恒生銀行
HANG SENG BANK

Banking Disclosure Statement

31 December 2025

(Unaudited)

恒生銀行有限公司 Hang Seng Bank Limited
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BANKING DISCLOSURE STATEMENT (unaudited)

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Prefixes contained in the table names, where applicable, represent the reference codes of the standard disclosure templates and tables for the Revised Pillar 3 Framework issued by the Hong Kong Monetary Authority ('HKMA').

Introduction

Purpose

The information contained in this document is for Hang Seng Bank Limited ('the Bank') and its subsidiaries (together 'the Group'). It should be read in conjunction with the Group's 2025 Annual Report. The Group's Annual Report and the Banking Disclosure Statement, taken together, comply with both the Banking (Disclosure) Rules ('BDR') made under section 60A of the Banking Ordinance and the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements - Banking Sector) Rules ('LAC Rules') made under section 19(1) of the Financial Institutions (Resolution) Ordinance ('FIRO').

These banking disclosures are governed by the Group's disclosure policy, which is subject to regular and independent review and has been approved by the Group's senior management and Board of Directors. The disclosure policy sets out the governance, control and assurance requirements for publication of the document. While the Banking Disclosure Statement is not required to be externally audited, the document has been subject to independent review by the Group's Global Internal Audit team and has been approved by the Audit Committee as delegated by the Board.

Basis of preparation

Except where indicated otherwise, the financial information contained in this Banking Disclosure Statement has been prepared on a consolidated basis. The basis of consolidation for regulatory capital purposes is different from that for accounting purposes. Information regarding subsidiaries that are not included in the consolidation for regulatory purposes is set out in the 'Basis of consolidation' section in this document.

The information in this document is not audited and does not constitute statutory accounts.

Certain financial information in this document is extracted from the statutory accounts for the year ended 31 December 2025 which will be delivered to the Registrar of Companies and the HKMA. The Auditors expressed an unqualified opinion on those statutory accounts in their report dated 25 February 2026. The Auditor's Report did not include a reference to any matters to which the auditor drew any attention by way of emphasis without qualifying their report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap.622). The Group's 2025 Annual Report, which include the statutory accounts, can be viewed on our website, www.hangseng.com.

Loss-absorbing capacity disclosures

The basis of calculating the Group's loss-absorbing capacity ('LAC') and risk-weighted asset ('RWA') is in accordance with the LAC Rules. The disclosures are made in accordance with the standard disclosure templates as issued by the HKMA.

The Banking Disclosure Statement

The Group's Banking Disclosure Statement at 31 December 2025 comprises Pillar 3 information required under the framework of the Basel Committee on Banking Supervision ('BCBS'). The disclosures are made in accordance with the latest BDR and the LAC Rules, including those under the Basel III final reform package which took effect on 1 January 2025, issued by the HKMA.

According to the BDR and the LAC Rules, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates. Comparative information disclosed in the standard disclosure templates for periods before 1 January 2025 are made in accordance with the BDR and the LAC Rules issued by the HKMA under Basel III. Prior period disclosures can be found in the Regulatory Disclosures section of our website, www.hangseng.com.

The Banking Disclosure Statement includes the majority of the information required under the BDR and the LAC Rules. The remainder of the disclosure requirements are covered in the Group's 2025 Annual Report which can be found in the Credit Ratings & Financial Data – Financial Data section of our website, www.hangseng.com.

Disclosure requirements covered in the Group's 2025 Annual Report:	**Reference in Annual Report (Printed version)**
- BDR Section 16(1)(b) – Operations of the Group	Note 15 on pages 139 to 143
- BDR Section 16FJ – LIQA: Liquidity risk management	Pages 75 to 80 and note 16 on pages 144 to 146
- BDR Section 16J – The Group's definition of 'impaired' and 'forborne' and the methods adopted for determining impairments	Note 2(j) on pages 118 to 123
- BDR Section 44 – Assets used as security	Note 23 on pages 154 to 155
- BDR Section 46 – The general disclosure of the major business activities and product lines	Note 15 on pages 139 to 143
- BDR Section 52 – Report of the Directors	Pages 2 to 11

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Key Metrics

Table 1: KM1 – Key prudential ratios

		a	b	c	d	e
		At				
		31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025	31 Dec 2024
	Regulatory capital (HK$m)[1]					
1 & 1a	Common Equity Tier 1 ('CET1')	**123,744**	119,159	119,325	118,908	120,405
2 & 2a	Tier 1 ('T1')	**135,331**	130,746	130,912	130,495	131,992
3 & 3a	Total capital	**143,893**	139,394	139,753	139,797	141,454
	RWA (HK$m)[1]					
4	Total RWA	**531,515**	538,164	560,952	560,366	680,082
4a	Total RWA (pre-floor)[6]	**531,515**	538,164	560,952	560,366	N/A
	Risk-based regulatory capital ratios (as a percentage of RWA)[1]					
5 & 5a	CET1 ratio (%)	**23.3**	22.1	21.3	21.2	17.7
5b	CET1 ratio (%) (pre-floor ratio)[6]	**23.3**	22.1	21.3	21.2	N/A
6 & 6a	T1 ratio (%)	**25.5**	24.3	23.3	23.3	19.4
6b	T1 ratio (%) (pre-floor ratio)[6]	**25.5**	24.3	23.3	23.3	N/A
7 & 7a	Total capital ratio (%)	**27.1**	25.9	24.9	24.9	20.8
7b	Total capital ratio (%) (pre-floor ratio)[6]	**27.1**	25.9	24.9	24.9	N/A
	Additional CET1 buffer requirements (as a percentage of RWA)[1]					
8	Capital conservation buffer requirement (%)	**2.500**	2.500	2.500	2.500	2.500
9	Countercyclical capital buffer ('CCyB') requirement (%)[2]	**0.438**	0.444	0.446	0.443	0.432
10	Higher loss absorbency requirement (%) (applicable only to Global systemically important authorised institution ('G-SIBs') or Domestic systemically important authorised institution ('D-SIBs'))	**1.000**	1.000	1.000	1.000	1.000
11	Total authorised institution ('AI')-specific CET1 buffer requirements (%)	**3.938**	3.944	3.946	3.943	3.932
12	CET1 available after meeting the AI's minimum capital requirements (%)	**18.8**	17.6	16.8	16.7	12.8
	Basel III leverage ratio ('LR')[3]					
13	Total LR exposure measure (HK$m)	**1,639,012**	1,626,246	1,663,015	1,625,034	1,657,571
13a	LR exposure measure based on mean values of gross assets of SFTs[6] (HK$m)	**1,614,469**	1,631,011	1,651,061	1,618,648	N/A
14, 14a &14b	LR (%)	**8.3**	8.0	7.9	8.0	8.0
14c &14d	LR (%) based on mean values of gross assets of SFTs[6]	**8.4**	8.0	7.9	8.1	N/A
	Liquidity Coverage Ratio ('LCR')[4]					
15	Total high quality liquid assets ('HQLA') (HK$m)	**486,171**	500,595	506,892	515,145	499,584
16	Total net cash outflows (HK$m)	**159,086**	151,525	152,136	157,145	149,755
17	LCR (%)	**306.2**	331.8	335.0	328.7	335.2
	Net Stable Funding Ratio ('NSFR')[5]					
18	Total available stable funding ('ASF') (HK$m)	**1,244,861**	1,221,262	1,259,984	1,230,950	1,226,750
19	Total required stable funding ('RSF') (HK$m)	**700,337**	692,326	689,899	683,496	677,642
20	NSFR (%)	**177.8**	176.4	182.6	180.1	181.0

1 The regulatory capital, RWA, risk-based regulatory capital ratios and additional CET1 buffer requirements above are based on or derived from the information as contained in the 'Capital Adequacy Ratio' return submitted to the HKMA on a consolidated basis under the requirements of section 3C(1) of the Banking (Capital) Rules ('BCR').

2 The jurisdictional CCyB ('JCCyB') of Hong Kong used in the calculation of the CCyB buffer requirement is 0.5% with effect from October 2024 which was reduced from 1.0%. The JCCyB of other countries used in the calculation of the CCyB requirement ranged from 0% to 2.5% at 31 December 2025.

3 The Basel III LRs are disclosed in accordance with the information contained in the 'Leverage Ratio' return submitted to the HKMA under the requirements specified in Part 1C of the BCR.

4 The LCRs shown are the simple average values of all working days in the reporting periods and are made in accordance with the requirements specified in the 'Liquidity Position' return submitted to the HKMA under rule 11(1) of the Banking (Liquidity) Rules ('BLR').

5 The NSFR disclosures are made in accordance with the information contained in the 'Stable Funding Position' return submitted to the HKMA under the requirements specified in rule 11(1) of the BLR.

6. Prior year disclosure is not required, as the disclosure requirement is only required under the Basel III final reform package which took effective on 1 January 2025.

Overview of Risk Management

Our risk management framework

We aim to use a comprehensive risk management approach across the organisation and across all risk types, underpinned by our risk culture and values. This is outlined in our risk management framework ('RMF'), including the key principles and practices that we employ in managing material risks, both financial and non-financial.

The RMF sets out in a consistent way how we identify, assess, and manage the risks that matter the most with respect to out ability to operate, grow, meet external commitments. Further information on our RMF is set out on page 22 of the Group's 2025 Annual Report. The management and mitigation of principal risks facing the Group is described on pages 26 to 31 of the Group's 2025 Annual Report.

Risk culture

We recognise the importance of a strong risk culture, which refers to our shared attitudes, beliefs, values and standards that shape behaviours including those related to risk awareness, risk taking and risk management. All our people are responsible for the management of risk, with ultimate supervisory oversight residing with the Board.

Our risk culture is also reinforced by our approach to remuneration. Individual awards, including those for senior executives, are based on compliance with our values and the achievement of financial and non-financial objectives which are aligned to our risk appetite and strategy.

Risk governance

The Board has ultimate supervisory responsibility for the effective management of risk and approves our risk appetite. It is advised on risk-related matters by the Risk Committee.

The Chief Risk and Compliance Officer ('CRCO'), supported by members of the Risk Management Meeting ('RMM'), holds executive accountability for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the RMF.

Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. All our people are responsible for identifying and managing risk within the scope of their roles. Roles are defined using the Three Lines of Defence model, which takes into account our business and functional structure.

We use a defined executive risk governance structure to help ensure there is appropriate oversight and accountability of risk, which facilitates reporting and escalation to the RMM.

Risk appetite

Risk appetite is a key component of our management of risk. It defines our desired forward-looking risk profile, and informs the strategic and financial planning process. Within the Group, risk appetite is managed through our risk appetite framework and articulated in a Risk Appetite Statement, which is reviewed and approved by the Board, on the advice of the Group's Risk Committee, to make sure it remains fit for purpose.

The Group's risk appetite provides an objective baseline to guide strategic decision making, helping to ensure that planned business activities provide an appropriate balance of return for the risk assumed, while remaining within acceptable risk levels. It is also integrated within other risk management tools, such as stress testing, to ensure consistency in risk management. Information on our risk management tools and risk appetite is set out on pages 21 to 25 of the Group's 2025 Annual Report.

Risk and Compliance Stress testing

The Group operates a wide-ranging stress testing programme that supports our risk management and capital and liquidity planning, and assesses our capital and liquidity strength through a examination of our resilience to external shocks. As well as undertaking regulatory driven stress tests, we conduct our own internal stress tests to understand the nature and level of material risks, quantify the impact of such risks and develop plausible mitigating actions. The outcome of a stress test provides management with key insights into the impact of severely adverse events on the group and provides an indication to regulators of the Group's resilience to shocks and financial stability.

The Group's stress testing programme is overseen by the Risk Committee, and results are reported, where appropriate, to the Finance Management Meeting ('FMM') and Risk Committee.

Further information about stress testing are set out on page 25 of the Group's Annual Report and Accounts 2025.

The Group's Risk and Compliance function

The Group's Risk and Compliance function, headed by the CRCO, is responsible for the RMF. Independent from business segments, including sales and trading functions, it provides challenge, oversight and appropriate balance of risk and reward in decision making. Their responsibility includes monitoring risk profiles, and identifying and managing forward-looking risk.

Risk management and internal control systems

The Directors are responsible for maintaining and reviewing the effectiveness of the risk management and internal control systems, and for determining the aggregate level of risk and the risk types they are willing to accept in achieving the Group's business objectives.

On behalf of the Board, the Group's Risk Committee has responsibility for the oversight of risk management and internal controls other than for financial reporting, and the Group's Audit Committee has responsibility for oversight of risk management and internal controls over financial reporting.

The Directors, through the Group's Risk Committee and the Group's Audit Committee receive regular updates and confirmation that management has taken or is taking the necessary actions to remediate any failings or weaknesses identified through the operation of our framework of controls.

Risk measurement and reporting systems

Our risk measurement and reporting systems are designed to help ensure that risks are comprehensively captured with all the attributes necessary to support well-founded decisions, that those attributes are accurately assessed, and that information is delivered in a timely manner for those risks to be successfully managed and mitigated.

Risk measurement and reporting systems are also subject to a governance framework designed to ensure that their build and implementation are fit for purpose and functioning appropriately. Risk information system development is a key responsibility of the Global Risk and Compliance function, while the development and operation of risk rating and management systems and processes are ultimately subject to the oversight of the Board.

We are advancing a comprehensive initiative aimed at strengthening our global regulatory reporting processes and making them more sustainable. This multifaceted programme includes enhancing data, consistency and controls.

We remain committed to investing in the reliability and resilience of our technology systems and critical services, which support all parts of our business. We assess our third parties to ensure they deliver the standard of services we require to provide resilient services to our customers. We do so to help protect our customers, affiliates and counterparties, and to help ensure that we minimise any disruption to services. In our approach to defending against these threats, we invest in business and technical controls to help us prevent, detect, manage and recover from issues in a timely manner within our risk appetite.

Risk measurement and reporting structures deployed at HSBC Group level are applied throughout global businesses and major operating subsidiaries such as the Group through a common operating model for integrated risk management and control. This model sets out the respective responsibilities of Group, global business and market level Risk and Compliance functions in respect of risk governance and oversight, approval authorities and lending guidelines, scorecards, management information and reporting, and relations with third parties such as regulators, rating agencies and auditors.

Risk analytics and model governance

The Group's Risk and Compliance function manages a number of analytics disciplines supporting the development and management of models, including those for risk rating, scoring, economic capital, climate and stress testing, covering different risk types and business segments. The analytics functions formulate technical responses to industry developments and regulatory policy in the field of risk analytics. They support the development of the global risk models of HSBC Holdings together with its subsidiary undertakings ('HSBC Group'), develop local risk models and oversee their use around the Group toward our implementation targets for internal ratings-based ('IRB') approaches.

The HSBC Group Model Risk Committee ('MRC') is the primary committee responsible for the oversight of Model Risk within HSBC Group. It serves an important role in providing strategic direction on the management of models and their associated risks to HSBC's business segments and functions globally and is an essential element of the governance structure for model risk management ('MRM'). The MRC is supported by Model Oversight Forums ('MOFs') operating within HSBC and the Group which issues are escalated. The MOFs serve to oversee and monitor the implementation of elements of the model risk framework and provide subject matter expertise. Their scope is a subset of the overall model landscape related to model categories including those for risk rating, scoring, economic capital, climate, and stress testing.

Oversight of Model Risk within the Group is primarily under RMM supported by various forums / workgroups. The Group's Local MOFs consist of the Wholesale Credit and Traded Risk MOF and the Retail Credit Risk MOF, which operate under comparable terms of reference as the HSBC MOFs. The Local MOFs are chaired by the Heads of Risk teams and membership includes businesses, risk and finance. The MOFs meet regularly and have escalation path to RMM / HSBC MOFs on any material model-related issues.

MRM undertakes four key activities including, model risk governance, model risk stewardship, independent model validation and infrastructure. Global model risk policy and procedures govern the development, validation, independent review, approval, implementation, performance monitoring of credit risk rating models and any model changes. The development and use of data and models to meet local requirements are the responsibility of business segments or functions, subject to overall HSBC Group policy and oversight. MRM works closely with business segments and functions to help ensure that models in development meet risk management, pricing and capital management needs.

Models are subject to an independent validation process and governance oversight by the Model Risk Management team within HSBC Group. The team helps to challenge to the modelling approaches used across the HSBC Group, including the Group. It also ensures that the performance of those models is transparent and that any limitations are visible to key stakeholders. The Model Risk Management function is separate from the Risk Analytics functions that are responsible for the development of models. All new or materially changed IRB capital models require pre-approval from the Prudential Regulation Authority's ('PRA') and the HKMA.

Model risk remains a key area of focus, with local regulatory exams taking place and the PRA supervisory statement SS1/23 Model risk management principles for banks coming into effect. This provides detailed principles-based guidance on how model risk should be managed.

Regulatory and other expectations continue to evolve with regards to our capability and practice of model risk management.

In the 'Our roles and responsibilities' section of the Group's 2025 Annual Report on pages 22 to 23 we outline how roles are defined using the three lines of defence model, which considers our business segments and functional structures. Global Internal Audit provides an independent and objective assessment of the group's risk management framework, control and governance processes, to check they are adequately designed and operating effectively. All three lines of defence at HSBC have responsibility to support effective management of model risk.

Model information and governance over specific risk types are discussed in further detail in the 'Credit risk', 'Counterparty credit risk exposures', and 'Market risk' sections of this document.

Further information is available on pages 93 to 94 of the Group's 2025 Annual Report.

Linkage to the 2025 Annual Report

Basis of consolidation

The basis of consolidation for accounting purposes is in accordance with Hong Kong Financial Reporting Standards ('HKFRS'), as described in note 1 on the consolidated financial statements in the Group's Annual Report.

The basis of consolidation for regulatory purposes is different from that for accounting purposes. Subsidiaries included in the consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with section 3C(1) of the BCR.

Subsidiaries not included in consolidation for regulatory purposes are securities and insurance companies that are authorised and supervised by regulators and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for AI under the BCR and the Banking Ordinance. The capital invested by the Group in these subsidiaries is deducted from the capital base subject to certain thresholds, as determined in accordance with Part 3 of the BCR. No surplus capital in insurance subsidiaries is recognised in the calculation of the Group's capital adequacy.

There are no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation as at 31 December 2025.

For all subsidiaries included in both the accounting and regulatory scope of consolidation, the same consolidation methodology is applied at 31 December 2025.

The Group operates subsidiaries in different territories where capital is governed by local rules and there may be restrictions on the transfer of regulatory capital and funds between members of the Group.

The Group may need to maintain a regulatory reserve to satisfy the provisions of the Banking Ordinance and local regulatory requirements for prudential supervision purposes. As at 31 December 2025, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Group to shareholders by HK$350m.

There are no relevant capital shortfalls in any of the Group's subsidiaries which are not included in its consolidation group for regulatory purposes as at 31 December 2025.

A list of subsidiaries not included in consolidation for regulatory purposes is shown below:

Table 2: List of subsidiaries outside the regulatory scope of consolidation

		As at 31 Dec 2025	
		Total assets*	**Total equity***
	Principal activities	**HK$m**	**HK$m**
Hang Seng Insurance Co. Ltd and its subsidiaries	Retirement benefits and life assurance	**246,148**	**11,499**
Hang Seng Securities Ltd	Trading and dealing in securities	**3,068**	**1,010**
Hang Seng Investment Management Ltd	Fund management	**410**	**361**
Hang Seng Qianhai Fund Management Co. Ltd	Fund raising, fund sales and asset management	**150**	**127**
Hang Seng Investment Services Ltd	Provision of investment commentaries	**9**	**9**

* Prepared in accordance with HKFRS

The approaches used in calculating the Group's regulatory capital and RWA are in accordance with the BCR. The Group uses the advanced IRB ('AIRB') approach and the foundation IRB ('FIRB') approach to calculate its credit risk for the majority of its non-securitisation exposures. For collective investment scheme ('CIS') exposures, the Group uses the look-through approach ('LTA') to calculate the RWA. For counterparty credit risk ('CCR'), the Group uses the standardised (counterparty credit risk) ('SA-CCR') approach to calculate its default risk exposures for derivatives and the comprehensive approach for securities financing transactions ('SFTs'). For credit valuation adjustment ('CVA'), the Group uses reduced basic CVA approach ('BA-CVA') to calculate CVA risk capital charge. The Group uses the standardised (market risk) ('STM') approach to calculate its market risk capital charge and the standardised operational risk approach to calculate its operational risk capital charge.

Balance sheet reconciliation

The following table expands the balance sheet under the regulatory scope of consolidation to show separately the capital components that are reported in the 'Composition of regulatory capital disclosures' template in Table 4. The capital components in this table contain a reference that shows how these amounts are included in Table 4.

Table 3: CC2 – Reconciliation of regulatory capital to balance sheet

	a	b	c
	As at 31 Dec 2025		
	Balance sheet as in published financial statements HK$m	**Under regulatory scope of consolidation HK$m**	Cross-referenced to definition of capital components
Assets			
Cash and balances at central banks	**10,290**	**10,290**	
Trading assets	**52,692**	**52,688**	
Derivative financial instruments	**12,528**	**12,678**	
Financial assets mandatorily measured at fair value through profit or loss	**200,786**	**476**	
Reverse repurchase agreements – non-trading	**80,814**	**80,814**	
Placings with and advances to banks	**85,356**	**74,970**	
Loans and advances to customers	**787,349**	**787,350**	
of which: Impairment allowances eligible for inclusion in Tier 2 ('T2') capital		132	(1)
Financial investments	**484,119**	**477,207**	
Investments in subsidiaries	**–**	**7,021**	
Subordinated loans to subsidiaries	**–**	**1,045**	(2)
Interest in an associate	**2,196**	**–**	
Investment properties	**10,291**	**7,830**	
Premises, plant and equipment	**23,856**	**23,852**	
Intangible assets	**4,484**	**4,154**	(3)
Other assets	**64,352**	**34,102**	
of which: Deferred tax assets ('DTAs')		500	(4)
Defined benefit pension fund net assets		404	(5)
Total assets	**1,819,113**	**1,574,477**	

Table 3: CC2 – Reconciliation of regulatory capital to balance sheet (continued)

	a	b	c
	As at 31 Dec 2025		
	Balance sheet as in published financial statements HK$m	**Under regulatory scope of consolidation HK$m**	Cross-referenced to definition of capital components
Liabilities			
Deposits from banks	**8,022**	**8,022**	
Current, savings and other deposit accounts	**1,259,003**	**1,260,979**	
Repurchase agreements – non-trading	**21,792**	**21,792**	
Trading liabilities	**13,014**	**13,014**	
Derivative financial instruments	**10,667**	**10,685**	
Financial liabilities designated at fair value	**36,599**	**36,379**	
of which: Gains and losses due to changes in own credit risk on fair valued liabilities		(8)	(6)
Certificates of deposit in issue	**3,436**	**3,436**	
Other liabilities	**39,218**	**27,404**	
Insurance contract liabilities	**228,392**	**–**	
Current tax liabilities	**1,120**	**402**	
Deferred tax liabilities	**3,910**	**3,892**	
of which: Deferred tax liabilities related to intangible assets		638	(7)
Deferred tax liabilities related to defined benefit pension fund net assets		47	(8)
Subordinated liabilities	**21,248**	**21,248**	
Total liabilities	**1,646,421**	**1,407,253**	
Equity			
Share capital	**9,658**	**9,658**	(9)
Retained profits	**130,613**	**125,229**	(10)
of which: Revaluation gains of investment properties		4,843	(11)
Regulatory reserve for general banking risks		350	(12)
Regulatory reserve eligible for inclusion in T2 capital		62	(13)
Valuation adjustments		81	(14)
Other equity instruments	**11,587**	**11,587**	(15)
Other reserves	**20,796**	**20,750**	(16)
of which: Cash flow hedge reserve		1,342	(17)
Revaluation reserve of properties		16,074	(18)
Valuation adjustments		12	(19)
Total shareholders' equity	**172,654**	**167,224**	
Non-controlling interests	**38**	**–**	
Total equity	**172,692**	**167,224**	
Total equity and liabilities	**1,819,113**	**1,574,477**	

Table 4: 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
			Carrying values of items:				
As at 31 Dec 2025	**Carrying values as reported in published financial statements HK$m**	**Carrying values under scope of regulatory consolidation HK$m**	**Subject to credit risk framework HK$m**	**Subject to counterparty credit risk framework HK$m**	**Subject to the securitisation framework HK$m**	**Subject to market risk framework * HK$m**	**not subject to capital requirements or subject to deduction from capital HK$m**
Assets							
Cash and balances at central banks	**10,290**	**10,290**	**10,290**	–	–	–	–
Trading assets	**52,692**	**52,688**	**262**	**25,212**	–	**52,426**	–
Derivative financial instruments[1]	**12,528**	**12,678**	–	**12,363**	–	**12,678**	**315**
Financial assets mandatorily measured at fair value through profit or loss	**200,786**	**476**	**294**	**182**	–	–	–
Reverse repurchase agreements – non-trading	**80,814**	**80,814**	–	**80,814**	–	–	–
Placings with and advances to banks	**85,356**	**74,970**	**74,970**	–	–	–	–
Loans and advances to customers	**787,349**	**787,350**	**787,350**	–	–	–	–
Financial investments	**484,119**	**477,207**	**477,207**	–	–	–	–
Investments in subsidiaries	–	**7,021**	**7,021**	–	–	–	–
Subordinated loans to subsidiaries	–	**1,045**	–	–	–	–	**1,045**
Interest in an associate	**2,196**	–	–	–	–	–	–
Investment properties	**10,291**	**7,830**	**7,830**	–	–	–	–
Premises, plant and equipment	**23,856**	**23,852**	**23,852**	–	–	–	–
Intangible assets[2]	**4,484**	**4,154**	–	–	–	–	**3,516**
Other assets[2, 3]	**64,352**	**34,102**	**29,390**	**3,855**	–	–	**857**
Total assets	**1,819,113**	**1,574,477**	**1,418,466**	**122,426**	–	**65,104**	**5,733**
Liabilities							
Deposits from banks	**8,022**	**8,022**	–	–	–	–	**8,022**
Current, savings and other deposit accounts	**1,259,003**	**1,260,979**	–	–	–	–	**1,260,979**
Repurchase agreements – non-trading	**21,792**	**21,792**	–	**21,792**	–	–	–
Trading liabilities	**13,014**	**13,014**	–	–	–	**13,014**	–
Derivative financial instruments[1]	**10,667**	**10,685**	–	**10,685**	–	**10,685**	–
Financial liabilities designated at fair value	**36,599**	**36,379**	–	–	–	**36**	**36,343**
Certificates of deposit in issue	**3,436**	**3,436**	–	–	–	–	**3,436**
Other liabilities[3]	**39,218**	**27,404**	–	**1,591**	–	–	**25,813**
Insurance contract liabilities	**228,392**	–	–	–	–	–	–
Current tax liabilities	**1,120**	**402**	–	–	–	–	**402**
Deferred tax liabilities	**3,910**	**3,892**	–	–	–	–	**3,892**
Subordinated liabilities	**21,248**	**21,248**	–	–	–	–	**21,248**
Total liabilities	**1,646,421**	**1,407,253**	–	**34,068**	–	**23,735**	**1,360,135**

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

1 Trading assets and derivative financial instruments are subject to more than one regulatory risk category. As a result, the amounts shown in column (b) do not equal the sum of columns (c) to (g).
2 The assets disclosed in column (g) are net of any associated deferred tax liability.
3 The difference in the carrying values reported in the financial statements in column (a) and the scope of regulatory consolidation in column (b) mainly represents (i) differences between the financial and regulatory scope of consolidation, and (ii) the amounts of acceptance and endorsements being included as contingencies in accordance with the BCR, whilst for accounting purposes, acceptances and endorsements are recognised on the balance sheet.

Table 5: LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		a	b	c	d	e
			Items subject to:			
		Total	credit risk framework	securitisation framework	CCR framework	market risk framework[3] *
As at 31 Dec 2025		HK$m	HK$m	HK$m	HK$m	HK$m
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)[1]	1,568,744	1,418,466	–	122,426	65,104
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)[2]	47,118	–	–	34,068	23,735
3	Total net amount under regulatory scope of consolidation	1,521,626	1,418,466	–	88,358	41,369
4	Off-balance sheet ('OBS') amounts and potential future exposures ('PFE') for counterparty risk	190,256	190,256	–	15,842	–
5	Differences due to impairments	18,650	18,650	–	–	–
6	Differences due to recognised collateral	(4,048)	(4,048)	–	–	–
7	Differences due to a factor α used for computing default risk exposure and application of credit risk mitigation ('CRM')	(65,082)	–	–	(65,082)	–
8	Differences arising from capital deductions	(685)	–	–	–	–
9	Exposure amounts considered for regulatory purposes	1,660,717	1,623,324	–	39,118	–

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

1 The amount shown in column (a) in Table 5 above is equal to column (b) less column (g) in the Total assets row in Table 4.
2 The amount shown in column (a) in Table 5 above is equal to column (b) less column (g) in the Total liabilities row in Table 4.
3 Exposure amounts considered for regulatory purposes disclosed only for credit risk and securitisation frameworks as a more meaningful measure for those risk types, no exposures are reported against the market risk framework

Explanation of differences between accounting and regulatory exposure amounts

Off-balance sheet amounts and potential future exposure for counterparty risk

OBS amounts subject to credit risk regulatory framework include undrawn portions of committed facilities, various trade finance commitments and guarantees. We apply credit conversion factors ('CCF') to these items and add PFE for CCR.

Differences due to impairments

The carrying value of assets is net of impairments. From the regulatory perspective, exposure value under the IRB approach and non-defaulted exposure under the standardised approach are before deducting impairments.

Differences due to recognised collateral

Exposure value under the standardised approach is calculated after deducting CRM whereas accounting value is before such deductions.

Differences due to a factor α used for computing default risk exposure and application of credit risk mitigation

Under the SA-CCR approach, a factor α of 1.4 is applied to the sum of replacement cost ('RC') and PFE in arriving at the default risk exposure. Differences also arise between accounting carrying values and regulatory exposure as a result of the application of CRM.

Explanations of differences between accounting fair value and regulatory prudent valuation

Fair value is defined as the best estimate of the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Some fair value adjustments already reflect valuation uncertainty to some degree. These are market data uncertainty and model uncertainty.

However, it is recognised that a variety of valuation techniques using stressed assumptions and combined with the range of plausible market parameters at a given point in time may still generate unexpected uncertainty beyond fair value.

A series of additional valuation adjustments ('AVAs') are therefore required to reach a specified degree of confidence (the 'Prudent Value') set by regulators that differs both in terms of scope and measurement from the Group's own quantification for disclosure purposes.

AVAs should consider at the minimum: market price uncertainty, bid-offer (close-out) uncertainty, model risk, concentration, administration costs, unearned credit spreads and investing and funding costs.

AVAs are not limited to level 3 exposures, for which a 95% uncertainty range is already computed and disclosed, but must also be calculated for any exposure for which the exit price cannot be determined with a high degree of certainty. Table 49 presents further information on the prudent valuation adjustment ('PVA').

Capital and RWA

Regulatory capital disclosures

The following table sets out the detailed composition of the Group's regulatory capital using the composition of regulatory capital disclosures template as specified by the HKMA.

Table 6: CC1 – Composition of regulatory capital

		a	b
			Cross-referenced to Table 3
As at 31 Dec 2025		**Component of regulatory capital** **HK$m**	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	**9,658**	(9)
2	Retained earnings	**125,229**	(10)
3	Disclosed reserves	**20,750**	(16)
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	–	
6	**CET1 capital before regulatory deductions**	**155,637**	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	**93**	(14)+(19)
8	Goodwill (net of associated deferred tax liabilities)	–	
9	Other intangible assets (net of associated deferred tax liabilities)	**3,516**	(3)-(7)
10	DTAs (net of associated deferred tax liabilities)	**500**	(4)
11	Cash flow hedge reserve	**1,342**	(17)
12	Excess of total expected loss ('EL') amount over total eligible provisions under the IRB approach	**4,826**	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitisation transactions	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	**(8)**	(6)
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	**357**	(5)-(8)
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	–	
17	Reciprocal cross-holdings in CET1 capital instruments	–	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
20	Mortgage servicing rights ('MSRs') (net of associated deferred tax liabilities)	**Not applicable**	Not applicable
21	DTAs arising from temporary differences (net of associated deferred tax liabilities)	**Not applicable**	Not applicable
22	Amount exceeding the 15% threshold	**Not applicable**	Not applicable
23	– of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	– of which: MSRs	Not applicable	Not applicable
25	– of which: DTAs arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	**21,267**	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	20,917	(11)+(18)
26b	Regulatory reserve for general banking risks	350	(12)
26c	Securitisation exposures specified in a notice given by the Monetary Authority	–	
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)	–	

Table 6: CC1 – Composition of regulatory capital (continued)

		a	b
		Component of regulatory capital	Cross-referenced to Table 3 Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
As at 31 Dec 2025		**HK$m**	
27	Regulatory deductions applied to CET1 capital due to insufficient Additional Tier 1 ('AT1') capital and T2 capital to cover deductions	–	
28	**Total regulatory deductions to CET1 capital**	**31,893**	
29	**CET1 capital**	**123,744**	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	**11,587**	
31	– of which: classified as equity under applicable accounting standards	11,587	(15)
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 consolidated group)	–	
36	**AT1 capital before regulatory deductions**	**11,587**	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	–	
38	Reciprocal cross-holdings in AT1 capital instruments	–	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	
41	National specific regulatory adjustments applied to AT1 capital	–	
42	Regulatory deductions applied to AT1 capital due to insufficient T2 capital to cover deductions	–	
43	**Total regulatory deductions to AT1 capital**	–	
44	**AT1 capital**	**11,587**	
45	**T1 capital (T1 = CET1 + AT1)**	**135,331**	
	T2 capital: instruments and provisions		
46	Qualifying T2 capital instruments plus any related share premium	–	
48	T2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in T2 capital of the consolidation group)	–	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in T2 capital	**194**	(1)+(13)
51	**T2 capital before regulatory deductions**	**194**	
	T2 capital: regulatory deductions		
52	Investments in own T2 capital instruments	–	
53	Reciprocal cross-holdings in T2 capital instruments and non-capital LAC liabilities	–	
54	Insignificant LAC investments in T2 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 T2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	**1,045**	(2)
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 T2 capital	**(9,413)**	
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 T2 capital	(9,413)	((11)+(18)) *45%
56b	Regulatory deductions applied to T2 capital to cover the required deductions falling within BCR §48(1)(g)	–	

Table 6: CC1 – Composition of regulatory capital (continued)

		a	b
As at 31 Dec 2025		**Component of regulatory capital** **HK$m**	Cross-referenced to Table 3 Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
57	**Total regulatory adjustments to T2 capital**	**(8,368)**	
58	**T2 capital**	**8,562**	
59	**Total regulatory capital ('TC' = T1 + T2)**	**143,893**	
60	**Total RWA**	**531,515**	
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio (%)**	**23.3**	
62	**T1 capital ratio (%)**	**25.5**	
63	**Total capital ratio (%)**	**27.1**	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	**3.938**	
65	– of which: capital conservation buffer requirement (%)	2.500	
66	– of which: bank specific countercyclical capital buffer requirement (%)	0.438	
67	– of which: higher loss absorbency requirement (%)	1.000	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements (%)	**18.8**	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	**Not applicable**	Not applicable
70	National T1 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 T2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	**4,933**	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	**7,021**	
74	MRSs (net of associated deferred tax liabilities)	**Not applicable**	Not applicable
75	DTAs arising from temporary differences (net of associated deferred tax liabilities)	**Not applicable**	Not applicable
	Applicable caps on the inclusion of provisions in T2 capital		
76	Provisions eligible for inclusion in T2 in respect of exposures subject to the basic indicator ('BSC') approach, or the STC approach and Securitisation external ratings-based approach ('SEC-ERBA'), Securitisation standardised approach ('SEC-SA') and securitisation fall-back approach ('SEC-FBA') (prior to application of cap)	**194**	
77	Cap on inclusion of provisions in T2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	**1,040**	
78	Provisions eligible for inclusion in T2 in respect of exposures subject to the IRB approach and Securitisation internal ratings-based approach ('SEC-IRBA') (prior to application of cap)	**–**	
79	Cap for inclusion of provisions in T2 under the IRB approach and SEC-IRBA	**2,316**	

Notes to the template:

		As at 31 Dec 2025	
		Hong Kong basis	**Basel III basis**
		HK$m	**HK$m**
10	DTAs (net of associated deferred tax liabilities)	**500**	**39**

Explanation:

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 realised 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 and other credit exposures to connected companies) under Basel III.

Remarks:

The amount of the 10% threshold 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.

Total capital ratio increased by 2.2 percentage point ('p.p.') compared with the position at June 2025. It is a combined effect of an increase in total capital and a decrease in total RWA.

The increase in total capital of HK$4.1bn was mainly driven by:

- an increase of HK$8.9bn from profits for the second half of 2025; and
- a decrease of HK$2.3bn in CET1 capital deduction arising from excess of total EL amount over total eligible provisions under the IRB approach; partially offset by
- a decrease of HK$5.1bn due to distribution of dividends and payment of AT1 coupons;
- a decrease of HK$1.1bn due to share buyback;
- a decrease of HK$0.5bn in reserves;
- an increase of HK$0.4bn in regulatory reserve deduction; and
- a decrease of HK$0.3bn in property revaluation gains eligible for Tier 2 capital.

RWA decreased by HK$29.4bn mainly due to change in asset quality, drop in corporate lending and exemption of exposures on multilateral development banks ('MDBs') and international organisations ('IO's) from IRB approach.

Countercyclical capital buffer ratio

The CCyB is calculated as the weighted average of the applicable CCyB ratios in effect in the jurisdictions in which banks have private sector credit exposures. The Group uses country of business as the basis of geographical allocation for the majority of its credit risk and risk country for market risk, which is defined by considering the country of incorporation, location of guarantor, headquarter domicile, distribution of revenue and booking country.

Table 7: CCyB1 – Geographical distribution of credit exposures used in countercyclical capital buffer

As at 31 Dec 2025		a	c	d	e
	Geographical breakdown by Jurisdiction	**Applicable JCCyB ratio in effect %**	**RWA used in computation of CCyB ratio HK$m**	**AI-specific CCyB ratio %**	**CCyB amount HK$m**
1	The Hong Kong Special Administrative Region of the People's Republic of China ('Hong Kong SAR')[1]	**0.500**	**356,278**		
2	Australia	**1.000**	**77**		
3	Chile	**0.500**	**1**		
4	France	**1.000**	**62**		
5	Germany	**0.750**	**85**		
6	Ireland	**1.500**	**19**		
7	Netherlands	**2.000**	**106**		
8	Norway	**2.500**	**2**		
9	South Korea	**1.000**	**619**		
10	Sweden	**2.000**	**353**		
11	United Arab Emirates	**0.500**	**203**		
12	United Kingdom	**2.000**	**1,497**		
	Sum[2]		**359,302**		
	Total[3]		**418,233**	**0.438**	**2,328**

1 The JCCyB of Hong Kong used in the calculation of CCyB requirement is 0.5% with effect from October 2024 which was reduced from 1.0%. The JCCyB of other countries used in the calculation of the CCyB requirement ranged from 0% to 2.5% at 31 December 2025.

2 This represents the sum of RWA for the private sector credit exposures in jurisdictions with a non-zero countercyclical buffer rate.

3 The total RWA used in the computation of the CCyB ratio in column (c) represents the total RWA for the private sector credit exposures in all jurisdictions to which the Group is exposed, including jurisdictions with no countercyclical buffer rate or with a countercyclical buffer rate set at zero. The CCyB amount in column (e) represents the Group's total RWA in row 4 of Table 1 of this document multiplied by the Group specific CCyB ratio in column (d).

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Leverage ratio

The following table shows the LR, T1 capital and total exposure measure as contained in the 'Leverage Ratio' return submitted to the HKMA under the requirements specified in Part 1C of the BCR.

Table 8: LR2 – Leverage ratio

		a	b
		31 Dec 2025	30 Sep 2025
		HK$m	HK$m
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivative contracts and SFTs, but including related on-balance sheet collateral)	**1,472,614**	1,506,350
2	Gross-up for derivative contracts collateral provided where deducted from balance sheet assets pursuant to the applicable accounting standard	**–**	–
3	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	**–**	–
4	Less: Adjustment for securities received under SFTs that are recognised as an asset	**–**	–
5	Less: Specific and collective provisions associated with on-balance sheet exposures that are deducted from T1 capital	**(19,212)**	(18,232)
6	Less: Asset amounts deducted in determining T1 capital	**(31,809)**	(32,052)
7	**Total on-balance sheet exposures (excluding derivative contracts and SFTs) (sum of rows 1 to 6)**	**1,421,593**	1,456,066
	Exposures arising from derivative contracts		
8	RC associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	**10,835**	10,914
9	Add-on amounts for PFE associated with all derivative contracts	**24,813**	26,641
10	Less: Exempted Central counterparty ('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)**	**35,648**	37,555
	Exposures arising from SFTs		
14	Gross amount of SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**109,282**	57,684
15	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	**–**	–
16	CCR exposure for SFT assets	**472**	405
17	Agent transaction exposures	**–**	–
18	**Total exposures arising from SFTs (sum of rows 14 to 17)**	**109,754**	58,089
	Other OBS exposures		
19	OBS exposure at gross notional amount	**506,513**	504,611
20	Less: Adjustments for conversion to credit equivalent amounts	**(434,340)**	(429,867)
21	Less: Specific and collective provisions associated with OBS exposures that are deducted from T1 capital	**(156)**	(208)
22	**OBS items (sum of rows 19 to 21)**	**72,017**	74,536
	Capital and total exposures		
23	**Tier 1 capital**	**135,331**	130,746
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**1,639,012**	1,626,246
	LR		
25 & 25a	LR[1] (%)	**8.3**	8.0
26	Minimum LR 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	**84,739**	62,449
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	**109,282**	57,684

Table 8: LR2 – Leverage ratio (continued)

		a	b
		31 Dec 2025	30 Sep 2025
		HK$m	HK$m
30 & 30a	Total exposures based on mean values from row 28 of gross assets of SFTs (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables)	**1,614,469**	1,631,011
31 & 31a	LR 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) (%)	**8.4**	8.0

1 LR is the ratio of T1 capital to the total exposures after adjustments for specific and collective provisions.

The difference between the mean value and quarter-end value of gross amount of SFT assets is business driven.

Table 9: LR1 – Summary comparison of accounting assets against leverage ratio exposure measure

		a
		Value under the LR framework
		31 Dec 2025
	Item	**HK$m**
1	Total consolidated assets as per published financial statements	**1,819,113**
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(233,059)**
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	–
4	Adjustments for temporary exemption of central bank reserves	**N/A**
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	**22,970**
9	Adjustment for SFTs (i.e. repos and similar secured lending)	**1,357**
10	Adjustment for OBS items (i.e. conversion to credit equivalent amounts of OBS exposures)	**72,173**
11	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from LR exposure measure	**(19,368)**
12	Other adjustments	**(24,174)**
13	Leverage ratio exposure measure	**1,639,012**

Other adjustments mainly represent the regulatory deductions of property revaluation reserves to T1 capital under the LR framework.

Overview of RWA and the minimum capital requirements

Table 10: OV1 – Overview of RWA

		a	b	c
		RWA		Minimum capital requirements[1]
		31 Dec 2025 HK$m	30 Sep 2025 HK$m	**31 Dec 2025 HK$m**
1	Credit risk for non-securitisation exposures	**444,413**	451,917	**35,552**
2	Of which: STC approach	64,599	62,375	5,168
2a	Of which: BSC approach	–	–	–
3	Of which: FIRB	135,187	134,964	10,814
4	Of which: Supervisory slotting criteria approach	32,131	33,218	2,570
5	Of which: AIRB	94,521	98,440	7,562
5a	Of which: Retail IRB approach	83,275	84,035	6,662
5b	Of which: Specific risk-weight approach	34,700	38,885	2,776
6	Counterparty credit risk and default fund contributions	**7,011**	7,342	**561**
7	Of which: SA-CCR	5,950	6,536	476
7a	Of which: Current exposure method ('CEM')	–	–	–
8	Of which: Internal models (counterparty credit risk) ('IMM(CCR)') approach	–	–	–
9	Of which: Others	1,061	806	85
10	CVA Risk	**10,649**	11,496	**852**
11	Equity positions in banking book under the simple risk-weight method and the internal models method	**N/A**	N/A	**N/A**
12	CIS exposures – LTA	**572**	608	**46**
13	CIS exposures – Mandate-based approach ('MBA')	**–**	–	**–**
14	CIS exposures – Fall-back approach ('FBA')	**–**	–	**–**
14a	CIS exposures – combination of approaches	**–**	–	**–**
15	Settlement risk	**–**	–	**–**
16	Securitisation exposures in banking book	**–**	–	**–**
17	Of which: SEC-IRBA	–	–	–
18	Of which: SEC-ERBA (including internal assessment approach ('IAA'))	–	–	–
19	Of which: SEC-SA	–	–	–
19a	Of which: SEC-FBA	–	–	–
20	Market risk	**13,847**	12,601	**1,108**
21	Of which: STM approach	13,847	12,601	1,108
22	Of which: Internal models approach ('IMA')	–	–	–
22a	Of which: Simplified standardised ('SSTM') approach	–	–	–
23	Capital charge for moving exposures between trading book and banking book	**–**	–	**–**
24	Operational risk	**48,975**	48,294	**3,918**
24a	Sovereign concentration risk	**–**	–	**–**
25	Amounts below the thresholds for deduction (subject to 250% risk weight ('RW'))	**17,553**	17,569	**1,404**
26	Output floor level applied (%)	50	50	
27	Floor adjustment (before application of transitional cap)	**–**	–	**–**
28a	Deduction to RWA	**(11,505)**	(11,663)	**(920)**
28b	Of which: Portion of regulatory reserve for general banking risks and collective provisions which is not included in T2 Capital	–	–	–
28c	Of which: Portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in T2 Capital	(11,505)	(11,663)	(920)
29	Total	**531,515**	538,164	**42,521**

1 Minimum capital requirement represents the Pillar 1 capital charge at 8% of the RWA.

Total RWA decreased by HK$6.6bn in the fourth quarter of 2025. Below are the key drivers:

Credit risk for non-securitisation exposures

RWA decreased by HK$7.5bn mainly due to decrease in corporate lending and gold bullion exposure, and exemption of exposures on multilateral development banks and international organisations from IRB approach.

CVA risk

RWA decreased by HK$0.8bn due to the decrease in default risk exposures.

Market risk

RWA increased by HK$1.2bn mainly driven by Chinese Renminbi ('RMB') trading positions.

Comparison of modelled and standardised RWA

Table 11: CMS1 – Comparison of modelled and standardised RWA at risk level

		a	b	c	d
		RWA			
		RWA calculated under model-based approaches that the AI has the MA's approval to use	RWA for portfolios where standardised approaches are used	Total actual RWA (a + b) (i.e. RWA which the AI reports as current requirements)	RWA calculated using full standardised approach (i.e. used in the computation of the output floor)
As at 31 Dec 2025		**HK$m**	**HK$m**	**HK$m**	**HK$m**
1	Credit risk for non-securitization exposures	**379,814**	**64,599**	**444,413**	**648,841**
2	Counterparty credit risk and default fund contributions	**5,640**	**1,371**	**7,011**	**13,008**
3	CVA risk	–	**10,649**	**10,649**	**10,649**
4	Securitization exposures in banking book	–	–	–	–
5	Market risk	–	**13,847**	**13,847**	**13,847**
6	Operational risk	–	**48,975**	**48,975**	**48,975**
7	Residual RWA	**572**	**17,553**	**18,125**	**18,125**
8	**Total**	**386,026**	**156,994**	**543,020**	**753,445**

The difference between the RWA calculated under the model-based approaches and the full standardised approach is mainly from credit risk for non-securitisation exposures.

Table 12: CMS2 – Comparison of modelled and standardised RWA for credit risk at exposure class level

		a	b	c	d
		RWA			
		RWA calculated under model-based approaches that the AI has the MA's approval to use	**RWA for column (a) if re-calculated using the standardised approach**	**Total actual RWA (i.e. RWA which the AI reports as current requirements)**	**RWA calculated using full standardised approach (i.e. RWA used in the computation of the output floor)**
As at 31 Dec 2025		**HK$m**	**HK$m**	**HK$m**	**HK$m**
1	Sovereign exposures	**15,664**	**8,874**	**16,232**	**9,442**
1a	Of which: categorised as public sector entity ('PSE') exposures and multilateral development bank exposures under the STC approach	–	–	534	534
2	Bank exposures	**18,037**	**29,587**	**22,119**	**33,669**
3	Equity			**12,400**	**12,400**
4	Corporate exposures (excluding specialised lending)	**196,007**	**320,708**	**230,363**	**355,064**
4a	Of which: FIRB is applied	117,149	235,063	117,149	235,063
4b	Of which: AIRB is applied	78,858	85,645	78,858	85,645
5	Retail exposures	**83,275**	**136,108**	**96,468**	**149,301**
5a	Of which: qualifying revolving retail	25,565	34,339	26,836	35,610
5b	Of which: other retail exposures to individuals and small business retail exposures	18,131	18,182	25,931	25,982
5c	Of which: residential mortgages	39,579	83,587	43,701	87,709
6	Corporate exposures - Specialised lending	**32,131**	**54,265**	**32,131**	**54,265**
6a	Of which: income-producing real estate and high-volatility commercial real estate	32,131	54,265	32,131	54,265
7	Other exposures	**34,700**	**34,700**	**34,700**	**34,700**
8	**Total**	**379,814**	**584,242**	**444,413**	**648,841**

The main driver of differences between the RWA calculated under the model-based approaches and the RWA disclosed under the full standardised approach is corporate exposures (excluding specialised lending).

RWA flow statements for credit risk

Table 13: CR8 – RWA flow statement of credit risk[1] exposures under IRB approach

		a
		HK$m
1	RWA as at end of previous reporting period (30 Sep 2025)	**389,542**
2	Asset size	**(7,300)**
3	Asset quality	**(697)**
4	Model updates	–
5	Methodology and policy	**(2,228)**
6	Acquisitions and disposals	–
7	Foreign exchange movements	**545**
8	Other	**(48)**
9	**RWA as at end of reporting period (31 Dec 2025)**	**379,814**

1 Credit risk in this table represents the credit risk for non-securitisation exposures excluding CCR.

RWA decreased by HK$9.7bn in the fourth quarter of 2025, of which HK$7.3bn was from asset size due to a decrease in corporate lending and gold bullion exposure. The drop of RWA by HK$2.2bn under methodology and policy was resulted from the exemption of exposures on MDBs and IOs from IRB approach.

Loss-absorbing capacity

Table 14: KM2(A) – Key metrics – LAC requirements for material subsidiaries

		a	b	c	d	e
		At				
		31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025	31 Dec 2024
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available (HK$m)	**165,141**	160,639	161,025	167,279	168,929
2	RWA under the LAC Rules (HK$m)	**531,515**	538,164	560,952	560,366	680,082
3	Internal LAC risk-weighted ratio (%)	**31.1**	29.8	28.7	29.9	24.8
4	Exposure measure under the LAC Rules (HK$m)	**1,637,967**	1,625,201	1,661,970	1,623,989	1,656,526
5	Internal LAC leverage ratio (%)	**10.1**	9.9	9.7	10.3	10.2
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the Financial Stability Board ('FSB') Total Loss-absorbing Capacity ('TLAC') Term Sheet apply?[1]	**N/A**	N/A	N/A	N/A	N/A
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?[1]	**N/A**	N/A	N/A	N/A	N/A
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied (%)[1]	**N/A**	N/A	N/A	N/A	N/A

1 The subordination exemptions under Section 11 of the FSB TLAC Term Sheet do not apply in Hong Kong under the LAC Rules.

Table 15: TLAC1(A) – TLAC composition

As at 31 Dec 2025		a Amount
	Regulatory capital elements of internal loss-absorbing capacity and adjustments (HK$m)	
1	CET1 capital	**123,744**
2	AT1 capital before LAC adjustments	**11,587**
3	AT1 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	–
4	Other adjustments	–
5	**AT1 capital eligible under the LAC Rules**	**11,587**
6	T2 capital before LAC adjustments	**8,562**
7	Amortised portion of T2 capital instruments that are internal LAC debt instruments issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	–
8	T2 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	–
9	Other adjustments	–
10	**T2 capital eligible under the LAC Rules**	**8,562**
11	**Internal loss-absorbing capacity arising from regulatory capital**	**143,893**
	Non-regulatory capital elements of internal loss-absorbing capacity (HK$m)	
12	Internal non-capital LAC debt instruments issued directly or indirectly to, and held indirectly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	**21,248**
17	**Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments**	**21,248**
	Non-regulatory capital elements of internal loss-absorbing capacity: adjustments (HK$m)	
18	**Internal loss-absorbing capacity before deductions**	**165,141**
19	Deductions of exposures between the material subsidiary's LAC consolidation group and group companies outside that group that correspond to non-capital items eligible for internal loss-absorbing capacity	–
20	Deduction of holdings of its own non-capital LAC liabilities	–
21	Other adjustments to internal loss-absorbing capacity	–
22	**Internal loss-absorbing capacity after deductions**	**165,141**
	RWA and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes (HK$m)	
23	RWA under the LAC Rules	**531,515**
24	Exposure measure under the LAC Rules	**1,637,967**
	Internal LAC ratios and buffers (%)	
25	Internal LAC risk-weighted ratio	**31.1**
26	Internal LAC leverage ratio	**10.1**
27	CET1 capital (as a percentage of RWA under the BCR) available after meeting the LAC consolidation group's minimum capital and LAC requirements	**17.6**
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA under the BCR)	**3.938**
29	– of which: capital conservation buffer requirement	2.500
30	– of which: institution-specific countercyclical capital buffer requirement	0.438
31	– of which: higher loss absorbency requirement	1.000

Internal LAC risk-weighted ratio increased by 2.4 p.p. in the second half of 2025 mainly due to the combined effect of an increase in total regulatory capital and a decrease in total RWA (Please refer to the commentary in Table 6 for details).

Table 16: TLAC2 – Hang Seng Bank Limited creditor ranking

		Creditor ranking (HK$m)				Sum of values in columns 1 to 3
		1 (most junior)	**1 (most junior)**	**2**	**3 (most senior)**	
1	Is the resolution entity or a non-HK resolution entity the creditor/investor? (yes or no)[1]	**No**	**Yes**	**Yes**	**Yes**	
2	Description of creditor ranking	**Ordinary shares**	**Ordinary shares**	**AT1 instruments**	**LAC loans**	
3	Total capital and liabilities net of CRM	**3,570**	**6,088**	**11,587**	**21,253**	**42,498**
4	Subset of row 3 that are excluded liabilities	–	–	–	–	–
5	Total capital and liabilities less excluded liabilities	**3,570**	**6,088**	**11,587**	**21,253**	**42,498**
6	Subset of row 5 that are eligible as internal loss-absorbing capacity	**3,570**	**6,088**	**11,587**	**21,253**	**42,498**
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	–	–	–	**5,000**	**5,000**
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	–	–	–	**16,253**	**16,253**
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	–	–	–	–	–
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	–	–	–	–	–
11	Subset of row 6 that are perpetual securities	**3,570**	**6,088**	**11,587**	–	**21,245**

1 Any direct/indirect holdings by the resolution entity is reported as 'yes'.

Main features of regulatory capital instruments and non-capital LAC debt instruments

The following is a summary of CET1 capital, AT1 capital and non-capital LAC debt instruments that meet both regulatory capital and LAC requirements, or only LAC (but not regulatory capital) requirements.

Table 17: CCA(A) – Main features of regulatory capital instruments and non-capital LAC debt instruments

(i) Instruments that meet both regulatory capital and LAC requirements

As at 31 Dec 2025		a **Quantitative / qualitative information**
		Ordinary shares
1	Issuer	Hang Seng Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	HK0011000095
3	Governing law(s) of the instrument	Laws of Hong Kong
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
	Regulatory treatment	
4	Transitional Basel III rules	N/A
5	Basel III rules	CET1
6	Eligible at solo / group / solo and group (for regulatory capital purposes)	Solo and Group
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK$ 9,658 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK$ 9,658 million
9	Par value of instrument	No par value (Total amount HK$ 9,658 million)
10	Accounting classification	Shareholders' equity
11	Original date of issuance	Various
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 price	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend / coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	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	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinate to AT1 instruments (columns b and c)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
	Terms and conditions	Terms and conditions - Ordinary shares

Table 17: CCA(A) – Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

		b	c
As at 31 Dec 2025		**Quantitative / qualitative information**	
		Perpetual subordinated loan (US$ 600 million)	Perpetual subordinated loan (US$ 900 million)
1	Issuer	Hang Seng Bank Limited	Hang Seng Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A
3	Governing law(s) of the instrument	Laws of Hong Kong	Laws of Hong Kong
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A	N/A
	Regulatory treatment		
4	Transitional Basel III rules	N/A	N/A
5	Basel III rules	AT1	AT1
6	Eligible at solo / group / solo and group (for regulatory capital purposes)	Solo and Group	Solo and Group
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Perpetual debt instrument	Perpetual debt instrument
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK$ 4,640 million	HK$ 6,947 million
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK$ 4,640 million	HK$ 6,947 million
9	Par value of instrument	US$ 600 million	US$ 900 million
10	Accounting classification	Shareholders' equity	Shareholders' equity
11	Original date of issuance	18 June 2024	11 September 2024
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption price	18 June 2029 at par value	11 September 2029 to 11 March 2030 at par value
16	Subsequent call dates, if applicable	Callable on any interest payment date after first call date	Every 5 years after the first call date
	Coupons / dividends		
17	Fixed or floating dividend / coupon	Fixed until 18 June 2029 and thereafter floating	Fixed until 11 March 2030 and thereafter floating
18	Coupon rate and any related index	7.500% until 18 June 2029, and thereafter compounded SOFR +3.240%	6.875% until 11 March 2030, and thereafter U.S. Treasury Rate +3.298%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible[1]	Non-convertible[1]
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	Yes	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO
32	If write-down, full or partial	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination	Contractual	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinate to non-capital LAC debt instruments (columns a to e under ii)	Immediately subordinate to non-capital LAC debt instruments (columns a to e under ii)
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A
	Terms and conditions	Individual loan agreement[4]	Individual loan agreement[4]

Table 17: CCA(A) – Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

(ii) Instruments that meet only LAC (but not regulatory capital) requirements

As at 31 Dec 2025

		a	b
		Quantitative / qualitative information	
		Subordinated loan (HK$ 5,460 million)	Subordinated loan (HK$ 4,680 million)
1	Issuer	Hang Seng Bank Limited	Hang Seng Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A
3	Governing law(s) of the instrument	Laws of Hong Kong	Laws of Hong Kong
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A	N/A
	Regulatory treatment		
4	Transitional Basel III rules	N/A	N/A
5	Basel III rules	Ineligible	Ineligible
6	Eligible at solo / group / solo and group (for regulatory capital purposes)	Ineligible	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	N/A	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK$ 5,460 million	HK$ 4,680 million
9	Par value of instrument	HK$ 5,460 million	HK$ 4,680 million
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	30 May 2019	10 June 2019
12	Perpetual or dated	Dated	Dated
13	Original maturity date	Interest payment date falling in May 2028	Interest payment date falling in June 2029
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption price	Interest payment date falling in May 2027 at par value	Interest payment date falling in June 2028 at par value
16	Subsequent call dates, if applicable	Callable on any interest payment date after first call date	Callable on any interest payment date after first call date
	Coupons / dividends		
17	Fixed or floating dividend / coupon	Floating	Floating
18	Coupon rate and any related index	3-month HK$ HIBOR + 1.425%	3-month HK$ HIBOR + 1.564%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible[1]	Non-convertible[1]
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	Yes	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO
32	If write-down, full or partial	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination	Contractual	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinate to the claims of all unsubordinated creditors	Immediately subordinate to the claims of all unsubordinated creditors
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A
	Terms and conditions	Individual loan agreement[2]	Individual loan agreement[2]

Table 17: CCA(A) – Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

		c	d
As at 31 Dec 2025		**Quantitative / qualitative information**	
		Subordinated loan (US$ 400 million)	Subordinated loan (HK$ 5,000 million)
1	Issuer	Hang Seng Bank Limited	Hang Seng Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A
3	Governing law(s) of the instrument	Laws of Hong Kong	Laws of Hong Kong
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A	N/A
	Regulatory treatment		
4	Transitional Basel III rules	N/A	N/A
5	Basel III rules	Ineligible	Ineligible
6	Eligible at solo / group / solo and group (for regulatory capital purposes)	Ineligible	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	N/A	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK$ 3,113 million	HK$ 4,997million
9	Par value of instrument	US$ 400 million	HK$ 5,000 million
10	Accounting classification	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	10 June 2019	30 November 2021
12	Perpetual or dated	Dated	Dated
13	Original maturity date	Interest payment date falling in June 2030	Interest payment date falling in November 2027
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption price	Interest payment date falling in June 2029 at par value	Interest payment date falling in November 2026 at par value
16	Subsequent call dates, if applicable	Callable on any interest payment date after first call date	Callable on any interest payment date after first call date
	Coupons / dividends		
17	Fixed or floating dividend / coupon	Floating	Floating
18	Coupon rate and any related index	Compounded SOFR + 2.0478%	3-month HK$ HIBOR + 1.00%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible[1]	Non-convertible[1]
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	Yes	Yes
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO
32	If write-down, full or partial	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
34a	Type of subordination	Contractual	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinate to the claims of all unsubordinated creditors	Immediately subordinate to the claims of all unsubordinated creditors
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A
	Terms and conditions	Amendment agreement[3]	Individual loan agreement[4]

Table 17: CCA(A) – Main features of regulatory capital instruments and non-capital LAC debt instruments (continued)

As at 31 Dec 2025		e Quantitative / qualitative information
		Subordinated loan (HK$ 3,000 million)
1	Issuer	Hang Seng Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Laws of Hong Kong
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	N/A
	Regulatory treatment	
4	Transitional Basel III rules	N/A
5	Basel III rules	Ineligible
6	Eligible at solo / group / solo and group (for regulatory capital purposes)	Ineligible
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	Solo and LAC consolidation group
7	Instrument type (types to be specified by each jurisdiction)	Non-capital LAC debt instrument
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	N/A
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	HK$ 2,998 million
9	Par value of instrument	HK$ 3,000 million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	27 June 2022
12	Perpetual or dated	Dated
13	Original maturity date	Interest payment date falling in June 2028
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption price	Interest payment date falling in June 2027 at par value
16	Subsequent call dates, if applicable	Callable on any interest payment date after first call date
	Coupons / dividends	
17	Fixed or floating dividend / coupon	Floating
18	Coupon rate and any related index	3-month HK$ HIBOR + 1.68%
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible[1]
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
31	If write-down, write-down trigger(s)	Contractual write-down at point of non-viability of borrower. Contractual recognition of HKMA statutory powers under FIRO
32	If write-down, full or partial	May be written down partially
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinate to the claims of all unsubordinated creditors
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
	Terms and conditions	Individual loan agreement[4]

Footnote:

1. Subject to FIRO
2. Terms and conditions for loan issuance before 20 April 2022 to be read in conjunction with the Master terms and conditions (the 'Master terms and conditions')
3. On 20 April 2022, the interest rate benchmark of US$400m non-capital LAC debt instrument was transited to compounded SOFR from previous 3-month US$ LIBOR.
4. Terms and conditions for loan issuance after 20 April 2022 to be read in conjunction with the Amended Master terms agreement (the 'Amended Master terms agreement')

Credit risk

Overview and responsibilities

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. It arises principally from lending, trade finance, and treasury businesses. The Group has dedicated standards, policies and procedures in place to control and monitor risk from all such activities.

The principal objectives of our credit risk management sub-function are:

- to maintain a strong culture of responsible lending and a robust credit risk policy and control framework across the Group;
- to both partner and challenge our businesses in defining, implementing and continually re-evaluating our credit risk appetite under actual and stress scenario conditions; and
- to ensure there is independent, expert scrutiny of credit risks, their costs and their mitigation.

The credit risk sub-functions within Wholesale Credit Risk Management and Retail Banking and Wealth Risk are the constituent parts of the Group's Risk functions that support the Group's CRCO in overseeing credit risks. Their major duties comprise undertaking independent review of large and high-risk credit proposals, overseeing large exposure policy and reporting on our wholesale and retail credit risk management disciplines, owning our credit policy and credit system programmes, overseeing portfolio management and reporting on risk matters to senior executive management and to regulators.

These credit risk sub-functions work closely with other parts of the Group. They fulfil an essential role as independent risk control units distinct from business line management in providing objective scrutiny of risk rating assessments, credit proposals for approval and other risk matters.

Our credit risk procedures operate through a hierarchy of individual credit approval authorities. With delegation from the Board, the credit approval authorities are delegated to CRCO and senior management teams on individual basis.

Business models and strategies will be reviewed regularly by respective business units taking into consideration of current market condition and the Group's risk appetite. Credit risk policies and limits will also be reviewed to ensure alignment with the direction of defined risk appetite and business strategy.

Credit risk management

Our exposures to credit risk arise from a wide range of customers and products, and the risk rating systems in place to measure and monitor these risks are correspondingly diverse. Senior management receives a variety of reports on our credit risk exposures, including expected credit losses, total exposures and RWA, as well as updates on specific portfolios that are considered to have heightened credit risk.

Credit risk exposures are generally measured and managed in portfolios of either customer types or product categories. Risk rating systems are designed to assess the probability of default ('PD') and loss given default ('LGD') associated with, distinct customers who are typically managed as individual relationships or, in the case of retail business exposures, on a product portfolio basis. Risk rating systems for retail exposures are generally quantitative in nature, applying techniques such as behavioural analysis across product portfolios comprising large numbers of homogeneous transactions. Rating systems for individually managed relationships typically use customer financial statements and market data analysis, but also qualitative elements and a final judgemental overlay to reflect any relevant risk drivers not captured in the rating system.

A fundamental principle of the Group's policy and approach is that analytical risk rating systems and scorecards are valuable management tools that are fully embedded within the credit RMF, ensuring compliance with the regulatory use test requirement.

For wholesale lending, the credit process provides for at least an annual review of the facility granted. For retail lending revolving facilities, an annual review is undertaken. Review may be more frequent, as required by circumstances such as the emergence of adverse risk factors.

Analytical risk rating systems are not static and are subject to review and modification in light of the changing environment, changing regulatory requirements and the greater availability and quality of data and any deficiencies identified through internal and external regulatory review. Structured processes and metrics are in place to capture relevant data and feed this into continuous model improvement.

We seek to continually improve the quality of our risk management. IT systems that process credit risk data continue to be enhanced in order to deliver both comprehensive management information in support of business strategy and solutions to evolving regulatory reporting requirements.

Post Model Adjustments ('PMAs') are held to ensure that capital requirements are not under-stated due to non-compliance of risk rating systems or model limitations. PMAs will be held until new or redeveloped models are approved by the HKMA or model limitations have been remediated. Consent from the HKMA must be obtained before any PMA is implemented for HKMA reporting. PMAs are reviewed periodically and updated where required.

Dilution risk

Dilution risk is the risk that an amount receivable is reduced through cash or non-cash credit to the obligor, and arises mainly from factoring and invoice discounting transactions.

Where there is recourse to the seller, we treat these transactions as loans secured by the debts purchased and do not report dilution risk for them. For our non-recourse portfolio we retain the right of recourse to require seller to repurchase the receivables subject to this risk. Moreover, factoring transactions involve lending at a discount to the face-value of the receivables, which provides protection against dilution risk.

Credit quality of assets

Credit quality of exposures

Tables 18 to 22 present information on the credit quality of exposures by exposure category, geographical location, industry and residual maturity and changes in defaulted loans and debt securities on a regulatory consolidation basis. For further details on the credit quality of IRB approach and STC approach exposures, refer to Tables 34 to 35 and 36 to 37 respectively.

The loans covered in these tables are generally referred to as any on-balance sheet exposures included as credit risk for non-securitisation exposures, covering exposures to customers, banks, sovereigns and others. Cash items and non-financial assets are excluded.

Table 18: CR1 – Credit quality of exposures

		a	b	c	d	e	f	g
		Gross carrying amounts of			**of which: Expected Credit Loss ('ECL') accounting provisions[1] for credit losses on STC approach exposures**			
		Defaulted exposures[2]	**Non-defaulted exposures**	**Allowances/ impairments**	**Allocated in regulatory category of specific provisions**	**Allocated in regulatory category of collective provisions**	**of which: ECL accounting provisions for credit losses on IRB exposures**	**Net values (a+b-c)**
As at 31 Dec 2025		**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**
1	Loans	**56,809**	**836,126**	**19,196**	**558**	**128**	**18,510**	**873,739**
2	Debt securities	**401**	**474,398**	**16**	**–**	**–**	**16**	**474,783**
3	OBS exposures	**161**	**506,377**	**156**	**–**	**3**	**153**	**506,382**
4	**Total**	**57,371**	**1,816,901**	**19,368**	**558**	**131**	**18,679**	**1,854,904**

1 The categorisation of ECL accounting provisions into the regulatory categories of specific and collective provisions follows the treatment specified in the completion instructions of the HKMA 'Capital Adequacy Ratio' return. According to the completion instructions, the ECL accounting provisions classified into Stage 1 and Stage 2 are treated as collective provisions, while those classified under Stage 3 are treated as specific provisions. Provisions made for purchased or originated credit-impaired financial assets, under which any changes in lifetime ECL will be recognised in the profit or loss account as an impairment gain or loss, are treated as specific provisions.

2 Defaulted exposures are determined in accordance with sections 51(1) and 149 of BCR.

Table 19: CR2 – Changes in defaulted loans and debt securities

		a
		Amount HK$m
1	Defaulted loans and debt securities at end of the previous reporting period (30 Jun 2025)	**54,998**
2	Loans and debt securities that have defaulted since the last reporting period	**7,292**
3	Returned to non-defaulted status	**–**
4	Amounts written off	**(1,106)**
5	Other changes[1]	**(3,974)**
6	**Defaulted loans and debt securities at end of the current reporting period (31 Dec 2025)**	**57,210**

1 Other changes included repayments and exchange differences.

Table 20: CRB1 – Exposures by geographical location[1]

	Gross carrying amounts at 31 Dec 2025 HK$m
Hong Kong SAR	**1,715,201**
Mainland China	**149,154**
Others[2]	**9,917**
Total	**1,874,272**

1 The geographical locations shown in this table above represent the location of the principal operations of the subsidiary and by the location of the branch responsible for advancing the funds.
2 Any segment which constitutes less than 10% of total gross carrying amounts is disclosed on an aggregated basis under the category ‘others’.

Table 21: CRB2 – Exposures by industry

	Gross carrying amounts at 31 Dec 2025 HK$m
Industrial, commercial and financial	
- Property development and investment	**177,286**
- Financial concerns	**202,443**
- Wholesale and retail trade	**79,875**
- Manufacturing	**68,218**
- Transport and transport equipment	**25,760**
- Recreational activities	**209**
- Information technology	**16,780**
- Others	**587,222**
Individuals	**619,192**
Trade Finance	**97,287**
Total	**1,874,272**

Table 22: CRB3 – Exposures by residual maturity

	Gross carrying amounts at 31 Dec 2025 HK$m
Less than 1 year	**848,071**
Between 1 and 5 years	**646,196**
More than 5 years	**377,512**
Undated	**2,493**
Total	**1,874,272**

Credit-impaired exposures, past-due unimpaired exposures and forborne exposures

Tables 23 to 26 analyse impaired exposures, impairment allowances, past due unimpaired exposures and forborne exposures on a regulatory consolidation basis.

Our approach for determining impairment allowances, definitions for accounting purposes of 'credit impaired', 'forborne' and the definition of default for regulatory capital are explained in Note 2(j) on the Group's 2025 Annual Report.

The analysis of gross impaired loans and advances, and impairment allowances by major industry sectors based on categories and definitions used by the Group, is as follows:

Table 23: CRB4 – Credit-impaired exposures and impairment allowances and write-offs by industry

As at 31 Dec 2025	**Gross loans and advances to customers[1] HK$m**	**Gross credit-impaired loans and advances HK$m**	**Overdue loans and advances[2] HK$m**	**Specific provisions[3] HK$m**	**Collective provisions[3] HK$m**	**Impairment allowances charged to / (released from) profit and loss HK$m**	**Advances written-off in a year HK$m**
Residential mortgages	**319,975**	**1,067**	**895**	**(69)**	**(24)**	**16**	**4**
Real estate and construction	**159,316**	**38,265**	**23,391**	**(8,527)**	**(1,406)**	**4,898**	**1,583**
Others[4]	**327,248**	**17,477**	**13,035**	**(7,171)**	**(1,992)**	**3,131**	**1,179**
Total	**806,539**	**56,809**	**37,321**	**(15,767)**	**(3,422)**	**8,045**	**2,766**

1 The amounts shown in column 'Gross loans and advances to customers' represent loans and advances to customers gross of provisions in the financial statements under the regulatory consolidation scope and therefore is different from the 'Gross loans and advances to customers' shown in table 27 which is prepared on accounting consolidation basis. The difference of total gross loans of HK$1m represents the Bank's loans and advances to the Group's subsidiaries which are outside the regulatory scope of consolidation.

2 The amounts shown in column 'Overdue loans and advances' represent gross loans and advances to customers that were overdue for more than 3 months as at 31 December 2025.

3 The classification of specific and collective provisions follows the treatment specified in the completion instructions of the HKMA Capital Adequacy Ratio return. Details can be found in footnote 1 under table 18 of this document.

4 Any segment which constitutes less than 10% of total gross loans and advances to customers is disclosed on an aggregated basis under the category 'Others'.

The geographical information shown below has been classified by the location of the principal operations of the subsidiary and by the location of the branch responsible for advancing the funds.

Table 24: CRB5 – Credit-impaired exposures and impairment allowances and write-offs by geographical location

As at 31 Dec 2025	Gross loans and advances to customers[1] HK$m	Gross credit-impaired loans and advances HK$m	Overdue loans and advances[2] HK$m	Specific provisions[3] HK$m	Collective provisions[3] HK$m	Impairment allowances charged to / (released from) profit and loss HK$m	Advances written-off in a year HK$m
Hong Kong SAR	**745,028**	**54,403**	**35,976**	**(15,332)**	**(2,740)**	**7,616**	**2,475**
Mainland China	**55,735**	**1,542**	**814**	**(358)**	**(678)**	**412**	**291**
Others[4]	**5,776**	**864**	**531**	**(77)**	**(4)**	**17**	**–**
Total	**806,539**	**56,809**	**37,321**	**(15,767)**	**(3,422)**	**8,045**	**2,766**

1 The amounts shown in column 'Gross loans and advances to customers' represent loans and advances to customers gross of provisions in the financial statements under the regulatory consolidation scope and therefore is different from the 'Gross loans and advances to customers' shown in table 27 which is prepared on accounting consolidation basis. The difference of total gross loans of HK$1m represents the Bank's loans and advances to the Group's subsidiaries which are outside the regulatory scope of consolidation.

2 The amounts shown in column 'Overdue loans and advances' represent gross loans and advances to customers that were overdue for more than 3 months as at 31 December 2025.

3 The classification of specific and collective provisions follows the treatment specified in the completion instructions of the HKMA Capital Adequacy Ratio return. Details can be found in footnote 1 under table 18 of this document.

4 Any segment which constitutes less than 10% of total gross loans and advances to customers is disclosed on an aggregated basis under the category 'Others'.

Past due unimpaired exposures are those loans where customers have failed to make payments in accordance with the contractual terms of their facilities. Exposures past due for more than 90 days are considered credit impaired.

Table 25: CRB6 – Ageing analysis of accounting past-due unimpaired exposures

As at 31 Dec 2025	Up to 29 days HK$m	30-59 days HK$m	60-89 days HK$m	Total HK$m
Loans and advances to customers held at amortised cost				
– Personal	**4,091**	**560**	**385**	**5,036**
– Corporate and commercial	**1,696**	**13**	**43**	**1,752**
Total	**5,787**	**573**	**428**	**6,788**

Table 26: CRB7 – Breakdown of forborne loans between credit impaired and not credit impaired

	31 Dec 2025 HK$m
Not credit impaired	**2,544**
Credit impaired	**17,913**
Total	**20,457**

Loans and advances to customers

Tables 27 to 29 analyse loans and advances to customers by geographical locations, by industries and by which are overdue and rescheduled on an accounting consolidation basis. The accounting consolidation basis is different from the regulatory consolidation basis as explained in the 'Basis of consolidation' section of this document.

The following analysis of loans and advances to customers by geographical areas is in accordance with the location of counterparties, after recognised risk transfer.

Table 27: Gross loans and advances to customers by geographical location

As at 31 Dec 2025	Hong Kong SAR HK$m	Mainland China HK$m	Others HK$m	Total HK$m
Gross loans and advances to customers[1]	711,913	72,067	22,558	806,538
Gross credit-impaired loans and advances to customers	53,489	2,262	1,058	56,809
Specific Provisions	(14,465)	(703)	(599)	(15,767)

1 The amounts shown in column 'Gross loans and advances to customers' represent the loans and advances to customers gross of provisions in the financial statements on the accounting consolidation basis and therefore is different from the 'Gross loans and advances to customers' shown in tables 23 and 24 which are prepared under the regulatory consolidation scope. The difference of total gross loans of HK$1m represents the Bank's loans and advances to the Group's subsidiaries which are outside the regulatory scope of consolidation.

The analysis of gross loans and advances to customers by industry sector based on categories and definitions contained in the 'Quarterly Analysis of Loans and Advances and Provisions' return submitted to the HKMA is as follows:

Table 28: Gross loans and advances to customers by industry sector

As at 31 Dec 2025	**Gross loans and advances HK$m**	**% of gross advances covered by collateral %**
Industrial, commercial and financial sectors		
– Property development	**38,775**	**51.3 %**
– Property investment	**107,406**	**82.9 %**
– Financial concerns	**3,213**	**15.8 %**
– Stockbrokers	**1,174**	**– %**
– Wholesale and retail trade	**18,596**	**44.1 %**
– Manufacturing	**23,449**	**19.0 %**
– Transport and transport equipment	**9,874**	**73.5 %**
– Recreational activities	**13**	**81.4 %**
– Information technology	**13,974**	**5.1 %**
– Other	**54,392**	**44.5 %**
Individuals		
– loans and advances for the purchase of flats under the Government Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**48,484**	**99.8 %**
– loans and advances for the purchase of other residential properties	**257,029**	**99.8 %**
– credit card loans and advances	**30,035**	**– %**
– other	**32,429**	**45.6 %**
Gross loans and advances to customers for use in Hong Kong	**638,843**	**74.2 %**
Trade Finance	**27,984**	**18.9 %**
Gross loans and advances to customers for use outside Hong Kong	**139,711**	**21.6 %**
Gross loans and advances to customers	**806,538**	**63.2 %**

Collateral includes any tangible security that carries a fair market value and is readily marketable. This includes (but is not limited to) cash and deposits, stocks and bonds, mortgages over properties and charges over other fixed assets such as plant and equipment. Where collateral values are greater than gross loans and advances to customers, only the amount of collateral up to the gross loans and advances is included.

Loans and advances to customers that are more than three months overdue and their expression as a percentage of gross loans and advances to customers are as follows:

Table 29: Overdue loans and advances to customers

As at 31 Dec 2025	**HK$m**	**%**
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:		
– more than three months but not more than six months	**2,302**	**0.29 %**
– more than six months but not more than one year	**10,974**	**1.36 %**
– more than one year	**24,045**	**2.98 %**
Total	**37,321**	**4.63 %**
of which:		
- specific provisions	(11,648)	
- covered portion of overdue loans and advances	28,647	
- uncovered portion of overdue loans and advances	8,674	
- current market value of collateral held against the covered portion of overdue loans and advances	42,430	
Rescheduled loans and advances to customers	**9,719**	**1.21 %**

Collateral held with respect to overdue loans and advances is mainly commercial properties and residential properties. The current market value of commercial properties and residential properties were HK$29,904m and HK$9,615m respectively.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at period-end. Loans and advances repayable by regular instalments are treated as overdue when an instalment payment is overdue and remains unpaid at period-end. Loans and advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the demand notice, or when the loans and advances have remained continuously outside the approved limit advised to the borrower for more than the overdue period in question.

Rescheduled loans and advances to customers are those loans and advances that have been rescheduled or renegotiated for reasons related to the borrower's financial difficulties. This will normally involve the granting of concessionary terms and resetting the overdue account to non-overdue status. Rescheduled loans and advances to customers are stated net of any advances which have subsequently become overdue for more than three months and which are included in 'Overdue loans and advances to customers'.

The amount of repossessed assets as at 31 December 2025 was HK$170m.

Overdue and rescheduled amounts relating to placings with and advances to banks and other assets

There were no overdue or rescheduled placings with and advances to banks and other assets as at 31 December 2025.

Off-balance sheet exposures other than derivative transactions

The following table gives the nominal contract amounts and RWA of contingent liabilities and commitments. The information is consistent with that in the ‘Capital Adequacy Ratio’ return required to be submitted to the HKMA by the Group. The return is prepared on a regulatory consolidation basis as specified by the HKMA under the requirements of section 3C(1) of the BCR.

For accounting purposes, acceptances and endorsements are recognised on the balance sheet in ‘Other assets’. For the purpose of the BCR, acceptances and endorsements are included in the capital adequacy calculation as if they were contingencies.

Table 30: Off-balance sheet exposures other than derivative transactions

	31 Dec 2025 HK$m
Contract amounts	
Direct credit substitutes	**612**
Transaction-related contingencies	**14,995**
Trade-related contingencies	**19,386**
Forward asset purchases	**26**
Commitments that are unconditionally cancellable without prior notice	**428,072**
Commitments which have an original maturity of not more than one year	**5,176**
Commitments which have an original maturity of more than one year	**38,271**
Total	**506,538**
RWA	**40,416**

Credit risk under internal ratings-based approach

Qualitative disclosures related to internal models for measuring credit risk under IRB approach

(i) Nature of exposures within each IRB class

The Group uses IRB approach for the majority of its business under the approval granted by the HKMA. This includes the following major classes of non-securitisation exposures:

- Corporate exposures including exposures to global and local large corporates, small and medium-sized corporates ('SMEs') and financial institutions treated as corporate.
- Sovereign exposures, including exposures to central governments and central monetary institutions.
- Bank exposures including exposures to banks, qualifying non-bank financial institutions and covered bonds.
- Retail exposures, including residential mortgages, qualifying revolving retail exposures ('QRRE'), retail SME and other retail exposures.
- CIS exposures.
- Other exposures, including cash items and other assets.

At 31 December 2025, the portion of exposure at default ('EAD') and RWA within the Group covered by IRB approach are summarised in the following table. The remaining portions not covered by IRB approach are under STC approach.

Table 31: CRE1 – Percentage of total EAD and RWA covered by IRB approach

	Percentage of total EAD under IRB approach		Percentage of total RWAs under IRB approach	
Portfolio	**FIRB**	**AIRB and other**	**FIRB**	**AIRB and other**
Corporate exposures (includes small- and medium-sized corporates and other corporates and specialised lending[1])	60 %	34 %	46 %	43 %
Sovereign exposures	— %	92 %	— %	100 %
Bank exposures	99 %	— %	99 %	— %
Retail exposures	— %	94 %	— %	81 %
CIS exposures	— %	100 %	— %	100 %
Other exposures	— %	100 %	— %	100 %

1 Specialised lending exposures adopt regulatory slotting approach under the IRB framework.

The above table covers credit risk for non-securitisation exposures excluding CCR. For CCR, the percentage of total RWA covered by IRB approach is 74% for corporate exposures and 100% for bank exposures.

(ii) Application of IRB parameters

The Group's credit risk rating framework incorporates the PD of a borrower and the loss severity, expressed in terms of EAD and LGD. These measures are used to calculate both EL and capital requirements, subject to any floors required by the HKMA. They are also used in conjunction with other inputs to inform rating assessments for the purpose of credit approval and many other risk management decisions. The narrative explanations that follow relate to the IRB approaches, that is, advanced and foundation IRB for distinct customers and retail IRB for the portfolio managed retail business.

Table 32: CRE2 – Wholesale IRB credit risk models

Regulatory asset classes measured	Component	Number of significant models	Model description and methodology	Number of years loss data	Regulatory Floors
Sovereign	PD	1	A shadow rating approach that includes macroeconomic and political factors, constrained with expert judgement.	>10	No
	LGD	1	An unsecured model built on assessment of structural factors that influence the country's long-term economic performance. For senior unsecured LGD, a floor of 45% is applied.	>10	45%[1]
	EAD	1	A cross-classification model that uses both internal data and expert judgement, as well as information on similar exposure types from other asset classes.	>10	EAD must be at least equal to the current utilisation of the balance at account level
Bank/Qualifying Non-bank Financial Institution/Covered Bond	PD	5	Statistical models that combine quantitative analysis on financial information with expert inputs and macroeconomic factors. The non-bank financial institution models which are the predominantly statistical models that combine quantitative analysis on financial information with expert inputs.	>10 >=10	Subject to section 159 of the BCR
Large Corporate/ Financial Institutions treated as Corporates/ Other Corporate/ SMEs[2,3]	PD	8	The corporate models use financial information, macroeconomic information and market-driven data, and is complemented by a qualitative assessment. The non-bank financial institution models which are the predominantly statistical models that combines quantitative analysis on financial information with expert inputs.	>=10	Subject to section 159 of the BCR
	LGD[4]	1	The regional corporate model covers the exposures to SME and other corporates booked in Hong Kong, which is developed using historical loss and recovery data, and incorporates customer-specific, transactional, and macroeconomic information.	>10	Subject to section 161 of the BCR
	EAD[5]	1	The regional corporate model covers the exposures that are at revolving nature to SME and other corporates booked in Hong Kong, which is developed using historical utilisation data and incorporated transactional and macroeconomic information.	>10	Subject to section 164 of the BCR

1 LGD floor exemption for mainland China and Hong Kong SAR.
2 For Large Corporate and Financial Institutions treated as Corporates, credit risk parameters (LGD and EAD) are reported using FIRB supervisory values in accordance with regulatory requirements, rather than internal models.
3 Excludes specialised lending exposures subject to supervisory slotting approach.
4 For exposures booked in Hong Kong to SME and other corporates, internal model is applied, while FIRB supervisory values are used for non-Hong Kong exposures.
5 For exposures booked in Hong Kong to SME and other corporate at revolving nature, internal model is applied, while FIRB supervisory values are used for non-Hong Kong exposures and for Hong Kong exposures at non-revolving nature subject to section 164 of the BCR.

PD for wholesale customer segments (central governments and central banks (sovereigns), institutions, corporates) are derived from a customer risk rating ('CRR') scale of 23 grades. Of these, 21 are non-default grades representing varying degrees of strength of financial condition and two are default grades. Each CRR has a PD range associated with it as well as a mid-point PD.

The score generated by a credit risk rating model for the obligor is mapped to the corresponding CRR. The process through which this, or a judgmentally amended CRR, is then recommended to and reviewed by a credit approver takes into account all additional information relevant to the risk rating determination, including external ratings where available. The approved CRR is mapped to a PD value range of which the 'mid-point' is used in the regulatory capital calculation. PD models are developed where the risk profile of corporate borrowers is specific to a country and sector. For illustration purposes, the CRR is also mapped to external ratings of Standard and Poor's Ratings Services ('S&P'), though we also benchmark against other agencies' ratings in an equivalent manner.

LGD and EAD estimation for the wholesale business is subject to a Group framework of basic principles. EAD is estimated to a 12-month forward time horizon and represents the current exposure, plus an estimate for future increases in exposure and the realisation of contingent exposures post-default. LGD is based on the effects of facility and collateral structure on outcomes post-default. This includes factors such as the nature of customers and facilities, the facility seniority, the type and value of collateral, past recovery experience and priority under law. It is expressed as a percentage of EAD.

For those portfolios on a Foundation IRB approach approved by the HKMA, regulatory values are used.

The Group uses the Supervisory Slotting Criteria approach in rating its specialised lending exposures. Under this approach, ratings are determined by considering both the borrower and the transaction risk characteristics.

Table 33: CRE3 – Material retail IRB credit risk models

Regulatory asset classes measured	Component	Number of significant models	Model description and methodology	Number of years loss data	Regulatory Floors
Hong Kong - Hang Seng Personal Residential Mortgages (Residential mortgage exposures)	PD	1	Statistical model built on internal behavioural data and calibrated to a long-run default rate.	>10	0.05%
	LGD	3	One component based model and two historical average models based on estimate of loss incurred over a recovery period derived from historical data with downturn LGD based on the worst observed default rate. The time lapse between default event and the closure of the exposure is 24 months.	>10	10%
	EAD	1	Rule-based calculation based on current balance and estimated incurred interest which continues to be a conservative estimate for EAD.	>10	EAD subject to a floor that is the on-balance sheet exposure
Hong Kong – Hang Seng Credit Cards (QRRE and Other retail exposures to individuals)	PD	1	Statistical model built on internal behavioural data and calibrated to a long-run default rate by segment.	>10	QRRE-Transactors: 0.05% QRRE-Revolvers: 0.10% Other retail: 0.05%
	LGD	1	Statistical model based on forecasting the amount of expected future losses with downturn adjustment. The time lapse between default event and the closure of the exposure is 24 months.	>10	QRRE-Transactors: 50% QRRE-Revolvers: 50% Other Retail: 30%
	EAD	1	Statistical model which derives a credit limit utilization by segment which is used to determine the EAD.	>10	EAD subject to a floor that is the sum of (i) the on-balance sheet exposure; and (ii) 50% of the off-balance sheet exposures using the applicable CCF in the standardised approach.
Hong Kong – Hang Seng Personal Loans (Other retail exposures to individuals)	PD	1	Statistical model built on internal behavioural data and calibrated to a long-run default rate by segment.	> 10	0.05%
	LGD	1	Statistical model based on forecasting the amount of expected future losses with downturn adjustment. The time lapse between default event and the closure of the exposure is 24 months.	> 10	30%
	EAD	1	Rule-based calculation based on current balance and estimated incurred interest which continues to be a conservative estimate for EAD.	> 10	EAD subject to a floor that is the on-balance sheet exposure.

These measures are used to calculate EL and capital requirements. They are also used in conjunction with other inputs to form rating assessments for the purpose of credit approval and for risk management decisions.

The wide range of application and behavioural information used in the management of retail portfolios has been supplemented with models to derive the measures of PD, EAD and LGD required for the Basel framework.

PD models are developed using statistical estimation generally based on a minimum of five years of historical data. The modelling approach is typically a hybrid approach, which includes elements of Through-The-Cycle and Point-in-Time approaches.

EAD models are also generally developed using at least five years of historical observations and typically adopt one of two approaches:

- Closed-end products without the facility for additional drawdowns, EAD is estimated as the outstanding balance of accounts at the time of observation; or
- EAD for products with the facility for additional drawdowns is estimated as the outstanding balance of accounts at the time of observation plus a CCF applied to the undrawn portion of the facility.

LGD estimates have more variation, particularly in respect of the time period that is used to quantify economic downturn assumption. The LGD models for retail exposures are developed based on the Group's internal loss and default experiences including recovery values for different types of collaterals for secured retail exposures such as residential mortgages; for unsecured retail exposures such as QRRE, LGD models are developed based on past recovery experiences, account behaviours and repayment ability.

(iii) Model governance

Throughout HSBC, models are governed under the remit of the HSBC Group MRC, operating in line with HSBC's model risk policy. The MRC is responsible to authorize MOFs, where required, to operate under its remit and are responsible for model risk management within their areas. All new or materially changed IRB capital models require pre-approval from regulators and such models are under the oversight of Local MOFs and HSBC MOFs.

Local MOFs have the responsibility to review and understand the model portfolio and model risk profile, and to ensure that the portfolio and model approval decisions remain within acceptable levels of risk appetite.

HSBC and the Group sets global and internal policies and standards govern the development, independent model validation, approval, implementation and performance monitoring of credit risk rating models. Independent model validation of credit risk models are performed by the HSBC Model Risk Management, who are independent from the model development process.

Compliance with HSBC Group standards is subject to examination by risk oversight and review from within the Risk and Compliance function itself, and by Internal Audit.

Table 34.1: CR6 – Credit risk exposures by portfolio and PD range – for IRB approach (Foundation IRB approach)

	a	b	c	d	e	f	g	h	i	j	k	l
As at 31 Dec 2025	**Original on-balance sheet gross exposure**	**OBS exposures pre-CCF**	**Average CCF**	**EAD post-CRM and post-CCF**	**Average PD**	**Number of obligors**	**Average LGD**	**Average maturity[1]**	**RWA**	**RWA density**	**EL**	**Provisions[2]**
PD scale	**HK$m**	**HK$m**	**%**	**HK$m**	**%**		**%**	**years**	**HK$m**	**%**	**HK$m**	**HK$m**
Portfolio (i) – Bank												
0.00 to < 0.15	**97,876**	**1,241**	**58.0**	**98,596**	**0.05**	**318**	**45.0**	**1.17**	**16,739**	**17**	**23**	
0.15 to < 0.25	**2,030**	**–**	**–**	**2,030**	**0.22**	**10**	**45.0**	**0.93**	**704**	**35**	**2**	
0.25 to < 0.50	**836**	**8**	**10.0**	**836**	**0.37**	**7**	**45.0**	**0.86**	**442**	**53**	**1**	
0.50 to < 0.75	**243**	**–**	**–**	**243**	**0.63**	**9**	**45.0**	**0.13**	**151**	**62**	**1**	
0.75 to < 2.50	**2**	**–**	**–**	**2**	**0.87**	**1**	**45.0**	**1.00**	**1**	**69**	**–**	
2.50 to < 10.00	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
10.00 to <100.00	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
100.00 (Default)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
Sub-total	**100,987**	**1,249**	**57.8**	**101,707**	**0.06**	**345**	**45.0**	**1.16**	**18,037**	**18**	**27**	**3**
Portfolio (ii) – Corporate – SMEs												
0.00 to < 0.15	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
0.15 to < 0.25	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
0.25 to < 0.50	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
0.50 to < 0.75	**27**	**7**	**15.1**	**28**	**0.63**	**1**	**40.0**	**1.29**	**13**	**46**	**–**	
0.75 to < 2.50	**1,786**	**218**	**13.9**	**1,817**	**1.00**	**9**	**22.0**	**1.83**	**725**	**40**	**4**	
2.50 to < 10.00	**251**	**115**	**10.0**	**263**	**4.15**	**6**	**20.9**	**1.00**	**122**	**46**	**2**	
10.00 to <100.00	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
100.00 (Default)	**245**	**–**	**–**	**245**	**100.00**	**3**	**40.0**	**1.00**	**–**	**–**	**98**	
Sub-total	**2,309**	**340**	**12.6**	**2,353**	**11.65**	**19**	**24.0**	**1.64**	**860**	**37**	**104**	**42**
Portfolio (iii) – Corporate – Large corporates												
0.00 to < 0.15	**70,999**	**53,614**	**21.4**	**82,448**	**0.08**	**160**	**39.6**	**1.57**	**14,242**	**17**	**26**	
0.15 to < 0.25	**32,963**	**25,417**	**26.6**	**39,722**	**0.22**	**119**	**39.9**	**1.77**	**14,653**	**37**	**46**	
0.25 to < 0.50	**21,274**	**16,823**	**18.7**	**24,415**	**0.37**	**130**	**40.1**	**1.51**	**10,765**	**44**	**36**	
0.50 to < 0.75	**25,218**	**12,579**	**17.3**	**27,396**	**0.63**	**137**	**38.7**	**1.37**	**14,814**	**54**	**67**	
0.75 to < 2.50	**37,853**	**59,958**	**14.1**	**46,340**	**1.30**	**489**	**37.9**	**1.34**	**32,631**	**70**	**230**	
2.50 to < 10.00	**6,649**	**7,547**	**15.5**	**7,815**	**4.79**	**156**	**30.6**	**1.09**	**6,632**	**85**	**104**	
10.00 to <100.00	**10,620**	**452**	**42.3**	**10,811**	**13.79**	**30**	**23.1**	**1.72**	**10,089**	**93**	**335**	
100.00 (Default)	**4,323**	**139**	**10.0**	**4,331**	**100.00**	**30**	**37.1**	**1.21**	**–**	**–**	**1,605**	
Sub-total	**209,899**	**176,529**	**18.9**	**243,278**	**2.97**	**1,251**	**38.2**	**1.52**	**103,826**	**43**	**2,449**	**1,107**
Portfolio (iv) – Corporate – Financial institutions treated as corporates												
0.00 to < 0.15	**6,672**	**2,164**	**22.5**	**7,158**	**0.09**	**19**	**44.9**	**1.44**	**1,894**	**26**	**3**	
0.15 to < 0.25	**2,780**	**2,173**	**16.9**	**3,147**	**0.22**	**19**	**45.0**	**1.01**	**1,246**	**40**	**3**	
0.25 to < 0.50	**966**	**755**	**10.2**	**1,043**	**0.37**	**14**	**45.0**	**1.14**	**553**	**53**	**2**	
0.50 to < 0.75	**1,319**	**578**	**16.1**	**1,412**	**0.63**	**9**	**45.0**	**1.68**	**998**	**71**	**4**	
0.75 to < 2.50	**2,621**	**1,948**	**12.6**	**2,867**	**1.17**	**40**	**44.1**	**2.17**	**3,178**	**111**	**15**	
2.50 to < 10.00	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
10.00 to <100.00	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
100.00 (Default)	**1,349**	**–**	**–**	**1,349**	**100.00**	**8**	**49.4**	**1.58**	**–**	**–**	**667**	
Sub-total	**15,707**	**7,618**	**16.7**	**16,976**	**8.30**	**109**	**45.1**	**1.49**	**7,869**	**46**	**694**	**154**
Portfolio (v) – Corporate – Other corporates												
0.00 to < 0.15	**579**	**244**	**22.0**	**633**	**0.09**	**13**	**40.0**	**2.33**	**150**	**24**	**–**	
0.15 to < 0.25	**28**	**406**	**11.4**	**74**	**0.22**	**28**	**40.0**	**0.89**	**20**	**27**	**–**	
0.25 to < 0.50	**929**	**941**	**12.1**	**1,042**	**0.37**	**32**	**40.0**	**0.92**	**400**	**38**	**2**	
0.50 to < 0.75	**1,125**	**953**	**14.4**	**1,261**	**0.63**	**46**	**40.0**	**1.67**	**751**	**60**	**3**	
0.75 to < 2.50	**1,963**	**3,185**	**15.7**	**2,462**	**1.78**	**534**	**35.7**	**0.89**	**1,622**	**66**	**12**	
2.50 to < 10.00	**940**	**575**	**10.9**	**1,003**	**4.19**	**131**	**39.0**	**1.27**	**1,096**	**109**	**16**	
10.00 to <100.00	**783**	**–**	**–**	**783**	**43.76**	**34**	**21.8**	**1.15**	**555**	**71**	**79**	
100.00 (Default)	**1,749**	**–**	**–**	**1,749**	**100.00**	**45**	**25.1**	**2.18**	**–**	**–**	**470**	
Sub-total	**8,096**	**6,304**	**14.5**	**9,007**	**24.32**	**863**	**34.2**	**1.42**	**4,594**	**51**	**582**	**2,462**

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 34.2: CR6 – Credit risk exposures by portfolio and PD range – for IRB approach (Advanced IRB approach)

	a	b	c	d	e	f	g	h	i	j	k	l
As at 31 Dec 2025	**Original on-balance sheet gross exposure**	**OBS exposures pre-CCF**	**Average CCF**	**EAD post-CRM and post-CCF**	**Average PD**	**Number of obligors**	**Average LGD**	**Average maturity[1]**	**RWA**	**RWA density**	**EL**	**Provisions[2]**
PD scale	**HK$m**	**HK$m**	**%**	**HK$m**	**%**		**%**	**years**	**HK$m**	**%**	**HK$m**	**HK$m**
Portfolio (vi) – Sovereign												
0.00 to < 0.15	**387,415**	–	–	**387,428**	**0.01**	**86**	**33.5**	**1.59**	**15,664**	**4**	**14**	
0.15 to < 0.25	–	–	–	–	–	–	–	–	–	–	–	
0.25 to < 0.50	–	–	–	–	–	–	–	–	–	–	–	
0.50 to < 0.75	–	–	–	–	–	–	–	–	–	–	–	
0.75 to < 2.50	–	–	–	–	–	–	–	–	–	–	–	
2.50 to < 10.00	–	–	–	–	–	–	–	–	–	–	–	
10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	
Sub-total	**387,415**	–	–	**387,428**	**0.01**	**86**	**33.5**	**1.59**	**15,664**	**4**	**14**	**3**
Portfolio (vii) – Corporate – SMEs												
0.00 to < 0.15	**1**	**515**	**16.6**	**86**	**0.11**	**32**	**28.0**	**1.40**	**11**	**13**	–	
0.15 to < 0.25	**333**	**854**	**20.0**	**502**	**0.22**	**62**	**30.4**	**2.60**	**125**	**25**	–	
0.25 to < 0.50	**1,288**	**1,792**	**16.7**	**1,587**	**0.37**	**92**	**26.1**	**1.64**	**372**	**23**	**2**	
0.50 to < 0.75	**3,060**	**1,276**	**21.5**	**3,317**	**0.63**	**96**	**26.5**	**2.20**	**1,225**	**37**	**6**	
0.75 to < 2.50	**10,974**	**3,819**	**20.6**	**11,761**	**1.40**	**410**	**32.2**	**2.91**	**8,220**	**70**	**51**	
2.50 to < 10.00	**2,801**	**762**	**17.0**	**2,931**	**3.89**	**94**	**28.3**	**2.36**	**2,167**	**74**	**33**	
10.00 to <100.00	**671**	**84**	**20.0**	**688**	**23.71**	**6**	**48.4**	**3.39**	**1,586**	**231**	**67**	
100.00 (Default)	**925**	–	–	**932**	**100.00**	**8**	**35.8**	**1.38**	**1,126**	**121**	**252**	
Sub-total	**20,053**	**9,102**	**19.4**	**21,804**	**6.43**	**800**	**31.0**	**2.57**	**14,832**	**68**	**411**	**471**
Portfolio (viii) – Corporate – Other												
0.00 to < 0.15	**2,727**	**2,659**	**21.1**	**3,289**	**0.12**	**105**	**52.6**	**2.07**	**987**	**30**	**2**	
0.15 to < 0.25	**2,568**	**2,682**	**18.9**	**3,075**	**0.22**	**101**	**25.3**	**2.44**	**787**	**26**	**2**	
0.25 to < 0.50	**4,539**	**6,528**	**17.3**	**5,668**	**0.37**	**145**	**39.3**	**1.66**	**2,535**	**45**	**8**	
0.50 to < 0.75	**4,351**	**3,435**	**16.4**	**4,930**	**0.63**	**140**	**32.2**	**1.89**	**2,464**	**50**	**10**	
0.75 to < 2.50	**25,336**	**15,991**	**16.4**	**28,335**	**1.50**	**929**	**28.6**	**1.93**	**16,707**	**59**	**119**	
2.50 to < 10.00	**4,810**	**2,008**	**23.2**	**5,275**	**4.17**	**241**	**25.4**	**2.38**	**4,075**	**77**	**54**	
10.00 to <100.00	**3,703**	**676**	**37.6**	**3,957**	**14.19**	**54**	**34.0**	**1.36**	**6,127**	**155**	**205**	
100.00 (Default)	**23,981**	–	–	**23,792**	**100.00**	**284**	**35.4**	**1.41**	**30,344**	**128**	**6,153**	
Sub-total	**72,015**	**33,979**	**18.0**	**78,321**	**32.00**	**1,999**	**32.6**	**1.78**	**64,026**	**82**	**6,553**	**9,045**

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 34.3: CR6 – Credit risk exposures by portfolio and PD range – for IRB approach (Retail IRB approach)

	a	b	c	d	e	f	g	h	i	j	k	l
As at 31 Dec 2025	Original on-balance sheet gross exposure	OBS exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity[1]	RWA	RWA density	EL	Provisions[2]
PD scale	**HK$m**	**HK$m**	**%**	**HK$m**	**%**		**%**	**years**	**HK$m**	**%**	**HK$m**	**HK$m**
Portfolio (ix) – Retail – QRRE (transactor)												
0.00 to < 0.15	**8,281**	**133,814**	**60.3**	**88,990**	**0.07**	**1,479,576**	**108.1**		**4,457**	**5**	**71**	
0.15 to < 0.25	**1,248**	**7,949**	**61.0**	**6,097**	**0.23**	**122,837**	**105.9**		**761**	**12**	**15**	
0.25 to < 0.50	**1,886**	**9,340**	**58.7**	**7,367**	**0.40**	**101,886**	**105.3**		**1,466**	**20**	**31**	
0.50 to < 0.75	**962**	**1,290**	**68.1**	**1,841**	**0.59**	**18,702**	**100.9**		**475**	**26**	**11**	
0.75 to < 2.50	**1,867**	**1,360**	**74.1**	**2,876**	**1.33**	**22,198**	**101.3**		**1,361**	**47**	**39**	
2.50 to < 10.00	**451**	**463**	**69.7**	**774**	**4.23**	**9,611**	**103.4**		**861**	**111**	**34**	
10.00 to <100.00	**38**	**7**	**136.9**	**48**	**24.32**	**497**	**100.6**		**97**	**204**	**11**	
100.00 (Default)	**3**	**2**	**5.0**	**3**	**100.00**	**22**	**101.3**		**5**	**158**	**3**	
Sub-total	**14,736**	**154,225**	**60.5**	**107,996**	**0.19**	**1,755,329**	**107.4**		**9,483**	**9**	**215**	**664**
Portfolio (x) – Retail – QRRE (revolver)												
0.00 to < 0.15	**3,462**	**37,629**	**71.0**	**30,169**	**0.10**	**417,611**	**105.7**		**1,992**	**7**	**33**	
0.15 to < 0.25	**825**	**4,468**	**69.5**	**3,931**	**0.23**	**62,972**	**103.9**		**481**	**12**	**9**	
0.25 to < 0.50	**2,180**	**9,669**	**65.6**	**8,525**	**0.41**	**101,282**	**105.0**		**1,697**	**20**	**36**	
0.50 to < 0.75	**1,142**	**2,311**	**68.4**	**2,722**	**0.60**	**33,157**	**102.0**		**713**	**26**	**17**	
0.75 to < 2.50	**4,019**	**3,528**	**72.5**	**6,576**	**1.45**	**61,319**	**101.0**		**3,304**	**50**	**96**	
2.50 to < 10.00	**3,089**	**992**	**93.1**	**4,013**	**4.79**	**32,960**	**100.9**		**4,702**	**117**	**194**	
10.00 to <100.00	**1,477**	**128**	**191.0**	**1,721**	**38.15**	**11,336**	**98.7**		**3,026**	**176**	**628**	
100.00 (Default)	**110**	**2**	**5.0**	**110**	**100.00**	**132**	**93.6**		**167**	**151**	**91**	
Sub-total	**16,304**	**58,727**	**70.6**	**57,767**	**1.98**	**720,769**	**104.2**		**16,082**	**28**	**1,104**	**447**
Portfolio (xi) – Retail – Residential mortgage exposures												
0.00 to < 0.15	**200,337**	–	–	**201,938**	**0.09**	**54,055**	**26.6**		**11,253**	**6**	**46**	
0.15 to < 0.25	**55,299**	–	–	**55,740**	**0.18**	**34,641**	**26.1**		**5,355**	**10**	**26**	
0.25 to < 0.50	**316**	–	–	**319**	**0.34**	**47**	**18.1**		**35**	**11**	–	
0.50 to < 0.75	**18,289**	–	–	**18,435**	**0.52**	**6,984**	**23.9**		**3,549**	**19**	**23**	
0.75 to < 2.50	**18,668**	–	–	**18,815**	**0.97**	**13,851**	**22.6**		**5,230**	**28**	**41**	
2.50 to < 10.00	**6,328**	–	–	**6,377**	**4.32**	**4,003**	**21.8**		**4,242**	**67**	**60**	
10.00 to <100.00	**5,527**	–	–	**5,568**	**21.43**	**2,941**	**21.7**		**6,877**	**124**	**259**	
100.00 (Default)	**1,133**	–	–	**1,133**	**100.00**	**425**	**28.6**		**3,038**	**268**	**81**	
Sub-total	**305,897**	–	–	**308,325**	**1.02**	**116,947**	**26.0**		**39,579**	**13**	**536**	**17**
Portfolio (xii) – Retail – Small business retail exposures												
0.00 to < 0.15	**1,888**	–	–	**1,897**	**0.07**	**992**	**14.7**		**56**	**3**	–	
0.15 to < 0.25	**401**	–	–	**403**	**0.19**	**109**	**20.9**		**33**	**8**	–	
0.25 to < 0.50	**52**	–	–	**52**	**0.35**	**10**	**48.4**		**15**	**28**	–	
0.50 to < 0.75	**318**	–	–	**319**	**0.57**	**126**	**13.9**		**34**	**11**	–	
0.75 to < 2.50	**346**	–	–	**347**	**1.07**	**88**	**46.0**		**166**	**48**	**2**	
2.50 to < 10.00	**404**	–	–	**404**	**6.13**	**162**	**24.2**		**150**	**37**	**7**	
10.00 to <100.00	**62**	–	–	**63**	**13.54**	**30**	**16.8**		**20**	**32**	**1**	
100.00 (Default)	**31**	–	–	**31**	**100.00**	**8**	**14.8**		**39**	**124**	**2**	
Sub-total	**3,502**	–	–	**3,516**	**2.06**	**1,525**	**20.0**		**513**	**15**	**12**	**2**
Portfolio (xiii) – Retail – Other retail exposures to individuals												
0.00 to < 0.15	**1,168**	**1,918**	**42.3**	**1,980**	**0.09**	**8,085**	**41.9**		**189**	**10**	**1**	
0.15 to < 0.25	**1,934**	**2,389**	**50.5**	**3,141**	**0.22**	**8,185**	**24.0**		**312**	**10**	**2**	
0.25 to < 0.50	**4,492**	**1,312**	**49.7**	**5,192**	**0.34**	**34,125**	**94.6**		**2,774**	**53**	**17**	
0.50 to < 0.75	**1,714**	**153**	**68.9**	**1,834**	**0.60**	**7,398**	**84.8**		**1,236**	**67**	**9**	
0.75 to < 2.50	**8,011**	**1,173**	**66.1**	**8,838**	**1.33**	**24,078**	**67.4**		**6,727**	**76**	**84**	
2.50 to < 10.00	**3,545**	**170**	**68.6**	**3,693**	**4.83**	**13,953**	**80.8**		**4,370**	**118**	**142**	
10.00 to <100.00	**797**	–	–	**806**	**19.69**	**4,455**	**98.4**		**1,676**	**208**	**156**	
100.00 (Default)	**101**	**2**	**5.0**	**101**	**100.00**	**337**	**73.9**		**334**	**331**	**48**	
Sub-total	**21,762**	**7,117**	**51.6**	**25,585**	**2.32**	**100,616**	**69.8**		**17,618**	**69**	**459**	**385**

Table 34.4:CR6 – Credit risk exposures by portfolio and PD range – for IRB approach (Total)

	a	b	c	d	e	f	g	h	i	j	k	l
As at 31 Dec 2025	**Original on-balance sheet gross exposure**	**OBS exposures pre-CCF**	**Average CCF**	**EAD post-CRM and post-CCF**	**Average PD**	**Number of obligors**	**Average LGD**	**Average maturity[1]**	**RWA**	**RWA density**	**EL**	**Provisions[2]**
	HK$m	**HK$m**	**%**	**HK$m**	**%**		**%**	**years**	**HK$m**	**%**	**HK$m**	**HK$m**
Total (all portfolios)	**1,178,682**	**455,190**	**40.1**	**1,364,063**	**3.14**	**2,700,658**	**43.0**	**1.56**	**312,983**	**23**	**13,160**	**14,803**

1. The average maturity is relevant to wholesale portfolios only.
2. Provisions in this table represent the eligible provisions as defined under Division 1, Part 6 of the BCR which include the regulatory reserves for general banking risks and the impairment allowances reported under IRB approach.

On-balance sheet gross exposure decreased by HK$77.7bn in the second half of 2025. It was mainly due to the decrease in exposure on Treasury Bills, decrease in corporate lending and exemption of exposures on MDBs and IOs from IRB approach. RWAs decreased by HK$18.0bn due to the drop in exposures and change in asset quality.

The increase in average maturity from 1.46 at 30 June 2025 to 1.56 at 31 December 2025 was driven by the new exposures with higher average maturity compared with the matured exposures.

The increase in average PD from 2.91% at 30 June 2025 to 3.14% at 31 December 2025 was mainly due to the increase in the proportion of defaulted portfolio under IRB approach.

Table 35: CR10 – Specialised lending under supervisory slotting criteria approach – Other than high-volatility commercial real estate ('HVCRE')

As at 31 Dec 2025		a	b	c	d(i)	d(ii)	d(iii)	d(iv)	d(v)	e	f
					EAD amount						
Supervisory Rating Grade	**Remaining Maturity**	**On-balance sheet exposure amount HK$m**	**Off-balance sheet exposure amount HK$m**	**Supervisory risk-weight ('SRW') %**	**Project Finance ('PF') HK$m**	**Object finance ('OF') HK$m**	**Commodities finance ('CF') HK$m**	**Income Producing Real Estate ('IPRE') HK$m**	**Total HK$m**	**RWA HK$m**	**Expected loss amount HK$m**
Strong^	Less than 2.5 years	**3,220**	**200**	**50%**	**–**	**–**	**–**	**3,257**	**3,257**	**1,629**	**–**
Strong	Less than 2.5 years	**28**	**–**	**70%**	**–**	**–**	**–**	**28**	**28**	**20**	**–**
Strong	Equal to or more than 2.5 years	**1,696**	**107**	**70%**	**–**	**–**	**–**	**1,738**	**1,738**	**1,217**	**7**
Good^	Less than 2.5 years	**7,312**	**1,109**	**70%**	**–**	**–**	**–**	**7,426**	**7,426**	**5,198**	**30**
Good	Less than 2.5 years	**627**	**770**	**90%**	**–**	**–**	**–**	**910**	**910**	**820**	**7**
Good	Equal to or more than 2.5 years	**6,595**	**164**	**90%**	**–**	**–**	**–**	**6,629**	**6,629**	**5,966**	**53**
Satisfactory		**12,029**	**645**	**115%**	**–**	**–**	**–**	**12,201**	**12,201**	**14,030**	**343**
Weak		**1,300**	**–**	**250%**	**–**	**–**	**–**	**1,300**	**1,300**	**3,251**	**104**
Default		**20,130**	**–**	**0%**	**–**	**–**	**–**	**20,130**	**20,130**	**–**	**10,065**
Total		**52,937**	**2,995**		**–**	**–**	**–**	**53,619**	**53,619**	**32,131**	**10,609**

^ Use of preferential risk weights.

Compared with the position as at 30 June 2025, RWA decreased by HK$2.8bn mainly due to decrease in exposures.

Credit risk under standardised approach

Use of external credit ratings under the standardised approach for credit risk

STC approach is applied where exposures do not qualify for use of an IRB approach and/or where an exemption from IRB has been granted. The STC approach requires banks to use risk assessments prepared by External Credit Assessment Institutions ('ECAI') to determine the risk weightings applied to rated counterparties.

ECAI risk assessments are used within the group as part of the determination of risk weightings for the following classes of exposures:

- MDB exposures;
- Unspecified multilateral body exposures;
- PSE exposures; and
- Bank or corporate exposures (those without an internal CRR).

We have nominated three ECAIs for this purpose – Moody’s Investors Service ('Moody’s'), S&P and Fitch ratings ('Fitch').

The Group determines ECAI issuer ratings or ECAI issue-specific ratings in the banking book in a process consistent with Part 4 of the BCR.

Data files of external ratings from the nominated ECAIs are matched with customer records in our centralised credit database.

When calculating the risk-weighted value of an exposure using ECAI risk assessments, risk systems identify the customer in question and look up the available ratings in the central database according to the rating selection rules. The systems then apply the prescribed credit quality step mapping to derive from the rating the relevant risk weight.

All other exposure classes are assigned risk weightings as prescribed in the HKMA’s BCR.

Table 36: CR5 – Credit risk exposures by exposure classes and by risk weights – for STC approach

	As at 31 Dec 2025	0% HK$m	10% HK$m	15% HK$m	20% HK$m	25% HK$m	30% HK$m	35% HK$m	40% HK$m	45% HK$m	50% HK$m	60% HK$m	65% HK$m	70% HK$m	75% HK$m	80% HK$m	85% HK$m	90% HK$m	100% HK$m	105% HK$m	110% HK$m	130% HK$m	150% HK$m	250% HK$m	400% HK$m	1250% HK$m	Other HK$m	Total credit exposure amount (post-CCF and post-CRM) HK$m
1	Sovereign exposures	**2,833**	–	–	**173**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**3,006**
2	PSE exposures	**15,969**	–	–	**21,770**	–	–	–	–	–	**11**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**37,750**
3	Multilateral development bank exposures	**30,637**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**30,637**
3a	Unspecified multilateral body exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	Bank exposures	–	–	–	**9**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**170**	–	–	–	–	**179**
4a	Qualifying non-bank financial institution exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Eligible covered bond exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6	General corporate exposures	–	–	–	**1,396**	–	–	–	–	–	–	–	–	–	**2,318**	–	**129**	–	**23,102**	–	–	–	–	–	–	–	–	**26,945**
6a	Of which: non-bank financial institution exposures excluding those reported under row 4a	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	7,966	–	–	–	–	–	–	–	–	7,966
6b	Specialised lending	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7	Equity exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**14**	–	–	–	**14**
7a	Significant capital investments in commercial entities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7b	Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**4,912**	**21**	–	–	**4,933**
7c	Subordinated debts issued by banks, qualifying non-bank financial institutions and corporates	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
8	Retail exposures	–	–	–	–	–	–	–	–	**6**	–	–	–	–	**4,353**	–	–	–	**4,310**	–	–	–	–	–	–	–	**103**	**8,772**
8a	Exposures arising from IPO financing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Table 36: CR5 – Credit risk exposures by exposure classes and by risk weights – for STC approach (continued)

As at 31 Dec 2025		0% HK$m	10% HK$m	15% HK$m	20% HK$m	25% HK$m	30% HK$m	35% HK$m	40% HK$m	45% HK$m	50% HK$m	60% HK$m	65% HK$m	70% HK$m	75% HK$m	80% HK$m	85% HK$m	90% HK$m	100% HK$m	105% HK$m	110% HK$m	130% HK$m	150% HK$m	250% HK$m	400% HK$m	1250% HK$m	Other HK$m	Total credit exposure amount (post-CCF and post-CRM) HK$m
9	**Real estate exposures**	**–**	**–**	**–**	**10,244**	**2,457**	**3,359**	**8**	**4**	**2**	**2**	**540**	**–**	**153**	**1,295**	**–**	**944**	**3**	**4,817**	**–**	**–**	**–**	**235**	**–**	**–**	**–**	**8**	**24,071**
9a	Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	–	–	–	10,244	2,457	2,811	–	4	–	2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	8	15,526
9b	Of which: no loan splitting applied	–	–	–	10,244	2,457	2,811	–	4	–	2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	8	15,526
9c	Of which: loan splitting applied (secured)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9d	Of which: loan splitting applied (unsecured)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9e	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)	–	–	–	–	–	548	8	–	2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	558
9f	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	–	–	–	–	–	–	–	–	–	–	540	–	–	1	–	–	–	71	–	–	–	–	–	–	–	–	612
9g	Of which: no loan splitting applied	–	–	–	–	–	–	–	–	–	–	540	–	–	1	–	–	–	71	–	–	–	–	–	–	–	–	612
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)	–	–	–	–	–	–	–	–	–	–	–	–	153	–	–	–	3	–	–	–	–	–	–	–	–	–	156

Table 36: CR5 – Credit risk exposures by exposure classes and by risk weights – for STC approach (continued)

As at 31 Dec 2025		0% HK$m	10% HK$m	15% HK$m	20% HK$m	25% HK$m	30% HK$m	35% HK$m	40% HK$m	45% HK$m	50% HK$m	60% HK$m	65% HK$m	70% HK$m	75% HK$m	80% HK$m	85% HK$m	90% HK$m	100% HK$m	105% HK$m	110% HK$m	130% HK$m	150% HK$m	250% HK$m	400% HK$m	1250% HK$m	Other HK$m	Total credit exposure amount (post-CCF and post-CRM) HK$m
9k	Of which: Other real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	–	–	–	–	–	–	–	–	–	–	–	–	–	1,294	–	944	–	4,746	–	–	–	–	–	–	–	–	6,984
9l	Of which: no loan splitting applied	–	–	–	–	–	–	–	–	–	–	–	–	–	1,294	–	944	–	4,746	–	–	–	–	–	–	–	–	6,984
9m	Of which: loan splitting applied (secured)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9n	Of which: loan splitting applied (unsecured)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9o	Of which: Other real estate exposures (materially dependent on cash flows generated by mortgaged properties)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	235	–	–	–	–	235
9p	Of which: land acquisition, development and construction exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	Defaulted exposures	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**509**	**–**	**–**	**–**	**2,038**	**–**	**–**	**–**	**27**	**2,574**
11	Other exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11a	Cash and gold	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11b	Items in the process of clearing or settlement	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Table 37: CR5 - Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures (STC version)

		a	b	c	d
	Risk Weight	**On-balance sheet exposure**	**Off-balance sheet exposure (pre-CCF)**	**Weighted average CCF[1]**	**Exposure (post-CCF and post-CRM)[2]**
		HK$m	**HK$m**	**%**	**HK$m**
1	Less than 40%	**92,218**	**14,103**	**20.0**	**88,885**
2	40-70%	**716**	**76**	**10.0**	**724**
3	75%	**7,288**	**6,723**	**10.1**	**7,966**
4	85%	**1,020**	**455**	**11.5**	**1,073**
5	90- 100%	**29,398**	**26,374**	**12.7**	**32,740**
6	105-130%	**44**	**481**	**10.0**	**93**
7	150%	**2,441**	**115**	**10.9**	**2,453**
8	250%	**4,926**	–	–	**4,926**
9	400%	**21**	–	–	**21**
10	1250%	–	–	–	–
11	**Total exposures at 31 Dec 2025**	**138,072**	**48,327**	**14.4**	**138,881**

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

2 Exposure (post-CCF and post-CRM) is calculated by applying provisioning, CRM measures and then CCFs in relation to both on-balance sheet and off-balance sheet exposures.

Credit risk mitigation

The Group's approach when granting credit facilities is to do so on the basis of capacity to repay, rather than placing primary reliance on CRM. Depending on a customer's standing and the type of product, facilities may be provided. Mitigation of credit risk is a key aspect of effective management and takes in many forms.

The Group's general policy is to promote the use of CRM, justified by commercial prudence and capital efficiency. Policies covering the acceptability, structuring, terms, control and valuation with regard to different types of collateral security are established to ensure that they are supported by empirical evidence and continue to fulfil their intended purpose.

Collateral

The most common method of mitigating credit risk is to take a charge over collateral. The Group has implemented guidelines on the acceptability of specific classes of collateral or CRM. Security structures and legal covenants are subject to regular review to ensure that they continue to fulfil their intended purpose and remain in line with local market practice.

While collateral is an important mitigant to credit risk, it is the Group's policy to establish that loans are within the customer's capacity to repay rather than to rely excessively on security. Facilities may be granted on unsecured basis depending on the customer's standing and the type of product. The principal collateral types are including but not limited to:

– in the personal sector, charges over properties, securities, investment funds and deposits;

– in the commercial and industrial sector, charges over business assets such as properties, stocks, debtors; and

– in the commercial real estate sector, charges over the properties being financed.

Repossessed assets are non-financial assets acquired in exchange for loans in order to achieve an orderly realisation, and are reported in the balance sheet within 'Other assets' at the lower of fair value (less costs to sell) and the carrying amount of the loan (net of any impairment allowance). If excess funds arise after the debt has been repaid, they are made available either to repay other secured lenders with lower priority or are returned to the customer. The Group does not generally occupy repossessed properties for its business use.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument.

CRM under IRB Approach

The main types of recognised collateral taken by the Group are those as stated in section 80 of the BCR, including (but not limited to) cash on deposit, gold bullion, equities listed in a main index and/or a recognised exchange, CISs, various recognised debt securities, residential, industrial and commercial property.

The Group's policy provides that netting is only to be applied where it has the legal right to do so. Consistent with the BCR, only bilateral netting arrangements are included in the capital adequacy CRM calculation.

In terms of the application within IRB approach, credit risk mitigants are considered in two broad categories: first, those which reduce the intrinsic PD of an obligor and therefore operate as adjustments to PD estimation, and second, those which affect estimated recoverability of obligations and require adjustment of LGD. The first includes, for example, full parental or group company guarantees; the second, collateral security of various kinds such as cash, equity, properties, fixed assets such as motor vehicles, plant and machinery, stock and debtors, bank and sovereign guarantees.

CRM under STC Approach

As stated in sections 98 and 99 of the BCR, certain guarantees and credit derivative contracts are recognised for CRM purposes. The main types of guarantees are from sovereigns, corporates and banks. With corporate guarantees, in order for it to be recognised as a credit risk mitigant, it must have a credit rating of A- or better by Standard & Poor's Ratings Services, Fitch Ratings or a credit rating of A3 or better by Moody's Investors Service.

Table 38: CR3 – Overview of recognised credit risk mitigation

		a	b	c	d	e
As at 31 Dec 2025		**Exposures unsecured: carrying amount HK$m**	**Exposures to be secured HK$m**	**Exposures secured by recognised collateral HK$m**	**Exposures secured by recognised guarantees HK$m**	**Exposures secured by recognised credit derivative contracts HK$m**
1	Loans	**339,579**	**534,160**	**390,577**	**109,885**	–
2	Debt securities	**474,783**	–	–	–	–
3	**Total**	**814,362**	**534,160**	**390,577**	**109,885**	–
4	Of which: defaulted	16,181	25,257	12,826	358	–

Table 39: CR7 – Effects on RWA of recognised credit derivative contracts used as recognised credit risk mitigation - for IRB approach

		a	b
As at 31 Dec 2025		**Pre-credit derivatives RWA HK$m**	**Actual RWA HK$m**
1	Corporate – Specialised lending (PF)	–	–
2	Corporate – Specialised lending (OF)	–	–
3	Corporate – Specialised lending (CF)	–	–
4	Corporate – Specialised lending (IPRE)	**32,131**	**32,131**
5	Corporate – Specialised lending (HVCRE)	–	–
6	Corporate – SMEs	**15,692**	**15,692**
7	Corporate – Large corporates	**103,826**	**103,826**
8	Corporate – Financial institutions treated as corporates	**7,869**	**7,869**
9	Corporate – Other corporates	**68,620**	**68,620**
10	Sovereign – Sovereigns	**15,664**	**15,664**
11	Sovereign – Sovereign foreign PSEs	–	–
12	Sovereign – Multilateral development banks	–	–
13	Bank – Banks (excluding covered bonds)	**16,301**	**16,301**
14	Bank – Qualifying non-bank financial institutions	**502**	**502**
15	Bank – PSEs (excluding sovereign foreign public sector entities)	–	–
16	Bank – Unspecified multilateral bodies	–	–
17	Bank – Covered bonds	**1,234**	**1,234**
18	Retail – Small business retail exposures	**513**	**513**
19	Retail – Residential mortgages to individuals	**39,163**	**39,163**
20	Retail – Residential mortgages to property-holding shell companies	**416**	**416**
21	Retail – QRRE (transactor)	**9,483**	**9,483**
22	Retail – QRRE (revolver)	**16,082**	**16,082**
23	Retail – Other retail exposures to individuals	**17,618**	**17,618**
24	CIS –CIS exposures	**572**	**572**
25	Other – Cash items	**113**	**113**
26	Other – Other items	**34,587**	**34,587**
27	**Total (under the IRB calculation approaches)**	**380,386**	**380,386**

There is no impact on RWA, as the Group does not have credit derivative contracts used as recognised CRM.

Table 40: CR4 – Credit risk exposures and effects of recognised credit risk mitigation – for STC approach

		a	b	c	d	e	f
		Exposures pre-CCF and pre-CRM		**Exposures post-CCF and post-CRM[2]**		**RWA and RWA density**	
		On-balance sheet amount	**OBS amount**	**On-balance sheet amount**	**OBS amount**	**RWA**	**RWA density**
As at 31 Dec 2025		**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**%**
	Exposure classes						
1	Sovereign exposures	**1,293**	–	**2,976**	**30**	**35**	**1**
2	PSE exposures	**35,770**	**5,739**	**35,770**	**1,980**	**4,360**	**12**
3	Multilateral development bank exposures	**30,637**	–	**30,637**	–	–	–
3a	Unspecified multilateral body exposures	–	–	–	–	–	–
4	Bank exposures	**179**	–	**179**	–	**257**	**144**
4a	Qualifying non-bank financial institution exposures	–	–	–	–	–	–
5	Eligible covered bond exposures	–	–	–	–	–	–
6	General corporate exposures	**26,118**	**23,798**	**24,074**	**2,871**	**25,229**	**94**
6a	Of which: non-bank financial institution exposures excluding those reported under row 4a	7,124	6,722	7,124	842	7,966	100
6b	Specialised lending	–	–	–	–	–	–
7	Equity exposures	**14**	–	**14**	–	**36**	**250**
7a	Significant capital investments in commercial entities	–	–	–	–	–	—
7b	Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities	**4,933**	–	**4,933**	–	**12,364**	**251**
7c	Subordinated debts issued by banks, qualifying non-bank financial institutions and corporates	–	–	–	–	–	–
8	Retail exposures	**12,782**	**14,916**	**7,794**	**978**	**7,698**	**88**
8a	Exposures arising from IPO financing	–	–	–	–	–	–
9	Real estate exposures	**23,774**	**3,858**	**23,666**	**405**	**11,057**	**46**
9a	Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	15,522	40	15,522	4	3,512	23
9b	Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties)	551	73	551	7	168	30
9c	Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	612	1	612	–	396	65
9d	Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties)	156	–	156	–	110	70
9e	Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties)	6,700	3,724	6,593	391	6,518	93
9f	Of which: other real estate exposures (materially dependent on cash flows generated by mortgaged properties)	233	20	232	3	353	150
9g	Of which: land acquisition, development and construction exposures	–	–	–	–	–	–

Table 40: CR4 – Credit risk exposures and effects of recognised credit risk mitigation – for STC approach (continued)

		a	b	c	d	e	f
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM[2]		RWA and RWA density	
		On-balance sheet amount	OBS amount	On-balance sheet amount	OBS amount	RWA	RWA density
As at 31 Dec 2025		**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**%**
	Exposure classes						
10	Defaulted exposures	**2,572**	**16**	**2,572**	**2**	**3,563**	**139**
11	Other exposures	–	–	–	–	–	–
11a	Cash and gold	–	–	–	–	–	–
11b	Items in the process of clearing or settlement	–	–	–	–	–	–
12	**Total**	**138,072**	**48,327**	**132,615**	**6,266**	**64,599**	**47**

Model performance

The disclosure covers wholesale and retail models which have been approved by regulators. It compares the PD estimated by our IRB Models against actual default experience and shows our IRB models are generally conservative.

Table 41.1: CR9 – Back-testing of PD per portfolio – for IRB approach (Wholesale)

a	b	c(i)	c(ii)	c(iii)	d	e	f		g	h	i
							Number of obligors[2,3]				
Portfolio	PD range	External rating equivalent (S&P)	External rating equivalent (Moody's)	External rating equivalent (Fitch)	Weighted average PD %[1]	Arithmetic average PD by obligors %[1]	Beginning of the year	End of the year	Defaulted obligors in the year	of which: new defaulted obligors in the year	Average historical annual default rate %
As at 31 Dec 2025											
Sovereigns (AIRB)	0.00 to <0.15	AAA to BBB	Aaa to Baa2	AAA to BBB	**0.01 %**	**0.01 %**	**25**	**14**	–	–	– %
	0.15 to <0.25	BBB-	Baa3	BBB-	– %	– %	–	–	–	–	– %
	0.25 to <0.50	BBB-	Baa3	BBB-	– %	– %	–	–	–	–	– %
	0.50 to <0.75	BB+ to BB	Ba1 to Ba2	BB+ to BB	– %	– %	–	–	–	–	– %
	0.75 to <2.50	BB- to B+	Ba3 to B2	BB- to B-	– %	– %	–	–	–	–	– %
	2.50 to <10.00	B to B-	B2 to Caa1	CCC+ to CCC	– %	– %	–	–	–	–	– %
	10.00 to <100.00	B- to C	Caa1 to C	CCC to C	– %	– %	–	–	–	–	– %
Banks (FIRB)[4]	0.00 to <0.15	AAA to A-	Aaa to Baa1	AAA to BBB+	**0.03 %**	**0.05 %**	**84**	**74**	–	–	– %
	0.15 to <0.25	BBB+	Baa2	BBB	**0.22 %**	**0.22 %**	**10**	**6**	–	–	– %
	0.25 to <0.50	BBB	Baa3	BBB-	**0.37 %**	**0.37 %**	**2**	**5**	–	–	– %
	0.50 to <0.75	BBB-	Baa3	BBB-	**0.63 %**	**0.63 %**	**6**	**5**	–	–	– %
	0.75 to <2.50	BB+ to BB-	Ba1 to B1	BB+ to B+	**0.95 %**	**0.98 %**	**3**	**1**	–	–	– %
	2.50 to <10.00	B+ to B-	B2 to Caa1	B to CCC+	– %	– %	–	–	–	–	– %
	10.00 to <100.00	CCC+ to C	Caa1 to C	CCC to C	– %	– %	–	–	–	–	– %
Total Corporates (AIRB & FIRB)[5,6]	0.00 to <0.15	AAA to A-	Aaa to Baa1	AAA to BBB+	**0.08 %**	**0.10 %**	**163**	**271**	–	–	**0.12 %**
	0.15 to <0.25	BBB+	Baa2	BBB	**0.22 %**	**0.22 %**	**209**	**282**	–	–	**0.06 %**
	0.25 to <0.50	BBB	Baa3	BBB-	**0.37 %**	**0.37 %**	**323**	**365**	**3**	–	**0.33 %**
	0.50 to <0.75	BBB-	Baa3	BBB-	**0.63 %**	**0.63 %**	**347**	**362**	–	–	**0.47 %**
	0.75 to <2.50	BB+ to BB-	Ba1 to B1	BB+ to B+	**1.40 %**	**1.47 %**	**1,296**	**1,667**	**9**	–	**1.20 %**
	2.50 to <10.00	B+ to B-	B2 to Caa1	B to CCC+	**4.86 %**	**3.96 %**	**344**	**453**	**12**	–	**3.18 %**
	10.00 to <100.00	CCC+ to C	Caa1 to C	CCC to C	**23.06 %**	**17.90 %**	**30**	**72**	**7**	–	**39.85 %**

1. The weighted average PD% and the arithmetic average PD% by obligors are based on the position at the beginning of the year.
2. The number of obligors represents the obligor rated by key wholesale IRB models directly.
3. The number of obligors for corporates is being reported at counterparty level, while the number of obligors for banks is being reported at entity level. Sovereigns are reported at country level based on local currency and foreign currency ratings.
4. Pursuant to the implementation of Basel III final reform package from 1 January 2025, FIRB approach is applicable to Banks portfolio from prior AIRB approach.
5. Changes in corporate asset classification introduced in the Basel III final reform package were incorporated in the Capital Adequacy Ratio reporting at 31 March 2025. Annual information is presented at total corporate exposure level.
6. Specialised lending exposures are excluded.

Table 41.2: CR9 – Back-testing of PD per portfolio – for IRB approach (Retail)

a	b	c	d	e	f		g	h	i
Portfolio	PD range	External rating equivalent**	Weighted average PD %[1]	Arithmetic average PD % by obligors[1]	Number of obligors[2] Beginning of the year	End of the year	Defaulted obligors in the year	of which: new defaulted obligors in the year	Average historical annual default rate %
As at 31 Dec 2025									
Retail – QRRE (transactor)	0.00 to < 0.15		**0.07**	**0.08**	**1,588,088**	**1,538,831**	**841**	**–**	**0.05**
	0.15 to < 0.25		**0.23**	**0.23**	**134,581**	**142,193**	**169**	**–**	**0.10**
	0.25 to < 0.50		**0.40**	**0.41**	**114,449**	**139,563**	**181**	**–**	**0.15**
	0.50 to < 0.75		**0.59**	**0.59**	**21,632**	**29,775**	**97**	**–**	**0.38**
	0.75 to < 2.50		**1.32**	**1.32**	**128,131**	**127,222**	**526**	**–**	**0.30**
	2.50 to < 10.00		**4.21**	**4.21**	**27,317**	**29,105**	**357**	**–**	**1.01**
	10.00 to < 100.00		**25.97**	**29.56**	**591**	**659**	**61**	**–**	**9.85**
Retail – QRRE (revolver)	0.00 to < 0.15		**0.10**	**0.11**	**397,634**	**451,387**	**420**	**14**	**0.08**
	0.15 to < 0.25		**0.23**	**0.23**	**65,508**	**70,933**	**132**	**18**	**0.17**
	0.25 to < 0.50		**0.40**	**0.40**	**117,033**	**85,986**	**462**	**13**	**0.30**
	0.50 to < 0.75		**0.60**	**0.59**	**36,530**	**41,412**	**285**	**20**	**0.50**
	0.75 to < 2.50		**1.46**	**1.38**	**102,908**	**106,428**	**1,163**	**34**	**0.86**
	2.50 to < 10.00		**4.78**	**4.68**	**50,226**	**45,083**	**1,807**	**11**	**2.77**
	10.00 to < 100.00		**37.43**	**42.80**	**18,136**	**13,003**	**3,074**	**–**	**13.69**
Retail – residential mortgage exposures	0.00 to < 0.15		**0.09**	**0.10**	**50,876**	**54,612**	**23**	**–**	**0.04**
	0.15 to < 0.25		**0.18**	**0.18**	**36,372**	**35,171**	**27**	**1**	**0.05**
	0.25 to < 0.50		**0.34**	**0.34**	**59**	**52**	**1**	**–**	**0.34**
	0.50 to < 0.75		**0.51**	**0.51**	**7,429**	**7,104**	**10**	**–**	**0.13**
	0.75 to < 2.50		**0.98**	**0.99**	**15,129**	**14,261**	**31**	**–**	**0.19**
	2.50 to < 10.00		**4.27**	**4.27**	**4,554**	**4,166**	**24**	**–**	**0.60**
	10.00 to < 100.00		**22.51**	**22.51**	**3,096**	**3,095**	**155**	**–**	**4.14**
Retail – small business retail exposures	0.00 to < 0.15		**0.07**	**0.07**	**1,264**	**1,144**	**2**	**–**	**0.03**
	0.15 to < 0.25		**0.19**	**0.19**	**148**	**134**	**–**	**–**	**–**
	0.25 to < 0.50		**0.35**	**0.35**	**7**	**13**	**–**	**–**	**–**
	0.50 to < 0.75		**0.54**	**0.55**	**178**	**156**	**–**	**–**	**–**
	0.75 to < 2.50		**1.11**	**1.08**	**136**	**124**	**–**	**–**	**0.34**
	2.50 to < 10.00		**6.10**	**5.68**	**188**	**186**	**2**	**–**	**1.87**
	10.00 to < 100.00		**45.96**	**45.96**	**31**	**35**	**–**	**–**	**1.38**
Other retail exposures to individuals	0.00 to < 0.15		**0.08**	**0.09**	**9,535**	**8,932**	**5**	**–**	**0.03**
	0.15 to < 0.25		**0.22**	**0.20**	**10,413**	**9,898**	**9**	**–**	**0.07**
	0.25 to < 0.50		**0.34**	**0.33**	**38,554**	**38,878**	**76**	**5**	**0.17**
	0.50 to < 0.75		**0.66**	**0.62**	**9,496**	**8,553**	**54**	**10**	**0.46**
	0.75 to < 2.50		**1.41**	**1.45**	**27,329**	**28,611**	**370**	**50**	**1.03**
	2.50 to < 10.00		**4.86**	**4.79**	**15,140**	**16,739**	**650**	**94**	**3.43**
	10.00 to < 100.00		**19.05**	**21.27**	**6,059**	**6,063**	**834**	**16**	**10.92**

** External rating equivalent is not applicable to retail exposures.

1 The weighted average PD% and the arithmetic average PD% by obligors are based on the position at the beginning of the year.
2 The number of obligors is based on account level information for all retail IRB portfolios.

Counterparty credit risk exposures

Counterparty credit risk management

CCR arises for derivatives (including long settlement transactions) and SFTs. It is calculated in both the trading and banking books, and is the risk that a counterparty may default before final settlement, for cases where there is a bilateral risk of loss.

Under the SA-CCR, the EAD is calculated as the sum of RC and PFE multiplied by an alpha factor of 1.4.

Limits for CCR exposures, including to CCPs, are assigned within the overall credit process. The credit risk function assigns a limit against each counterparty to cover derivatives exposure which may arise as a result of a counterparty default. The magnitude of this limit will depend on the overall risk appetite and type of derivatives and SFT trading undertaken with a counterparty.

Credit valuation adjustment

CVA represents the risk of mark-to-market losses on the expected counterparty risk to over-the-counter ('OTC') derivatives. Certain exposures to qualifying central counterparties are exempt from CVA.

Collateral arrangements

Our policy is to revalue all traded transactions and associated collateral positions on a daily basis. An independent collateral management sub-function manages the collateral process including pledging collateral, receiving collateral, investigating disputes and following up on non-receipts.

Eligible collateral types are controlled under a policy to ensure price transparency, price stability, liquidity, enforceability, independence, reusability and eligibility for regulatory purposes. A valuation 'haircut' policy reflects the fact that collateral may fall in value between the date the collateral was called and the date of liquidation or enforcement. A very high proportion of collateral held as variation margin under credit support annex ('CSAs') agreements is composed of either cash or liquid government securities.

Credit ratings downgrade

A credit rating downgrade clause in a Master Agreement or a credit rating downgrade threshold clause in a CSA is designed to trigger an action if the credit rating of the affected party falls below a specified level. 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.

At 31 December 2025, the value of the additional collateral pertaining to International Swaps and Derivatives Association ('ISDA') CSA downgrade thresholds that we would potentially need to post with counterparties in the event of downgrade of our rating was nil.

Wrong-way risk

Wrong-way risk occurs when a counterparty's exposures are adversely correlated with its credit quality.

There are two types of wrong-way risk:

- General wrong-way risk occurs when the probability of counterparty default is positively correlated with general risk factors, for example, where a counterparty is resident and/or incorporated in a higher-risk country and seeks to sell a non-domestic currency in exchange for its home currency.
- Specific wrong-way risk occurs in self-referencing transactions. These are transactions in which exposure is driven by capital or financing instruments issued by the counterparty and occurs where exposure from the Bank's perspective materially increases as the value of the counterparty's capital or financing instruments referenced in the contract decreases. It is the Bank's policy that specific wrong-way transactions are approved on a case-by-case basis.

We use a range of tools to monitor and control wrong-way risk, including requiring the business to obtain prior approval before undertaking wrong-way risk transactions outside pre-agreed guidelines. The Traded Risk functions are responsible for the control and monitoring process within an overarching HSBC Group framework and limit framework.

Central counterparties

While exchange traded derivatives have been cleared through CCP's for many years, recent regulatory initiatives designed to reduce systemic risk in the banking system are directing increasing volumes of OTC derivatives to be cleared through CCPs.

To manage the significant concentration of risk in CCPs that results from this, the Bank has adopted a risk appetite framework to manage risk accordingly, at the level of individual CCP and globally. The Bank undertakes in-depth due diligence of the unique risks associated with these organisations.

Table 42: CCR1 – Analysis of counterparty credit risk exposures (other than those to CCPs) by approaches

		a	b	c	d	e	f
		RC	PFE	Effective expected positive exposure ('EEPE')	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
As at 31 Dec 2025		HK$m	HK$m	HK$m		HK$m	HK$m
1	SA-CCR approach (for derivative contracts)	**5,422**	**11,415**		**1.4**	**23,571**	**5,950**
1a	CEM (for derivative contracts)	–	–		N/A	–	–
2	IMM (CCR) approach			–	–	–	–
3	Simple Approach (for SFTs)					–	–
4	Comprehensive approach (for SFTs)					**6,191**	**701**
5	Value at risk ('VaR') (for SFTs)					–	–
6	**Total**						**6,651**

CCR RWA decreased by HK$0.7bn in the second half of 2025, mainly due to the decrease in default risk exposures.

Table 43: 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	
	Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
As at 31 Dec 2025	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Cash – domestic currency	–	**513**	–	**236**	**4,617**	**4,513**
Cash – other currencies	–	**731**	–	**2,355**	**16,800**	**103,121**
Domestic sovereign debt	–	–	–	–	**1,504**	**4,638**
Other sovereign debt	**1,077**	–	–	–	**31,572**	**15,069**
Government agency debt	–	–	–	–	–	–
Corporate bonds	–	–	–	–	**31,349**	**65**
Equity securities	–	–	–	–	**22,939**	–
Other collateral	**37**	–	–	–	**21,545**	**9,110**
Total	**1,114**	**1,244**	–	**2,591**	**130,326**	**136,516**

Table 44: CCR8 – Exposures to CCPs

		a	b
		Exposure after CRM	**RWA**
	As at 31 Dec 2025	**HK$m**	**HK$m**
1	**Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)**		**360**
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	**8,891**	**345**
3	(i) Over-the-counter ('OTC') derivative transactions	8,891	345
4	(ii) Exchange-traded derivative contracts	–	–
5	(iii) SFTs	–	–
6	(iv) Netting sets subject to valid cross-product netting agreements	–	–
7	Segregated initial margin	–	
8	Unsegregated initial margin	**283**	**11**
9	Funded default fund contributions	**182**	**4**
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) SFTs	–	–
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	–	–

Counterparty credit risk under internal ratings-based approach

Table 45: CCR4 – Counterparty credit risk exposures (other than those to CCPs) by portfolio and PD range – for IRB approach

		a	b	c	d	e	f	g
As at 31 Dec 2025		**EAD post-CRM**	**Average PD**	**Number of obligors**	**Average LGD**	**Average maturity**	**RWA**	**RWA density**
	PD scale	**HK$m**	**%**		**%**	**years**	**HK$m**	**%**
	0.00 to < 0.15	**204**	**0.12**	**2**	**45.0**	**0.94**	**43**	**21**
	0.15 to < 0.25	–	–	–	–	–	–	–
	0.25 to < 0.50	–	–	–	–	–	–	–
	0.50 to < 0.75	–	–	–	–	–	–	–
	0.75 to < 2.50	–	–	–	–	–	–	–
	2.50 to < 10.00	–	–	–	–	–	–	–
	10.00 to < 100.00	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–
Sovereign (AIRB)	**Sub-total**	**204**	**0.12**	**2**	**45.0**	**0.94**	**43**	**21**
	0.00 to < 0.15	**23,362**	**0.05**	**89**	**45.0**	**0.80**	**3,349**	**14**
	0.15 to < 0.25	**455**	**0.22**	**11**	**45.0**	**0.55**	**160**	**35**
	0.25 to < 0.50	**66**	**0.37**	**6**	**45.0**	**0.91**	**31**	**46**
	0.50 to < 0.75	–	–	–	–	–	–	–
	0.75 to < 2.50	–	–	–	–	–	–	–
	2.50 to < 10.00	–	–	–	–	–	–	–
	10.00 to < 100.00	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–
Bank (FIRB)	**Sub-total**	**23,883**	**0.06**	**106**	**45.0**	**0.80**	**3,540**	**15**
	0.00 to < 0.15	–	–	–	–	–	–	–
	0.15 to < 0.25	–	–	–	–	–	–	–
	0.25 to < 0.50	–	–	–	–	–	–	–
	0.50 to < 0.75	–	–	–	–	–	–	–
	0.75 to < 2.50	–	–	–	–	–	–	–
	2.50 to < 10.00	–	–	–	–	–	–	–
	10.00 to < 100.00	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–
Corporate (AIRB)	**Sub-total**	–	–	–	–	–	–	–
	0.00 to < 0.15	**1,581**	**0.08**	**27**	**41.5**	**0.81**	**244**	**15**
	0.15 to < 0.25	**724**	**0.22**	**17**	**44.1**	**0.51**	**224**	**31**
	0.25 to < 0.50	**493**	**0.37**	**14**	**40.0**	**0.99**	**193**	**39**
	0.50 to < 0.75	**174**	**0.63**	**8**	**40.0**	**1.00**	**92**	**53**
	0.75 to < 2.50	**821**	**1.23**	**39**	**40.0**	**1.00**	**567**	**69**
	2.50 to < 10.00	**695**	**3.86**	**15**	**40.0**	**1.00**	**737**	**106**
	10.00 to < 100.00	–	–	–	–	–	–	–
	100.00 (Default)	–	–	–	–	–	–	–
Corporate (FIRB)	**Sub-total**	**4,488**	**0.95**	**120**	**41.2**	**0.85**	**2,057**	**46**
Total (sum of all portfolios)		**28,575**	**0.20**	**228**	**44.4**	**0.81**	**5,640**	**20**

The Group has not used the IMM(CCR) to calculate its default risk exposure.

Counterparty credit risk under standardised approach

Table 46: CCR3 – Counterparty credit risk exposures (other than those to CCPs) by exposure classes and by risk weights – for STC approach

		a	b	c	ca	cb	d	e	ea	f	g	h	i
As at 31 Dec 2025		**0%**	**10%**	**20%**	**30%**	**40%**	**50%**	**75%**	**85%**	**100%**	**150%**	**Others**	**Total default risk exposure after CRM**
	Risk Weight	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**
	Exposure class												
1	Sovereign exposures	–	–	–	–	–	–	–	–	–	–	–	–
2	PSE exposures	–	–	**220**	–	–	–	–	–	–	–	–	**220**
3	Multilateral development bank exposures	–	–	–	–	–	–	–	–	–	–	–	–
4	Unspecified multilateral body exposures	–	–	–	–	–	–	–	–	–	–	–	–
5	Bank exposures	–	–	–	–	–	–	–	–	–	–	–	–
6	Qualifying non-bank financial institution exposures	–	–	–	–	–	–	–	–	–	–	–	–
7	General corporate exposures	–	–	–	–	–	–	–	–	**726**	–	–	**726**
8	Retail exposures	–	–	–	–	–	–	–	–	**241**	–	–	**241**
9	Defaulted exposures	–	–	–	–	–	–	–	–	–	–	–	–
10	Other exposures	–	–	–	–	–	–	–	–	–	–	–	–
11	**Total**	–	–	**220**	–	–	–	–	–	**967**	–	–	**1,187**

Credit valuation adjustment risk

Qualitative disclosures related to CVA risk

The Counterparty Exposure Management desk is in charge of managing risks arising from valuation adjustments like CVA and Funding Value Adjustment ('FVA') for transactions from over-the-counter derivatives business, under no or imperfect CSA.

The main risks such as interest rates ('IR') and foreign exchange ('FX') risks can be managed via IR and FX derivatives. Any risk mitigation activities are executed as per the desk's mandate.

The Counterparty Exposure Management desk acting as the first line of defence on x-Value Adjustment ('xVA') risks management, manages these risks in order to protect xVA profits and losses ('P&L') from adverse market movements, and limit losses incurred by the bank in case of counterparty default.

Table 47: CVA1 – CVA risk under reduced basic CVA approach

		a	b
		Components	**CVA risk capital charge under the reduced basic CVA approach**
As at 31 Dec 2025		**HK$m**	**HK$m**
1	Aggregation of systematic components of CVA risk	**1,702**	
2	Aggregation of idiosyncratic components of CVA risk	**1,151**	
3	**Total**		**852**

CVA risk capital charge decreased by HK$ 0.2bn in the second half of 2025, mainly due to the decrease in default risk exposures.

Market risk

Overview and governance

Market risk is the risk of an adverse financial impact on trading activities arising from changes in market parameters such as interest rates, FX rates, asset prices, volatilities, correlations and credit spreads.

Exposure to market risk arises from both trading portfolios and banking portfolios:

- Trading portfolios: these comprise positions held for client servicing and market-making, with the intention of short-term resale and/or to hedge risks resulting from such positions.
- Banking portfolios: these comprise positions that primarily arise from the interest rate risk management of our retail and commercial banking assets and liabilities, financial investments measured at fair value through other comprehensive income and debt instruments measured at amortised cost. These portfolios also include non-trading book foreign exchange ('NTBFX') exposures, where risk may arise from change in the accounting value of assets and liabilities held outside of the trading book, due to movements in FX rates. NTBFX exposures originate primarily from structural FX exposures and transactional FX exposures.

Where appropriate, the Group applies similar risk management policies and measurement techniques to both trading and banking portfolios. The Group's objective is to manage and control market risk exposures to optimise return on risk while maintaining a market risk profile consistent with the established risk appetite.

Market risk governance

The majority of the trading VaR and Stressed VaR ('SVaR') resides in Markets and Securities Services, and Markets Treasury which manage market risk within overall risk limits set by the Group CRCO and approved by the Board.

Market risk measures

Monitoring and limiting market risk exposures

The Group uses a range of tools to monitor and limit market risk exposures including sensitivity analysis, VaR and stress testing.

Sensitivity analysis

The Group uses sensitivity measures to monitor the market risk positions within each asset class and risk type. Granular sensitivity limits are set for each trading desk taking into consideration market liquidity, customer demand and capital constraints, amongst other factors.

VaR

VaR is a technique that estimates the potential mark-to-market losses on derivative, securities and money market positions in the trading and banking portfolios as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is an integral part of our market RMF and is calculated for a scope of trading and banking positions which is wider than the set of trading positions which are capitalised under a VaR treatment.

Our models are predominantly based on historical simulation. VaR is calculated at a 99% confidence level for a one-day holding period.

Our VaR models use historical series of market rates and prices, implicitly taking into account inter-relationships between different markets and rates such as interest rates and FX rates.

The primary categories of risk factors driving market risk are summarised below:

Risk factor	Description
FX	Risk arising from changes in FX rates and volatilities.
Interest rate	Risk arising from changes in the level of interest rates that may impact prices of interest rate sensitive assets such as interest rate swaps.
Equity	Risk arising from changes in equity prices, volatilities and dividend yields.
Commodity	Risk arising from changes in commodity prices.
Credit	Risk arising from changes in the level of credit spreads that may impact prices of credit spread sensitive assets.

Our model uses a mixed approach when applying changes in market rates and prices:

- For equity, credit and FX risk factors, VaR scenarios are calculated on a relative return basis.
- For interest rates, a mixed approach is used. The scenarios applied to volatilities are on a relative return basis, whereas the scenarios applied to interest rate curves are calculated using a hybrid of absolute and relative returns. This approach enables the VaR to smoothly adapt to either low or high interest rate environments and to support negative rates.

Our models aggregate general and specific risks and allow for diversification across them. The Group uses the past two years as the historical data set in our VaR models and the scenarios are updated on a weekly basis. These scenarios are then applied to the market baselines and positions on a daily basis. The models incorporate the effect of option features on the underlying exposures.

The valuation approach used in our model varies:

- Desks trading non-linear instruments mainly use a full revaluation approach; and
- Desks trading only linear instruments, such as bonds and swaps, use a sensitivity based approach.

The nature of the VaR model means that an increase in observed market volatility will lead to an increase in VaR even without any changes in the underlying positions.

VaR model limitations

Although a valuable guide to risk, VaR is used with awareness of its limitations, for example:

- The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature. As the model is calibrated on the last 500 business days, it does not adjust instantaneously to sufficiently reflect a change in the market regime.
- The use of a 1-day holding period for risk management purposes of trading and banking books assumes that this short period is sufficient to hedge or liquidate all positions.
- The use of a 99% confidence level, by definition does not take into account losses that might occur beyond this level of confidence.
- VaR is calculated on the basis of exposures outstanding at close of business and therefore does not necessarily reflect intra-day exposures.

Stress testing

Stress testing is an important procedure that is integrated into our market RMF to evaluate the potential impact on portfolio values of more extreme events or movements in a set of financial variables.In such scenarios, losses can be greater than those predicted by VaR modelling. Stress testing and reverse stress testing provide senior management with insights regarding the 'tail risk' beyond VaR.

Stress testing is implemented at the legal entity and the overall Group levels. The risk appetite around potential stress losses for the Group is set and monitored against referral limits.

Market risk reverse stress tests are designed to identify vulnerabilities in our portfolios by looking for scenarios that lead to loss levels considered severe for the relevant portfolio. These scenarios may be local or idiosyncratic in nature, and complement the systematic top-down stress testing.

SVaR and stress testing, together with reverse stress testing, provide management with insights regarding the "tail risk" beyond VaR for which the Group appetite is limited.

The market risk stress testing incorporates both historical and hypothetical events.

Policy under standardised approach

The Bank maintains a comprehensive internal policy that defines the scope and classification criteria for financial instruments included in the trading book and banking book. This policy is fully aligned with the requirements set out in Part 8 of the BCR and outlines the procedures for determining whether a position is designated as trading.

Instruments may be assigned to the banking book contrary to the general presumptions of the trading book. At 31 December 2025, such instruments included:

- Listed equity-related instruments obtained through loan restructuring (value: HK$262m)
- Strategic investments in listed equities (value: HK$3,923m)

In accordance with the Bank's hedge accounting policy, the Bank transferred certain hedged derivatives from the banking book to the trading book following the de-designation of hedge accounting. At 31 December 2025, the notional amount of these transferred hedges was HK$12.6bn.

Market risk under standardised approach

Table 48: MR1 – Market risk under STM approach

		a
		Market risk capital charges under STM approach
As at 31 Dec 2025		**HK$m**
1	General interest rate risk	**108**
2	Equity risk	**–**
3	Commodity risk	**12**
4	Foreign exchange risk	**635**
5	Credit spread risk (non-securitization)	**241**
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)	**84**
9	SA-DRC (securitization: non-CTP)	**–**
10	SA-DRC (securitization: CTP)	**–**
11	Residual risk add-on	**28**
12	**Total**	**1,108**

Total market risk capital charges under the STM approach as of 31 December 2025 were lower compared to 30 June 2025. The decrease was mainly attributable by changes in interest rate risk positions.

Prudent valuation adjustment

The Group has documented policies and maintains systems and controls for the calculation of PVA. Prudent value is an estimated conservative pricing with a 90% degree of certainty that would be received to sell an asset or paid to transfer a liability in orderly transactions occurring between market participants at the balance sheet date. The Group's methodology addresses fair value uncertainties arising from a number of sources; market price uncertainty, bid offer uncertainty, model risk, concentration, administration cost, unearned credit spreads and investing and funding costs.

Table 49: PV1 – Prudent valuation adjustments

		a	b	c	d	e	f	g	h
		Equity	**Interest rates**	**FX**	**Credit**	**Commod-ities**	**Total**	**of which: In the trading book**	**of which: In the banking book**
As at 31 Dec 2025		**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**
1	Close-out uncertainty	**20**	**51**	**2**	**–**	**–**	**73**	**23**	**50**
2	– of which: Mid-market value	20	19	2	–	–	41	15	26
3	Close-out costs	–	30	–	–	–	30	6	24
4	Concentration	–	2	–	–	–	2	2	–
5	Early termination	–	–	–	–	–	–	–	–
6	Model risk	–	**1**	–	–	–	**1**	**1**	–
7	Operational risks	**2**	**4**	–	–	–	**6**	**3**	**3**
8	Investing and funding costs	–	–	–	–	–	–	–	–
9	Unearned credit spreads	–	**3**	**5**	–	–	**8**	**8**	–
10	Future administrative costs	–	**5**	–	–	–	**5**	–	**5**
11	Other adjustments	–	–	–	–	–	–	–	–
12	**Total adjustments**	**22**	**64**	**7**	**–**	**–**	**93**	**35**	**58**

Note:
The numbers above represent negative valuation adjustments for assets measured at fair value.

Operational risk

Operational risk is the risk of loss resulting from people, inadequate or failed internal processes, data or systems and external events. Sound operational risk management is central to achieving fair outcomes for our customers, growing our business safely, and maintaining the orderly and transparent operation of financial markets. Operational risk is relevant to every aspect of our business and is broadly managed through the RMF. Operational risk covers a wide spectrum of areas, such as resilience risk, financial crime risk, regulatory compliance risk, financial reporting and tax risk, legal risk, model risk and people risk. Losses arising from breaches of regulation and law, unauthorised activities, error, omission, inefficiency, fraud, systems failure or external events all fall within the definition of operational risk.

Organisation and responsibilities

The RMF sets out how we identify, assess and manage the risks that matter the most in our ability to operate, grow and meet expectations. It translates our strategy, values, and commitments into practical actions and risk-aware decisions. The RMF is supplemented with frameworks, guides and detailed operating procedures. Responsibility for managing Operational risk lies with our people. We continue to focus on strengthening our approach to manage Operational risk and enhancing the framework and tools for strengthening the control environment and improving practices in management of operational risk.

The Enterprise Risk Management function helps the business grow safely by driving governance and management of Operational risk through the delivery and embedding of effective frameworks and policies, and continuous oversight and assurance of risks, controls, events, and impacts.

Activity to strengthen the first and second lines of defence continues to be a key focus.

Measurement and monitoring

The RMF is supplemented with frameworks, guides and detailed operating procedures, we set our risk appetite and then regularly monitor risk exposure against that appetite.

The Group calculates the Pillar 1 Operational risk capital charge using the standardised approach, introduced under Basel III final reform package. Pillar 1 Operational risk capital ('ORC') is computed using the formula: ORC = BIC x ILM, where the Business Indicator Component ('BIC') reflects the bank’s size and the Internal Loss Multiplier ('ILM') scales it based on historical losses, making capital more sensitive to actual loss experience.

Risk Scenario analysis across each material risk category, provides an aggregated, forward-looking assessment of risks for stress testing and to help determine capital requirements. This forward-looking view enables assessment of the risk impact and risk likelihood to understand the cost and wider consequences of risk materialisation, as well as the evaluation of potential further actions by management.

The first line of defence is responsible for maintaining an appropriate level of internal control, commensurate with the scale and nature of operations. There is a dedicated tool for systematic reporting of Operational loss data.

Risk mitigation, transfer, and control assessment approach

Operational risk and control assessments are performed by the first line of defence and provide a view of the risks, an assessment of the effectiveness of controls, and a tracking mechanism for action plans so that they can proactively manage risks within acceptable levels. Appropriate means of mitigation or transfer are considered. These include making specific changes to strengthen the internal control environment, and investigating whether cost-effective insurance cover is available to mitigate the risk.

Recording

We use a Group-wide risk management system to record the results of our risk management process, including the first line of defence risk and control assessments and the monitoring and follow up on the progress of documented action plans. Operational risk losses are entered into the Group-wide risk management system and are reported through governance at the agreed intervals to executive management and the board of directors (as appropriate). Loss capture thresholds are in line with industry standards.

Table 50:OR1 – Historical losses

		a	b	c	d	e	f	g	h	i	j	k
		31 Dec 2025	**31 Dec 2024**	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2016**	**Average**
Using HK$200,000 threshold (HK$m)												
1	Total amount of operational losses net of recoveries (no exclusions)	**15,708**	**23,038**	**94,499**	**3,374**	**15,211**	**(14,964)**	**37,838**	**64,224**	**31,018**	**35,744**	**30,569**
2	Total number of operational risk losses	**20**	**15**	**28**	**5**	**13**	**16**	**17**	**15**	**10**	**13**	**15**
3	Total amount of excluded operational risk losses	–	–	–	–	–	–	–	–	–	–	–
4	Total number of exclusions	–	–	–	–	–	–	–	–	–	–	–
5	Total amount of operational losses net of recoveries and net of excluded losses	**15,708**	**23,038**	**94,499**	**3,374**	**15,211**	**(14,964)**	**37,838**	**64,224**	**31,018**	**35,744**	**30,569**
Using HK$1 million threshold (HK$m)												
6	Total amount of operational losses net of recoveries (no exclusions)	**12,873**	**20,874**	**88,095**	**1,292**	**12,312**	**(19,491)**	**32,185**	**61,158**	**28,393**	**31,312**	**26,900**
7	Total number of operational risk losses	**6**	**10**	**12**	**1**	**6**	**4**	**3**	**8**	**2**	**4**	**6**
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	**12,873**	**20,874**	**88,095**	**1,292**	**12,312**	**(19,491)**	**32,185**	**61,158**	**28,393**	**31,312**	**26,900**
Details of operational risk capital charge calculation												
11	Are losses used to calculate the ILM (yes/no)?	**Yes**										
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)?	–										
13	Loss event threshold: HK$200,000 or HK$1 million for the operational risk capital charge calculation if applicable	**200,000**										

The Group's operational risk losses reporting and related disclosure aligns with the Basel III final reform package and corresponding revision in the BCR which came in effect from 1 January 2025. The Bank continues to monitor and assess the losses as per the policies and frameworks described in this section. The Bank's ILM has remained in a constant band over the 2025 reporting quarters. The recognition of provisions is determined in accordance with the accounting policies set out in Note 2(r) of the Group's 2025 Annual Report. The 10-year losses include legal proceedings and regulatory matters disclosed by the Bank in previous years.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

Table 51:OR2 – Business indicator and business indicator components breakdown

		a	b	c
		31 Dec 2025	**31 Dec 2024**	**31 Dec 2023**
	Business indicator ('BI') and its subcomponents (HK$m)			
1	Interest, leases and dividend component	**31,786**		
1a	Interest and leases income	51,087	62,589	60,779
1b	Interest and leases expenses	23,143	33,240	30,171
1c	Interest earning assets	1,493,308	1,459,331	1,438,457
1d	Dividend income	2,896	2,237	2,323
2	Services component	**10,149**		
2a	Fee and commission income	9,195	8,432	7,926
2b	Fee and commission expenses	2,853	2,978	2,954
2c	Other operating income	1,773	1,734	1,387
2d	Other operating expenses	16	23	94
3	Financial component	**2,885**		
3a	Net P&L on trading book	3,596	2,862	2,050
3b	Net P&L on banking book	8	65	74
4	BI	**44,820**		
5	BIC	**6,423**		

Disclosure on the BI:

6a	BI gross of excluded divested business and activities	**44,820**
6b	Reduction in BI due to excluded divested businesses and activities	–

Table 52:OR3 – Minimum operational risk capital requirement

		a
		31 Dec 2025
1	BIC (HK$m)	**6,423**
2	ILM (%)	**61**
3	Minimum operational risk capital requirement (HK$m)	**3,918**
4	Total RWA for operational risk (HK$m)	**48,975**

Liquidity information

The LCR aims to ensure that a bank has sufficient unencumbered HQLA to meet its liquidity needs in a 30 calendar day liquidity stress scenario. The Group also uses the NSFR as a basis for ensuring operating entities raise sufficient stable funding to support their business activities. The NSFR requires institutions to maintain a minimum amount of stable funding based on assumptions of asset liquidity.

The following table displays the LCR and NSFR levels on three reporting bases in accordance with rules 10(1)(a), 10(1)(b) and 11(1) of the BLR under Basel III:

Table 53: LIQA – LCRs and NSFRs on three liquidity reporting bases

	LCR	NSFR
As at 31 Dec 2025	**%**	**%**
Hong Kong Office	**329.3**	**180.2**
Unconsolidated	**328.6**	**179.7**
Consolidated	**307.2**	**177.8**

Information relating to the Group's approach to liquidity risk management, including customised measurement tools and metrics, and details of collateral pools and funding sources can be found in pages 75 to 80 of the Group’s 2025 Annual Report. The balance sheet items, broken down into maturity buckets are disclosed in Notes 16 'Maturity Analysis of assets and liabilities' on the consolidated financial statements in pages 144 to 146 of the Group's 2025 Annual Report.

BANKING DISCLOSURE STATEMENT (unaudited) (continued)

The following table sets out the required disclosure items under the Liquidity Coverage Ratio Standard Disclosure Template as specified by the HKMA. Number of data points used in calculating the average value of the LCR and related components set out in this table for the quarter ended on 31 December 2025 was 74.

Table 54: LIQ1 – Liquidity coverage ratio – for category 1 institution

		Quarter ended 31 Dec 2025 (74 data points)	
		a	b
	Basis of disclosure: consolidated	**Unweighted value (average) HK$m**	**Weighted value (average) HK$m**
A	**HQLA**		
1	Total HQLA		**486,171**
B	**Cash outflows**		
2	Retail deposits and small business funding, of which:	**982,498**	**79,593**
3	Stable retail deposits and stable small business funding	266,523	7,996
4	Less stable retail deposits and less stable small business funding	715,975	71,597
4a	Retail term deposits and small business term funding	–	–
5	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the AI, of which:	**217,122**	**95,064**
6	Operational deposits	24,919	5,496
7	Unsecured wholesale funding (other than small business funding) not covered in row 6	191,889	89,254
8	Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period	314	314
9	Secured funding transactions (including securities swap transactions)		**425**
10	Additional requirements, of which:	**164,156**	**26,914**
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	6,610	6,610
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	5,078	5,078
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	152,468	15,226
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	**31,708**	**31,708**
15	Other contingent funding obligations (whether contractual or non-contractual)	**346,115**	**1,799**
16	**Total cash outflows**		**235,503**
C	**Cash inflows**		
17	Secured lending transactions (including securities swap transactions)	**43,514**	**22,023**
18	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	**95,870**	**46,045**
19	Other cash inflows	**15,563**	**8,349**
20	**Total cash inflows**	**154,947**	**76,417**
D	**LCR (adjusted value)**		
21	Total HQLA		**486,171**
22	Total net cash outflows		**159,086**
23	LCR (%)		**306.2**

Table 55: LIQ2 – Net stable funding ratio – for category 1 institution

		a	b	c	d	e
		Quarter ended 31 Dec 2025				
		Unweighted value by residual maturity				
	Basis of disclosure: consolidated	**No specified term to maturity HK$m**	**<6 months or repayable on demand HK$m**	**6 months to < 12 months HK$m**	**12 months or more HK$m**	**Weighted amount HK$m**
A	**ASF item**					
1	Capital:	**170,822**	**–**	**–**	**–**	**170,822**
2	Regulatory capital	170,822	–	–	–	170,822
2a	Minority interests not covered by row 2	–	–	–	–	–
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and small business funding:	**–**	**1,000,056**	**–**	**–**	**913,262**
5	Stable deposits		264,226	–	–	251,015
6	Less stable deposits		735,830	–	–	662,247
7	Wholesale funding:	**–**	**313,143**	**7,171**	**160**	**134,803**
8	Operational deposits		24,596	–	–	12,298
9	Other wholesale funding	–	288,547	7,171	160	122,505
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	**41,060**	**21,151**	**4,995**	**23,477**	**25,974**
12	Net derivative liabilities	–				
13	All other funding and liabilities not included in the above categories	41,060	21,151	4,995	23,477	25,974
14	**Total ASF**					**1,244,861**
B	**RSF item**					
15	Total HQLA for NSFR purposes[1]		**453,429**			**20,306**
16	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17	Performing loans and securities:	**40,666**	**344,577**	**88,604**	**517,708**	**558,091**
18	Performing loans to financial institutions secured by Level 1 HQLA	–	19,116	–	–	1,916
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1	156,940	7,892	14,104	41,592
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:	36,721	141,033	67,775	151,758	264,427
21	With a risk-weight of less than or equal to 35% under the STC approach	39	604	88	880	944
22	Performing residential mortgages, of which:	–	7,911	7,708	319,053	225,383
23	With a risk-weight of less than or equal to 35% under the STC approach	–	6,978	6,922	268,109	181,220
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	3,944	19,577	5,229	32,793	24,773
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	**116,498**	**18,120**	**614**	**1,045**	**114,459**
27	Physical traded commodities, including gold	11,811				10,039
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	2,789				2,371
29	Net derivative assets	808				808
30	Total derivative liabilities before adjustments for deduction of variation margin posted	2,807				140
31	All other assets not included in the above categories	98,283	18,120	614	1,045	101,101
32	OBS items[1]			**494,926**		**7,481**
33	**Total RSF**					**700,337**
34	**NSFR (%)**					**177.8**

Table 55: LIQ2 – Net stable funding ratio – for category 1 institution (continued)

		a	b	c	d	e
		Quarter ended 30 Sep 2025				
		Unweighted value by residual maturity				
	Basis of disclosure: consolidated	**No specified term to maturity HK$m**	**<6 months or repayable on demand HK$m**	**6 months to < 12 months HK$m**	**12 months or more HK$m**	**Weighted amount HK$m**
A	**ASF item**					
1	Capital:	166,954	–	–	–	166,954
2	Regulatory capital	166,954	–	–	–	166,954
2a	Minority interests not covered by row 2	–	–	–	–	–
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and small business funding:	–	984,613	–	–	899,565
5	Stable deposits		268,274	–	–	254,860
6	Less stable deposits		716,339	–	–	644,705
7	Wholesale funding:	–	310,097	7,713	768	126,485
8	Operational deposits		27,204	–	–	13,602
9	Other wholesale funding	–	282,893	7,713	768	112,883
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	41,132	26,129	–	28,258	28,258
12	Net derivative liabilities	–				
13	All other funding and liabilities not included in the above categories	41,132	26,129	–	28,258	28,258
14	**Total ASF**					1,221,262
B	**RSF item**					
15	Total HQLA for NSFR purposes[1]		484,239			17,347
16	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17	Performing loans and securities:	38,603	290,034	94,391	515,677	548,627
18	Performing loans to financial institutions secured by Level 1 HQLA	–	7,341	–	–	734
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	3	116,169	3,896	6,980	26,356
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:	34,963	136,471	74,174	161,006	271,715
21	With a risk-weight of less than or equal to 35% under the STC approach	40	685	114	862	986
22	Performing residential mortgages, of which:	–	7,934	7,707	319,690	225,855
23	With a risk-weight of less than or equal to 35% under the STC approach	–	6,973	6,910	268,513	181,475
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	3,637	22,119	8,614	28,001	23,967
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	122,176	17,790	528	1,045	118,858
27	Physical traded commodities, including gold	15,413				13,101
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	3,733				3,173
29	Net derivative assets	176				176
30	Total derivative liabilities before adjustments for deduction of variation margin posted	2,910				146
31	All other assets not included in the above categories	99,944	17,790	528	1,045	102,262
32	OBS items[1]			491,680		7,494
33	**Total RSF**					692,326
34	**NSFR (%)**					176.4

1 The unweighted values disclosed in these rows are not required to be split by residual maturity.

Asset encumbrance

The following table is to provide the carrying amount of encumbered and unencumbered assets with breakdown of balance sheet assets.

Encumbered assets means any assets that the Bank is restricted or prevented from liquidating, selling, transferring or assigning, due to legal, regulatory, contractual or other limitations.

Unencumbered assets means any assets of the Bank other than encumbered assets.

Table 56: ENC – Asset encumbrance

	(a)	(c)	(d)
	Encumbered assets	**Unencumbered assets**	**Total**
As at 31 Dec 2025	**HK$m**	**HK$m**	**HK$m**
Financial investments	**21,445**	**455,762**	**477,207**
Trading assets	**9,512**	**43,176**	**52,688**
Assets other than Financial investments and Trading assets	**4,123**	**1,040,459**	**1,044,582**
Total Assets	**35,080**	**1,539,397**	**1,574,477**

Other disclosures

Interest rate risk in the banking book

Interest rate risk in the banking book ('IRRBB') is the potential negative impact on earnings or capital due to fluctuations in market interest rates or changes in expected repricing of client products. The risk arises from our non-traded assets and liabilities, that are not held for trading intent or in order to hedge positions held with trading intent.

Risk management and governance

Our global IRRBB risk management framework is designed to identify, measure, manage and monitor all material sources of IRRBB. We have established policies and frameworks to ensure comprehensive oversight.

We utilise a combination of economic value and earnings-based measures to manage IRRBB effectively. These measures are used to assess IRRBB risks across the banking book, supporting the overall monitoring against risk appetite. They include:

– Net Interest Income ('NII') Sensitivity; and

– Economic Value of Equity ('EVE') Sensitivity.

Economic value of equity Sensitivity

ΔEVE is the extent to which the EVE will change due to a pre-specified movement in interest rates (six interest rate shock scenarios prescribed by the HKMA), where all other economic variables are held constant. Variations in market interest rates can affect the economic value of assets, liabilities and OBS positions. The economic value of an instrument represents an assessment of the present value of its expected net cash flows, discounted to reflect market rates. The economic value perspective reflects this sensitivity. It provides a more comprehensive view of the potential long-term effects of changes in interest rates.

Net interest income Sensitivity

ΔNII is the sensitivity of expected NII applying varying interest rate scenarios, where all other economic variables are held constant. The sensitivity of NII reflects the Group's sensitivity of earnings due to changes in market interest rates. Based on the reported interest rate repricing positions in the Interest Rate Risk Return, the impact on earnings is assessed over the next 12 months using the interest rate shock scenarios prescribed by the HKMA.

The ΔEVE and ΔNII shown in Table 57 are indicative and based on scenarios and assumptions prescribed by the HKMA under its completion instructions for the Return of Interest Rate Risk in the Banking Book, which is completed and reported quarterly on a consolidated basis.

Key modelling assumptions

Key modelling and parametric assumptions used in calculating ΔEVE and ΔNII in Table 57 include:

a. for ΔEVE, commercial margins and other spread components have been excluded from the interest cash flows calculation, and all balance sheet items are discounted at risk free rates back to the reporting date;

b. all the positions captured are assumed to run to maturity and slotted into the appropriate time bands based on structural hedge maturity profile for material non-maturity deposits ('NMDs') exposures and according to the earliest interest repricing date for the rest (as per Return of Interest Rate Risk in the Banking Book); and

c. no prepayment or early redemption risk is assumed as the Bank does not have material long-term fixed rate positions, since the majority of loans are on a floating basis and the average term for fixed rate deposits is one to three months, therefore the risk is immaterial.

The average and the longest repricing maturity for NMDs on 31 December 2025 are 0.79 years and 5 years respectively.

Table 57:IRRBB1 – Quantitative information on interest rate risk in banking book

		a	b	c	d
		ΔEVE		ΔNII	
		31 Dec 2025	31 Dec 2024	**31 Dec 2025**	31 Dec 2024
		HK$m	HK$m	**HK$m**	HK$m
1	Parallel up	**1,675**	1,585	**(1,212)**	(1,088)
2	Parallel down	**372**	50	**1,212**	1,088
3	Steepener	**181**	–		
4	Flattener	**652**	713		
5	Short rate up	**1,194**	1,222		
6	Short rate down	**164**	–		
7	Maximum	**1,675**	1,585	**1,212**	1,088
	Period	**31 Dec 2025**		31 Dec 2024	
8	T1 capital	**135,331**		131,992	

At 31 December 2025, the maximum decline in economic value of equity is in the 'Parallel Up' shock at HK$ 1,675m. This translates to 1.20% of T1 capital.

The most adverse net interest income sensitivity scenario over the next 12 months is the 'Parallel Down' shock, resulting in a decrease in projected net interest income of HK$1,212m as at 31 December 2025, as compared to HK$ 1,088m as at 31 December 2024.

The changes in sensitivities have been driven by factors including balance sheet movement and an increase in stabilisation activities in line with our strategy and modelling improvements.

Mainland activities

The analysis of mainland activities is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the BDR with reference to the HKMA's Return of Mainland Activities. This includes the mainland activities exposures extended by the Bank's Hong Kong offices and its wholly-owned banking subsidiary in mainland China.

Table 58: Mainland activities

	As at 31 Dec 2025	On-balance sheet exposure HK$m	OBS exposure HK$m	Total exposures HK$m
	Types of counterparties			
1	Central government, central government-owned entities and their subsidiaries and joint ventures ('JVs')	**33,386**	**3,181**	**36,567**
2	Local governments, local government-owned entities and their subsidiaries and JVs	**23,072**	**2,265**	**25,337**
3	People's Republic of China ('PRC') nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	**88,674**	**12,612**	**101,286**
4	Other entities of central government not reported in item 1 above	**4,414**	**770**	**5,184**
5	Other entities of local governments not reported in item 2 above	**3,349**	**260**	**3,609**
6	PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	**17,514**	**1,374**	**18,888**
7	Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	**5,176**	**275**	**5,451**
	Total	**175,585**	**20,737**	**196,322**
	Total assets after provision	**1,591,149**		
	On-balance sheet exposures as percentage of total assets	**11.04%**		

On-balance sheet exposures as percentage of total assets decreased from 11.18% at 30 June 2025 to 11.04% at 31 December 2025.

International claims

The Group's country risk exposures in the table below are prepared in accordance with the HKMA Return of International Banking Statistics guidelines on a regulatory consolidation basis. International claims are on-balance sheet exposures to counterparties based on the location of the counterparties, after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies.

The table shows claims on individual countries and territories or areas, after recognised risk transfer, amounting to not less than 10% of the Group's total international claims.

Table 59: International claims

As at 31 Dec 2025	Banks HK$m	Official sector HK$m	Non-bank financial institutions HK$m	Non-financial private sector HK$m	Total HK$m
Developed countries	**84,159**	**217,758**	**5,670**	**19,887**	**327,474**
– of which: United States	22,594	109,953	3,027	404	135,978
Offshore centres	**52,683**	**30,440**	**11,000**	**122,203**	**216,326**
– of which: Hong Kong SAR	37,103	3,594	9,678	112,844	163,219
Developing Asia and Pacific	**48,214**	**11,227**	**7,558**	**24,933**	**91,932**
– of which: Mainland China	43,820	11,156	6,799	23,855	85,630

At 31 December 2025, only claims on Hong Kong SAR, Mainland China and United States were the individual countries and territories or areas, which were not less than 10% of the Group's total international claims.

Foreign exchange exposures

The Group's FX exposures in the tables below are prepared in accordance with the HKMA Return of Foreign Currency Position.

The Group had the following net structural foreign currency exposures that were not less than 10% of total net structural foreign currency positions at 31 December 2025:

Table 60: Net structural foreign currency exposures

	US dollar ('USD')	RMB	Other foreign currencies	Total foreign currencies
As at 31 Dec 2025	**HK$m**	**HK$m**	**HK$m**	**HK$m**
Net structural foreign currency exposures	**12,497**	**15,373**	**1,824**	**29,694**

The Group had the following non-structural foreign currency positions that were not less than 10% of the net non-structural positions in all foreign currencies at 31 December 2025:

Table 61: Non-structural foreign currency positions

	USD	RMB	Other foreign currencies	Total foreign currencies
As at 31 Dec 2025	**HK$m**	**HK$m**	**HK$m**	**HK$m**
Spot assets	**345,039**	**159,234**	**230,651**	**734,924**
Spot liabilities	**(290,569)**	**(134,263)**	**(98,686)**	**(523,518)**
Forward purchases	**629,471**	**237,314**	**66,573**	**933,358**
Forward sales	**(674,310)**	**(260,384)**	**(198,678)**	**(1,133,372)**
Net options positions	**(3,642)**	**237**	**74**	**(3,331)**
Net long (net short) position[1]	**5,989**	**2,138**	**(66)**	**8,061**

1 The net options positions reported above are calculated using the delta-weighted positions of the options contracts.

A summary of the Group's current policies and practices for the management of foreign currency exposures is set out in page 75 of the Group's 2025 Annual Report.

Remuneration

Remuneration Strategy

Our approach to workforce reward is focused on enabling a high-performance culture where colleagues are at their best and focused on excellent customer outcomes. Our workforce reward principles and commitments guide our approach, strengthen our ability to attract, retain and motivate the people we need in competitive markets where employee expectations continue to evolve. Our performance and pay framework is underpinned by our Group's Remuneration Strategy and principles. Our reward principles and commitments guide our approach to workforce reward and are set out below. They support our focus on being a great place to work, provide clarity on our proposition and ensure prioritisation in the right areas.

- We reward our colleagues responsibly through fixed pay security and protection through core benefits, a competitive total compensation opportunity, pay equity and a more inclusive and sustainable benefits proposition over time.
- We recognise colleagues' success through our performance routines, including feedback and recognition, pay for performance, and all employee share ownership opportunities.
- We support our colleagues to grow through our proposition beyond pay, with a focus on future skills and development, support for well-being, and flexibility.

In 2024, we made several significant changes to improve our proposition to unlock our performance edge. We introduced performance routines to support more frequent exchange of feedback and rolled out "Target Variable Pay" to help improve transparency on how we make pay decisions. The year-end performance assessment was simplified to focus less on ratings and more on dialogue between managers and colleagues.

In 2025, we continued to evolve our approach and made enhancements based on the lessons learned from the first year of implementation. We continued to improve our wellbeing and recognition offering, which help motivate employee to perform at their best

Our approach to workforce reward forms part of our broader employee value proposition and helps us retain and engage the leaders and people we need to execute our strategy.

In 2026, a key priority will be to review the pay mix for our senior executives following changes to the PRA remuneration rules announced in October 2025. This review will ensure that our remuneration approach continues to support a high-performance culture, incentivises the achievement of our financial and strategic objectives, and promotes robust risk management and exemplary conduct standards.

Please refer to the HSBC remuneration practices and governance at https://www.hsbc.com/investors/results-and-announcements/all-reporting and the Pillar 3 Remuneration Disclosures in the Director's Remuneration Report section of the Annual Report and Accounts of HSBC Holdings plc for further details.

Governance and role of relevant stakeholders

The HSBC Group Remuneration Committee is responsible for setting the principles, parameters and governance framework for the Group's remuneration strategy applicable to all Group employees, which is adopted by the Bank. The members of the Bank's Remuneration Committee are independent non-executive Directors of the Board.

The Bank as an authorised institution under the Banking Ordinance is required by HKMA Supervisory Policy Manual CG-5 'Guideline on a Sound Remuneration System' (the Guideline) to assess whether their existing remuneration systems and policy are in line with the principles in the Guideline, independently of management. This review is undertaken annually. For the review completed in April 2025, Deloitte LLP confirmed that the Bank's remuneration strategy as adopted from the Group strategy is consistent with the principles set out in the Guideline. Deloitte has been commissioned to undertake the review for 2025/2026.

Senior management and key personnel

Senior management is defined as those persons responsible for oversight of the Group's strategy, activities or material business lines. This includes the Executive Directors and Operating Committee members. There were 19 members of senior management during 2025.

Key personnel is defined as individual employees whose duties or activities involve the assumption of material risk or the taking on of material exposures on behalf of the group. Under the provisions of the United Kingdom ('UK') PRA Remuneration Rules, HSBC Group is required to identify individuals who will be considered as 'Identified Staff and Material Risk Takers' (collectively referred to as 'Material Risk Takers' or 'MRTs') based on the qualitative and quantitative criteria specified in the Regulatory Technical Standard ('RTS') issued by the European Banking Authority ('EBA'). Based on the criteria applicable to the Group, the identified number of MRTs, and in turn key personnel, in 2025 were 9 members.

Table 62:REM1: Remuneration awarded during financial year

		2025	
		a	b
Remuneration amount and quantitative information		Senior management	Key personnel
	Fixed remuneration		
1	Number of employees	19	9
2	Total fixed remuneration (HK$m)	51	30
3	– Of which: cash-based	51	30
4	– Of which: deferred	–	–
5	– Of which: shares or other share-linked instruments	–	–
6	– Of which: deferred	–	–
7	– Of which: other forms	–	–
8	– Of which: deferred	–	–
	Variable remuneration		
9	Number of employees	19	9
10	Total variable remuneration (HK$m)	30	14
11	– Of which: cash-based	17	7
12	– Of which: deferred	6	3
13	– Of which: shares or other share-linked instruments	13	7
14	– Of which: deferred	7	3
15	– Of which: other forms	–	–
16	– Of which: deferred	–	–
17	**Total remuneration (HK$m)**	81	44

Table 63:REM2: Special payments

	(a)	(b)	(c)	(d)	(e)	(f)
	2025					
	Guaranteed bonuses		Sign-on awards		Severance payments	
Special payments	Number of employees	Total amount HK$m	Number of employees	Total amount HK$m	Number of employees	Total amount HK$m
1 Senior management	–	–	–	–	2	6
2 Key personnel	–	–	–	–	1	–

Table 64:REM3: Deferred remuneration

		a	b	c	d	e
		2025				
		Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Deferred and retained remuneration		HK$m	HK$m	HK$m	HK$m	HK$m
1	Senior management	83	83	–	18	20
2	Cash	24	24	–	–	6
3	Shares	59	59	–	18	14
4	Cash-linked instruments	–	–	–	–	–
5	Other	–	–	–	–	–
6	Key personnel	48	48	–	11	15
7	Cash	14	14	–	–	5
8	Shares	34	34	–	11	10
9	Cash-linked instruments	–	–	–	–	–
10	Other	–	–	–	–	–
11	**Total**	131	131	–	29	35

Other information

Abbreviations

The following abbreviated terms are used throughout this document.

A	
AI	Authorised institution
AIRB	Advanced IRB
ASF	Available stable funding
AT1	Additional tier 1
AVA	Additional valuation adjustment
B	
Bank	Hang Seng Bank Limited
BA-CVA	Reduced basic CVA approach
BCBS	Basel Committee on Banking Supervision
BCR	Banking (Capital) Rules
BDR	Banking (Disclosure) Rules
BI	Business indicator
BIC	Business indicator component
BLR	Banking (Liquidity) Rules
BSC	Basic indicator
C	
CCF	Credit conversion factor
CCP	Central counterparty
CCR	Counterparty credit risk
CCyB	Countercyclical capital buffer
CDS	Credit Default Swap
CEM	Current exposure method
CET1	Common equity tier 1
CF	Commodities finance
CIS	Collective investment scheme
CRCO	Chief Risk and Compliance Officer
CRM	Credit risk mitigation
CRR	Customer risk rating
CSA	Credit support annex
CTP	Correlation trading portfolio
CVA	Credit valuation adjustment
D	
D-SIB	Domestic systemically important authorised institution
DTAs	Deferred tax assets
E	
EAD	Exposure at default
EBA	European Banking Authority
ECAI	External credit assessment institutions
ECL	Expected Credit Loss
EL	Expected loss
EEPE	Effective expected positive exposure
EVE	Economic value if equity
F	
FBA	Fall-back approach
FIRB	Foundation IRB
FIRO	Financial Institutions (Resolution) Ordinance
Fitch	Fitch Ratings
FMM	Finance Management Meeting
FSB	Financial Stability Board
FVA	Funding Value Adjustment
FX	Foreign exchange
G	
G-SIB	Global systemically important authorised institution
Group	Hang Seng Bank Limited together with its subsidiaries
H	
HK$bn	Billions (thousands of millions) of Hong Kong dollars
HK$m	Millions of Hong Kong dollars
HKMA	Hong Kong Monetary Authority
HKFRS	Hong Kong Financial Reporting Standards
Hong Kong SAR	The Hong Kong Special Administrative Region of the People's Republic of China
HSBC	HSBC Holdings
HSBC Group	HSBC Holdings together with its subsidiary undertakings
HQLA	High quality liquid assets
HVCRE	High-volatility commercial real estate
I	
IAA	Internal assessment approach
ILM	Internal Loss Multiplier
IMA	Internal models approach
IMM	Internal Models
IMM(CCR)	Internal models (counterparty credit risk)
IPRE	Income producing real estate
IR	Interest rate
IRB	Internal ratings-based
IRRBB	Interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
J	
JCCyB	Jurisdictional CCyB
JVs	Joint ventures
L	
LAC	Loss-absorbing capacity
LAC Rules	Financial Institutions (Resolution) (Loss–absorbing Capacity Requirements - Banking Sector) Rules
LCR	Liquidity Coverage Ratio
LGD	Loss given default
LR	Leverage ratio
LTA	Look-through approach

M	
MBA	Mandate-based approach
MOFs	Model oversight forums
Moody's	Moody’s Investors Service
MRC	Model risk committee
MRTs	Material Risk Takers
MRM	Model risk management
MSRs	Mortgage servicing rights
N	
N/A	Not applicable
NII	Net interest income
NMDs	Non-maturity deposits
NSFR	Net stable funding ratio
NTBFX	Non-trading book foreign exchange
O	
OBS	Off-balance sheet
OF	Object finance
ORC	Operational risk capital
OTC	Over-the-counter
P	
p.p.	Percentage point
PD	Probability of default
PF	Project finance
PFE	Potential future exposure
PMAs	Post model adjustment
PRA	Prudential Regulatory Authority
PRC	People's Republic of China
P&L	profits and losses
PSE	Public sector entity
PVA	Prudent valuation adjustment
Q	
QRRE	Qualifying revolving retail exposures
R	
RC	Replacement cost
RMB	Chinese Renminbi
RMF	Risk management framework
RMM	Risk Management Meeting
RSF	Required stable funding
RTS	Regulatory Technical Standard
RW	Risk-weighted
RWA	Risk-weighted asset/risk-weighted amount
S	
SA-CCR	Standardised (counterparty credit risk)
SA-DRC	Standardized default risk charge
SEC-ERBA	Securitisation external ratings-based approach
SEC-FBA	Securitisation fall-back approach
SEC-IRBA	Securitisation internal ratings-based approach
SEC-SA	Securitisation standardised approach
SFT	Securities financing transaction
SME	Small and medium-sized corporates
SRW	Supervisory risk-weight
SSTM	Simplified standardised
STC	Standardised (credit risk)
STM	Standardised (market risk)
SVaR	Stressed VaR
S&P	Standard and poor's rating services

T	
T1	Tier 1
T2	Tier 2
TC	Total regulatory capital
TLAC	Total Loss-absorbing Capacity
U	
UK	United Kingdom
USD	US dollar
V	
VaR	Value at risk
X	
xVA	x-Value Adjustment