

**Hang Seng Bank Limited**  
**Macau Branch**

*Financial disclosure*  
*(unaudited)*

*for the year ended 31 December 2025*

**Statement of financial position**  
**As at 31 December 2025**

	2025 MOP'000	2024 MOP'000
<b>Assets</b>		
Cash and balances with banks	3,153,115	3,353,899
Deposits with AMCM	131,981	111,022
Loans and advances to customers	5,872,122	7,045,362
Other assets	13,139	5,583
Tangible fixed assets	839	6,854
	<u>9,171,196</u>	<u>10,522,720</u>
<b>Liabilities</b>		
Deposits from customers	1,633,922	2,240,303
Deposits and balances from banks	5,654,953	6,393,586
Other liabilities	45,711	67,632
Current income tax liabilities	1,812	-
	<u>7,336,398</u>	<u>8,701,521</u>
<b>Net Assets</b>	<u>1,834,798</u>	<u>1,821,199</u>
<b>Represented by</b>		
Head Office account		
Working Capital	150,000	150,000
General regulatory reserves	51,605	63,137
Specific regulatory reserves	4,157	6,247
Retained profits	1,629,036	1,601,815
	<u>1,834,798</u>	<u>1,821,199</u>

**Statement of comprehensive income  
For the year ended 31 December 2025**

	2025 MOP'000	2024 MOP'000
Interest income	359,153	528,615
Interest expense	<u>(263,748)</u>	<u>(413,340)</u>
<b>Net interest income</b>	<b>95,405</b>	<b>115,275</b>
Other operating income	<u>6,296</u>	<u>7,869</u>
<b>Operating income</b>	<b>101,701</b>	<b>123,144</b>
Operating expenses	<u>(63,859)</u>	<u>(72,076)</u>
<b>Operating profit before change in expected credit losses</b>	<b>37,842</b>	<b>51,068</b>
Change in expected credit losses	<u>(22,141)</u>	<u>(55,641)</u>
<b>Profit / (Loss) before income tax</b>	<b>15,701</b>	<b>(4,573)</b>
Taxation	<u>(2,102)</u>	<u>(902)</u>
<b>Profit / (Loss) and total comprehensive income / (loss) for the year</b>	<b><u>13,599</u></b>	<b><u>(5,475)</u></b>

**Statement of changes in Head Office Account  
For the year ended 31 December 2025**

	Working Capital MOP '000	General Regulatory reserves MOP '000	Specific Regulatory reserves MOP '000	Retained profits MOP '000	Total MOP '000
<b>Head Office account at 1 January 2025</b>	150,000	63,137	6,247	1,601,815	1,821,199
Profit and total comprehensive income for the year	-	-	-	13,599	13,599
Change in Regulatory Reserve	-	(11,532)	(2,090)	13,622	-
<b>Head Office account at 31 December 2025</b>	<u>150,000</u>	<u>51,605</u>	<u>4,157</u>	<u>1,629,036</u>	<u>1,834,798</u>
<b>Head Office account at 1 January 2024</b>	-	116,189	-	1,710,485	1,826,674
Working Capital	150,000	-	-	(150,000)	-
Loss and total comprehensive loss for the year	-	-	-	(5,475)	(5,475)
Change in Regulatory Reserve	-	(53,052)	6,247	46,805	-
<b>Head Office account at 31 December 2024</b>	<u>150,000</u>	<u>63,137</u>	<u>6,247</u>	<u>1,601,815</u>	<u>1,821,199</u>

**Cash flow statement**  
**For the year ended 31 December 2025**

	2025 MOP'000	2024 MOP'000
<b>Cash flows from operating activities</b>		
Profit / (Loss) before income tax	15,701	(4,573)
Depreciation	6,035	7,206
Loss on disposal of fixed assets	-	17
Change in Loan impairment	22,141	55,641
Interest income	(359,153)	(528,615)
Interest expense	263,748	413,340
Interest received	343,292	539,332
Interest paid	(282,953)	(426,979)
Change in minimum deposits with AMCM	(9,045)	(1,850)
Change in gross loans and advances to customers	1,174,390	3,845,326
Change in other assets	(82)	371
Change in balances with banks with original maturity more than three months	4,621	(919,849)
Change in deposits from customers	(606,381)	34,538
Change in deposits and balances from banks	(738,633)	(3,871,647)
Change in other liabilities	(1,740)	(8,280)
	<hr/>	<hr/>
Cash outflow from operating activities before taxation	(168,059)	(866,022)
Macau complementary tax paid	(290)	(12,252)
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Cash outflow from operating activities	(168,349)	(878,274)
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<b>Cash flows from investing activity</b>		
Purchase of tangible fixed assets	(20)	(388)
	<hr/>	<hr/>
Cash outflow from investing activity	(20)	(388)
	<hr/>	<hr/>
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<b>Change in cash and cash equivalents</b>	(168,369)	(878,662)
Cash and cash equivalents at 1 January	1,624,992	2,503,654
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<b>Cash and cash equivalents at 31 December</b>	1,456,623	1,624,992
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For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

	2025 MOP'000	2024 MOP'000
Cash and balances with banks	1,357,469	1,545,781
Deposits with AMCM in excess of minimum statutory requirement	90,211	78,297
Items in course of collection from other banks	10,286	2,813
Items in course of transmission to other banks	(1,343)	(1,899)
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	1,456,623	1,624,992
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## **Hang Seng Bank Limited Macau Branch – Operational Results Summary**

Operating conditions remained challenging in 2025, as global economic and social impacts from geopolitical and macro uncertainties persisted. Declining interest rates in the latter half of the year put pressure on net interest income, while ongoing market concerns about volatility dampened business sentiment, investment activity, and loan demand.

Despite these challenges, the Macau Branch of Hang Seng Bank (the ‘Branch’) maintained its focus on strengthening long-term business resilience and advancing service innovations to enhance customer experience. These improvements reflect Hang Seng’s customer-centricity – its commitment to delivering simple, convenient banking and elevating service standards.

In 2025, the Branch provided a comprehensive suite of banking services to commercial and personal customers, including deposits, trade finance, cross-boundary renminbi trade, mortgage loans, corporate lending, remittances, foreign exchange, bills collection, and insurance agency services. As of 31 December 2025, customer deposits totaled MOP1,634m, and customer loans totaled MOP5,872m, with profit after tax for the year reaching MOP14m.

The Branch will continue to adopt a dynamic, strategic approach in response to evolving market conditions.

On behalf of the Branch management, I would like to express our sincere appreciation for the ongoing support from government authorities, customers, and staff.

Isidorus Fong  
Branch Manager  
Hang Seng Bank Limited, Macau Branch

# **INDEPENDENT AUDITOR’S REPORT ON THE SUMMARY FINANCIAL STATEMENTS**

## **TO MANAGEMENT OF HANG SENG BANK LIMITED - MACAU BRANCH**

The accompanying summary financial statements of Hang Seng Bank Limited – Macau Branch (the “Branch”) set out on pages 3 to 4, which comprise the summary of financial position as at 31 December 2025 and the summary comprehensive income for the year then ended, are derived from the audited financial statements of the Branch for the year ended 31 December 2025. We expressed an unmodified audit opinion on those financial statements, from which the summary financial statements are derived, in our report dated 13 April 2026.

The summary financial statements do not contain all the disclosures required by Financial Reporting Standards issued by the Government of the Macao Special Administrative Region. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Branch.

### **MANAGEMENT’S RESPONSIBILITY FOR THE SUMMARY FINANCIAL STATEMENTS**

Management is responsible for the preparation of the summary financial statements in accordance with Article 86 of Macau Financial System Act and AMCM Circular No. 004/B/2024-DSB/AMCM.

### **AUDITOR’S RESPONSIBILITY**

Our responsibility is to express an opinion on the summary financial statements based on our procedures and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standard on Auditing 810 “Engagements to Report on Summary Financial Statements”, which is included in the Auditing Standards, issued by the Professional Committee of Accountants of the Government of the Macao Special Administrative Region.

### **OPINION**

In our opinion, the summary financial statements derived from the audited financial statements of the Branch for the year ended 31 December 2025 are consistent, in all material respects, with the audited financial statements, in accordance with Article 86 of Macau Financial System Act and AMCM Circular No. 004/B/2024-DSB/AMCM.

Li Ching Lap Bernard  
Certified Public Accountant  
**PricewaterhouseCoopers**  
Macao, 13 April 2026

## Off-balance sheet exposures

### (a) Contingent liabilities and commitments

	2025 MOP'000	2024 MOP'000
Bank guarantees	267,994	195,412
Trade-related contingencies	55,122	74,936
Acceptance on trade bills	145,595	23,513
Undrawn formal stand by facilities, credit lines and other commitments to lend	3,509,044	4,696,241
	<u>3,709,761</u>	<u>4,794,690</u>
	<u>3,977,755</u>	<u>4,990,102</u>

### (b) Lease commitments

The Branch leases a number of properties under operating leases. The leases typically run for a period of one to three years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are as follows:

	2025 MOP'000	2024 MOP'000
Not later than one year	7,977	1,302
Later than one year and not later than five years	1,349	12
	<u>9,326</u>	<u>1,314</u>

## Derivative transactions

There were no derivative transactions as at 31 December 2025 and 31 December 2024.

## Accounting policies

### Summary of significant accounting policies

#### (a) Basis of preparation

The financial statements of the Branch have been prepared in accordance with Financial Reporting Standards issued by the Directive of Secretaria para a Economia e Finanças No. 44/2020 on 17 March 2020 (“New MFRS”).

The preparation of financial statements in conformity with New MFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Branch’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in “Critical accounting estimates and assumptions”.

The financial statements have been prepared under the historical cost convention.

There were no new standards applied during the year ended 31 December 2025.

##### (i) New standards and interpretations issued but is not yet effective or adopted

Effective from 1 January 2026, the Financial Reporting Standards issued by the Directive of Secretaria para a Economia e Finanças No. 44/2020 on 17 March 2020 (“MFRS”) will be replaced by the Financial Reporting Standards issued by the Professional Committee of Accountants of the Government of the Macao Special Administrative Region Notice No. 2/2024/CPC on 19 December 2024 (“New MFRS”). The New MFRS is mandatory for adoption from the annual period beginning 1 January 2028. The management is assessing the impact of new MFRS to the Branch’s financial statements.

##### (ii) Establishment of regulatory reserve

The regulatory reserve is maintained to satisfy the provisions of the AMCM for prudential supervision purposes by appropriated amounts in respect of losses which the Branch will or may incur on credit exposures in addition to expected credit loss recognised in accordance with AMCM Guideline Notice 012/2021-AMCM. Movements in the regulatory reserve are appropriated directly through retained profits. As at 31 December 2025, the balance of general regulatory reserves is MOP 51,605,000 and the specific regulatory reserves is MOP 4,157,000 (2024: general regulatory reserves is MOP 63,137,000 and specific regulatory reserves is MOP 6,247,000).

#### (b) Revenue recognition

##### (i) Interest income

Interest income is recognised on an accruals basis using the effective interest rates of the financial assets or financial liabilities to which they relate.

## Accounting policies (continued)

### Summary of significant accounting policies (continued)

#### (b) Revenue recognition (continued)

##### (i) Interest income (continued)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amounts paid or received by the Branch that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

##### (ii) Fee and commission income

The Branch generates fee income from services provided at a fixed price over time, such as account service, or when the Branch delivers a specific transaction at a point in time such as import/export services. All other fees are generated at a fixed price. Variable fees are recognised when all uncertainties are resolved. Fee income is generally earned from short term contracts with payment terms that do not include a significant financing component.

The Branch acts as principal in the majority of contracts with customers. The Branch recognises fees earned on transaction-based arrangements at a point in time when it has fully provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

Where the Branch offers a package of services that contains multiple non-distinct performance obligations, such as those included in account service packages, the promised services are treated as a single performance obligation. If a package of services contains distinct performance obligations the corresponding transaction price is allocated to each performance obligation based on the estimated stand-alone selling prices.

#### (c) Financial Instruments

##### Classification

From 1 January 2022, the Branch has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Amortised cost
- Fair value through other comprehensive income (“FVOCI”); or
- Fair value through profit or loss (“FVPL”)

The classification depends on the Branch’s business model for managing the financial assets and the contractual terms of the cash flows.

## Accounting policies (continued)

### Summary of significant accounting policies (continued)

#### (c) Financial Instruments (continued)

##### Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Branch commits to purchase or sell the asset. Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire, or when the financial asset together with substantially all the risks and rewards of ownership, have been transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

##### Measurement

All financial instruments are recognised initially at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is the fair value of the consideration given or received).

##### (i) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes the directly attributed transactions costs.

The Branch may commit to underwrite loans on fixed contractual terms for specified periods of time. When the loan arising from the lending commitment is expected to be held for trading, the commitment to lend is recorded as a derivative. When the Branch intends to hold the loan, the loan commitment is included in the impairment calculations set out below (see “Impairment on financial assets”).

##### (ii) Financial assets measured at fair value through other comprehensive income (‘FVOCI’)

Financial assets held for a business model that is achieved by both selling and collecting contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities. They are recognised on the trade date when the Branch enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold.

## Accounting policies (continued)

### Summary of significant accounting policies (continued)

#### (c) Financial Instruments (continued)

##### Measurement (continued)

- (ii) Financial assets measured at fair value through other comprehensive income ('FVOCI') (continued)

Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses from financial investments'. Financial assets measured at FVOCI are included in the impairment calculations set out below (see "Impairment on financial assets") and impairment is recognised in profit or loss. The Branch has no balance for the financial assets measured at fair value through other comprehensive income as at 31 December 2025 (2024: Nil).

- (iii) Fair value through profit or loss ("FVPL")

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- when a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- where the financial liability contains one or more non-closely related embedded derivatives.

Designated financial assets are recognised when the Branch enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when the Branch enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair value are recognised in the income statement in 'Net income from financial instruments measured at fair value through profit or loss'. The Branch has no balance for the financial assets measured at fair value through profit or loss as at 31 December 2025 (2024: Nil).

#### (d) Impairment on financial assets

Expected credit losses are recognised for loans and advances to banks and customers, non-trading reverse repurchase agreements, other financial assets held at amortised cost, debt instruments measured at fair value through other comprehensive income, and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

## **Accounting policies (continued)**

### **Summary of significant accounting policies (continued)**

#### **(d) Impairment on financial assets (continued)**

Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit-impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ('POCI') are treated differently as set out below.

#### **Credit-impaired (stage 3)**

The Branch determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are 90 days past due or above;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; or
- the loan is otherwise considered to be in default.
- If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

Therefore, the definitions of credit-impaired and default are aligned as far as possible so that stage 3 represents all loans that are considered defaulted or otherwise credit-impaired.

Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less allowance for ECL.

#### **Write-off**

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of collateral. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

#### **Forbearance**

Loans are identified as forborne and classified as either performing or non-performing when the Branch modify the contractual payment terms due to financial difficulty of the borrower. Non-performing forborne loans are stage 3 and classified as non-performing until they meet the cure criteria, as specified by applicable credit risk policy (for example, when the loan is no longer in default and no other indicators of default have been present for at least 12 months). Any amount written off as a result of any modification of contractual terms upon entering forbearance would not be reversed.

## **Accounting policies (continued)**

### **Summary of significant accounting policies (continued)**

#### **(d) Impairment on financial assets (continued)**

##### **Credit-impaired (stage 3) (continued)**

##### **Forbearance (continued)**

Performing forbore loans are initially stage 2 and remain classified as forbore until they meet applicable cure criteria (for example, they continue to not be in default and no other indicators of default are present for a period of at least 24 months). At this point, the loan is either stage 1 or stage 2 as determined by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

A forbore loan is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the forbore loan is a substantially different financial instrument. Any new loans that arise following derecognition events in these circumstances would generally be classified as POCI and will continue to be disclosed as forbore.

##### **Significant increase in credit risk (stage 2)**

An assessment of whether credit risk has increased significantly is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly considers if the financial instrument has experienced a significant increase in credit risk, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument, the borrower and the geographical region. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of lending, particularly between retail and wholesale.

However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, wholesale loans that are individually assessed, typically corporate and commercial customers, and included on a watch or worry list are included in stage 2.

For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime probability of default which encompasses a wide range of information including the obligor's customer risk rating ('CRR'), macroeconomic condition forecasts and credit transition probabilities. For origination CRR up to 3.3, significant increase in credit risk is measured by comparing the average probability of default ('PD') for the remaining term estimated at origination with the equivalent estimation at reporting date.

## Accounting policies (continued)

### Summary of significant accounting policies (continued)

#### (d) Impairment on financial assets (continued)

##### Significant increase in credit risk (stage 2) (continued)

For CRRs greater than 3.3 that are not impaired, a significant increase in credit risk is considered to have occurred when the origination PD has doubled. The significance of changes in PD was informed by expert credit risk judgment, referenced to historical credit migrations and to relative changes in external market rates. The quantitative measure of significance varies depending on the credit quality at origination as follows:

Origination CRR	Significance trigger – PD to increase by
0.1-1.2	15bps
2.1-3.3	30bps
Greater than 3.3 and not impaired	2x

For loans originated prior to the implementation of IFRS 9, the origination PD does not include adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. In the absence of this data, origination PD must be approximated assuming through-the-cycle ('TTC') PDs and TTC migration probabilities, consistent with the instrument's underlying modelling approach and the CRR at origination. For these loans, the quantitative comparison is supplemented with additional CRR deterioration based thresholds as set out in the table below:

Origination CRR	Additional significance criteria – Number of CRR grade notches deterioration required to identify as significant credit deterioration (stage 2) (> or equal to)
0.1	5 notches
1.1-4.2	4 notches
4.3-5.1	3 notches
5.2-7.1	2 notches
7.2-8.2	1 notch
8.3	0 notch

A CRR 10-grade scale summarises a more granular underlying 23-grade scale of obligor probability of default ('PD').

For retail portfolios, default risk is assessed using a reporting date 12-month PD derived from credit history which incorporate all available information about the customer. This PD is adjusted for the effect of macroeconomic forecasts for periods longer than 12 months and is considered to be a reasonable approximation of a lifetime PD measure. Retail exposures are divided into account level and homogeneous segment level measurement. Within each portfolio, the stage 2 accounts are defined as accounts with 12-month PD greater than the average 12-month PD of loans in that portfolio 12 months before they become 30 days past due.

The expert credit risk judgement is that no prior increase in credit risk is significant. This portfolio-specific threshold therefore identifies loans with a PD higher than would be expected from loans that are performing as originally expected and higher than that which would have been acceptable at origination. It therefore approximates a comparison of origination to reporting date PDs.

## **Accounting policies (continued)**

### **Summary of significant accounting policies (continued)**

#### **(d) Impairment on financial assets (continued)**

##### **Unimpaired and without significant increase in credit risk (stage 1)**

ECL resulting from default events that are possible within the next 12 months ('12-month ECL') are recognised for financial instruments that remain in stage 1.

##### **Movement between stages**

Financial assets can be transferred between the different stages depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. In the case of non-performing forborne loans, such financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment and meet the curing criteria as described above.

##### **Measurement of ECL**

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

In general, the Branch calculates ECL using three main components, PD, a loss given default ('LGD') and the exposure at default ('EAD').

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

The Branch leverages the Basel framework where possible, with recalibration to meet the differing IFRS 9 requirements as follows:

## Accounting policies (continued)

### Summary of significant accounting policies (continued)

#### (d) Impairment on financial assets (continued)

##### Measurement of ECL (continued)

Model	Regulatory capital	IFRS 9
PD	<ul style="list-style-type: none"><li>– Through the cycle (represents long-run average PD throughout a full economic cycle)</li><li>– The definition of default includes a backstop of 90+ days past due</li></ul>	<ul style="list-style-type: none"><li>– Point in time (based on current conditions, adjusted to take into account estimates of future conditions that will impact PD)</li><li>– An obligor/an account being 90 days past due or above is considered as defaulted</li></ul>
EAD	<ul style="list-style-type: none"><li>– Cannot be lower than current balance</li></ul>	<ul style="list-style-type: none"><li>– Amortisation captured for term products</li></ul>
LGD	<ul style="list-style-type: none"><li>– Downturn LGD (consistent losses expected to be suffered during a severe but plausible economic downturn)</li><li>– Regulatory floor may apply according to regulatory requirements</li><li>– Discounted using cost of capital</li><li>– All collection costs included</li></ul>	<ul style="list-style-type: none"><li>– Expected LGD (based on estimate of loss given default including the expected impact of future economic conditions such as changes in value of collateral)</li><li>– No floor is required under IFRS 9</li><li>– Discounted using the effective interest rate of the loan</li><li>– Only costs associated with obtaining/selling collateral included</li></ul>
Other		<ul style="list-style-type: none"><li>– Discounted back from point of default to balance sheet date</li></ul>

While 12-month PDs are recalibrated from Basel models where possible, the lifetime PDs are determined by projecting the 12-month PD using a term structure. For the wholesale methodology, the lifetime PD also takes into account credit migration, i.e. a customer migrating through the CRR bands over its life.

The ECL for wholesale stage 3 is determined on an individual basis using a discounted cash flow ('DCF') methodology. The expected future cash flows are based on the credit risk officer's estimates as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral. The cash flows are discounted at a reasonable approximation of the original effective interest rate.

For significant cases, cash flows under four different scenarios are probability-weighted by reference to the three economic scenarios applied more generally by the Branch and the judgement of the credit risk officer in relation to the likelihood of the workout strategy succeeding or receivership being required. For less significant cases, the effect of different economic scenarios and work-out strategies are approximated and applied as an adjustment to the most likely outcome.

## **Accounting policies (continued)**

### **Summary of significant accounting policies (continued)**

#### **(d) Impairment on financial assets (continued)**

##### **Measurement of ECL (continued)**

###### **Period over which ECL is measured**

Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Branch is exposed to credit risk. For wholesale overdrafts, credit risk management actions are taken no less frequently than on an annual basis and therefore this period is to the expected date of the next substantive credit review. The date of the substantive credit review also represents the initial recognition of the new facility.

However, where the financial instrument includes both a drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit the Branch's exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered.

Instead, ECL is measured over the period the Branch remains exposed to credit risk that is not mitigated by credit risk management actions. This applies to retail revolving loan and overdrafts, where the period is the average time taken for stage 2 exposures to default or close as performing accounts, determined on a portfolio basis and ranging from between two and six years.

In addition, for these facilities it is not possible to identify the ECL on the loan commitment component separately from the financial asset component. As a result, the total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL in excess of the carrying amount of the financial asset is recognised as a provision. For wholesale overdraft facilities, credit risk management actions are taken no less frequently than on an annual basis subject to certain extension criteria.

###### **Forward-looking economic forecast**

The Branch applies multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative the view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected credit loss in most economic environments. In certain economic environments, additional analysis may be necessary and result in additional scenarios or adjustments, to reflect a range of possible economic outcomes for an unbiased expected credit loss estimate.

The recognition and measurement of ECL involves the use of significant judgement and estimation. We form multiple economic scenarios, apply these forecasts to credit risk models to estimate future credit losses, and probability- weight the results to determine an unbiased ECL estimate.

At 31 December 2025, four scenarios "Central", "Upside", "Downside" and "Downside 2" were used to capture the latest economic expectations and to articulate management's view of the range of risks and potential outcomes. Each scenario is updated with the latest economic forecasts and distributional estimates every quarter.

Three scenarios, the Upside, Central and Downside, are drawn from consensus forecasts, market data and distributional estimates of the entire range of economic outcomes. The fourth scenario, the Downside 2, represents management's view of severe downside risks.

## **Accounting policies (continued)**

### **Summary of significant accounting policies (continued)**

#### **(d) Impairment on financial assets (continued)**

##### **Forward-looking economic forecast (continued)**

The Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting. It is created using consensus forecasts, which is the average of a panel of external forecasts.

##### **Management Overlay**

There is no local management overlay made in 2025 and 2024.

#### **(e) Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation and impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives. Leasehold improvement is depreciated over 5 years or unexpired terms of the leases, whichever is shorter, whereas the rest is depreciated between 3 to 10 years.

Subsequent expenditure relating to tangible fixed assets that has already been recognised is added to the carrying amount of the asset only when it is probable that the future economic benefit associated with the item can be measured reliably. Other subsequent expenditure is recognised as maintenance expense in the income statement during the financial year in which it is incurred.

On disposal, the profit and loss is calculated as the difference between the net sales proceeds and the net carrying amount.

Tangible fixed assets are subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

#### **(f) Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents include highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value. The balance comprises cash, balances with banks, treasury bills and certificates of deposit with less than three months' maturity from the date of acquisition and items in the course of collection from or in transmission to other banks.

#### **(g) Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment that has to be made to the lessor is recognised as an expense in the period the termination takes place.

## Accounting policies (continued)

### Summary of significant accounting policies (continued)

#### (h) Foreign currency treatment

##### (i) Functional and presentation currency

Items in the financial statements are measured using the currency of the primary economic environment in which the Branch operates. The financial statements are presented in Macau Official Patacas (“MOP”), which is the functional currency of the Branch.

##### (ii) Foreign currency transactions and balances

Transactions in foreign currencies are measured using exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into MOP at the exchange rate at the end of the reporting period. Foreign exchange differences arising from monetary translations are recognised in the income statement; non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

#### (i) Current and deferred taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Branch operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that has been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

#### (j) Employee benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Branch of non-monetary benefits are accrued in the year in which the associated services are rendered by the employees. Provision is made in respect of paid leave entitlement accumulated during the year, which can be carried forward into future periods for compensated absence or payment in lieu if the employee leaves employment.

The Branch provides defined contribution scheme to staff members in accordance with the relevant laws and regulations.

## Accounting policies (continued)

### Summary of significant accounting policies (continued)

#### (k) Provisions other than impairment on financial assets

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation arising from past events and a reliable estimate can be made as to the amount of the obligation. Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Branch; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

#### (l) Financial guarantees

Financial guarantees are contracts that require the Branch to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of loans or debt instrument.

Financial guarantee liabilities are initially recognised at their fair value and subsequently carried at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 '*Financial Instruments*' and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 '*Revenue from Contracts with Customers*'.

Financial guarantees are included within other liabilities.

#### (m) Related parties

For the purposes of these financial statements, parties are considered to be related to the Branch has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Branch and the party are subject to common control or common significant influence.

Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities which are under the significant influence of related parties of the Branch and post employment benefit scheme. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Branch, the Head Office and its holding companies, directly or indirectly, including any directors (whether executive or otherwise) and Executive Committee members of the Head Office and its holding companies.

## **Critical accounting estimates and assumptions**

### **(a) Impairment of financial assets**

#### **Critical estimates and judgements**

In determining ECL, the Branch is required to make a number of judgements, assumptions and estimates which are set out below:

- Defining what is considered to be a significant increase in credit risk.
- Determining the lifetime and point of initial recognition of revolving facilities.
- Selecting and calibrating the PD, LGD and EAD models which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions.
- Selecting model inputs and economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected loss.
- Making management adjustments to account for late breaking events, model and data limitations and deficiencies, and expert credit judgements.
- Selecting applicable recovery strategies for certain wholesale credit-impaired loans.

Details of key assumptions and inputs please refer to “Summary of significant accounting policies - (d) Impairment on financial assets” and “Credit Risk”.

## Material related-party transactions

### (a) Policy for related party transactions

The Branch entered into transactions with its Head Office, a subsidiary of Head Office and other related companies in the ordinary course of its interbank activities including the acceptance and placement of interbank deposits, correspondent banking transactions and off-balance sheet transactions. The activities were priced at mutually agreed rates at the time of the transactions.

### (b) Transactions with Head Office, a subsidiary of Head Office and other related companies

Save from otherwise disclosed in the financial statements, the balances and aggregate amount of income and expenses arising from these transactions during the year, and the total contract sum of off-balance sheet transactions at the year-end are as follows:

#### Income and expenses

	2025 MOP'000	2024 MOP'000
Interest income from Head Office and a subsidiary of Head Office	116,016	96,358
Insurance commission income from Intergroup	-	25
Interest expense to Head Office	(220,206)	(358,351)
Fee and commission paid to Head Office and a subsidiary of Head Office	(1,855)	(2,245)
Management fee refunded from / (paid to) Head Office	3,242	(6,091)
Operating expenses paid to other related companies	(11,570)	(6,863)

#### Balances with Head Office and a subsidiary of Head Office:

	2025 MOP'000	2024 MOP'000
<u>Assets</u>		
Cash and balances with banks		
- Demand deposits	269,290	118,310
- Placements	2,767,608	2,580,208
<u>Liabilities</u>		
Deposits and balances from banks		
- Deposits and placements from banks	5,654,953	6,393,586
Other liabilities		
- Interest payable	20,713	31,704
- Other payable	788	827

**Material related-party transactions (continued)**

**(c) Key management personnel remuneration**

The remuneration of key management personnel, which is included in “staff costs”, is as follows:

	2025 MOP'000	2024 MOP'000
Executive officers	<u>3,214</u>	<u>3,026</u>

**(d) Material transactions with key management personnel**

During the year, the Branch did not provide credit facilities to key management personnel of the Branch and its Head Office, their close family members and companies controlled or significantly influenced by them (2024: Nil).

## **Financial risk management**

### **Credit risk**

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 leasing activities and also from certain other products such as guarantees. The Branch follows the Head office on the dedicated standards, policies and procedures in place to control and monitor risk from all such activities.

There are dedicated functions, reported to Branch management and further the Chief Risk Officer of Head Office, responsible for centralised management of credit risk through:

- formulating credit policies on approval process, post disbursement monitoring, recovery process and large exposure;
- issuing guidelines on lending to specified market sectors, industries and products; the acceptability of specific classes of collateral or risk mitigations and valuation parameters for collateral;
- undertaking an independent review and objective assessment of credit risk for all commercial non-bank credit facilities in excess of designated amount prior to the facilities being committed to customers;
- controlling exposures to selected industries, counterparties, countries and portfolio types etc. by setting limits;
- maintaining and developing credit risk rating/facility grading process to categorise exposures and facilitate focused management;
- reporting to senior executives and various committees on aspects of the Branch’s loan portfolio;
- managing and directing credit-related systems initiatives; and
- providing advice and guidance to business units on various credit-related issues.

The Branch has adopted the requirements of IFRS 9 from 1 January 2022. Under IFRS 9, the scope of impairment now covers amortised cost financial assets, loan commitments and financial guarantees.

## **Financial risk management (continued)**

### **Credit risk (continued)**

Impairment is calculated in three stages and financial instruments are allocated into one of the three stages where the transfer mechanism depends on whether there is a significant increase/decrease in credit risk in the relevant reporting period. After the allocation, the measurement of expected credit loss (“ECL”), which is the product of probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”), will reflect the change in risk of default occurring over the remaining life of the instruments.

**Financial risk management (continued)**

**Credit risk (continued)**

*Geographic distribution of exposure*

As at 31 December 2025

	Total exposures MOP '000	Individually impaired loans and advances MOP '000	Stage 1 ECL MOP '000	Stage 2 ECL MOP '000	Stage 3 ECL MOP '000	Total ECL MOP '000
<i>Loans and advances to customers</i>						
- Macau	4,807,549	290,795	(1,684)	(762)	(20,988)	(23,434)
- Hong Kong	1,098,532	598,773	(88)	(1,168)	(57,935)	(59,191)
- Others	48,666	-	-	-	-	-
	<u>5,954,747</u>	<u>889,568</u>	<u>(1,772)</u>	<u>(1,930)</u>	<u>(78,923)</u>	<u>(82,625)</u>
<i>Financial guarantees, loan commitments and other credit related contingent liabilities</i>						
- Macau	2,900,316	-	(127)	(25)	(65)	(217)
- Hong Kong	253,439	-	(27)	-	-	(27)
- Others	824,000	-	(1,051)	-	-	(1,051)
	<u>3,977,755</u>	<u>-</u>	<u>(1,205)</u>	<u>(25)</u>	<u>(65)</u>	<u>(1,295)</u>

**Financial risk management (continued)**

**Credit risk (continued)**

*Geographic distribution of exposure (continued)*

As at 31 December 2025

	Total exposures MOP '000	Individually impaired loans and advances MOP '000	Stage 1 ECL MOP '000	Stage 2 ECL MOP '000	Stage 3 ECL MOP '000	Total ECL MOP '000
<i>Financial Derivatives</i>						
- Macau	-	-	-	-	-	-
- Hong Kong	-	-	-	-	-	-
- Others	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

All other financial assets held by the Branch only have Macau exposures.

There is no customer grouped under banks and governments, and there is no exposure for customer grouped under public sector entities.

**Financial risk management (continued)**

**Credit risk (continued)**

*Geographic distribution of exposure (continued)*

As at 31 December 2024

	Total exposures MOP '000	Individually impaired loans and advances MOP '000	Stage 1 ECL MOP '000	Stage 2 ECL MOP '000	Stage 3 ECL MOP '000	Total ECL MOP '000
<i>Loans and advances to customers</i>						
- Macau	5,612,536	212,957	(955)	(1,183)	(17,593)	(19,731)
- Hong Kong	1,185,743	626,897	(183)	(58)	(37,098)	(37,339)
- Others	304,177	-	(24)	-	-	(24)
	<u>7,102,456</u>	<u>839,854</u>	<u>(1,162)</u>	<u>(1,241)</u>	<u>(54,691)</u>	<u>(57,094)</u>
<i>Financial guarantees, loan commitments and other credit related contingent liabilities</i>						
- Macau	4,369,575	-	(258)	(62)	(359)	(679)
- Hong Kong	36,392	-	(3)	-	-	(3)
- Others	584,135	-	(1,032)	-	-	(1,032)
	<u>4,990,102</u>	<u>-</u>	<u>(1,293)</u>	<u>(62)</u>	<u>(359)</u>	<u>(1,714)</u>

**Financial risk management (continued)**

**Credit risk (continued)**

*Geographic distribution of exposure (continued)*

As at 31 December 2024

	Total exposures MOP '000	Individually impaired loans and advances MOP '000	Stage 1 ECL MOP '000	Stage 2 ECL MOP '000	Stage 3 ECL MOP '000	Total ECL MOP '000
<i>Financial Derivatives</i>						
- Macau	-	-	-	-	-	-
- Hong Kong	-	-	-	-	-	-
- Others	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

All other financial assets held by the Branch only have Macau exposures.

There is no customer grouped under banks and governments, and there is no exposure for customer grouped under public sector entities.

**Financial risk management (continued)**

**Credit risk (continued)**

*Industry distribution of exposures of loans and advances*

As at 31 December 2025

	Gross loans and advances MOP '000	Individually impaired loans and advances MOP '000	Overdue loans and advances# MOP '000	Stage 1 ECL MOP '000	Stage 2 ECL MOP '000	Stage 3 ECL MOP '000
Agriculture and fisheries	-	-	-	-	-	-
Mining industries	-	-	-	-	-	-
Manufacturing industries	-	-	-	-	-	-
Electricity, gas and water	-	-	-	-	-	-
Construction and public works	365,480	45,266	-	(136)	(447)	-
Wholesale and retail trade	620,396	30,850	-	(130)	(907)	(20,523)
Restaurants, hotels and similar	-	-	-	-	-	-
Transport, warehousing and communications	-	-	-	-	-	-
Non-monetary financial institutions	-	-	-	-	-	-
Gaming	-	-	-	-	-	-
Exhibition and conference	-	-	-	-	-	-
Education	-	-	-	-	-	-
Information technology	-	-	-	-	-	-
Individuals for house purchases	2,705,997	3,679	3,679	(56)	(108)	(242)
Individuals for other purposes	105,625	4,719	4,719	-	-	(223)
Others	2,157,249	805,054	538,449	(1,450)	(468)	(57,935)
	<u>5,954,747</u>	<u>889,568</u>	<u>546,847</u>	<u>(1,772)</u>	<u>(1,930)</u>	<u>(78,923)</u>

# Loans and advances which have been overdue with respect to either principal or interest for periods of more than three months.

**Financial risk management (continued)**

**Credit risk (continued)**

*Industry distribution of exposures of loans and advances (continued)*

As at 31 December 2024

	Gross loans and advances MOP '000	Individually impaired loans and advances MOP '000	Overdue loans and advances# MOP '000	Stage 1 ECL MOP '000	Stage 2 ECL MOP '000	Stage 3 ECL MOP '000
Agriculture and fisheries	-	-	-	-	-	-
Mining industries	-	-	-	-	-	-
Manufacturing industries	-	-	-	-	-	-
Electricity, gas and water	-	-	-	-	-	-
Construction and public works	261,664	39,346	-	(91)	-	-
Wholesale and retail trade	1,122,094	209,278	-	(119)	(481)	(17,593)
Restaurants, hotels and similar	-	-	-	-	-	-
Transport, warehousing and communications	-	-	-	-	-	-
Non-monetary financial institutions	-	-	-	-	-	-
Gaming	-	-	-	-	-	-
Exhibition and conference	-	-	-	-	-	-
Education	-	-	-	-	-	-
Information technology	-	-	-	-	-	-
Individuals for house purchases	2,969,528	3,679	3,679	(16)	(29)	-
Individuals for other purposes	128,173	-	-	(40)	(76)	-
Others	2,620,997	587,551	565,309	(896)	(655)	(37,098)
	<u>7,102,456</u>	<u>839,854</u>	<u>568,988</u>	<u>(1,162)</u>	<u>(1,241)</u>	<u>(54,691)</u>

# Loans and advances which have been overdue with respect to either principal or interest for periods of more than three months.

## Financial risk management (continued)

### Credit risk (continued)

#### Overdue loans and advances to banks

There were no overdue loans and advances to banks as at 31 December 2025 and 31 December 2024.

#### Overdue loans and advances to non-banks customers

As at 31 December 2025

	Gross loans and advances MOP'000	% of total loans and advances to non-bank customers MOP'000	Collateral value MOP'000	Individually impaired allowances MOP'000
Loans and advances to non-bank customers which have been overdue with respect to either principal or interest for periods of:				
- more than three months but not more than six months	543,168	9.12%	1,030,000	58,158
- more than six months but not more than one year	-	-	-	-
- more than one year	3,679	0.06%	4,635	242
	<u>546,847</u>	<u>9.18%</u>	<u>1,034,635</u>	<u>58,400</u>

As at 31 December 2024

	Gross loans and advances MOP'000	% of total loans and advances to non-bank customers MOP'000	Collateral value MOP'000	Individually impaired allowances MOP'000
Loans and advances to non-bank customers which have been overdue with respect to either principal or interest for periods of:				
- more than three months but not more than six months	568,988	8.01%	1,499,835	37,098
- more than six months but not more than one year	-	-	-	-
- more than one year	-	-	-	-
	<u>568,988</u>	<u>8.01%</u>	<u>1,499,835</u>	<u>37,098</u>

#### Overdue other assets

There were no overdue other assets as at 31 December 2025 and 31 December 2024.

## Financial risk management (continued)

### Credit risk (continued)

#### *Measurement uncertainty of ECL estimates*

The recognition and measurement of ECL involve the use of significant judgement and estimation. We form multiple economic scenarios based on economic forecasts and distributional estimates and apply these assumptions to credit risk models to estimate future credit losses. The results are then probability-weighted to determine an unbiased ECL estimate.

Management assessed the current economic environment, reviewed the latest economic forecasts and discussed key risks before selecting economic scenarios and their weightings

#### *Methodology*

At 31 December 2025, four scenarios were used to capture the latest economic expectations and to articulate management's view of the range of risks and potential outcomes. Scenarios are created using the latest economic forecasts and distributional estimates, each quarter.

Three scenarios, the Upside, Central and Downside, are drawn from external consensus forecasts, market data and distributional estimates of the entire range of economic outcomes. Consensus and market estimates are then used as conditioning assumptions in a modelled expansion of other variables. The fourth scenario, Downside 2, represents management's view of severe downside risks.

The consensus Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting. The consensus outer scenarios represent short-term cyclical deviations from the Central scenario, where variable paths converge back to long-term trend expectations. They are calibrated to a 10% probability.

HSBC Group's Central Scenario, constructed from a consensus of external forecasts, assumes that the effects of announced climate measures, carbon pricing and green levies are incorporated into economic forecasts where their short-term effects are known from enacted legislation, or may be reasonably projected from current trends and statutory targets.

Variable paths and projections aligned with long-term climate outcomes, but which are dependent on additional policy adjustments, carry greater uncertainty. These are examined through specific climate scenarios.

The Downside 2, explores a more extreme economic outcome than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations and may instead explore alternative states of equilibrium, where economic variables moves permanently away from past trends. It is calibrated to a 5% probability.

In most circumstances, the alignment of weightings with the calibrated probability of scenarios is deemed appropriate for the unbiased estimation of ECL. However, management may depart from this probability-based scenario weighting approach when the economic outlook and forecasts are determined to be particularly uncertain and risks are elevated

## **Financial risk management (continued)**

### **Credit risk (continued)**

#### *Measurement uncertainty of ECL estimates (continued)*

##### *Description of Economic Scenarios*

The economic assumptions presented in this section are formed by HSBC Group with reference to external forecasts and estimates for the purpose of calculating ECL.

Forecasts may change and remain subject to uncertainty. Outer scenarios are designed to capture potential crystallisation of key economic and financial risks and alternative paths for economic variables

The scenarios used to calculate ECL in the 2025 Annual Report are described below.

##### *The consensus Central scenario*

The Central scenario incorporates higher growth forecasts for 2026 relative to the forecasts conducted in the fourth quarter of 2024, in the markets. The change in forecasts for 2027 is more mixed, reflecting differing regional dynamics. The scenario is modelled consistent with a US tariff rate, measured as an effective trade-weighted average, of 15% at the start of 2026. That rate has fallen in recent months as it reflects the lowering of US tariff rates on imports from mainland China and targeted tariff exemptions on key products.

The Central scenario was created with forecasts available in late November, and reviewed continually until end December 2025. In accordance with HSBC Group's scenario framework, a probability weight of 75% has been assigned to the Central scenario.

##### *The consensus Upside scenario*

Compared with the Central scenario, the consensus Upside scenario features stronger economic activity in the near term, before converging to long-run trend expectations. It also incorporates lower unemployment and higher asset prices than incorporated in the Central scenario. Inflation accelerates modestly, driven by increased investment and higher consumption spending.

The scenario is consistent with a number of key upside risk themes. These include a partial rollback of tariff measures, deregulation, an improvement in the US-China relationship, and a de-escalation in geopolitical tensions.

##### *Downside scenarios*

Downside scenarios explore the intensification and crystallisation of key risk themes and are modelled so that economic shocks drive consumption and investment lower and commodity prices fall. For most markets, inflation and interest rates are lower compared with the Central scenario.

## **Financial risk management (continued)**

### **Credit risk (continued)**

#### *Measurement uncertainty of ECL estimates (continued)*

##### *The consensus Downside scenario*

In the consensus Downside scenario, the effects of tariffs on the global economy are worse than expected, leading to weaker economic activity compared with the Central scenario. The scenario is consistent with the tariff rate, measured as an effective trade-weighted average, rising to 19% in 2026, and remaining at that level in 2027. The key driver of that increase is the application of sector-specific tariff rates.

In this scenario, GDP declines and unemployment rates rise, while asset prices and commodity prices fall. The scenario features an escalation in geopolitical tensions and an increase in tariffs over and above those assumed in the Central scenario. Existing and recently approved trade agreements are assumed to hold. Inflation declines relative to the Central scenario, as tariffs are assumed to drive a drop in export demand from the US.

##### *Downside 2 scenario*

The Downside 2 scenario reflects management's view of the tail of the economic distribution. It incorporates the simultaneous crystallisation of a number of risks that lead to a deep global recession. The subsequent drop in demand leads to a steep fall in commodity prices, and a rapid increase in unemployment.

The narrative features an escalation in tariff actions, resulting in a global trade war, and further intensification of geopolitical crises. Asset prices fall steeply, with technology related stocks expected to experience the most significant price adjustments. The scenario is consistent with the US tariff rate, measured as an effective tradeweighted average, rising to 25% in 2026, and remaining at that level in 2027.

##### *Scenario weightings*

Scenarios weightings are calibrated to probabilities that are determined with reference to consensus forecast probability distributions. Management may then choose to vary weights if they assess that the calibration lags more recent events, or does not reflect their view of the distribution of economic and geopolitical risk. Management's view of the scenarios and probability distribution takes into consideration the relationship of the consensus scenarios to both internal and external assessments of risk.

In the fourth quarter of 2025, forecast and distributional estimates were assessed to have incorporated available information around tariffs and policy uncertainties and no major events had occurred since scenario production that changed the outlook materially. Forecast dispersion, financial market volatility and other measures of uncertainty remained close to their long-term average.

Consequently, there was no variation in scenario weights and they were aligned to the calibrated probabilities of the scenarios. The consensus Central scenario was assigned a 75% probability weighting in our major markets. The consensus Upside scenario was assigned a 10% weighting, and the consensus Downside scenario was given 10%. The Downside 2 was assigned a 5% weighting.

## Financial risk management (continued)

### Credit risk (continued)

#### *Measurement uncertainty of ECL estimates (continued)*

#### *Critical accounting estimates and judgements*

The IFRS 9 Expected Credit Losses ('ECL') calculation involves significant judgements, assumptions and estimates. These include selecting and configuring economic scenarios amid changing economic conditions and risks and estimating their effects on ECL, especially when historical conditions are not fully captured by credit risk models.

#### *How economic scenarios are reflected in the calculation of ECL*

Models are used to reflect economic scenarios on ECL estimates. We follow globally consistent methodologies which developed by HSBC Group for the application of forward economic guidance into the calculation of ECL for wholesale and retail credit risk.

The HSBC Group has developed a globally consistent methodology for the application of forward economic guidance into the calculation of ECL for wholesale and retail credit risk. The Group has continued to follow the HSBC Group methodology. These standard approaches are described below, followed by the management judgemental adjustments made, including those to reflect the circumstances experienced in 2025.

For our wholesale portfolios, we estimate the term structure of probability of default ('PD') and loss given default ('LGD'). For PDs, we consider the correlation of forward economic guidance to default rates for a particular industry in a market. For LGD calculations we consider the correlation of forward economic guidance to collateral values and realisation rates for a particular market and industry. PDs and LGDs are estimated for the entire term structure of each instrument.

For impaired loans, allowance for ECL estimates are based on discounted cash flow ('DCF') calculations for internal forward-looking scenarios specific to individual borrower circumstances. Probability weighted outcomes are applied, and depending on materiality and the status of the borrower, the number of scenarios considered will change. Where relevant for the case being assessed, forward economic guidance is incorporated as part of these scenarios. LGD driven ECL estimates are used for certain less material cases.

For PD, the impact of economic scenarios is modelled for each portfolio, using historical relationships between default rates and macroeconomic variables. These are included within IFRS 9 ECL estimates using either economic response models or models which contain internal, external and macroeconomic variables. The macroeconomic impact on PD is modelled over the period equal to the remaining maturity of the underlying assets.

For LGD, the impact is modelled for mortgage portfolios by forecasting future loan-to-value profiles for the remaining maturity of the asset, using market level house price index forecast and applying the corresponding LGD expectation relative to the updated forecast collateral values. For unsecured portfolios historically observed recovery rates are leveraged to measure loss. For mortgages, a limited number of portfolios utilise a stressed LGD applied to the Downside 2 scenario.

## **Financial risk management (continued)**

### **Credit risk (continued)**

#### *Measurement uncertainty of ECL estimates (continued)*

#### *Management judgemental adjustments and other adjustments*

IFRS 9 management judgemental adjustments and other adjustments are typically short-term increases or decreases to the modelled allowance for ECL at either a customer, segment or portfolio level, where management believes allowance do not sufficiently reflect the ECL at the reporting date. These relate to risks or uncertainties which are not reflected in the models and/or to any late-breaking events with significant uncertainty, subject to management review and challenge.

Management judgmental adjustments and other adjustments impacts are considered for both gross balances and allowance for ECL when determining whether a significant increase in credit risk has occurred and are allocated to an appropriate stage in accordance with the internal adjustments' framework.

Management judgemental adjustments and other adjustments are reviewed under the governance process for IFRS 9. Management's review and challenge focuses on the rationale and adjustments amounts and, where significant, is subject to a further review by the second line of defense. Internal frameworks establish the conditions where some management judgemental adjustments should no longer be required and as such are considered as part of the governance process.

The internal governance process regularly reviews management judgemental adjustments and, where possible, mitigates these through a model recalibration or redevelopment.

Management judgemental adjustment drivers evolve as the economic environment changes and new risks emerge. In addition to management judgemental adjustments there are also 'Other adjustments', which are made to address process limitations, data or model deficiencies and can also include, where appropriate, the impact of new models where governance has sufficiently progressed to allow an accurate estimate of ECL allowance to be incorporated into the total reported ECL.

For the wholesale portfolio, management judgemental adjustments apply to the performing portfolio only as defaulted exposures are individually assessed.

## **Financial risk management (continued)**

### **Credit risk (continued)**

#### *Credit quality of financial instruments*

According to Notice No. 012/2021-AMCM, the Branch should classify the financial assets into five credit quality classification: Pass, Special mention, Sub-standard, Doubtful and Loss, based on the credit risk of the financial assets.

The Branch has a risk rating system to support the calculation of minimum credit regulatory capital requirement. This includes a range of granular internal credit rating grades assigned to wholesale and retail customers, and the external ratings attributed by external agencies to debt securities.

For debt securities and certain other financial instruments, external ratings have been aligned to the five quality classifications based upon the mapping of related customer risk rating ('CRR') to external credit rating.

We assess the credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a point-in-time assessment of the probability of default of financial instruments, whereas IFRS 9 stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit impaired financial instruments, there is no direct relationship between the credit quality assessments and IFRS 9 stages 1 and 2, though typically the lowered credit quality bands exhibit a higher proportion in stage 2.

#### Wholesale lending

A CRR 10-grade scale summarizes a more granular underlying 23-grade scale of obligor probability of default ('PD'). All corporate customers are rated using the 10- or 23-grade scale, depending on the degree of sophistication of the Basel approach adopted for the exposure.

Each CRR band is associated with an external rating grade by reference to long-run default rates for that grade, represented by the average of issuer-weighted historical default rates. This mapping between internal and external ratings is indicative and may vary over time.

#### Retail lending

Retail lending credit quality is based on a 12-month probability-weighted PD.

The Branch's management assess the credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a point-in-time assessment of the probability of default of financial instruments, whereas IFRS 9 stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit impaired financial instruments, there is no direct relationship between the credit quality assessments and IFRS 9 stages 1 and 2, though typically the lowered credit quality bands exhibit a higher proportion in stage 2.

The following table illustrates the credit risk exposures of financial instruments of the Branch in accordance with the asset classification required by Notice No. 012/2021-AMCM.

**Financial risk management (continued)**

**Credit risk (continued)**

*Credit quality of financial instruments (continued)*

	31 December 2025						
	Pass	Special	Sub-	Doubtful	Loss	Expected	Net
	MOP '000	Mention	Standard	MOP '000	MOP '000	Credit Loss	Exposure
		MOP '000	MOP '000	MOP '000	MOP '000	MOP '000	MOP'000
<b>Cash and balances with banks</b>							
- Stage 1	3,153,117	-	-	-	-	(2)	3,153,115
- Stage 2	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-
	<u>3,153,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>3,153,115</u>
<b>Deposits with AMCM</b>							
- Stage 1	131,981	-	-	-	-	-	131,981
- Stage 2	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-
	<u>131,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,981</u>
<b>Loans and advances to customers</b>							
- Stage 1	4,418,372	6,505	-	-	-	(1,772)	4,423,105
- Stage 2	309,246	331,056	-	-	-	(1,930)	638,372
- Stage 3	-	-	834,575	51,314	3,679	(78,923)	810,645
	<u>4,727,618</u>	<u>337,561</u>	<u>834,575</u>	<u>51,314</u>	<u>3,679</u>	<u>(82,625)</u>	<u>5,872,122</u>
-Value of Collateral*	10,907,777	1,665,737	1,540,011	31,827	4,635	-	-

Credit risk (continued)

(f) Credit quality of financial instruments (continued)

	31 December 2025						
	Pass	Special	Sub-	Doubtful	Loss	Expected	Net
	MOP '000	Mention	Standard	MOP '000	MOP '000	Credit Loss	Exposure
		MOP '000	MOP '000			MOP '000	MOP'000
Financial guarantees, loan commitments and other credit related contingent liabilities							
- Stage 1	3,358,289	-	-	-	-	(1,205)	3,357,084
- Stage 2	619,401	-	-	-	-	(25)	619,376
- Stage 3	-	-	-	65	-	(65)	-
	<u>3,977,690</u>	<u>-</u>	<u>-</u>	<u>65</u>	<u>-</u>	<u>(1,295)</u>	<u>3,976,460</u>
- Value of Collateral*	188,589	-	-	-	-	-	-

\* For those customers within the same group who share the same collateral, if the group customers have both [Loans and advances] and [Financial guarantees, loan commitments and other credit related contingent liabilities], the collateral value is reported under [Loans and advances to customers]

**Financial risk management (continued)**

**Credit risk (continued)**

*Credit quality of financial instruments (continued)*

	31 December 2024						
	Pass	Special	Sub-	Doubtful	Loss	Expected	Net
	MOP '000	Mention	Standard	MOP '000	MOP '000	Credit Loss	Exposure
		MOP '000	MOP '000	MOP '000	MOP '000	MOP '000	MOP'000
Cash and balances with banks							
- Stage 1	3,353,908	-	-	-	-	(9)	3,353,899
- Stage 2	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-
	<u>3,353,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>3,353,899</u>
Deposits with AMCM							
- Stage 1	111,022	-	-	-	-	-	111,022
- Stage 2	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-
	<u>111,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,022</u>
Loans and advances to customers							
- Stage 1	5,248,480	-	-	-	-	(1,162)	5,247,318
- Stage 2	686,820	327,302	-	-	-	(1,241)	1,012,881
- Stage 3	-	-	787,811	52,043	-	(54,691)	785,163
	<u>5,935,300</u>	<u>327,302</u>	<u>787,811</u>	<u>52,043</u>	<u>-</u>	<u>(57,094)</u>	<u>7,045,362</u>
-Value of Collateral*	14,691,091	2,241,414	3,034,432	38,110	-	-	-

Credit risk (continued)

(f) Credit quality of financial instruments (continued)

	31 December 2024						
	Pass	Special	Sub-	Doubtful	Loss	Expected	Net
	MOP '000	Mention	Standard	MOP '000	MOP '000	Credit Loss	Exposure
		MOP '000	MOP '000			MOP '000	MOP'000
Financial guarantees, loan commitments and other credit related contingent liabilities							
- Stage 1	3,957,005	-	-	-	-	(1,293)	3,955,712
- Stage 2	1,015,518	16,480	-	-	-	(62)	1,031,936
- Stage 3	-	-	-	1,099	-	(359)	740
	<u>4,972,523</u>	<u>16,480</u>	<u>-</u>	<u>1,099</u>	<u>-</u>	<u>(1,714)</u>	<u>4,988,388</u>
- Value of Collateral*	216,818	-	-	-	-	-	-

\* For those customers within the same group who share the same collateral, if the group customers have both [Loans and advances] and [Financial guarantees, loan commitments and other credit related contingent liabilities], the collateral value is reported under [Loans and advances to customers]

## **Financial risk management (continued)**

### **Market risk**

Market risk is the risk of market variables, such as foreign exchange rates, interest rates, equity and commodity prices that will move and result in profits and losses to the Branch. The Branch's market risk arises from customer-related business and from position taking.

Market risk is managed within risk limits approved by the Head Office. Risk limits are set by product and risk type with market liquidity being a principal factor in determining the level of limits set.

### **Interest rate risk**

Interest rate risks comprise those originating from treasury activities as well as the structural interest rate exposures. Structural interest rate risk arises from the differing repricing characteristics of commercial banking assets and liabilities, including non-interest bearing liabilities. Structural interest rate risks were transferred to Head Office based on contractual or behavioural maturity.

Treasury manages interest rate risks within the limits approved by Head Office and under the monitoring of the Asset and Liability Management Committee ("ALCO") of Head Office.

Analysis of interest rate risk is complicated by having to make assumptions on optionality in certain product areas, for example mortgage prepayments, and deposits without a fixed maturity are assumed to be repayable and to re-price on the next working day.

The transfer of interest rate risk to books managed by Treasury is usually achieved by a series of internal deals between the business units and these books. When the behavioural characteristics of a product differ from its contractual characteristics, the behavioural characteristics are assessed to determine the true underlying interest rate risk.

Interest rate risks are measured and monitored by Treasury on an ongoing basis. Besides, the Branch prepares, monitors and submits interest rate risk return to AMCM quarterly in accordance with the guideline based on circular no. 051/B/2008-DSB/AMCM.

### **Operational risk**

The Head Office's established framework for operational risk management includes identification and vigorous assessment of operational risks inherent in processes, activities and products and adequate management information on analysis of operational loss events and data. The Operational Risk Management Committee in Head Office oversees the implementation of this framework at the Branch's level.

Operational risk is mitigated by well-established internal control system, adequate insurance cover, backup systems and contingency business resumption plans.

## Financial risk management (continued)

### Foreign exchange risk

The Branch's foreign exchange exposures mainly comprise foreign exchange dealing by Global Markets of Head Office and currency exposures originated by its banking business. Both of them are transferred to Global Markets of Head Office where they are centrally managed within foreign exchange position limits approved by the Head Office. The Branch will monitor the foreign exchange exposure within the pre-defined threshold of USD 2 million.

Structural foreign exchange limit of USD50 million arising from capital investment in Macau Branch were granted by ALCO. ALCO is thus fully responsible for the monitoring and management of such limits.

As at 31 December 2025

	Spot assets MOP'000	Spot liabilities MOP'000	Forward purchases MOP'000	Forward sales MOP'000	Net options position MOP'000	Net long (or net short) position MOP'000
Chinese renminbi	44,371	(41,633)	-	-	-	2,738
Hong Kong dollars	6,594,534	(6,600,649)	-	-	-	(6,115)
US dollars	352,253	(351,714)	-	-	-	539
Other foreign currencies	6,550	(6,539)	-	-	-	11
	<u>6,997,708</u>	<u>(7,000,535)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,827)</u>

As at 31 December 2024

	Spot assets MOP'000	Spot liabilities MOP'000	Forward purchases MOP'000	Forward sales MOP'000	Net options position MOP'000	Net long (or net short) position MOP'000
Chinese renminbi	73,048	(69,598)	-	-	-	3,450
Hong Kong dollars	7,716,080	(7,732,577)	-	-	-	(16,497)
US dollars	631,582	(630,192)	-	-	-	1,390
Other foreign currencies	9,465	(9,233)	-	-	-	232
	<u>8,430,175</u>	<u>(8,441,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,425)</u>

## **Financial risk management (continued)**

### **Liquidity risk management**

Liquidity risk is the risk that the Branch is unable to meet its payment obligations as they fall due. It is the Branch's policy to maintain a strong liquidity position by properly managing the liquidity structure of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are comfortably met.

The following maturity profile is based on the remaining period at the balance sheet date to the contractual maturity date.

## Financial risk management (continued)

### Liquidity risk (continued)

*Maturity analysis on assets and liabilities*

As at 31 December 2025

	<i>Repayable on demand MOP'000</i>	<i>1 month or less but not repayable on demand MOP'000</i>	<i>3 months or less but over 1 month MOP'000</i>	<i>1 year or less but over 3 months MOP'000</i>	<i>3 years or less but over 1 year MOP'000</i>	<i>After 3 years MOP'000</i>	<i>Indefinite period MOP'000</i>	<i>Total MOP'000</i>
<b>Assets</b>								
Loans and advances to customers	812,295	637,914	81,011	419,270	1,456,247	2,465,385	-	5,872,122
Cash and balances with and loans and advances to banks	475,679	1,035,853	1,215,197	558,367	-	-	-	3,285,096
Certificates of deposits held	-	-	-	-	-	-	-	-
Securities issued by Macau SAR Government and/or AMCM	-	-	-	-	-	-	-	-
Other securities	-	-	-	-	-	-	-	-
<b>Liabilities</b>								
Deposits and balances of banks and financial institutions	144,132	1,137,090	573,651	3,800,080	-	-	-	5,654,953
Deposits from public sector entities	-	-	-	-	-	-	-	-
Deposits from holding and associated companies	-	-	-	-	-	-	-	-
Deposits from non-bank customers	664,812	332,829	309,815	326,466	-	-	-	1,633,922
Certificates of deposits issued	-	-	-	-	-	-	-	-
Other securities issued	-	-	-	-	-	-	-	-

## Financial risk management (continued)

### Liquidity risk (continued)

*Maturity analysis on assets and liabilities (continued)*

As at 31 December 2024

	<i>Repayable on demand MOP'000</i>	<i>1 month or less but not repayable on demand MOP'000</i>	<i>3 months or less but over 1 month MOP'000</i>	<i>1 year or less but over 3 months MOP'000</i>	<i>3 years or less but over 1 year MOP'000</i>	<i>After 3 years MOP'000</i>	<i>Indefinite period MOP'000</i>	<i>Total MOP'000</i>
<b>Assets</b>								
Loans and advances to customers	767,337	605,660	976,729	702,014	1,292,400	2,701,222	-	7,045,362
Cash and balances with and loans and advances to banks	850,588	578,503	935,657	1,100,173	-	-	-	3,464,921
Certificates of deposits held	-	-	-	-	-	-	-	-
Securities issued by Macau SAR Government and/or AMCM	-	-	-	-	-	-	-	-
Other securities	-	-	-	-	-	-	-	-
<b>Liabilities</b>								
Deposits and balances of banks and financial institutions	330,939	907,189	1,008,209	4,141,069	6,180	-	-	6,393,586
Deposits from public sector entities	-	-	-	20,000	-	-	-	20,000
Deposits from holding and associated companies	-	-	-	-	-	-	-	-
Deposits from non-bank customers	641,174	305,399	668,433	605,297	-	-	-	2,220,303
Certificates of deposits issued	-	-	-	-	-	-	-	-
Other securities issued	-	-	-	-	-	-	-	-

## Financial risk management (continued)

### Liquidity risk (continued)

The Branch has established policies and procedures to monitor and control its liquidity position on a daily basis by adopting a cash flow management approach. The liquidity management process is monitored by the ALCO of Head Office and is reported to the Executive Committee and the Board of Directors of Head Office.

Besides, the Branch prepares and monitors daily liquidity ratio in order to comply with the liquidity rule based on notice no. 002/2013-AMCM.

The daily amount of cash in hand and in banks shall not be less than the sum of the following percentages calculated on the average of the basic liabilities classified by terms and assessed in the preceding week:

- (i) 3% of liabilities at sight;
- (ii) 2% of liabilities up to three months excluding liabilities at sight; and
- (iii) 1% of liabilities beyond three months.

The daily amount of the balances of the current accounts in MOP with the AMCM in the name of the Branch shall not be less than 70% of the minimum amount of cash in hand.

During the annual reporting period of:	2025 MOP'000	2024 MOP'000
The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	29,781	29,268
The arithmetic mean of the average weekly amount of cash in hand	148,325	148,889
The arithmetic mean of the specified liquid assets at the end of each month	1,688,547	1,599,587
The average ratio of specified liquid assets to total basic liabilities at the end of each month	86%	77%
The arithmetic mean of one-month liquidity ratio in the last week of each month	98%	101%
The arithmetic mean of three-month liquidity ratio in the last week of each month	105%	103%

List of the shareholders with qualifying holdings

**Hang Seng Bank Limited**

**Substantial Interests in Share Capital**

As at 31 December 2025, the following corporations had interests or short positions of 10% or more in the shares or underlying shares in the Bank set opposite their respective names:

Name of Corporation	Capacity in which Ordinary Shares were held	Number of Ordinary Shares Interested (Percentage of total) <sup>(1)</sup>
The Hongkong and Shanghai Banking Corporation Limited	Beneficial owner / Custodian	1,188,057,371 <sup>(2)</sup> (63.43%)
HSBC Asia Holdings Limited	Interest of controlled corporations	1,188,057,371 <sup>(2)</sup> (63.43%)
HSBC Holdings plc	Interest of controlled corporations	1,188,057,371 <sup>(2)</sup> (63.43%)

Notes:

(1) The percentage represents the number of the Bank's ordinary shares interested divided by the total number of the Bank's issued ordinary shares as at 31 December 2025.

(2) The Hongkong and Shanghai Banking Corporation Limited is a wholly-owned subsidiary of HSBC Asia Holdings Limited, which in turn is a wholly-owned subsidiary of HSBC Holdings plc. Accordingly, HSBC Asia Holdings Limited and HSBC Holdings plc were deemed to be interested in the ordinary shares in which The Hongkong and Shanghai Banking Corporation Limited was shown to be interested.

Based on the latest corporate substantial shareholding notice filed with Hong Kong Exchange and Clearing Limited on 21 June 2024, the HSBC's shareholding in the Bank on 18 June 2024 was 63.04%. Movements in shareholding since 18 June 2024 are reflected in the above table. The Bank became a wholly owned subsidiary of HSBC Group following the completion of privatisation on 26 January 2026.

Names of the members of the company boards

**Hang Seng Bank Limited**

**List of Directors**

The Directors at the date of this Report of the Directors ('Report') are set out below:

**Independent Non-Executive Chairman**

Edward CHENG Wai Sun

**Executive Directors**

Luanne LIM Hui Hung (Chief Executive)

SAW Say Pin

**Non-executive Directors**

Kathleen GAN Chieh Huey

David LIAO Yi Chien

Catherine ZHOU Rong

**Independent Non-Executive Directors**

Cordelia CHUNG

Clement KWOK King Man

Patricia LAM Sze Wan

LIN Huey Ru

WANG Xiao Bin

## Consolidated capital ratios

### **Hang Seng Bank Limited**

The HKMA supervises the Group on a consolidated and solo-consolidated basis and therefore receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole and on a solo-consolidated basis. Individual banking subsidiaries and branches are directly regulated by their local banking supervisors, who set and monitor their capital adequacy requirements. Certain non-banking financial subsidiaries are also subject to the supervision and capital requirements of local regulatory authorities.

In accordance with the Banking (Capital) Rules under Basel III final reform package which took effect on 1 January 2025, the Group uses the advanced internal ratings-based ('IRB') approach and the foundation IRB approach to calculate its credit risk for the majority of its non-securitisation exposures. For collective investment scheme exposures, the Group uses the look-through approach to calculate the risk-weighted amount. For counterparty credit risk, the Group uses standardised (counterparty credit risk) approach to calculate its default risk exposures for derivatives and the comprehensive approach for securities financing transactions. For credit valuation adjustment ('CVA'), the Group uses the reduced basic CVA approach to calculate CVA risk capital charge. The Group uses the standardised (market risk) approach to calculate its market risk capital charge and the standardized operational risk approach to calculate its operational risk capital charge.

During the year, the Group complied with all the capital requirements of the HKMA on both consolidated and soloconsolidated bases.

Consolidated capital ratios (continued)

**Capital structure**

(Figures in HK\$ million)

**Common Equity Tier 1 ('CET1') Capital**

	<b>2025</b>	<b>2024</b>
Shareholders' equity	155,637	152,799
- Shareholders' equity per balance sheet	172,654	169,522
- Additional Tier 1 ('AT1') perpetual capital instruments	(11,587)	(11,587)
- Unconsolidated subsidiaries	(5,430)	(5,136)
Non-controlling interests	-	-
- Non-controlling interests per balance sheet	38	42
- Non-controlling interests in unconsolidated subsidiaries	(38)	(42)
Regulatory deductions to CET1 capital	(31,893)	(32,394)
- Cash flow hedge reserve	(1,342)	134
- Changes in own credit risk on fair valued liabilities	8	(1)
- Property revaluation reserves <sup>1</sup>	(20,917)	(22,736)
- Regulatory reserve	(350)	(734)
- Intangible assets	(3,516)	(3,498)
- Defined benefit pension fund assets	(357)	(269)
- Deferred tax assets net of deferred tax liabilities	(500)	(389)
- Valuation adjustments	(93)	(161)
- Excess of total expected loss amount over total eligible provisions under the IRB approach	(4,826)	(4,740)
<b>Total CET1 Capital</b>	<b>123,744</b>	<b>120,405</b>
<b>AT1 Capital</b>		
Total AT1 capital before and after regulatory deductions	11,587	11,587
- Perpetual capital instruments	11,587	11,587
<b>Total AT1 Capital</b>	<b>11,587</b>	<b>11,587</b>
<b>Total Tier 1 ('T1') Capital</b>	<b>135,331</b>	<b>131,992</b>
<b>Tier 2 ('T2') Capital</b>		
Total T2 capital before regulatory deductions	9,607	10,507
- Property revaluation reserves <sup>1</sup>	9,413	10,231
- Impairment allowances and regulatory reserve eligible for inclusion in T2 capital	194	276
Regulatory deductions to T2 capital	(1,045)	(1,045)
- Significant capital investments in unconsolidated financial sector entities	(1,045)	(1,045)
<b>Total T2 Capital</b>	<b>8,562</b>	<b>9,462</b>
<b>Total Capital</b>	<b>143,893</b>	<b>141,454</b>

<sup>1</sup> Includes the revaluation surplus on investment properties which is reported as part of retained profits and related adjustments made in accordance with the Banking (Capital) Rules issued by the HKMA.

Consolidated capital ratios (continued)

*(Figures in HK\$ million)*

	<u>2025</u>	<u>2024</u>
<b>Risk-weighted assets</b>	531,515	680,082
<b>Capital ratios</b>		
CET1 capital ratio	23.3%	17.7%
Tier 1 capital ratio	25.5%	19.4%
Total capital ratio	27.1%	20.8%

Consolidated assets, liabilities and profits positions

**Hang Seng Bank Limited**

*(Figures in HK\$ million)*

	<u>2025</u>	<u>2024</u>
Total assets	1,819,113	1,795,196
Total liabilities	1,646,421	1,625,632
Total loans and advances	787,349	819,136
Total customer deposits, including structured deposits	1,283,341	1,267,021
Pre-tax profit	17,908	21,014