2 | | Total fixed remuneration | 13,937 | 32,701 |
| 3 | | Of which: cash-based | 13,937 | 32,701 |
| 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 remuneration | Number of employees | 4 | 13 |
| 10 | | Total variable remuneration | 5,119 | 11,106 |
| 11 | | Of which: cash-based | 5,119 | 11,106 |
| 12 | | Of which: deferred | 2,048 | 4,442 |
| 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** | | **19,056** | **43,807** |

### 13.3 REM2: Special payments

| 31 December 2025 | | (a) | (b) | (c) | (d) | (e) | (f) |
|---|---|---|---|---|---|---|---|
| Special payments | | Guaranteed bonuses | | Sign-on awards | | Severance payments | |
| | | Number of employees | Total amount HK$'000 | Number of employees | Total amount HK$'000 | Number of employees | Total amount HK$'000 |
| 1 | Senior management | - | - | - | - | - | - |
| 2 | Key personnel | - | - | - | - | - | - |

## 13 Remuneration (continued)

### 13.4 REM3: Deferred remuneration

| 31 December 2025 | | (a) | (b) | (c) | (d) | (e) |
|---|---|---|---|---|---|---|
| Deferred and retained remuneration HK$'000 | | 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 (Resignation) | 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 | 6,987 | 6,987 | - | - | 4,557 |
| 3 | Shares | - | - | - | - | - |
| 4 | Cash-linked instruments | - | - | - | - | - |
| 5 | Other | - | - | - | - | - |
| 6 | Key personnel | | | | | |
| 7 | Cash | 7,426 | 7,426 | - | - | 3,849 |
| 8 | Shares | - | - | - | - | - |
| 9 | Cash-linked instruments | - | - | - | - | - |
| 10 | Other | - | - | - | - | - |
| **11** | **Total** | **14,413** | **14,413** | - | - | **8,406** |

## 14 Operational risk

### 14.1 ORA: General information on operational risk framework

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk but excluding strategic and reputational risk. The Bank has established an operational risk management framework to identify, assess, measure, control / mitigate, monitor and report operational risk.

The Board of Directors is ultimately responsible for operational risk management of the Bank, the Risk Committee reviews and evaluates the risk management framework of the Bank, the Management Committee plans the Bank's risk tolerance and strategy to manage the comprehensive risks associated with the Bank's operations, and implements and maintains the Bank's risk management framework, the Risk Management Committee reviews risk management policies, procedures, guidelines, models and monitoring measures across the Bank, controls and manages various risks, and oversees daily risk conditions. The operational risk management unit reports to the Board of Directors, the Risk Committee, the Risk Management Committee and supervisory management in a timely manner, with the main contents of risk appetite and implementation status, stress testing, major operational risks, use of operational risk management tools and work plans.

The internal control system of the Bank comprises a well-established organisational structure and comprehensive policies and standards, where the Board's expectations regarding duty, responsibility and integrity are clearly specified in formal policy statements. The Policy on Operational Risk Management, approved by the Board of Directors (or its delegated committee) defines responsibilities of various committees, business units and supporting departments and encompasses various tools including risk and control self-assessment, operational incident management, key risk indicators and risk and control thematic review to facilitate measurement and assessment of operational risk. Procedures including risk assessments, segregation of duties, use of limits, training and regular verification and reconciliation of transactions and accounts are used in the internal control mechanism. In addition, other risk mitigating measures, e.g. insurance, are considered.

The Bank also adopts three lines of defense for operational risk management. The first line of defense consists of the business unit and is primarily accountable for identifying, assessing, taking and mitigating the risks of its business. The second line of defense includes the risk management and business support functions and independently and collectively works closely with the business units to ensure that the business units have appropriately identified, measured, priced, and managed the risk in the business. The third line of defense includes independent examination and test of efficacy of the overall risk management processes and related internal controls, in which the internal audits are carried out by the Internal Audit Function. The Bank has regular communication with relevant regulatory authorities as well.

## 14 Operational risk (continued)

### 14.2 OR1: Historical losses

| | 31 December 2025 | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | HK$'000 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | Average |
| **Using HKD200,000 threshold** | | | | | | | | | | | | |
| 1 | Total amount of operational losses net of recoveries (no exclusions) | - | - | - | - | - | - | - | 311,707 | - | - | 31,171 |
| 2 | Total number of operational risk losses | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Total amount of excluded operational risk losses | - | - | - | - | - | - | - | - | - | - | - |
| 4 | Total number of exclusions | - | - | - | - | - | - | - | - | - | - | - |
| 5 | Total amount of operational losses net of recoveries and net of excluded losses | - | - | - | - | - | - | - | 311,707 | - | - | 31,171 |
| **Using HKD1 million threshold** | | | | | | | | | | | | |
| 6 | Total amount of operational losses net of recoveries (no exclusions) | - | - | - | - | - | - | - | - | - | - | - |
| 7 | Total number of operational risk losses | - | - | - | - | - | - | - | - | - | - | - |
| 8 | Total amount of excluded operational risk losses | - | - | - | - | - | - | - | - | - | - | - |
| 9 | Total number of exclusions | - | - | - | - | - | - | - | - | - | - | - |
| 10 | Total amount of operational losses net of recoveries and net of excluded losses | - | - | - | - | - | - | - | - | - | - | |
| **Details of operational risk capital charge calculation** | | | | | | | | | | | | |
| 11 | Are losses used to calculate the ILM (yes/no)? | No | | | | | | | | | | |
| 12 | If "no" in row 11, is the exclusion of internal loss data due to non-compliance with the minimum loss data standards (yes/no)? | No | | | | | | | | | | |
| 13 | Loss event threshold: HKD200,000 or HKD 1 million for the operational risk capital charge calculation if applicable | N/A | | | | | | | | | | |

## 14 Operational risk (continued)

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

31 December 2025
HK$'000

| | | (a) | (b) | (c) |
|---|---|---|---|---|
| | BI and its subcomponents | 2025 | 2024 | 2023 |
| 1 | Interest, leases and dividend component | 6,804,152 | | |
| 1a | Interest and leases income | 16,723,193 | 18,129,467 | 16,344,117 |
| 1b | Interest and leases expenses | 9,781,568 | 11,731,380 | 9,641,918 |
| 1c | Interest earning assets | 515,774,351 | 444,539,953 | 414,650,163 |
| 1d | Dividend income | 150,233 | 177,129 | 43,181 |
| 2 | Services component | 2,411,065 | | |
| 2a | Fee and commission income | 2,874,548 | 1,935,637 | 1,831,635 |
| 2b | Fee and commission expenses | 205,569 | 161,613 | 149,036 |
| 2c | Other operating income | 120,091 | 124,195 | 114,583 |
| 2d | Other operating expenses | 158,572 | 135,530 | 297,273 |
| 3 | Financial component | 992,154 | | |
| 3a | Net P&L on trading book | 1,423,152 | 778,257 | 123,191 |
| 3b | Net P&L on banking book | (76,795) | (93,693) | 481,373 |
| 4 | BI | 10,207,370 | | |
| 5 | Business indicator component (BIC) | 1,231,106 | | |

**Disclosure on the BI:**

| | | (a) |
|---|---|---|
| 6a | BI gross of excluded divested businesses and activities | - |
| 6b | Reduction in BI due to excluded divested businesses and activities | - |

## 14 Operational risk (continued)

### 14.4 OR3: Minimum operational risk capital requirement

31 December 2025
HK$'000

| | | (a) |
|---|---|---|
| 1 | Business indicator component (BIC) | 1,231,106 |
| 2 | Internal loss multiplier (ILM) | 1 |
| 3 | Minimum operational risk capital requirement | 1,231,106 |
| 4 | Total RWA for operational risk | 15,388,825 |

## 15 Asset encumbrance

### 15.1 ENC: Asset encumbrance

| 31 December 2025<br>HK$'000 | (a) | (c) | (d) |
|---|---|---|---|
| | **Encumbered assets** | **Unencumbered assets** | **Total** |
| Cash, balances and placements with and loans and advances to banks | - | 55,656,576 | 55,656,576 |
| Derivative financial instruments | - | 434,458 | 434,458 |
| Financial assets at fair value through profit or loss | - | 7,463,539 | 7,463,539 |
| Investments in securities | 175,132 | 233,013,877 | 233,189,009 |
| Advances and other accounts | 126,686 | 219,461,255 | 219,587,941 |
| Reverse repurchase agreements – non-trading | - | 1,792,611 | 1,792,611 |
| Interests in subsidiaries | - | 1,399,672 | 1,399,672 |
| Interests in associates and joint ventures | - | 295,500 | 295,500 |
| Investment properties | - | 2,676,851 | 2,676,851 |
| Leasehold land | - | 86,752 | 86,752 |
| Other properties and equipment | - | 2,067,332 | 2,067,332 |
| Tax recoverable | - | 6,968 | 6,968 |
| Deferred tax assets | - | 913,283 | 913,283 |
| Assets classified as held for sale | - | - | - |
| **Total assets** | **301,818** | **525,268,674** | **525,570,492** |