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大眾金融控股有限公司
PUBLIC FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 626; Website: www.publicfinancial.com.hk)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025

The board of directors (the “Board”) of Public Financial Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2025 with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2025 HK\$'000	2024 HK\$'000
Interest income	8	1,941,103	2,052,398
Interest expense	8	(787,434)	(1,069,107)
NET INTEREST INCOME		1,153,669	983,291
Fees and commission income	9	256,815	220,229
Fees and commission expenses	9	(2,333)	(1,968)
Net fees and commission income		254,482	218,261
Other operating income	10	33,223	35,088
OPERATING INCOME		1,441,374	1,236,640
Operating expenses	11	(957,115)	(1,701,003)
Changes in fair value of investment properties		(77,979)	(51,968)
OPERATING PROFIT/(LOSS) BEFORE CREDIT LOSS EXPENSES		406,280	(516,331)
Credit loss expenses	12	(287,217)	(499,079)

* For identification purpose only

		Year ended 31 December	
		2025	2024
	<i>Notes</i>	HK\$'000	HK\$'000
PROFIT/(LOSS) BEFORE TAX		119,063	(1,015,410)
Tax	13	(39,409)	16,023
PROFIT/(LOSS) FOR THE YEAR		79,654	(999,387)
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the Company		79,654	(999,387)
EARNINGS/(LOSS) PER SHARE (HK\$)	15		
Basic		0.073	(0.910)
Diluted		0.073	(0.910)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2025	2024
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE YEAR	79,654	(999,387)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Net gains/(losses) on debt securities investment measured at fair value through other comprehensive income (“FVOCI”), net of tax	2,750	(1,206)
Exchange differences on translating foreign operations, net of tax	49,790	(34,507)
	52,540	(35,713)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Net gains on equity investment measured at FVOCI	984	–
Surplus on revaluation of properties	–	57,393
	984	57,393
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	53,524	21,680
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	133,178	(977,707)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:		
Owners of the Company	133,178	(977,707)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2025 HK\$'000	31 December 2024 HK\$'000
ASSETS			
Cash and short term placements		4,115,069	5,951,644
Placements with banks and financial institutions maturing after one month but not more than twelve months		2,501,957	1,905,999
Derivative financial instruments		306	4,561
Loans and advances and receivables	16	24,942,792	24,192,793
Equity investments at fair value through other comprehensive income		7,788	6,804
Debt securities investment	17	7,585,694	6,624,576
Investment properties		523,454	612,341
Property and equipment		316,538	231,454
Land held under finance leases		722,892	651,795
Right-of-use assets		74,728	87,169
Deferred tax assets		82,326	89,103
Tax recoverable		7,167	16,209
Goodwill	18	1,964,403	1,964,403
Intangible assets		232	232
Other assets		256,105	504,913
TOTAL ASSETS		43,101,451	42,843,996
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		521,199	521,314
Derivative financial instruments		941	14,589
Customer deposits at amortised cost		32,757,984	32,173,517
Dividends payable		54,896	–
Unsecured bank loans at amortised cost		1,463,000	1,620,326
Lease liabilities		80,671	96,177
Current tax payable		5,707	2,654
Deferred tax liabilities		69,375	58,445
Other liabilities		390,637	656,257
TOTAL LIABILITIES		35,344,410	35,143,279
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital		109,792	109,792
Reserves		7,647,249	7,590,925
TOTAL EQUITY		7,757,041	7,700,717
TOTAL EQUITY AND LIABILITIES		43,101,451	42,843,996

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Regulatory reserve [#] HK\$'000	Retained profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000
As at 1 January 2025	109,792	4,013,296	829	96,116	135,956	(1,206)	–	3,400,050	(54,116)	7,700,717
Profit for the year	–	–	–	–	–	–	–	79,654	–	79,654
Other comprehensive income	–	–	–	–	–	3,734	–	–	49,790	53,524
Transfer from retained profits to regulatory reserve	–	–	–	–	–	–	17,130	(17,130)	–	–
Dividends for 2025	14	–	–	–	–	–	–	(76,854)	–	(76,854)
As at 31 December 2025	<u>109,792</u>	<u>4,013,296</u>	<u>829</u>	<u>96,116</u>	<u>135,956</u>	<u>2,528</u>	<u>17,130</u>	<u>3,385,720</u>	<u>(4,326)</u>	<u>7,757,041</u>

Note	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Regulatory reserve [#] HK\$'000	Retained profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000
As at 1 January 2024	109,792	4,013,296	829	96,116	78,563	–	34,316	4,365,121	(19,609)	8,678,424
Loss for the year	–	–	–	–	–	–	–	(999,387)	–	(999,387)
Other comprehensive income/(loss)	–	–	–	–	57,393	(1,206)	–	–	(34,507)	21,680
Transfer from regulatory reserve to retained profits	–	–	–	–	–	–	(34,316)	34,316	–	–
Dividends for 2024	14	–	–	–	–	–	–	–	–	–
As at 31 December 2024	<u>109,792</u>	<u>4,013,296</u>	<u>829</u>	<u>96,116</u>	<u>135,956</u>	<u>(1,206)</u>	<u>–</u>	<u>3,400,050</u>	<u>(54,116)</u>	<u>7,700,717</u>

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation in September 1991 over the nominal value of the Company's shares issued in exchange therefor.

Deducted from the contributed surplus of the Group as at 31 December 2025 was positive goodwill of HK\$98,406,000 (31 December 2024: HK\$98,406,000), which arose from the acquisition of certain subsidiaries in prior years.

[#] Regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose. It is held as surplus to capital in the event where the expected credit loss ("ECL") provision under the relevant accounting standards' requirement is less than the provision required by the Hong Kong Monetary Authority (the "HKMA").

NOTES TO FINANCIAL STATEMENTS

1. STATUTORY FINANCIAL STATEMENTS

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2025. Certain financial information in this announcement is extracted from the statutory financial statements for the year ended 31 December 2025, which will be available in the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company in around late-February 2026.

The figures in this announcement of the results of the Group for the year ended 31 December 2025 have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work of Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) as issued by the HKICPA, and the disclosure requirements of the Hong Kong Companies Ordinance. They also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and contain certain disclosure information required under the Banking (Disclosure) Rules issued by the HKMA.

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVPL"), debt securities investments at FVOCI and equity investments at FVOCI.

3. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2025.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and translation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The subsidiaries consolidated for accounting purposes are Public Bank (Hong Kong) Limited ("Public Bank (Hong Kong)"), Public Finance Limited ("Public Finance"), Winton (B.V.I.) Limited and their subsidiaries.

4. BASIS OF CAPITAL DISCLOSURES

The Group has complied with the capital requirements during the reporting period related to the capital base and capital adequacy ratios as stipulated by the HKMA, and has referred to the Banking (Disclosure) Rules.

Should the Group have not complied with the externally imposed capital requirements of the HKMA, capital management plans should be submitted to the HKMA for restoration of capital to the minimum required level as soon as possible.

The computation of the consolidated total capital ratio and other regulatory capital ratios is based on the consolidation of Public Bank (Hong Kong) and Public Finance for regulatory reporting purposes.

There are no major restrictions or impediments on the transfer of capital or funds among the members of the Company's consolidation group except that liquidity, capital and other performance indicators of Public Financial Securities Limited should satisfy the minimum requirements of the Securities and Futures (Financial Resources) Rules issued by the Securities and Futures Commission.

Regulatory reserve, if any, set aside pursuant to the HKMA's capital requirements is non-distributable.

The Group has adopted the provisions of the Banking Ordinance relating to the Basel III capital standards and the Banking (Capital) Rules (the "Capital Rules"). The Capital Rules outline the general requirements on regulatory capital ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate. The Capital Rules have been developed based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision. Under the Capital Rules, the required capital conservation buffer ratio for 2024 and 2025 is 2.5%, whilst the required countercyclical capital buffer ratio for 2024 and 2025 is 0.5%.

5. ACCOUNTING POLICIES

Changes in accounting policies and disclosures

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

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the 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.

Issued but not yet effective HKFRS Accounting Standards

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

• HKFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
• HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
• Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
• Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
• Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
• Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
• <i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7¹</i>

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 and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's 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 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 Company is a listed company, it is not eligible to elect to apply HKFRS 19 and its amendments. Some of the Company's subsidiaries are considering the application of HKFRS 19 and its amendments in their specified financial statements.

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 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 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 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 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 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. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in HKFRS 16 and an extinguishment of a lease liability in accordance with HKFRS 9. 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 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 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 financial statements.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment allowances on loans and advances and receivables

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures

- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default, exposures at default and losses given default
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating unit ("CGU") to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2025 and 31 December 2024 was HK\$1,964,403,000. Further details are set out in Note 18 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as a non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms of two to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is beyond its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

7. SEGMENT INFORMATION

Operating segment information

In accordance with the Group's internal financial reporting, the Group has identified operating segments based on similar economic characteristics, products and services and delivery methods. The operating segments are identified by Senior Management who is designated as the "Chief Operating Decision Maker" to make decisions about resources allocation to the segments and assess their performance that is measured net of associated direct expenses. A summary of the operating segments is as follows:

- retail and commercial banking businesses segment mainly comprises the provision of deposit account services, the extension of mortgages and consumer lending, hire purchase and leasing, provision of financing to purchasers of licensed public vehicles such as taxis and public light buses, provision of services and financing activities for customers in trading, manufacturing and various business sectors, foreign exchange activities, centralised cash management for deposit-taking and lending, interest rate risk management and the overall funding management of the Group;
- wealth management services, stockbroking and securities management segment comprises management of investments in debt securities and equities, securities dealing and receipt of commission income and the provision of authorised wealth management products and services; and
- other businesses segment comprises taxi trading, leasing of taxis and letting of investment properties.

The following table discloses the revenue and profit information for operating segments for the years ended 31 December 2025 and 31 December 2024.

	2025	2024	2025	2024	2025	2024	2025	2024
	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
External:								
Net interest income	1,153,552	983,113	117	178	–	–	1,153,669	983,291
Net fees and commission income	141,380	123,040	113,102	95,221	–	–	254,482	218,261
Other operating income	11,054	14,245	–	–	22,169	20,843	33,223	35,088
Operating income	1,305,986	1,120,398	113,219	95,399	22,169	20,843	1,441,374	1,236,640
Operating profit/(loss) after credit loss expenses before tax	150,164	(1,011,004)	39,459	45,238	(70,560)	(49,644)	119,063	(1,015,410)
Tax							39,409	16,023
Profit/(loss) for the year							79,654	(999,387)
Other segment information								
Depreciation of property and equipment and land held under finance leases	(54,960)	(49,814)	–	–	–	–	(54,960)	(49,814)
Depreciation of right-of-use assets	(49,072)	(53,332)	–	–	–	–	(49,072)	(53,332)
Changes in fair value of investment properties	–	–	–	–	(77,979)	(51,968)	(77,979)	(51,968)
Credit loss expenses	(287,217)	(499,079)	–	–	–	–	(287,217)	(499,079)
Net losses on disposal of property and equipment	(1,461)	(21)	–	–	–	–	(1,461)	(21)

The following table discloses certain assets and liabilities information regarding operating segments as at 31 December 2025 and 31 December 2024.

	2025	2024	2025	2024	2025	2024	2025	2024
	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets other than intangible assets and goodwill	40,274,514	39,681,040	249,334	480,627	523,475	612,382	41,047,323	40,774,049
Intangible assets	—	—	232	232	—	—	232	232
Goodwill	1,964,403	1,964,403	—	—	—	—	1,964,403	1,964,403
Segment assets	42,238,917	41,645,443	249,566	480,859	523,475	612,382	43,011,958	42,738,684
Unallocated assets:								
Deferred tax assets and tax recoverable							89,493	105,312
Total assets							43,101,451	42,843,996
Segment liabilities	35,137,286	34,766,557	69,178	308,827	7,968	6,796	35,214,432	35,082,180
Unallocated liabilities:								
Deferred tax liabilities and tax payable							75,082	61,099
Dividends payable							54,896	—
Total liabilities							35,344,410	35,143,279
Other segment information								
Additions to non-current assets								
– capital expenditure	201,717	134,282	—	—	—	—	201,717	134,282

Geographical information

Geographical information is analysed by the Group based on the locations of the principal operations of the branches and subsidiaries which are responsible for reporting the results or booking the assets.

The following table discloses the segment revenue information for geographical segments for the years ended 31 December 2025 and 31 December 2024.

	2025 HK\$'000	2024 HK\$'000
Segment revenue from external customers:		
Hong Kong	1,375,172	1,139,847
Mainland China	66,202	96,793
	1,441,374	1,236,640

Segment revenue is allocated to the reportable segments with reference to interest, fees and commission income generated by these segments.

The following table discloses the non-current assets information for geographical segments as at 31 December 2025 and 31 December 2024.

	2025 HK\$'000	2024 HK\$'000
Non-current assets:		
Hong Kong	3,573,565	3,529,737
Mainland China	28,682	17,657
	<hr/> 3,602,247	<hr/> 3,547,394

Non-current assets consist of investment properties, property and equipment, land held under finance leases, goodwill, right-of-use assets and intangible assets.

Operating income or revenue from major customers

Operating income or revenue from transactions with each external customer for the year amounted to less than 10% (2024: less than 10%) of the Group's total operating income or revenue.

8. INTEREST INCOME AND EXPENSE

	2025 HK\$'000	2024 HK\$'000
Interest income from:		
Loans and advances and receivables	1,423,889	1,502,840
Short term placements and placements with banks	209,343	215,887
Debt securities investment	307,871	333,671
	<hr/> 1,941,103	<hr/> 2,052,398
Interest expense on:		
Deposits from banks and financial institutions	22,188	24,664
Deposits from customers	701,754	956,069
Bank loans	58,956	83,390
Others	4,536	4,984
	<hr/> 787,434	<hr/> 1,069,107

Interest income and interest expense for the year ended 31 December 2025, calculated using the effective interest method for financial assets and financial liabilities which are not designated at FVPL, amounted to HK\$1,941,103,000 and HK\$787,434,000 (2024: HK\$2,052,398,000 and HK\$1,069,107,000) respectively.

9. NET FEES AND COMMISSION INCOME

	2025 HK\$'000	2024 HK\$'000
Fees and commission income:		
Retail and commercial banking	143,713	125,008
Wealth management services, stockbroking and securities management	113,102	95,221
	256,815	220,229
Less: Fees and commission expenses	(2,333)	(1,968)
	254,482	218,261

All fees and commission income and expenses are related to financial assets or financial liabilities which are not designated at FVPL. No fees and commission income and expenses are related to trust and other fiduciary activities.

10. OTHER OPERATING INCOME

	2025 HK\$'000	2024 HK\$'000
Gross rental income	22,238	20,917
Less: Direct operating expenses	(79)	(74)
Net rental income	22,159	20,843
Gains less losses arising from dealing in foreign currencies	9,738	22,977
Net losses on derivative financial instruments	(635)	(10,028)
	9,103	12,949
Net losses on disposal of property and equipment	(1,461)	(21)
Gains on termination of leases	1,027	58
Dividend income from listed investments	342	258
Dividend income from unlisted investments	150	150
Others	1,903	851
	33,223	35,088

Direct operating expenses included repairs and maintenance expenses arising from investment properties.

There were no net gains or losses arising from the derecognition of equity/debt securities investments at FVOCI, loans and advances and receivables, financial assets and financial liabilities measured at amortised cost and financial assets and financial liabilities designated at FVPL for the years ended 31 December 2025 and 31 December 2024.

11. OPERATING EXPENSES

	2025 HK\$'000	2024 HK\$'000
Staff costs:		
Salaries and other staff costs	580,271	542,475
Pension contributions	28,174	26,932
Less: Forfeited contributions	(62)	(87)
Net contribution to retirement benefit schemes	28,112	26,845
	608,383	569,320
Other operating expenses:		
Depreciation of right-of-use assets	49,072	53,332
Depreciation of property and equipment and land held under finance leases	54,960	49,814
Auditors' remuneration	4,946	4,736
Administrative and general expenses	86,444	73,151
Impairment of goodwill	–	810,000
Others	153,310	140,650
Operating expenses before changes in fair value of investment properties	957,115	1,701,003

As at 31 December 2025 and 31 December 2024, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years. The credits for the years ended 31 December 2025 and 31 December 2024 arose in respect of staff who left the schemes during the years.

12. CREDIT LOSS EXPENSES

The following tables show the changes in ECL on financial instruments for the years recorded in the consolidated income statement.

	2025			
	12-month expected credit loss (Stage 1) HK\$'000	Lifetime expected not credit impaired (Stage 2) HK\$'000	Lifetime expected credit impaired (Stage 3) HK\$'000	Total HK\$'000
Net charge for/(write-back of) credit loss expenses:				
- loans and advances	(28,004)	5,735	302,568	280,299
- trade bills, accrued interest and other receivables	19	(32)	442	429
- cash and short term placements	(178)	-	-	(178)
- placements with banks and financial institutions	59	-	-	59
- debt securities investment	98	-	-	98
- loan commitments	13	-	-	13
- financial guarantees and letters of credit	3	-	-	3
- foreclosed assets	6,494	-	-	6,494
	<hr/>	<hr/>	<hr/>	<hr/>
	(21,496)	5,703	303,010	287,217
	2024			
	12-month expected credit loss (Stage 1) HK\$'000	Lifetime expected not credit impaired (Stage 2) HK\$'000	Lifetime expected credit impaired (Stage 3) HK\$'000	Total HK\$'000
Net charge for/(write-back of) credit loss expenses:				
- loans and advances	48,916	(1,564)	422,100	469,452
- trade bills, accrued interest and other receivables	(41)	24	29,422	29,405
- cash and short term placements	222	-	-	222
- placements with banks and financial institutions	93	-	-	93
- debt securities investment	(103)	-	-	(103)
- loan commitments	10	-	-	10
- financial guarantees and letters of credit	-	-	-	-
- foreclosed assets	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	49,097	(1,540)	451,522	499,079

13. TAX

	2025 HK\$'000	2024 HK\$'000
Current tax charge:		
Hong Kong	10,087	4,936
Overseas	10,043	16,615
Over-provision in prior years	–	(177)
Deferred tax charge/(credit), net	19,279	(37,397)
	39,409	(16,023)

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred.

The Group has assessed its potential exposure to Pillar Two income tax based on the information available regarding the financial performance of the Group in the financial years 2025, 2024 and 2023. Based on the assessment, the Group's effective tax rates in all jurisdictions under which it operates are above 15% and the Group is not aware of any circumstances under which they might change in the current year. Therefore, the Group does not expect potential exposure to Pillar Two "top-up" tax in the current year.

As the assessment conducted may not be entirely representative of future circumstances, it is possible that the Group's effective tax rates in some jurisdictions will be above 15% in the future. Nevertheless, the Group does not expect a material exposure to Pillar Two income taxes in a foreseeable period.

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax using the statutory tax rates for the jurisdictions in which the Company and its subsidiaries are domiciled and/or operate to the tax charge/(credit) at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

	Hong Kong		Mainland China		2025	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u><u>74,311</u></u>		<u><u>44,752</u></u>		<u><u>119,063</u></u>	
Tax at the applicable tax rate	<u>12,261</u>	<u>16.5</u>	<u>11,188</u>	<u>25.0</u>	<u>23,449</u>	<u>19.7</u>
Estimated tax effect of net expenses that are not deductible	<u>15,960</u>	<u>21.5</u>	<u>–</u>	<u>–</u>	<u>15,960</u>	<u>13.4</u>
Tax charge at the Group's effective rate	<u><u>28,221</u></u>	<u><u>38.0</u></u>	<u><u>11,188</u></u>	<u><u>25.0</u></u>	<u><u>39,409</u></u>	<u><u>33.1</u></u>

	Hong Kong		Mainland China		2024	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
(Loss)/profit before tax	<u>(1,019,306)</u>		<u>3,896</u>		<u>(1,015,410)</u>	
Tax at the applicable tax rate	<u>(168,187)</u>	<u>16.5</u>	<u>974</u>	<u>25.0</u>	<u>(167,213)</u>	<u>16.5</u>
Estimated tax effect of net expenses that are not deductible	<u>150,724</u>	<u>(14.8)</u>	<u>–</u>	<u>–</u>	<u>150,724</u>	<u>(14.8)</u>
Estimated tax losses not recognised	<u>643</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>643</u>	<u>(0.1)</u>
Adjustments in respect of current tax of previous periods	<u>(177)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(177)</u>	<u>–</u>
Tax (credit)/charge at the Group's effective rate	<u><u>(16,997)</u></u>	<u><u>1.7</u></u>	<u><u>974</u></u>	<u><u>25.0</u></u>	<u><u>(16,023)</u></u>	<u><u>1.6</u></u>

14. DIVIDENDS

Dividends declared during the year

	2025 HK\$ per ordinary share	2024 HK\$ per ordinary share	2025 HK\$'000	2024 HK\$'000
First interim dividend declared and paid	0.02	–	21,958	–
Second interim dividend declared	0.05	–	54,896	–
	0.07	–	76,854	–

15. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit for the year of HK\$79,654,000 (2024: loss of HK\$999,387,000) and on the weighted average number of ordinary shares in issue of 1,097,917,618 shares (2024: 1,097,917,618 shares) during the year.

(b) Diluted earnings/(loss) per share

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2025 and 31 December 2024.

16. LOANS AND ADVANCES AND RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Loans and advances to customers	25,261,073	24,458,426
Trade bills	3,975	–
	<hr/>	<hr/>
Loans and advances, and trade bills	25,265,048	24,458,426
Accrued interest	78,400	77,820
	<hr/>	<hr/>
Other receivables	25,343,448	24,536,246
	5,488	5,790
	<hr/>	<hr/>
Gross loans and advances and receivables	25,348,936	24,542,036
Less: Impairment allowances		
– specifically assessed	(254,651)	(175,468)
– collectively assessed	(151,493)	(173,775)
	<hr/>	<hr/>
	(406,144)	(349,243)
	<hr/>	<hr/>
Loans and advances and receivables	24,942,792	24,192,793
	<hr/>	<hr/>

Over 90% (31 December 2024: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (31 December 2024: over 90%) of the collateral for the secured loans and advances and receivables were customer deposits, properties, listed shares, taxi licences, public light bus licences and vehicles.

Loans and advances and receivables are summarised as follows:

	2025 HK\$'000	2024 HK\$'000
Neither past due nor impaired loans and advances and receivables	24,062,138	23,356,203
Past due but not impaired loans and advances and receivables	575,639	622,579
Credit impaired loans and advances	695,468	545,880
Credit impaired receivables	15,691	17,374
	<hr/>	<hr/>
Gross loans and advances and receivables	25,348,936	24,542,036
	<hr/>	<hr/>

About 74% (31 December 2024: about 70%) of “Neither past due nor impaired loans and advances and receivables” were property mortgage loans and hire purchase loans secured by properties, taxi licences, public light bus licences and vehicles.

(a) (i) Ageing analysis of overdue and impaired loans and advances

	2025		2024	
	Percentage of Gross amount HK\$'000	total loans and advances %	Gross amount HK\$'000	Percentage of total loans and advances %
Loans and advances overdue for:				
Six months or less but over three months	288,159	1.14	148,077	0.61
One year or less but over six months	55,518	0.22	157,194	0.64
Over one year	224,642	0.89	159,324	0.65
Loans and advances overdue for more than three months				
	568,319	2.25	464,595	1.90
Rescheduled loans and advances overdue for three months or less				
	60,144	0.24	25,938	0.10
Impaired loans and advances overdue for three months or less				
	67,005	0.26	55,347	0.23
Total overdue and impaired loans and advances				
	695,468	2.75	545,880	2.23

(ii) Ageing analysis of overdue and impaired trade bills, accrued interest and other receivables

	2025 HK\$'000	2024 HK\$'000
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	1,275	1,308
One year or less but over six months	1,682	3,567
Over one year	12,319	12,257
Trade bills, accrued interest and other receivables overdue for more than three months		
	15,276	17,132
Impaired trade bills, accrued interest and other receivables overdue for three months or less		
	415	242
Total overdue and impaired trade bills, accrued interest and other receivables		
	15,691	17,374

Impaired loans and advances and receivables are individually determined to be impaired after considering the overdue ageing analysis and other qualitative factors such as bankruptcy proceedings and individual voluntary arrangements.

(b) Geographical analysis of overdue and impaired loans and advances and receivables, and impairment allowances

	2025			2024		
	Mainland			Mainland		
	Hong Kong	China	Total	Hong Kong	China	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(i) Analysis of overdue loans and advances and receivables						
Loans and advances and receivables overdue for more than three months	<u>539,586</u>	<u>44,009</u>	<u>583,595</u>	<u>443,238</u>	<u>38,489</u>	<u>481,727</u>
Impairment allowances specifically assessed	<u>179,069</u>	<u>10,158</u>	<u>189,227</u>	<u>131,085</u>	<u>8,331</u>	<u>139,416</u>
Current market value and fair value of collateral			<u>454,536</u>			<u>428,283</u>
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	<u>657,389</u>	<u>53,770</u>	<u>711,159</u>	<u>518,323</u>	<u>44,931</u>	<u>563,254</u>
Impairment allowances specifically assessed	<u>244,492</u>	<u>10,159</u>	<u>254,651</u>	<u>167,137</u>	<u>8,331</u>	<u>175,468</u>
Current market value and fair value of collateral			<u>534,023</u>			<u>481,897</u>

Over 90% (31 December 2024: over 90%) of the Group's gross loans and advances and receivables were derived from operations carried out in Hong Kong. Accordingly, no geographical segment information of gross loans and advances and receivables is presented herein.

(c) The value of collateral held in respect of the overdue loans and advances and the split between the portion of the overdue loans and advances covered by credit protection (covered portion) and the remaining portion (uncovered portion) are as follows:

	2025 HK\$'000	2024 HK\$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	<u>454,536</u>	<u>428,283</u>
Covered portion of overdue loans and advances	<u>388,526</u>	<u>328,273</u>
Uncovered portion of overdue loans and advances	<u>179,793</u>	<u>136,322</u>

The assets taken as collateral should satisfy the following criteria:

- The market value of the asset is readily determinable or can be reasonably established and verified.
- The asset is marketable and there exists a readily available secondary market for disposal of the asset.
- The Group's right to repossess the asset is legally enforceable without impediment.
- The Group is able to secure control over the asset if necessary.

The main types of guarantors for credit risk mitigation are as follows:

- Central governments with a grading of Aa3 or above
- Unrated public sector enterprises
- Banks with a grading of Baa2 or above
- Unrated corporations
- Individual shareholders and directors of corporate customers

(d) Repossessed assets

As at 31 December 2025, the total value of repossessed assets of the Group amounted to HK\$152,222,000 (31 December 2024: HK\$144,770,000).

(e) Past due but not impaired loans and advances and receivables

	2025		2024	
	Gross amount HK\$'000	Percentage of total loans and advances %	Gross amount HK\$'000	Percentage of total loans and advances %
Loans and advances overdue for three months or less	<u>572,748</u>	<u>2.27</u>	<u>618,615</u>	<u>2.53</u>
Trade bills, accrued interest and other receivables overdue for three months or less	<u>2,891</u>		<u>3,964</u>	

(f) Impairment allowances on loans and advances and receivables

An analysis of changes in the gross amount of loans and advances and receivables is as follows:

	2025			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross loans and advances and receivables as at 1 January 2025	<u>23,546,563</u>	<u>432,219</u>	<u>563,254</u>	<u>24,542,036</u>
New loans/financing originated	<u>7,510,130</u>	<u>1,038</u>	<u>6,914</u>	<u>7,518,082</u>
Loans/financing derecognised or repaid during the year (other than write-offs)	<u>(6,089,725)</u>	<u>(90,874)</u>	<u>(206,642)</u>	<u>(6,387,241)</u>
Transfer to 12-month expected credit loss (Stage 1)	<u>52,672</u>	<u>(39,502)</u>	<u>(13,170)</u>	<u>-</u>
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	<u>(315,376)</u>	<u>315,925</u>	<u>(549)</u>	<u>-</u>
Transfer to lifetime expected credit loss credit impaired (Stage 3)	<u>(452,532)</u>	<u>(232,761)</u>	<u>685,293</u>	<u>-</u>
Total transfer between stages	<u>(715,236)</u>	<u>43,662</u>	<u>671,574</u>	<u>-</u>
Write-offs	<u>-</u>	<u>-</u>	<u>(323,941)</u>	<u>(323,941)</u>
As at 31 December 2025	<u><u>24,251,732</u></u>	<u><u>386,045</u></u>	<u><u>711,159</u></u>	<u><u>25,348,936</u></u>
Arising from:				
Loans and advances	<u>24,181,513</u>	<u>384,092</u>	<u>695,468</u>	<u>25,261,073</u>
Trade bills, accrued interest and other receivables	<u>70,219</u>	<u>1,953</u>	<u>15,691</u>	<u>87,863</u>
	<u><u>24,251,732</u></u>	<u><u>386,045</u></u>	<u><u>711,159</u></u>	<u><u>25,348,936</u></u>

	2024			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross loans and advances and receivables				
as at 1 January 2024	22,985,925	370,562	931,237	24,287,724
New loans/financing originated	6,694,712	1,763	3,357	6,699,832
Loans/financing derecognised or repaid during the year (other than write-offs)	(5,332,213)	(85,678)	(451,317)	(5,869,208)
Transfer to 12-month expected credit loss (Stage 1)	82,506	(76,296)	(6,210)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(353,306)	354,971	(1,665)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(531,061)	(133,103)	664,164	–
Total transfer between stages	(801,861)	145,572	656,289	–
Write-offs	–	–	(576,312)	(576,312)
As at 31 December 2024	<u>23,546,563</u>	<u>432,219</u>	<u>563,254</u>	<u>24,542,036</u>

Arising from:				
Loans and advances	23,482,852	429,694	545,880	24,458,426
Trade bills, accrued interest and other receivables	63,711	2,525	17,374	83,610
	<u>23,546,563</u>	<u>432,219</u>	<u>563,254</u>	<u>24,542,036</u>

The amount outstanding on financial assets that were written off during the year and are still subject to enforcement action amounted to HK\$217,802,000 (31 December 2024: HK\$508,451,000).

An analysis of credit risk exposure by the Group's internal credit rating system is as follows:

	2025			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Internal rating grades:				
Performing				
Pass	<u>24,204,181</u>	–	–	<u>24,204,181</u>
Special Mention	<u>47,551</u>	<u>386,045</u>	–	<u>433,596</u>
Non-performing				
Substandard	–	–	<u>325,539</u>	<u>325,539</u>
Doubtful	–	–	<u>274,857</u>	<u>274,857</u>
Loss	–	–	<u>110,763</u>	<u>110,763</u>
Total	<u>24,251,732</u>	<u>386,045</u>	<u>711,159</u>	<u>25,348,936</u>

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
	2024			
Internal rating grades:				
Performing				
Pass	23,220,891	–	–	23,220,891
Special Mention	325,672	432,219	–	757,891
Non-performing				
Substandard	–	–	157,312	157,312
Doubtful	–	–	333,036	333,036
Loss	–	–	72,906	72,906
Total	<u>23,546,563</u>	<u>432,219</u>	<u>563,254</u>	<u>24,542,036</u>

An analysis of changes in the corresponding ECL allowances is as follows:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
	2025			
As at 1 January 2025	136,403	37,372	175,468	349,243
New loans/financing originated	68,811	–	391	69,202
Loans/financing derecognised or repaid during the year (other than write-offs)	(48,754)	(8,208)	(123,254)	(180,216)
Transfer to 12-month expected credit loss (Stage 1)	6,137	(4,618)	(1,519)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(2,261)	2,401	(140)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(21,659)	(20,462)	42,121	–
Total transfer between stages	(17,783)	(22,679)	40,462	–
Impact on year end expected credit loss of exposures transferred between stages during the year	(4,479)	36,856	321,575	353,952
Movements due to changes in credit risk	(25,780)	(266)	63,836	37,790
Recoveries	–	–	100,114	100,114
Write-offs	–	–	(323,941)	(323,941)
As at 31 December 2025	<u>108,418</u>	<u>43,075</u>	<u>254,651</u>	<u>406,144</u>
Arising from:				
Loans and advances	107,285	42,987	251,183	401,455
Trade bills, accrued interest and other receivables	1,133	88	3,468	4,689
	<u>108,418</u>	<u>43,075</u>	<u>254,651</u>	<u>406,144</u>

	2024			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2024	87,528	38,912	214,102	340,542
New loans/financing originated	52,961	–	382	53,343
Loans/financing derecognised or repaid during the year (other than write-offs)	(47,738)	(3,488)	(173,062)	(224,288)
Transfer to 12-month expected credit loss (Stage 1)	3,036	(1,492)	(1,544)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,683)	1,768	(85)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(7,437)	(30,582)	38,019	–
Total transfer between stages	(6,084)	(30,306)	36,390	–
Impact on year end expected credit loss of exposures transferred between stages during the year	(1,839)	31,061	280,840	310,062
Movements due to changes in credit risk	51,575	1,193	306,972	359,740
Recoveries	–	–	86,156	86,156
Write-offs	–	–	(576,312)	(576,312)
 As at 31 December 2024	 136,403	 37,372	 175,468	 349,243
 Arising from:				
Loans and advances	135,289	37,252	172,299	344,840
Trade bills, accrued interest and other receivables	1,114	120	3,169	4,403
 136,403	 37,372	 175,468	 349,243	

17. DEBT SECURITIES INVESTMENT

	2025 Financial assets at amortised cost HK\$'000	2025 Financial assets at FVOCI HK\$'000	Total HK\$'000
Certificates of deposit held	2,429,085	204,780	2,633,865
Treasury bills and government bonds (including Exchange Fund Bills)	69,854	3,057,465	3,127,319
Other debt securities	848,808	976,040	1,824,848
 Gross debt securities investment	 3,347,747	 4,238,285	 7,586,032
Less: Impairment allowances collectively assessed			
As at 1 January 2025	(352)		(352)
Credit loss expenses released to the consolidated income statement during the year	14		14
	(338)		(338)
	 3,347,409	 4,238,285	 7,585,694
 Listed or unlisted:	 	 	
– Listed in Hong Kong	–	1,238,283	1,238,283
– Listed outside Hong Kong	335,945	366,328	702,273
– Unlisted	3,011,802	2,633,674	5,645,476
	 3,347,747	 4,238,285	 7,586,032
 Analysed by types of issuers:	 	 	
– Central governments	69,854	3,057,465	3,127,319
– Public sector entities	–	501,148	501,148
– Corporates	31,085	–	31,085
– Banks and other financial institutions	3,246,808	679,672	3,926,480
	 3,347,747	 4,238,285	 7,586,032

	Financial assets at amortised cost HK\$'000	Financial assets at FVOCI HK\$'000	2024 Total HK\$'000
Certificates of deposit held	2,367,887	129,975	2,497,862
Treasury bills and government bonds (including Exchange Fund Bills)	191,416	2,578,974	2,770,390
Other debt securities	926,540	430,136	1,356,676
 Gross debt securities investment	 3,485,843	 3,139,085	 6,624,928
Less: Impairment allowances collectively assessed			
As at 1 January 2024	(770)		(770)
Credit loss expenses released to the consolidated income statement during the year	418		418
	(352)		(352)
 3,485,491	 3,139,085	 6,624,576	
 Listed or unlisted:	 	 	
– Listed in Hong Kong	68,771	188,812	257,583
– Listed outside Hong Kong	280,203	194,101	474,304
– Unlisted	3,136,869	2,756,172	5,893,041
 3,485,843	 3,139,085	 6,624,928	
 Analysed by types of issuers:	 	 	
– Central governments	191,416	2,578,974	2,770,390
– Public sector entities	65,720	171,292	237,012
– Corporates	100,000	–	100,000
– Banks and other financial institutions	3,128,707	388,819	3,517,526
 3,485,843	 3,139,085	 6,624,928	

There were no impairment allowances specifically assessed made against debt securities investment as at 31 December 2025 and 31 December 2024.

There were neither impaired nor overdue debt securities investment as at 31 December 2025 and 31 December 2024.

Over 90% (31 December 2024: over 90%) of debt securities investment were rated with a grading of A3 or above based on the credit rating of Moody's Ratings, an external credit agency.

18. GOODWILL

	HK\$'000
Cost:	
As at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	2,774,403
Accumulated impairment:	
As at 1 January 2024	—
Impairment during the year	810,000
As at 31 December 2024 and 1 January 2025	810,000
Impairment during the year	—
As at 31 December 2025	810,000
Net carrying amount:	
As at 31 December 2025	1,964,403
As at 31 December 2024	1,964,403

Impairment test of goodwill

The CGU identified by the Group refers to the “retail and commercial banking businesses” segment of its main operating entities, namely Public Bank (Hong Kong) and Public Finance. The recoverable amounts of the CGU at each subsequent reporting date are determined based on the value-in-use using the present value of cash flows at a pre-tax discount rate of 9.7% (2024: 9.7%) taking into account the expected operating synergy, profitability and growth of businesses of Public Bank (Hong Kong) and Public Finance. The cash flow projections are based on financial plans approved by management and assumed growth rates are used to extrapolate the cash flows beyond 5 years. The financial projection considers the sustainability of business growth, stability of core business developments, long-term economic cycle, availability of financial resources for business expansion, compliance with regulatory capital and liquidity requirements, and achievement of business targets extrapolated from historical financial results. Management’s financial model assumes an average growth rate of 2.8% (2024: 2.8%) per annum for the CGU from the sixth years taking into account long-term gross domestic product growth and other relevant economic factors.

No impairment loss has been recognised in respect of goodwill for the year ended 31 December 2025 (2024: HK\$810,000,000) as its value-in-use exceeded its carrying amount. The sensitivity assessment on the value-in-use of the CGU is as follows:

	Value-in-use sensitivity HK\$'000
Discount rate:	
+25 basis points	(288,214)
-25 basis points	309,847
5-year cash flow projections:	
+5%	399,484
-5%	(399,484)

19. LEASES

(a) As lessor

The Group leases its investment properties under operating lease arrangements, and the terms of the leases range from 1 to 3 years.

As at 31 December 2025 and 31 December 2024, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year	12,563	13,740
Over one year but within two years	7,028	4,570
Over two years but within three years	2,636	1,817
	22,227	20,127

(b) As lessee

The Group has entered into certain future lease arrangements with landlords, and the terms of the leases range from 1 to 3 years. As at 31 December 2025 and 31 December 2024, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year	1,611	–
In the second to fifth years, inclusive	1,717	–
	3,328	–

20. OFF-BALANCE SHEET EXPOSURE

Contingent liabilities, commitments and derivatives

The following is a summary of the contractual amount of each significant class of contingent liabilities, commitments and derivatives of the Group outstanding at the end of the year:

	Contractual amount HK\$'000	Credit equivalent amount HK\$'000	Credit risk-weighted amount HK\$'000	Positive fair value-assets HK\$'000	Negative fair value-liabilities HK\$'000
Direct credit substitutes	30,146	30,146	25,715	–	–
Transaction-related contingencies	4,447	2,224	748	–	–
Trade-related contingencies	262,213	52,443	52,422	–	–
Forward forward deposits placed	–	–	–	–	–
Forward asset purchases	–	–	–	–	–
	296,806	84,813	78,885	–	–
Derivatives held for trading:					
Foreign exchange contracts	198,305	2,299	460	306	941
Other commitments with an original maturity of:					
Not more than one year	–	–	–	–	–
More than one year	66,820	26,728	26,728	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	2,139,430	214,376	194,743	–	–
	2,701,361	328,216	300,816	306	941
	2025				
	Contractual amount				
	HK\$'000				
Capital commitments contracted for, but not provided in the consolidated statement of financial position					32,046

	Contractual amount HK\$'000	Credit equivalent amount HK\$'000	Credit risk-weighted amount HK\$'000	Positive fair value-assets HK\$'000	Negative fair value-liabilities HK\$'000
Direct credit substitutes	28,238	28,238	23,919	–	–
Transaction-related contingencies	18,780	9,390	1,354	–	–
Trade-related contingencies	4,301	860	777	–	–
Forward forward deposits placed	80,871	80,871	16,174	–	–
Forward asset purchases	–	–	–	–	–
	132,190	119,359	42,224	–	–
Derivatives held for trading:					
Foreign exchange contracts	744,108	13,615	2,723	4,561	14,589
Other commitments with an original maturity of:					
Not more than one year	37,840	7,568	7,568	–	–
More than one year	93,048	46,524	46,524	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	2,291,507	–	–	–	–
	3,298,693	187,066	99,039	4,561	14,589
	2024 Contractual amount HK\$'000				
Capital commitments contracted for, but not provided in the consolidated statement of financial position				23,914	

21. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The tables below show an analysis of financial assets and financial liabilities (including key off-balance sheet items) analysed by principal according to the periods that they are expected to be recovered or settled.

	2025							
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Repayable within an indefinite period HK\$'000	Total HK\$'000
Financial assets:								
Gross cash and short term placements	700,277	3,415,189	-	-	-	-	-	4,115,466
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	2,413,079	89,128	-	-	-	2,502,207
Gross loans and advances and receivables	545,986	1,306,553	495,781	2,353,897	6,748,270	13,149,626	748,823	25,348,936
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	7,788	7,788
Gross debt securities investment	-	2,089,914	2,245,250	1,794,811	1,456,057	-	-	7,586,032
Other assets	187	32,413	23,977	11,791	10,339	-	177,398	256,105
Derivative financial instruments	-	306	-	-	-	-	-	306
Total financial assets	1,246,450	6,844,375	5,178,087	4,249,627	8,214,666	13,149,626	934,009	39,816,840
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	152,522	218,677	50,000	100,000	-	-	-	521,199
Customer deposits at amortised cost	9,283,750	8,054,855	11,207,187	4,210,721	1,471	-	-	32,757,984
Unsecured bank loans at amortised cost	-	1,463,000	-	-	-	-	-	1,463,000
Lease liabilities	-	4,196	7,984	29,024	34,554	4,913	-	80,671
Other liabilities	2,850	53,775	46,872	36,488	14	-	250,638	390,637
Derivative financial instruments	-	941	-	-	-	-	-	941
Total financial liabilities	9,439,122	9,795,444	11,312,043	4,376,233	36,039	4,913	250,638	35,214,432
Net liquidity gap	(8,192,672)	(2,951,069)	(6,133,956)	(126,606)	8,178,627	13,144,713	683,371	4,602,408

		2024							
Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Over	Repayable within an indefinite period HK\$'000	Total HK\$'000	
Financial assets:									
Gross cash and short term placements	672,592	5,279,627	–	–	–	–	–	–	5,952,219
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	–	–	1,837,374	68,816	–	–	–	–	1,906,190
Gross loans and advances and receivables	906,757	1,204,193	590,603	2,906,642	6,291,851	12,045,766	596,224	24,542,036	
Equity investments at fair value through other comprehensive income	–	–	–	–	–	–	6,804	6,804	
Gross debt securities investment	–	1,047,461	3,483,499	1,407,399	686,569	–	–	6,624,928	
Other assets	838	40,111	17,571	11,346	6,539	–	428,508	504,913	
Derivative financial instruments	–	4,561	–	–	–	–	–	4,561	
Total financial assets	1,580,187	7,575,953	5,929,047	4,394,203	6,984,959	12,045,766	1,031,536	39,541,651	
Financial liabilities:									
Deposits and balances of banks and other financial institutions at amortised cost	133,163	238,151	50,000	100,000	–	–	–	–	521,314
Customer deposits at amortised cost	7,956,262	7,101,097	12,677,206	4,438,428	524	–	–	–	32,173,517
Unsecured bank loans at amortised cost	–	1,620,326	–	–	–	–	–	–	1,620,326
Lease liabilities	–	4,355	8,550	33,562	49,710	–	–	–	96,177
Other liabilities	5,685	74,673	92,066	67,323	12	–	416,498	656,257	
Derivative financial instruments	–	14,589	–	–	–	–	–	–	14,589
Total financial liabilities	8,095,110	9,053,191	12,827,822	4,639,313	50,246	–	416,498	35,082,180	
Net liquidity gap	(6,514,923)	(1,477,238)	(6,898,775)	(245,110)	6,934,713	12,045,766	615,038	4,459,471	

CORPORATE GOVERNANCE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting year covered by the 2025 Annual Report, in compliance with the code provisions of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules.

DIVIDENDS

The first interim dividend of HK\$0.02 (2024: Nil) per ordinary share was paid on Friday, 1 August 2025. The second interim dividend of HK\$0.05 (2024: Nil) per ordinary share was declared on Wednesday, 31 December 2025 and will be payable on Thursday, 26 February 2026 to shareholders whose names appear on the register of members of the Company on Friday, 30 January 2026. The Board did not recommend the payment of a final dividend for the year (2024: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the forthcoming annual general meeting ("AGM"), the register of members of the Company will be closed from Monday, 16 March 2026 to Friday, 20 March 2026 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the forthcoming AGM, all properly completed transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 13 March 2026. The record date for determining shareholders' eligibility is Friday, 20 March 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year under review, the economy of Hong Kong sustained a slow growth momentum, but the general operating environment remained challenging with growing close down/bankruptcy cases particularly from small and medium-sized enterprises and traditional businesses. The overall economic outlook was also uncertain affected by escalated geopolitical risk, developments in international trade and tariff issues, as well as the changes in consumption habit and competition landscape such as the adoption of artificial intelligence in Hong Kong.

The US Federal Reserve continued cutting its benchmark rate in year 2025. Hong Kong dollars ("HKD or HK\$") interest rates declined at a faster pace than United States dollars ("USD") interest rates driven by the ample liquidity.

Commercial property prices continued to fall in the year under review. Affected by the high vacancy rate of commercial real estate and the disposal decisions by some investors, there was an imbalance between supply and demand, leading to a substantial decline in commercial property prices. On the other hand, residential property prices rebounded mildly with increased transactions in the year under review.

Taxi licence prices slumped further in the year under review mainly due to the intensified competition from the widespread use of ride-hailing platforms. Nevertheless, taxi licence prices stabilised in the second half of 2025 following the passage of a bill by the Hong Kong Government to regulate ride-hailing platforms under a licensing regime.

During the year under review, the Hang Seng Index outperformed major stock markets and recorded a high turnover. Nevertheless, investment in the real economy remained subdued, and business expansion of corporations remained conservative, thus dampening the corporate loan demands.

Under the aforesaid challenging operating environment, the Group conducted its loan business prudently with a strategic focus on secured lending segments at reasonable interest yields while managing funding costs and the net interest margin cautiously. The Group continued diversifying revenue sources towards fee-based businesses amidst weak consumer sentiment and subdued corporate loan demands whilst pursuing long-term business growth prudently with sustainable profit growth.

FINANCIAL REVIEW

Revenue and Earnings

For the year ended 31 December 2025, the Group recorded a profit after tax of HK\$79.7 million compared with a loss after tax of HK\$999.4 million (inclusive of goodwill impairment of HK\$810.0 million) in the previous year. The Group's basic earnings per share for 2025 was HK\$0.07 (basic loss per share for 2024: HK\$0.91). The Board had declared a first interim dividend of HK\$0.02 per share in June 2025 and a second interim dividend of HK\$0.05 per share in December 2025. The Board did not recommend the payment of a final dividend (2024: Nil), making a total dividend of HK\$0.07 (2024: Nil) per share for the year 2025. Total dividend declared and paid amounted to HK\$76.9 million (2024: Nil) for the year 2025.

For the year under review, the Group's interest income decreased by HK\$111.3 million or 5.4% to HK\$1.94 billion mainly attributable to the lower interest income from loans and advances following the decline of market interest rates as well as HKD prime rate. Total interest expenses decreased by HK\$281.7 million or 26.3% to HK\$787.4 million mainly due to the reduced funding cost on fixed deposits coupled with the increased contribution from low-cost current and savings deposits. As a result, the Group's net interest income increased by HK\$170.4 million or 17.3% to HK\$1.15 billion. Other operating income of the Group increased by HK\$34.4 million or 13.6% to HK\$287.7 million mainly due to the higher fees and commission income from wealth management services, stockbroking and securities management benefited by a bullish Hong Kong stock market in the year under review.

Total operating expenses (excluding goodwill impairment) increased by HK\$66.1 million or 7.4% to HK\$957.1 million, mainly attributable to increased staff costs as part of the talent development and retention strategy and higher digitalisation cost. The Group donated HK\$5.0 million in the year under review to the “Support Fund for Wang Fuk Court in Tai Po” established by the Hong Kong Government to assist the residents affected by the Tai Po fire incident in overcoming immediate and long-term challenges.

Revaluation loss arising from investment properties increased by HK\$26.0 million to HK\$78.0 million during the year under review compared with HK\$52.0 million in the previous year.

Credit loss expenses dropped by HK\$211.9 million or 42.5% to HK\$287.2 million compared with HK\$499.1 million in the previous year. The decrease in credit loss expenses was mainly attributable to a higher base for comparison in the previous year with the inclusion of a significant impairment provision on a corporate borrower. Meanwhile, credit loss expenses on taxi financing started trending downwards as taxi licence prices became stabilised in the second half of 2025.

Balance Sheet Highlights

The Group’s gross loans and advances (including trade bills) increased by HK\$806.6 million or 3.3% to HK\$25.27 billion as at 31 December 2025 from HK\$24.46 billion as at 31 December 2024. The increase in loans and advances was mainly attributable to the growth of property mortgage loan portfolio driven by a more active residential property market. The Group’s customer deposits grew by HK\$584.5 million or 1.8% to HK\$32.76 billion as at 31 December 2025 from HK\$32.17 billion as at 31 December 2024. The increase in customer deposits was attributable to the growth of low-cost current and savings deposits for optimisation of deposit mix and management of deposit costs.

As at 31 December 2025, the Group’s total assets stood at HK\$43.10 billion.

Key Financial and Business Performance Indicators

The Group’s return on equity, based on profit after tax to average equity, was 1.03% in the year under review. Due to the declining commercial property and taxi licence prices, the credit losses and revaluation losses on investment properties were high and eroding the profit of the Group in the year under review. While market conditions are beyond the control of the Group, the Group implemented credit risk management measures to mitigate credit losses and continued diversifying into non-interest income to sustain profit growth and achieve a reasonable return.

The Group’s impaired loans to total loans ratio increased to 2.75% as at 31 December 2025 from 2.23% as at 31 December 2024. The Group continues adopting prudent underwriting standards to ensure healthy level of quality loans and taking prompt actions to pursue loans recovery for problem credits.

Business Performance of Key Subsidiaries

Public Bank (Hong Kong)

During the year under review, gross loans and advances (including trade bills) of Public Bank (Hong Kong), a licensed bank and a direct subsidiary of the Company, recorded an increase of HK\$913.6 million or 4.9% to HK\$19.72 billion as at 31 December 2025 from HK\$18.81 billion as at 31 December 2024. Customer deposits (excluding deposits from a subsidiary) increased by HK\$476.3 million or 1.7% to HK\$28.42 billion as at 31 December 2025 from HK\$27.94 billion as at 31 December 2024. Impaired loans to total loans ratio of Public Bank (Hong Kong) increased by 0.73% to 2.68% as at 31 December 2025 from 1.95% as at 31 December 2024 mainly due to the impairment of a large commercial borrower in commercial real estate segment. Excluding intra-group dividend income, Public Bank (Hong Kong) recorded a profit of HK\$120.6 million for the year 2025 amidst heightened credit losses on commercial real estate and taxi financing segments.

Public Bank (Hong Kong) will continue developing and expanding its retail and commercial banking businesses and its core customer base, expediting the pace of its digital transformation and developing its banking and financial services and stockbroking businesses.

Public Finance

Gross loans and advances of Public Finance, a deposit-taking company and a direct subsidiary of Public Bank (Hong Kong), recorded a growth of HK\$52.8 million or 1.0% to HK\$5.24 billion as at 31 December 2025 from HK\$5.19 billion as at 31 December 2024. Customer deposits grew by HK\$93.7 million or 2.2% to HK\$4.37 billion as at 31 December 2025 from HK\$4.28 billion as at 31 December 2024. Impaired loans to total loans ratio of Public Finance decreased by 0.15% to 1.76% as at 31 December 2025 from 1.91% as at 31 December 2024. Excluding intra-group dividend income, the profit of Public Finance for the year 2025 increased by HK\$12.2 million or 136.7% to HK\$21.2 million mainly due to the reduction of funding cost. Nevertheless, the credit loss expenses on unsecured personal lending remained at a relatively high level affected by escalated bankruptcy cases.

Public Finance will continue focusing on its consumer financing business and deposit-taking business as well as embarking on its digital transformation.

Segmental Information

The Group's businesses comprise three main segments: (i) retail and commercial banking businesses; (ii) wealth management services, stockbroking and securities management; and (iii) other businesses. For the year under review, the contribution of the aforesaid segments to the Group's operating income was 90.6%, 7.9% and 1.5%, respectively. Profit before tax of HK\$150.2 million was recognised by the retail and commercial banking businesses with a rapid rebound from the substantial impairment loss on goodwill and heightened credit losses to a few corporate borrowers in the previous year. For wealth management services, stockbroking and securities management segment, profit before tax decreased by HK\$5.8 million mainly due to the higher marketing expenses and overheads for stockbroking business operations.

Group's Branch Network

Public Bank (Hong Kong) has a network of 29 branches in Hong Kong and 5 branches in Shenzhen in the PRC. Public Finance has a network of 40 branches in Hong Kong. Winton Financial Limited ("Winton Financial"), another operating subsidiary of the Company which operates under a money lenders licence, has a network of 3 branches in Hong Kong. In total, the Group has a combined branch network of 77 branches to serve its customers.

Significant Investments

The Company has a significant investment, with a value of 5% or more of the Company's total assets, in Public Bank (Hong Kong). Public Bank (Hong Kong) is principally engaged in the retail and commercial banking businesses. The investment cost in the subsidiary amounted to HK\$6.59 billion or 78.2% of total assets of the Company, and such cost reflected the fair value of the Company's investment. Public Bank (Hong Kong)'s business strategically focuses on loan business development, deposit-taking, stockbroking and bancassurance business operations; and continues striking a balance between pursuing business growth and maintaining sound liquidity and asset quality. Public Bank (Hong Kong) and its subsidiaries recorded a profit of HK\$153.4 million on consolidated basis, which represented a return of 2.4% from the Company's investment. Dividend income received from Public Bank (Hong Kong) was HK\$29.3 million during the year under review. Further details of such investment (including the number and percentage of shares held) in Public Bank (Hong Kong) will be disclosed in the 2025 Annual Report.

Contingent Liabilities and Commitments

The Group had no material contingent liabilities (other than those in the normal course of its banking and finance businesses related to treasury and trade finance activities and loan commitments as disclosed in the Notes to the financial statements) as at the end of the year under review. The Group did not incur any material capital expenditure or enter into any material commitments in respect of capital expenditure during the year under review. There was no material funding required for capital expenditure and its commitments. The Group did not have plans for material investments or purchases of capital assets in the near term. As at 31 December 2025, there was no charge over the assets of the Group. There was also no significant event affecting the Group which had occurred since 31 December 2025.

OPERATIONAL REVIEW

Funding and Capital Management

The main objective of the Group's funding activities is to ensure the availability of funds at reasonable cost to meet all contractual financial commitments, to fund growth in loans and advances and to generate reasonable returns from available funds. The Group also encourages its subsidiaries to be self-sufficient in funding their business growth. The Group did not have material acquisitions or disposals of subsidiaries or associates during the year under review.

The Group relies principally on its internally generated capital, customer deposits and deposits from financial institutions to fund its retail and commercial banking businesses and its consumer financing business. The Group's cash and cash equivalents are mainly denominated in HKD or USD. Its bank borrowings are in the form of revolving loans denominated in HKD at floating interest rates and stood at approximately HK\$1.46 billion as at the end of 2025. Based on the level of bank borrowings compared to the equity of the Group, the Group's gearing ratio remained at a healthy level of 0.19 times as at 31 December 2025, which was slightly lower than the position of 0.21 times in the previous year. The bank borrowings as at 31 December 2025 were drawn and rolled over under revolving credit facilities, which had no maturity terms but subject to regular credit review by the lending banks. In the normal course of its commercial banking business, Public Bank (Hong Kong) had entered into foreign exchange swaps and forward contracts to reduce the foreign exchange rate risk exposures of the Group. Exposures to fluctuations in foreign exchange rates were minimal. There were no foreign currency investments hedged by foreign currency borrowings and other hedging instruments during the year under review.

The consolidated Common Equity Tier 1 capital ratio and total capital ratio of Public Bank (Hong Kong) Group (inclusive of Public Bank (Hong Kong) and Public Finance) stood at 27.9% and 28.7% respectively as at 31 December 2025.

The Group continues safeguarding its capital adequacy position and managing key risks cautiously.

Human Resources Management

The Group is committed to promoting a sound corporate culture by setting out cultural values including (but not limited to) caring attitude, discipline, ethics and integrity, excellence, trust, and prudence. The cultural values are articulated in policies, procedures and processes that are relevant to the day-to-day operations including supporting operations, training and performance appraisal of the Group's staff. Dedicated heads of key departments are responsible to assist the Board in setting out the culture related behavioural expectations of staff in carrying out their day-to-day responsibilities; building up an effective, continual and regular communication channel to share examples of misconduct, improper behaviour and disciplines with the staff for their alerts; promoting an open exchange of views in relation to culture and behavioural standards; and putting in place a clear ownership structure for core risks and culture reform initiatives.

The objective of the Group's human resources management is to recognise and reward performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives taking into account both business performance and the adherence to the Group's culture and behavioural standards, and to promote career development and progression within the Group. Staff enrolled in external training courses, seminars, and professional and technical courses to update their technical knowledge and skills, increase their awareness of the market and regulatory developments, and enhance their management and business skills. Staff also participated in environmental, social, or charitable activities organised by the Group or by various non-profit making organisations to promote team spirit and social responsibility to the community.

As at 31 December 2025, the Group's staff force stood at 1,305 employees. For the year ended 31 December 2025, the Group's total staff related costs amounted to HK\$608.4 million.

PROSPECTS

The economies of Hong Kong and Mainland China are anticipated to continue on a slow growth momentum in 2026, but the prospects remain highly uncertain driven by the development of geopolitical factors and international trade/tariff issues. The risk appetites for corporate investments/business expansion and private consumption are expected to remain conservative in the near term until a clearer economic outlook is ascertained. Accordingly, loan growth momentum in Hong Kong and Mainland China will continue to be constrained. Nevertheless, market interest rates are likely to go down slightly in 2026 following the projected interest rate cuts by the US Federal Reserve, which can reduce funding cost of the Group and provide certain supports to general asset price.

Despite the foregoing challenges, the Group will continue pursuing long-term business and profitability growth to be in line with its corporate mission and goals. The Group will also continue adopting prudent capital management and liquidity risk management to preserve an adequate buffer to meet the challenges ahead, while seeking loan growth at reasonable yields and managing its funding cost to grow net interest income.

The Group will continue adopting sound and flexible marketing strategies to expand customer base and channels of services, launching attractive marketing promotions at reasonable costs, and optimising the utilisation of system resources to enhance service quality and the efficiency of banking operations. The Group will also strive for diversification of income streams by development of fee-based businesses.

The Group will continue focusing on expanding its retail and commercial banking businesses and its consumer financing business through its extensive branch network of Public Bank (Hong Kong), Public Finance and Winton Financial, supporting its growth in loan business developments, deposit-takings and fee-based businesses, and implementing appropriate marketing strategies at reasonable costs. The Group will continue optimising resources and refining the existing products and services to grow its retail and commercial banking businesses and consumer financing business; whilst restructuring its operating processes to achieve higher operational efficiency and cost synergy amongst group companies. In 2025, the Group has rolled-out enhanced mobile banking application to facilitate online customer onboarding and implemented an electronic customer due diligence process to reduce operational errors, shorten processing time, and allow frontline staff to concentrate on new business initiation. Moving forward, the Group will also drive digitalisation of its financial services for business growth from electronic channels for long term productivity and cost efficiency. The Group targets to achieve a Carbon-Neutral position for Scope 1 and Scope 2 emission by 2030 and Net Zero Carbon by 2050; and will continue integrating sustainability development into its business initiatives and expanding green financing business to achieve the target set.

The Group will stay vigilant of the uncertainties and challenges ahead and strive to expand its banking and financing businesses with disciplined cost control and prudent risk management in 2026. The Group is also committed to fostering a healthy and strong corporate culture to enhance the Group's cohesiveness with shared vision and values by every staff in the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares (including sale of treasury shares) during the year under review. As at 31 December 2025, there were no treasury shares held by the Company (whether held or deposited in the Central Clearing and Settlement System, or otherwise).

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-Executive Directors, namely Ms. Phe Kheng Peng, Mr. Lee Chin Guan and Mr. Lim Chao Li, and two Non-Executive Directors, namely Mr. Lai Wan and Mr. Quah Poh Keat. The annual results for the year ended 31 December 2025 as set out in this announcement have been reviewed by the Audit Committee.

PUBLICATION OF 2025 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 December 2025 is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.publicfinancial.com.hk. The 2025 Annual Report containing all applicable information required by the Listing Rules will be published on the above websites in or around late-February 2026.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff of the Group for their commitment and contribution during the year. I would also like to express my appreciation to the guidance from the regulators and continued support from our shareholders and customers.

By Order of the Board
Public Financial Holdings Limited
Lai Wan
Chairman

Hong Kong, 15 January 2026

As at the date of this announcement, the Board of the Company comprises Mr. Lai Wan, Mr. Quah Poh Keat and Mr. Lee Huat Oon as Non-Executive Directors, Mr. Chong Yam Kiang as Executive Director, and Mr. Lee Chin Guan, Mr. Lim Chao Li and Ms. Phe Kheng Peng as Independent Non-Executive Directors.