PUBLICATION OF THE DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS OF THE ISSUER FOR THE YEAR ENDED 31 DECEMBER 2025

THE HONG KONG MORTGAGE CORPORATION LIMITED
香港按揭證券有限公司
(incorporated with limited liability under the laws of Hong Kong)
(**Issuer**)

U.S.$30,000,000,000 Medium Term Note Programme

This announcement is made by the Issuer to publish its directors' report and audited financial statements for the year ended 31 December 2025, as appended hereto.

3 June 2026

As at the date of this announcement, the Board of Directors of the Issuer comprises the Hon. CHAN Mo Po, Paul, Mr YUE Wai Man, Eddie, Mr LEE Tat Chi, Howard and Mr POU Hak Wan as Executive Directors, and the Hon. HUI Ching Yu, the Hon. HO Wing Yin, Winnie, the Hon. CHAN Hak Kan, the Hon. NG Wing Ka, Jimmy, the Hon. SHIU Ka Fai, Ms CHAU Suet Fung, Dilys, Mr TSE Wai Chun, Paul, Ms CHEUNG Wing Han, Ivy and Ms KWAN Wing Han, Margaret as Non-Executive Directors.

Website: www.hkmc.com.hk

THE HONG KONG MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT AND

AUDITED FINANCIAL STATEMENTS

31 DECEMBER 2025

THE HONG KONG MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT

Directors (**Directors**) of The Hong Kong Mortgage Corporation Limited (**Company**) have pleasure in presenting their report together with the audited consolidated financial statements of the Company (for the purpose of this report, together with its subsidiaries, **Group**) for the year ended 31 December 2025 (**Financial Statements**).

PRINCIPAL ACTIVITIES

The principal activities of the Group in the course of the year ended 31 December 2025 were:

(a) to purchase portfolios of mortgages or loans secured on properties or other collateral situated in Hong Kong and to acquire debentures, receivables, financial assets and choses in action of all kinds from their originators, issuers, owners or vendors;

(b) to acquire, by purchase or otherwise, any assets from government bodies and agencies and related organisations, statutory bodies and public bodies and to hold, sell, transfer, dispose of and deal in any such assets so acquired;

(c) to issue debt securities to investors;

(d) to carry on the infrastructure financing and securitisation business;

(e) to operate loan guarantee schemes for the Government of the Hong Kong Special Administrative Region (**Government**), providing guarantees on loans advanced or originated by participating lenders (including loans that are fully guaranteed by the Government via the Group and acquired by the Group from participating lenders) to local enterprises (including small and medium-sized enterprises (**SMEs**)), the travel sector, the cross-boundary passenger transport trade, the taxi trade, as well as to individuals who suffered from cessation of main recurrent incomes during the COVID-19;

(f) to provide mortgage insurance cover in respect of mortgage loans, reverse mortgage loans and policy reverse mortgage loans originated by participating lenders and secured on residential properties, life insurance policies and, if applicable, other assets;

(g) to provide fixed-rate mortgages through banks; and

(h) to offer life annuity products in or from Hong Kong.

Details of subsidiaries of the Company as at 31 December 2025 are set out in Note 23 to the Financial Statements.

BUSINESS REVIEW

1. **Business Segments**

In the pursuit of its missions and social objectives during the year, the Group operated on prudent commercial principles and mainly engaged in business activities of loan guarantee, origination and acquisition, mortgage insurance and life annuity through operation of the programmes, schemes and businesses below.

Mortgage Purchase Programme (**MPP**)

One of the missions of the Group is to promote banking stability in Hong Kong by offering a reliable source of liquidity. To this end, the Group stands ready to purchase mortgage loans and other assets from approved sellers as and when they have the need to offload. During the year, ample liquidity in the market dampened banks' appetite for offloading their assets.

Mortgage Insurance Programme (**MIP**)

MIP is launched with the aim of promoting home ownership in Hong Kong by enabling high loan-to-value financing for homebuyers to reduce their down payment burden. Under the MIP, the Group acts as an insurer to provide mortgage insurance cover for a premium on mortgage loans advanced by participating lenders in excess of the lending limits imposed by the Hong Kong Monetary Authority. Since its inception in 1999, the MIP has helped around 242,000 families achieve home ownership, with an aggregate loan drawdown of HK$905.0 billion. The total amount of loan drawn down in 2025 was HK$35.2 billion (2024: HK$47.9 billion).

Fixed Rate Mortgage Scheme

Fixed Rate Mortgage Scheme is launched with the aim of providing an alternative financing option to homebuyers for mitigating their risks arising from interest rate volatility, thereby enhancing banking stability in the long run. The scheme offers through banks, fixed-rate mortgages with a tenor of 10, 15 or 20 years. The Group will then purchase these mortgages from their originators under the Fixed Adjustable Rate Mortgage Programme. The maximum loan amount of each residential mortgage is HK$10 million. To continue filling the market gap in respect of fixed-rate mortgage products, the scheme was made permanent in November 2021. Starting from February 2022, the Group determines and announces the fixed interest rates from time to time in accordance with factors such as cost of funds, business and market conditions.

Reverse Mortgage Programme (**RMP**)

RMP is launched with the aim of providing homeowners with a new retirement planning option to enhance their quality of life on retirement. Through reverse mortgage, homeowners can use their residential properties as collateral in return for lump-sum payouts and/or a stream of monthly payouts from participating lenders over a payment term. Under the RMP, the Group mainly acts as an insurer to provide mortgage insurance cover for a premium on reverse mortgage loans advanced by participating lenders. With the Group's ongoing and focused educational initiatives, market receptiveness to the RMP has been growing progressively.

Policy Reverse Mortgage Programme (**PRMP**)

PRMP is launched with the aim of providing retirees with a new retirement planning option to enhance their quality of life on retirement. Replicating the business model of the RMP, policy reverse mortgage enables borrowers to use death benefits of their life policies as collateral in return for lump-sum payouts and/or a stream of monthly payouts from participating lenders over a payment term. Under the PRMP, the Group mainly acts as an insurer to provide mortgage insurance cover for a premium on policy reverse mortgage loans advanced by participating lenders. The Group continued to explore customer referral opportunities with business partners and to expand the number of eligible life insurance policies under the PRMP. Promotions and educational initiatives were also undertaken.

100% Personal Loan Guarantee Scheme (**PLGS**)

The Group launched the PLGS in April 2021 to provide a supplementary financing option to individuals suffering from cessation of main recurrent incomes from employment in Hong Kong amid the COVID-19. With the Hong Kong economy recovering steadily as the epidemic subsided, the application period of the PLGS had expired at the end of April 2023. A total loan amount of HK$4.66 billion had been approved under the scheme, benefiting more than 59,000 borrowers.

Dedicated 100% Loan Guarantee Schemes (**DLGS**) for Specified Sectors

Entrusted by the Government, the Group launched the DLGS for the travel sector and the cross-boundary passenger transport trade in April 2023 to support resumption of their business and services, and introduced the DLGS for the taxi trade in September 2023 to encourage taxi owners to replace their liquefied petroleum gas, petrol or hybrid taxis with battery electric taxis. As at the end of 2025, around HK$220 million of loans had been approved under the DLGS for the travel sector and the cross-boundary passenger transport trade, and about HK$209.1 million of loans had been approved for purchase of battery electric taxis. The application period of the DLGS for the travel sector and the cross-boundary passenger transport trade had ended on 28 October 2024 while the application period of the DLGS for battery electric taxis will expire on 3 September 2028.

SME Financing Guarantee Scheme (**SFGS**)

The application period of the Special 100% Loan Guarantee under the SFGS (**100% SFGS**) had ended at the end of March 2024 and the application period of the 90% guarantee product had ended at the end of March 2026. In the 2025 Policy Address, the Chief Executive announced a series of measures to strengthen support for SMEs amid economic restructuring, including the extension of the application period of the 80% guarantee product for two years to the end of March 2028, and a further extension of the principal moratorium arrangement for 12 months. The application period for principal moratorium has been extended correspondingly until 17 November 2026. As at the end of the year, the Group had approved more than 67,100 applications involving a total loan amount of HK$143.9 billion under the 100% SFGS, and around 48,000 applications involving a total loan amount of HK$158.4 billion under the 80% and 90% guarantee products.

Life Annuity Business

The HKMC Annuity Plan (**Annuity Plan**) aims to provide Hong Kong's senior citizens with a reliable retirement financial solution to convert their savings into an immediate, stable and lifelong income stream. The life annuity business had achieved record-breaking business results in 2025 which started with strong momentum driven by the Payout Enhancement and Premium Discount Campaign launched in 2024. Such momentum had sustained throughout the year alongside stepped-up promotional activities. As at the end of the year, the life annuity business achieved a growth of around 106% year-on-year with total premium reaching HK$9 billion. Meanwhile, the Group continued to partner with the insurance industry through reinsurance and referral arrangements to further diversify its distribution channels for accessing a more diversified spectrum of customers.

Infrastructure Financing and Securitisation (**IFS**)

Leveraging on its strong credit standing and medium-to-long term funding capability, the Group furthered its mandates of promoting banking stability and debt market development by facilitating infrastructure investment and financing flows. Since the launch of the IFS business in 2019, the Group had committed over US$3.2 billion of infrastructure loans spreading across Asia Pacific, Middle East and Latin America. The Group operates its IFS business on prudent commercial principles under a robust risk management framework.

On 17 October 2025, the Group, via Bauhinia ILBS 3 Limited (the special purpose vehicle established for the third infrastructure loan-backed securities (**ILBS**) issuance), successfully closed its third publicly-rated securitisation transaction which was comprised of multiple classes of US dollar-denominated senior secured notes backed by the cash flows from a diversified portfolio of projects and infrastructure loans across multiple geographies and sectors, with an issuance size of US$450.5 million. Within the capital structure of such issuance, there was an US$117 million sustainability tranche backed by sustainable, green and social assets. The sustainability tranche was issued in accordance with the Group's Social, Green and Sustainability Financing Framework which aligned with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines released by the International Capital Market Association. The notes (except for the subordinated notes) were listed on The Stock Exchange of Hong Kong Limited and offered to a diversified group of professional investors. The Group has multiple roles in such issuance, including the Sponsor, the Retention Holder of the subordinated notes and the Collateral Manager.

The Group's ILBS issuances were widely recognised by industry players and professional investors. During the year, Bauhinia ILBS 2 Limited (the special purpose vehicle established for the Group's second ILBS issuance) was awarded "Infrastructure Securitisation Deal of the Year" by The Assets and "Securitisation Deal of the Year" by IJGlobal Investor whilst Bauhinia ILBS 3 Limited was awarded "Best Structured Finance Issue" by IFR Asia. The issuances aim at enriching the local debt capital market and promoting the securitisation market in Hong Kong.

2. Market Environment

Notwithstanding a challenging external environment in 2025 with volatility in the financial markets marked by lingering impacts of geopolitical tensions and uncertainties in US trade policies, the domestic economy experienced moderate growth as supported by strong exports performance and improved domestic demand, alongside governmental support, Chinese Mainland's economic stimulus measures, lower interest rates, and stabilising asset markets.

3. Financial Performance

The Group reported a net loss of HK$109 million for the year (2024: a net loss of HK$418 million). The improved results were driven by increased income from placements with the Exchange Fund which was bolstered by rising annuity premiums and capital injections made to HKMC Annuity Limited (**HKMCA**) and to HKMC Insurance Limited (**HKMCI**) (each a wholly-owned subsidiary of the Company) in 2025 and late 2024 respectively, along with the recovery in local property market that benefited the reverse mortgage business, the increase in net interest income and the revaluation gain of US dollar exposures in cash and debt investments. These gains were partially offset by the higher accounting loss in the life annuity business resulting from a surge in new policies written and the negative accounting impact of lower discount rate on insurance liabilities revaluation.

After adjustments to exclude (i) the accounting results of the life annuity business; (ii) the impact of property price change on results of the reverse mortgage business; and (iii) effect of accounting adjustments of loan portfolios with insurance cover provided by the HKMCI at consolidation level, the adjusted profit of the Group for the year would be HK$1,497 million and return on equity would be 5.2%. The embedded value of the life annuity business was about HK$24.4 billion, indicating a solid financial position to develop the business in the long term.

	2025	**2024**
Net loss (HK$ million)	(109)[4]	(418)[4]
Return on equity[1]	(0.2%)[4]	(1.5%)[4]
Cost-to-income ratio[2]	264.9%[4]	(232.9%)[4]
Capital adequacy ratio (**CAR**)[3]	18.1%[4]	19.9%[4]

[1] Return on equity is calculated by dividing the net loss or net profit by the average of 12 month-end balances of capital and reserves attributable to equity holder.

[2] Cost-to-income ratio is calculated by dividing operating expenses by operating income.

[3] CAR is calculated as the ratio of the capital base to the sum of the risk-weighted amount for credit risk, market risk and operational risk exposures.

[4] After adjustments to exclude (a) the accounting results of the HKMCA; (b) the impact of property price change on the insurance results of the RMP; and (c) the valuation and corresponding adjustments as required by Hong Kong Financial Reporting Standard 17 "Insurance Contracts" in respect of certain loan portfolios with insurance cover provided by the HKMCI, the adjusted profit, return on equity and cost-to-income ratio of the Group for 2025 would be HK$1,497 million, 5.2% and 19.3% respectively (2024: HK$787 million, 4.8% and 27.6% respectively).

Key items in the Group's income statement for 2025 are highlighted as follows:

(a) net interest income for the year increased by HK$168 million to HK$786 million, mainly due to the improvement in net interest spread and the enlarged debt investment portfolio;

(b) insurance service result, which reflects the insurance revenue less insurance service expenses taking into account the impact of reinsurance contracts held, was a loss of HK$1,409 million for 2025 (2024: a loss of HK$1,627 million). Insurance revenue mainly reflects the consideration to which the Company expects to be entitled in exchange for the provision of insurance contract services in the form of contractual service margin release, while insurance service expenses comprise the incurred claims and other incurred insurance service expenses and losses on onerous groups of contracts and reversals of such losses. The improved insurance service result was mainly due to the recovery of the local property market in 2025 which benefitted the reverse mortgage business, partly offset by the higher losses in the life annuity business due to an increase in new policies written attributable to the enhanced annuity payouts campaign launched in 2024;

(c) insurance finance expenses comprise change in the carrying amount of insurance contracts liabilities arising from effect of the time value of money, financial risk and the changes therein. Net insurance finance expenses in 2025 amounted to HK$2,602 million (2024: HK$405 million). The increase in insurance finance expenses was mainly attributable to the increase in insurance contract liabilities of the life annuity business driven by the lower discount rates adopted at the end of the year as compared to that of 2024;

(d) other income was HK$3,373 million (2024: HK$1,258 million), mainly representing investment income of HK$3,174 million (2024: HK$1,374 million) from placements with the Exchange Fund, gain of HK$99 million (2024: loss of HK$211 million) arising from fair valuation adjustments at consolidation level to the loans with insurance cover provided by the HKMCI, an exchange gain of HK$64 million (2024: a loss of HK$28 million) arising primarily from revaluation of US dollar and offshore Renminbi (**CNH**) exposures in cash and debt investments, and a gain of HK$10 million (2024: a gain of HK$79 million) from change in fair value of financial instruments which largely represented the marked-to-market gain of derivatives for the purpose of hedging interest rate risk. The above exchange gain represented the net results of the exchange difference from the financial assets and the marked-to-market revaluation on corresponding hedging derivatives for managing foreign currency exposures; and

(e) operating expenses (net of recovery of operating expenses from the 100% SFGS and expenses directly attributable to the insurance acquisition and maintenance cash flows incorporated in the insurance service result) were HK$394 million (2024: HK$362 million), less than budget, to support the Group's missions and certain policy initiatives of the Government. The recovery of operating expenses from the 100% SFGS and DLGS and the expenses incorporated in the insurance service result for 2025 were HK$151 million (2024: HK$166 million) and HK$315 million (2024: HK$286 million) respectively.

4. Financial Position

As at 31 December 2025, total assets of the Group amounted to HK$252.4 billion. Key changes in the Group's financial position are as follows:

(a) cash and short-term funds increased by HK$11.9 billion to HK$64.5 billion, mainly due to prudent pre-funding for loan purchases and debt re-financing;

(b) size of loan portfolio was HK$78.6 billion (2024: HK$95.5 billion), comprising 100% SFGS and DLGS loans, infrastructure loans, and residential mortgage and other loans at amortised cost of HK$63.5 billion, HK$8.7 billion and HK$2.9 billion respectively, and residential mortgage portfolio at fair value through profit or loss of HK$3.5 billion;

(c) size of investment portfolio was HK$30.1 billion (2024: HK$18.8 billion), comprising mainly debt investments of HK$20.3 billion classified as amortised cost investments and HK$9.6 billion classified as investments at fair value through other comprehensive income;

(d) placements with the Exchange Fund amounted to HK$72.4 billion (2024: HK$49.2 billion), comprising capital investments of the HKMCI and the HKMCA, and premium investments of the HKMCA;

(e) outstanding balance of debt securities issued increased by HK$6.9 billion to HK$155.2 billion, mainly attributable to prudent pre-funding;

(f) insurance contract liabilities were HK$36.7 billion (2024: HK$25.0 billion), HK$30.4 billion (2024: HK$19.0 billion) of which were from the life annuity business and the remaining HK$6.3 billion (2024: HK$6.0 billion) were from the general insurance business; and

(g) capital and reserves attributable to equity holder were HK$51.2 billion (2024: HK$38.9 billion), largely reflecting the capital injections of HK$12.5 billion in aggregate by the Exchange Fund during the year to the HKMCA for maintaining its capital base above a certain level as determined in accordance with the Insurance Ordinance.

5. Capital Management

To ensure that the Group would not incur excessive risk when expanding its business and balance sheet in proportion to its capital base, during the year, the Group had closely monitored its capital adequacy and use of capital, and had complied with the Guidelines on Capital Adequacy Ratio (**CAR Guidelines**) issued by the Financial Secretary with reference to Basel II risk-based capital adequacy framework.

In accordance with the CAR Guidelines, the calculation of CAR follows the basis of consolidation for financial reporting with the exclusion of regulated subsidiaries of the Company (i.e. the HKMCI and the HKMCA, both being authorized insurers regulated by the Insurance Authority (**IA**) and subject to respective statutory requirements of maintaining adequate capital).

Excluding the investment cost of these two unconsolidated regulated subsidiaries, the CAR of the Group remained solid at 18.1% as at 31 December 2025 (31 December 2024: 19.9%), well above the minimum ratio of 8% stipulated in the CAR Guidelines. The solvency ratios as at 31 December 2025 for the HKMCI and the HKMCA were about 3.9 times and 2 times respectively (31 December 2024: 4 times and 1.7 times respectively), both well above the minimum statutory requirements stipulated by the IA.

6. Principal Risks and Uncertainties facing the Group

The Group is exposed to credit risk through loan purchase, mortgage insurance, infrastructure financing and capital investment. The Group is also exposed to interest rate, property price and longevity risks under its reverse mortgage-related business, and takes on longevity, market and liquidity risks under its life annuity business. Furthermore, the Group assumes market risk, mainly the interest rate risk and the asset-liability maturity mismatch risk, for facilitating its business operation. In respect of environmental, social and governance (**ESG**) issues, the Group is exposed to potential ESG risks on the Company's operations, reputation and performances, with climate risk mainly related to treasury investments, IFS loan portfolio and mortgage businesses.

The risk exposures and the financial risk management during the year are set out in Note 3 to the Financial Statements.

7. The Group's Environmental Policies and Performance

The Group is committed to operating and carrying on business in a responsible and sustainable manner. As part of such commitment, the Group integrates ESG considerations, including climate-related factors, in its investment, lending and business decision-making processes in line with its ESG Statement, ESG Guiding Principles and its Responsible Investment, Lending and Business Decision-making Principles which set out the Group's overall strategy and objectives in regard to ESG issues. The Group also has in place environmental-related policies such as the Green Operations Guidelines to provide guidance on green office practices with the aim of embedding environmental considerations into office management, as well as the Anti-Greenwashing Guidance for Marketing Materials which provide guidance on potential greenwashing risks the Group may encounter and relevant mitigation measures for such risks. In addition, the Product Development ESG Guidelines and ESG Product Checklist were adopted to facilitate the Group's evaluation of the ESG impacts of its products and their alignment with the Group's ESG strategy and objectives.

The Group has been implementing its ESG strategy in view of its core missions and worked on enhancing its ESG integration under the direction of the ESG Committee. In particular, as regards the environmental aspects, the Group targets to achieve carbon neutrality[5] by 2050, in line with the Government's carbon neutrality commitments and Hong Kong's Climate Action Plan 2050. As an interim target, the Group strives to reduce its greenhouse gas (**GHG**) emissions intensity[5] by 36% by 2035 with 2023 as the base year. To achieve these targets, the Group has established a decarbonisation action plan to guide its GHG emissions reduction initiatives and support the transition towards a low-carbon economy.

During the year, in accordance with its decarbonisation action plan, the Group continued to support and implement various green measures to create and maintain an environmentally-friendly office (including agile office design and reuse of office furniture and equipment) and to raise employees' awareness of methods of waste reduction (including clothes and electronics recycling programmes) and energy conservation. Employees were encouraged to adopt paperless working practices by using electronic communication and digitalisation measures in the office. Suggestions from employees on green office ideas were also welcomed. The Group had incorporated ESG considerations into its procurement practices which include conducting ESG supplier due diligence for procurements above a specified threshold and encouraging its suppliers to use and offer more environmentally-friendly products whenever practicable. The Group's remaining diesel-fuelled vehicle was also retired during the year, as the Group transitioned to an all-electric fleet for its company vehicles to reduce fuel consumption and the associated GHG emissions.

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[5] Taking into account the nature of the Group's businesses, portfolios, services and operations and the feasibility of data collection and quantification including considering the relevance and/or materiality of its various emissions sources, the scope of GHG emissions for carbon neutrality and emissions intensity calculations in respect of the Group's decarbonisation targets currently includes Scope 1, Scope 2 and Category 3, 5, 6 and 15 of Scope 3 emissions as described in the GHG Protocol's corporate standards.

8. The Group's Compliance with Relevant Laws and Regulations that have a Significant Impact on the Group

During the year, there were no relevant laws and regulations relating to the environment that had a significant impact on the Group.

9. Particulars of Important Events affecting the Group that have occurred since end-2025

In January 2026, the Monetary Authority entered into a capital commitment arrangement with the Company and the HKMCA to inject additional funds of up to HK$25 billion in aggregate from the Exchange Fund into the Company as equity for the sole purpose of financing the Company's additional capital injection into the HKMCA, and the Company has committed to inject such funds into the HKMCA as equity to maintain the HKMCA's capital base above a certain level.

10. Indication of Likely Future Developments in the Group's Business

The Group will continue with its existing multi-faceted businesses and develop new enhancements, products and schemes as commissioned by the Government to attain its missions and social objectives. In addition, the Group will continue to maintain its prudent pre-funding strategy to stand ready for providing liquidity to the local banking sector when needed.

The Group is planning to incorporate green building elements into the MIP, RMP and Fixed Rate Mortgage Scheme.

11. The Group's Key Relationships with Its Employees and Counterparties that have a Significant Impact on the Group and on which the Group's Success Depends

Employees

During the year, the Group continued to provide employees with competitive remuneration packages and fringe benefits, promising career paths and development opportunities, and a healthy and safe working environment. Despite an increase in the scope of operations and the complexity of the products it offered, the Group maintained a lean and efficient workforce through system automation and process re-engineering. During the year, the Group undertook a comprehensive review of its existing retirement schemes, resulting in the introduction of two new Mandatory Provident Fund schemes to provide staff with more options.

The Group recognises the importance of continuous staff training and had devoted appropriate resources to the enhancement of its employees' professional knowledge and skills. During the year, the Group had arranged for various workshops to improve staff's soft skills and continued e-learning programmes to support ongoing professional development. The Group also sponsored employees for external job-related training and development courses.

As at 31 December 2025, the permanent staff establishment of the Group was 451 (2024: 427) and the staff turnover rate was 4.67% (2024: 8.14%).

Counterparties

With respect to its loan and insurance portfolios, as at 31 December 2025, the Group maintained a panel of 34 approved sellers and 32 approved servicers under the MPP, 9 approved reinsurers under the MIP and 1 approved reinsurer under the RMP. In addition, there were 20 participating banks and lenders under the MIP, 9 under the Fixed Rate Mortgage Scheme, 14 under the PLGS, 20 and 35 under the 100% SFGS and the 80% and 90% guarantee products of the SFGS respectively, 12 under the DLGS for the travel sector and the cross-boundary passenger transport trade, 6 under the DLGS for battery electric taxis, and there were 12 and 7 participating institutions under the RMP and PRMP respectively. In relation to the life annuity business, there were 2 agent banks, 3 insurance brokers and 150 insurance agents for business referral and 1 ceding insurer for reinsurance under the Annuity Plan as at the end of the year.

DEBT SECURITIES

During the year, the Company issued notes for a total nominal value of HK$70.5 billion under its multi-currency US$30 Billion Medium Term Note Programme for a consideration of around HK$70.4 billion. The Company had successfully launched its largest-ever public bond offering during the year, totalling HK$25.3 billion across four multi-currency tranches, comprising HK$10 billion 2-year, CNH5 billion 3-year and US$1 billion 5-year bonds in conventional bond format, and a HK$2 billion 30-year bond in social bond format. Notably, the 30-year Hong Kong dollar (**HKD**) social bond represents the largest-ever 30-year HKD bond issued in Hong Kong, and the first social bond in Asia Pacific with proceeds being used to support the RMP. The social bond also received the "Best Social Bond in Hong Kong" award at The Asset Triple A Awards for Sustainable Finance 2026.

A summary of debt securities issuance and redemption activities of the Group is set out in Note 29 to the Financial Statements.

DIVIDEND

Having considered the capital requirements for the business development, Directors recommended that no dividend be declared for the year ended 31 December 2025 (2024: nil).

DIRECTORS

Persons who served as Directors of the Company during the year or during the period beginning with the end of the year and ending on the date of this report are as follows:

The Hon. Paul CHAN Mo-po, GBM, GBS, MH, JP
Chairman and Executive Director

Mr Eddie YUE Wai-man, JP
Deputy Chairman and Executive Director

Mr Howard LEE Tat-chi, JP
Executive Director

Mr POU Hak-wan, JP
Executive Director and Chief Executive Officer

The Hon. Christopher HUI Ching-yu, GBS, JP
Non-Executive Director

The Hon. Winnie HO Wing-yin, JP
Non-Executive Director

The Hon. CHAN Hak-kan, SBS, JP
Non-Executive Director

The Hon. Jimmy NG Wing-ka, BBS, JP
Non-Executive Director

The Hon. SHIU Ka-fai, BBS, JP
Non-Executive Director

Ms Dilys CHAU Suet-fung, JP
Non-Executive Director (appointed on 9 June 2025)

Mr Paul TSE Wai-chun, JP
Non-Executive Director

Ms Ivy CHEUNG Wing-han
Non-Executive Director (appointed on 9 June 2025)

Ms Margaret KWAN Wing-han
Non-Executive Director

Mr Clement CHAN Kam-wing, BBS, MH, JP
Non-Executive Director (retired on 9 June 2025)

In accordance with Article 109 of the Company's Articles of Association, all those Directors who are not Executive Directors shall retire but shall be eligible for re-election at the forthcoming annual general meeting.

The list of directors who served on the boards (or as the case may be, as the sole director) of the subsidiaries of the Company during the year or during the period beginning with the end of the year and ending on the date of this report is kept at the registered office of the Company and available for inspection by the sole shareholder during office hours.

PERMITTED INDEMNITY

A permitted indemnity provision (as defined in the Companies Ordinance) for the benefit of the Directors was in force during the year and is in force as at the date of this report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Apart from the above and those disclosed in Note 31 to the Financial Statements on material related party transactions, there was no other transaction, arrangement or contract of significance in relation to the Company's business, to which any member of the Group was a party, and in which any person who was a Director at any time during the year or a connected entity (as defined in the Companies Ordinance) of any such person had, directly or indirectly, a material interest, which subsisted at the end of the year or at any time during the year.

AUDITOR

The Financial Statements have been audited by PricewaterhouseCoopers who will retire, and, being eligible, will offer themselves for reappointment, at the forthcoming annual general meeting of the Company.

On behalf of the Board of Directors

(Sd.)
CHAN Mo-po, Paul
Chairman and Executive Director

Hong Kong
21 April 2026

pwc 羅兵咸永道

Independent Auditor's Report

To the Sole Member of The Hong Kong Mortgage Corporation Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of The Hong Kong Mortgage Corporation Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 19 to 127, comprise:

- the consolidated statement of financial position as at 31 December 2025;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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

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Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of insurance contracts
- Impairment allowance for infrastructure loan portfolio

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contracts Refer to note 28 to the consolidated financial statements The issuance of policies by HKMC Annuity Limited and HKMC Insurance Limited (wholly-owned subsidiaries of the Company) has given rise to the recognition of insurance contracts on the Group's consolidated statement of financial position in accordance with HKFRS 17 Insurance Contracts. The insurance contract liabilities recognised amounted to HK$36,354 million (2024: HK$24,851 million), representing approximately 18% of	We have performed our planned audit procedures using an integrated team of assurance and actuarial resources, including obtaining an understanding of and evaluating the key internal controls over the actuarial process for the valuation of insurance contracts. With the involvement of our PwC actuarial experts, we performed the following procedures in relation to the FCF and CSM of the insurance contracts:

the Group's total consolidated liabilities as at 31 December 2025 (2024: 14%). The insurance contracts are measured as the total of the fulfilment cash flows ("FCF") and the contractual service margin ("CSM"), the determination of which requires judgement about uncertain future outcomes. The application of the measurement requirements under HKFRS 17 involves the use of methodologies that are applied in models. These methodologies use various assumptions which are subject to estimation uncertainty.	• Assessing the appropriateness of the methodologies adopted and reviewing material changes, as applicable; • Assessing the reasonableness of the key assumptions used, including discount rates, mortality, property prices and expenses, and management's rationale for the judgements applied; and • Evaluating the overall reasonableness of the valuation of the insurance contracts. We found that management's judgements used in measuring the insurance contracts were supported by the evidence obtained.
Impairment allowance for infrastructure loan portfolio Refer to note 20 to the consolidated financial statements As at 31 December 2025, the Group recorded an impairment allowance of HK$62 million (2024: HK$53 million) for its infrastructure loan portfolio, which amounted to HK$8,786 million (2024: HK$7,290 million). The Group developed an expected credit loss ("ECL") model with a forward-looking view for estimating the impairment allowance for its infrastructure loan portfolio. The Group also established governance processes and controls over the impairment assessment of this portfolio. As part of these governance processes and controls, management assessed the overall ECL model and determined that it continues to be appropriate. Management determines the staging classification of individual infrastructure loans based on (i) whether there is a change in credit quality, particularly whether there is evidence indicating a significant increase in credit risk ("SICR") since origination; and (ii) whether there are default indicators which might trigger migration to credit-impaired loans, as detailed in note 3.2. These indicators are quantitative and qualitative in nature. The assessment of these indicators involves significant management	We performed our planned audit procedures in relation to the assessment of the impairment allowance for the infrastructure loan portfolio, which included the following: • Understanding, evaluating and testing the governance processes over the impairment assessment, including the ECL methodology, selection of forward-looking scenarios and the probabilities assigned to these scenarios, and management's assessment of the overall impairment allowance (including the results of the annual back-testing procedures); • Understanding, evaluating and testing key internal controls over management's staging classification through their assessment of quantitative and qualitative credit indicators (including default indicators) that drive the assignment of internal loan ratings, which in turn determine the staging classification; • Assessing management's credit reviews of the infrastructure loans on a sampling basis to evaluate the appropriateness of the staging classification as at the year end; • Assessing the reasonableness and supporting documentation of the forward-looking scenarios and

judgement, which affects the staging classification and the impairment allowance. In determining the impairment allowance, the Group considers historical loss rates and adjusts for forward-looking factors. Forward-looking adjustments are detailed in note 3.2. The Group develops forward-looking views based on the outlook for the global economy, relevant regional economic indicators and specific industry sector data, taking into consideration any relevant events. The loans are then rated under various scenarios, and probabilities are assigned to each scenario, which affects the probability of default and the impairment allowance. Our audit focused on the determination of the staging classification, as detailed in note 4.1, and the forward-looking scenarios, both of which are inherently subject to significant judgement by management.	the probabilities assigned to these scenarios, with the support of our credit experts; and • Assessing the overall reasonableness of the impairment allowance for the infrastructure loan portfolio as at 31 December 2025, including performing sensitivity testing and stand-back procedures. We found that management's judgements used in calculating the impairment allowance were supported by the evidence obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. TAM Man Kit, James (practising certificate number: P04873).

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 21 April 2026

THE HONG KONG MORTGAGE CORPORATION LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	**2025**	2024
		HK$'000	HK$'000
Interest income	6	**5,795,593**	8,146,214
Interest expense	7	**(5,009,647)**	(7,528,253)
Net interest income		**785,946**	617,961
Insurance revenue	8	**1,704,263**	1,320,030
Insurance service expenses	12, 28	**(3,108,045)**	(3,299,828)
Net (expenses) / income from reinsurance contracts held	10	**(4,781)**	352,922
Insurance service result		**(1,408,563)**	(1,626,876)
Net finance expenses from insurance contracts issued	9	**(2,624,989)**	(414,920)
Net finance income from reinsurance contracts held	9	**23,060**	10,268
Insurance finance expenses, net		**(2,601,929)**	(404,652)
Other income	11	**3,373,139**	1,258,034
Total operating income / (loss)		**148,593**	(155,533)
Operating expenses	12	**(393,678)**	(362,166)
Operating loss before impairment		**(245,085)**	(517,699)
Change in impairment allowances	14	**(11,433)**	(34,911)
Loss before taxation		**(256,518)**	(552,610)
Taxation	15(a)	**147,626**	134,570
Loss for the year		**(108,892)**	(418,040)

The notes on pages 24 to 127 are an integral part of these consolidated financial statements.

THE HONG KONG MORTGAGE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	**2025**	2024
		HK$'000	HK$'000
Loss for the year		**(108,892)**	(418,040)
Other comprehensive (loss) / income:			
Items that are or may be reclassified subsequently to profit or loss:			
Debt instruments at fair value through other comprehensive income:			
- change in the fair value, net		**56,638**	15,213
- change in the loss allowance, net	14	**1,711**	147
Cash flow hedges recognised in other comprehensive income:			
- change in the fair value, net		**3,401**	(20,022)
Finance (expenses) / income from insurance contracts issued	9	**(152,206)**	339,509
Finance income / (expenses) from reinsurance contract held	9	**30,384**	(124,574)
Deferred taxes	15(b)	**17,181**	(52,454)
Other comprehensive (loss) / income for the year, net of tax		**(42,891)**	157,819
Total comprehensive loss for the year		**(151,783)**	(260,221)

The notes on pages 24 to 127 are an integral part of these consolidated financial statements.

THE HONG KONG MORTGAGE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

	Notes	**2025**	2024
		HK'000	HK$'000
ASSETS			
Cash and short-term funds	16	**64,536,615**	52,647,182
Interest and remittance receivables	17	**2,712,895**	3,221,379
Derivative financial instruments	18	**1,668,020**	664,618
Loans with 100% guarantee from the Government	19	**63,514,326**	82,782,698
Loan portfolio, net:			
- fair value through profit or loss	20(a)	**3,470,628**	2,596,858
- amortised cost	20(b)	**11,629,074**	10,117,117
Investment securities:			
- fair value through other comprehensive income	21(a)	**9,600,489**	3,721,821
- fair value through profit or loss	21(b)	**200,636**	9,774
- amortised cost	21(c)	**20,308,907**	15,105,470
Placements with the Exchange Fund	22	**72,418,586**	49,244,684
Prepayments, deposits and other assets	24	**171,601**	385,987
Reinsurance contract assets	28	**1,233,991**	1,081,689
Deferred tax assets	15(b)	**711,730**	–
Fixed assets	25	**247,984**	246,899
Total assets		**252,425,482**	221,826,176
LIABILITIES			
Interest payable	26	**2,781,710**	3,342,324
Accounts payable, accrued expenses and other liabilities	27	**5,337,424**	4,132,666
Derivative financial instruments	18	**559,693**	1,740,649
Current tax liabilities	15(b)	**684,399**	223,782
Insurance contract liabilities	28	**36,353,940**	24,850,887
Reinsurance contract liabilities	28	**324,034**	195,009
Debt securities issued	29	**155,169,330**	148,299,636
Deferred tax liabilities	15(b)	**–**	174,488
Total liabilities		**201,210,530**	182,959,441
EQUITY			
Capital and reserves attributable to the equity holder:			
Share capital	30	**39,000,000**	26,500,000
Retained profits		**7,742,794**	8,397,399
Contingency reserve		**4,106,351**	3,560,638
Insurance finance reserve		**281,842**	386,483
Fair value reserve		**81,867**	23,518
Hedging reserve		**2,098**	(1,303)
Total equity		**51,214,952**	38,866,735
Total liabilities and equity		**252,425,482**	221,826,176

Approved and authorised for issue by the Board of Directors on 21 April 2026.

(Sd.)	(Sd.)
YUE Wai Man, Eddie	POU Hak Wan
Deputy Chairman and Executive Director	Executive Director and Chief Executive Officer

The notes on pages 24 to 127 are an integral part of these consolidated financial statements.

THE HONG KONG MORTGAGE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital	Retained profits	Contingency reserve	Insurance finance reserve	Fair value reserve	Hedging reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2024	14,500,000	9,358,885	3,017,192	224,002	8,158	18,719	27,126,956
Loss for the year	-	(418,040)	-	-	-	-	(418,040)
Other comprehensive income / (loss)	-	-	-	162,481	15,360	(20,022)	157,819
Total comprehensive (loss) / income for the year	-	(418,040)	-	162,481	15,360	(20,022)	(260,221)
Capital injection (Note 30)	12,000,000	-	-	-	-	-	12,000,000
Transfer of 50% or 75% of relevant premium earned from retained profits to contingency reserve	-	(733,164)	733,164	-	-	-	-
Release of contingency reserve to retained profits	-	189,718	(189,718)	-	-	-	-
Balance as at 31 December 2024	26,500,000	8,397,399	3,560,638	386,483	23,518	(1,303)	38,866,735
Loss for the year	-	**(108,892)**	-	-	-	-	**(108,892)**
Other comprehensive (loss) / income	-	-	-	**(104,641)**	**58,349**	**3,401**	**(42,891)**
Total comprehensive (loss) / income for the year	-	**(108,892)**	-	**(104,641)**	**58,349**	**3,401**	**(151,783)**
Capital injection (Note 30)	**12,500,000**	-	-	-	-	-	**12,500,000**
Transfer of 50% or 75% of relevant premium earned from retained profits to contingency reserve	-	**(732,573)**	**732,573**	-	-	-	-
Release of contingency reserve to retained profits	-	**186,860**	**(186,860)**	-	-	-	-
Balance as at 31 December 2025	**39,000,000**	**7,742,794**	**4,106,351**	**281,842**	**81,867**	**2,098**	**51,214,952**

The notes on pages 24 to 127 are an integral part of these consolidated financial statements.

THE HONG KONG MORTGAGE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 HK$'000	2024 HK$'000
Cash flows from operating activities			
Loss before taxation for the year		**(256,518)**	(552,610)
Adjustments for:			
Interest income	6	**(5,795,593)**	(8,146,214)
Interest expense	7	**5,009,647**	7,528,253
Dividend income	11	**(272)**	(289)
Income from placements with the Exchange Fund	11	**(3,173,902)**	(1,374,291)
Net (gain) / loss on investments at fair value through profit or loss	11	**(14,983)**	48
Net gain on disposal of investments at fair value through other comprehensive income	11	**-**	(400)
Net change in fair value of loan portfolio	11	**(98,964)**	210,636
Depreciation	12	**105,565**	89,748
Change in impairment allowances	14	**11,433**	34,911
Change in fair value of financial instruments		**323,665**	(420,384)
Loss on disposal of fixed assets		**1,232**	-
Interest received		**5,828,459**	7,983,911
Interest paid		**(4,974,690)**	(7,345,111)
Cash flows used in operating activities before changes in operating assets and liabilities		**(3,034,921)**	(1,991,792)
Change in time deposits with original maturity of more than three months		**8,325,000**	(9,480,000)
Change in remittance receivables		**(16,854)**	53,591
Change in prepayments, deposits and other assets		**214,348**	1,196,045
Change in loans with 100% guarantee from the Government		**19,268,372**	14,579,658
Change in loan portfolio		**(2,292,571)**	(820,232)
Change in accounts payable, accrued expenses and other liabilities		**1,253,071**	43,352
Change in insurance contract liabilities, net of reinsurance		**11,357,954**	5,564,340
Exchange differences		**(224,629)**	432,959
Cash generated from operation		**34,849,770**	9,577,921
Taxation (paid) / refunded		**(260,756)**	16,281
Net cash generated from operating activities		**34,589,014**	9,594,202
Cash flows from investing activities			
Purchase of fixed assets		**(106,803)**	(38,734)
Purchase of investment securities at fair value through other comprehensive income	21(a)	**(6,478,590)**	(1,512,090)
Purchase of investment securities at fair value through profit or loss	21(b)	**(175,777)**	-
Purchase of investment securities at amortised cost	21(c)	**(8,201,665)**	(6,434,043)
Proceeds from sale and redemption of investment securities at fair value through other comprehensive income		**763,205**	282,342
Proceeds from redemption of investment securities at amortised cost	21(c)	**3,143,421**	5,848,597
Placements with the Exchange Fund		**(20,000,000)**	(13,800,000)
Dividend received from listed investments		**272**	289
Net cash used in investing activities		**(31,055,937)**	(15,653,639)
Net cash inflows / (outflows) before financing		**3,533,077**	(6,059,437)
Cash flows from financing activities			
Proceeds from bank borrowings		**34,444,925**	22,143,958
Repayments of bank borrowings		**(34,444,925)**	(22,143,958)
Proceeds from issue of debt securities	29	**70,399,511**	103,114,200
Redemption of debt securities issued	29	**(66,171,784)**	(117,658,640)
Principal elements of lease payments	25(b)	**(49,392)**	(39,908)
Proceeds from capital injection	30	**12,500,000**	12,000,000
Net cash generated from / (used in) financing activities		**16,678,335**	(2,584,348)
Net increase / (decrease) in cash and cash equivalents		**20,211,412**	(8,643,785)
Beginning cash and cash equivalents		**42,475,831**	51,128,198
Effect of exchange rates on cash and cash equivalents		**4,941**	(8,582)
Ending cash and cash equivalents	16	**62,692,184**	42,475,831

The notes on pages 24 to 127 are an integral part of these consolidated financial statements.

1. Basis of preparation

The consolidated financial statements of The Hong Kong Mortgage Corporation Limited (**Company**) and its subsidiaries (collectively the **Group**) have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards (**HKFRS**), Hong Kong Accounting Standards (**HKASs**) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (**HKICPA**), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The accounting policies and the methods of computation used in the preparation of these consolidated financial statements are consistently applied to all the years presented, unless otherwise stated.

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2. Summary of material accounting policies

2.1. Adoption of HKFRS Accounting Standards

(a) New and amended standards effective on 1 January 2025

The Group has adopted amendments to HKAS 21 "Lack of Exchangeability" which are effective for accounting periods beginning on or after 1 January 2025.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of group entities for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

(b) New standards and amendments issued but not yet effective

The Group has not applied the following new and amended HKFRS Accounting Standards, that have been issued but are not yet effective, in these consolidated financial statements. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	Presentation and Disclosure in Financial Statements[2]
HKFRS 19 and its amendments	Subsidiaries without Public Accountability: Disclosures[2]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[1]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency[2]

Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual improvements to HKFRS Accounting Standards – Volume 11[1]

1 Effective for annual periods beginning on or after 1 January 2026
2 Effective for annual / reporting periods beginning on or after 1 January 2027
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

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

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 "Consolidated Financial Statements", cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards or International Financial Reporting Standards (**IFRS**) Accounting Standards. HKFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from HKFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to HKFRS 18 for entities that use these measures. Earlier application is permitted. As the Group has public accountability, it is not eligible to elect to apply HKFRS 19 and its amendments.

Amendments to HKFRS 9 and HKFRS 7 "Amendments to the Classification and Measurement of Financial Instruments" clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosure requirements for investments in equity instruments designated at FVOCI and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKFRS 9 and HKFRS 7 "Contracts Referencing Nature-dependent Electricity" clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of the initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 21 "Translation to a Hyperinflationary Presentation Currency" require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of HKAS 29 "Financial Reporting in Hyperinflationary Economies", to the foreign operation's comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

"Annual Improvements to HKFRS Accounting Standards – Volume 11" set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7.

Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 "Financial Instruments: Disclosures": The amendments have updated certain wordings in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- HKFRS 9 "Financial Instruments": The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wordings in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- HKFRS 10 "Consolidated Financial Statements": The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- HKAS 7 "Statement of Cash Flows": The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's consolidated financial statements.

2.2. Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2025.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interests in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, the investment in the subsidiaries is stated at cost less provision for impairment allowances. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2.3. Interest income and expense

Interest income and expense are recognised in the income statement for all interest-bearing financial instruments using the effective interest method, except for financial assets classified at fair value through profit or loss where the economics is reflected as fair value gain or loss in other income.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.4. Other income

(a) Fee income

Fees are generally recognised on an accrual basis when the service has been provided. Upfront arrangement fees that are an integral part of the effective interest rate are recognised as an adjustment to the effective interest rate in determining interest income on the loans.

(b) Dividend income

Dividend income is recognised when the right to receive payment is established.

(c) Income from placements with the Exchange Fund

Changes in fair value of the placements with the Exchange Fund classified as "financial assets at fair value through profit or loss" is recognised as income or loss in the year in which they arise.

2.5. Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

The Group has classified the placements with the Exchange Fund, subordinated notes held under the infrastructure loans securitisation and exchange-traded funds as financial asset at fair value through profit or loss.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of the Group's financial assets are classified into the following categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired.

- FVOCI: assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income / (loss).

- fair value through profit or loss (**FVPL**): assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the income statement within other income / (loss) in the period in which it arises.

(c) Impairment

The Group assesses on a forward-looking basis the expected credit losses (**ECLs**) associated with its assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.2 provides more details of how the ECLs is measured.

2.6. Equity securities and investment funds

Equity securities are measured at FVPL unless an election is made to designate them at FVOCI upon initial recognition.

For equity securities at FVPL, changes in fair value are recognised in profit or loss in the period in which they arise.

The election of FVOCI is made upon initial recognition on an instrument-by-instrument basis and once made is irrevocable. Gains and losses on these equity securities are recognised in OCI, which are not reclassified subsequently to profit or loss, including when they are derecognised.

Investment funds are measured at FVPL. Changes in fair value of these funds are recognised in profit or loss in the period in which they arise.

2.7. Financial liabilities

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost. All the financial liabilities are classified at inception and recognised initially at fair value.

Debt securities issued in the statement of financial position represent notes issued under the Medium Term Note (**MTN**) Programme.

These notes are initially designated as either (i) financial liabilities at fair value through profit or loss; or (ii) financial liabilities at amortised cost.

The notes classified as financial liabilities at amortised cost are initially recognised at fair value, which is the fair value of the consideration received, net of transaction costs incurred. The notes are subsequently stated at amortised costs; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the debt securities using the effective interest method.

On redemption / repurchase of the notes, the resulting gains or losses, being the difference between the redemption / repurchase amount and the carrying amount, are recognised in the income statement in the period in which the redemption / repurchase takes place.

2.8. Recognition and de-recognition of financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments. Purchases and sales of investment securities are recognised on the trade date, the date on which the Group commits to purchase or sell the assets. Loan portfolio and receivables are recognised when cash is advanced to the borrowers. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. When the Group neither transfers or retains substantially all the risks and reward of ownership of a financial asset and retains control of the transferred asset, it is required to recognise the financial asset to the extent of the Group's continuing involvement in the financial asset. Under the continuing involvement approach, the Group continues to recognise part of the transferred asset. The Group also recognises continuing involvement asset and liability, which represents the extent of the Group's continuing exposure to the risks and reward of the transferred asset.

Financial liabilities at fair value through profit or loss and debt securities issued are recognised on the trade date. Other financial liabilities are recognised when such obligations arise. Financial liabilities are derecognised from the statement of financial position when and only when the obligation specified in the contract is discharged, cancelled or expired.

The Group does not recognise an asset and a liability, when the Group enters into an arrangement to pass through cash flows from an asset and that arrangement meets specified conditions. In these cases, the Group acts more as an agent of the eventual recipients of the cash flows than as an owner of the asset. Accordingly, to the extent that those conditions are met the arrangement is treated as a transfer and considered for derecognition even though the entity may continue to collect cash flows from the asset. Conversely, to the extent the conditions are not met, the entity acts more as an owner of the asset with the result that the asset should continue to be recognised.

2.9. Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Interest receivables and payables arising from derivatives are separately presented in the statement of financial position.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received).

Certain derivatives embedded in financial liabilities are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities or firm commitments (**fair value hedge**); or (ii) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (**cash flow hedge**). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to income statement over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in OCI and accumulated in equity as hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Derivatives not qualified as hedges for accounting purposes

Derivative instruments entered into as economic hedges that do not qualify for hedge accounting are held at fair value through profit or loss. Changes in the fair value of any derivative instrument are recognised immediately in the income statement.

2.10. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11. Repossessed assets

Repossessed collateral assets are accounted as assets held for sale and reported in "Other assets" and the relevant loans are derecognised. The repossessed collateral assets are measured at lower of carrying amount and fair value less costs to sell.

2.12. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Chief Executive Officer as its chief operating decision maker.

2.13. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (**functional currency**). The consolidated financial statements are presented in thousands of units of Hong Kong dollars (**HK$'000**) which is the Company's functional and the Company's and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as FVOCI, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in OCI.

Translation differences on non-monetary financial instruments held at FVPL are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments classified as FVOCI, are included in the fair value reserve in equity.

2.14. Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Right-of-use assets on leased properties for own use	shorter of the end of the useful life of the right-of-use asset or the end of the lease term
Leasehold improvements	over the unexpired period of the lease
Furniture and fixtures	over the unexpired period of the lease
Computer	three years
Office equipment	three years
Motor vehicle	four years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.15. Impairment of investment in subsidiaries

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from that subsidiary if the dividend exceeds the total comprehensive income of the subsidiary concerned in the period the dividend is declared or if the carrying amount of the subsidiary in the Company's statement of financial position exceeds the carrying amount of the subsidiary's net assets including goodwill in the consolidated statement of financial position.

2.16. Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred 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 consolidated financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.17. Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave, maternity or paternity leave are recognised when the absence occurs.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created constructive obligations.

(c) Pension obligations

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

The Group's contributions to the mandatory provident fund scheme and defined contribution scheme are expensed as incurred.

2.18. Leases

(a) As a lessee

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds it recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition to leases of assets that are considered as low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.19. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with original maturities of three months or less, including cash and balances with banks that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

2.20. Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.21. Insurance and reinsurance contracts classification

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. In general, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Insurance contracts can also transfer financial risk.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

The Group issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

2.22. Insurance and reinsurance contracts accounting treatment

(a) Level of aggregation

HKFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Group is determined firstly by dividing the insurance contracts written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator. The Group then makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. HKFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. Accordingly, each portfolio is disaggregated into groups of contracts that are issued within a calendar year (annual cohorts).

The Group has defined portfolios of insurance and reinsurance contracts issued based on its product lines due to the fact that the products are subject to similar risks and managed together. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business.

The groups of contracts for which the fair value approach has been adopted on transition include contracts issued more than one year apart.

The insurance contracts portfolios are divided into:

- a group of contracts that are onerous at initial recognition;

- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and

- a group of the remaining contracts in the portfolio.

The reinsurance contracts held portfolios are divided into:

- a group of contracts on which there is a net gain on initial recognition;

- a group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition; and

- a group of the remaining contracts in the portfolio.

(b) Recognition

The Group recognises groups of insurance contracts that it issues from the earliest of the following:

- the beginning of the coverage period of the group of contracts;

- the date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date; or

- for a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

The Group recognises a group of reinsurance contracts held it has entered into from the earliest of the following:

- the beginning of the coverage period of the group of reinsurance contracts held. However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date when any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and

- the date the Group recognises an onerous group of underlying insurance contracts if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts are identified to meet the recognition criteria in the groups after reporting date, they are added to the groups in the reporting period in which they are identified to meet the recognition criteria. The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

(c) Onerous groups of contracts

The Group has determined whether any contracts issued form a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Group looks at facts and circumstances to identify if a group of contracts are onerous based on:

- pricing information;
- results of similar contracts it has recognised; and
- environmental factors, e.g., a change in market experience or regulations.

(d) Contract boundary

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- the Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
- the pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

(e) Insurance contracts – initial measurement

The Group measures a group of insurance contracts as the total of:

- fulfilment cash flows; and
- a CSM representing the unearned profit the Group will recognise as it provides service under the insurance contracts in the group.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Group's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Group estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and apply the current discount rates to reflect the time value of money and the financial risks related to those cash flows.

When estimating future cash flows, the Group includes all cash flows that are within the contract boundary including:

- premiums and related cash flows;
- claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims;
- an allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs;
- claims handling costs;
- policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries; and
- an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts.

The Group does not provide investment-return services in respect of contracts that it issues, nor does it perform investment activities for the benefit of policyholders.

The Group incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Group estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- information about claims already reported by policyholders;
- other information about the known or estimated characteristics of the insurance contracts;
- historical data about the Group's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions; and
- current pricing information, when available.

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the period of the contract in a systematic and rational way on the basis of the passage of time. The Group does not elect to accrete interest on insurance acquisition cash flows to be allocated to profit or loss.

The Group's CSM is a component of the insurance asset or liability for the group of insurance contracts that results in no income at initial recognition. The level of aggregation for CSM is on a group of contracts basis consistent with the level of aggregation specified above. If the fulfilment cash flows allocated to the group of insurance contracts, together with any previously recognised insurance acquisition cash flows and any cash flows arising from the contracts at the date of initial recognition in total are a net outflow, the group of contracts is considered to be onerous. A loss from onerous insurance contracts is recognised in profit and loss immediately.

For reinsurance contracts, the Group recognises any net gain or net cost as a CSM at initial recognition. If any net cost of obtaining reinsurance coverage relates to an insured event that occurred before the purchase of the group of reinsurance contracts held, it is recognised immediately in profit or loss. In addition, if the underlying insurance contracts are in an onerous position, the Group is allowed to recognise a reinsurance gain immediately in profit or loss for the portion of claims that the Group expects to recover from the reinsurance, if the reinsurance held was entered into prior to or at the same time as the onerous contract. Consequently, a loss-recovery component is created and adjusted for the group of reinsurance contracts. This determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. The Group adjusts the loss-recovery component to reflect changes in the loss of an onerous group of underlying insurance contracts. The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts.

Measurement of reinsurance contract cash flows is consistent with the underlying insurance contracts, but with an adjustment for any risk of non-performance by the reinsurer.

(f) Insurance contracts – subsequent measurement

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For each profitability group of insurance contracts, the carrying amount of the CSM of the group at the end of the reporting period is adjusted by the Group to reflect the effect of the following changes:

- the effect of any new contracts added to the group;
- interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition;
- the changes in fulfilment cash flows relating to future service, except to the extent that: (i) such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or (ii) such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage (**LRC**); and
- the amount recognised as insurance revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The discount rate is determined periodically and only the set of locked-in discount rates for a group of contracts in each period will be applied for subsequent measured. The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach (Note 4.4(b)).

The CSM is recognised into insurance revenue over the duration of the group of insurance contracts based on the respective coverage units. The locked-in discount rate is the rate applicable at the date of initial recognition of contracts that joined a group for each annual cohort.

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise:

- experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM;

- changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the consolidated income statement and consolidated statement of comprehensive income rather than adjusting the CSM);

- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and

- changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

Where, during the coverage period, a loss is created for a group of insurance contracts becoming onerous when there is an increase in fulfilment cash flows that exceeds the carrying amount of the CSM. Once a change in fulfilment cash flows reduces CSM to nil, the excess establishes a loss which is recognised in profit and loss immediately for the net cash outflow. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised. Any subsequent decrease in the fulfilment cash flows will reverse the losses previously recognised in profit and loss. Any remaining loss will be released based on a systematic allocation of subsequent changes relating to future service in the fulfilment cash flows.

The Group measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of (i) the liability for remaining coverage comprising the fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims (**LIC**) for the Group comprising the fulfilment cash flows related to past service allocated to the group at that date (i.e. the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported). The fulfilment cash flows at the reporting dates are measured using the current estimates of expected cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

(g) For reinsurance contracts, the carrying amount represents the sum of (i) the asset for remaining coverage comprising the fulfilment cash flows that relate to services that will be received under the contracts in future periods and any remaining CSM at that date; and (ii) the asset for incurred claims for the Group comprising the fulfilment cash flows related to past service allocated to the group at that date (i.e. the fulfilment cash flows for incurred recoveries that have not been received, including recoveries that have been incurred but not yet reported). The fulfilment cash flows at the reporting dates are measured using the current estimates of expected cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

(h) Insurance contracts – modification and derecognition

The Group derecognises insurance contracts when:

- the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or

- the contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, or the modified contract would have had a substantially different contract boundary, or the modified contract would have been included in a different group of contracts. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract.

(i) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

(j) Presentation

The Group has presented separately in the statement of financial position the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Group disaggregates the amounts recognised in the consolidated income statement and consolidated statement of comprehensive income into insurance service result, comprising insurance revenue and insurance service expenses from investment results, which comprises insurance finance income or expenses.

The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Group separately presents income or expenses from reinsurance contracts held and from insurance contracts issued.

(i) Insurance revenue

The Group's insurance revenue depicts the performance of insurance services through provision of coverage and other services arising from a group of insurance contracts at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Group adjusted for financing effect (the time value of money) and excluding investment components). The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- expected insurance service expenses for claims and other insurance expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage;
- the risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage;
- the CSM release; and
- amounts related to recovery of insurance acquisition cash flows.

For management judgement applied to the amortisation of CSM, please refer to Note 4.4(d).

(ii) Insurance services expenses

The insurance service expenses arising from insurance contracts are recognised in profit or loss as they are incurred. The insurance service expenses comprise: (a) incurred claims and other insurance expenses; (b) losses on onerous contracts and reversal of such losses; (c) adjustments to liability for incurred claims; and (d) related to amortising of insurance acquisition cash flows.

(iii) Loss components

The Group has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Group has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims).

(iv) Loss-recovery components

When the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

Where a loss-recovery component has been set up at initial recognition or subsequently, the Group adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held. On this basis, the loss-recovery component recognised at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

(v) Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk.

The Group disaggregates insurance finance income or expenses on insurance and reinsurance contracts issued between profit or loss and OCI for general insurance business. The impact of changes in market interest rates on the value of the insurance and related reinsurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The impacts from differences between current period rates and locked-in rates are presented in OCI.

For general insurance business, the Group's invested assets which are deposits and debt securities investments backing the groups of insurance contracts measured under the GMM are measured at amortised costs. As a result, the effect of the time value of money for the groups of insurance contracts are reflected in profit or loss and the effect of financial risk and changes in financial risk is reflected in OCI.

The Group systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholder.

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract, the Group reclassifies the insurance finance income or expenses to profit or loss as a reclassification adjustment of any remaining amounts for the group (or contract) that were previously recognised in OCI.

With respect to the annuity business, insurance finance income or expenses on the issued insurance contracts is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

(vi) Net income or expense from reinsurance contracts held

The Group presents on the face of the consolidated income statement and consolidated statement of comprehensive income the net amounts of expected recovery from reinsurers and an allocation of the reinsurance premiums paid. The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held. Amounts relating to the recovery of losses from reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer. For reinsurance cash flows that are not contingent on claims on the underlying contracts (for example, some types of ceding commissions), they are treated as reduction in reinsurance premiums paid. The allocation of reinsurance premiums paid represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration.

2.23. Loans that transfer significant insurance risk

There are contracts issued by the Group with a feature combining a loan component with an agreement to compensate the borrowers by waving the borrowers' outstanding debt (for example, repayment of the loan balance and payment of interest) if a specified uncertain future event adversely affects the borrowers (for example, death). The insurance risk transferred by these contracts arises primarily from guarantees provided to the borrowers of the maximum amount of outstanding debt that is repayable if specified uncertain future events occur. In accordance with HKFRS 17, the loan component is no longer allowed to account separately from an insurance contract. On the other hand, it is allowed to apply HKFRS 9 to account for both components of such contracts in entirety. The Group has applied HKFRS 9 to such contracts. The objective of the Group's business model is to hold relevant loans with insurance cover to collect contractual cash flows until maturity rather than to sell. However, the cash flows of these contracts fail to meet the "solely for payments of principal and interest" test in view of the non-recourse feature as the credit risk of the Group is exchanged for the performance of underlying collateral value for repayment of loan balance and payment of interest. Accordingly, such contracts (with both loan and insurance components in entirety) are measured as fair value through profit or loss under HKFRS 9. The determination of the fair value of these loans is based on income approach by discounting future cash flows (including annuity payout, premium and interest income, loan prepayment, collateral property value and so on) to present value at a rate that market participant would use when pricing the similar asset.

2.24. Contingency reserve

For general insurance business, 50% or 75% of the relevant premiums or insurance premium earned, depending on the respective product, under Insurance Ordinance basis is set aside as a contingency reserve for a period of time in accordance with relevant regulatory guidelines and as considered appropriate by the directors. Withdrawals from the contingency reserve can be made to meet excess claims at any time during the period. At the end of the reporting period, the unutilised balance of the contingency reserve can be released to retained profits.

3. Financial risk management

3.1. Strategy in using financial instruments

The major activities of the Group are (i) to purchase portfolios of mortgages or loans; (ii) to raise financing for its purchase of assets through issuance of debt securities; (iii) to develop infrastructure financing business; (iv) to provide mortgage insurance cover in respect of mortgage loans and reverse mortgage loans originated by participating lenders and secured on residential properties in Hong Kong, life insurance policies and other assets, if applicable; (v) to operate a scheme for the Government of the Hong Kong Special Administrative Region (**Government**) providing guarantee on loans advanced by participating lenders for local small and medium enterprises (**SMEs**) and to operate a scheme for the Government providing 100% guarantee on loans advanced by participating lenders for unemployed individuals; and (vi) to offer life annuity products in or from Hong Kong. By their nature, the Group's activities are principally related to the use of financial instruments including cash, loans, debts, investments, and derivatives.

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group manages the risks in a prudent manner in sustaining the Group's financial performance.

The Corporate Risk Management Committee is set up at group level to provide oversight of the enterprise-wide risk matters including financial and non-financial risks. The policies and limits for various risks are monitored and reviewed regularly by various management committees of the Company, including Infrastructure Financing and Securitisation Investment Committee (**IFSIC**), Credit Committee, Asset and Liability Committee (**ALCO**), Transaction Approval Committee (**TAC**), Environmental, Social and Governance (**ESG**) Committee, and Operational Risk Committee (**ORC**) which report to the Corporate Risk Management Committee.

The IFSIC executes oversight and approval authority over all investments in infrastructure loans. The Credit Committee oversees the credit policies and standards for asset acquisition. The ALCO oversees the implementation of market risk management and investment guidelines approved by the Board of Directors. The TAC conducts an in-depth analysis of pricing economics and associated risks for business transactions, whilst taking into consideration the latest market conditions and business strategies approved by the Board. The ESG Committee is established to direct and oversee the development and implementation of ESG strategy having regard to the relevant requirements and guidelines. The ORC is responsible for ensuring that all business entities and line functions maintain an effective operational risk and internal control framework. The ORC is also responsible for providing directions and resolving issues related to policies, controls and management of operational issues referred to by line functions, as well as ensuring prompt and appropriate corrective action in response to audit findings related to operational risks or internal controls.

The Group also established Longevity Risk Committee to manage longevity risk of the Group. Its duties include approving longevity risk management policies and hedging transactions and reviewing longevity experiences and exposures of the Group. It also monitors and analyses the general trend, technological changes and their implications for human longevity.

In respect of general insurance business, a Risk Committee is established by HKMC Insurance Limited (**HKMCI**) as an independent oversight committee to assist its Board to oversee implementation of risk management framework and manage all risks faced by the HKMCI. For HKMC Annuity Limited (**HKMCA**), a Risk Committee is established to manage the enterprise-wide risk matters, including financial and non-financial risks.

In addition, Group Internal Audit Department is responsible for the independent review of the internal control systems of the Group.

The most important types of risks are credit risk, market risk which includes currency risk, interest rate risk and equity price risk, liquidity risk and insurance risk.

3.2. Credit risk

The Group's principal financial assets are its cash and short-term funds, investment securities, placements with the Exchange Fund, loan portfolio and loans with 100% guarantee from the Government under the SME Financing Guarantee Scheme (**SFGS**) and Dedicated 100% Loan Guarantee Schemes (**DLGS**). The credit risk on liquid funds and investment securities is limited because the credit ratings of the counterparties, mainly sovereigns, quasi-sovereign agencies, banks and companies, should meet the minimum requirement in accordance with the investment guidelines approved by the Board of Directors (except for infrastructure-related bonds). The capital of the HKMCA and the HKMCI as well as premium receipts of the HKMCA are placed with the Exchange Fund managed by the Hong Kong Monetary Authority (**HKMA**). The credit risk on the placements with the Exchange Fund is very limited as it is exposure to the Government. Regarding loans with 100% guarantee from the Government, the credit default risk of the loans is fully guaranteed by the Government.

The Group's credit risk is primarily attributable to its loan portfolio, which is the risk that a loan borrower will be unable to pay amounts in full when due. The Group therefore has a prudent policy for managing its exposure to credit risk.

To maintain the quality of the loan portfolios (including infrastructure debts exposure), the Group adheres to a prudent risk management framework to (i) select Approved Sellers with established criteria; (ii) adopt prudent asset purchasing criteria; (iii) conduct effective and in-depth due diligence reviews; (iv) implement robust project structures and financing documentation; (v) perform an ongoing monitoring and reviewing mechanism; and (vi) ensure adequate protection for higher-risk assets or transactions.

The Group undertakes ongoing credit review with special attention paid to problem loans. Business units will monitor these loans and take recovery action such as establishing relief plan with borrowers in order to maximise recoveries. Loan impairment assessment is performed regularly and impairment allowance is charged to income statement in accordance with the guidelines approved by the Credit Committee.

Collateral and other credit enhancements

The Group has implemented guidelines on the acceptability of specific classes of collateral on credit risk mitigation, which are subject to regular review.

Loan portfolio and loans with 100% guarantee from the Government

The principal collateral types for residential mortgage portfolio mainly consist of properties located in Hong Kong. For hire purchase receivable, the collateral types include taxi and public light bus licenses. Residential mortgage portfolio and hire purchase receivable are generally secured by collateral. The current collateral value of properties is determined with the use of public indices on a portfolio basis. The principal collateral types for infrastructure loan portfolio mainly consist of security interests in the assets of the borrowers and assignment of key project documents and / or charge over bank accounts but the actual security varies projects to projects.

Regarding loans with 100% guarantee from the Government, no collateral is sought as the credit default risk of the loans is fully guaranteed by the Government. Please refer to Note 19 for more details.

Time deposits with banks, investment securities and placements with the Exchange Fund

Collaterals are generally not sought for time deposits with banks as the exposures are considered to be low risk due to the nature of the counterparties and short-term maturity. Investment securities and placements with the Exchange Fund are generally unsecured.

Derivative financial instruments

The Group enters into ISDA master agreement with all counterparties for derivative transactions where each party will be able to settle all outstanding amounts on a net basis in the event of default of the other party. The Group also executed Credit Support Annex (**CSA**) with all counterparties in conjunction with the master agreement. Under CSA, collateral is passed between the parties to mitigate the counterparty risk inherent in outstanding positions.

For financial instruments such as derivatives, exposures are monitored against counterparty risk limits established in accordance with the investment guidelines and credit risk policy of the Group. These counterparty risk limits are subject to regular review by the Credit Committee on an annual basis. At any one time, the amount subject to counterparty risk is limited to the current fair value of instruments favourable to the Group (i.e. assets with positive fair value), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This counterparty risk exposure is managed as part of the overall credit limits with counterparties, together with potential exposures from market movements.

Mortgage insurance contracts, other guarantee and insurance contracts, and reinsurance contracts held

The details are disclosed in Note 3.5.

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

Expected credit loss (ECL) measurement

For financial assets, the following credit risk modelling applies:

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information with the following indicators incorporated:

- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and

- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the financial conditions of the borrower.

A three-stage approach to measuring ECLs is applied on loan portfolio, cash and short-term funds and investment securities accounted for at amortised cost and FVOCI. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECLs

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECLs – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECLs – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest income is calculated by applying the effective interest rate to the amortised cost (net of impairment provision) rather than the gross carrying amount.

ECLs are derived from unbiased and probability-weighted estimates of expected loss. The amount of the ECLs is recognised using an impairment allowance account with the movement in this account charged to income statement.

At initial recognition, impairment allowance is required for ECLs resulting from default events that are possible within the next 12 months (**12-month ECLs**). At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. In the event of a significant increase in credit risk, impairment allowance is required from all possible default events over the expected life of the financial assets (**Lifetime ECLs**). If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the impairment allowance reverts from Lifetime ECLs to 12-month ECLs.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Loans are written off after all the necessary procedures have substantially been completed and the amount of the loss has been determined. Where loans have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

No impairment allowance was made on interest and remittance receivables, deposits and other assets as the amount was immaterial.

The Group uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories.

(a) Loans with 100% guarantee from the Government

These loans are fully guaranteed by the Government as detailed in Note 19. The Group uses three categories for loans which reflect their credit risk:

Stage 1: It represents performing loans with low risk of default and the borrower has a strong capacity to meet contractual cash flows.

Stage 2: It represents loans with significant increase in credit risk since the moment of acquisition, for example there is interest or principal payment overdue between 30 days and 60 days.

Stage 3: It represents loans with significant increase in credit risk with interest or principal payment overdue for over 60 days, or loans with default notice submitted by banks.

Given the default loss of these loans are fully guaranteed, no impairment allowance is recognised in view of the minimal default risk of the Government.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2025				
Gross carrying amount	**59,654,396**	**1,148,949**	**2,710,981**	**63,514,326**
Impairment allowance	**-**	**-**	**-**	**-**
Carrying amount	**59,654,396**	**1,148,949**	**2,710,981**	**63,514,326**

	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024				
Gross carrying amount	74,154,028	1,754,591	6,874,079	82,782,698
Impairment allowance	-	-	-	-
Carrying amount	74,154,028	1,754,591	6,874,079	82,782,698

(b) Loan portfolio

A summary of the assumptions underpinning the Group's ECL model on loans is as follows:

Category	**Definition of category**	**Basis for recognition of ECL provision**
Stage 1	Borrowers have a low risk of default and a strong capacity to meet contractual cash flows.	12-month ECLs (Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.)
Stage 2	Loans for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and / or principal repayments are more than 30 days past due.	Lifetime ECLs – not credit impaired
Stage 3	Interest and / or principal repayments are 90 days past due, borrowers with bankruptcy or properties repossessed.	Lifetime ECLs – credit impaired
Write-off	There is no reasonable expectation of recovery on the delinquent interest and / or principal repayments.	Asset is written off

However, in certain cases, the Group will also consider a loan to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any enhancements held by the Group.

Over the term of the loans, the Group accounts for its credit risk by appropriately providing for ECLs on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of loan portfolio, and adjusts for forward-looking macroeconomic data.

Loan portfolio at amortised cost consists of residential mortgage portfolio, infrastructure loans and others which are hire purchase receivable and microfinance loans.

The Group have adopted a range of economic cycle stages for the assessment of mortgage loans and hire purchase receivable by portfolio basis. Probabilities are assigned to different economic cycle stages for the assessment. Based on market outlook, Credit Committee members form a view on the likelihood of each economic cycle stage. The default probability is based on the weighted average of likelihood of different economic cycle stage and the corresponding default probability.

For infrastructure loans assessed by individual project basis, the Group has selected a forward-looking view based on outlook of global economy, relevant regional economic indicators, specific industry data, and taking into consideration of the impact of any special events. Infrastructure loans are rated under various scenarios. The probability table is set up to determine the probability of each scenario under each forward-looking view.

The following table contains an analysis of the credit risk exposure of loan portfolio at amortised cost.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2025				
Loan portfolio at amortised cost				
Gross carrying amount				
Residential mortgage portfolio	**2,847,302**	**3,994**	**9,081**	**2,860,377**
Infrastructure loans	**8,786,195**	**-**	**-**	**8,786,195**
Others	**54,069**	**-**	**-**	**54,069**
	11,687,566	**3,994**	**9,081**	**11,700,641**
Impairment allowance				
Residential mortgage portfolio	**(9,330)**	**-**	**(408)**	**(9,738)**
Infrastructure loans	**(61,501)**	**-**	**-**	**(61,501)**
Others	**(328)**	**-**	**-**	**(328)**
	(71,159)	**-**	**(408)**	**(71,567)**
Carrying amount	**11,616,407**	**3,994**	**8,673**	**11,629,074**

	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024				
Loan portfolio at amortised cost				
Gross carrying amount				
Residential mortgage portfolio	2,807,202	3,844	5,501	2,816,547
Infrastructure loans	7,290,487	-	-	7,290,487
Others	69,504	-	2,221	71,725
	10,167,193	3,844	7,722	10,178,759
Impairment allowance				
Residential mortgage portfolio	(6,849)	-	-	(6,849)
Infrastructure loans	(52,940)	-	-	(52,940)
Others	(259)	-	(1,594)	(1,853)
	(60,048)	-	(1,594)	(61,642)
Carrying amount	10,107,145	3,844	6,128	10,117,117

The impairment allowance for loan portfolio as at 31 December 2025 reconciles to the opening impairment allowance as follows:

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Impairment allowance as at 1 January 2024	24,873	-	1,347	26,220
Loans purchased and repayment	27,402	-	-	27,402
Net measurement of impairment arising from changes of stage	-	22	-	22
Movement due to changes in credit risk	7,773	-	264	8,037
Recoveries of loans not written-off	-	-	(39)	(39)
	35,175	22	225	35,422
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	(22)	22	-
Write-offs	-	-	-	-
Impairment allowance as at 31 December 2024 (Note 20)	60,048	-	1,594	61,642
Loans purchased and repayment	**5,622**	-	-	**5,622**
Net measurement of impairment arising from changes of stage	**(1,541)**	-	**(15)**	**(1,556)**
Movement due to changes in credit risk	**5,468**	-	**403**	**5,871**
Recoveries of loans not written-off	-	-	**(12)**	**(12)**
	9,549	-	**376**	**9,925**
Transfer to stage 1	**1,567**	-	**(1,567)**	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	**(5)**	-	**5**	-
Write-offs	-	-	-	-
Impairment allowance as at 31 December 2025 (Note 20)	**71,159**	-	**408**	**71,567**
Change in loan impairment allowance	**11,111**	-	**(1,186)**	**9,925**
Net change in loan commitment impairment allowance	**(3,896)**	-	-	**(3,896)**
Recoveries of loans previously written-off	-	-	**(221)**	**(221)**
Total change in impairment allowance recognised in profit or loss for year ended 31 December 2025 (Note 14)	**7,215**	-	**(1,407)**	**5,808**
Total change in impairment allowance recognised in profit or loss for year ended 31 December 2024 (Note 14)	32,964	22	97	33,083

(c) Cash and short-term funds

The impairment allowance for cash and short-term funds as at 31 December 2025 reconciles to the opening impairment allowance as follows:

	HK$'000
Impairment allowance as at 1 January 2024	4,147
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	1,502
Impairment allowance as at 31 December 2024 (Note 16)	5,649
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	**1,920**
Impairment allowance as at 31 December 2025 (Note 16)	**7,569**

According to the approved investment guidelines, the Group can only place deposits with note-issuing banks or banks with a certain minimum credit rating.

The Group has established a provision matrix that is based on the external credit rating of each counterparty and the corresponding historical credit loss experience, adjusted for forward-looking macroeconomic data to determine the ECLs for impairment allowance. The Group has selected a range of possible economic outcomes, based on outlook of global economy and relevant economic indicators, taking into consideration the impact of any special events, as the most suitable views to the portfolio. A probability rate table is set up to determine the probability rate for the forward-looking views.

All of these financial assets are considered to be low risk in view of all deposit banks are rated at investment grade by rating agencies, and thus the impairment allowance recognised during the period was limited to 12-month ECLs for stage 1. During the year, the increase in the impairment allowance was mainly due to the increase in deposits with banks and there was no transfer to stages 2 and 3.

As at 31 December 2025 and 31 December 2024, the minimum acceptable short-term credit ratings are A-2 (Standard and Poor's), P-2 (Moody's) and F-2 (Fitch's).

(d) Investment securities

Investment securities are composed of debt securities and investment funds, while debt securities comprise conventional debt securities and infrastructure-related bonds.

According to the approved investment guidelines, conventional debt securities can only be invested with a certain minimum credit rating. The proportion of investments according to rating categories is monitored and reviewed by ALCO. Investment in infrastructure-related bonds which are secured by project assets and other typical security package for infrastructure financing, is governed and monitored by IFSIC.

The table below presents an analysis of debt securities by rating classification as at the end of the reporting period, based on external credit rating agency's ratings (Standard and Poor's, Moody's and Fitch's) or internal ratings based on the rating models provided by external credit rating agency. In the absence of issue-specific ratings, the ratings for the issuers are reported.

	Debt securities at FVOCI	**Debt securities at amortised cost**	**Infrastructure-related bonds at amortised cost***	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2025				
AAA / Aaa	**1,548,355**	**1,858,262**	**-**	**3,406,617**
AA- to AA+ / Aa3 to Aa1	**4,886,815**	**10,694,658**	**439,775**	**16,021,248**
A- to A+ / A3 to A1	**3,165,319**	**6,527,176**	**581,817**	**10,274,312**
BBB- to BBB+ / Baa3 to Baa1	**-**	**-**	**98,510**	**98,510**
BB / Ba	**-**	**-**	**115,553**	**115,553**
Total	**9,600,489**	**19,080,096**	**1,235,655**	**29,916,240**

* For infrastructure-related bonds where external credit rating agency's ratings are not available, rating classification is based on internal ratings.

	Debt securities at FVOCI	Debt securities at amortised cost	Infrastructure-related bonds at amortised cost	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024				
AAA / Aaa	182,621	665,399	-	848,020
AA- to AA+ / Aa3 to Aa1	2,745,410	6,790,367	-	9,535,777
A- to A+ / A3 to A1	793,790	7,153,171	-	7,946,961
BBB- to BBB+ / Baa3 to Baa1	-	-	501,383	501,383
Total	3,721,821	14,608,937	501,383	18,832,141

The following table contains an analysis of the credit risk exposure of investment securities for which impairment allowance is recognised. There was no transfer to stages 2 and 3 during the period.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2025				
Gross carrying amount				
- FVOCI	**9,600,489**	-	-	**9,600,489**
- amortised cost	**20,315,751**	-	-	**20,315,751**
Impairment allowance				
- amortised cost	**(6,844)**	-	-	**(6,844)**
Carrying amount				
- FVOCI	**9,600,489**	-	-	**9,600,489**
- amortised cost	**20,308,907**	-	-	**20,308,907**
	29,909,396	-	-	**29,909,396**

	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024				
Gross carrying amount				
- FVOCI	3,721,821	-	-	3,721,821
- amortised cost	15,110,320	-	-	15,110,320
Impairment allowance				
- amortised cost	(4,850)	-	-	(4,850)
Carrying amount				
- FVOCI	3,721,821	-	-	3,721,821
- amortised cost	15,105,470	-	-	15,105,470
	18,827,291	-	-	18,827,291

The impairment allowance for investment securities as at 31 December 2025 reconciles to the opening impairment allowance as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Impairment allowance as at 1 January 2024				
- FVOCI	875	-	-	875
- amortised cost	4,671	-	-	4,671
Change in the impairment allowance recognised in profit or loss during the period				
- FVOCI (Note 14)	147	-	-	147
- amortised cost (Note 14)	179	-	-	179
Impairment allowance as at 31 December 2024				
- FVOCI	1,022	-	-	1,022
- amortised cost (Note 21(c))	4,850	-	-	4,850
Change in the impairment allowance recognised in profit or loss during the period				
- FVOCI (Note 14)	**1,711**	-	-	**1,711**
- amortised cost (Note 14)	**1,994**	-	-	**1,994**
Impairment allowance as at 31 December 2025				
- **FVOCI**	**2,733**	-	-	**2,733**
- **amortised cost (Note 21(c))**	**6,844**	-	-	**6,844**

(i) Investment securities at amortised cost

Investment securities at amortised cost include listed and unlisted debt securities, and infrastructure-related bonds. The impairment allowance on investment securities at amortised cost as at 31 December 2025 reconciles to the opening impairment allowance as follows:

	HK$'000
Impairment allowance as at 1 January 2024	4,671
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	179
Impairment allowance as at 31 December 2024 (Note 21(c))	4,850
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	**1,994**
Impairment allowance as at 31 December 2025 (Note 21(c))	**6,844**

The Group has established a provision matrix that is based on the external credit rating or internal credit rating (based on rating model provided by external credit rating agency) of each counterparty and the corresponding historical credit loss experience, adjusted for forward-looking macroeconomic data to determine the ECLs for impairment allowance. The Group has selected a range of possible economic outcomes, based on outlook of global economy and relevant economic indicators, taking into consideration the impact of any special events, as the most suitable views to the portfolio. A probability rate table is set up to determine the probability rate for the forward-looking views.

All of these investment securities carried at amortised cost are considered with no significant increase in credit risk as at 31 December 2025, and thus the impairment allowance recognised for the year ended 31 December 2025 was limited to 12-month ECLs under Stage 1. During the year, the increase in the impairment allowance was mainly due to the increase in investment securities at amortised cost.

(ii) Investment securities at FVOCI

Investment securities at FVOCI include listed and unlisted debt securities. The impairment allowance on investment securities at FVOCI as at 31 December 2025 reconciles to the opening impairment allowance as follows:

	HK$'000
Impairment allowance recognised in OCI as at 1 January 2024	875
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	147
Impairment allowance recognised in OCI as at 31 December 2024	1,022
Change in the impairment allowance recognised in profit or loss during the period (Note 14)	**1,711**
Impairment allowance recognised in OCI as at 31 December 2025	**2,733**

The Group has established a provision matrix that is based on the external credit rating of each counterparty and the corresponding historical credit loss experience, adjusted for forward-looking macroeconomic data to determine the ECLs for impairment allowance. The Group has selected a range of possible economic outcomes, based on outlook of global economy and relevant economic indicators, taking into consideration the impact of any special events, as the most suitable views to the portfolio. A probability rate table is set up to determine the probability rate for the forward-looking views.

All of these financial assets are considered to be low risk in view of all investment securities at FVOCI are rated at investment grade by rating agencies, and thus the impairment allowance recognised for the year ended 31 December 2025 was limited to 12-month ECLs under Stage 1. During the year, the increase in the impairment allowance was mainly due to the increase in investment securities at FVOCI.

In preparing the ECL, Credit Committee had formed three forward-looking views (that is good, normal and bad) based on market conditions, real economies and a designated period of historical macroeconomic variables to formulate the probability rating for three scenarios (that is optimistic, base and pessimistic) under each forward-looking view. The good view assumed a high probability of optimistic scenario outcome whereas the bad view assumed a high probability of pessimistic scenario outcome. A designated period of historical data that covers peaks and troughs of economic cycles were selected to ensure the selection of scenarios stays unbiased.

The weightings assigned to each economic scenario, base, pessimistic and optimistic as at 31 December 2025, were maintained at the same weightings as at 31 December 2024 in view of market conditions, for the Group's infrastructure loans, deposits and debt investments, of which the impairment allowance is provided based on credit ratings (either external or internal) and forms the majority of total impairment allowance.

(e) Sensitivity analysis of ECL

The Group applies three alternative macro-economic scenarios (base, pessimistic and optimistic scenarios) on the forward-looking views to reflect probability-weighted range of possible future outcomes in estimating ECL. The table below provides approximate levels of provisions of impairment under the normal, bad and good forward-looking views for the infrastructure loans, deposits and debt investment portfolio of the Group:

	2025	2024
	Amount change from the reported ECL	Amount change from the reported ECL
	HK$'000	HK$'000
	Increase / (decrease)	Increase / (decrease)
ECL:		
- normal view	**(38,322)**	(32,965)
- bad view	**-**	-
- good view	**(46,465)**	(39,200)

(f) Maximum exposures to credit risk of the financial assets of the Group before taking into account of collateral held or other credit enhancements are equal to their gross carrying amounts.

(g) Credit-impaired loans

	2025	2024
	HK$'000	HK$'000
Gross impaired loan portfolio	**9,081**	2,221
Allowance for loan impairment in respect of such advances - Stage 3	**(408)**	(1,594)
	8,673	627

Allowance for loan impairment is assessed after taking into account of collateral held for impaired loans.

(h) Repossessed properties

The Group obtained assets by taking possession of collateral held as security.

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness and are classified in the statement of financial position within "Other assets". If excess funds arise after repayment of the outstanding indebtedness, they are distributed to the beneficiaries of the assets under the applicable laws.

3.3. Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group's exposures to market risk primarily arise from the interest rate management of the entity's financial instruments of different repricing characteristics, or from the net exposure of the foreign currency denominated financial instruments. The Group hedges a major proportion of its existing interest rate risk of the fixed-rate bond issuance using fair value hedges in the form of interest rate swaps by swapping into floating-rate funding to better match the floating-rate assets. The Group also hedges the net exposure of the foreign-currency denominated debts issued and assets by the use of cross-currency swaps as fair value hedges and economic hedges respectively.

The management of market risk is principally undertaken by the Treasury Department using risk limits approved by the Board of Directors. Strategies on interest rate risk management, financing, hedging, investments are formulated by ALCO. Regular meetings are held to review the latest conditions in the financial markets and the asset-liability portfolio mix. The Treasury Department is responsible for monitoring financial market movements and executing transactions in the cash, derivatives, debt and investment markets in accordance with the strategies laid down by ALCO. The middle office monitors the compliance of risk limits and performs stress tests to assess the potential size of losses that could arise in extreme conditions. The results of the stress tests are reviewed by ALCO.

A principal part of the interest rate risk management is to monitor the sensitivity of projected net interest income under different interest rate scenarios and to mitigate the negative impact through hedging operations. A 20 basis points parallel downward shift of the interest rate curve as at 31 December 2025 would increase the future net interest income for the next twelve months by around HK$12 million (2024: less than HK$1 million) and decrease by around HK$12 million (2024: less than HK$1 million) for a similar upward parallel shift.

As at 31 December 2025, if interest rates at that date had experienced a 20 basis points parallel shift downwards, profit for the year would have been lower by around HK$12 million (2024: HK$30 million higher) and the fair value reserve would have been higher by around HK$50 million (2024: HK$20 million) as at 31 December 2025. If interest rates had experienced a 20 basis points parallel shift upwards, profit for the year would have been higher by HK$11 million (2024: HK$30 million lower) and the fair value reserve would have been lower by around HK$50 million (2024: HK$19 million).

As at 31 December 2025, with all other variables held constant, if the Hong Kong dollars had weakened by 100 price interest points against the US dollars, profit for the year would have been around HK$30 million higher (2024: HK$14 million). Conversely, if the Hong Kong dollars had strengthened by 100 price interest points against the US dollars, profit for the year would have been around HK$30 million lower (2024: HK$14 million).

As at 31 December 2025, with all other variables held constant, if the Hong Kong dollars had weakened by 100 price interest points against foreign currencies other than US dollars, profit for the year would have been lower by HK$0.7 million (2024: HK$0.2 million higher). Conversely, if the Hong Kong dollars had strengthened by 100 price interest points against foreign currencies other than US dollars, profit for the year would have been higher by HK$0.7 million (2024: HK$0.2 million lower).

The Group is exposed to financial risk arising from changes in the rate of return on the placements with the Exchange Fund, which is set annually (the placements include Investment Portfolio which rate of return will reset in January while the return of Long-Term Growth Portfolio will only be available in March in the following year). As at 31 December 2025, if there were an increase / decrease of 0.1% in the current year rate of return, it is estimated that, with all other variables held constant, the Group's income from the placements with the Exchange Fund would have increased / decreased by approximately HK$72 million (2024: HK$38 million).

As at 31 December 2025, with all other variables held constant, if the price of exchange-traded funds had decreased by 1%, profit for the year would have been around HK$0.1 million lower (2024: HK$0.1 million). Conversely, if the price of exchange-traded funds had increased by 1%, profit for the year would have been around HK$0.1 million higher (2024: HK$0.1 million).

The increase or decrease represents management's assessment of a reasonably possible change in interest rates, exchange rates and equity prices for a 12-month period.

An analysis showing the impact of interest rate curve movement on profit before tax and equity driven by insurance and reinsurance contracts is included in Note 3.3(c).

(a) Foreign currency exposure

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rate on its financial position and cash flows. The Board sets allowable currencies for investment purposes. The ALCO sets limits on the currency exposure that may be undertaken, which is monitored daily. At funding side, the multi-currency feature of the MTN programme enables the Group to issue notes in major currencies, including US dollars, renminbi, Singapore dollars, British pounds, Australian dollars, Euro and Japanese yen. All foreign currency-denominated debts are hedged into Hong Kong dollars or US dollars.

The tables below summarise the Group's exposure to foreign currency exchange rate risk. Included in the tables are the assets and liabilities at carrying amounts, categorised by currency.

	HKD	USD	Other foreign currencies	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2025				
Financial assets				
Cash and short-term funds	63,978,291	506,444	51,880^	64,536,615
Interest and remittance receivables	1,761,857	788,722	162,316	2,712,895
Derivative financial instruments	1,668,020	-	-	1,668,020
Loans with 100% guarantee from the Government	63,514,326	-	-	63,514,326
Loan portfolio, net				
- FVPL	3,470,628	-	-	3,470,628
- amortised cost	3,976,859	5,506,228	2,145,987^^	11,629,074
Investment securities:				
- FVOCI	512,151	6,623,070	2,465,268^^^	9,600,489
- FVPL	1,380	199,256	-	200,636
- amortised cost	2,346,642	16,359,506	1,602,759^^^^	20,308,907
Placements with the Exchange Fund	72,418,586	-	-	72,418,586
Deposits and other assets	20,305	144,238	93	164,636
Total financial assets	213,669,045	30,127,464	6,428,303	250,224,812
Financial liabilities				
Interest payable	2,044,404	573,398	163,908	2,781,710
Accounts payable, accrued expenses and other liabilities	2,001,440	3,335,022	962	5,337,424
Derivative financial instruments	559,693	-	-	559,693
Debt securities issued	108,789,101	30,614,644*	15,765,585**	155,169,330
Total financial liabilities	113,394,638	34,523,064	15,930,455	163,848,157
Net position#	65,112,704	(4,395,600)	(9,502,152)	51,214,952
Off-balance sheet net notional position##	(36,214,065)	27,385,525	8,964,311	135,771

^ Amounts included cash and short-term funds in Australian dollars of HK$37.5 million and renminbi of HK$11.0 million.

^^ Amounts included loan portfolio, net at amortised cost in Australian dollars of HK$2.0 billion.

^^^ Amounts included investment securities at FVOCI in renminbi of HK$1.9 billion.

^^^^ Amounts included investment securities at amortised cost in renminbi of HK$0.8 billion and Euro of HK$0.8 billion.

* Fully hedged into Hong Kong dollars.

** Amounts included debt securities issued in Australian dollars of HK$0.6 billion and renminbi of HK$15.1 billion, fully hedged into Hong Kong dollars.

\# "Net position" represents the difference between total assets and total liabilities.

\## "Off-balance sheet net notional position" represents the difference between the notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements and their fair values.

	HKD	USD	Other foreign currencies	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024				
Financial assets				
Cash and short-term funds	51,641,868	992,467	12,847^	52,647,182
Interest and remittance receivables	2,200,462	741,030	279,887	3,221,379
Derivative financial instruments	664,618	-	-	664,618
Loans with 100% guarantee from the Government	82,782,698	-	-	82,782,698
Loan portfolio, net				
- FVPL	2,596,858	-	-	2,596,858
- amortised cost	3,539,734	5,511,228	1,066,155^^	10,117,117
Investment securities:				
- FVOCI	494,313	2,159,566	1,067,942^^^	3,721,821
- FVPL	1,318	8,456	-	9,774
- amortised cost	1,846,188	12,277,696	981,586^^^^	15,105,470
Placements with the Exchange Fund	49,244,684	-	-	49,244,684
Deposits and other assets	71,423	308,900	88	380,411
Total financial assets	195,084,164	21,999,343	3,408,505	220,492,012
Financial liabilities				
Interest payable	2,454,023	612,558	275,743	3,342,324
Accounts payable, accrued expenses and other liabilities	2,210,375	1,922,291	-	4,132,666
Derivative financial instruments	1,740,649	-	-	1,740,649
Debt securities issued	103,576,603	26,302,558*	18,420,475**	148,299,636
Total financial liabilities	109,981,650	28,837,407	18,696,218	157,515,275
Net position#	60,992,512	(6,838,064)	(15,287,713)	38,866,735
Off-balance sheet net notional position##	(34,136,902)	18,058,822	15,241,661	(836,419)

^ Amounts included cash and short-term funds in Australian dollars of HK$12.0 million and renminbi of HK$0.4 million.
^^ Amounts included loan portfolio, net at amortised cost in Australian dollars of HK$1.1 billion.
^^^ Amounts included investment securities at FVOCI in renminbi of HK$1.1 billion.
^^^^ Amounts included investment securities at amortised cost in renminbi of HK$0.5 billion and Euro of HK$0.4 billion.
* Fully hedged into Hong Kong dollars.
** Amounts included debt securities issued in Australian dollars of HK$0.6 billion and renminbi of HK$17.6 billion, fully hedged into Hong Kong dollars.
\# "Net position" represents the difference between total assets and total liabilities.
\## "Off-balance sheet net notional position" represents the difference between the notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements and their fair values.

(b) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The ALCO sets limits on the level of interest rate mismatch that may be undertaken, which is monitored regularly.

The tables below summarise the Group's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Group's exposure to interest rate movements, are included under the heading "Non-interest bearing".

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2025							
Financial assets							
Cash and short-term funds	11,828,316	52,264,216	-	-	-	444,083	64,536,615
Interest and remittance receivables	-	-	-	-	-	2,712,895	2,712,895
Derivative financial instruments	-	-	-	-	-	1,668,020	1,668,020
Loans with 100% guarantee from the Government	63,514,326	-	-	-	-	-	63,514,326
Loan portfolio, net							
- FVPL	334,960	-	-	-	3,135,668	-	3,470,628
- amortised cost	6,032,041	3,812,123	1,180,381	23,145	581,384	-	11,629,074
Investment securities:							
- FVOCI	624,407	1,872,215	468,741	5,933,952	701,174	-	9,600,489
- FVPL	-	-	190,336	-	-	10,300	200,636
- amortised cost	396,900	1,232,554	820,284	11,378,683	6,480,486	-	20,308,907
Placements with the Exchange Fund	-	-	-	-	-	72,418,586	72,418,586
Deposits and other assets	134,499	-	-	-	-	30,137	164,636
Total financial assets	82,865,449	59,181,108	2,659,742	17,335,780	10,898,712	77,284,021	250,224,812
Financial liabilities							
Interest payable	-	-	-	-	-	2,781,710	2,781,710
Accounts payable, accrued expenses and other liabilities	4,093,496	-	-	-	-	1,243,928	5,337,424
Derivative financial instruments	-	-	-	-	-	559,693	559,693
Debt securities issued	2,676,980	24,372,054	43,677,004	74,569,084	9,874,208	-	155,169,330
Total financial liabilities	6,770,476	24,372,054	43,677,004	74,569,084	9,874,208	4,585,331	163,848,157
Total interest sensitivity gap*	76,094,973	34,809,054	(41,017,262)	(57,233,304)	1,024,504		
Interest rate derivatives (notional amounts of net position)	(4,330,186)	(13,078,874)	7,357,517	8,592,239	1,595,075		

* Before the repricing effect of derivative financial instruments on the loan portfolio, investment securities and debt securities issued.

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024							
Financial assets							
Cash and short-term funds	24,421,783	27,881,330	-	-	-	344,069	52,647,182
Interest and remittance receivables	-	-	-	-	-	3,221,379	3,221,379
Derivative financial instruments	-	-	-	-	-	664,618	664,618
Loans with 100% guarantee from the Government	82,782,698	-	-	-	-	-	82,782,698
Loan portfolio, net							
- FVPL	225,843	-	-	33,034	2,337,981	-	2,596,858
- amortised cost	5,383,365	2,077,927	2,062,443	340	593,042	-	10,117,117
Investment securities:							
- FVOCI	272,175	233,278	592,321	2,526,782	97,265	-	3,721,821
- FVPL	-	-	-	-	-	9,774	9,774
- amortised cost	504,668	1,285,373	2,169,752	8,698,347	2,447,330	-	15,105,470
Placements with the Exchange Fund	-	-	-	-	-	49,244,684	49,244,684
Deposits and other assets	308,854	-	-	-	-	71,557	380,411
Total financial assets	113,899,386	31,477,908	4,824,516	11,258,503	5,475,618	53,556,081	220,492,012
Financial liabilities							
Interest payable	-	-	-	-	-	3,342,324	3,342,324
Accounts payable, accrued expenses and other liabilities	2,530,790	-	-	-	-	1,601,876	4,132,666
Derivative financial instruments	-	-	-	-	-	1,740,649	1,740,649
Debt securities issued	4,209,731	25,292,645	34,290,741	77,962,455	6,544,064	-	148,299,636
Total financial liabilities	6,740,521	25,292,645	34,290,741	77,962,455	6,544,064	6,684,849	157,515,275
Total interest sensitivity gap*	107,158,865	6,185,263	(29,466,225)	(66,703,952)	(1,068,446)		
Interest rate derivatives (notional amounts of net position)	(9,833,311)	(12,905,912)	8,088,484	11,677,601	2,136,719		

* Before the repricing effect of derivative financial instruments on the investment securities and debt securities issued.

(c) Interest rate risk on insurance and reinsurance contracts

The following analysis is performed for reasonably possible movements in interest rate curve with all other variables held constant, showing the before-tax impact on profit and equity driven by insurance and reinsurance contracts.

	2025		2024	
Parallel upward / (downward) shift of interest rate curve:	**Impact on profit HK$'000**	**Impact on equity HK$'000**	Impact on profit HK$'000	Impact on equity HK$'000
25 bp	**810,027**	**970,784**	511,664	659,888
(25) bp	**(844,932)**	**(1,019,110)**	(534,788)	(695,738)

The impact shown in the above table covers entire insurance portfolio, part of which, mainly reverse mortgage loans, are held in the loan portfolio of the Group at fair value.

3.4. Liquidity risk

Liquidity risk represents the risk of the Group not being able to repay its payment obligations or to fund committed purchases of loans. Liquidity risk is managed by monitoring the actual inflows and outflows of funds on a daily basis and projecting longer-term inflows and outflows of funds across a full maturity spectrum. The Group has established diversified funding sources to support the growth of its business and the maintenance of a balanced portfolio of liabilities. Sources of liquidity are regularly reviewed by ALCO.

(a) Undiscounted cash flows analysis

The tables below present cash flows payable by the Group under non-derivative financial liabilities, derivative financial liabilities that will be settled on a net basis, derivative financial instruments that will be settled on gross basis, and insurance liabilities by remaining contractual maturities as at the end of the reporting period. The amounts disclosed in the tables are the projected contractual undiscounted cash flows including future interest, claims and benefits payments as appropriate on the basis of their earliest possible contractual maturity. The Group's derivatives include interest rate swaps that will be settled on net basis; cross currency swaps and currency forwards that will be settled on gross basis.

(i) Non-derivative cash inflows / (outflows)

	Up to 1 month	**Over 1 month to 3 months**	**Over 3 months to 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2025						
Liabilities						
Accounts payable, accrued expenses and other liabilities						
- lease liabilities	**(4,738)**	**(9,478)**	**(43,197)**	**(80,638)**	**-**	**(138,051)**
Insurance contract liabilities	**(188,022)**	**(355,560)**	**(1,679,948)**	**(8,343,977)**	**(40,377,237)**	**(50,944,744)**
Reinsurance contract liabilities	**(1,774)**	**(3,552)**	**(13,714)**	**(85,532)**	**(423,136)**	**(527,708)**
Debt securities issued						
- principal portion	**(2,240,000)**	**(23,235,050)**	**(44,479,310)**	**(74,607,431)**	**(9,861,425)**	**(154,423,216)**
- interest portion	**(84,918)**	**(1,516,301)**	**(3,703,676)**	**(6,655,284)**	**(3,961,625)**	**(15,921,804)**
	(2,519,452)	**(25,119,941)**	**(49,919,845)**	**(89,772,862)**	**(54,623,423)**	**(221,955,523)**

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024						
Liabilities						
Accounts payable, accrued expenses and other liabilities						
- lease liabilities	(4,648)	(9,297)	(41,837)	(131,327)	(5,757)	(192,866)
Insurance contract liabilities	(132,437)	(244,006)	(1,112,028)	(5,645,880)	(27,442,513)	(34,576,864)
Reinsurance contract liabilities	(1,115)	(2,233)	(6,256)	(54,156)	(275,869)	(339,629)
Debt securities issued						
- principal portion	(3,912,281)	(23,421,321)	(35,032,647)	(79,729,622)	(6,697,163)	(148,793,034)
- interest portion	(198,971)	(1,899,583)	(3,491,350)	(6,784,746)	(1,628,996)	(14,003,646)
	(4,249,452)	(25,576,440)	(39,684,118)	(92,345,731)	(36,050,298)	(197,906,039)

(ii) Derivative cash inflows / (outflows)

	Up to 1 month	**Over 1 month to 3 months**	**Over 3 months to 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2025						
Derivative financial instrument settled:						
- on net basis	**3,733**	**(171,950)**	**200,673**	**(81,255)**	**(3,842)**	**(52,641)**
- on gross basis						
Total outflow	**(3,118,886)**	**(7,933,037)**	**(15,119,770)**	**(48,620,812)**	**(5,364,657)**	**(80,157,162)**
Total inflow	**3,064,136**	**7,997,267**	**15,655,742**	**49,276,910**	**5,403,671**	**81,397,726**
	(51,017)	**(107,720)**	**736,645**	**574,843**	**35,172**	**1,187,923**

	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024						
Derivative financial instrument settled:						
- on net basis	(193,100)	(3,649)	68,577	(205,674)	(18,883)	(352,729)
- on gross basis						
Total outflow	(2,612,157)	(9,358,072)	(14,355,600)	(37,833,127)	(4,442,210)	(68,601,166)
Total inflow	2,399,452	9,241,245	14,218,156	37,971,719	4,323,924	68,154,496
	(405,805)	(120,476)	(68,867)	(67,082)	(137,169)	(799,399)

(b) Maturity analysis

The table below analyses the assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

	Repayable on demand	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Undated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2025								
Assets								
Cash and short-term funds (gross)	656,908	11,616,276	52,271,000	-	-	-	-	64,544,184
Loans with 100% guarantee from the Government	27,357	1,500,818	1,401,192	6,856,335	34,763,095	18,965,529	-	63,514,326
Loan portfolio								
- FVPL	-	-	-	-	-	-	3,470,628	3,470,628
- amortised cost (gross)	339	85,947	131,935	1,002,399	4,249,729	6,229,892	400	11,700,641
Investment securities								
- FVOCI	-	-	-	468,741	8,430,574	701,174	-	9,600,489
- FVPL	-	-	-	-	-	190,336	10,300	200,636
- amortised cost (gross)	-	122,554	370,074	988,002	11,975,761	6,859,360	-	20,315,751
Placements with the Exchange Fund	-	-	-	-	38,344,414	34,074,172	-	72,418,586
	684,604	13,325,595	54,174,201	9,315,477	97,763,573	67,020,463	3,481,328	245,765,241
Liabilities								
Debt securities issued	-	2,237,110	23,252,232	44,596,880	75,208,900	9,874,208	-	155,169,330
	-	2,237,110	23,252,232	44,596,880	75,208,900	9,874,208	-	155,169,330

	Repayable on demand	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Undated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024								
Assets								
Cash and short-term funds (gross)	913,754	23,854,077	27,885,000	-	-	-	-	52,652,831
Loans with 100% guarantee from the Government	42,060	1,179,226	1,803,777	8,549,097	41,141,100	30,067,438	-	82,782,698
Loan portfolio								
- FVPL	-	-	-	-	-	-	2,596,858	2,596,858
- amortised cost (gross)	312	126,069	118,207	632,746	3,811,014	5,490,076	335	10,178,759
Investment securities								
- FVOCI	-	155,098	-	592,321	2,877,137	97,265	-	3,721,821
- FVPL	-	-	-	-	-	-	9,774	9,774
- amortised cost (gross)	-	232,882	8,584	2,292,098	9,823,178	2,753,578	-	15,110,320
Placements with the Exchange Fund	-	-	-	3,771,157	14,743,389	30,730,138	-	49,244,684
	956,126	25,547,352	29,815,568	15,837,419	72,395,818	69,138,495	2,606,967	216,297,745
Liabilities								
Debt securities issued	-	3,909,800	23,373,275	35,090,701	79,381,796	6,544,064	-	148,299,636
	-	3,909,800	23,373,275	35,090,701	79,381,796	6,544,064	-	148,299,636

Apart from the above, interest and remittance receivables, prepayments and other assets, interest payable, accounts payable and accrued expenses are expected to be recovered or settled within twelve months from the reporting date. Other assets and liabilities included in the consolidated statement of financial position are expected to be recovered or settled in a period more than twelve months after the reporting date.

In addition, the Exchange Fund has committed to providing the Group with a HK$80 billion revolving credit under the Revolving Credit Facility since 2020, which enables the Group to maintain smooth operation under exceptional circumstances, so that it can better fulfil its mandate to promote banking and financial stability in Hong Kong.

3.5. Risks arising from insurance contracts

(a) Insurance contracts and reinsurance contracts

Through its general insurance subsidiary, the Group provides mortgage insurance cover to participating lenders for first credit losses, in general, of up to 50% of the property value of a residential mortgage loan in Hong Kong with loan-to-value ratio 90% or below at origination, or other thresholds as specified from time to time. The general insurance subsidiary also provides insurance cover in respect of reverse mortgage loans originated by participating lenders and secured on residential properties and, if applicable, other assets, and in respect of policy reverse mortgage loans originated by participating lenders and secured on life insurance policies. Through its life subsidiary, the Group offers annuity product to personal customers.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Accordingly, the main risks that the Group is exposed to are, as follows:

- property price risk – risk of outstanding loan is higher than value of collateral;
- mortality risk – risk of loss arising from the incidence of policyholder death being later than expectation;
- expense risk – risk of loss arising from expense experience being different from expectation;
- loan default risk – risk of default of repayment to mortgage loan; and
- policyholder decision risk (non-death termination) – risk of loss arising due to policyholder experiences (lapses and surrenders) being different from expectation.

The Group aims to ensure that sufficient reserves are available to cover the liabilities associated with the insurance that it issues. The risk exposure is mitigated by diversification across the portfolios of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of outwards reinsurance arrangements. In addition, the assumptions are reviewed regularly with regular experience studies conducted.

The Group purchases reinsurance as part of its risk mitigation measures. The reinsurance contract is quota share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying insurance contract liabilities and in accordance with the reinsurance contracts.

The Group's placement of reinsurance is diversified as far as practicable to avoid being dependent on a single reinsurer or a single reinsurance contract. The Group monitors the credit risk of reinsurers through conducting comprehensive assessment including the financial strength and credit ratings of the reinsurers in accordance with the reinsurance policy under the Risk Management Framework. The approved reinsurers are subject to periodic reviews.

The Group monitors closely and review regularly on the exposure to key insurance risks. The nature of the Group's exposure to insurance risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

(b) Sensitivities

The following sensitivity analysis shows the impact (gross and net of reinsurance held) on CSM, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

Insurance contracts issued		**2025**			
	Change in assumptions*	**Impact on profit before tax net of reinsurance**	**Impact on profit before tax gross of reinsurance**	**Impact on equity net of reinsurance**	**Impact on equity gross of reinsurance**
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Property price growth percentage	**-0.5%**	**(1,805,577)**	**(1,839,549)**	**(1,649,652)**	**(1,610,393)**
Mortality rates	**-10.0%**	**(991,943)**	**(1,006,314)**	**(932,901)**	**(925,007)**
Expenses	**+10.0%**	**(173,851)**	**(176,082)**	**(172,588)**	**(174,819)**
Default rates	**+10.0%**	**(2,075)**	**(2,335)**	**(2,105)**	**(2,371)**
Non-death termination rates	**+10.0%**	**12,113**	**12,645**	**10,517**	**10,390**

Insurance contracts issued		2024			
	Change in assumptions*	Impact on profit before tax net of reinsurance	Impact on profit before tax gross of reinsurance	Impact on equity net of reinsurance	Impact on equity gross of reinsurance
		HK$'000	HK$'000	HK$'000	HK$'000
Property price growth percentage	-0.5%	(1,747,881)	(1,795,057)	(1,486,789)	(1,426,673)
Mortality rates	-10.0%	(784,932)	(785,090)	(706,880)	(678,761)
Expenses	+10.0%	(101,587)	(101,587)	(96,653)	(96,653)
Default rates	+10.0%	(2,988)	(3,371)	(2,907)	(3,281)
Non-death termination rates	+10.0%	13,254	13,238	11,259	10,287

* The impact on change in the assumptions shown in the above table covers entire insurance portfolio, part of which, mainly reverse mortgage loans, are held in the loan portfolio of the Group at fair value.

3.6. Fair values of financial assets and liabilities

(a) Fair value estimation

The following table shows financial instruments recognised at fair value, by valuation method.

	2025				2024			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Assets								
Derivative financial instruments	**-**	**1,668,020**	**-**	**1,668,020**	-	664,618	-	664,618
Loan portfolio, net								
- FVPL	**-**	**-**	**3,470,628**	**3,470,628**	-	-	2,596,858	2,596,858
Investment securities								
- FVOCI	**8,937,256**	**663,233**	**-**	**9,600,489**	3,605,206	116,615	-	3,721,821
- FVPL	**10,300**	**-**	**190,336**	**200,636**	9,774	-	-	9,774
Placements with the Exchange Fund	**-**	**-**	**72,418,586**	**72,418,586**	-	-	49,244,684	49,244,684
	8,947,556	**2,331,253**	**76,079,550**	**87,358,359**	3,614,980	781,233	51,841,542	56,237,755
Liabilities								
Derivative financial instruments	**-**	**559,693**	**-**	**559,693**	-	1,740,649	-	1,740,649

There was no transfer between Level 1 and Level 2 nor transfers into or out of Level 3 during the year.

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value. These instruments are included in Level 1.

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 2 derivatives comprise interest rate swaps, currency swaps and currency forwards. These derivatives are fair valued using forward interest rates and forward exchange rates, if applicable, from observable yield curves.

Level 2 debt securities are fair valued using quoted market prices in less active markets, or if not available, a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

(iii) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Loan portfolio at FVPL

Certain loan portfolio accounted for at fair value through profit or loss at consolidation level is included in Level 3 with fair value determined by using an internal model based on income approach by discounting future cash flows which are dependent on the expected terms of the loans, annuity payout, premium and interest income, loan repayment and the value of collaterals (for example, the residential properties or insurance policies securing the loans). The Group is exposed mainly to collateral risk arising from drop in residential property price. The information of sensitivity to long term property price growth assumption is included in Note 3.5(b).

Investment securities at FVPL

Investment securities accounted for at fair value through profit or loss is included in Level 3 with fair value determined by using an internal model based on discounting estimated future cash flows of the investment securities, which are dependent on significant assumptions regarding the interest rate environment, expected repayment schedules, liquidity premiums, expected credit loss of underlying debt obligations, or a single uncorroborated broker quote requiring material adjustments.

Placements with the Exchange Fund

The placements with the Exchange Fund, accounted under fair value through profit or loss, are included in Level 3 with fair value determined by reference to the principal amount and the estimated rates of investment return provided by the Exchange Fund. Please refer to Note 22 for more details.

Movement in Level 3 fair value measurement as follows:

	2025			2024	
	Loan portfolio at FVPL	**Investment securities at FVPL**	**Placements with the Exchange Fund**	Loan portfolio at FVPL	Placements with the Exchange Fund
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000
As at 1 January	**2,596,858**	**-**	**49,244,684**	1,907,045	34,070,393
Gains and losses recognised in profit or loss	**98,964**	**14,559**	**3,173,902**	(210,636)	1,374,291
Placement	**-**	**-**	**20,000,000**	-	13,800,000
Withdrawal	**-**	**-**	**-**	-	-
Additions	**-**	**175,777**	**-**	-	-
Drawdown	**853,972**	**-**	**-**	942,198	-
Repayment	**(77,075)**	**-**	**-**	(40,403)	-
Amortisation	**(2,091)**	**-**	**-**	(1,346)	-
As at 31 December	**3,470,628**	**190,336**	**72,418,586**	2,596,858	49,244,684

(b) Fair values of financial assets and liabilities not measured at fair value

The carrying amounts of the Group's financial instruments not presented on the Group's statement of financial position at their fair values are not materially different from their fair values as at 31 December 2025 and 31 December 2024 except for the following financial instruments, for which their carrying amounts and fair values and the level of fair value hierarchy are disclosed below:

	2025				2024			
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	Carrying amount	Fair value	Level 1	Level 2
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets								
Investment securities - amortised cost	**20,308,907**	**20,476,800**	**17,483,664**	**2,993,136**	15,105,470	14,820,124	11,614,626	3,205,498
Financial liabilities								
Debt securities issued	**155,169,330**	**155,358,334**	**-**	**155,358,334**	148,299,636	148,086,035	-	148,086,035

The following methods and significant assumptions have been used to estimate the fair values of financial instruments:

(i) Cash and short-term funds

Cash and short-term funds include bank deposits and are stated net of impairment allowance. The fair value of floating-rate deposits is the carrying amount. The estimated fair value of fixed-rate deposits, which are normally less than six months, is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. Therefore, the fair value of the deposits is approximately equal to their carrying value.

(ii) Loans with 100% guarantee from the Government

Loan portfolio is stated net of impairment allowance. With the 100% guarantee provided by the Government to cover the default loss of the loans, no impairment allowance is provided. Therefore, the carrying value of loan portfolio is a reasonable estimate of the fair value.

(iii) Loan portfolio, net

Loan portfolio is stated net of impairment allowance. An insignificant portion of loan portfolio bears interest at fixed rate. Therefore, the carrying value of loan portfolio is a reasonable estimate of the fair value.

(iv) Investment securities at amortised cost

Investment securities are stated net of impairment allowance. Fair value for investment securities at amortised cost is based on market prices or broker / dealer price quotations, which are the clean prices. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or valuation techniques which maximise the use of observable market data.

(v) Debt securities issued

The aggregate fair values are calculated based on quoted market prices, which are the clean prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

(vi) Other liabilities

These mainly represented the guarantee fee and fund received (net of claims and related expenses) under the special concessionary measures of the SFGS (Note 33) and the PLGS, with the fair value approximating the carrying amount.

(vii) Interest and remittance receivables and interest payable

Accrued interest is recognised separately with the fair value approximating the carrying amount as it is expected to be recovered or settled within twelve months from the reporting date. Remittance receivables are expected to be recovered within one month from the reporting date with the fair value approximating the carrying amount.

3.7. Capital management

The Group's objectives when managing capital, which is a broader concept than the equity on the face of the statement of financial position, are:

- to comply with the capital requirements set by the Financial Secretary of the Government (**Financial Secretary**) and the Insurance Authority for its insurance subsidiaries;

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholder;

- to support the Group's stability and growth;

- to allocate capital in an efficient and risk-based approach to optimise risk adjusted return to the shareholder; and

- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the management in accordance with the Guidelines on Capital Adequacy Ratio (**Guidelines**) issued by the Financial Secretary, by reference largely to Basel II risk-based capital adequacy framework. The minimum Capital Adequacy Ratio (**CAR**) stipulated in the Guidelines is 8%.

The Chief Executive Officer is required to submit a report to the Board of Directors on a quarterly basis by reference to the Guidelines issued by the Financial Secretary. If the CAR drops to the threshold level of 14%, the Chief Executive Officer will alert the Executive Directors. If the CAR falls to 12% or below, the Board of Directors will be informed and appropriate remedial actions will be taken. During the period, the Group complied with all of the capital requirement set out in the Guidelines by the Financial Secretary.

Pursuant to the Guidelines on the CAR, the calculation basis of capital ratio follows the basis of consolidation for financial reporting with the exclusion of subsidiaries which are "regulated financial entities" (e.g. insurance companies). It is because these entities are supervised by a regulator and are subject to the maintenance of adequate capital (e.g. solvency ratio) to support business activities comparable to those prescribed for banks. The investment cost of these unconsolidated regulated financial entities is deducted from the capital base whilst the corresponding related exposures are also excluded from the calculation of risk-weighted assets.

The table below summarises the composition of capital base and the CAR as at the end of the reporting period.

	2025	2024
	HK$'000	HK$'000
Share capital (Note 30)	**39,000,000**	26,500,000
Reserves	**9,419,421**	9,032,222
Impairment allowance	**87,328**	71,803
Deductions:		
- investment in regulated subsidiaries	**(40,000,000)**	(27,500,000)
- others	**(789,845)**	(640,826)
Total capital base	**7,716,904**	7,463,199
Capital Adequacy Ratio	**18.1%**	19.9%

3.8. Offsetting financial assets and financial liabilities

The disclosures set out in the tables below pertain to financial assets and financial liabilities that are not offset in the Group's consolidated statement of financial position but are subject to enforceable master netting arrangements or similar agreements that cover similar financial instruments. The disclosures enable the understanding of both the gross and net amounts, as well as provide additional information on how such credit risk is mitigated.

	2025				2024			
	Carrying amounts on the consolidated statement of financial position	**Related amount not set off in the consolidated statement of financial position#**			Carrying amounts on the consolidated statement of financial position	Related amount not set off in the consolidated statement of financial position#		
		Derivative financial instruments	**Cash collateral**	**Net amount***		Derivative financial instruments	Cash collateral	Net amount*
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets								
Positive fair values for derivative financial instruments	**1,668,020**	**(436,303)**	**(1,219,196)**	**12,521**	664,618	(646,152)	(17,552)	914
Financial liabilities								
Negative fair values for derivative financial instruments	**559,693**	**(436,303)**	**(117,365)**	**6,025**	1,740,649	(646,152)	(297,386)	797,111

\# Amounts under "Related amount not set off in the consolidated statement of financial position" represent the amounts of financial liabilities / assets position that are subject to netting arrangements or similar agreements including CSA.

* Net amount represents financial assets / liabilities that are subject to netting arrangements or similar agreements but the Group's counterparty does not have equivalent financial liabilities / assets position with the Group to offset upon default.

4. Critical accounting estimates and assumptions

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

4.1 Impairment allowances on loan portfolio

The Group reviews its loan portfolio to assess ECLs on a regular basis. In determining ECLs, the Group makes judgements as to whether there is any significant increase in credit risk since initial recognition and where appropriate, default and impairment indicators. It is required to exercise judgements in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecast of economic conditions. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The carrying amount of loan portfolio as at 31 December 2025 and 31 December 2024 is disclosed in Note 20.

4.2 Fair value of financial instruments

The majority of valuation techniques employ only observable market data. However, the placements with the Exchange Fund are valued on the basis of valuation techniques which are determined by reference to the estimated rates of investment return, approximate the carrying value. Details of the fair value measurement of financial instruments are set out in Note 3.6.

4.3 Securitisation of infrastructure loans

For the securitisation of infrastructure loans, the Group transfers a portfolio of loans to the special purpose entity (**SPE**). On consolidation basis, the Group assesses whether it controls the SPE, and the Group controls the SPE if and only if the Group has (a) power over the SPE; (b) exposure or rights to variable returns from its involvement with the SPE; and (c) the ability to use its power over the SPE to affect the amount of the Group's returns. If the Group has existing rights to give the current ability to direct the relevant activities of the SPE, is exposed to variable returns from its involvement with the SPE and has the ability to affect SPE's returns through its power over the SPE, consolidation of the SPE is required.

When performing the consolidation assessment of SPE, the Group considers its role as collateral manager to act for the SPE that has a decision-making power which may impact the returns of SPE. In addition, the Group prepares a quantitative test to assess whether its exposure to the variability of returns that would be deemed to have control over the SPE. Whether the Group has a control over the SPE and is therefore required to consolidate the SPE depends on whether the Group has the ability to use its power to affect the SPE's returns as a "principal" or an "agent". Based on the above analysis, the Group is not required to consolidate the SPE.

The Group also considers whether the securitised loans could meet the necessary requirements for derecognition:

- For securitisation where the rights of the Group to receive cash flows from the loans have expired or where the Group has transferred substantially all risks and rewards of ownership, the securitised loans are derecognised.
- For securitisation when the Group neither transfers or retains substantially all the risks and reward of ownership of the loans and retains control of the transferred loans, it is required to recognise the securitised loans to the extent of the Group's continuing involvement in the loans. Under the continuing involvement approach, the Group continues to recognise part of the transferred loans. The Group also recognises continuing involvement asset and liability, which represents the extent of the Group's continuing exposure to the risks and reward of the transferred loans.

4.4 Insurance and reinsurance contracts

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) The methods used to measure insurance contracts

The Group primarily uses deterministic projections to estimate the present value of future cash flows.

The following assumptions were used when estimating future cash flows:

Mortality

Assumptions are based on standard industry table, according to the type of contract written. They reflect historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, allowance is made for adverse selection and mortality improvements. Assumptions are differentiated by policyholder gender and age.

A decrease in expected mortality rates will increase the expected claim cost which will reduce future expected profits of the Group.

Property price

Assumptions are determined based on historical market performance and long-term projection. A decrease in the expected level of property price will reduce future expected profits of the Group.

For MIP, a drop in property prices, where the collateral value falls below the outstanding balance of the mortgage loan, will increase the severity of claims.

For RMP, future property prices would affect the cash flow projections of the in-force insurance contracts.

Loan default rate

Loan default rate is according to the best estimate to the default rate of mortgage loan. They reflect historical experience and are adjusted when appropriate to reflect the Group's own experiences.

An increase in the expected level of loan default rate will reduce future expected profits of the Group.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the expected level of expenses will reduce future expected profits of the Group.

Non-death termination

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type and policy duration.

The cash flows within the contract boundary include an allocation of overheads directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics.

(b) Discount rate

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk-free rates are determined by reference to those inferred from either swap rates or zero-coupon government bond yields of that currency (whichever of higher liquidity / market depth). This method is comparable to the risk-free rate generation methodology adopted under Hong Kong Risk-Based Capital (**HKRBC**) regime. The illiquidity premium is determined by reference to observable market rates including corporate debt rates.

Discount rates (forward rates) applied for discounting of future cash flows are listed below:

	Portfolio duration									
	As at 31 December 2025					As at 31 December 2024				
	1 year	**5 years**	**10 years**	**20 years**	**30 years**	1 year	5 years	10 years	20 years	30 years
Insurance contracts issued	**3.00%**	**3.73%**	**4.68%**	**4.20%**	**5.05%**	4.37%	4.32%	4.95%	4.36%	4.86%

(c) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates. The Group does not consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts.

The risk adjustment was calculated at Group level and then allocated down to each group of contracts in accordance with their risk profiles. The Group determines the risk adjustment for non-financial risk based on Margin Over Current Estimate (**MOCE**) calculation methodology under HKRBC regime.

The MOCE reflects the uncertainty of liability cash flows related to non-hedgeable risks, and is calibrated to reflect the 75th percentile confidence level.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2024 and 2025.

(d) Amortisation of the CSM

The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Group will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognised in profit or loss as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount is determined by:

- identifying the coverage units in the group;
- allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the insurance contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future; and
- recognising in profit or loss the amount allocated to coverage units provided in the period.

The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period. Contractual payments under different scenarios and the respective probabilities are considered when determining the quantity of benefit provided. The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid and cancellation of contracts in the period. For the MIP insurance contracts, the quantity of benefits is the contractually agreed risk-in-force insured over the period of the contracts while the quantity of benefits for the RMP and the PRMP contracts is the contractually agreed outstanding balance at death insured over the period of the contracts. With respect to annuity product, the coverage unit for amortisation will be the maximum of (a) expected annuity payment; and (b) expected death payment if there is a CSM.

For reinsurance contracts held, the CSM amortisation reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the quantity of benefits provided by the underlying contracts in-force.

4.5 100% guarantee under the SME Financing Guarantee Scheme (100% SFGS) and DLGS

As refer to Note 19, under 100% SFGS and DLGS, eligible loans originated by the participating lenders are sold to the Group, and the Government provides a financial guarantee to the Group on these loans. The loans are classified as financial assets measured at amortised cost under HKFRS 9.

In formulating the accounting treatment of 100% SFGS and DLGS, the Group applied judgement on whether the loans purchased from the participating lenders as recognised on the Group's consolidated statement of financial position should be de-recognised as a result of the arrangement with the Government; whether the contracts between the participating banks and the Group and the contract between the Government and the Group should be considered together in the determination of accounting treatments; and whether the contractual cash flow of the loans represent "solely payments of the principal and interest" (**SPPI**).

When performing this assessment, the Group considers several factors including, whether the Group has transferred the contractual rights to receive the cash flows of the loans, whether the contracts between the Government and Group are considered together and whether the contractual cash flows met the SPPI criteria etc.

5. Segment information

The Group is principally engaged in asset purchase and servicing, general insurance and life insurance businesses in Hong Kong. Other activities such as debt issuance to fund the loan purchase and investment to reinvest the surplus funds from loan receipt are considered ancillary to asset purchase business.

General insurance includes mainly mortgage insurance, reverse mortgage and SME financing guarantee businesses. Life insurance includes annuity business. Asset purchase and servicing include loan acquisition business and other activities such as debt issuance.

The following tables represent revenue, profit and other information for operating segments of the Group.

	Asset purchase and servicing	**General insurance**	**Life insurance**	**Inter-segment elimination**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Year ended 31 December 2025					
Net interest income / (expense)	**589,273**	**259,770**	**(67,678)**	**4,581**	**785,946**
Net insurance business results	**-**	**190,178**	**(4,302,094)**	**101,424**	**(4,010,492)**
Other income / (expenses)	**317,860**	**701,973**	**2,479,136**	**(125,830)**	**3,373,139**
Operating income / (loss)	**907,133**	**1,151,921**	**(1,890,636)**	**(19,825)**	**148,593**
Operating expenses	**(584,040)**	**(34,432)**	**-**	**224,794**	**(393,678)**
Operating profit / (loss) before impairment	**323,093**	**1,117,489**	**(1,890,636)**	**204,969**	**(245,085)**
Change in impairment allowances	**(11,602)**	**(63)**	**232**	**-**	**(11,433)**
Profit / (loss) before taxation	**311,491**	**1,117,426**	**(1,890,404)**	**204,969**	**(256,518)**

	Asset purchase and servicing	General insurance	Life insurance	Inter-segment elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2024					
Net interest income / (expense)	432,744	331,252	(146,035)	-	617,961
Net insurance business results	-	(647,213)	(1,594,263)	209,948	(2,031,528)
Other income / (expenses)	308,886	162,772	1,221,874	(435,498)	1,258,034
Operating income / (loss)	741,630	(153,189)	(518,424)	(225,550)	(155,533)
Operating expenses	(566,343)	(20,685)	-	224,862	(362,166)
Operating profit / (loss) before impairment	175,287	(173,874)	(518,424)	(688)	(517,699)
Change in impairment allowances	(34,454)	(227)	(230)	-	(34,911)
Profit / (loss) before taxation	140,833	(174,101)	(518,654)	(688)	(552,610)

	Asset purchase and servicing	**General insurance**	**Life insurance**	**Inter-segment elimination**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2025					
Segment assets	**171,691,013**	**26,777,816**	**56,409,915**	**(2,453,262)**	**252,425,482**
Segment liabilities	**163,222,521**	**8,150,022**	**33,300,341**	**(3,462,354)**	**201,210,530**

	Asset purchase and servicing	General insurance	Life insurance	Inter-segment elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024					
Segment assets	165,630,756	24,736,861	34,361,081	(2,902,522)	221,826,176
Segment liabilities	157,586,492	6,984,385	22,112,903	(3,724,339)	182,959,441

6. Interest income

	2025	2024
	HK$'000	HK$'000
Loan portfolio	**698,224**	757,120
Loans with 100% guarantee from the Government	**2,604,722**	4,533,483
Cash and short-term funds	**1,541,078**	2,048,875
Investment securities	**951,569**	806,736
	5,795,593	8,146,214

7. Interest expense

	2025	2024
	HK$'000	HK$'000
Bank loans and debt securities issued	**4,836,298**	7,363,943
Lease liabilities	**6,529**	8,338
Others	**166,820**	155,972
	5,009,647	7,528,253

All interest expenses are for financial liabilities that are not at fair value through profit or loss.

8. Insurance revenue

The table below presents an analysis of the total insurance revenue recognised in the year:

		2025			2024		
	Notes	Insurance contracts issued	Reinsurance contracts issued	Total	Insurance contracts issued	Reinsurance contracts issued	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts relating to the changes in the liability for remaining coverage							
Expected insurance service expenses incurred in the period	a	707,389	7,966	715,355	449,877	4,743	454,620
Change in the risk adjustment for non-financial risk	b	(40,416)	55	(40,361)	(66,511)	19	(66,492)
Amount of CSM recognised in profit or loss	c	742,103	-	742,103	677,693	-	677,693
Amounts relating to recovery of insurance acquisition cash flows							
Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	d	287,166	-	287,166	254,209	-	254,209
Insurance revenue		1,696,242	8,021	1,704,263	1,315,268	4,762	1,320,030

Notes:

a. Expected insurance service expenses incurred in the period comprise claims and other expenses which the Group expects to pay on insured events that occurred during the period. Refer to Note 2.22(f) for the full list of the cash flows included.

b. Change in risk adjustment shows amount of risk which expired during the period. Refer to Note 2.22 for the details of accounting policy.

c. The CSM is recognised in profit or loss over the coverage period of the corresponding group of contracts based on coverage units. Refer to Note 4.4(d).

d. Acquisition cash flows are allocated in a systematic way on the basis of the passage of time over the coverage period of the group of contracts. Refer to Note 2.22(e) for details of accounting policy.

9. Net finance (expenses) / income from insurance contracts issued / reinsurance contracts issued / reinsurance contracts held

The table below presents an analysis of net insurance finance result recognised in profit or loss and OCI in the year:

	2025	2024
	HK$'000	HK$'000
Insurance finance (expenses) / income from insurance contracts issued		
Interest accreted	**(1,226,201)**	(885,204)
Effect of changes in interest rates and other financial assumptions	**(1,497,112)**	429,217
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	**(27,346)**	382,457
Net finance expenses from insurance contracts issued	**(2,750,659)**	(73,530)
Represented by:		
Amounts recognised in profit or loss	**(2,598,453)**	(413,039)
Amounts recognised in OCI	**(152,206)**	339,509
Insurance finance (expenses) / income from reinsurance contracts issued		
Interest accreted	**(11,082)**	(7,282)
Effect of changes in interest rates and other financial assumptions	**(15,454)**	3,601
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	-	1,800
Changes in non-performance risk of reinsurer	-	-
Net finance expenses from reinsurance contracts issued	**(26,536)**	(1,881)
Represented by:		
Amounts recognised in profit or loss	**(26,536)**	(1,881)
Amounts recognised in OCI	-	-
Reinsurance finance income / (expenses) from reinsurance contracts held		
Interest accreted	**28,322**	16,118
Effect of changes in interest rates and other financial assumptions	**36,190**	(25,026)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	**(8,424)**	(100,854)
Changes in non-performance risk of reinsurer	**(2,644)**	(4,544)
Net finance income / (expenses) from reinsurance contracts held	**53,444**	(114,306)
Represented by:		
Amounts recognised in profit or loss	**23,060**	10,268
Amounts recognised in OCI	**30,384**	(124,574)

10. Net (expenses) / income from reinsurance contracts held

	2025	2024
	HK$'000	HK$'000
Expected recovery for insurance service expenses incurred in the period	(4,883)	(6,476)
Change in the risk adjustment for non-financial risk	11,943	13,159
CSM recognised in profit or loss	(85,244)	(75,073)
Amount relating to the changes in the assets for remaining coverage	(78,184)	(68,390)
Amounts recoverable for claims and other expenses incurred in the period	29,357	25,335
Changes in amounts recoverable arising from changes in liability for incurred claims	4,715	1,584
Changes in amounts recoverable arising from changes in risk adjustment for non-financial risk	4,330	5,802
Changes in fulfilment cash flows which relate to onerous underlying contracts	35,001	388,591
Amount recoverable from reinsurers	73,403	421,312
Net (expenses) / income from reinsurance contracts held	(4,781)	352,922

11. Other income

	2025	2024
	HK$'000	HK$'000
Income from placements with the Exchange Fund	3,173,902	1,374,291
Exchange difference	228,366	(187,457)
(Loss) / gain from derivatives and hedging*	(154,354)	238,006
Net gain / (loss) on investments at fair value through profit or loss	14,983	(48)
Net gain on disposal of investments at FVOCI	-	400
Net change in fair value of loan portfolio (Note 3.6(a)(iii))	98,964	(210,636)
Dividend income from listed investments	272	289
Administrative fee income	8,791	9,042
Others	2,215	34,147
	3,373,139	1,258,034

* (Loss) / gain from derivatives and hedging represented the aggregate of (i) HK$2,590 million fair value gain on hedging instruments designated as fair value hedge (2024: HK$631 million) and HK$2,527 million fair value loss on the hedged items (2024: HK$531 million); and (ii) HK$217 million fair value loss on derivatives mainly for hedging foreign currency exposures which are not qualified as hedges for accounting purposes (2024: HK$138 million gain).

12. Expenses by nature

An analysis of the expenses incurred by the Group in the reporting period is included in the table below:

	2025	2024
	HK$'000	HK$'000
Staff costs:		
- salaries and benefits	**478,111**	458,385
- pension costs - defined contribution plans	**21,210**	26,280
Directors' fees	**-**	-
Emoluments in respect of directors' other services in connection with the management of the affairs of the Company:		
- salaries, allowances and bonus	**6,836**	8,065
- retirement scheme contributions	**561**	726
Depreciation (Note 25)	**105,565**	89,748
Financial information services	**17,525**	16,201
Consultancy fees	**103,071**	97,741
Marketing and advertising expenses	**45,230**	40,813
Premises	**15,207**	17,602
Other operating expenses	**66,631**	59,282
Recovery of operating expenses from 100% SFGS and DLGS (Note 31(a))	**(150,842)**	(166,388)
	709,105	648,455
Amounts attributed to insurance acquisition cash flows and other directly attributable expenses	**(315,427)**	(286,289)
Other operating expenses	**393,678**	362,166
Claims and benefits	**1,191,530**	787,624
Losses on onerous insurance contracts	**1,629,349**	2,257,995
Amortisation of insurance acquisition cash flows	**287,166**	254,209
Insurance service expenses	**3,108,045**	3,299,828
	3,501,723	3,661,994

13. Auditor's remuneration

	2025	2024
	HK$'000	HK$'000
Audit services	**4,927**	4,605
Other services	**3,215**	4,382
	8,142	8,987

14. Change in impairment allowances

	2025	2024
	HK$'000	HK$'000
Cash and short-term funds (Note 3.2(c))	**1,920**	1,502
Investment securities:		
- amortised cost (Note 3.2(d)(i))	**1,994**	179
- FVOCI (Note 3.2(d)(ii))	**1,711**	147
Loan portfolio, including loan commitments (Note 3.2(b))	**5,808**	33,083
	11,433	34,911

15. Taxation

(a) Taxation in the consolidated income statement represents:

	2025	2024
	HK$'000	HK$'000
Hong Kong profits tax:		
- current tax on profits for the year	**764,309**	50,650
- adjusted in respect of past years	**(42,898)**	-
Deferred taxation:		
- credit for current year	**(869,037)**	(185,220)
	(147,626)	(134,570)

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profit for the year. Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2024: 16.5%).

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2025	2024
	HK$'000	HK$'000
Loss before taxation	**(256,518)**	(552,610)
Calculated at a taxation rate of 16.5% (2024: 16.5%)	**(42,325)**	(91,181)
Tax effect of:		
- income not subject to taxation	**(398,100)**	(443,699)
- expenses not deductible for taxation purposes	**336,525**	415,517
- tax losses not recognised	**3,683**	5,060
- utilisation of tax losses previously not recognised	**(30,812)**	-
- others	**(16,597)**	(20,267)
Taxation credit	**(147,626)**	(134,570)

(b) Provision for taxation in the statement of financial position represents:

	2025	2024
	HK$'000	HK$'000
Current tax assets (included in "Other assets")	-	38
Deferred tax assets	**711,730**	-
	711,730	38
Current tax liabilities	**684,399**	223,782
Deferred tax liabilities	-	174,488
	684,399	398,270

The major components of deferred tax liabilities / (assets) and the movements during the year are as follows:

	Accelerated tax depreciation	Impairment allowances and other provisions	Tax losses	Insurance contract liabilities	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2024	8,373	(7,129)	(143,877)	449,887	307,254
Charged / (credited) to income statement	268	(6,077)	(26,244)	(153,167)	(185,220)
Charged to OCI	-	-	-	52,454	52,454
As at 31 December 2024	8,641	(13,206)	(170,121)	349,174	174,488
Charged / (credited) to income statement	**9,635**	**(2,127)**	**(363,915)**	**(512,630)**	**(869,037)**
Credited to OCI	-	-	-	**(17,181)**	**(17,181)**
As at 31 December 2025	**18,276**	**(15,333)**	**(534,036)**	**(180,637)**	**(711,730)**

There was no significant unprovided deferred taxation as at 31 December 2025 and 31 December 2024. Deferred tax assets are recognised due to the temporary difference to the extent that sufficient future taxable profits will be available for realisation. The unused tax losses can be carried forward indefinitely.

There is no significant amount of deferred tax assets / liabilities to be settled within twelve months.

16. Cash and short-term funds

	2025	2024
	HK$'000	HK$'000
Cash at banks	**656,908**	913,754
Time deposits with banks	**63,887,276**	51,739,077
Gross cash and short-term funds	**64,544,184**	52,652,831
Impairment allowance on cash and short-term funds (Note 3.2(c))	**(7,569)**	(5,649)
	64,536,615	52,647,182

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of three months or less.

	2025	2024
	HK$'000	HK$'000
Cash at banks	**656,908**	913,754
Time deposits with banks	**62,035,276**	41,562,077
Cash and cash equivalents	**62,692,184**	42,475,831

17. Interest and remittance receivables

	2025	2024
	HK$'000	HK$'000
Interest receivables from:		
- interest rate swap contracts	**2,076,773**	2,575,665
- investment securities	**268,596**	191,886
- time deposits with banks	**202,845**	297,330
Interest receivables and instalments, in transit from loan portfolio	**164,681**	156,498
	2,712,895	3,221,379

18. Derivative financial instruments

(a) Use of derivatives

The Group uses the following derivative instruments to hedge the Group's financial risks.

Currency forwards are commitment to purchase or sell foreign currency at a pre-specified exchange rate on a future date. Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of currencies or interest rates or a combination of all these. No exchange of principal takes place except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. This risk is monitored on an ongoing basis under a prudent treasury counterparty risk management framework.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amounts of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below.

	2025			2024		
	Contract / notional amounts	**Fair values**		Contract / notional amounts	Fair values	
		Assets	**Liabilities**		Assets	Liabilities
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Derivatives not qualified as hedges for accounting purposes						
- interest rate swaps	**6,192,459**	**30,058**	**(10,002)**	4,601,054	35,329	(2,802)
- currency swaps	**16,332,554**	**86,411**	**(146,096)**	8,109,388	152,812	(8,338)
- currency forwards	**8,334,502**	**8,086**	**(6,078)**	2,878,363	5,204	(3,024)
		124,555	**(162,176)**		193,345	(14,164)
Fair value hedge derivatives						
- interest rate swaps	**124,594,277**	**817,474**	**(169,045)**	110,629,191	212,397	(596,795)
- currency swaps	**51,268,045**	**723,893**	**(228,472)**	52,465,683	258,420	(1,127,930)
		1,541,367	**(397,517)**		470,817	(1,724,725)
Cash flow hedge derivatives						
- currency swaps	**389,175**	**2,098**	**-**	388,397	456	(1,760)
		2,098	**-**		456	(1,760)
Total recognised derivative assets / (liabilities)		**1,668,020**	**(559,693)**		664,618	(1,740,649)

(b) Hedging activities

Derivatives may qualify as hedges for accounting purposes if they are fair value hedges or cash flow hedges.

(i) Fair value hedges

The Group's fair value hedge principally consists of interest rate and currency swaps that are used to protect interest rate risk and foreign currency risk resulting from any potential change in fair value of underlying debt securities issued.

(ii) Cash flow hedges

The Group hedged the portion of foreign exchange risks arising from variability of cash flows from foreign currency denominated financial instruments using currency swaps under cash flow hedge.

19. Loans with 100% guarantee from the Government

Special 100% Loan Guarantee under the SFGS

The Group introduced the 100% SFGS in 2020. This measure aims to alleviate the burden of paying employee wages and rents by small and medium-sized enterprises which are suffering from reduced income, thereby help minimising enterprise shutdowns and layoffs.

Under this scheme, loans are originated by participating lenders. Upon origination, these participating lenders would sell the loans to the Group without recourse. These loans are fully guaranteed by the Government.

An interest rate of the Prime Rate minus 2.5% per annum is charged to the borrowers. These loan interests, net of the funding costs and relevant general operating and administrative expenses incurred by the Group, are passed to the Government.

The maximum repayment period of the loan under the guarantee is 10 years, plus the extended period under the relief arrangement in respect of principal moratorium and partial principal repayment (if applicable), with an option of principal moratorium for up to 66 months. The application period of 100% SFGS ended in March 2024.

Dedicated 100% Loan Guarantee Scheme for Cross-boundary Passenger Transport Trade, Travel Sector and Battery Electric Taxis

The Group introduced the DLGS in 2023. This measure aims to assist eligible operators, registered vehicle or ferry owners of cross-boundary passenger transport, licensed travel agents, local tour coach registered owners to support their business resumption, and to encourage eligible taxi owners to replace their liquefied petroleum gas, petrol or hybrid taxis with electric taxis.

Under this scheme, loans are originated by participating lenders. Upon origination, these participating lenders would sell the loans to the Group without recourse. These loans are fully guaranteed by the Government.

An interest rate of the Prime Rate minus 2.5% per annum is charged to the borrowers. These loan interests, net of the funding costs and relevant general operating and administrative expenses incurred by the Group, are passed to the Government.

The maximum repayment period of the loan under the guarantee is 10 years, with an option of principal repayment holiday for up to twelve months.

Accordingly, loan default losses are covered by the Government's guarantee in relation to loans with special 100% SFGS and DLGS, and no impairment allowance is recognised in view of the minimal default risk of the Government. All loan interest received is set aside to meet the funding costs, general operating and administrative expenses in relation to the purchase and servicing of the loans of the Group. The remaining balance of the interest received, if any, will be passed to the Government. The Group is responsible for the operation of the product.

	2025	2024
	HK$'000	HK$'000
Loans with 100% guarantee from the Government under:		
- 100% SFGS	**63,158,310**	82,555,165
- DLGS	**356,016**	227,533
	63,514,326	82,782,698

20. Loan portfolio, net

(a) Loan portfolio at FVPL

	2025	2024
	HK$'000	HK$'000
Residential mortgage portfolio	**3,434,736**	2,572,791
Other loan portfolio	**35,892**	24,067
	3,470,628	2,596,858

(b) Loan portfolio at amortised cost

	2025	2024
	HK$'000	HK$'000
Residential mortgage portfolio	**2,860,377**	2,816,547
Infrastructure loans	**8,786,195**	7,290,487
Others	**54,069**	71,725
	11,700,641	10,178,759
Allowance for loan impairment (Note 3.2(b))		
- residential mortgage portfolio	**(9,738)**	(6,849)
- infrastructure loans	**(61,501)**	(52,940)
- others	**(328)**	(1,853)
	(71,567)	(61,642)
	11,629,074	10,117,117

(c) Total allowance for loan impairment as a percentage of the outstanding principal balances of the loan portfolio

	2025	2024
Total allowance for loan impairment as a percentage of the gross loan portfolio	**0.61%**	0.61%

Allowance for loan impairment has been made after taking into account the current market value of the collateral.

	2025	2024
Gross impaired loan portfolio as a percentage of gross loan portfolio (Note 3.2(g))	**0.08%**	0.02%

21. Investment securities

(a) Investment securities at FVOCI

	2025 HK$'000	2024 HK$'000
Debt securities at fair value:		
- listed in Hong Kong	**5,022,290**	1,846,255
- listed outside Hong Kong	**3,914,966**	1,758,951
	8,937,256	3,605,206
- unlisted	**663,233**	116,615
Total FVOCI securities	**9,600,489**	3,721,821

FVOCI securities comprise debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

FVOCI securities are analysed by categories of issuers as follows:

	2025 HK$'000	2024 HK$'000
Banks and other financial institutions	**3,794,428**	971,385
Corporate entities	**2,266,625**	837,460
Public sector entities	**1,709,871**	1,044,727
Central governments	**1,829,565**	868,249
	9,600,489	3,721,821

The movement in FVOCI securities is summarised as follows:

	2025 HK$'000	2024 HK$'000
As at 1 January	**3,721,821**	2,509,537
Additions	**6,478,590**	1,512,090
Sales and redemption	**(763,205)**	(281,942)
Amortisation	**2,494**	1,746
Change in fair value	**78,879**	25,687
Exchange difference	**81,910**	(45,297)
As at 31 December	**9,600,489**	3,721,821

Information on the impairment, credit quality and the Group's exposure to credit risk are disclosed in Note 3.2(d).

(b) Investment securities at FVPL

	2025	2024
	HK$'000	HK$'000
Debt securities at fair value -unlisted	**190,336**	-
Exchange-traded funds at fair value:		
- listed in Hong Kong	**10,300**	9,774
Total FVPL securities	**200,636**	9,774

The unlisted debt securities which represent subordinated notes held under the infrastructure loans securitisation and the exchange-traded funds do not quality for measurement at either amortised cost or FVOCI.

The movement in FVPL securities is summarised as follows:

	2025	2024
	HK$'000	HK$'000
As at 1 January	**9,774**	9,870
Additions	**175,777**	-
Change in fair value	**14,983**	(48)
Exchange difference	**102**	(48)
As at 31 December	**200,636**	9,774

(c) Investment securities at amortised cost

	2025	2024
	HK$'000	HK$'000
Debt securities at amortised cost:		
- listed in Hong Kong	**6,958,294**	5,715,799
- listed outside Hong Kong	**10,411,116**	6,190,447
	17,369,410	11,906,246
- unlisted	**2,946,341**	3,204,074
Gross investment securities at amortised cost	**20,315,751**	15,110,320
Impairment allowance on investment securities at amortised cost (Note 3.2(d))	**(6,844)**	(4,850)
Total amortised cost securities	**20,308,907**	15,105,470

Investment securities comprise debt securities and infrastructure-related bonds.

The Group classifies investment securities at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Amortised cost securities before impairment are analysed by categories of issuers as follows:

	2025	2024
	HK$'000	HK$'000
Banks and other financial institutions	**3,621,581**	4,520,414
Corporate entities	**9,102,040**	6,149,201
Public sector entities	**3,151,464**	1,936,527
Central governments	**3,205,011**	2,002,795
Others (infrastructure-related bond)	**1,235,655**	501,383
	20,315,751	15,110,320

The movement in amortised cost securities before impairment is summarised as follows:

	2025	2024
	HK$'000	HK$'000
As at 1 January	**15,110,320**	14,578,656
Additions	**8,201,665**	6,434,043
Sales and redemption	**(3,143,421)**	(5,848,597)
Amortisation	**9,401**	68,635
Exchange difference	**137,786**	(122,417)
As at 31 December	**20,315,751**	15,110,320

22. Placements with the Exchange Fund

The Group has classified the placements of the HKMCA and the HKMCI with the Exchange Fund as financial assets at fair value through profit or loss. As at 31 December 2025, the balance of the placements with the Exchange Fund amounted to HK$72.4 billion (2024: HK$49.2 billion) (Note 31(a)), comprising a total principal sum of HK$62.5 billion (2024: HK$42.5 billion) plus income earned and accrued but not yet withdrawn as at the reporting date, which represented the premium and capital placements made by the HKMCA and the HKMCI.

The placements with the Exchange Fund are invested in the Investment Portfolio and Long-Term Growth Portfolio of the Exchange Fund, subject to a lock-up period. The rate of return on the placements with the Exchange Fund is determined annually. For Investment Portfolio, the rate of return is calculated on the basis of the average annual rate of return on the portfolio over the past six years or the average annual yield of three-year Government Bond in the previous year (subject to a minimum of zero percent), whichever is the higher. With respect to the Long-Term Growth Portfolio, the rate of return is determined based on the current year time-weighted rate of return.

23. Interests in subsidiaries

Details of the principal subsidiaries of the Company as at 31 December 2025 are as follows:

Name	Place of incorporation	Principal activities	Particulars of issued and fully paid up share capital (Class of shares)	Percentage of shares held by the Company (or its nominee)	Percentage of shares held by the Company's subsidiary (or its nominee)
HKMC Mortgage Management Limited	Hong Kong	Mortgage purchase and servicing, servicing of outstanding microfinance loans, and origination of reverse mortgage loans and policy reverse mortgage loans, all for the Group	HK$1,000,000 (Ordinary)	100%	N/A
HKMC Insurance Limited	Hong Kong	General insurance business	HK$15,000,000,000 (Ordinary)	100%	N/A
HKMC Annuity Limited	Hong Kong	Long term insurance business	HK$25,000,000,000 (Ordinary)	100%	N/A
HKMC Premier Solutions Limited	Hong Kong	Provision of marketing and business development services and related facilities to the Group	HK$100 (Ordinary)	N/A	100%

24. Prepayments, deposits and other assets

	2025	2024
	HK$'000	HK$'000
Corporate club debentures	**910**	910
CSA receivables	**134,499**	308,854
Other assets	**36,192**	76,223
	171,601	385,987

25. Fixed assets

(a) Movement in fixed assets

	Right-of-use assets on leased properties for own use	Leasehold improvement	Office equipment, furniture and fixtures	Computers	Motor vehicle	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost as at 1 January 2024	292,851	62,404	20,669	355,524	1,719	733,167
Additions	24,705	3,185	3,606	28,991	-	60,487
Written-off / disposals	(23,589)	(284)	(5)	(7,772)	-	(31,650)
Cost as at 31 December 2024	293,967	65,305	24,270	376,743	1,719	762,004
Additions	**1,148**	**1,931**	**1,375**	**103,007**	**421**	**107,882**
Written-off / disposals	**-**	**(147)**	**(3,077)**	**(34,088)**	**(774)**	**(38,086)**
Cost as at 31 December 2025	**295,115**	**67,089**	**22,568**	**445,662**	**1,366**	**831,800**
Accumulated depreciation as at 1 January 2024	(91,983)	(39,295)	(15,276)	(309,418)	(1,035)	(457,007)
Depreciation charge (Note 12)	(50,797)	(7,952)	(2,766)	(27,997)	(236)	(89,748)
Written-off / disposals	23,589	284	5	7,772	-	31,650
Accumulated depreciation as at 31 December 2024	(119,191)	(46,963)	(18,037)	(329,643)	(1,271)	(515,105)
Depreciation charge (Note 12)	**(51,330)**	**(7,309)**	**(2,728)**	**(43,890)**	**(308)**	**(105,565)**
Written-off / disposals	**-**	**134**	**3,077**	**32,869**	**774**	**36,854**
Accumulated depreciation as at 31 December 2025	**(170,521)**	**(54,138)**	**(17,688)**	**(340,664)**	**(805)**	**(583,816)**
As at 31 December 2025						
Cost	**295,115**	**67,089**	**22,568**	**445,662**	**1,366**	**831,800**
Accumulated depreciation	**(170,521)**	**(54,138)**	**(17,688)**	**(340,664)**	**(805)**	**(583,816)**
Net book amount	**124,594**	**12,951**	**4,880**	**104,998**	**561**	**247,984**
As at 31 December 2024						
Cost	293,967	65,305	24,270	376,743	1,719	762,004
Accumulated depreciation	(119,191)	(46,963)	(18,037)	(329,643)	(1,271)	(515,105)
Net book amount	174,776	18,342	6,233	47,100	448	246,899

(b) Leases

The statement of financial position shows the following amounts relating to leases:

	2025	2024
	HK$'000	HK$'000
Right-of-use assets - buildings	**124,594**	174,776
Lease liabilities (Note 27):		
- within 1 year	**53,023**	49,262
- over 1 year	**75,633**	127,707
	128,656	176,969

The movement in lease liabilities is summarised as follows:

	2025	2024
	HK$'000	HK$'000
As at 1 January	**176,969**	195,124
Addition	**1,079**	21,753
Amortisation	**6,529**	8,338
Interest portion of lease payments	**(6,529)**	(8,338)
Principal portion of lease payments	**(49,392)**	(39,908)
As at 31 December	**128,656**	176,969

The total cash outflow for leases for the year ended 31 December 2025 was HK$55,989,000 (2024: HK$50,828,000).

Additions to the right-of-use assets for the year ended 31 December 2025 were HK$1,148,000 (2024: HK$24,705,000).

The consolidated income statement shows the following amounts relating to leases:

	2025	2024
	HK$'000	HK$'000
Depreciation charge of right-of-use assets - buildings	**51,330**	50,797
Interest expense	**6,529**	8,338

The Group leases various offices and rental contracts are mainly made for fixed periods but may have extension options as described below.

Extension and termination options are included in property leases of the Group for operational flexibility. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

26. Interest payable

	2025	2024
	HK$'000	HK$'000
Interest payable from:		
- debt securities issued	2,404,666	2,907,719
- interest rate swap contracts	368,957	429,198
- other liabilities	8,087	5,407
	2,781,710	3,342,324

27. Accounts payable, accrued expenses and other liabilities

	2025	2024
	HK$'000	HK$'000
Accounts payable and accrued expenses	1,385,261	1,736,632
CSA payable	2,699,862	1,251,494
Other liabilities	1,048,840	894,445
Lease liabilities (Note 25(b))	128,656	176,969
Other provision	74,805	73,126
	5,337,424	4,132,666

Other liabilities represented mainly the guarantee fee and fund received (net of claims and related expenses) of HK$1,048,840,000 (2024: HK$894,445,000) under the special concessionary measures of the SFGS (Note 33), the PLGS and the DLGS (Note 31(a)).

28. Insurance liabilities and reinsurance assets

The breakdown of portfolios of reinsurance contracts held, insurance contracts issued and reinsurance contacts issued, that are in an asset and those in a liability position is set out in the table below:

	2025			2024		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contracts held						
- general insurance	1,233,991	-	1,233,991	1,081,689	-	1,081,689
Insurance contracts issued						
- general insurance	-	6,307,154	6,307,154	-	6,017,192	6,017,192
- life insurance	-	30,046,786	30,046,786	-	18,833,695	18,833,695
	-	36,353,940	36,353,940	-	24,850,887	24,850,887
Reinsurance contracts issued						
- life insurance	-	324,034	324,034	-	195,009	195,009

28.1 Reinsurance contracts held, insurance contracts issued and reinsurance contract issued

(a) Roll-forward of net asset or liability for reinsurance contracts held, insurance contracts issued and reinsurance contracts issued showing the liability for remaining coverage and the liability for incurred claims

(i) Reinsurance contracts held – general insurance

The roll-forward of the net asset or liability for reinsurance contracts held, showing assets for remaining coverage and amounts recoverable on incurred claims arising business ceded to reinsurers is disclosed in the table below:

		2025			
		Assets for remaining coverage		Amounts recoverable	Total
	Notes	Excluding loss-recovery component	Loss-recovery component	Incurred claims	
		HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contract assets as at 1 January		159,740	904,475	17,474	1,081,689
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Allocation of reinsurance premiums					
Amounts relating to the changes in the assets for remaining coverage	a	(78,184)	-	-	(78,184)
Amounts recoverable for claims and other expenses incurred in the period		-	(26,144)	29,357	3,213
Changes in amounts recoverable arising from changes in liability for incurred claims		-	-	9,045	9,045
Changes in fulfilment cash flows which relate to onerous underlying contracts	b	-	61,145	-	61,145
Net (expenses) / income from reinsurance contracts held		(78,184)	35,001	38,402	(4,781)
Net finance income from reinsurance contracts	c	38,388	17,700	-	56,088
Effect of changes in non-performance risk of reinsurers		(2,644)	-	-	(2,644)
		35,744	17,700	-	53,444
Total (expenses) / income in the consolidated income statement and consolidated statement of comprehensive income		(42,440)	52,701	38,402	48,663
Cash flows					
Premiums and similar expenses paid		119,995	-	-	119,995
Amounts received		-	-	(32,153)	(32,153)
Total cash flows		119,995	-	(32,153)	87,842
Other reclassification		16,748	-	(951)	15,797
Reinsurance contract assets as at 31 December		254,043	957,176	22,772	1,233,991

Notes:

a. Included within the allocation of reinsurance premiums are non-recoverable expenses incurred by the Group, directly attributable to fulfilment of reinsurance contracts held.
b. Changes in the expected fulfilment cash flows on reinsurance contracts held which relate to groups of underlying insurance contracts are recognised in profit and loss if the changes in expected fulfilment cash flows from the group of underlying insurance contracts issued was also recognised in profit and loss.
c. The Group disaggregates net reinsurance finance income between profit or loss and other comprehensive income. Please refer to Note 2.22(j)(v) for details.

		2024			
		Assets for remaining coverage		Amounts recoverable	Total
	Notes	Excluding loss-recovery component	Loss-recovery component	Incurred claims	
		HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contract assets as at 1 January		249,002	506,104	5,937	761,043
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Allocation of reinsurance premiums					
Amounts relating to the changes in the assets for remaining coverage	a	(68,390)	-	-	(68,390)
Amounts recoverable for claims and other expenses incurred in the period		-	(21,117)	25,335	4,218
Changes in amounts recoverable arising from changes in liability for incurred claims		-	-	7,386	7,386
Changes in fulfilment cash flows which relate to onerous underlying contracts	b	-	409,708	-	409,708
Net (expenses) / income from reinsurance contracts held		(68,390)	388,591	32,721	352,922
Net finance (expenses) / income from reinsurance contracts	c	(119,542)	9,780	-	(109,762)
Effect of changes in non-performance risk of reinsurers		(4,544)	-	-	(4,544)
		(124,086)	9,780	-	(114,306)
Total (expenses) / income in the consolidated income statement and consolidated statement of comprehensive income		(192,476)	398,371	32,721	238,616
Cash flows					
Premiums and similar expenses paid		96,082	-	-	96,082
Amounts received		-	-	(21,099)	(21,099)
Total cash flows		96,082	-	(21,099)	74,983
Other reclassification		7,132	-	(85)	7,047
Reinsurance contract assets as at 31 December		159,740	904,475	17,474	1,081,689

Notes:

a. Included within the allocation of reinsurance premiums are non-recoverable expenses incurred by the Group, directly attributable to fulfilment of reinsurance contracts held.
b. Changes in the expected fulfilment cash flows on reinsurance contracts held which relate to groups of underlying insurance contracts are recognised in profit and loss if the changes in expected fulfilment cash flows from the group of underlying insurance contracts issued was also recognised in profit and loss.
c. The Group disaggregates net reinsurance finance income between profit or loss and other comprehensive income. Please refer to Note 2.22(j)(v) for details.

(ii) Insurance contracts issued – general insurance

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios, is disclosed in the table below:

		2025			
		LRC		LIC	Total
	Notes	Excluding loss component	Loss component		
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		3,161,006	2,745,685	110,501	6,017,192
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		(168,116)	-	-	(168,116)
Other contracts		(860,246)	-	-	(860,246)
		(1,028,362)	-	-	(1,028,362)
Insurance service expenses					
Incurred claims and other expenses		-	(90,734)	136,082	45,348
Amortisation of insurance acquisition cash flows	a	260,298	-	-	260,298
Losses on onerous contracts and reversals of those losses		-	225,484	-	225,484
Changes to liability for incurred claims		-	-	73,338	73,338
		260,298	134,750	209,420	604,468
Insurance service result		(768,064)	134,750	209,420	(423,894)
Insurance finance expenses	b	246,854	55,923	-	302,777
Total (income) / expenses in the consolidated income statement and consolidated statement of comprehensive income		(521,210)	190,673	209,420	(121,117)
Cash flows					
Premium received		680,721	-	-	680,721
Claims and other directly attributable expenses paid		-	-	(161,434)	(161,434)
Insurance acquisition cash flows	c	(170,987)	-	-	(170,987)
Total cash flows		509,734	-	(161,434)	348,300
Other reclassification	d	64,502	-	(1,723)	62,779
Insurance contract liabilities as at 31 December		3,214,032	2,936,358	156,764	6,307,154

Notes:

a. Acquisition cash flows were allocated on straight-line basis during the coverage period of the respective group of contracts. Please refer to Note 2.22(e).

b. The Group made an accounting policy choice to disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

d. Other reclassification relates to where the accounting treatment of some overheads included with the cash flows within the boundary of an insurance contract are grouped under other financial statement line items in the statement of financial position. A reclassification is made with a corresponding adjustment to such other financial statement line items in the statement of financial position.

		2024			
		LRC		LIC	Total
	Notes	Excluding loss component	Loss component		
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		3,408,458	1,526,940	56,570	4,991,968
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		(194,924)	-	-	(194,924)
Other contracts		(723,591)	-	-	(723,591)
		(918,515)	-	-	(918,515)
Insurance service expenses					
Incurred claims and other expenses		-	(72,033)	140,670	68,637
Amortisation of insurance acquisition cash flows	a	238,000	-	-	238,000
Losses on onerous contracts and reversals of those losses		-	1,258,773	-	1,258,773
Changes to liability for incurred claims		-	-	23,405	23,405
		238,000	1,186,740	164,075	1,588,815
Insurance service result		(680,515)	1,186,740	164,075	670,300
Insurance finance (income) / expenses	b	(239,808)	30,454	-	(209,354)
Total (income) / expenses in the consolidated income statement and consolidated statement of comprehensive income		(920,323)	1,217,194	164,075	460,946
Cash flows					
Premium received		934,886	-	-	934,886
Claims and other directly attributable expenses paid		-	-	(106,370)	(106,370)
Insurance acquisition cash flows	c	(272,291)	-	-	(272,291)
Total cash flows		662,595	-	(106,370)	556,225
Other reclassification	d	10,276	1,551	(3,774)	8,053
Insurance contract liabilities as at 31 December		3,161,006	2,745,685	110,501	6,017,192

Notes:

a. Acquisition cash flows were allocated on straight-line basis during the coverage period of the respective group of contracts. Please refer to Note 2.22(e).

b. The Group made an accounting policy choice to disaggregate insurance finance (income) / expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance (income) / expenses.

c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

d. Other reclassification relates to where the accounting treatment of some overheads included with the cash flows within the boundary of an insurance contract are grouped under other financial statement line items in the statement of financial position. A reclassification is made with a corresponding adjustment to such other financial statement line items in the statement of financial position.

(iii) Insurance contracts issued – life insurance

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios, is disclosed in the table below:

		2025			
		LRC		**LIC**	**Total**
	Notes	**Excluding loss component**	**Loss component**		
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Insurance contract liabilities as at 1 January		**13,929,253**	**4,841,918**	**62,524**	**18,833,695**
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		**(190,948)**	**-**	**-**	**(190,948)**
Other contracts		**(476,932)**	**-**	**-**	**(476,932)**
		(667,880)	**-**	**-**	**(667,880)**
Insurance service expenses					
Incurred claims and other expenses		**-**	**(395,363)**	**972,010**	**576,647**
Amortisation of insurance acquisition cash flows	a	**26,868**	**-**	**-**	**26,868**
Losses on onerous contracts and reversals of those losses		**-**	**1,875,320**	**-**	**1,875,320**
		26,868	**1,479,957**	**972,010**	**2,478,835**
Investment components		**(809,784)**	**-**	**809,784**	**-**
Insurance service result		**(1,450,796)**	**1,479,957**	**1,781,794**	**1,810,955**
Insurance finance expenses	b	**2,270,261**	**176,476**	**1,145**	**2,447,882**
Total expenses in the consolidated income statement and consolidated statement of comprehensive income		**819,465**	**1,656,433**	**1,782,939**	**4,258,837**
Cash flows					
Premium received		**8,892,490**	**-**	**-**	**8,892,490**
Claims and other directly attributable expenses paid		**-**	**-**	**(1,768,631)**	**(1,768,631)**
Insurance acquisition cash flows	c	**(169,605)**	**-**	**-**	**(169,605)**
Total cash flows		**8,722,885**	**-**	**(1,768,631)**	**6,954,254**
Insurance contract liabilities as at 31 December		**23,471,603**	**6,498,351**	**76,832**	**30,046,786**

Notes:

a. Acquisition cash flows were allocated on straight-line basis during the coverage period of the respective group of contracts. Please refer to Note 2.22(e).

b. The Group made an accounting policy choice not to disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

		2024			
		LRC		LIC	Total
	Notes	Excluding loss component	Loss component		
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		10,549,149	3,692,363	54,717	14,296,229
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		(211,375)	-	-	(211,375)
Other contracts		(185,378)	-	-	(185,378)
		(396,753)	-	-	(396,753)
Insurance service expenses					
Incurred claims and other expenses		-	(269,562)	617,506	347,944
Amortisation of insurance acquisition cash flows	a	16,209	-	-	16,209
Losses on onerous contracts and reversals of those losses		-	1,322,103	-	1,322,103
		16,209	1,052,541	617,506	1,686,256
Investment component		(569,450)	-	569,450	-
Insurance service result		(949,994)	1,052,541	1,186,956	1,289,503
Insurance finance expenses	b	184,971	97,014	899	282,884
Total (income) / expenses in the consolidated income statement and consolidated statement of comprehensive income		(765,023)	1,149,555	1,187,855	1,572,387
Cash flows					
Premium received		4,259,102	-	-	4,259,102
Claims and other directly attributable expenses paid		-	-	(1,180,048)	(1,180,048)
Insurance acquisition cash flows	c	(113,975)	-	-	(113,975)
Total cash flows		4,145,127	-	(1,180,048)	2,965,079
Insurance contract liabilities as at 31 December		13,929,253	4,841,918	62,524	18,833,695

Notes:

a. Acquisition cash flows were allocated on straight-line basis during the coverage period of the respective group of contracts. Please refer to Note 2.22(e).

b. The Group made an accounting policy choice not to disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

(iv) Reinsurance contracts issued – life insurance

The roll-forward of the net asset or liability for reinsurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios, is disclosed in the table below:

		2025			
		LRC		LIC	Total
	Note	Excluding loss component	Loss component		
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		166,486	27,595	928	195,009
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		-	-	-	-
Other contracts		(8,021)	-	-	(8,021)
		(8,021)	-	-	(8,021)
Insurance service expenses					
Incurred claims and other expenses		-	(2,482)	10,100	7,618
Losses on onerous contracts and reversals of those losses		-	17,124	-	17,124
		-	14,642	10,100	24,742
Investment components		(6,629)	-	6,629	-
Insurance service result		(14,650)	14,642	16,729	16,721
Insurance finance expenses	a	25,070	1,466	-	26,536
Total expenses in the consolidated income statement and consolidated statement of comprehensive income		10,420	16,108	16,729	43,257
Cash flows					
Premium received		101,920	-	-	101,920
Claims and other directly attributable expenses paid		-	-	(16,152)	(16,152)
Total cash flows		101,920	-	(16,152)	85,768
Insurance contract liabilities as at 31 December		278,826	43,703	1,505	324,034

Note:

a. The Group does not disaggregate insurance finance expenses between profit or loss and other comprehensive income and does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

		2024			
		LRC		LIC	Total
	Note	Excluding loss component	Loss component		
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		79,310	7,938	400	87,648
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Insurance revenue					
Contracts under fair value approach		-	-	-	-
Other contracts		(4,762)	-	-	(4,762)
		(4,762)	-	-	(4,762)
Insurance service expenses					
Incurred claims and other expenses		-	(1,241)	6,043	4,802
Losses on onerous contracts and reversals of those losses		-	19,955	-	19,955
		-	18,714	6,043	24,757
Investment components		(3,659)	-	3,659	-
Insurance service result		(8,421)	18,714	9,702	19,995
Insurance finance expenses	a	938	943	-	1,881
Total (income) / expenses in the consolidated income statement and consolidated statement of comprehensive income		(7,483)	19,657	9,702	21,876
Cash flows					
Premium received		94,659	-	-	94,659
Claims and other directly attributable expenses paid		-	-	(9,174)	(9,174)
Total cash flows		94,659	-	(9,174)	85,485
Insurance contract liabilities as at 31 December		166,486	27,595	928	195,009

Note:

a. The Group does not disaggregate insurance finance expenses between profit or loss and other comprehensive income and does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

(b) Roll-forward of the net asset or liability for reinsurance contracts held, insurance contracts issued and reinsurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM

(i) Reinsurance contracts held

The table below presents a roll-forward of the net asset or liability for reinsurance contracts held, showing estimates of the present value of future cash flows, risk adjustment and CSM for reinsurance held portfolios included in insurance unit.

		2025				
				CSM		
	Notes	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contract assets as at 1 January		195,645	426,770	172,984	286,290	1,081,689
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
CSM recognised for the services received		-	-	(21,797)	(63,447)	(85,244)
Risk adjustment recognised for the risk expired		-	11,943	-	-	11,943
Experience adjustment		(1,669)	-	-	-	(1,669)
		(1,669)	11,943	(21,797)	(63,447)	(74,970)
Changes that relate to future service						
Contracts initially recognised in the period	a	(70,389)	2,672	-	67,717	-
Changes in estimates that adjust the CSM		22,307	(8,868)	13,479	(26,918)	-
Changes in estimates that do not adjust the CSM	b	32,048	29,096	-	-	61,144
		(16,034)	22,900	13,479	40,799	61,144
Changes that relate to past service						
Adjustments to incurred claim component		4,715	4,330	-	-	9,045
Reinsurance finance income	c	42,059	-	3,253	10,776	56,088
Effect of changes in non-performance risk of reinsurers		(2,644)	-	-	-	(2,644)
		44,130	4,330	3,253	10,776	62,489
Total income / (expenses) in the consolidated income statement and consolidated statement of comprehensive income		26,427	39,173	(5,065)	(11,872)	48,663
Cash flows						
Premium and similar expenses paid		119,995	-	-	-	119,995
Claims recovery received		(32,153)	-	-	-	(32,153)
Total cash flows		87,842	-	-	-	87,842
Other reclassification		15,797	-	-	-	15,797
Reinsurance contract assets as at 31 December		325,711	465,943	167,919	274,418	1,233,991

Notes:

a. Please refer to Note 28.1(c)(iii) for a detailed breakdown of initially recognised contracts.

b. Changes in the expected fulfilment cash flows on reinsurance contracts held which relate to groups of underlying insurance contracts are recognised in profit and loss if the changes in expected fulfilment cash flows from the group of underlying insurance contracts issued are also recognised in profit and loss.

c. The Group disaggregates net reinsurance finance income between profit or loss and other comprehensive income. Please refer to Note 2.22(j)(v) for details.

		2024				
				CSM		
	Notes	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contract (liabilities) / assets as at 1 January		(134,622)	351,089	157,515	387,061	761,043
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
CSM recognised for the services received		-	-	(23,765)	(51,308)	(75,073)
Risk adjustment recognised for the risk expired		-	13,159	-	-	13,159
Experience adjustment		(2,258)	-	-	-	(2,258)
		(2,258)	13,159	(23,765)	(51,308)	(64,172)
Changes that relate to future service						
Contracts initially recognised in the period	a	(52,748)	1,119	-	51,629	-
Changes in estimates that adjust the CSM		320,778	(242,952)	36,340	(114,166)	-
Changes in estimates that do not adjust the CSM	b	111,155	298,553	-	-	409,708
		379,185	56,720	36,340	(62,537)	409,708
Changes that relate to past service						
Adjustments to incurred claim component		1,584	5,802	-	-	7,386
Reinsurance finance (expenses) / income	c	(125,730)	-	2,894	13,074	(109,762)
Effect of changes in non-performance risk of reinsurers		(4,544)	-	-	-	(4,544)
		(128,690)	5,802	2,894	13,074	(106,920)
Total income / (expenses) in the consolidated income statement and consolidated statement of comprehensive income		248,237	75,681	15,469	(100,771)	238,616
Cash flows						
Premium and similar expenses paid		96,082	-	-	-	96,082
Claims recovery received		(21,099)	-	-	-	(21,099)
Total cash flows		74,983	-	-	-	74,983
Other reclassification		7,047	-	-	-	7,047
Reinsurance contract assets as at 31 December		195,645	426,770	172,984	286,290	1,081,689

Notes:

a. Please refer to Note 28.1(c)(iii) for a detailed breakdown of initially recognised contracts.
b. Changes in the expected fulfilment cash flows on reinsurance contracts held which relate to groups of underlying insurance contracts are recognised in profit and loss if the changes in expected fulfilment cash flows from the group of underlying insurance contracts issued are also recognised in profit and loss.
c. The Group disaggregates net reinsurance finance (expenses) / income between profit or loss and other comprehensive income. Please refer to Note 2.22(j)(v) for details.

(ii) Insurance contracts issued – general insurance

The table below presents a roll-forward of the net asset or liability for insurance contracts issued, showing estimates of the present value of future cash flows, risk adjustment and CSM.

		2025				
				CSM		
	Notes	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		1,358,741	1,378,846	882,551	2,397,054	6,017,192
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
CSM recognised for the services provided		-	-	(214,492)	(527,611)	(742,103)
Risk adjustment recognised for the risk expired		-	(3,815)	-	-	(3,815)
Experience adjustments		23,202	-	-	-	23,202
		23,202	(3,815)	(214,492)	(527,611)	(722,716)
Changes that relate to future service						
Contracts initially recognised in the period	a	(389,270)	25,000	-	417,973	53,703
Changes in estimates that adjust the CSM		(6,925)	(6,667)	2,753	10,839	-
Changes in estimates that do not adjust the CSM		70,310	101,471	-	-	171,781
		(325,885)	119,804	2,753	428,812	225,484
Changes that relate to past service						
Adjustments to liabilities for incurred claims		30,295	43,043	-	-	73,338
Insurance service result		(272,388)	159,032	(211,739)	(98,799)	(423,894)
Insurance finance expenses	b	197,819	-	16,599	88,359	302,777
Total (income) / expenses in the consolidated income statement and consolidated statement of comprehensive income		(74,569)	159,032	(195,140)	(10,440)	(121,117)
Cash flows						
Premium received		680,721	-	-	-	680,721
Claims and other expenses paid (including investment components and premium refunds)		(161,434)	-	-	-	(161,434)
Insurance acquisition cash flows	c	(170,987)	-	-	-	(170,987)
Total cash flows		348,300	-	-	-	348,300
Other reclassification	d	62,854	-	-	(75)	62,779
Insurance contract liabilities as at 31 December		1,695,326	1,537,878	687,411	2,386,539	6,307,154

Notes:

a. Please refer to Note 28.1(c)(i) for a detailed breakdown of initially recognised contracts.
b. The Group made an accounting policy choice to disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.
c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.
d. Other reclassification relates to where the accounting treatment of some overheads included with the cash flows within the boundary of an insurance contract are grouped under other financial statement line items in the statement of financial position. A reclassification is made with a corresponding adjustment to such other financial statement line items in the statement of financial position.

		2024				
				CSM		
	Notes	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		310,015	1,279,262	1,109,769	2,292,922	4,991,968
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
CSM recognised for the services provided		-	-	(236,495)	(441,198)	(677,693)
Risk adjustment recognised for the risk expired		-	19,065	-	-	19,065
Experience adjustments		46,750	-	-	-	46,750
		46,750	19,065	(236,495)	(441,198)	(611,878)
Changes that relate to future service						
Contracts initially recognised in the period	a	(628,784)	36,801	-	612,909	20,926
Changes in estimates that adjust the CSM		114,206	56,003	(11,080)	(159,129)	-
Changes in estimates that do not adjust the CSM		1,271,506	(33,659)	-	-	1,237,847
		756,928	59,145	(11,080)	453,780	1,258,773
Changes that relate to past service						
Adjustments to liabilities for incurred claims		2,031	21,374	-	-	23,405
Insurance service result		805,709	99,584	(247,575)	12,582	670,300
Insurance finance (income) / expenses	b	(321,261)	-	20,357	91,550	(209,354)
Total expenses / (income) in the consolidated income statement and consolidated statement of comprehensive income		484,448	99,584	(227,218)	104,132	460,946
Cash flows						
Premium received		934,886	-	-	-	934,886
Claims and other expenses paid (including investment components and premium refunds)		(106,370)	-	-	-	(106,370)
Insurance acquisition cash flows	c	(272,291)	-	-	-	(272,291)
Total cash flows		556,225	-	-	-	556,225
Other reclassification	d	8,053	-	-	-	8,053

		2024				
				CSM		
	Notes	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 31 December		1,358,741	1,378,846	882,551	2,397,054	6,017,192

Notes:

a. Please refer to Note 28.1(c)(i) for a detailed breakdown of initially recognised contracts.
b. The Group made an accounting policy choice to disaggregate insurance finance (income) / expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance (income) / expenses.
c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.
d. Other reclassification relates to where the accounting treatment of some overheads included with the cash flows within the boundary of an insurance contract are grouped under other financial statement line items in the statement of financial position. A reclassification is made with a corresponding adjustment to such other financial statement line items in the statement of financial position.

(iii) Insurance contracts issued – life insurance

The table below presents a roll-forward of the net asset or liability for insurance contracts issued, showing estimates of the present value of future cash flows, risk adjustment and CSM.

		2025				
				CSM		
	Notes	**Estimates of the present value of future cash flows**	**Risk adjustment for non-financial risk**	**Fair value approach**	**Others**	**Total**
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Insurance contract liabilities as at 1 January		**18,619,801**	**213,894**	**-**	**-**	**18,833,695**
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
Risk adjustment recognised for the risk expired		**-**	**(9,561)**	**-**	**-**	**(9,561)**
Experience adjustments		**(54,804)**	**-**	**-**	**-**	**(54,804)**
		(54,804)	**(9,561)**	**-**	**-**	**(64,365)**
Changes that relate to future service						
Contracts initially recognised in the period	a	**1,989,641**	**122,983**	**-**	**-**	**2,112,624**
Changes in estimates that do not adjust the CSM		**(239,349)**	**2,045**	**-**	**-**	**(237,304)**
		1,750,292	**125,028**	**-**	**-**	**1,875,320**
Insurance service result		**1,695,488**	**115,467**	**-**	**-**	**1,810,955**
Insurance finance expenses	b	**2,447,882**	**-**	**-**	**-**	**2,447,882**

		2025				
				CSM		
	Notes	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total expenses in the consolidated income statement and consolidated statement of comprehensive income		4,143,370	115,467	-	-	4,258,837
Cash flows						
Premium received		8,892,490	-	-	-	8,892,490
Claims and other expenses paid (including investment components and premium refunds)		(1,768,631)	-	-	-	(1,768,631)
Insurance acquisition cash flows	c	(169,605)	-	-	-	(169,605)
Total cash flows		6,954,254	-	-	-	6,954,254
Insurance contract liabilities as at 31 December		29,717,425	329,361	-	-	30,046,786

Notes:

a. Please refer to Note 28.1(c)(i) for a detailed breakdown of initially recognised contracts.
b. The Group made an accounting policy choice not to disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.
c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

		2024				
				CSM		
	Notes	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		14,150,143	146,086	-	-	14,296,229
Changes in the consolidated income statement and consolidated statement of comprehensive income						
Changes that relate to current service						
Risk adjustment recognised for the risk expired		-	(8,102)	-	-	(8,102)
Experience adjustments		(24,498)	-	-	-	(24,498)
		(24,498)	(8,102)	-	-	(32,600)
Changes that relate to future service						
Contracts initially recognised in the period	a	1,378,199	59,512	-	-	1,437,711
Changes in estimates that do not adjust the CSM		(132,006)	16,398	-	-	(115,608)
		1,246,193	75,910	-	-	1,322,103
Insurance service result		1,221,695	67,808	-	-	1,289,503
Insurance finance expenses	b	282,884	-	-	-	282,884

		2024				
				CSM		
	Notes	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Fair value approach	Others	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total expenses in the consolidated income statement and consolidated statement of comprehensive income		1,504,579	67,808	-	-	1,572,387
Cash flows						
Premium received		4,259,102	-	-	-	4,259,102
Claims and other expenses paid (including investment components and premium refunds)		(1,180,048)	-	-	-	(1,180,048)
Insurance acquisition cash flows	c	(113,975)	-	-	-	(113,975)
Total cash flows		2,965,079	-	-	-	2,965,079
Insurance contract liabilities as at 31 December		18,619,801	213,894	-	-	18,833,695

Notes:

a. Please refer to Note 28.1(c)(i) for a detailed breakdown of initially recognised contracts.
b. The Group made an accounting policy choice to disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.
c. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

(iv) Reinsurance contracts issued – life insurance

The table below presents a roll-forward of the net asset or liability for reinsurance contracts issued, showing estimates of the present value of future cash flows, risk adjustment and CSM.

		2025			
	Note	**Estimates of the present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Insurance contract liabilities as at 1 January		**192,736**	**2,273**	**-**	**195,009**
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Changes that relate to current service					
Risk adjustment recognised for the risk expired		**-**	**(72)**	**-**	**(72)**
Experience adjustments		**(331)**	**-**	**-**	**(331)**
		(331)	**(72)**	**-**	**(403)**

	Note	2025 Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Changes that relate to future service					
Contracts initially recognised in the period		14,882	1,371	-	16,253
Changes in estimates that do not adjust the CSM		850	21	-	871
		15,732	1,392	-	17,124
Insurance service result		15,401	1,320	-	16,721
Insurance finance expenses	a	26,536	-	-	26,536
Total expenses in the consolidated income statement and consolidated statement of comprehensive income		41,937	1,320	-	43,257
Cash flows					
Premium received		101,920	-	-	101,920
Claims and other expenses paid (including investment components and premium refunds)		(16,152)	-	-	(16,152)
Total cash flows		85,768	-	-	85,768
Insurance contract liabilities as at 31 December		320,441	3,593	-	324,034

Note:

a. The Group does not disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

	Note	2024 Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities as at 1 January		86,694	954	-	87,648
Changes in the consolidated income statement and consolidated statement of comprehensive income					
Changes that relate to current service					
Risk adjustment recognised for the risk expired		-	(24)	-	(24)
Experience adjustments		64	-	-	64
		64	(24)	-	40
Changes that relate to future service					
Contracts initially recognised in the period		18,759	1,189	-	19,948
Changes in estimates that do not adjust the CSM		(147)	154	-	7
		18,612	1,343	-	19,955

	Note	2024 Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Insurance service result		18,676	1,319	-	19,995
Insurance finance expenses	a	1,881	-	-	1,881
Total expenses in the consolidated income statement and consolidated statement of comprehensive income		20,557	1,319	-	21,876
Cash flows					
Premium received		94,659	-	-	94,659
Claims and other expenses paid (including investment components and premium refunds)		(9,174)	-	-	(9,174)
Total cash flows		85,485	-	-	85,485
Insurance contract liabilities as at 31 December		192,736	2,273	-	195,009

Note:

a. The Group does not disaggregate insurance finance expenses between profit or loss and other comprehensive income. The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance expenses.

(c) The components of new business

(i) Reinsurance contracts held

The components of new business for reinsurance contracts held portfolios (all were reinsurance contracts purchased) included in the insurance unit is disclosed in the table below:

	2025	2024
Reinsurance contracts assets	**HK$'000**	HK$'000
Estimates of the present value of future cash inflows	**28,817**	25,405
Estimates of the present value of future cash outflows	**(99,206)**	(78,153)
Risk adjustment	**2,672**	1,119
CSM	**67,717**	51,629
Cost of retroactive cover on reinsurance contract assets held	**-**	-

(ii) Insurance contracts issued

The components of new business for insurance contracts issued included in the insurance unit is disclosed in the table below:

	2025			2024		
	Non-onerous contracts	**Onerous contracts**	**Total**	Non-onerous contracts	Onerous contracts	Total
Insurance contracts issued	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Estimates of the present value of future cash outflows, excluding insurance acquisition cash flows	**87,818**	**10,596,964**	**10,684,782**	116,062	5,462,083	5,578,145
Estimates of insurance acquisition cash flows	**186,483**	**485,196**	**671,679**	257,568	301,104	558,672
Estimates of the present value of future cash outflows	**274,301**	**11,082,160**	**11,356,461**	373,630	5,763,187	6,136,817
Estimates of the present value of future cash inflows	**(714,282)**	**(9,041,808)**	**(9,756,090)**	(1,015,838)	(4,371,564)	(5,387,402)
Risk adjustment for non-financial risk	**22,008**	**125,975**	**147,983**	29,299	67,014	96,313
CSM	**417,973**	**-**	**417,973**	612,909	-	612,909
Losses on onerous contracts at initial recognition	**-**	**2,166,327**	**2,166,327**	-	1,458,637	1,458,637

New contracts were issued on market terms. Onerous contracts were accepted as the Group did not have an opportunity to reprice them for the relevant group of policyholders and we believe that the market has a high development potential for future renewals and cross selling of additional products.

(iii) Reinsurance contracts issued

	2025			2024		
	Non-onerous contracts	**Onerous contracts**	**Total**	Non-onerous contracts	Onerous contracts	Total
Insurance contracts issued	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Estimates of the present value of future cash outflows, excluding insurance acquisition cash flows	-	**118,635**	**118,635**	-	114,398	114,398
Estimates of insurance acquisition cash flows	-	-	-	-	-	-
Estimates of the present value of future cash outflows	-	**118,635**	**118,635**	-	114,398	114,398
Estimates of the present value of future cash inflows	-	**(103,753)**	**(103,753)**	-	(95,639)	(95,639)
Risk adjustment for non-financial risk	-	**1,371**	**1,371**	-	1,189	1,189
Losses on onerous contracts at initial recognition	-	**16,253**	**16,253**	-	19,948	19,948

28.2 CSM recognition in profit or loss

The disclosure of when the CSM is expected to be in profit or loss in future years is presented below:

	2025						
	Less than 1 year	**1-5 years**	**5-10 years**	**10-15 years**	**15-20 years**	**More than 20 years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Reinsurance contracts held							
General insurance	**78,684**	**201,378**	**83,267**	**26,759**	**20,967**	**31,282**	**442,337**
Insurance contracts issued							
General insurance	**666,578**	**1,702,915**	**596,858**	**50,880**	**21,168**	**35,551**	**3,073,950**

	2024						
	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	More than 20 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Reinsurance contracts held							
General insurance	70,055	192,682	98,955	33,690	24,529	39,363	459,274
Insurance contracts issued							
General insurance	633,041	1,734,319	775,342	89,798	18,394	28,711	3,279,605

The Group expects to recognise the CSM in profit or loss for existing contracts within 60 years, which represents the longest coverage period for the contracts in force issued by the Group.

The expected timeline for the CSM recognition for reinsurance contracts held is in line with insurance contracts issued.

29. Debt securities issued

	2025	2024
	HK$'000	HK$'000
Debt securities carried at amortised cost		
MTN	**6,525,071**	5,799,769
Total debt securities carried at amortised cost	**6,525,071**	5,799,769
Debt securities designated as hedged items under fair value hedge		
MTN	**148,644,259**	142,499,867
Total debt securities designated as hedged items under fair value hedge	**148,644,259**	142,499,867
Total debt securities issued	**155,169,330**	148,299,636

The movement in debt securities issued is summarised as follows:

	2025	2024
	HK$'000	HK$'000
As at 1 January	**149,893,403**	163,787,833
Issuance	**70,479,347**	103,507,595
Less: redemption	**(66,171,784)**	(117,658,640)
Exchange difference	**110**	256,615
Total nominal value	**154,201,076**	149,893,403
Unamortised portion of discount	**(134,387)**	(169,545)
Fair value adjustment	**1,102,641**	(1,424,222)
As at 31 December	**155,169,330**	148,299,636

Notes issued during the year comprise:

	2025	2024
	HK$'000	HK$'000
MTN		
Amount issued at nominal value	**70,479,347**	103,507,595
Consideration received	**70,399,511**	103,114,200

All the debt securities issued are unsecured obligations of the Group, and are issued for the purposes of providing general working capital and refinancing.

30. Share capital

	2025	2024
	HK$'000	HK$'000
Issued and fully paid		
2 billion ordinary shares	**39,000,000**	26,500,000

The movement in share capital is summarised as follows:

	2025	2024
	HK$'000	HK$'000
As at 1 January	**26,500,000**	14,500,000
Capital injection	**12,500,000**	12,000,000
As at 31 December	**39,000,000**	26,500,000

31. Material related party transactions

(a) The Company and its wholly-owned subsidiaries are wholly owned by the Government for the account of the Exchange Fund. During the year, the Group entered into or maintained material transactions with the related parties as follows:

Transactions with the HKMA, a Government-related entity, included the following:

(i) the Group paid a total fee amount of HK$2.3 million for the year (2024: HK$2.0 million) to the HKMA in respect of custodian and clearing agent services from the Central Moneymarkets Unit;

(ii) the Group incurred a secondment fee of HK$20.5 million for the year (2024: HK$26.7 million) in respect of secondees from the HKMA;

(iii) the Monetary Authority through the Exchange Fund provided a revolving credit facility of HK$80 billion to the Company, and there was no outstanding balance and accrued interest as at 31 December 2025 (2024: nil for both);

(iv) the Monetary Authority through the Exchange Fund fulfilled the capital commitment to inject funds of HK$20 billion in aggregate (comprising capital injections of HK$2.5 billion each into the HKMCA on 28 June 2021, 27 June 2022, 27 June 2023 and 24 November 2025 respectively, and HK$5.0 billion each on 24 February 2025 and 23 June 2025 respectively) into the Company as equity for the sole purpose of financing the Company's additional capital injection into the HKMCA. Following the fulfilment of the abovementioned capital commitment, the Monetary Authority entered into a new capital commitment arrangement with the Company and the HKMCA in January 2026 to inject additional funds of up to HK$25 billion in aggregate through the Exchange Fund into the Company as equity for the sole purpose of financing the Company's additional capital injection into the HKMCA, and the Company has committed to inject such funds into the HKMCA as equity to maintain the HKMCA's capital base above a certain level; and

(v) the Monetary Authority through the Exchange Fund injected HK$12.0 billion capital into the Company on 16 December 2024, as equity for the sole purpose of financing the Company's capital injection into the HKMCI as equity for the sole purpose of maintaining the HKMCI's margin of solvency above a certain level.

Transactions with the Government included the following:

(i) the HKMCI provided 80%, 90% and 100% SFGS loan guarantees with a total guarantee commitment up to HK$290 billion reimbursable by the Government (including guarantees on 100% SFGS loans acquired by the Company), see Note 33 for details. With respect to the day-to-day operation of the 100% SFGS, the Government reimbursed HK$150.4 million (2024: HK$166.0 million) to the HKMCI for the administrative expenses incurred by the HKMCI for the year;

(ii) the Company entered into an agreement with the Government, pursuant to which the Company maintained its commitment to purchase from SFGS lenders all 100% SFGS loans that are fully guaranteed by the Government via the HKMCI, see Note 19 for details;

(iii) the Company entered into an agreement with the Government, pursuant to which the Company maintained its commitment to purchase from DLGS lenders all DLGS loans that are fully guaranteed by the Government via the HKMCI with a total guarantee commitment up to HK$9.1 billion reimbursable by the Government, see Note 19 for details. With respect to the day-to-day operation, the Government reimbursed HK$0.5 million (2024: HK$0.4 million) to the HKMCI for the administrative expenses incurred by the HKMCI for the year;

(iv) the Company and the HKMCI entered into an agreement with the Government, pursuant to which the Company committed to purchase all loans under the PLGS from the participating Authorized Institutions (**AIs**) and the Government provided full funding to the Company for the purchase of all PLGS loans. The application period of the PLGS expired at the end of April 2023. The HKMCI is responsible for the operation and administration of the PLGS. With respect to the advance payment received from the Government, a portion of such advance funding was deposited with AIs with an outstanding balance of HK$209.3 million (2024: HK$189.3 million). The HKMCI was appointed by the Government to act as the administrator for the PLGS for a fee of HK$8.8 million (2024: HK$9.0 million) for the year. Risks and rewards arising from the PLGS loans rest with the Government; and

(v) the Company and the HKMCI held investment of HK$2,191.3 million (2024: HK$1,297.8 million) in the Government Bonds as at 31 December 2025 and the interest thereon was HK$52.8 million (2024: HK$34.7 million).

The Company provided corporate support services to its subsidiaries during the year for fees on an arm's length basis. The Company had issued a parental guarantee in favour of the participating lenders for the HKMCI's due performance of its obligations under the insurance programmes and schemes operated by the HKMCI. The Company had issued a parental guarantee in favour of ceding partner insurers and policyholders under the respective reinsurance agreements or policies of the HKMCA to facilitate the development of the local annuities market.

Balances of amounts due to relevant related parties are as follows:

	The Exchange Fund		The Government	
	2025	2024	**2025**	2024
	HK$'000	HK$'000	**HK$'000**	HK$'000
Placements with the Exchange Fund (Note 22)	**72,418,586**	49,244,684	-	-
Other liabilities (Notes 27 and 33)	-	-	**1,048,840**	894,445

(b) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and senior officers.

Compensation of the key management personnel for the year comprised:

	2025	2024
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**27,711**	29,658
Post-employment benefits	**2,484**	2,573
	30,195	32,231

32. Commitments

(a) Capital

	2025	2024
	HK$'000	HK$'000
Authorised and contracted for	**10,699**	29,394

The above capital commitments mainly relate to commitments to purchase computer equipment and software.

(b) Other commitments

	2025	2024
	HK$'000	HK$'000
Undrawn loan commitments	**1,277,099**	476,663

Majority of loan commitments can be drawn on demand.

33. Special concessionary measures under the SME Financing Guarantee Scheme

The Group provided loan guarantee products with 80% and 90% guarantee coverage under the existing SFGS at a concessionary guarantee fee rate, together with guarantee for 100% SFGS loans acquired for a total approved guarantee commitment up to HK$290 billion reimbursable by the Government.

Regarding the 80% and 90% guarantee products, all guarantee fees collected under the special loan guarantee products are set aside to meet the relevant default claims and related out-of-pocket expenses. The remaining balance of the guarantee fees, if any, will be returned to, and any shortfall will be borne by, the Government. The Group is responsible for the operation of the product and the applicable day-to-day operating costs. There is no impact on the consolidated income statement of the Group in respect of guarantee fee revenue and default claims. Given that the Group operates only these products for the Government, the Group considers the risk and rewards associated with this product rest with the Government. Hence, the risk-in-force for these products has not been included as the Group's off-balance sheet exposures.

For the 100% SFGS, please refer to Note 19 for more details.

34. Involvement with unconsolidated structured entities

The Group acts as a sponsor and collateral manager to structured entities that the Group does not consolidate but in which it holds an interest. The following table describes the type and nature of the structured entities:

Type of structured entities	Nature and purpose	Interest held by the Group	2025	2024
			HK$'000	HK$'000
Securitisation vehicle for infrastructure loans	To develop an infrastructure financing securitisation platform in Hong Kong	Investment in notes issued by the vehicle	**775,369**	640,826
		Sponsor loan	**33,469**	23,304

	2025	2024
	HK$'000	HK$'000
Interest income	**11,701**	33,286
Interest income on sponsor loan	**3,233**	2,008
Collateral management fee	**14,250**	7,043

The maximum exposure to loss is the carrying amount of the investment in the structured entity.

35. Statement of financial position and reserve movement of the Company

35.1 Statement of financial position of the Company as at 31 December 2025

	Notes	**2025**	2024
		HK'000	HK$'000
ASSETS			
Cash and short-term funds		**58,741,541**	46,314,950
Interest and remittance receivables		**2,654,944**	3,161,265
Derivative financial instruments		**1,668,020**	664,618
Loans with 100% guarantee from the Government		**63,514,326**	82,782,698
Loan portfolio, net		**10,890,392**	9,307,080
Investment securities:			
- at fair value through other comprehensive income		**9,600,489**	3,721,821
- at fair value through profit or loss		**200,636**	9,774
- at amortised cost		**17,379,522**	13,337,065
Interests in subsidiaries		**46,440,928**	32,981,543
Prepayments, deposits and other assets		**168,251**	331,170
Deferred tax assets		**5,208**	4,681
Fixed assets		**187,397**	229,443
Total assets		**211,451,654**	192,846,108
LIABILITIES			
Interest payable		**2,781,710**	3,343,451
Placements by subsidiary		**–**	561,000
Accounts payable, accrued expenses and other liabilities		**4,500,439**	3,356,023
Derivative financial instruments		**559,693**	1,740,649
Current tax liabilities		**114,948**	165,598
Debt securities issued		**155,169,330**	148,299,636
Total liabilities		**163,126,120**	157,466,357
EQUITY			
Capital and reserves attributable to the equity holder:			
Share capital		**39,000,000**	26,500,000
Retained profits	35.2	**9,241,569**	8,857,536
Fair value reserve	35.2	**81,867**	23,518
Hedging reserve	35.2	**2,098**	(1,303)
Total equity		**48,325,534**	35,379,751
Total liabilities and equity		**211,451,654**	192,846,108

Approved and authorised for issue by the Board of Directors on 21 April 2026.

(Sd.)
YUE Wai Man, Eddie
Deputy Chairman and Executive Director

(Sd.)
POU Hak Wan
Executive Director and Chief Executive Officer

35.2 Reserves of the Company

	Retained profits	Fair value reserve	Hedging reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2024	8,733,357	8,158	18,719	8,760,234
Profit for the year	124,179	-	-	124,179
Other comprehensive income / (loss)				
Change in the fair value of debt securities at FVOCI	-	15,213	-	15,213
Change in the loss allowance of debt securities at FVOCI	-	147	-	147
Change in the fair value of hedging instruments at cash flow hedge	-	-	(20,022)	(20,022)
Total comprehensive income / (loss) for the year	124,179	15,360	(20,022)	119,517
Balance as at 31 December 2024	8,857,536	23,518	(1,303)	8,879,751
Profit for the year	**384,033**	-	-	**384,033**
Other comprehensive income				
Change in the fair value of debt securities at FVOCI	-	**56,638**	-	**56,638**
Change in the loss allowance of debt securities at FVOCI	-	**1,711**	-	**1,711**
Change in the fair value of hedging instruments at cash flow hedge	-	-	**3,401**	**3,401**
Total comprehensive income for the year	**384,033**	**58,349**	**3,401**	**445,783**
Balance as at 31 December 2025	**9,241,569**	**81,867**	**2,098**	**9,325,534**

36. Directors' material interests in transactions, arrangements and contracts

Apart from those disclosed in Note 31, there was no other transaction, arrangement or contract of significance in relation to the Company's business, to which any member of the Group was a party, and in which any person who was a Director at any time during the year or a connected entity (as defined in the Companies Ordinance) of any such person had, directly or indirectly, a material interest, which subsisted at the end of the year or at any time during the year.

37. Events after balance sheet date

In January 2026, the Monetary Authority through the Exchange Fund entered into a new capital commitment arrangement with the Company and the HKMCA to further inject additional funds of up to HK$25 billion in aggregate into the Company as equity for the sole purpose of financing the Company's additional capital injection into the HKMCA, and the Company has committed to inject such funds into the HKMCA as equity to maintain the HKMCA's capital base above a certain level (Note 31(a)).

This event is regarded as non-adjusting to the consolidated financial statements for the year ended 31 December 2025.

38. Approval of financial statements

The financial statements were approved by the Board of Directors on 21 April 2026.