Deposit Protection Scheme Fund – Statement of Comprehensive Income

For the year ended 31 March 2026

	Notes	2026 HK$	2025 HK$
Income			
Contributions		**842,327,418**	383,410,235
Interest income from cash and balances with banks and the Exchange Fund		**50,332,164**	98,960,355
Interest income from financial assets measured at amortised cost	5	**197,116,903**	183,290,147
Exchange gains/(losses)		**24,993,193**	(9,738,786)
Other income		**55,041**	60,001
		1,114,824,719	655,981,952
Expenditure			
Staff costs	6	**13,293,346**	12,568,080
Premises costs		**388,739**	386,470
Depreciation and amortisation		**5,045,610**	3,619,117
Office supplies		**47,792**	109,980
Overseas travel		**44,147**	34,212
Transport and travelling		**2,071**	–
Operating expenses reimbursable to the HKMA	11	**25,632,320**	25,617,675
Hire of services		**11,516,430**	9,194,839
Auditor's remuneration		**126,000**	122,000
Interest expenses on lease liabilities	10	**109,744**	152,913
Communications		**49,734**	51,288
Publicity and printing		**12,283,462**	12,676,427
Other expenses		**2,783,386**	3,160,121
		71,322,781	67,693,122
Surplus for the year		**1,043,501,938**	588,288,830
Total comprehensive income for the year		**1,043,501,938**	588,288,830

The notes on pages 43 to 65 form part of this statement of accounts.

Deposit Protection Scheme Fund – Balance Sheet

As at 31 March 2026

	Notes	2026 HK$	2025 HK$
Non-current assets			
Fixed assets	7	**9,021,746**	12,574,507
Intangible assets	8	**5,369,546**	5,002,663
Financial assets measured at amortised cost	5	**2,304,036,501**	1,322,154,487
		2,318,427,793	1,339,731,657
Current assets			
Other receivables	9	**3,110,063**	2,506,404
Financial assets measured at amortised cost	5	**3,600,617,900**	3,565,157,552
Cash and balances with banks and the Exchange Fund		**2,955,660,721**	2,900,345,784
		6,559,388,684	6,468,009,740
Current liabilities			
Contributions received in advance		**656,219,282**	627,556,065
Other liabilities	10	**29,737,399**	30,696,630
		685,956,681	658,252,695
Net current assets		**5,873,432,003**	5,809,757,045
Non-current liabilities			
Other liabilities	10	**1,077,688**	2,208,532
Net assets		**8,190,782,108**	7,147,280,170
Represented by			
Accumulated surplus		**8,190,782,108**	7,147,280,170
		8,190,782,108	7,147,280,170

Approved and authorised for issue by the Hong Kong Deposit Protection Board on 22 June 2026.

Lau Yin-hing, Connie
Chairman

The notes on pages 43 to 65 form part of this statement of accounts.

Deposit Protection Scheme Fund – Statement of Changes in Equity

For the year ended 31 March 2026

	Total HK$
At 1 April 2024	6,558,991,340
Surplus for the year	588,288,830
Fund balance as at 31 March 2025	7,147,280,170
At 1 April 2025	7,147,280,170
Surplus for the year	1,043,501,938
Fund balance as at 31 March 2026	8,190,782,108

The notes on pages 43 to 65 form part of this statement of accounts.

Deposit Protection Scheme Fund – Statement of Cash Flows

For the year ended 31 March 2026

	2026 HK$	2025 HK$
Operating activities		
Surplus for the year	**1,043,501,938**	588,288,830
Interest income	**(247,449,067)**	(282,250,502)
Interest expenses on lease liabilities	**109,744**	152,913
Exchange (gains)/losses on financial assets measured at amortised cost	**(19,004,240)**	9,626,757
Depreciation and amortisation	**5,045,610**	3,619,117
Cash from operating surplus before changes in operating assets and liabilities	**782,203,985**	319,437,115
Changes in operating assets and liabilities		
Increase in other receivables	**(713,143)**	(326,769)
Increase in contributions received in advance	**28,663,217**	449,459,533
Decrease in other payables	**(1,004,187)**	(1,445,896)
Interest portion of lease payments	**(109,744)**	(152,913)
Net cash from operating activities	**809,040,128**	766,971,070
Investing activities		
Purchase of intangible assets	**(1,689,640)**	(3,191,750)
Purchase of fixed assets	**(170,092)**	(9,218,380)
Interest received	**217,441,199**	249,413,144
Purchase of financial assets measured at amortised cost	**(5,249,632,170)**	(3,053,256,369)
Proceeds from redemption of financial assets measured at amortised cost	**4,281,411,400**	3,340,000,000
Net cash (used in)/from investing activities	**(752,639,303)**	523,746,645
Financing activity		
Principal portion of lease payments	**(1.085.888)**	(1,042,719)
Net cash used in financing activity	**(1,085,888)**	(1,042,719)
Net increase in cash and cash equivalents	**55,314,937**	1,289,674,996
Cash and cash equivalents at 1 April	**2.900.345.784**	1,610,670,788
Cash and cash equivalents at 31 March	**2,955,660,721**	2,900,345,784
Analysis of balance of cash and cash equivalents		
Cash and balances with banks and the Exchange Fund	**2,955,660,721**	2,900,345,784

The notes on pages 43 to 65 form part of this statement of accounts.

Deposit Protection Scheme Fund – Notes to the Statement of Accounts

1 PURPOSE AND ACTIVITIES

The Deposit Protection Scheme Fund (the Fund) is established under the Deposit Protection Scheme Ordinance (the Ordinance) for the purpose of providing compensation to depositors under certain circumstances in respect of deposits maintained with banks that are members of the Deposit Protection Scheme (the Scheme or the DPS). On 1 October 2024, the protection limit was increased from HK$500,000 to HK$800,000 per depositor per bank. The Hong Kong Deposit Protection Board (the Board) manages the Fund in accordance with the provisions of the Ordinance. The Fund mainly consists of contributions collected from Scheme members and returns on investments of the Fund. Expenditure incurred in the establishment and maintenance of the Scheme, as well as the management and administration of the Fund are paid from the Fund.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of preparation

The statement of accounts of the Fund has been prepared in accordance with HKFRS Accounting Standards (which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), and accounting principles generally accepted in Hong Kong. The statement of accounts has been prepared under the historical cost convention.

For the purpose of preparation of the financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The preparation of statement of accounts in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies.

The Board makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions made in the preparation of these accounts do not have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(a) Basis of preparation *(continued)*

(i) New and amended standards adopted by the Fund

The Fund has adopted Amendments to HKAS 21, *Lack of Exchangeability*, for the first time in the current year's financial statements.

These amendments require the reporting entity to assess whether or not a currency is exchangeable into another currency, and to estimate the spot exchange rate and to disclose when it concludes that a currency is not exchangeable into another currency. The adoption of such amendments does not have any impact on the Fund's statement of accounts.

(ii) New and amended standards have been issued but are not effective for the financial year beginning 1 April 2025 and have not been early adopted

The Fund has not early applied any of the following amended standards which may be relevant to the Fund, that have been issued but are not yet effective.

Amendments to HKFRS9 and HKFRS7	*Amendments to the Classification and Measurement of Financial Instruments*[1]
Amendments to HKFRS Accounting Standards	*Annual Improvements to HKFRS Accounting Standards – Volume 11*[1]
HKFRS 18	*Presentation and Disclosure in Financial Statements*[2]

1 Effective for annual periods beginning on or after 1 January 2026
2 Effective for annual periods beginning on or after 1 January 2027

The Fund is in the process of finalising its assessment of what the potential impact of these new and amended standards upon initial application. Except for HKFRS 18, so far the Management's preliminary assessment indicates that the adoption of them is not expected to have a significant impact on the Fund's statement of accounts.

HKFRS 18: Presentation and Disclosure in Financial Statements

HKFRS 18, which replaces HKAS 1 "Presentation of Financial Statements", introduces new requirements for presentation of specified categories and subtotals in the income and expenditure account, aggregation and disaggregation of information, as well as disclosures related to management-defined performance measures. The Fund is yet to assess the full impact of the standard on its statement of accounts. The new standard is effective for annual periods beginning on or after 1 January 2027 and will be applied retrospectively with restatement of comparatives unless impracticable. At this stage, the Fund does not intend to adopt the standard before its effective date.

2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(b) Revenue recognition

Contributions and exemption fees are collected from Scheme members as specified in Schedule 4 to the Ordinance. They are accounted for on an accrual basis.

Contributions are calculated based on the amount of protected deposits and the respective supervisory rating of each non-exempted bank applicable at a specified date. Contributions are collected annually during each calendar year and the advance portion is presented as contributions received in advance in the balance sheet.

Interest income is recognised in the statement of comprehensive income using the effective interest method.

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

(c) Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the assets over their estimated useful lives as follows:

	Years
Computer hardware/software costs:	
• Servers	5
• Others, e.g. personal computers, printers and accessories	3
Office equipment, furniture and fixtures	5
Right-of-use assets arising from leases of premises	over the shorter of the lease terms and their estimated useful lives

Only items costing HK$10,000 or more are capitalised. Gains or losses arising from the disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income in the month of disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use.

2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(e) Intangible assets

Costs that are directly associated with the development of identifiable and unique systems controlled and used by the Fund, and that will probably generate economic benefit exceeding costs beyond 1 year, are recognised as intangible assets. Intangible assets include expenditures on development of the Payout System. Such expenditure is capitalised if the systems are technically and commercially feasible. The expenditure capitalised includes the direct labour and costs of materials. Intangible assets are stated at cost less accumulated amortisation and any impairment losses.

Amortisation of intangible assets with definite life is charged to the statement of comprehensive income on a straight-line basis over the assets' estimated useful life of 5 years.

(f) Leases

A lease is recognised in the balance sheet as a right-of-use asset with a corresponding lease liability at the lease commencement date, except that variable lease payments associated with short-term leases having a lease term of 12 months or less and leases of low-value assets are charged to the income and expenditure account on a straight-line basis over the lease term.

A right-of-use asset is recognised as fixed assets and measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the asset's estimated useful life.

The lease liability is recognised as other liabilities and is measured at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Fund's incremental borrowing rate. The lease liability is subsequently adjusted by the effect of the interest on and the settlement of the lease liability.

2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(f) Leases *(continued)*

Lease payments included in the measurement of the Fund's lease liability mainly comprise:

- Fixed payments, less any lease incentives receivable;
- Lease payments in an optional renewal period if the Fund is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease unless the Fund is reasonably certain not to terminate early.

The lease liability is remeasured if the Fund changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(g) Financial assets

Classification, recognition, measurement and derecognition

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets expire, or where the financial assets together with substantially all the risks and rewards of ownership have been transferred.

2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(g) Financial assets *(continued)*

Impairment of financial assets

The Fund applies a three-stage approach to measure expected credit losses (ECLs) and impairment losses or reversals, for financial instruments measured at amortised cost that are not measured at fair value through profit or loss.

The change in credit risk since initial recognition determines the measurement bases for ECLs:

Stage 1: 12-month ECLs

For financial instruments for which there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECLs that represent the ECLs that result from default events that are possible within the 12 months after the reporting period are recognised.

Stage 2: Lifetime ECLs – not credit impaired

For financial instruments for which there has been a significant increase in credit risk since initial recognition but that are not credit impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial instrument are recognised.

Stage 3: Lifetime ECLs – credit impaired

For financial instruments that have become credit impaired, lifetime ECLs are recognised and interest income is calculated by applying the effective interest rate to the amortised cost (net of loss allowance) rather than the gross carrying amount.

Determining the stage for impairment

At each reporting date, the Fund assesses whether there has been a significant increase in credit risk for financial instruments since initial recognition by comparing the risk of default occurring over the remaining expected life as at the reporting date with that as at the date of initial recognition. The assessment considers quantitative and qualitative information as well as forward-looking information. A financial asset is assessed to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(g) Financial assets *(continued)*

Impairment of financial assets (continued)

Determining the stage for impairment *(continued)*

The Fund assesses whether there has been a significant increase in credit risk since initial recognition on an individual or collective basis. For collective assessment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account investment type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the counterparty or borrower and other relevant factors.

Debt investments with an external credit rating of investment grade are considered to have a low credit risk. Other financial instruments are considered to have a low credit risk if they have a low risk of default and the counterparty or borrower has a strong capacity to meet its contractual cash flow obligations in the near term. The credit risk on these financial instruments is assessed as not having increased significantly since initial recognition.

For a financial asset with lifetime ECLs recognised in the previous reporting period, if its credit quality improves and reverses the previously assessed significant increase in credit risk, then the loss allowance reverts from lifetime ECLs to 12-month ECLs.

When a financial asset is uncollectible, it is written off against the related loss allowance. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income.

Measurement of ECLs

ECLs of a financial instrument are an unbiased and probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A credit loss is the difference between the cash flows due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive, discounted at the effective interest rate. For a financial asset that is credit impaired at the reporting date, the Fund measures the ECLs as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(h) Financial Liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Other payables are initially recognised at fair value and thereafter stated at amortised cost.

Other payables are classified as current liabilities if payment is due within 1 year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(i) Offsetting financial instruments

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

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of transaction including: cash at bank and on hand, demand deposits with banks, other financial institutions and the Monetary Authority (MA) for the account of the Exchange Fund, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the statement of accounts are measured using the currency of the primary economic environment in which the Fund operates (the functional currency). The statement of accounts is presented in Hong Kong dollars, which is the Fund's functional and presentation currency.

2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(k) Translation of foreign currencies *(continued)*

(ii) Transactions and balances

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

Changes in the fair value of debt securities denominated in foreign currency classified as financial assets measured at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the surplus, and other changes in carrying amount, except impairment, are recognised in other comprehensive income. Translation differences on non-monetary financial assets are included in other comprehensive income.

(l) Provisions and contingent liabilities

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events where it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are recognised when the absence occurs.

(ii) Pension obligations

The Fund offers a mandatory provident fund scheme, the assets of which are generally held in separate trustee–administered funds. These pension plans are generally funded by payments from employees and by the Fund. The Fund's contributions to the mandatory provident fund scheme are expensed as incurred.

(n) Related parties

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or entities.

(o) Critical accounting estimates and assumptions

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

Deposit Protection Scheme Fund – Notes to the Statement of Accounts

3 RISK MANAGEMENT

(a) Governance

The Fund is established under the Ordinance for the purpose of providing compensation to depositors under certain circumstances in respect of deposits maintained with banks which are members of the Scheme. Under Part 4 of the Ordinance, the Fund is to consist of:

- contributions and late payment fees collected from Scheme members;
- money recovered by the Board from, or out of the assets of, failed Scheme members;
- returns on investments;
- money borrowed by the Board for the purpose of performing its functions; and
- any other money lawfully paid into the Fund.

The Board established an Investment Committee and delegated its power to the Committee to place, or invest, money of the Fund that is not immediately required by the Board for the performance of its functions. In particular, the Investment Committee:

- makes recommendations on the investment policy and strategy in respect of the Fund;
- monitors the investment performance of the Fund and establishes proper risk management controls for the investment activities of the Board; and
- works on any other investment-related matters as determined from time to time by the Board.

Operating within the requirements under the Ordinance and policies endorsed by the Investment Committee, the Board's Management Team conducts the day-to-day investment management and risk management of the Fund.

3 RISK MANAGEMENT *(continued)*

(b) Investment management and control

Under section 21 of the Ordinance, the Fund or any part of it may be invested in the following investment instruments:

- deposits with the MA for the account of the Exchange Fund;
- Exchange Fund Bills;
- US Treasury Bills; and
- any other investment approved by the Financial Secretary.

In December 2008, the Financial Secretary approved an expansion of the investment scope of the Fund to cover Exchange Fund Notes and US Treasury Notes with remaining term to maturity of not more than 2 years, and Hong Kong dollar and US dollar deposits of up to 3 months in tenor with financial institutions.

In July 2025, the Financial Secretary approved a further expansion of the investment scope of the Fund to cover bonds issued by the HKSAR Government, denominated in either Hong Kong dollar or US dollar, with remaining term to maturity of not more than 3 years.

Investment activities of the Fund are conducted in accordance with the requirements set out in the Ordinance and the policies endorsed by the Investment Committee to ensure the investment objectives of capital preservation and maintaining sufficient liquidity are met.

The Board's Management Team is responsible for the day-to-day investment management of the Fund. Investment reports showing the latest market values, rate of return, maturity profile, types of financial instruments held and limits versus exposures are regularly submitted to the Investment Committee for control purpose.

3 RISK MANAGEMENT *(continued)*

(c) Financial risk management

Market risk

Market risk is the risk that changes in market variables such as interest rates, equity prices and exchange rates may affect the fair value or cash flows of a financial instrument. Market risk to the Fund mainly comprises interest rate risk and currency risk.

(i) Interest rate risk

Interest rate risk refers to the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Since the majority of the financial assets represent the cash balances with bank and the Exchange Fund and financial assets measured at amortised cost, the impact of interest rate fluctuations on the Fund is considered minimal.

(ii) Currency risk

Currency risk is the risk of loss arising from changes in foreign exchange rates. The investments held by the Fund are denominated either in Hong Kong dollars or US dollars. Because of the linked exchange rate with the US dollar, the currency risk to the Fund is considered minimal.

Liquidity risk

Liquidity risk refers to the risk that the Fund may not have sufficient funds available to meet its liabilities as they fall due. In addition, liquidity risk also refers to the risk that the Fund may not be able to liquidate its financial assets at a price close to the fair value within a short period of time.

Given that the Fund primarily places deposits with the MA for the account of the Exchange Fund or invests in debt securities that are marketable, the liquidity of the Fund is maintained at a high level at all times.

3 RISK MANAGEMENT *(continued)*

(c) Financial risk management *(continued)*

Credit risk

The Fund is exposed to credit risk when a borrower or a counterparty may not be able or willing to perform its contractual obligations in full when due. The credit risk of the Fund mainly comprises (i) counterparty risk from placement activities; (ii) counterparty risk from investment transactions; (iii) issuer risk arising from debt securities holdings; and (iv) country risk.

Counterparty credit exposures arise mainly from the Fund's deposit placements with the MA for the account of the Exchange Fund and financial institutions approved by the Investment Committee and securities transactions with financial institutions. In this respect, the Fund will only conduct securities transactions with counterparties approved by the Investment Committee. To mitigate the issuer risk arising from investments in debt securities, the Board confines the types of investment securities of the Fund to Exchange Fund Bills and Notes, US Treasury Bills and Notes and bonds issued by the HKSAR Government, all of which are with minimal default risk. The Management Team considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. In addition to the counterparty and issuer risks, the Fund is exposed to country risk, which is confined to the sovereign risk of Hong Kong and the US and the country risk of financial institutions approved by the Investment Committee given the Fund's limited types of investments. The Fund's credit exposures are reported regularly to the Investment Committee based on its delegated authority from the Board.

Fair value measurement

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements:

- Level 1 – fair values are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 – fair values are determined involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

3 RISK MANAGEMENT *(continued)*

(c) Financial risk management *(continued)*

Fair value measurement (continued)

- Level 3 – fair values are determined with inputs that are not based on observable market data (unobservable inputs).

The fair values of financial assets measured at amortised cost are disclosed in note 5.

4 TAXATION

No provision for Hong Kong Profits Tax for 2026 and 2025 have been made as the Board is exempt from Hong Kong Profits Tax pursuant to section 10 of the Ordinance.

5 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2026 HK$	2025 HK$
Non-current assets		
US Treasury Bills and Notes	**1,291,378,464**	1,322,154,487
Exchange Fund Bills and Notes	**1,012,658,037**	–
	2,304,036,501	1,322,154,487
Current assets		
US Treasury Bills and Notes	**2,592,101,907**	1,994,039,913
Exchange Fund Bills and Notes	**1,008,515,993**	1,571,117,639
	3,600,617,900	3,565,157,552
Total	**5,904,654,401**	4,887,312,039
Fair value at the year end, Level 1	**5,843,780,374**	4,845,508,062

5 FINANCIAL ASSETS MEASURED AT AMORTISED COST *(continued)*

The movements in financial assets are summarised as follows:

	2026 HK$	2025 HK$
Carrying value at the year beginning	**4,887,312,039**	5,150,913,854
Purchase	**5,249,632,170**	3,053,256,369
Interest received	**(166,999,551)**	(150,521,574)
Interest income	**197,116,903**	183,290,147
Exchange gains/(losses)	**19,004,240**	(9,626,757)
Redemption	**(4,281,411,400)**	(3,340,000,000)
Carrying value at the year end	**5,904,654,401**	4,887,312,039

6 STAFF COSTS

	2026 HK$	2025 HK$
Salaries	**11,433,722**	11,003,648
Gratuity	**336,120**	162,507
Other employee benefits	**1,523,504**	1,401,925
	13,293,346	12,568,080

Deposit Protection Scheme Fund – Notes to the Statement of Accounts

7 FIXED ASSETS

	Owned assets		Right-of-use assets	
	Office equipment, furniture and fixtures HK$	Computer hardware/ software HK$	Premises HK$	Total HK$
Cost				
As at 1 April 2024	3,004,750	14,175,864	9,391,826	26,572,440
Additions	–	9,218,380	–	9,218,380
As at 31 March 2025	3,004,750	23,394,244	9,391,826	35,790,820
As at 1 April 2025	3,004,750	23,394,244	9,391,826	35,790,820
Additions	58,000	112,092	–	170,092
As at 31 March 2026	3,062,750	23,506,336	9,391,826	35,960,912
Accumulated depreciation				
As at 1 April 2024	2,053,152	13,483,873	5,061,816	20,598,841
Charge for the year	574,167	937,770	1,105,535	2,617,472
As at 31 March 2025	2,627,319	14,421,643	6,167,351	23,216,313
As at 1 April 2025	2,627,319	14,421,643	6,167,351	23,216,313
Charge for the year	379,364	2,237,955	1,105,534	3,722,853
As at 31 March 2026	3,006,683	16,659,598	7,272,885	26,939,166
Net book value				
As at 31 March 2026	56,067	6,846,738	2,118,941	9,021,746
As at 31 March 2025	377,431	8,972,601	3,224,475	12,574,507

8 INTANGIBLE ASSETS

	Development costs of payout system HK$
Cost	
As at 1 April 2024	45,746,060
Additions	3,191,750
As at 31 March 2025	48,937,810
As at 1 April 2025	48,937,810
Additions	1,689,640
As at 31 March 2026	50,627,450
Accumulated amortisation	
As at 1 April 2024	42,933,502
Charge for the year	1,001,645
As at 31 March 2025	43,935,147
As at 1 April 2025	43,935,147
Charge for the year	1,322,757
As at 31 March 2026	45,257,904
Net book value	
As at 31 March 2026	5,369,546
As at 31 March 2025	5,002,663

9 OTHER RECEIVABLES

	2026 HK$	2025 HK$
Prepayment	**2,877,799**	2,181,984
Interest receivables	**151,907**	261,391
Contribution receivables	**29,657**	12,329
Others	**50,700**	50,700
	3,110,063	2,506,404

10 OTHER LIABILITIES

	Notes	2026 HK$	2025 HK$
Other payables			
Hire of services	(a)	**25,881,055**	27,011,415
Staff expenses		**1,459,622**	1,549,061
Others		**1,265,878**	1,050,266
Lease liabilities			
Current portion	(b)	**1,130,844**	1,085,888
Non-current portion	(b)	**1,077,688**	2,208,532
		30,815,087	32,905,162

(a) This amount includes operating expenses of HK$25,632,320 (2025: HK$25,617,675) reimbursed to the Hong Kong Monetary Authority (HKMA).

10 OTHER LIABILITIES *(continued)*

(b) The changes in lease liabilities arising from financing activities are as follows:

	2026 HK$	2025 HK$
Balance at the year beginning	**3,294,420**	4,337,139
Changes from financing cash flows		
Principal portion of lease payments	**(1,085,888)**	(1,042,719)
Non-cash changes		
Interest expenses on lease liabilities	**109,744**	152,913
Other changes		
Interest portion of lease payments	**(109,744)**	(152,913)
Balance at the year end	**2,208,532**	3,294,420

(c) The following table shows the remaining contractual maturities at the end of the reporting period of lease liabilities, which are based on contractual undiscounted cash flows and the earliest date on which the Fund can be required to pay.

	2026 HK$	2025 HK$
1 month or less	**99,636**	99,636
3 months or less but over 1 month	**199,272**	199,272
1 year or less but over 3 months	**896,724**	896,724
2 years or less but over 1 year	**1,095,996**	1,195,632
5 years or less but over 2 years	**–**	1,095,996
	2,291,628	3,487,260

(d) The total cash outflows for leases of the Fund for the year ended 31 March 2026 was HK$1,195,632 (2025: HK$1,195,632).

(e) In July 2020, the Fund entered into a lease agreement with the HKMA, setting out the understanding between both parties regarding the provision of office space to the Fund with a term up to 29 February 2024. In February 2024, the Fund renewed the lease with the HKMA with a term up to 29 February 2028 and recognised right-of-use assets and lease liabilities of HK$4,422,138. During the year, principal amount of the lease payment HK$1,085,888 (2025: HK$1,042,719) and interest amount of the lease payment HK$109,744 (2025: HK$152,913) were resulted from this lease agreement.

11 MATERIAL RELATED PARTY TRANSACTIONS

Pursuant to section 6 of the Ordinance, the Board shall perform its functions through the MA unless indicated otherwise by the Financial Secretary. The HKMA has assigned a team of staff to assist the Board in discharging its functions. The team is headed by an Executive Director of the HKMA, who is designated as the Chief Executive Officer of the Board. The HKMA also supports the Board on aspects such as accounting, administration, human resources and information technology.

The related party transactions with the HKMA are as follows:

	Notes	2026 HK$	2025 HK$
Aggregate amounts outstanding at the year end			
Balances with the Exchange Fund	(a)	**2,949,256,654**	2,891,138,381
Investment in Exchange Fund Bills and Notes	(b)	**2,021,174,030**	1,571,117,639
Lease with the HKMA			
Right-of-use assets	7	**2,118,941**	3,224,475
Lease liabilities	10(b)	**2,208,532**	3,294,420
Transactions during the year			
Interest income from balances with the Exchange Fund	(a)	**50,231,928**	98,833,346
Interest income from Exchange Fund Bills and Notes	(b)	**40,268,934**	73,947,744
Operating expenses reimbursed to the HKMA	(c)	**25,916,838**	25,893,705
Lease payments to the HKMA			
Principal portion	10(e)	**1,085,888**	1,042,719
Interest portion	10(e)	**109,744**	152,913

(a) During the year, the Fund placed deposits with the Exchange Fund and earned interest amounting to HK$50,231,928 (2025: HK$98,833,346) at a rate which is referenced to the market interest rates. As at 31 March 2026, the deposits amounted to HK$2,949,256,654 (2025: HK$2,891,138,381).

11 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) As at 31 March 2026, the Fund held the Exchange Fund Bills and Notes amounting to HK$2,021,174,030 (2025: HK$1,571,117,639) and the interest thereon was HK$40,268,934 (2025: HK$73,947,744).

(c) Certain operating expenses are reimbursed to the HKMA on a cost recovery basis in accordance with the provisions set out in the Ordinance. The expenses include the cost of staff and supporting services incurred by the HKMA for assisting the Board in carrying out its functions amounting to HK$25,632,320 (2025: HK$25,617,675) and the management fee in respect of the lease agreement with the HKMA amounting to HK$284,518 (2025: HK$276,030).

(d) During the year, the HKMA provided the Board with a standby facility from the Exchange Fund for meeting the necessary liquidity required for payment of compensation in the event of a bank failure. The maximum amount which may be drawn under the facility is HK$220 billion (2025: HK$220 billion) of which nil (2025: nil) was drawn during the year.

12 APPROVAL OF STATEMENT OF ACCOUNTS

The statement of accounts was approved by the Board on 22 June 2026.