



HONG KONG MONETARY AUTHORITY
香港金融管理局

Briefing to the Legislative Council Panel on Financial Affairs

4 May 2026

Discussion Topics



Updates on

- Financial and Economic Environment
- Currency Stability
- Banking Stability
- Financial Infrastructure
- Hong Kong as an International Financial Centre
- Investment Environment and Performance of the Exchange Fund
- The Hong Kong Mortgage Corporation Limited



Financial and Economic Environment

3



Global economic growth forecasts

Real GDP Growth

(% year-on-year)

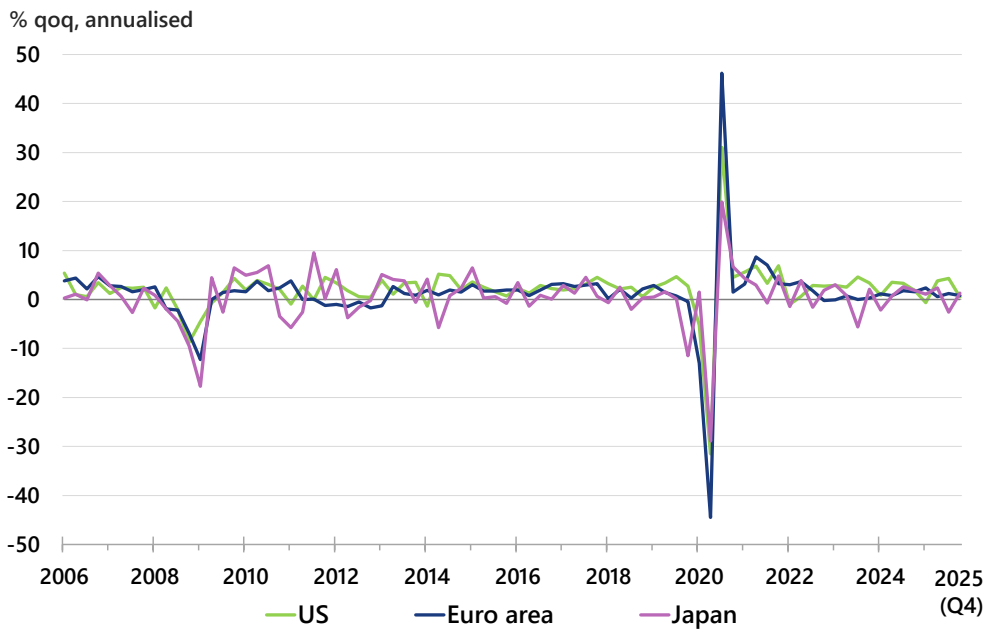
	2025	2026 Forecasts	2027 Forecasts
US	2.1	2.1	2.0
Euro area	1.4	0.9	1.3
Japan	1.2	0.7	0.9
Asia (ex-Japan)	5.1	4.6	4.5
Chinese Mainland	5.0	4.6	4.4
Hong Kong	3.5	2.5-3.5(*)	N.A.

(*) Latest forecast by the HKSAR Government on 25 February 2026.

Sources: April 2026 Consensus Forecasts and the Office of the Government Economist, HKSAR

4

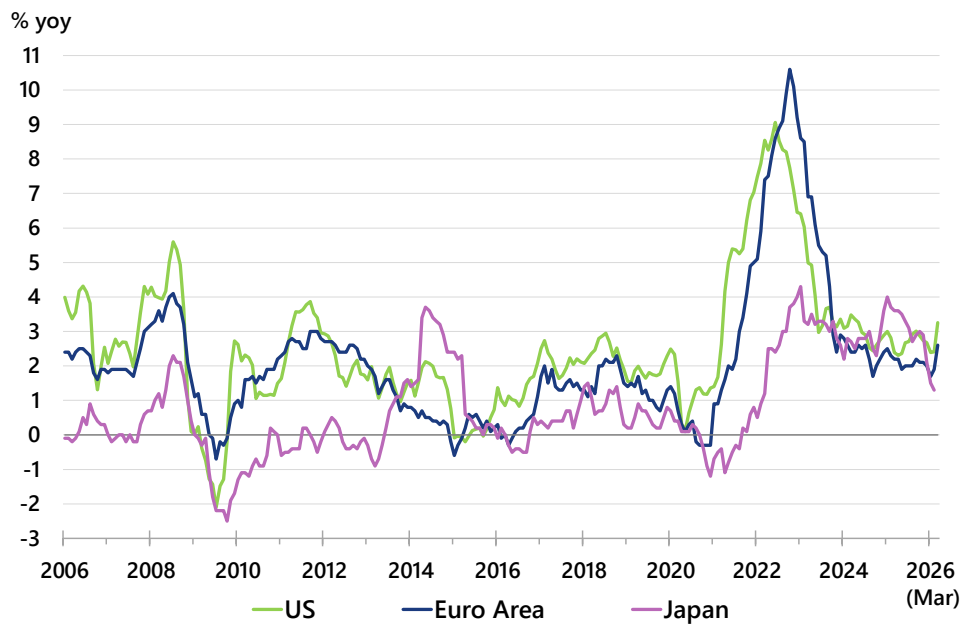
Real GDP growth in major economies



Source: CEIC

5

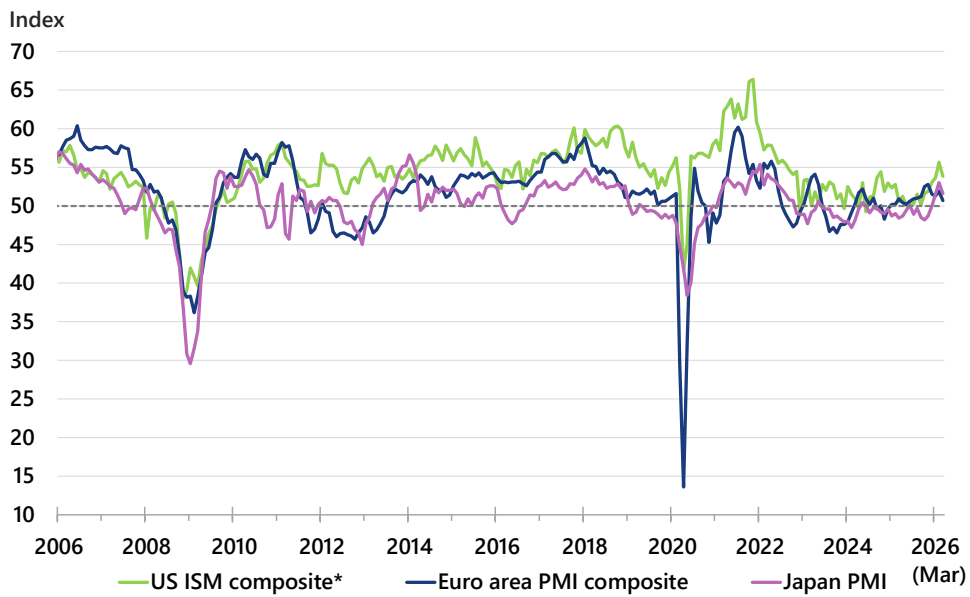
Headline inflation in major economies



Source: CEIC

6

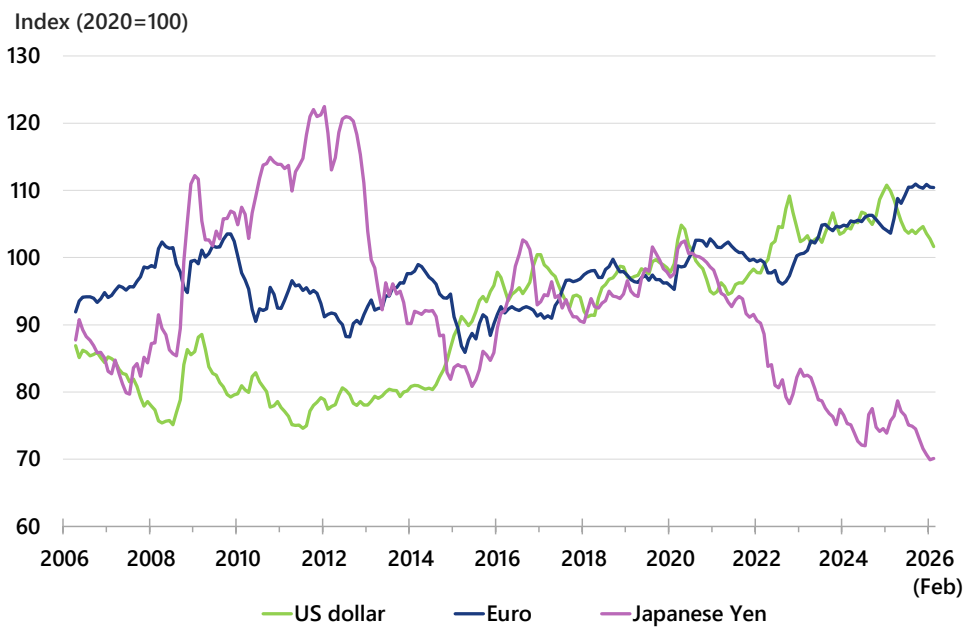
Purchasing Managers' Index in major economies



* Weighted average of the ISM Manufacturing and Services PMIs
Source: CEIC

7

Nominal effective exchange rate index of major currencies



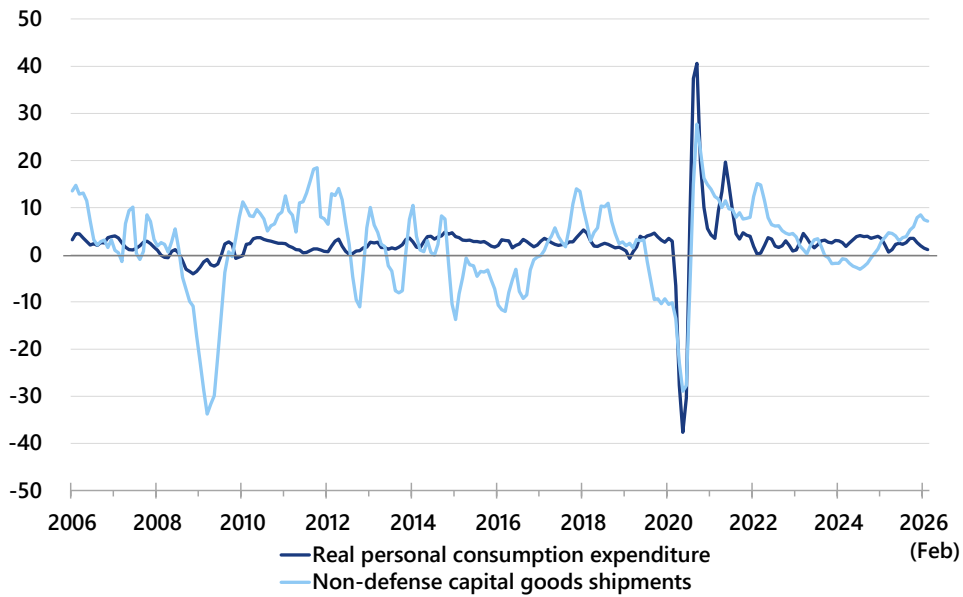
Source: CEIC

8

US: Consumption growth and business investment activity



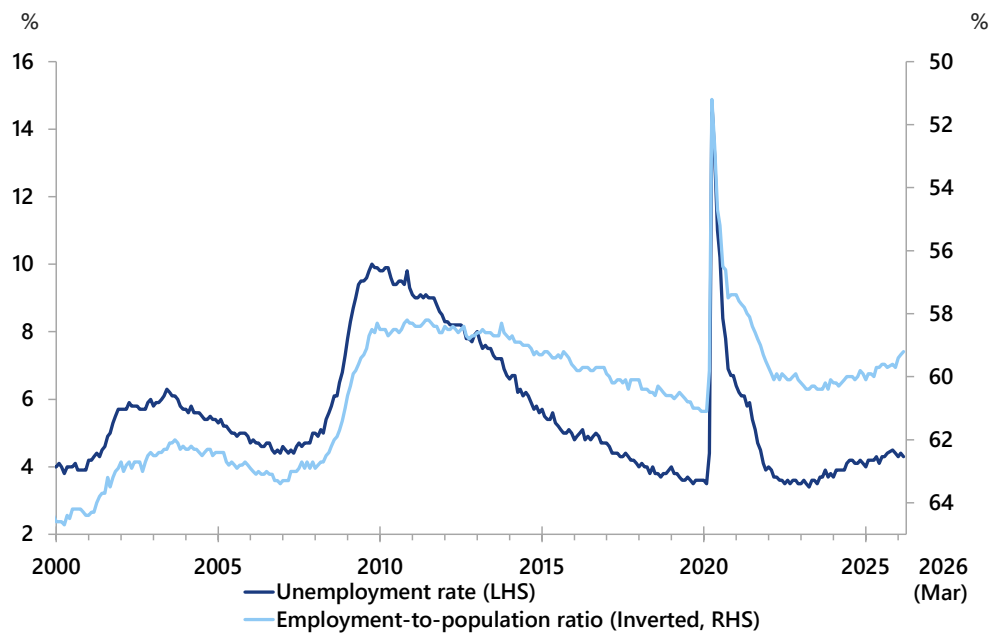
% 3m-on-3m, annualised



Source: CEIC

9

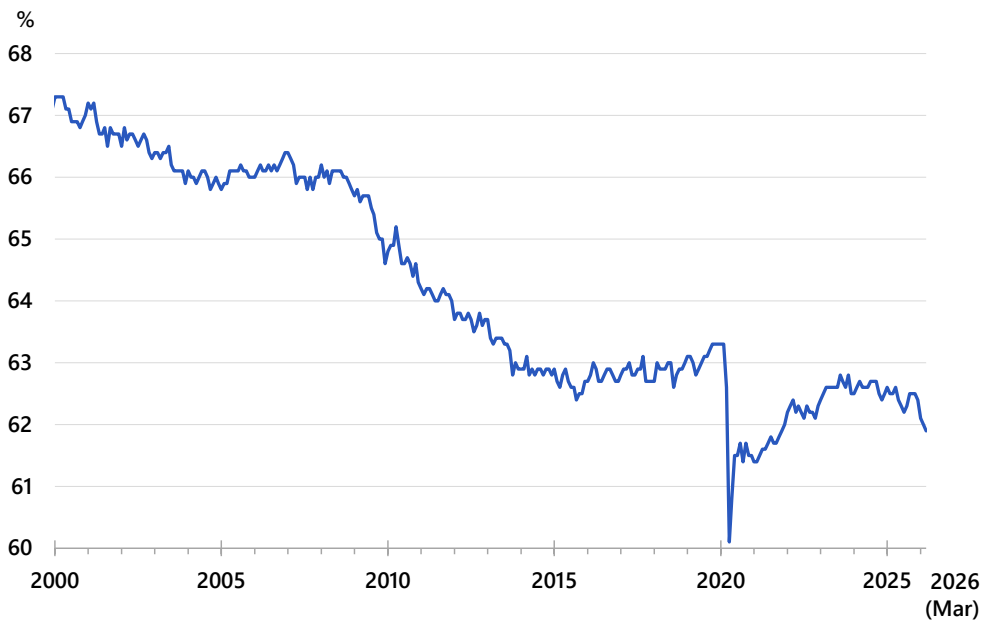
US: Labour market situation



Source: CEIC

10

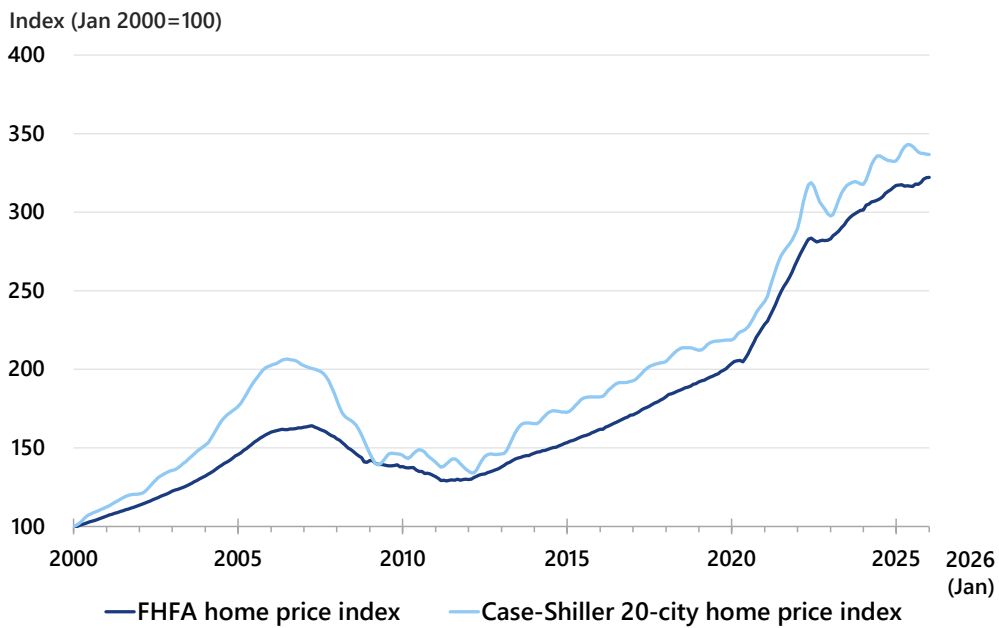
US: Labour force participation rate



Source: CEIC

11

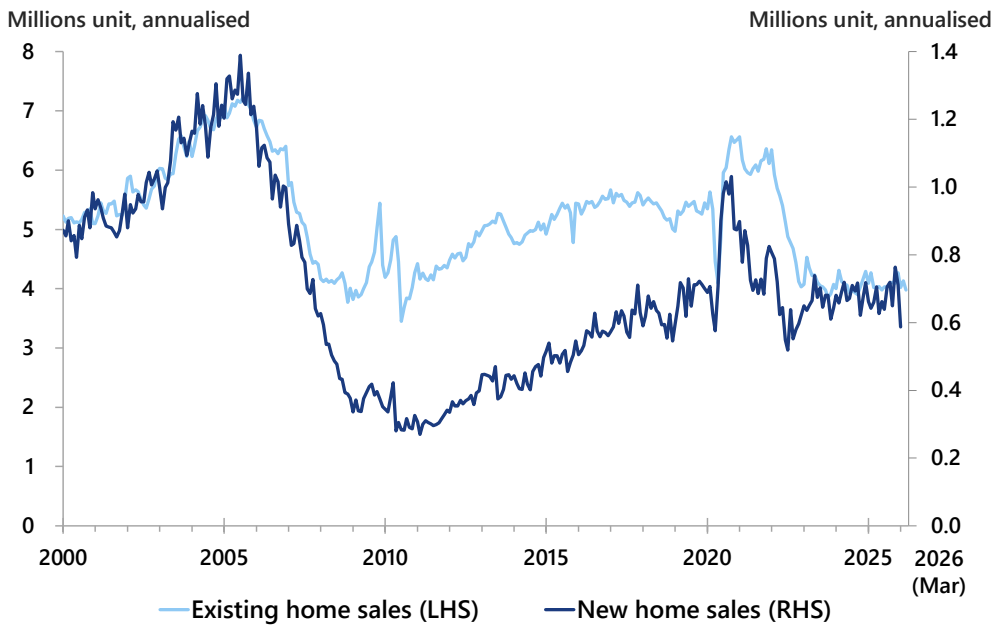
US: Home prices



Sources: CEIC and S&P

12

US: Home sales

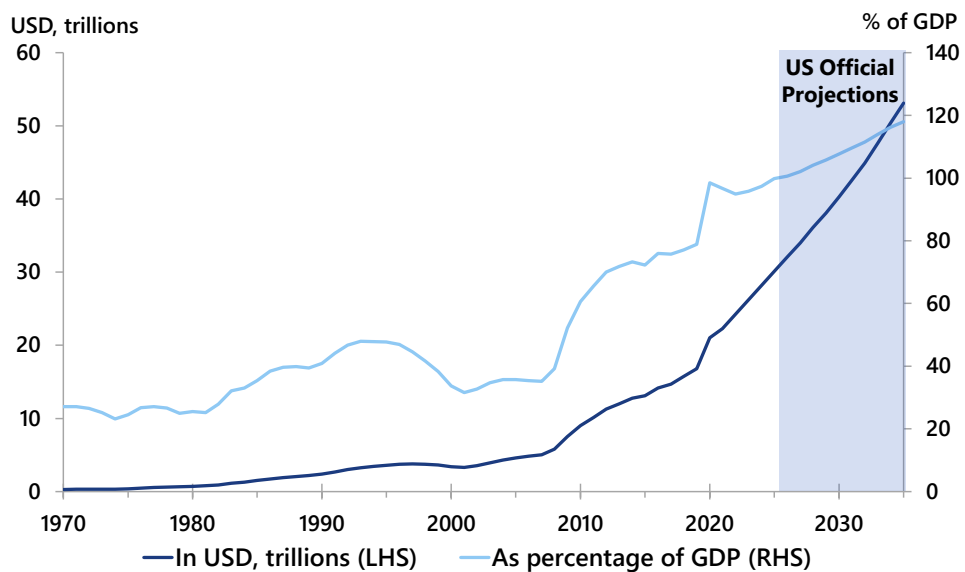


13

US: Federal government debt



US federal debt held by the public

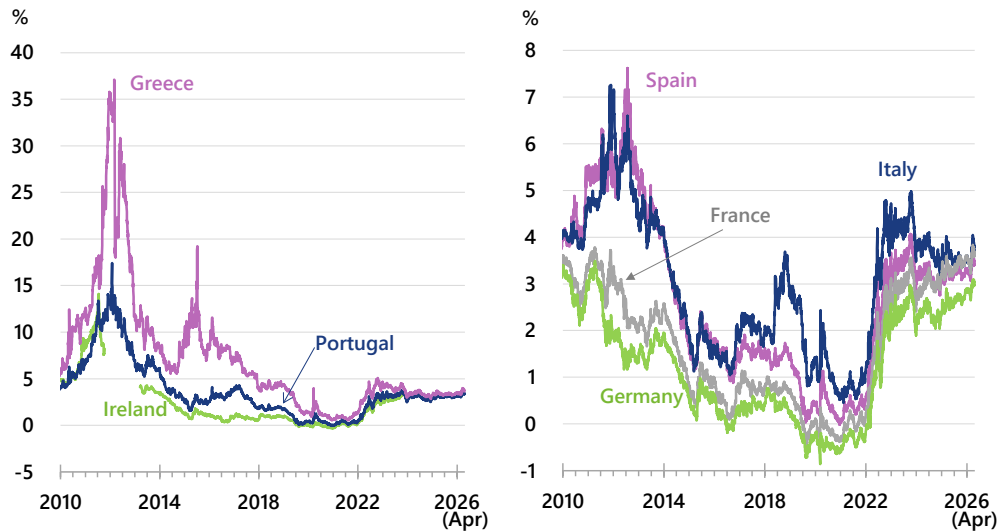


14

Euro area: Sovereign bond yields



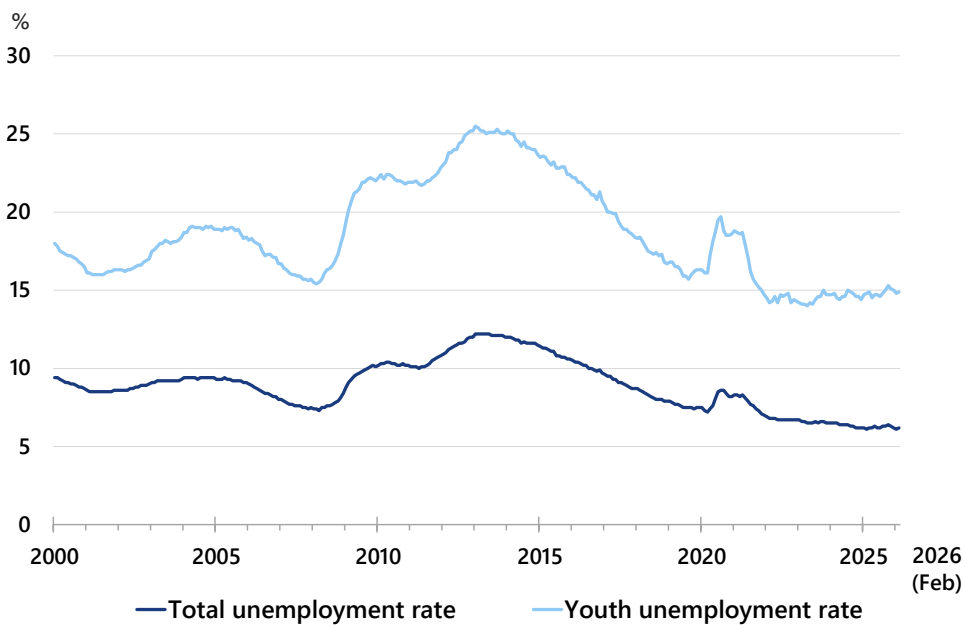
10-year sovereign bond yields



Note: 10-year Irish sovereign bond yield data is not available between 12 October 2011 and 14 March 2013.
Source: Bloomberg

15

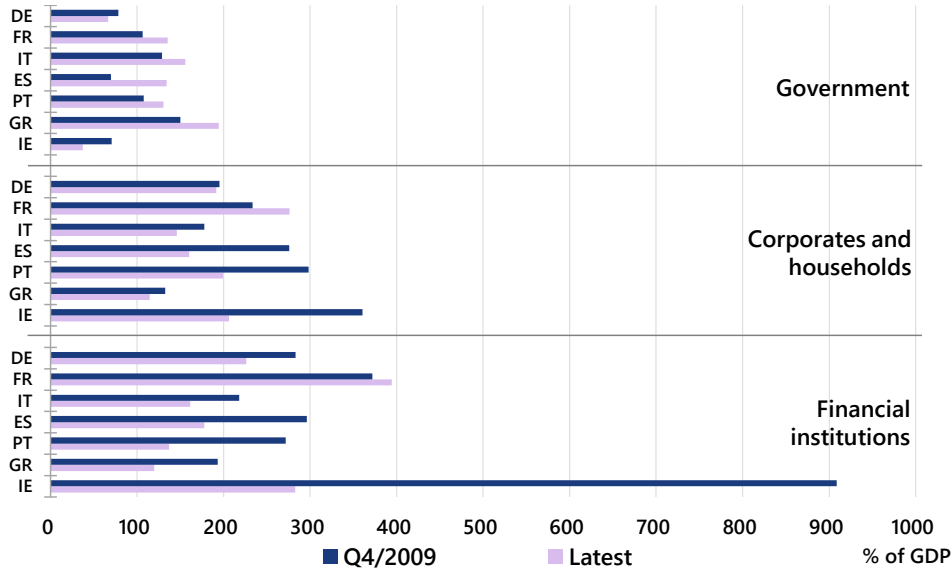
Euro area: Unemployment rate



Source: CEIC

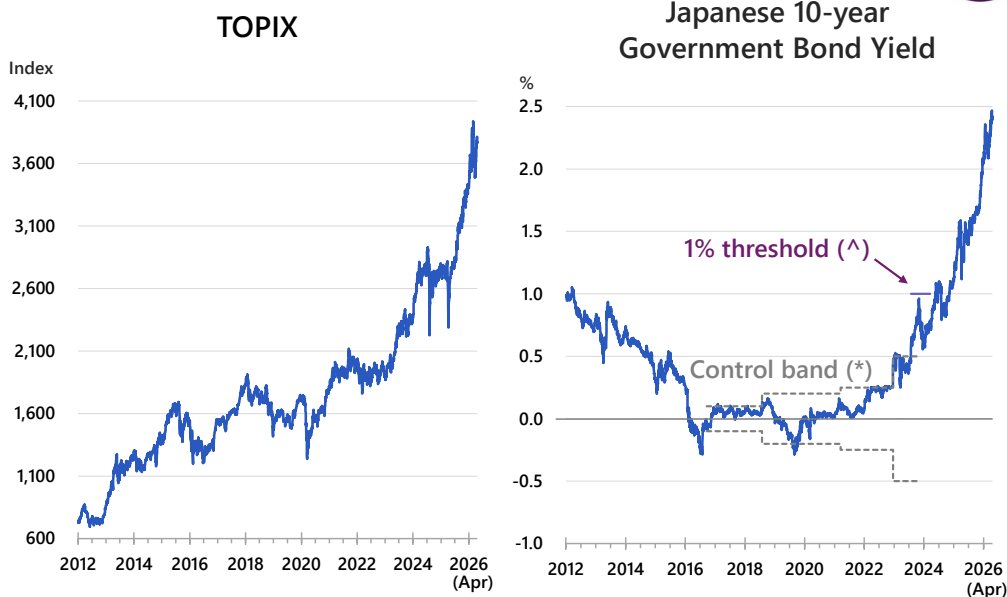
16

Euro area: Overall indebtedness



Note: DE – Germany, FR – France, IT – Italy, ES – Spain, PT – Portugal, GR – Greece, IE – Ireland
 The latest figures are up to Q3/2025 for Government, whilst the rest are up to Q4/2025.
 Source: European Central Bank

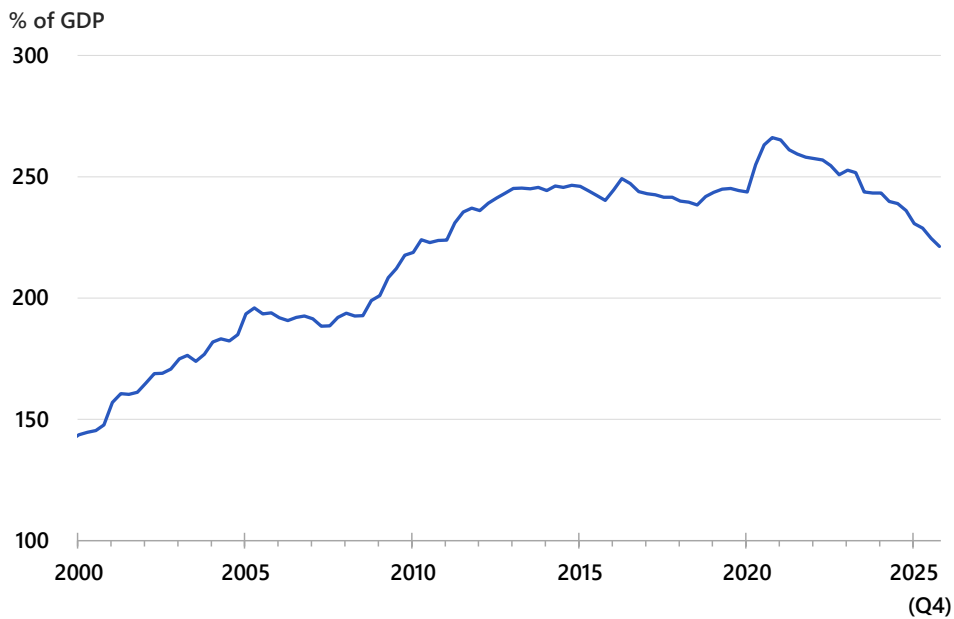
Japan: Financial markets



(*) The control band for Japanese 10-year government bond yield was -0.5% to 0.5% until 28 July 2023
 (^) As a cap between end-July and end-October 2023; as a reference upper bound between November 2023 and 18 March 2024; abandoned on 19 March 2024

Source: Bloomberg

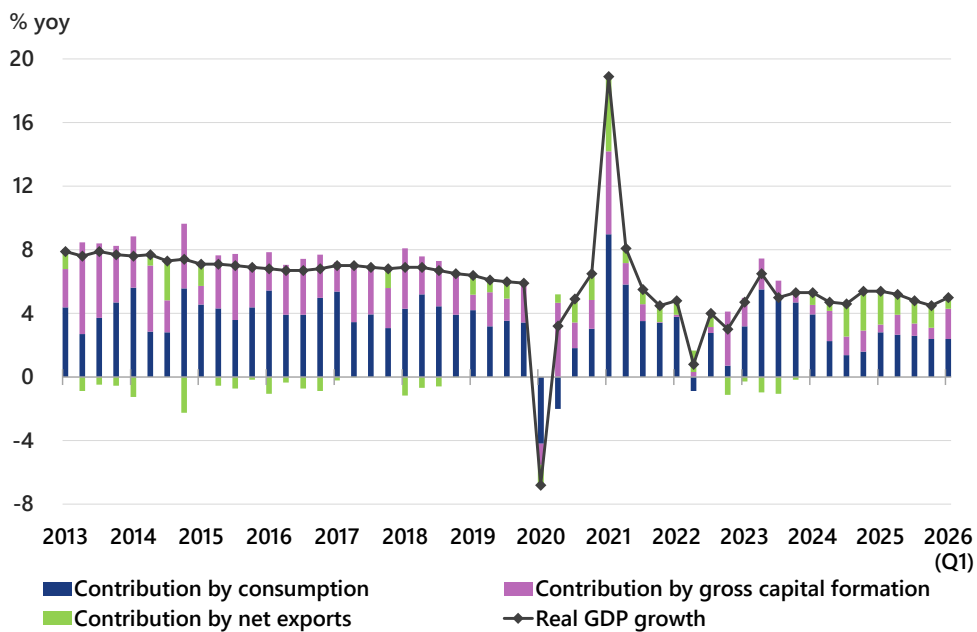
Japan: Public debt



Sources: Bank of Japan and CEIC

19

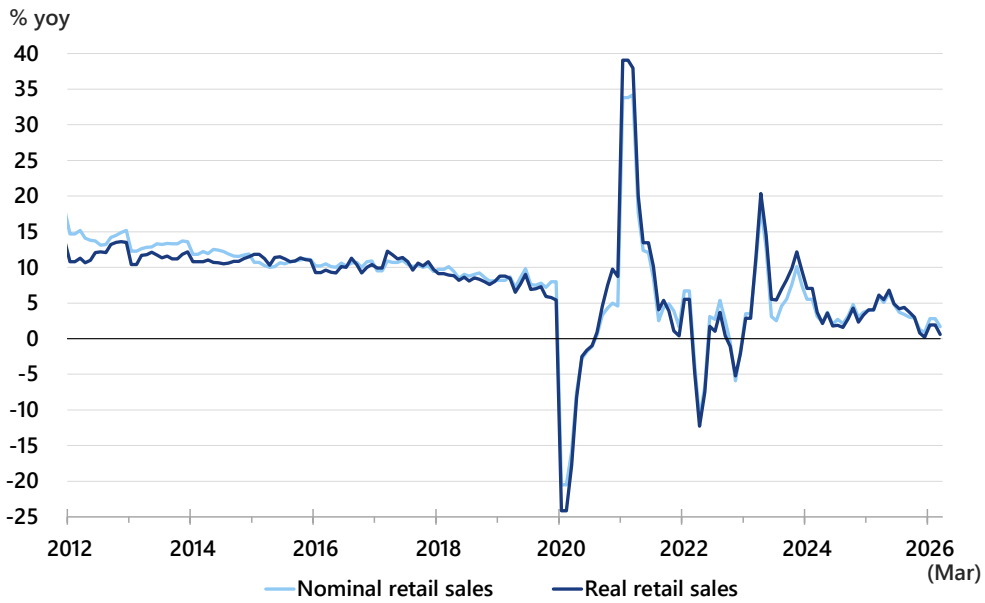
Chinese Mainland: Real GDP growth



Source: CEIC

20

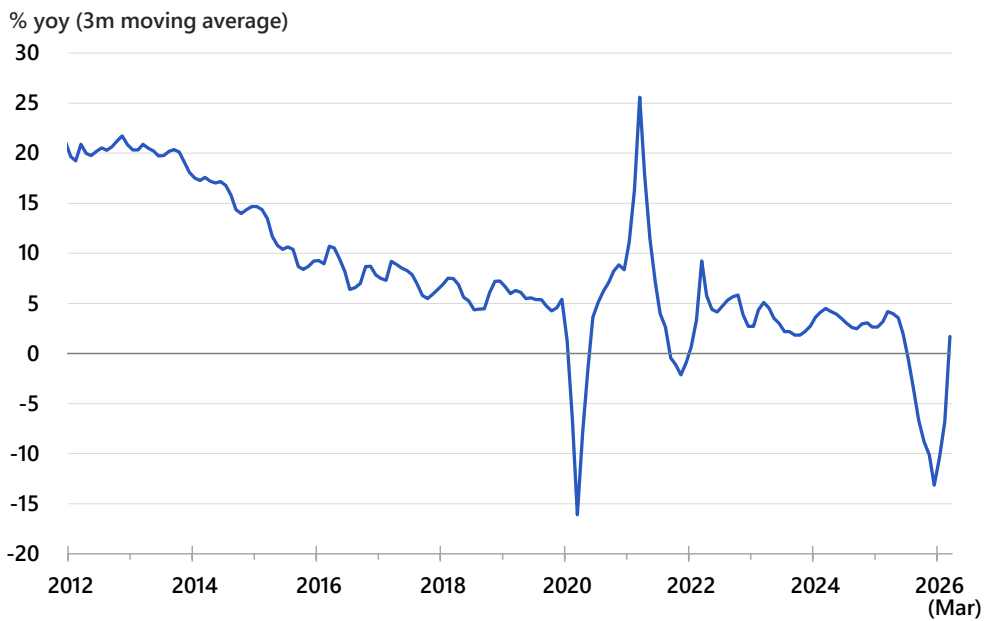
Chinese Mainland: Retail sales



Note: January and February figures are the average year-on-year growth for the first two months of the year.
Sources: WIND and HKMA staff estimates

21

Chinese Mainland: Fixed asset investment



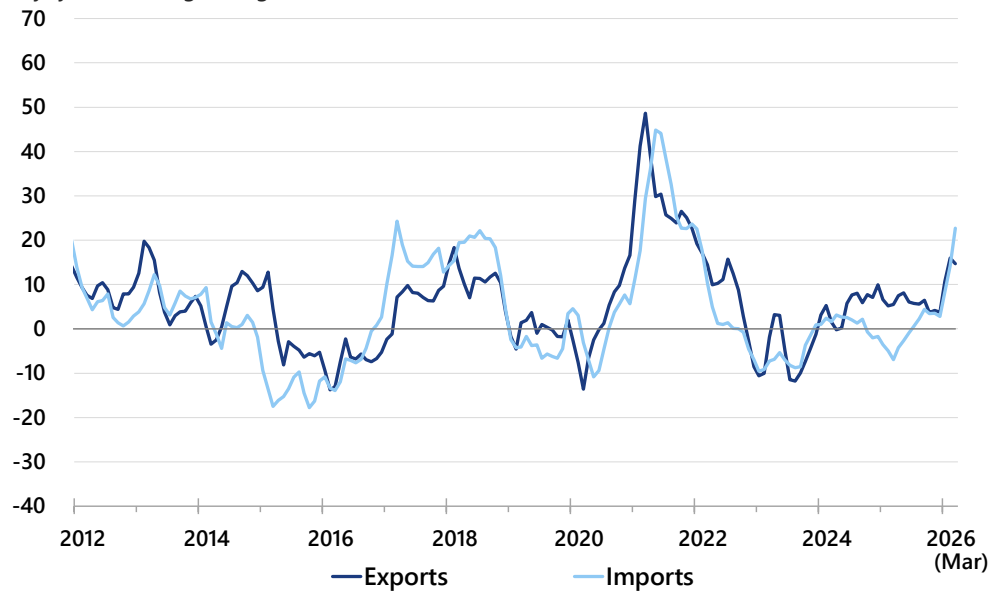
Sources: CEIC and HKMA staff estimates

22

Chinese Mainland: Import and export growth



% yoy (3m moving average)



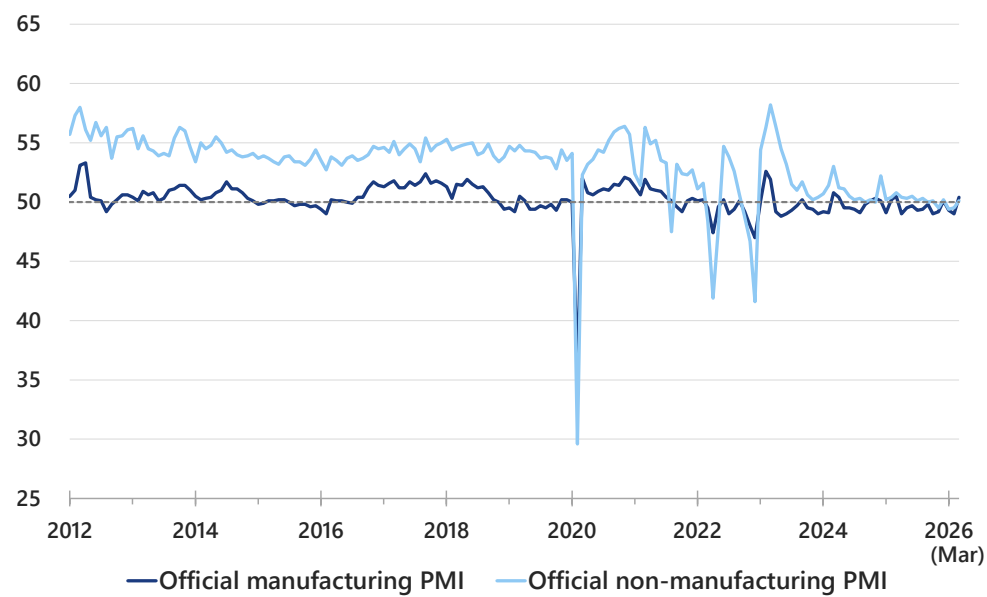
Sources: CEIC and HKMA staff estimates

23

Chinese Mainland: Purchasing Managers' Index



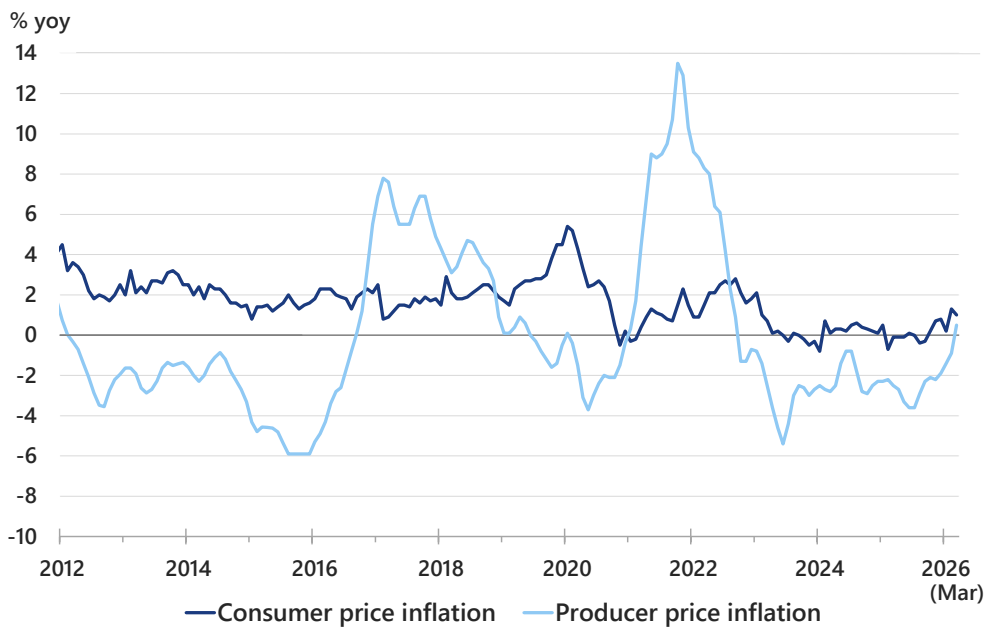
Index



Source: CEIC

24

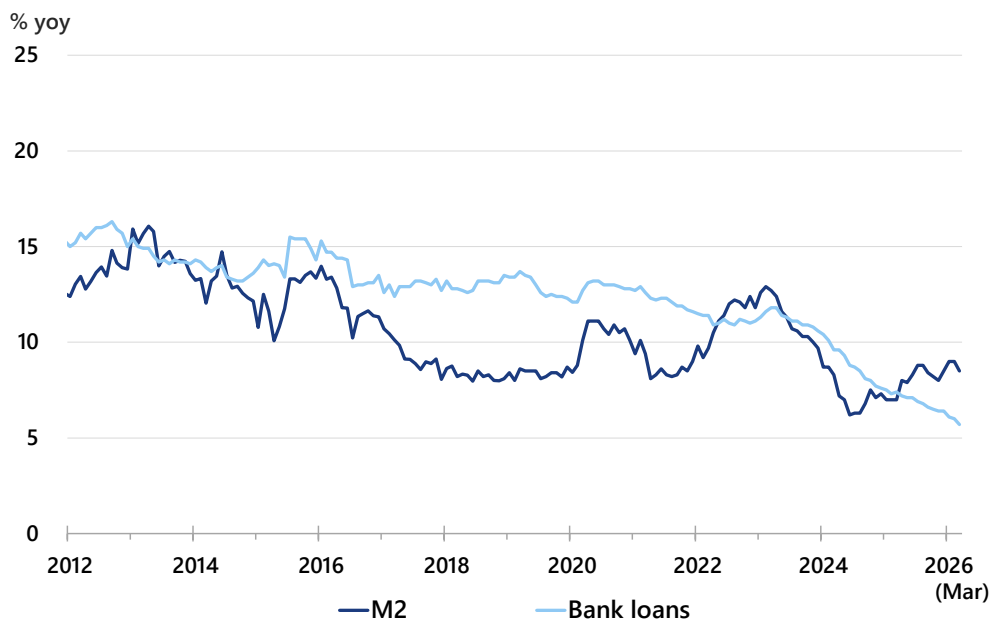
Chinese Mainland: Inflation



Source: CEIC

25

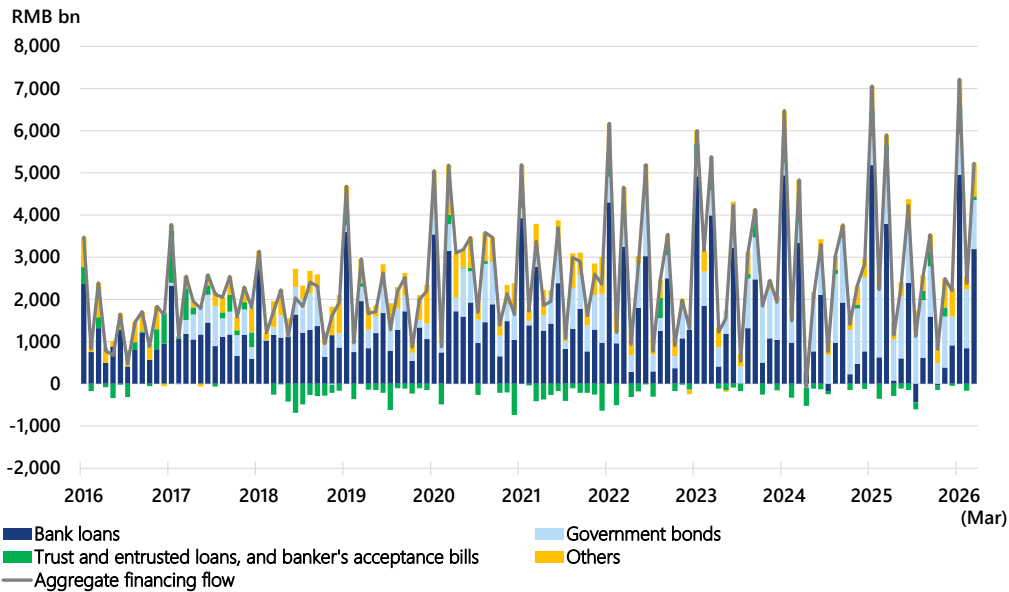
Chinese Mainland: Money and loan growth



Source: CEIC

26

Chinese Mainland: Aggregate financing flow

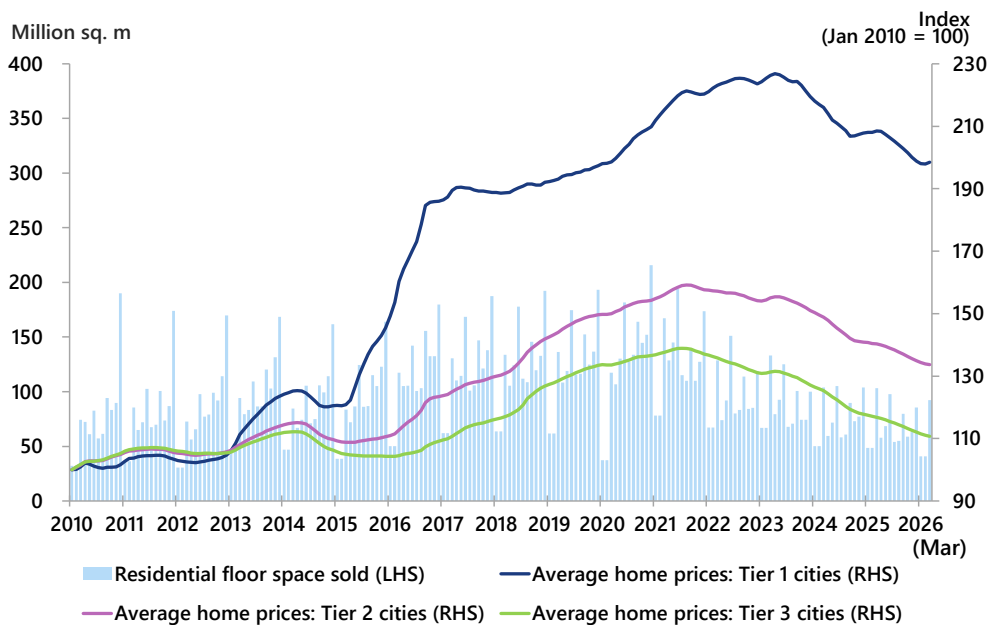


Note: "Others" primarily include loans written off, asset-backed securities of depository financial institutions, and corporate bonds & equity financing.

Sources: CEIC and HKMA staff estimates

27

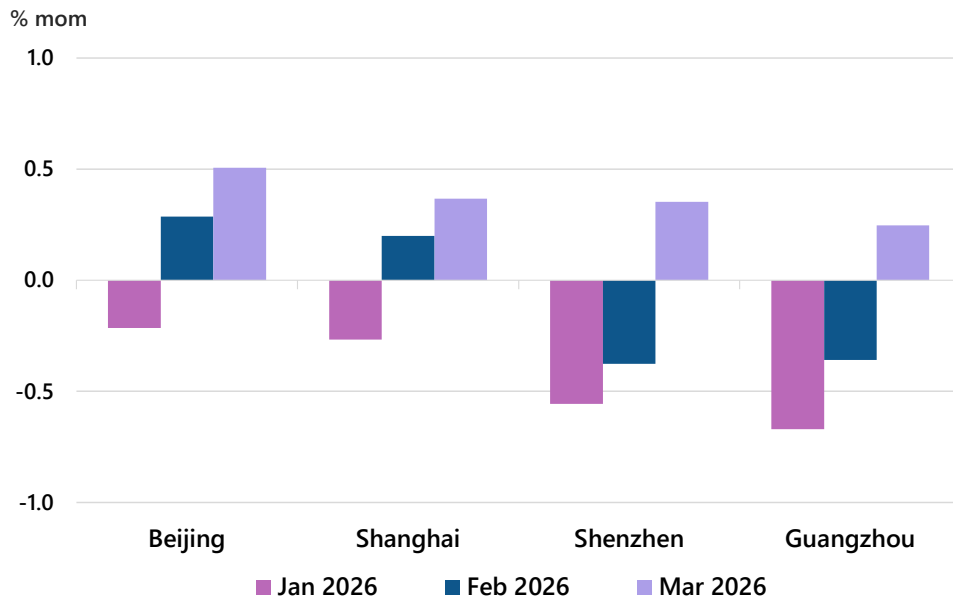
Chinese Mainland: Property prices and transaction volumes



Sources: CEIC and HKMA staff estimates

28

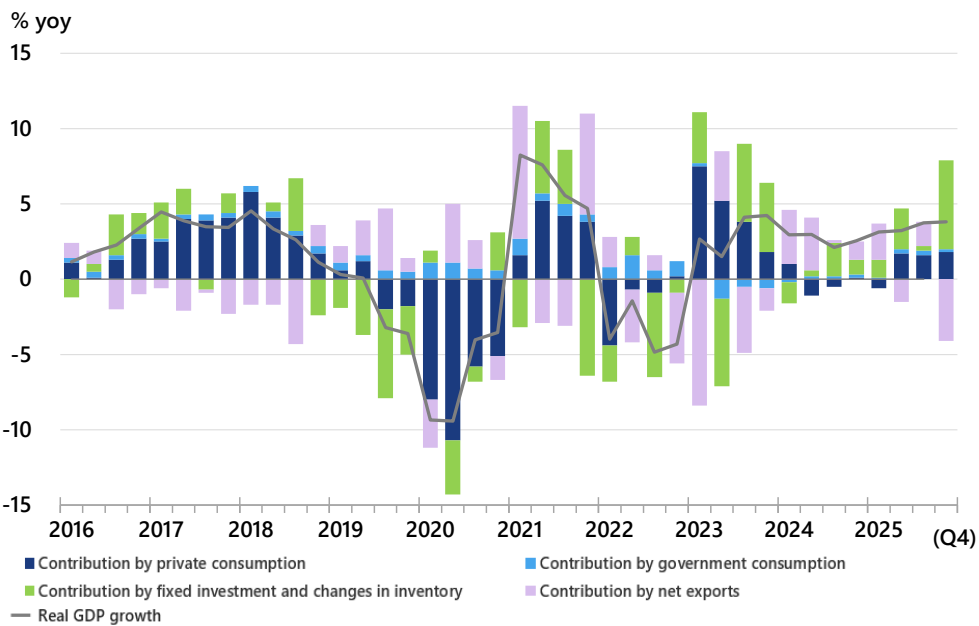
Chinese Mainland: Housing price changes in major cities



Sources: CEIC, WIND and HKMA staff estimates

29

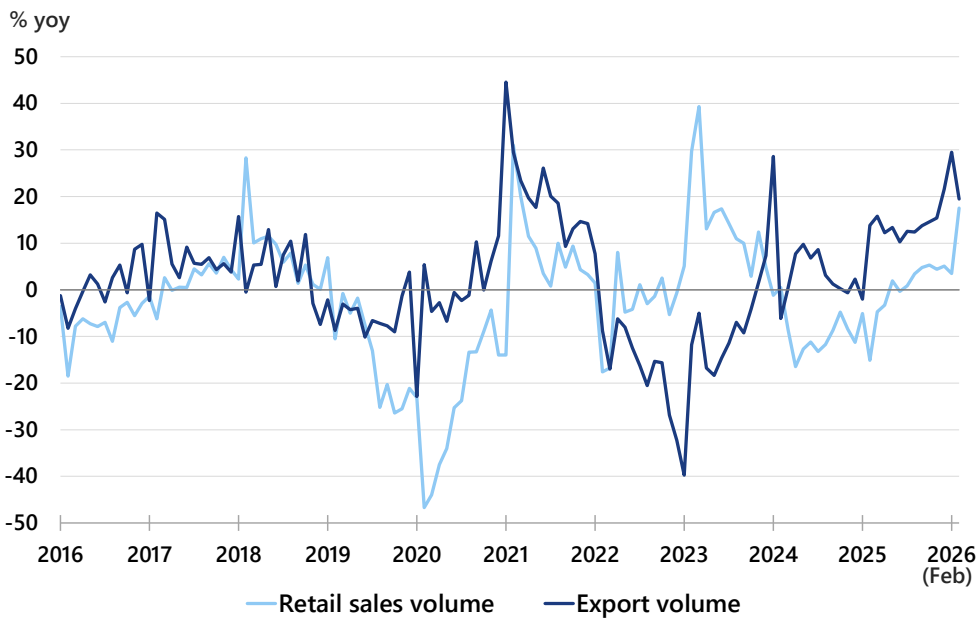
Hong Kong: Real GDP growth



Source: Census and Statistics Department (C&SD)

30

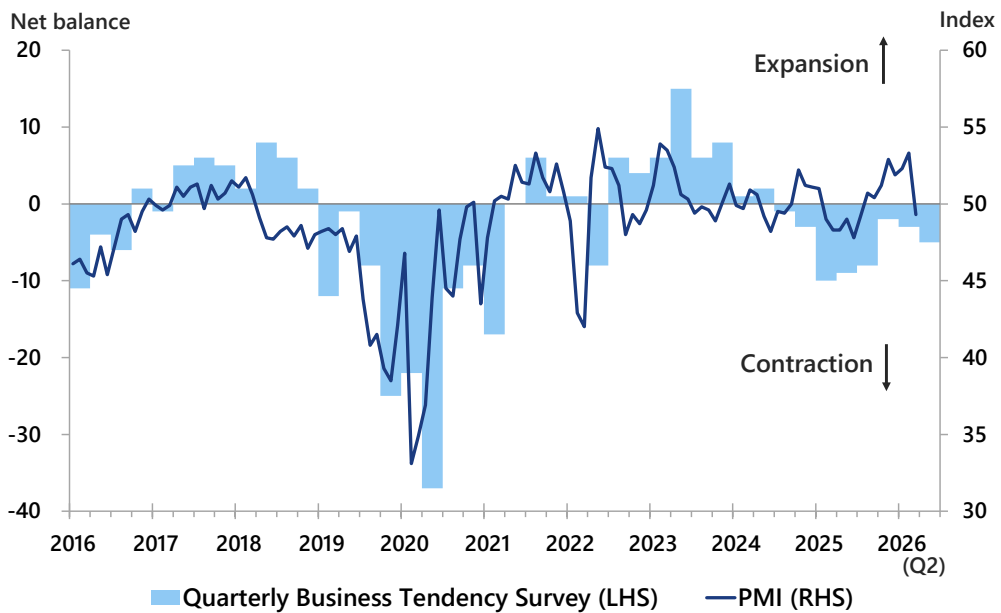
Hong Kong: Economic activity



Source: C&SD

31

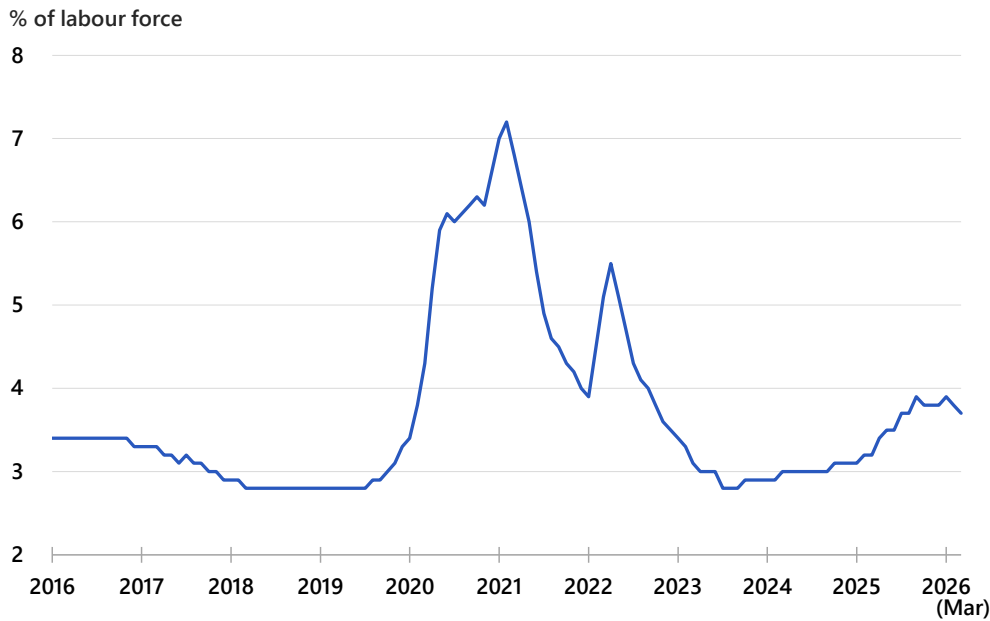
Hong Kong: Business outlook



Sources: C&SD and S&P Global

32

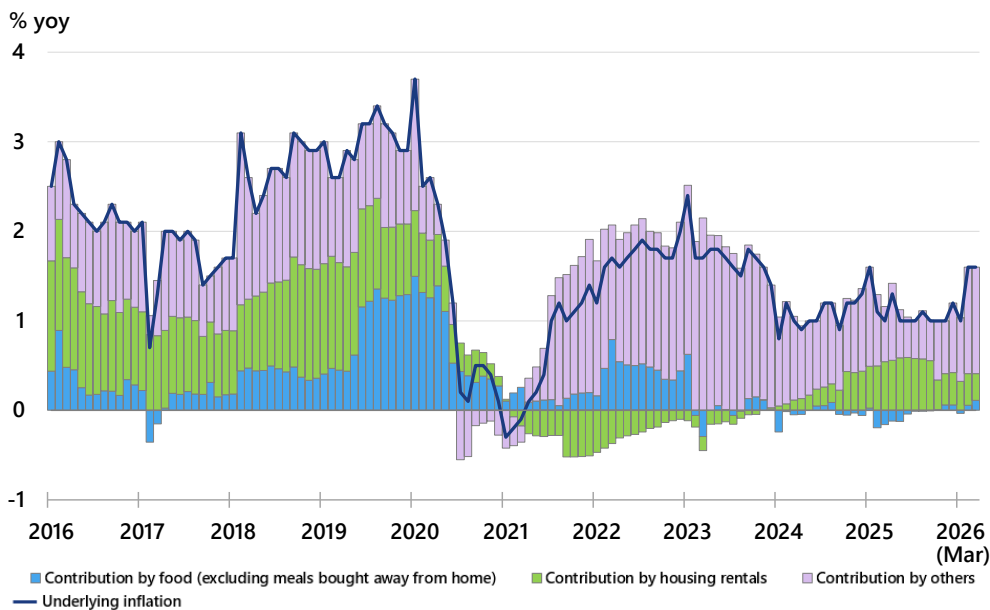
Hong Kong: Unemployment rate



Source: C&SD

33

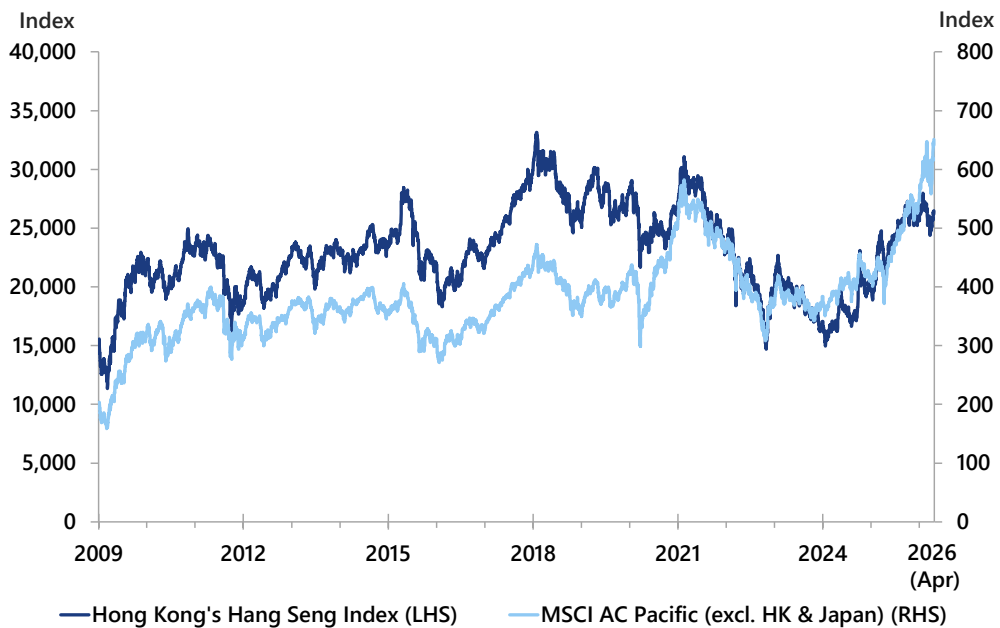
Hong Kong: Inflation



Sources: C&SD and HKMA staff estimates

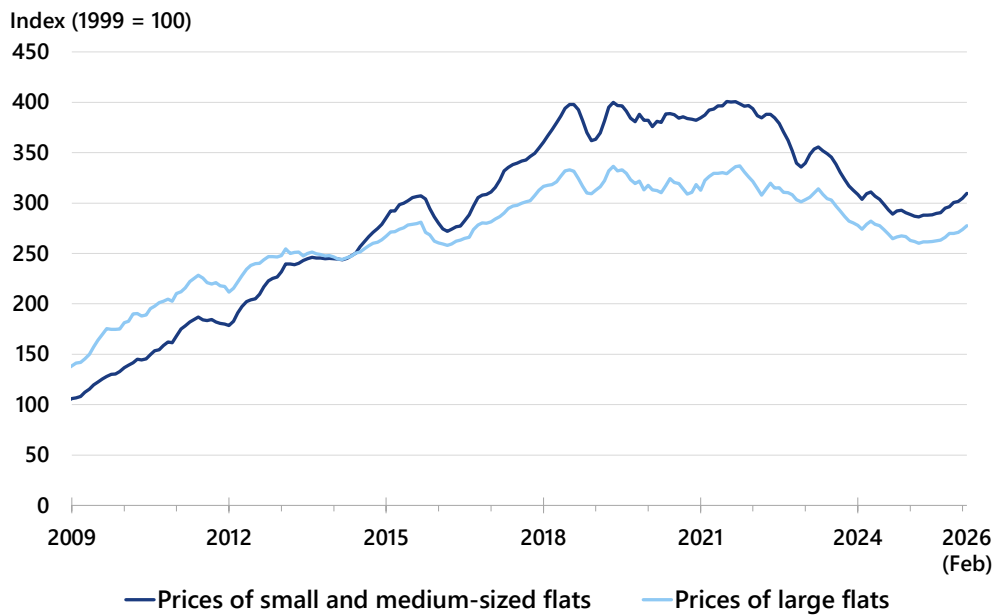
34

Hong Kong: Equity market



35

Hong Kong: Residential property prices

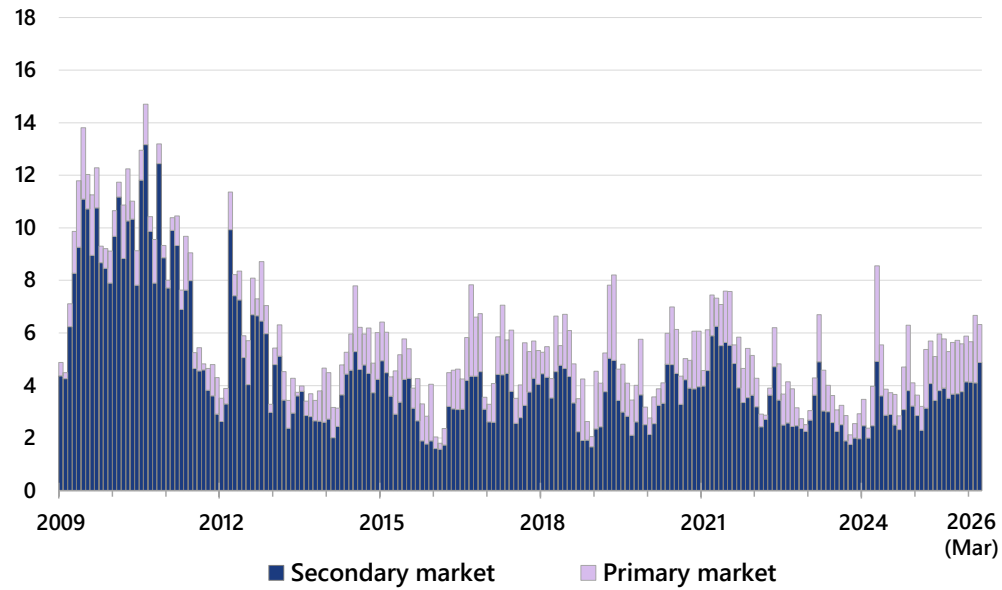


36

Hong Kong: Transaction volumes in the primary and secondary residential property markets



Transactions (in thousands)



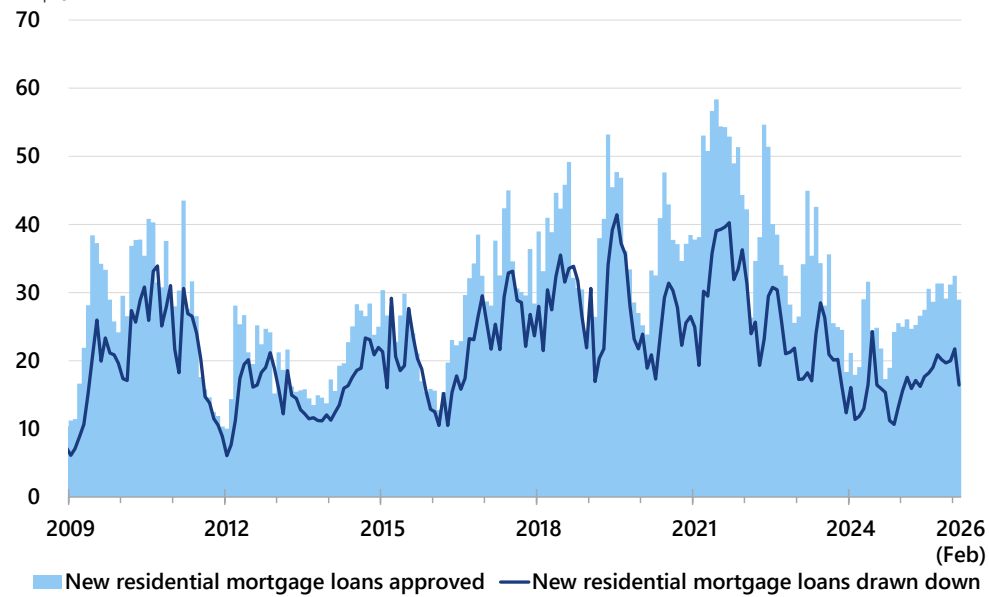
Source: Land Registry

37

Hong Kong: New residential mortgage loans



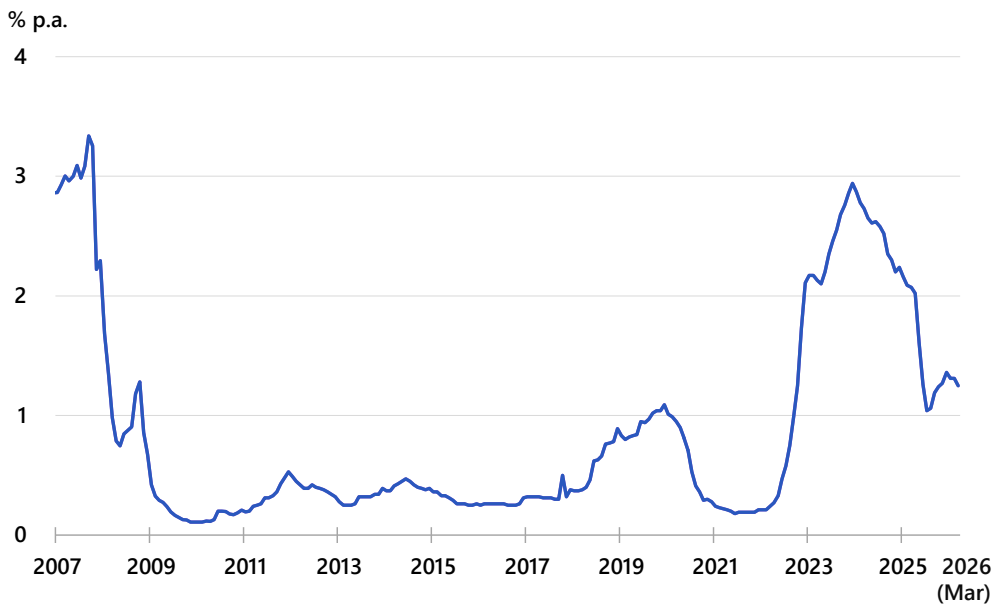
HK\$ bn



Source: HKMA

38

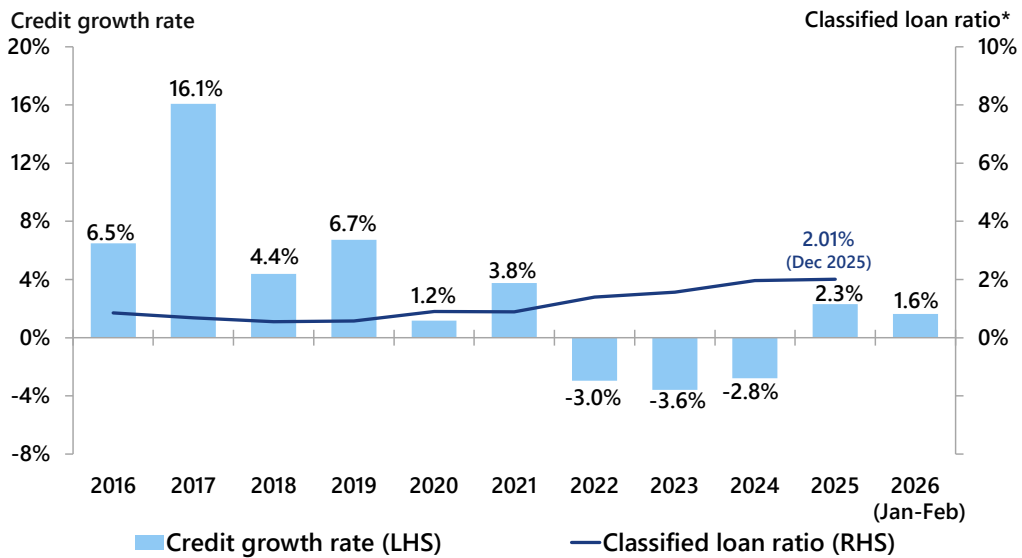
Hong Kong: Composite interest rate



Source: HKMA

39

Hong Kong: Loan growth and asset quality



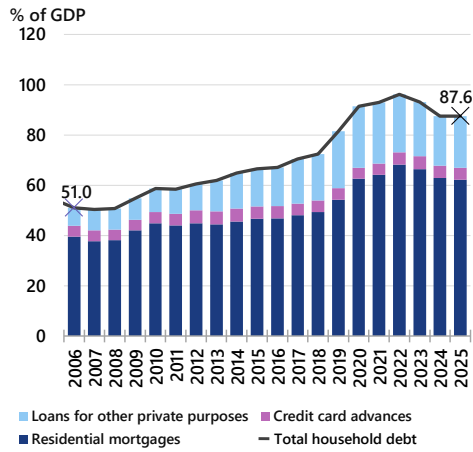
* Classified loan ratio of all authorized institutions
Source: HKMA

40



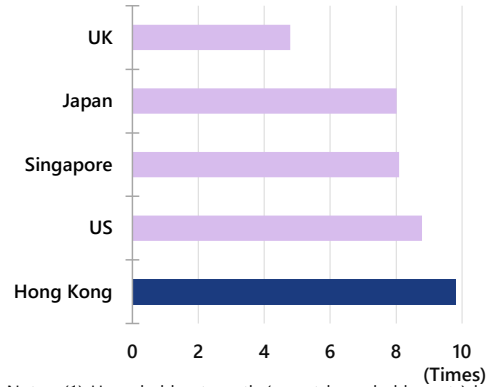
Hong Kong: Household debt

Gross household debt



Note: The majority of the household debts are residential mortgage loans, which are governed by the macroprudential policy framework, as well as collateralised loans to wealth management customers against financial assets.
Source: HKMA

Household net worth-to-liabilities ratio

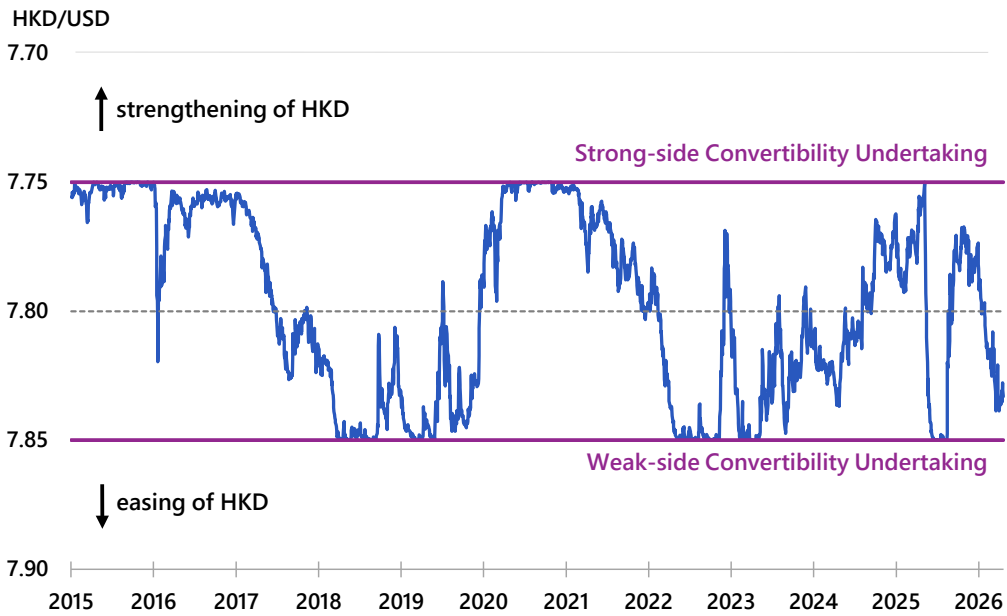


Notes: (1) Household net worth (or net household assets) is the difference between gross household assets and gross household liabilities. (2) Taking Hong Kong as an example, the above number means that Hong Kong household net worth is around 10 times its gross household liabilities. (3) Figures for the US and Singapore refer to end-2025, while figures for Hong Kong, Japan, and UK refer to end-2024.
Sources: HKMA staff estimates and statistical agencies or central banks of selected economies



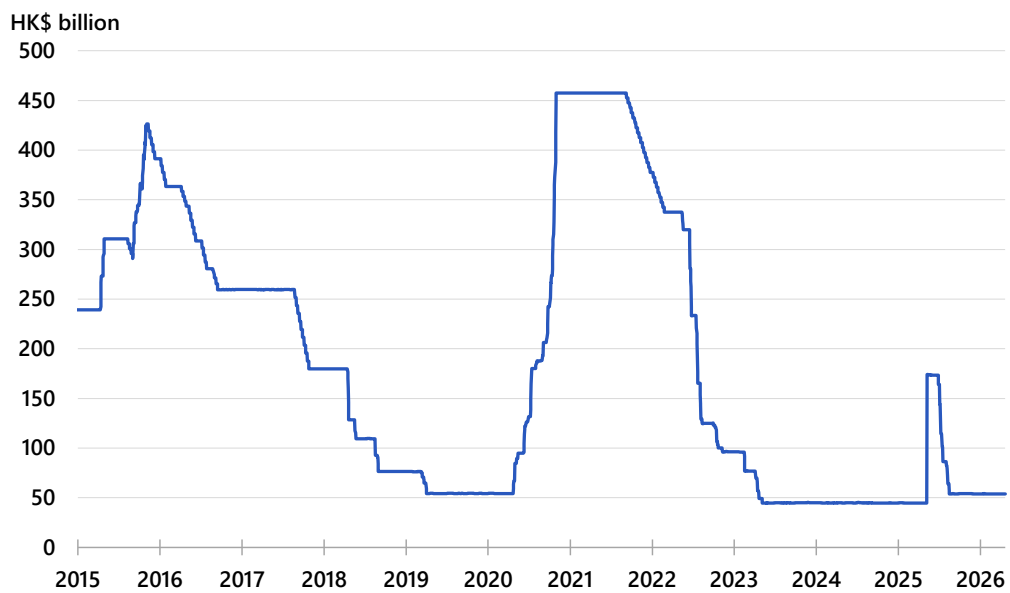
Currency Stability

Hong Kong dollar spot exchange rate



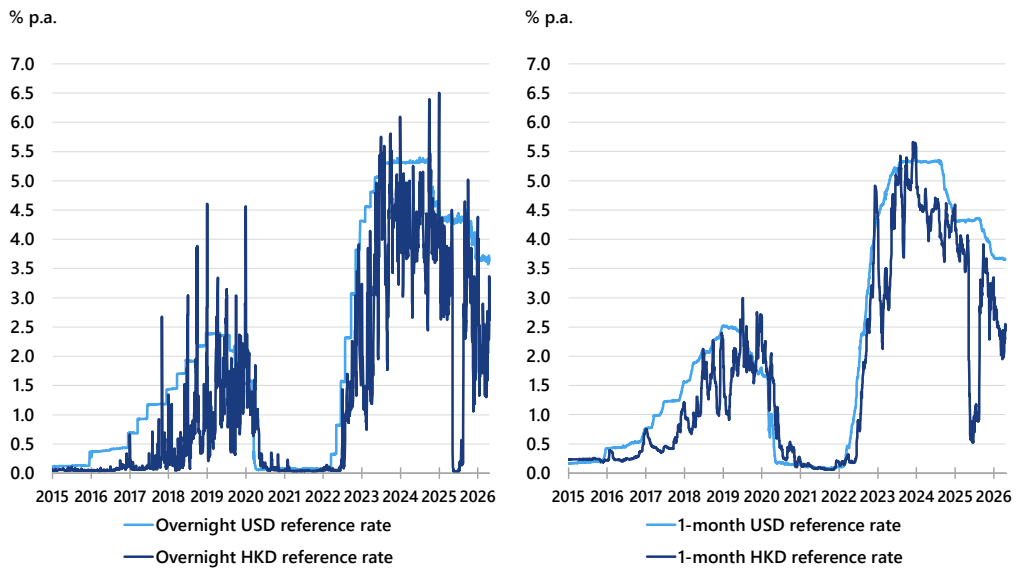
43

Aggregate Balance



44

Interest rates



Note: HKD reference rate refers to HKD HIBOR fixing. Before 1 July 2023, USD reference rate referred to USD LIBOR fixing. Since 1 July 2023, USD reference rate has referred to SOFR and 1-month CME Term SOFR.

12-month Hong Kong dollar forward points



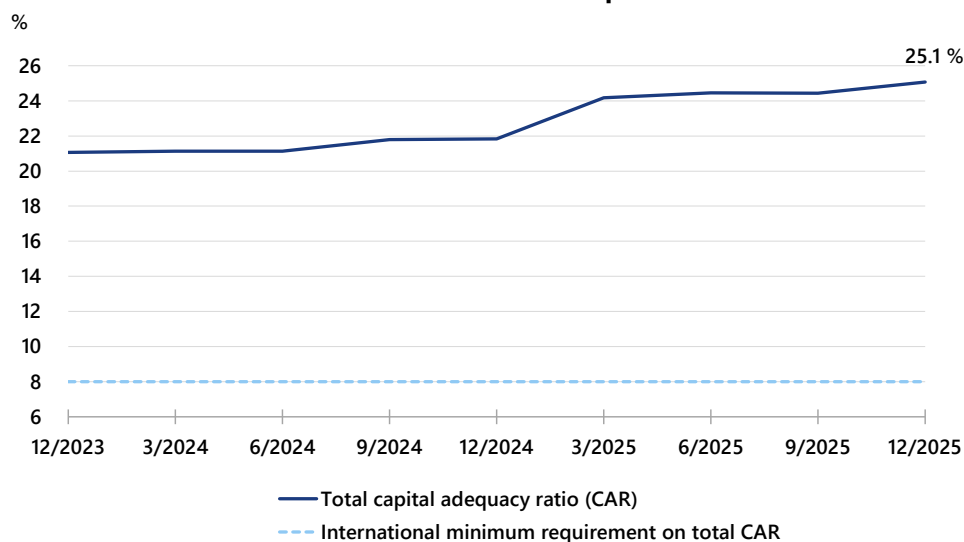


Banking Stability

Banking sector performance



Locally incorporated authorized institutions continued to be well capitalised



Source: HKMA

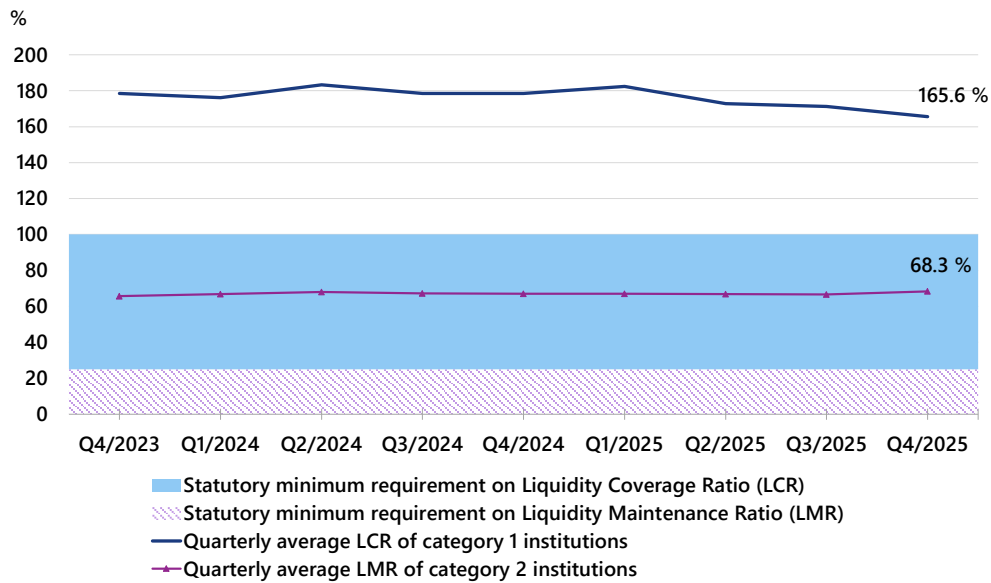
48

- The Hong Kong banking sector continued to maintain a strong capital position, ample liquidity and prudent operations, providing effective protection for depositors.
- The consolidated CAR of locally incorporated authorized institutions stood at 25.1% at end-December 2025, well above the international minimum requirement of 8%.

Banking sector performance



Liquidity position remained robust

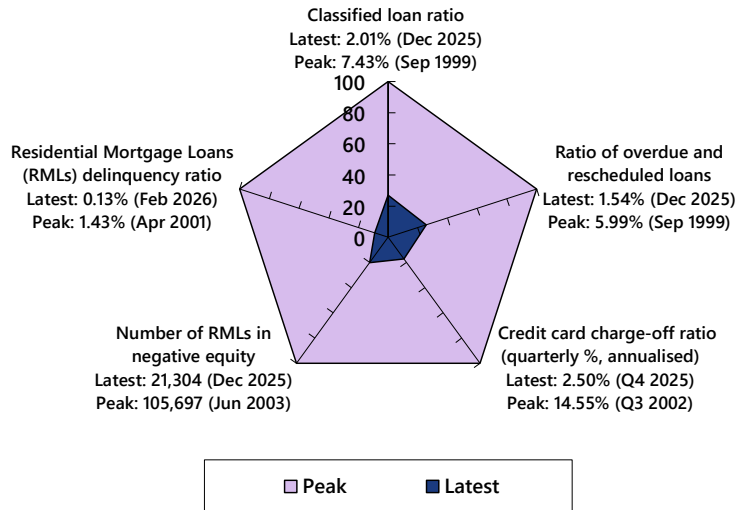


- In the fourth quarter of 2025, the quarterly average LCR of category 1 institutions was 165.6%, well above the statutory minimum requirement of 100%. For category 2 institutions, their quarterly average LMR was 68.3% during the same period, also well above the statutory minimum requirement of 25%.

Banking sector performance



Credit risk stayed manageable



Source: HKMA

50

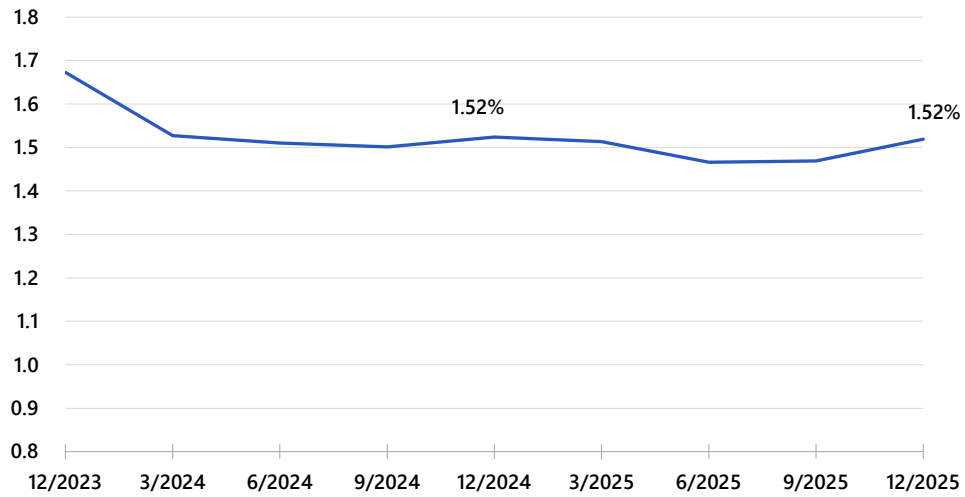
- The classified loan ratio of the banking sector increased slightly to 2.01% at end-December 2025 from 1.98% at end-September 2025.

Banking sector performance



Net interest margin (NIM) remained stable

% (year-to-date annualised)



Source: HKMA

51

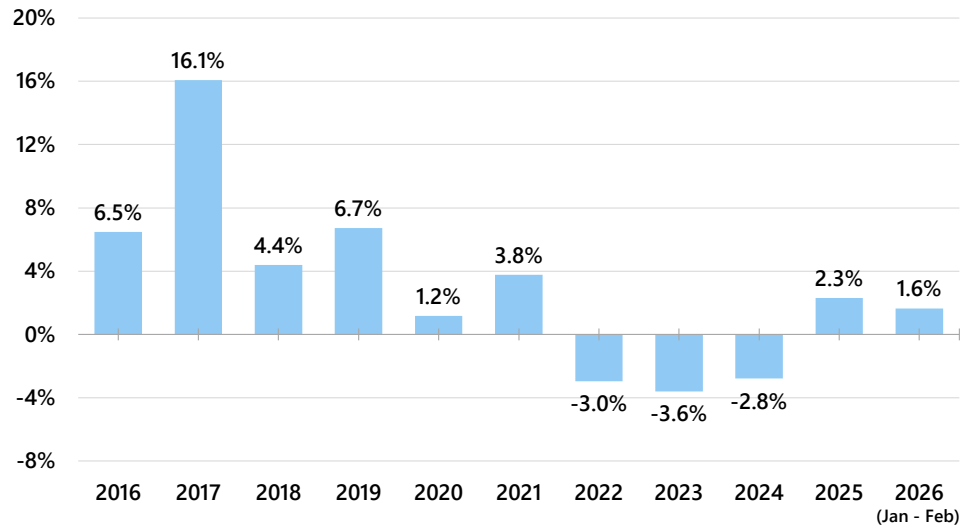
- The NIM of retail banks for 2025 remained flat year on year at 1.52%.

Banking sector performance



Total loans increased

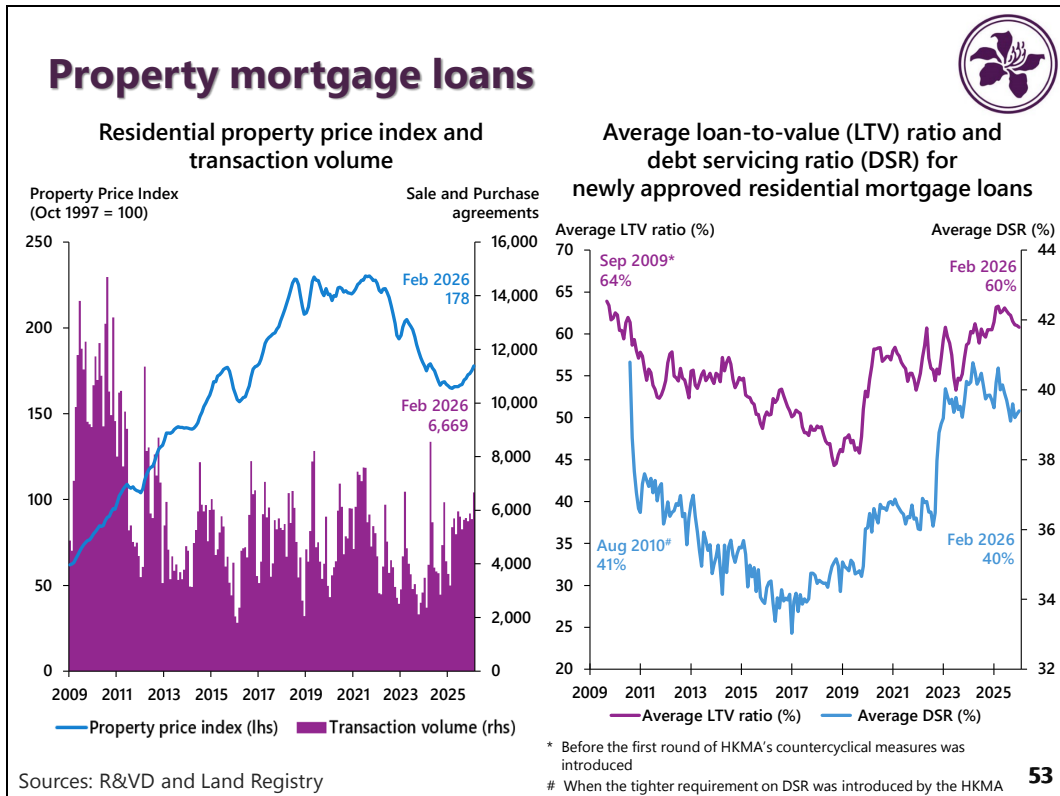
Credit growth rate



Source: HKMA

52

- Total loans increased by 1.6% in the first two months of 2026.



Latest statistics on residential mortgage loans (RMLs)

	Monthly average in 2024	Monthly average in 2025	Sep 2025	Oct 2025	Nov 2025	Dec 2025	Jan 2026	Feb 2026
Number of sale and purchase agreements	4,425	5,236	5,643	5,714	5,588	5,883	5,669	6,669
Number of new RML applications	6,986	7,974	8,316	8,255	8,019	7,612	8,785	8,125
Number of new RMLs approved	5,052	5,930	6,569	6,305	5,851	6,068	6,475	5,838

Latest statistics on residential property prices

Property price index		Period	Property price index
Rating and Valuation Department (10/1997=100)	Latest position	2/2026	177.9
	Recent peak	9/2021	230.2
Centaline (6/7/1997=100)	Latest position	24/4/2026	153.7
	Recent peak	8/8/2021	191.3

Supporting real economy



- As at end-March 2026, over 89,000 SME cases, involving an aggregate credit limit of over HK\$209 billion, had benefitted from three rounds of SME support measures launched since March 2024
- The HKMA and the Hong Kong Association of Banks jointly established the Northern Metropolis Financial Advisory Taskforce in April 2026 to explore financing solutions that support the development of the Northern Metropolis

Legislative Proposals (1)



Banking (Capital) (Amendment) Rules 2026

- Alignment with other major jurisdictions
- Implementation of latest Basel Committee supplementary standards
- Other market-driven updates
- Target implementation: Q1 2027

55

- To keep our capital framework up to date, we propose to make several amendments to our rules. These are mainly to:
 - Align certain capital treatment with the corresponding practices of other jurisdictions (e.g. provide concessionary treatment under capital deduction framework for a bank's investment in financial subsidiaries in solo capital ratio calculation);
 - Implement the latest Basel requirement / interpretative guidance (i.e. Technical Amendments and FAQs) (e.g. treatment of certain credit exposures to individuals where the borrower's repayment obligation and his major source of income are in different currencies); and
 - Reflect consequential changes necessary to cater for market developments (e.g. the treatment of any stablecoin issuer subsidiary of a bank further to the implementation of the regulatory regime for stablecoin issuers in Hong Kong).
- Subject to industry consultation, our aim is to submit the BCR amendments (together with any consequential amendments to other rules) to the LegCo in the fourth quarter of 2026, with a view to their taking effect in the first quarter of 2027.

Legislative Proposals (2)



Banking Legislation (Miscellaneous Amendments) Bill 2026

- Targets to introduce the Bill into LegCo in the first half of 2026
- Amendments to the Banking Ordinance and its subsidiary legislation in relation to:
 - Modernisation of the Monetary Authority's enforcement powers

56

- Details are covered in the separate LegCo Paper submitted for another agenda item of this meeting.

Anti-money laundering and counter-financing of terrorism (AML/CFT)



- Enhanced bank-to-bank information-sharing platform to cover all 28 retail banks by June 2026

Resolution regime



- Set out and communicated 2026 resolution planning priorities for domestic systemically important banks (D-SIBs) and other large banks
- Hosted the Asia Crisis Management Group meeting for a globally systemically important bank (G-SIB) and advanced regional resolution planning

58

- The HKMA continues to engage closely with D-SIBs and other large banks in Hong Kong to enhance their resolvability. As part of the HKMA's bilateral resolution planning programmes, the HKMA and the banks' senior management reviewed the banks' 2025 progress on various workstreams to enhance resolvability and discussed priorities going forward.
- The banks' 2026 resolution planning priorities were set out and communicated to the accountable executives in early 2026. Priorities are mainly in the areas of: (i) loss-absorbing capacity; (ii) operational continuity in resolution; (iii) early termination risk in resolution; (iv) liquidity and funding in resolution; (v) continuity of access in resolution to financial market infrastructures; and (vi) valuation in resolution.
- The HKMA continues to advance regional resolution planning for a G-SIB and hosted its Asia Crisis Management Group meeting in March 2026, which was attended by representatives from 18 supervisory and resolution authorities as well as deposit insurers.

Green and sustainable banking



- Development of Phase 2B of the Hong Kong Taxonomy for Sustainable Finance is in good progress. Phase 2B aims to introduce more green and transition activities and expand on climate change adaptation-related measures
- Carrying out industry engagement and other preparatory work to align disclosure requirements for the banking sector with international standards
- Conducted a second round of industry consultation on transition planning guidelines, aiming to finalise them within 2026

59

- Following the publication of Phase 2A of the Hong Kong Taxonomy for Sustainable Finance in January 2026, the HKMA has commenced development of Phase 2B, which aims to introduce more green and transition activities and expand on climate change adaptation-related measures. Development of Phase 2B is in good progress. The HKMA will continue to consult with a broad range of stakeholders in order to facilitate the region's transition to a low carbon economy.
- Following the launch of the Roadmap on Sustainability Disclosure in Hong Kong by the Government in December 2024, the HKMA has been working towards aligning the local sustainability disclosure requirements for the banking sector with international frameworks and standards, including the International Financial Reporting Standards – Sustainability Disclosure Standards (i.e. ISSB Standards) and the Basel Committee on Banking Supervision's disclosure framework for climate-related financial risks. The HKMA has been undertaking industry engagement to analyse the sustainability disclosure landscape, understand key challenges and identify sound practices of the industry, to inform the policy formulation process.
- The HKMA completed the first industry consultation on a set of draft transition planning guidelines in 2025 and launched a second round of industry consultation, which ended in February 2026. We are analysing the feedback received and aim to finalise the guidelines within 2026, with a view to assisting banks in addressing the economy's net-zero transition and managing the associated risks more properly.

Financial inclusion



- Working closely with the industry association to oversee the implementation of two industry guidelines promoting elderly-friendly and barrier-free banking services
- Facilitating exchanges with the industry on bank account opening and maintenance

60

- Following the issuance of two industry guidelines on 21 January 2026, including the Guideline on Elderly-friendly Banking Services, and the Second Edition of the Practical Guideline on Barrier-free Banking Services, the HKMA has been working closely with the Hong Kong Association of Banks to monitor the implementation of the recommended measures by the banking industry.
- The HKMA continues to facilitate exchanges with the industry on bank account opening and maintenance matters, to improve understanding of issues of common interest. The HKMA is also working closely with the banking industry on bank account services for individuals assessed as presenting higher risks, with a view to enhancing customer experience in accessing basic banking services in Hong Kong.

Banking consumer protection (1)



- Promoting Money Safe (MS) with the banking industry
- Conducting an industry consultation on a proposed approach for handling customer claims for losses arising from authorized payment scams
- Expanded the Payment Arrangements for Property Transactions (PAPT) to cover the sale and purchase of residential properties in the secondary market of Hong Kong

61

- All retail banks (including digital banks) have fully launched MS by the end of 2025. To enhance public awareness and to encourage the public to make good use of this anti-scam tool to protect themselves, the HKMA and the banking industry will collaborate to actively promote MS in 2026, including launching a promotional TV clip, poster, and leaflet on MS and promoting them through banks' and other stakeholders' networks.
- In the fourth quarter of 2025, the HKMA launched an industry consultation on the proposed approach for handling customer claims for losses arising from authorized payment scams, and is reviewing comments received from the Hong Kong Association of Banks (HKAB). The HKMA will continue engaging the banking industry to develop a reasonable and balanced approach.
- The HKMA and HKAB, together with The Law Society of Hong Kong and the Estate Agents Authority, jointly announced the expansion of the PAPT to cover the sale and purchase of residential properties in the secondary market of Hong Kong, effective from 28 February 2026. Under PAPT, the buyer's mortgage loan proceeds will be transferred to the seller's bank through the interbank electronic payment system, enabling the seller to receive the sale proceeds on the completion day at the earliest. Compared to the conventional payment method, PAPT is a faster and safer option.

Banking consumer protection (2)



- Conducted an industry consultation on the cross-sector reference checking arrangement between the banking and insurance sectors
- Supporting the Financial Services and the Treasury Bureau (FSTB) in enhancing regulation of money lenders
- Issued guiding principles on consumer protection in respect of the use of alternative data in banking operations

62

- Following the implementation of Phase 2 of the Mandatory Reference Checking Scheme in September 2025, the HKMA is now collaborating with the Insurance Authority to take forward a cross-sector reference checking arrangement between the banking and insurance sectors, expected to be implemented in 2026. In February 2026, the HKMA commenced an industry consultation on the proposed arrangement.
- The HKMA supported the FSTB's recommendations to enhance regulation of licensed money lenders. The FSTB issued its consultation conclusions on 13 March 2026, which included requirements for all money lenders engaged in unsecured personal loans to contribute data to Credit Data Smart (CDS), and for money lenders of a certain size or engaged in certain businesses to participate in the CDS. The HKMA and the FSTB will work closely together to take forward the implementation.
- The HKMA issued a circular on consumer protection in respect of use of alternative data in banking operations on 26 March 2026, to protect consumers whilst driving innovation, focusing on (i) governance and accountability; (ii) transparency and consent management; (iii) data quality and fairness; and (iv) data privacy and protection.

Banking investor protection



- Reviewing details of the proposed requirements on remuneration structures of banks for the sale of participating policies with regular payment terms
- Conducting an industry consultation on updating investor protection measures for digital asset-related activities

63

- The HKMA consulted the banking industry in October 2025 on the proposed requirements on the remuneration structures of banks in relation to the sale of participating policies with regular payment terms. Taking into account the industry's feedback, the HKMA is reviewing relevant details of the requirements, and planning to further consult the industry in due course.
- In light of market and regulatory development in the digital assets sector including the implementation of the Stablecoins Ordinance on 1 August 2025, the HKMA has worked with the SFC to review and update the investor protection measures for digital asset-related activities. On 20 March 2026, the HKMA commenced an industry consultation on four circulars:
 - intermediaries' virtual asset-related activities;
 - authorized institutions' relevant stablecoin-related activities;
 - authorized institutions' provision of custodial services for digital assets; and
 - offering of financing for virtual asset dealing, shared order book, and client virtual asset withdrawals.

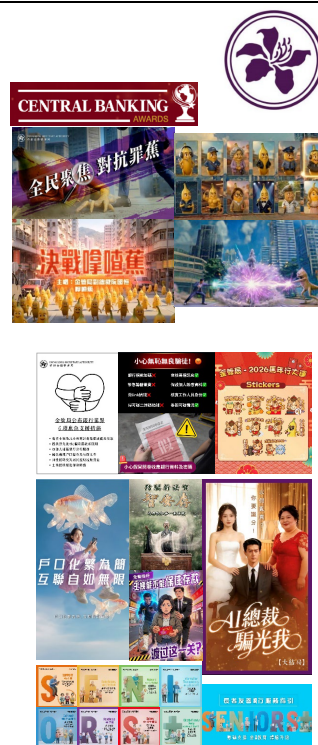
Supporting individuals affected by the Tai Po fire incident



- In support of the long-term housing arrangements for Wang Fuk Court (WFC) residents announced by the Government, the HKMA and the Hong Kong Association of Banks introduced three additional support measures in early March 2026 to assist the affected residents:
 - Extend the repayment grace period for various loans by another six months to the end of November 2026
 - Assist the WFC mortgage households with mortgage arrangements under different housing options
 - Establish a multi-party communication mechanism to understand the needs of the WFC mortgage households and provide appropriate assistance to each individual mortgage case

Public education and social media

- Under the theme “Unite to Fight Scams”, a music video titled “Confronting Lachachu” was launched. It has recorded over 5.7 million views in the first two weeks since its launch. Cross-media promotion is being rolled out to maximise the publicity impact. Besides, our previous anti-scam public education initiatives have received the “Central Banking Awards 2026 – Communications Initiative”
- Promoted HKMA’s banking initiatives such as Money Safe, and enhanced elderly-friendly, barrier-free banking services, through disseminating content tailored to resonate with audiences across different age groups
- Publicised support measures for individuals affected by the Tai Po fire incident and issued anti-scam alerts to warn the public against fraudulent donation schemes and support-related scams
- Leveraged artificial intelligence-generated multimedia content to enhance engagement, including a short-drama Reel and comic series promoting anti-scam messages, and a cinematic video promoting Interbank Account Data Sharing (IADS)





Financial Infrastructure

Financial infrastructure: overview



Real Time Gross Settlement (RTGS) Systems

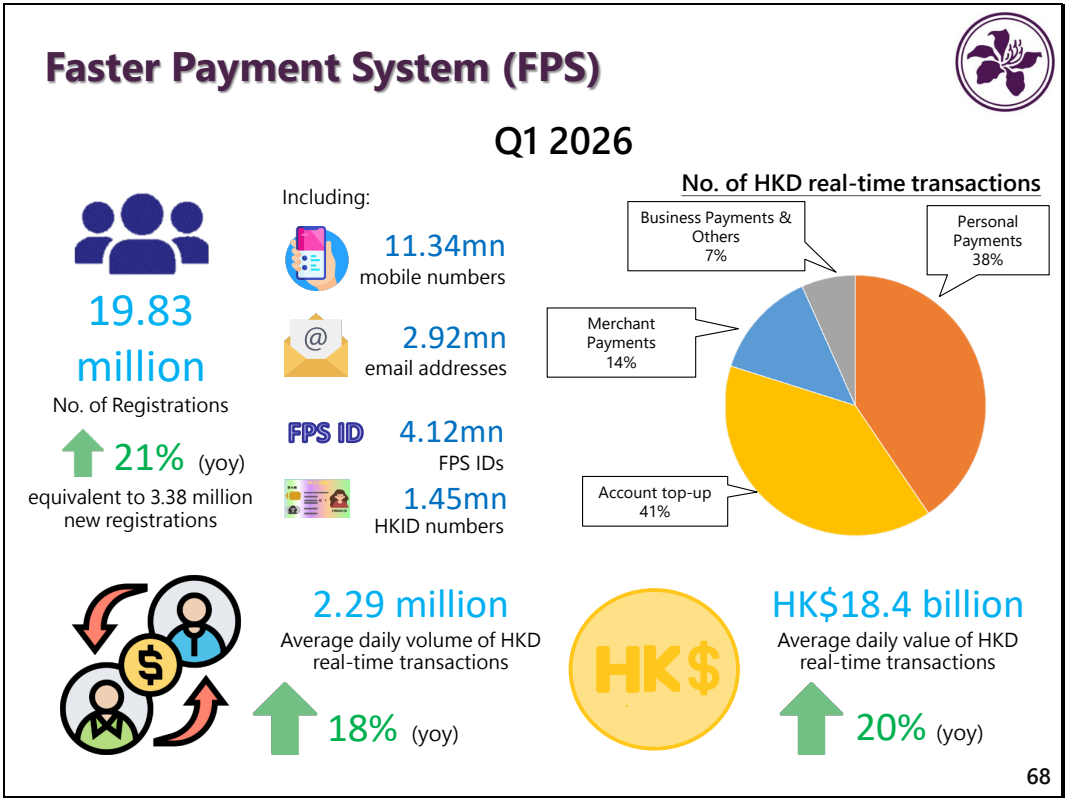
- Average daily turnover of the four RTGS Systems in Q1 2026 was HK\$1.59 trillion (record high), RMB2.61 trillion, US\$98.0 billion and €1.0 billion, respectively

Central Moneymarkets Unit (CMU)

- Providing settlement and custodian services for debt securities; by end-March 2026, total outstanding debt securities safekept by CMU reached about HK\$5.2 trillion equivalent, of which HK\$4.3 trillion equivalent were lodged with CMU
- Supporting Bond Connect (Q1 2026)
 - For Northbound Trading: settlement volume reached RMB2.9 trillion
 - For Southbound Trading: settlement volume reached RMB208.2 billion

Hong Kong Trade Repository

- Collecting over-the-counter derivatives transaction information and providing them to regulatory authorities; by end-March 2026, the number of outstanding transactions reached 6.90 million



- The usage of the FPS has expanded gradually to merchant payments and top-up transactions from primarily P2P transactions previously.

Development of Central Moneymarkets Unit (CMU)



- To help Hong Kong grasp the opportunities from the continued opening up of the Chinese Mainland financial markets, the CMU has launched and planned for initiatives on various fronts :
 - Develop post-trade equity servicing capabilities
 - Deepen strategic collaboration with the Hong Kong Exchanges and Clearing Limited (HKEX)
 - Build linkage connectivity with other central securities depositories
 - Establish Digital Asset Platform
 - Enhance CMU Platform with strengthened system capabilities and functionalities, esp. collateral management

69

- CMU OmniClear Limited (CMU OmniClear) is actively developing equity servicing capabilities, with the goal of offering one-stop services that facilitate market participants in managing diversified asset portfolios, including bonds and stocks.
- CMU OmniClear and the HKEX have commenced a study on the establishment of a one-stop multi-asset class post-trade securities infrastructure to cover Mainland and Hong Kong equity and debt securities. This will facilitate cross-product and cross-boundary collateral connectivity, enhancing market liquidity and risk management.
- The Central Bank of the United Arab Emirates became a CMU Member in February 2026. Meanwhile, CMU is establishing linkage with SIX of Switzerland. These will support outbound investment by Chinese Mainland investors, while facilitating direct access to the Chinese Mainland and Hong Kong bond markets by overseas investors through CMU.
- CMU OmniClear will establish a Digital Asset Platform this year. It will support the issuance and settlement of digital bonds. The platform will also be gradually extended to other digital assets and linked with other tokenisation platforms in the region.
- CMU OmniClear plans to launch CMU New Platform in 2027 with strengthened system capabilities and more comprehensive collateral management functionalities, facilitating users' liquidity management.

Latest fintech initiatives (1)



Fintech 2030

- Focusing on four strategic pillars, namely Data and Payment; Artificial Intelligence; Resilience; and Tokenisation, with a comprehensive portfolio of over 40 initiatives

Tokenisation

- Project Ensemble: Launched Ensemble^{TX} and announced the commencement of the project's pilot phase in November 2025, enabling real-value transactions involving tokenised deposits and digital assets

70

Fintech 2030

- Building on the momentum of “Fintech 2025”, “Fintech 2030” focuses on four strategic pillars, collectively known as “DART”, with a comprehensive portfolio of over 40 initiatives:
 - Creating Next-generation **D**ata and Payment Infrastructure
 - A New Holistic **A**rtificial Intelligence Strategy
 - Enhancing Business, Technology and Quantum **R**esilience
 - **T**okenisation of Finance

Project Ensemble

- Project Ensemble aims to explore the broader application of tokenisation in finance, bringing together leading experts and industry pioneers to collaboratively design and implement a robust tokenisation ecosystem for Hong Kong. It also explores innovative financial market infrastructure that will facilitate seamless interbank settlement of tokenised money.
- Since August 2024, the HKMA has been operating the Ensemble Sandbox, allowing industry participants to test end-to-end tokenisation use cases using experimental tokenised deposits. These experimental use cases covered four key areas: Fixed income and investment funds; Liquidity management; Green and sustainable finance; and Trade and supply chain finance.
- Building on the successful experimentation stage, the HKMA launched the Ensemble^{TX} in November 2025, i.e. the pilot phase of Project Ensemble, enabling participating banks and industry players to carry out real-value transactions in tokenised HKD deposits and digital assets within a controlled pilot environment.
- The Ensemble^{TX} pilot environment will be progressively upgraded and enhanced to support settlement of tokenised deposits in tokenised central bank money on a 24/7 basis. In parallel, the HKMA will continue to collaborate closely with the industry to advance the practical applications of tokenisation technology across a diverse set of asset classes, use cases, and sectors within the financial industry.

Latest fintech initiatives (2)



Commercial Data Interchange (CDI)

- Since its official launch, CDI has facilitated more than 95,000 loan applications and reviews, with an estimated credit approval amount exceeding HK\$76.7 billion as of end-March 2026
- In collaboration with relevant Government agencies and industry stakeholders, the HKMA is actively advancing the implementation of the Project Cargo^x recommendations and roadmap published in January 2026, leveraging CDI to further enhance cargo and trade data connectivity. Near-term goals include:
 - Aiming to complete the basic technical connection between CDI and key cargo and trade data platforms within the coming 12 months
 - Commencing a series of Proof-of-Concept projects with banks, including a study on SME trade account cash flow data

Stored value facilities (SVFs)

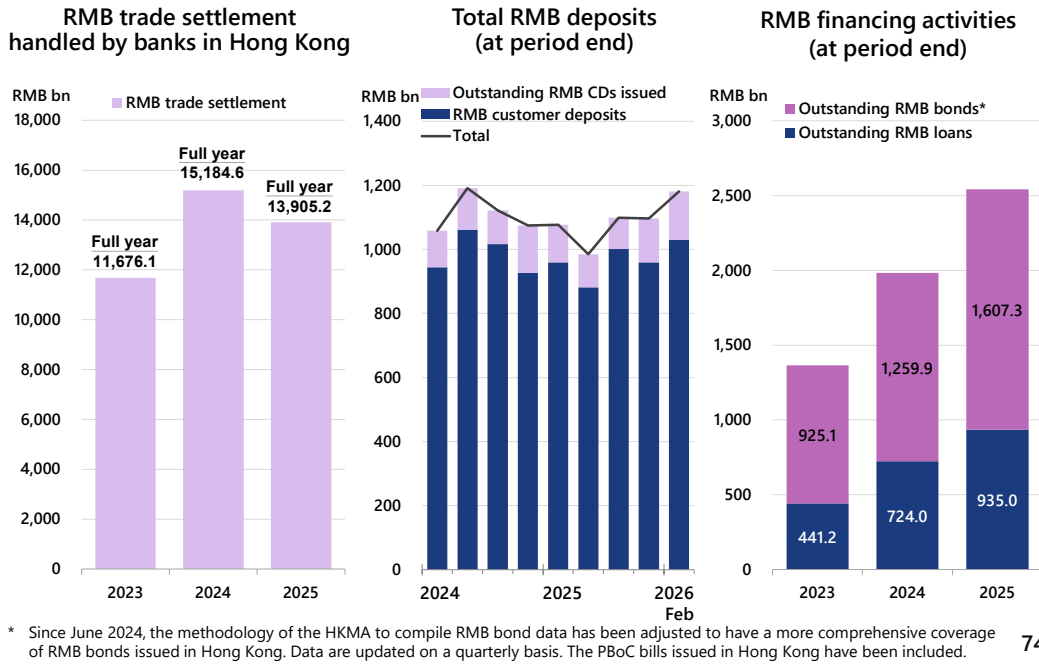


- SVF usage in Q4 2025:
 - Average daily transaction number: 24.78 million
 - Average daily transaction value: HK\$2,961 million



Hong Kong as an International Financial Centre

Hong Kong as offshore RMB business hub: Various types of business remained active



- As at end-February 2026, RMB customer deposits and outstanding RMB certificates of deposit (CDs) amounted to RMB1,029.3 billion and RMB151.8 billion respectively, totalling RMB1,181.0 billion.

Connectivity with the Mainland financial market (1)



- Northbound Trading under Bond Connect grew steadily. In the first quarter of 2026, average daily turnover amounted to RMB50.4 billion (9% year-on-year growth)
- The implementation of the Cross-boundary Wealth Management Connect Scheme (WMC) is progressing smoothly with positive market response. By the end of March 2026, around 179,900 GBA residents have opened cross-boundary WMC accounts, including around 124,800 Southbound investors and around 55,100 Northbound investors

Connectivity with the Mainland financial market (2)



- The RMB Business Facility (RBF) has received overwhelming response from banks since its launch in October 2025, with the RMB100 billion aggregate quota fully allocated to 40 participating banks, and usage of the facility has continued to increase. The RBF has not only served corporates in Hong Kong but has also successfully channelled offshore RMB funds to regions such as the ASEAN countries, the Middle East and Europe
- Given the positive feedback from banks and the smooth operation of the facility, along with the strong support of the People's Bank of China, the total size of the RBF was doubled to RMB200 billion in February 2026. The HKMA has since received applications for additional quotas from multiple participating banks that are approaching the cap of their quotas, and some non-participating banks have expressed interest in joining the RBF. The HKMA will consider the allocation of quotas in accordance with established practice

Developing the asset and wealth management industry



- Hong Kong's private equity industry has remained robust, with approximately US\$231 billion* of total capital under management as at end-December 2025. Take-up of the limited partnership fund regime continued to increase — 1,602 funds had been established as at end-March 2026
- To enhance Hong Kong's status as an international asset and wealth management hub, the HKMA is working with Government agencies and financial regulators on various initiatives, including reviewing the existing tax concession measures applicable to funds, single family offices and carried interest. The plan is to submit the legislative proposal to the Legislative Council for deliberation in the first half of 2026. If approved, the relevant measures will take effect from the year of assessment 2025-26

Supply chain finance and corporate treasury business



- In collaboration with Government agencies and other stakeholders, the HKMA is working to enhance the competitiveness of Hong Kong's financial industry amid global supply chain reconfiguration. Specific measures include:
 - Embracing digital trade: The HKMA is participating in the Government's legislative amendment exercise to facilitate digitalisation of "Business-to-Business" trade documents. Our industry consultation concluded in March 2026, and a legislative proposal is expected to be submitted to the Legislative Council later this year. Meanwhile, through Project Cargo^x, the HKMA aims to enhance the digital ecosystem for trade finance by leveraging cargo and trade data
 - Encouraging corporates to set up treasury centres in Hong Kong: The HKMA and Government agencies are studying policy enhancements including additional tax incentives. The enhancements are expected to be announced in mid-2026

Developing the bond market (1)



- Hong Kong is the leading bond issuance centre in Asia. According to the International Capital Market Association, Hong Kong has been, for the ninth time over the last decade, the largest arranging hub for international bond issuances in Asia. In 2025, Hong Kong captured around 25% of the regional total
- In September 2025, the Securities and Futures Commission (SFC) and the HKMA jointly published the “Roadmap for the Development of Fixed Income and Currency (FIC) Markets” to position Hong Kong as a global FIC hub. The Roadmap outlines key initiatives across four pillars, including boosting issuance in the primary market, enhancing liquidity in the secondary market, expanding offshore RMB business, and building next-generation infrastructure. The HKMA is implementing the Roadmap initiatives in collaboration with relevant stakeholders
- The HKMA, the SFC, HKEX, and Bond Connect Company Limited will jointly organise the upcoming Hong Kong FIC & Bond Connect Summit, set to be held on 7 July 2026

Developing the bond market (2)



- Building on the three landmark tokenised government bond issuances since 2023 including the world's largest digital bond issuance in November 2025, the HKMA will continue to assist the Government to issue tokenised bonds regularly to provide the market with a steady supply of high quality issuances
- The HKMA has continued to promote the broader adoption of tokenisation technology in capital markets, through encouraging digital bond issuances via the Digital Bond Grant Scheme, exploring secondary market use cases for digital bonds, and working with the Government to identify potential enhancements to the current legal regime. For example, as one of the enhancements announced in the 2026-27 Budget, the Government will provide guidelines to clarify that registers of debenture holders can be kept in the form of a distributed ledger. Details will be announced in the first half of 2026

Developing the bond market (3)



- The HKMA is supporting the Government in implementing the bond issuance plan set out in the 2026-27 Budget, including issuing around HK\$160 billion worth of bonds under the Infrastructure Bond Programme and Government Sustainable Bond Programme in 2026-27, and raising the combined borrowing ceiling of the two bond programmes to HK\$900 billion

Promoting green and sustainable finance (1)



- Total green and sustainable debt instruments issued in Hong Kong exceeded US\$76 billion in 2025*, of which the volume of green and sustainable bonds arranged in Hong Kong amounted to US\$37.7 billion, capturing 40% of the Asian market
- The HKMA continues to administer and promote the Green and Sustainable Finance (GSF) Grant Scheme to attract more green and sustainable financing activities to Hong Kong. The scheme has been well received by the market. As of early April 2026, it has provided financial support for over 680 green and sustainable debt instruments issued in Hong Kong, with a total underlying issuance volume of over US\$190 billion
- In response to recent market developments and industry feedback, the Scheme was refined in April 2026 to: (i) incentivise larger-scale bond issuance in Hong Kong, (ii) further promote the competitiveness of Hong Kong's GSF ecosystem, and (iii) enhance support for new entrants to the GSF market and emerging areas, such as transition finance

* Source: HKMA staff estimates based on statistics from ICMA and LoanConnector

Promoting green and sustainable finance (2)



- Through active participation in the Green and Sustainable Finance Cross-Agency Steering Group (CASG), the HKMA promotes the development of the sustainable finance market. 2026-28 priorities include developing Hong Kong's strengths in the emerging areas of transition and adaptation finance, while reinforcing the groundwork for sustainability disclosure and sustainable finance markets
- Raising Hong Kong's profile as a sustainable finance and knowledge hub
 - Co-ordinating the third edition of Hong Kong Green Week on 7–11 September 2026. Themed "Future-proofing Sustainable Growth", the event this year will revolve around six key thematic areas, including inclusive transition, climate adaptation and resilience, green technology, etc.

83

- The CASG aims to co-ordinate the management of climate and environmental risks to the financial sector, accelerate the growth of green and sustainable finance in Hong Kong and support the Government's climate strategies. Members include the Accounting and Financial Reporting Council, the Financial Services and the Treasury Bureau, the Environment and Ecology Bureau, the Hong Kong Exchanges and Clearing Limited, the Insurance Authority, and the Mandatory Provident Fund Schemes Authority.

Outreach and hosting of international meetings



- In 2026, the HKMA plans to further strengthen bilateral co-operation with the central banks in key Southeast Asian markets such as Indonesia and Thailand, with a view to harnessing industry-wide efforts in support of the Mainland's "going global" strategy
- Building on the established bilateral meeting mechanism, the third bilateral meeting with the Central Bank of the UAE (CBUAE) was held in February 2026, with CBUAE formally joining as a member of the Central Moneymarkets Unit (CMU)
- Preparations are under way for the fifth Global Financial Leaders' Investment Summit, to be held on 2–4 November 2026

Digital assets and stablecoins



- The Stablecoins Ordinance, which provides a licensing regime for fiat-referenced stablecoins issuers in Hong Kong, came into effect on 1 August 2025. The regime further enhances Hong Kong's regulatory framework for digital assets, thereby fostering financial stability and encouraging financial innovation
- The HKMA has completed processing the first batch of licence applications and granted two licences
- Before their formal business launch, licensees are required to finalise operational arrangements such as system testing, implementation of risk management measures, and manpower deployment. We will actively follow up on the progress to ensure that licensees commence businesses in compliance with the rules and in an orderly manner

Hong Kong Academy of Finance (AoF)



- **Financial leadership development:** High-level events were held, bringing together experts, scholars and financial professionals from international and local institutions to discuss global economic and financial topics, including:
 - 20 April 2026: Joint conference with Centre for Economic Policy Research on Green Finance
 - 16 April 2026: Distinguished Speaker Series Seminar featuring Mike Gitlin, President and CEO of Capital Group
 - 19 March 2026: Expert Speakers Series Seminar featuring Professor Huang Yiping, Dean of the National School of Development of Peking University
- **Financial Leaders Programme:** The 2026 programme has commenced, with 22 senior executives from across the financial industry joining as participants
- **Research and knowledge exchange activities:** The Hong Kong Institute for Monetary and Financial Research (HKIMR) published an applied research report in March 2026 on Hong Kong's family office ecosystem, followed by another report on transition finance in April. The HKIMR also released four papers on monetary and financial research topics in the past months



Investment Environment and Performance of the Exchange Fund

87

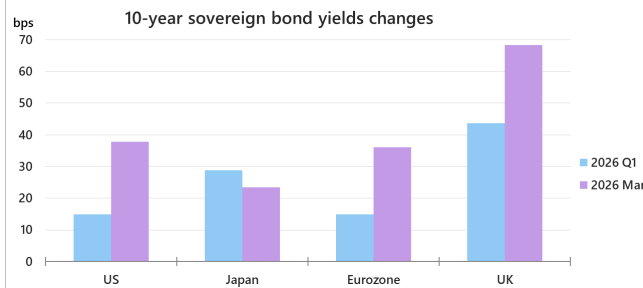
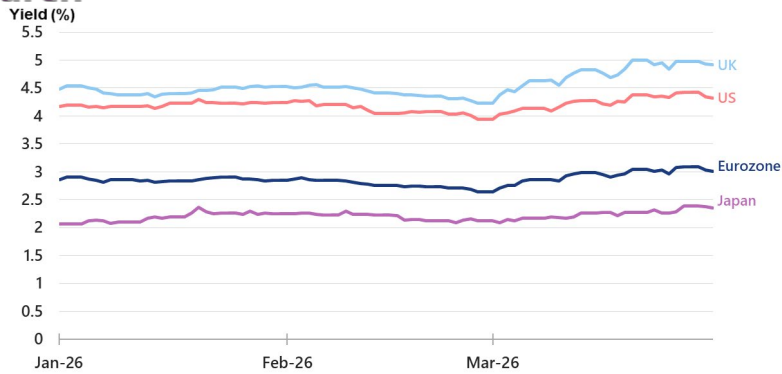
Global financial markets experienced significant volatility in Q1 2026



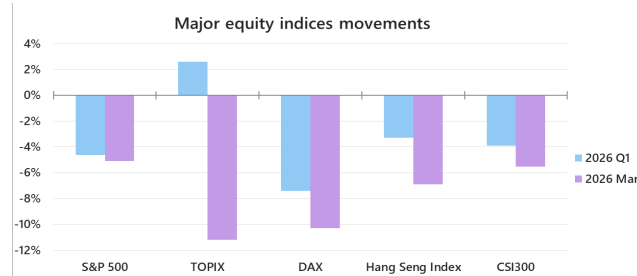
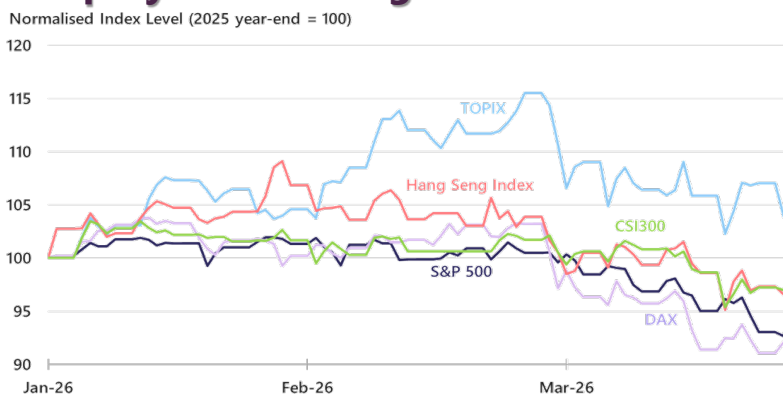
- While the global financial markets generally edged higher in the first two months, tensions in the Middle East in March led to a surge in energy prices, supply chain disruptions and increased inflation concerns, prompting a reassessment of the interest rate outlook in major economies
- **Interest rates:** US Fed kept its policy rate unchanged during the quarter. Government bond yields in major markets rose in March. 10-year US Treasury yield increased to around 4.3% by quarter-end, while 10-year government bond yields in UK and Japan climbed to multi-year highs
- **Equity markets:** Global equity markets generally softened in March. S&P 500 Index declined by 4.6% for the quarter. Equity markets in the Chinese Mainland and Hong Kong also recorded declines amid external uncertainties
- **Exchange rates:** US dollar exchange rate was volatile during the quarter. Supported by safe-haven demand in March, the US Dollar Index rose by over 2% during the month. The renminbi, on the other hand, appreciated against US dollar

88

Major 10-year sovereign bond yields increased in March



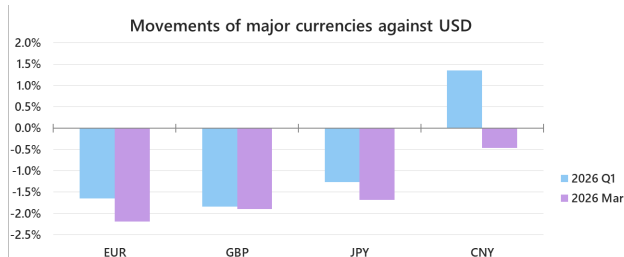
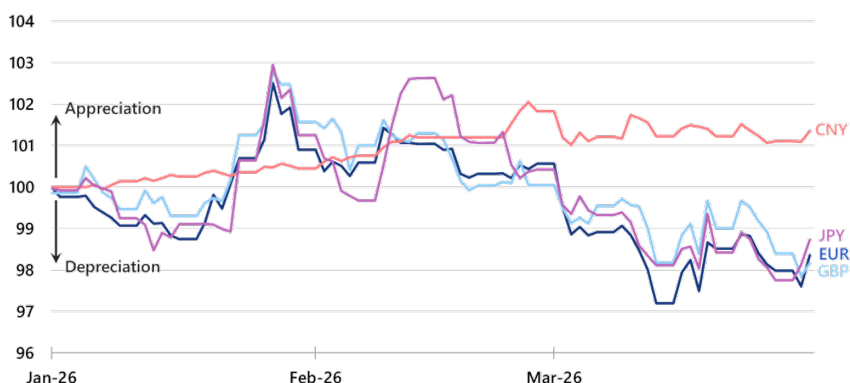
Major equity markets began to decline in March



Major currencies exhibited volatility against USD



Normalised FX Level Against USD (2025 year-end=100)



91

Investment Income



	2026	2025	2024	2023
	(unaudited)			
(HK\$ billion)	Q1	Full year	Full year	Full year
Bonds	24.6	142.7	135.9	144.7
Hong Kong equities*	(5.0)	33.9	21.8	(15.5)
Other equities	(11.0)	74.8	69.1	73.6
Foreign exchange#	25.9	38.5	(35.6)	(0.5)
Other investments@	-	47.5	27.6	23.7
Investment income	34.5	337.4	218.8	226.0

* Excluding valuation changes of the Strategic Portfolio.

This is primarily the effect of translating foreign currency assets into Hong Kong dollar after deducting the portion for currency hedging.

@ Including valuation changes of private equity and real asset investments held under the Long-Term Growth Portfolio. Valuation changes of these investments for the first quarter of 2026 are not yet available.

92

Income and Expenditure



	2026	2025	2024	2023
	(unaudited)			
(HK\$ billion)	Q1	Full year	Full year	Full year
Investment income	34.5	337.4	218.8	226.0
Other income	-	0.2	0.2	0.2
Interest and other expenses	<u>(10.0)</u>	<u>(44.2)</u>	<u>(63.1)</u>	<u>(54.5)</u>
Net income	24.5	293.4	155.9	171.7
Fee payment to Fiscal Reserves				
– Operating and Capital Reserves*	(5.8)	(16.5)	(13.2)	(17.5)
– Future Fund	- #	(21.3)	(16.2)	(18.0)
Fee payment to HKSAR Government funds and statutory bodies*	(2.9)	(14.7)	(15.7)	(16.5)

* The rate of fee payment is 4.8% for 2026, 4.4% for 2025, 3.7% for 2024 and 3.7% for 2023.

The 2026 fee payment to the Future Fund will be published when the composite rate for 2026 is available. (The composite rate was 7.0% for 2025, 3.9% for 2024 and 4.8% for 2023.)

93

Exchange Fund Abridged Balance Sheet



(HK\$ billion)	At 31 Mar 2026 (unaudited)	At 31 Dec 2025	At 31 Dec 2024	At 31 Dec 2023
ASSETS				
Deposits	433.5	429.5	332.9	345.6
Debt securities	2,950.2	2,864.3	2,825.0	2,798.6
Hong Kong equities*	163.8	171.1	133.0	125.0
Other equities	414.3	424.0	441.0	485.3
Other assets [†]	<u>380.5</u>	<u>272.3</u>	<u>349.1</u>	<u>262.0</u>
Total assets	4,342.3	4,161.2	4,081.0	4,016.5
	=====	=====	=====	=====
LIABILITIES AND EQUITY				
Certificates of Indebtedness	656.7	635.0	598.9	593.2
Government-issued currency notes and coins in circulation	13.2	13.0	13.0	12.9
Balance of the banking system	53.8	57.0	44.8	45.0
Exchange Fund Bills and Notes issued	1,433.6	1,335.1	1,383.7	1,244.5
Placements by banks and other financial institutions	124.7	71.7	72.1	99.1
Placements by Fiscal Reserves [‡]	661.0	688.9	669.7	695.4
Placements by HKSAR Government funds and statutory bodies	232.8	273.8	391.1	468.7
Placements by subsidiaries	67.9	67.3	45.7	31.2
Other liabilities	<u>152.3</u>	<u>82.1</u>	<u>127.1</u>	<u>179.5</u>
Total liabilities	3,396.0	3,223.9	3,346.1	3,369.5
Accumulated surplus	945.0	936.0	734.0	646.1
Revaluation reserve	<u>1.3</u>	<u>1.3</u>	<u>0.9</u>	<u>0.9</u>
Total equity	946.3	937.3	734.9	647.0
Total liabilities and equity	4,342.3	4,161.2	4,081.0	4,016.5
	=====	=====	=====	=====

* Including shares of the Hong Kong Exchanges and Clearing Limited in the Strategic Portfolio.

[†] Including fund injection to Exchange Fund's investment holding subsidiaries at a carrying amount of HK\$191.4 billion at 31 March 2026 (HK\$193.0 billion at 31 December 2025, HK\$202.7 billion at 31 December 2024 and HK\$203.9 billion at 31 December 2023).

[‡] Including placements by the Future Fund of HK\$231.4 billion at 31 March 2026 (HK\$235.1 billion at 31 December 2025, HK\$245.8 billion at 31 December 2024 and HK\$299.4 billion at 31 December 2023).

94



Historical Investment Income

(HK\$ billion)

Year	Full Year	Q4	Q3	Q2	Q1
2007*	142.2	33.4	61.8	26.3	20.7
2008*	(75.0)	8.3	(48.3)	(20.4)	(14.6)
2009*#	107.7	10.6	71.9	58.7	(33.5)
2010*#	79.4	5.9	74.5	(12.1)	11.1
2011*#	27.1	22.1	(41.4)	21.6	24.8
2012*#	111.6	30.3	42.4	(5.6)	44.5
2013*#	81.2	30.7	54.7	(23.3)	19.1
2014*#	44.7	6.1	(17.8)	43.3	13.1
2015*#	(15.8)	21.0	(63.8)	18.7	8.3
2016*#	68.1	(23.3)	47.1	18.9	25.4
2017*#	264.0	66.0	61.8	71.3	64.9
2018*#	10.9	(33.6)	9.5	0.0	35.0
2019*#	262.2	60.3	23.5	45.0	133.4
2020*#	235.8	145.0	81.2	121.6	(112.0)
2021*#	191.9	48.2	4.0	88.4	51.3
2022*#	(205.4)	73.4	(113.4)	(116.6)	(48.8)
2023*#	226.0	120.1	(10.5)	8.4	108.0
2024*#	218.8	(20.3)	129.0	47.8	62.3
2025*#	337.4	52.6	70.8	134.8	79.2
2026* (unaudited)	N/A	N/A	N/A	N/A	34.5

* Excluding valuation changes of the Strategic Portfolio.

Including valuation changes of private equity and real asset investments held under the LTGP.

95



The Hong Kong Mortgage Corporation Limited

96

Mortgage Insurance Programme



	Since launch	2025	2025 (Jan – Mar)	2026 (Jan – Mar)
Applications approved	521,875	15,766	3,958	3,459

* Since the HKMA has further adjusted its countercyclical macroprudential measures in 2024, more homebuyers could get mortgage loans with higher loan-to-value ratio from banks, the demand for the MIP correspondingly decreased

97

SME Financing Guarantee Scheme and Dedicated 100% Loan Guarantee Schemes (DLGS)



	Since launch	2025	2025 (Jan – Mar)	2026 (Jan – Mar)
80% and 90% Guarantee Products:				
Applications approved	49,409	5,815	1,631	1,330
Loan amount (HK\$ billion)	161.7	13.5	3.6	3.3
DLGS for Battery Electric Taxis:				
Applications approved	756	534	129	117
Loan amount (HK\$ billion)	0.25	0.17	0.04	0.04

98

Reverse Mortgage Programme



	Since launch	2025	2025 (Jan – Mar)	2026 (Jan – Mar)
Applications approved	9,036	937	250	175

Key statistics of the applications received (as of 31 Mar 2026):

Number of applications	9,124
Average age of borrowers	69 years old
Average monthly payout	HK\$15,700
Payment terms	10-year (20.7%); 15-year (13.9%); 20-year (11.3%); life (54.1%)
Average property value	HK\$5.5 million
Average property age	32 years

99

HKMC Annuity Limited



Provisional business results:

	Since launch	2025	2025 (Jan – Mar)	2026 (Jan – Mar)
No. of policies	48,982	16,535	7,107	1,878
Total premium amount (HK\$ billion)	29.0	9.0	2.8	1.5
Average premium amount (HK\$)	590,000	610,000*	530,000*	800,000

* Adjusted for the split policy impact of the payout enhancement campaign launched in 2024

Note: The year-on-year sales in Q1 2026 was modest, primarily due to the high base effect from the strong performance which was driven by a customer offer campaign launched earlier. Excluding this factor, Q1 2026 sales performance was stronger than the same period in 2024 and prior years.

100