



**Standard Chartered Bank
(Hong Kong) Limited**

**Directors' Report and
Consolidated
Financial Statements**

For the year ended
31 December 2025

Standard Chartered Bank (Hong Kong) Limited

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Report of the directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2025.

Principal place of business

Standard Chartered Bank (Hong Kong) Limited (the “Bank”) is a bank incorporated and domiciled in Hong Kong and has its registered office at 32/F, 4-4A Des Voeux Road Central, Hong Kong.

Principal activities

The Bank is a licensed bank registered under the Hong Kong Banking Ordinance. The Bank’s principal activities are the provision of banking and related financial services. The principal activities and other particulars of the Bank’s principal subsidiaries are set out in note 17 to the consolidated financial statements.

Financial statements

The profit of the Bank and its subsidiaries (together the “Group”) for the year ended 31 December 2025 and the state of the Group’s affairs as at that date are set out in the consolidated financial statements.

During the year ended 31 December 2025, the directors had declared and paid an ordinary dividend of HK\$3.13 per each Class A, B, C and D ordinary shares totalling HK\$16,570 million (year ended 31 December 2024: HK\$1.56 per each Class A, B, C and D ordinary shares totalling HK\$8,252 million). Dividends of HK\$647 million (year ended 31 December 2024: HK\$725 million), HK\$470 million (year ended 31 December 2024: HK\$468 million), HK\$168 million (year ended 31 December 2024: HK\$185 million), nil (year ended 31 December 2024: HK\$99 million), HK\$150 million (year ended 31 December 2024: HK\$152 million), HK\$368 million (year ended 31 December 2024: HK\$67 million), HK\$299 million (year ended 31 December 2024: nil) and HK\$254 million (year ended 31 December 2024: nil), were paid in respect of the US\$900 million floating rate undated Additional Tier 1 Capital Securities, the US\$1,000 million fixed rate undated Additional Tier 1 Capital Securities, the US\$250 million floating rate undated Additional Tier 1 Capital Securities, the US\$250 million 5% perpetual non-cumulative subordinated capital securities, the US\$250 million fixed rate undated Additional Tier 1 Capital Securities, the US\$600 million fixed rate reset undated Additional Tier 1 Capital Securities, the US\$1,000 million 7.625% fixed rate reset undated Additional Tier 1 Capital Securities and the US\$800 million floating rate undated Additional Tier 1 Capital Securities classified as equity, respectively.

Charitable donations

Charitable donations made by the Group during the year amounted to HK\$81 million (2024: HK\$140 million).

Share capital

Details of the movements in the share capital of the Bank during the year are set out in note 28 to the consolidated financial statements.

Directors

The directors during the year and up to the date of this report (in alphabetical order by last name) are:

Executive directors

Gaurav BAGGA
HUEN Wai Yi Mary

Non-Executive directors

Noelle Kathleen EDER (appointed on 19 January 2026)
Stephen Robert ENO*, Chairman (stepped down as Board Chairman and Independent Non-Executive Director on 31 March 2025)
HUNG Pi Cheng Benjamin, Chairman (appointed as Board Chairman on 1 April 2025)
LEE Cheuk Kuen Gloria
LEE Man Yuen Margaret*
LEONG Kwok Kuen Lincoln*
Saleem RAZVI
Xiaomin RONG
John Peter SHELLEY*
Carlson TONG*
Andrew Walter Bougourd Ross WEIR* (appointed on 25 April 2025)

* *Independent non-executive directors*

A full list of the names of the directors of the Bank’s subsidiaries is set out in Appendix II.

Report of the directors (continued)

Directors' service contracts

The general term of service contracts of all independent non-executive directors and external non-executive directors shall not exceed three years. Their remuneration was approved by the shareholders.

Directors' interests in Share Option Schemes

Certain directors of the Bank have been granted options under various share option schemes of Standard Chartered PLC, the ultimate holding company of the Bank. During the year, Gaurav BAGGA, HUEN Wai Yi Mary, HUNG Pi Cheng Benjamin, and Xiaomin RONG were granted options under these schemes.

Directors' rights to acquire shares

At no time during the year was the Bank, any of its holding companies, subsidiaries, or fellow subsidiaries, a party to any other arrangement to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Directors' interests in transactions, arrangements or contracts

No transactions, arrangements or contract of significance to which the Bank, its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Bank had a material interest, subsisted at the end of the year or at any time during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Bank were entered into or existed during the year.

Indemnity of directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Bank is currently in force and was in force throughout the year.

Auditor

The consolidated financial statements have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as the auditor of the Bank is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

HUEN Wai Yi Mary
Director

Hong Kong, 3 March 2026



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Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Standard Chartered Bank (Hong Kong) Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 11 to 147, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited continued

(Incorporated in Hong Kong with limited liability)

Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| Credit impairment of loans and advances to customers | |
| <p>Refer to material accounting policies in Note 2(k), and disclosures on credit risk and credit impairment in Note 33(a), Note 14 and Note 15 to the consolidated financial statements.</p> <p>As at 31 December 2025, the Group reported total gross advances to customers of HK\$1,002 billion and expected credit loss provisions of HK\$9,801 million.</p> <p>To estimate expected credit losses (ECLs), management is required to make significant judgements and estimates. The most subjective, and subject to the most significant degree of estimation uncertainty, of these include:</p> <ul style="list-style-type: none"> • the allocation of assets to stage 1, 2, or 3 by identifying a significant increase in credit risk (SICR) since origination of the asset. In particular, judgement is required to assess the impact of the commercial real estate portfolio in Mainland China and Hong Kong; • accounting interpretations, modelling assumptions and selection of data used to build and run the models which are used to calculate the ECLs. Judgement is required to evaluate the model performance; • assumptions in respect of possible future economic scenarios and the impacts on these on the measurement of ECLs. Management utilises a Monte Carlo Simulation (MCS) to model a range of possible future economic scenarios. Judgement is required in the selection of parameters input into the MCS. Additionally, judgement is needed to evaluate if the MCS sufficiently captures non-linearity, generates a reasonably wide range of possible outcomes; | <p>We evaluated the design and operating effectiveness of controls relevant to the Group's processes over material ECL balances, including the identified judgements and estimates. These controls, amongst others, included controls over the allocation of assets into stages, management's monitoring of stage effectiveness, the governance and review of post model adjustments, risk event overlays, model validation, data accuracy and completeness, multiple economic scenarios, credit monitoring, individual impairment provisions, the posting of journal entries, and the compilation of disclosures.</p> <p>Also, we obtained documents and minutes of the executive forums in which credit models and ECL provisions were evaluated for evidence of executive review and challenge.</p> <p>We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable by considering the overall credit quality of the Group's portfolios, the risk profile of credit exposures, the impact of high-risk industries. Our assessment also included evaluating the macroeconomic environment by considering trends in the economies and industries to which the Group is exposed.</p> <p>We evaluated the criteria used to allocate financial assets to stage 1, 2 or 3 in accordance with HKFRS/IFRS 9. We tested the assets in stage 1, 2 and 3 for a sample of portfolios to assess if they were allocated to the appropriate stage.</p> <p>Additionally, to test credit monitoring, we assessed the risk ratings for a sample of performing loans and focused our testing on high-risk industries including the China commercial real estate sector.</p> <p>In respect of the modelled ECLs:</p> <ul style="list-style-type: none"> • We performed a risk assessment on all models involved in the ECL calculation to select a sample of models to test. • In conjunction with our modelling specialists, we tested the assumptions, inputs and formulae used for a sample of the ECL models. These procedures included a combination of assessing the appropriateness of model design and formulae used, recalculating the Probability of Default, Loss Given Default and Exposure at Default, and model implementation. |



Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited continued

(Incorporated in Hong Kong with limited liability)

Key audit matters (continued)

| | |
|--|--|
| <ul style="list-style-type: none"> • as a result of the uncertainties observed in the commercial real estate portfolio in Mainland China and Hong Kong, management has incorporated additional post-model adjustments and risk overlays to address model ineffectiveness. These non-modelled outcomes have an increased risk of management override; and • for individual impairment provisions, judgement is required to determine the probability of multiple exit/work out scenarios and estimate the impact that the uncertainties observed in the commercial real estate sector may have on these exit strategies, the time to collect, and collateral valuation. <p>Because of the significance of the expected credit loss provisions recorded by the Group and the management judgements and estimates involved, impairment of advances to customers is considered a key audit matter.</p> | <ul style="list-style-type: none"> • We also assessed material post-model adjustments which were applied as a response to model ineffectiveness and management overlays for the uncertainties in the commercial real estate portfolio in Mainland China and Hong Kong. We also considered the completeness and appropriateness of these adjustments, with our modelling specialists, by assessing the data sources, judgements made, methodologies used, sensitivities, and the governance processes. • To evaluate data quality, we agreed a sample of ECL calculation data points to source systems, including, among other data points, balance sheet data used to run the models. We also tested the ECL data points from the calculation engine through to the general ledger and disclosures. <p>In respect of the macroeconomic forecasts which were derived using the MCS:</p> <ul style="list-style-type: none"> • In conjunction with our economic specialists, we evaluated the base economic scenario forecast and the range of economic scenarios produced by the MCS by comparing them to other scenarios from various external sources. <p>For a sample of material models, we also evaluated the macroeconomic parameters used as inputs into these models in collaboration with our economist and modelling specialists.</p> <p>In respect of the individual impairment provisions:</p> <ul style="list-style-type: none"> • Our sampling methodology of individually assessed ECL provisions was based on quantitative thresholds and qualitative factors with a significant focus on exposures to commercial real estate sector in response to the uncertainties observed in this sector. • We assessed management's forward-looking economic assumptions regarding the recovery outcomes identified and evaluated the assigned individual probability weightings of these outcomes. We also considered whether the planned exit strategies remained viable. • We engaged our valuation specialists to test the collateral value used in management's calculations. <p>We tested the data flows used to populate the disclosures and assessed the adequacy of disclosures for compliance with the accounting standards.</p> |
|--|--|



Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited continued

(Incorporated in Hong Kong with limited liability)

Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| Valuation of Level 3 financial instruments | |
| <p>Refer to material accounting policies in Note 2(i), and disclosures on fair values and valuation hierarchy of financial instruments in Notes 12, 13, 24, 31 and 34 to the consolidated financial statements.</p> <p>As at 31 December 2025, the Group's financial assets and liabilities measured at fair value amounted to HK\$1,027 billion and HK\$317 billion. Financial assets of HK\$32.4 billion and financial liabilities of HK\$22.2 billion were classified as Level 3 under the valuation hierarchy.</p> <p>To estimate the fair value of these Level 3 financial instruments, management is required to exercise significant judgement in respect of:</p> <ul style="list-style-type: none"> • the selection of appropriate valuation techniques and valuation models; and • the development of assumptions and inputs into the valuation models. Significant unobservable inputs into these valuation models included, amongst others, counterparty credit spreads, recovery rates and discount rates. <p>In view of the complexity and significance of management judgements and assumptions required, valuation of Level 3 financial instruments is considered a key audit matter.</p> | <p>We evaluated the design and operating effectiveness of controls relating to the valuation of financial instruments, including independent price verification, model review and approval, collateral management, and income statement analysis and reporting.</p> <p>In conjunction with our valuation specialists, we performed, amongst others, the following procedures for a sample of Level 3 financial instruments:</p> <ul style="list-style-type: none"> • Tested management's independent price verification process. • Critically evaluated the appropriateness of model selection and model design, including comparing to market practice for the valuation of similar financial instruments. • Independently revalued a sample of financial instruments and compared management's valuation outcome to our independent testing. We obtained an understanding and evaluated any material differences in valuation outcomes. • Assessed the valuation inputs used and agreed to third-party data sources where available. <p>We tested the data flows used to populate the disclosures and assessed the adequacy of disclosures for compliance with the accounting standards.</p> |



Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited continued

(Incorporated in Hong Kong with limited liability)

Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| Accounting and Impairment of Investment in associate: China Bohai Bank | |
| <p>Refer to material accounting policies in Note 2(d), and disclosures on interest in China Bohai Bank in Note 18 to the consolidated financial statements.</p> <p>The Group holds a stake of 16.26% in China Bohai Bank (Bohai) and equity accounts for the investment as an associate with a net carrying amount of HK\$6.9 billion, including an impairment provision of HK\$11.6 billion as at 31 December 2025. Management judgement is needed to assess whether significant influence still exists and whether Bohai can continue to be accounted for as an associate.</p> <p>There was a deficit between the Group's share of Bohai's market capitalisation as at 31 December 2025 compared to the carrying value of the investment. Impairment of the investment in Bohai is determined by comparing the carrying amount to the value in use. The value in use is based on future profitability forecasts, discount rates and macroeconomic assumptions including long-term growth rates. The risk of impairment has increased in the current year in the context of economic headwinds in Mainland China impacting the banking sector, as well as Bohai's deteriorating financial performance.</p> <p>Considering the significant judgements and assumptions underpinning the management assessment on the appropriateness of the equity accounting treatment under HKAS/IAS 28 and the assessment of impairment, investment in Bohai is considered a key audit matter.</p> | <p>We evaluated the facts and circumstances that the Group presented to demonstrate its ability to exercise significant influence over Bohai, through Board representation, membership of Board Committees and sharing of technical advice.</p> <p>We assessed the Group's value in use methodology for testing the impairment of the investment in Bohai.</p> <p>We, in conjunction with our valuation specialists, calculated an independent range of assumptions underlying the value in use calculations, such as the discount rate and long-term growth rate. We evaluated the reasonableness of the future profitability forecasts adopted in the value in use model by reviewing management's assessment, benchmarking the forecasts to broker reports published for comparable companies and challenging management with regard to the relevance and reliability of historical data when preparing their assessment. We also checked the mathematical accuracy of the value in use model.</p> <p>We assessed the adequacy of disclosures in relation to Bohai, including the impact of reasonably possible changes in key assumptions on the carrying values of the investment in Bohai, for compliance with the accounting standards.</p> |



Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited continued

(Incorporated in Hong Kong with limited liability)

Other information other than the consolidated financial statements and auditor's report thereon

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Directors' Report and Consolidated Financial Statements, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited continued

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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



Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited continued

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

The engagement partner on the audit resulting in this independent auditor's report is TAY, Sok Hia, Patricia (practising certificate number: P06375).

Certified Public Accountants

Hong Kong

3 March 2026

Consolidated income statement For the year ended 31 December 2025

| | Note | 2025 HK\$'M | 2024 HK\$'M |
|---|------|----------------|----------------|
| Interest income | 4(a) | 68,034 | 75,296 |
| Interest expense | 4(b) | (45,326) | (54,731) |
| Net interest income | | 22,708 | 20,565 |
| Fee and commission income | | 14,937 | 13,388 |
| Fee and commission expense | | (4,144) | (4,580) |
| Net fee and commission income | 4(c) | 10,793 | 8,808 |
| Net trading income | 4(d) | 31,403 | 31,422 |
| Other operating income | 4(e) | 682 | 210 |
| Total operating income | | 42,878 | 40,440 |
| Staff costs | | (16,118) | (15,120) |
| Premises and equipment | | (3,167) | (2,936) |
| Others | | (18,399) | (17,928) |
| Operating expenses | 4(f) | (37,684) | (35,984) |
| Operating profit before impairment | | 27,902 | 25,021 |
| Credit impairment | 5(a) | (3,312) | (4,034) |
| Other impairment | 5(b) | (107) | (1,133) |
| Operating profit after impairment | | 24,483 | 19,854 |
| Share of profit of an associate | | 885 | 520 |
| Profit before taxation | | 25,368 | 20,374 |
| Taxation | 6(a) | (3,951) | (3,813) |
| Profit for the year | | 21,417 | 16,561 |
| Profit/(loss) attributable to: | | | |
| – Non-controlling interests | | (141) | (243) |
| – Equity shareholders of the Bank | | 21,558 | 16,804 |
| Profit for the year | | 21,417 | 16,561 |

The notes on pages 17 to 147 form part of these consolidated financial statements.

Consolidated statement of comprehensive income For the year ended 31 December 2025

| | 2025 HK\$'M | 2024 HK\$'M |
|---|----------------|----------------|
| Profit for the year | 21,417 | 16,561 |
| Other comprehensive income/(loss): | | |
| Items that will not be reclassified to the consolidated income statement: | | |
| Own credit adjustment: | | |
| – Changes in own credit adjustment on financial liabilities designated at fair value through profit or loss | (647) | (747) |
| – Related tax effect | 157 | 170 |
| Defined benefit plans: | | |
| – Remeasurement of retirement benefit obligations | 236 | 201 |
| – Related tax effect | (47) | (33) |
| Equity securities at fair value through other comprehensive income: | | |
| – Changes in fair value recognised during the year | 248 | 1 |
| – Related tax effect | (39) | – |
| Property revaluation credited to reserve | 64 | 127 |
| Items that may be reclassified subsequently to the consolidated income statement: | | |
| Share of other comprehensive income/(loss) from an associate | (274) | 88 |
| Debt securities at fair value through other comprehensive income: | | |
| – Changes in fair value recognised during the year | 442 | 1,517 |
| – Changes in fair value transferred to the consolidated income statement on disposal | (132) | 506 |
| – Transfer to the consolidated income statement on fair value hedged items attributable to hedged risk | (286) | (967) |
| – Expected credit loss | 36 | 1 |
| – Related tax effect | 83 | (191) |
| Cash flow hedges: | | |
| – Net movements in cash flow hedge reserves | 1,586 | (1,195) |
| – Related tax effect | (261) | 199 |
| Exchange differences on translation of foreign operations | 3,029 | (2,887) |
| Other comprehensive income/(loss) for the year, net of tax | 4,195 | (3,210) |
| Total comprehensive income | 25,612 | 13,351 |
| Total comprehensive income/(loss) attributable to: | | |
| – Non-controlling interests | (138) | (243) |
| – Equity shareholders of the Bank | 25,750 | 13,594 |
| Total comprehensive income | 25,612 | 13,351 |

The notes on pages 17 to 147 form part of these consolidated financial statements.

Consolidated statement of financial position As at 31 December 2025

| | Note | 2025 HK\$'M | 2024 HK\$'M (Restated) |
|--|-------|------------------|------------------------------|
| Assets | | | |
| Cash and balances at central banks | 9 | 98,549 | 51,951 |
| Loans and advances to banks | 10 | 148,906 | 160,360 |
| Hong Kong SAR Government certificates of indebtedness | 11 | 50,191 | 49,451 |
| Financial assets at fair value through profit or loss | 12 | 647,036 | 673,754 |
| Investment securities | 13 | 485,386 | 361,588 |
| Loans and advances to customers | 14(a) | 992,554 | 953,252 |
| Amounts due from immediate holding company | 16 | 1 | 208 |
| Amounts due from fellow subsidiaries | 16 | 255,992 | 214,122 |
| Interest in an associate | 18 | 6,875 | 5,736 |
| Property, plant and equipment | 19 | 10,312 | 10,446 |
| Goodwill and intangible assets | 20 | 13,046 | 12,277 |
| Current tax assets | | 193 | 80 |
| Deferred tax assets | 25 | 824 | 510 |
| Other assets | 21 | 190,584 | 75,437 |
| Total assets | | 2,900,449 | 2,569,172 |
| Liabilities | | | |
| Hong Kong SAR currency notes in circulation | 11 | 50,191 | 49,451 |
| Deposits by banks | | 43,391 | 23,733 |
| Customer accounts | 22 | 2,046,841 | 1,774,030 |
| Financial liabilities at fair value through profit or loss | 24 | 248,597 | 237,556 |
| Debt securities in issue | 23 | 19,070 | 16,683 |
| Amounts due to immediate holding company | 16 | 45,773 | 43,728 |
| Amounts due to fellow subsidiaries | 16 | 112,893 | 134,953 |
| Current tax liabilities | | 1,283 | 1,173 |
| Deferred tax liabilities | 25 | 1,402 | 862 |
| Other liabilities | 26 | 117,669 | 94,148 |
| Total liabilities | | 2,687,110 | 2,376,317 |
| Equity | | | |
| Share capital | 28 | 65,025 | 65,025 |
| Reserves | 29 | 110,258 | 103,966 |
| Shareholders' equity | | 175,283 | 168,991 |
| Other equity instruments | 28 | 37,465 | 23,384 |
| Non-controlling interests | | 591 | 480 |
| Total equity | | 213,339 | 192,855 |
| Total equity and liabilities | | 2,900,449 | 2,569,172 |

Approved and authorised for issue by the Board of Directors on 3 March 2026.

HUEN Wai Yi Mary
Director

Gaurav BAGGA
Director

The notes on pages 17 to 147 form part of these consolidated financial statements.

Consolidated statement of changes in equity For the year ended 31 December 2025

| | Share capital HK\$M | Own credit adjustment reserve HK\$M | Cash flow hedge reserve HK\$M | FVOCI reserve-Debt ² HK\$M | FVOCI reserve-Equity HK\$M | Exchange reserve HK\$M | Other reserves HK\$M | Retained profits HK\$M | Sub-total HK\$M | Other equity instruments HK\$M | Non-controlling interests HK\$M | Total HK\$M |
|---|------------------------|--|----------------------------------|--|-------------------------------|---------------------------|-------------------------|---------------------------|--------------------|-----------------------------------|------------------------------------|----------------|
| At 1 January 2024 | 65,025 | 479 | 1,087 | (794) | (50) | (11,377) | 12,955 | 98,050 | 165,375 | 20,651 | 612 | 186,638 |
| Issuance of Additional Tier 1 capital | - | - | - | - | - | - | - | - | - | 4,687 | - | 4,687 |
| Redemption of Additional Tier 1 capital | - | - | - | - | - | - | - | - | - | (1,954) | - | (1,954) |
| Profit for the year | - | - | - | - | - | - | - | 16,804 | 16,804 | - | (243) | 16,561 |
| Other comprehensive income/(loss), net of tax | - | (577) | (996) | 954 | 1 | (2,887) | 127 | 168 | (3,210) | - | - | (3,210) |
| Dividend paid ¹ | - | - | - | - | - | - | - | (9,948) | (9,948) | - | - | (9,948) |
| Movement in respect of share-based compensation plans | - | - | - | - | - | - | - | 81 | 81 | - | - | 81 |
| Transfer from retained profits | - | - | - | - | - | - | 471 | (582) | (111) | - | 111 | - |
| At 31 December 2024 | 65,025 | (98) | 91 | 160 | (49) | (14,264) | 13,553 | 104,573 | 168,991 | 23,384 | 480 | 192,855 |
| Issuance of Additional Tier 1 capital | - | - | - | - | - | - | - | - | - | 21,831 | - | 21,831 |
| Redemption of Additional Tier 1 capital | - | - | - | - | - | - | - | (103) | (103) | (7,750) | - | (7,853) |
| Profit for the year | - | - | - | - | - | - | - | 21,558 | 21,558 | - | (141) | 21,417 |
| Other comprehensive income/(loss), net of tax | - | (490) | 1,325 | (134) | 209 | 3,029 | 64 | 189 | 4,192 | - | 3 | 4,195 |
| Dividend paid ¹ | - | - | - | - | - | - | - | (18,926) | (18,926) | - | - | (18,926) |
| Movement in respect of share-based compensation plans | - | - | - | - | - | - | - | (321) | (321) | - | - | (321) |
| Capital injection from non-controlling interests | - | - | - | - | - | - | - | - | - | - | 141 | 141 |
| Transfer from retained profits | - | - | - | - | - | - | 626 | (734) | (108) | - | 108 | - |
| At 31 December 2025 | 65,025 | (588) | 1,416 | 26 | 160 | (11,235) | 14,243 | 106,236 | 175,283 | 37,465 | 591 | 219,339 |

¹ During the year ended 31 December 2025, the directors had declared and paid an ordinary dividend of HK\$3.13 per each Class A, B, C and D ordinary shares totalling HK\$16,570 million (year ended 31 December 2024: HK\$1.56 per each Class A, B, C and D ordinary shares totalling HK\$8,252 million). Dividends of HK\$647 million (year ended 31 December 2024: HK\$725 million), HK\$470 million (year ended 31 December 2024: HK\$468 million), HK\$168 million (year ended 31 December 2024: HK\$185 million), nil (year ended 31 December 2024: HK\$99 million), HK\$150 million (year ended 31 December 2024: HK\$152 million), HK\$368 million (year ended 31 December 2024: HK\$67 million), HK\$299 million (year ended 31 December 2024: nil) and HK\$254 million (year ended 31 December 2024: nil), were paid in respect of the US\$900 million floating rate undated Additional Tier 1 Capital Securities, the US\$1,000 million fixed rate undated Additional Tier 1 Capital Securities, the US\$250 million floating rate undated Additional Tier 1 Capital Securities, the US\$250 million 5% perpetual non-cumulative subordinated capital securities, the US\$250 million fixed rate undated Additional Tier 1 Capital Securities, the US\$600 million fixed rate reset undated Additional Tier 1 Capital Securities, the US\$1,000 million 7.625% fixed rate reset undated Additional Tier 1 Capital Securities and the US\$800 million floating rate undated Additional Tier 1 Capital Securities classified as equity, respectively.

² Includes share of other comprehensive loss from an associate as at 31 December 2025 of HK\$789 million (31 December 2024: HK\$515 million).

The notes on pages 17 to 147 form part of these consolidated financial statements.

Consolidated cash flow statement For the year ended 31 December 2025

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|-----------------|
| Operating activities | | |
| Profit before taxation | 25,368 | 20,374 |
| Adjustments for: | | |
| Credit impairment | 3,312 | 4,034 |
| Recoveries of amounts previously written off | 581 | 648 |
| Other impairment | 107 | 1,133 |
| Depreciation on property, plant and equipment | 1,851 | 1,786 |
| Amortisation of intangible assets | 1,550 | 1,895 |
| Net gains on disposal and write off of property, plant and equipment | (61) | (166) |
| Net losses/(gains) on revaluation of investment properties | 70 | (122) |
| Share of profit of an associate | (885) | (520) |
| Interest expense on subordinated liabilities | 1,543 | 1,502 |
| Interest expense on lease liabilities | 151 | 185 |
| Expense in respect of the defined benefits plans | 181 | 191 |
| Net movements in cash flow hedge reserves | 1,586 | (1,195) |
| Exchange translation on subordinated liabilities | 2,219 | 723 |
| | 37,573 | 30,468 |
| (Increase)/decrease in operating assets: | | |
| Loans and advances to banks | (38,157) | (614) |
| Financial assets at fair value through profit or loss | 27,637 | (231,212) |
| Investment securities | (105,975) | 82,599 |
| Gross loans and advances to customers | (58,665) | (9,103) |
| Amounts due from immediate holding company and fellow subsidiaries | (34,801) | (4,931) |
| Other assets | (115,160) | 5,269 |
| Increase/(decrease) in operating liabilities: | | |
| Deposits by banks | 19,658 | (11,486) |
| Customer accounts | 292,142 | 10,714 |
| Debt securities in issue | 2,387 | (21,378) |
| Financial liabilities at fair value through profit or loss | 10,381 | 54,681 |
| Amounts due to immediate holding company and fellow subsidiaries | (34,282) | 42,312 |
| Other liabilities | 23,893 | 21,225 |
| Net cash generated from/(used in) operations | 26,631 | (31,456) |
| Hong Kong income tax paid | (2,348) | (2,537) |
| Overseas income tax paid | (1,373) | (2,239) |
| Net cash generated from/(used in) operating activities | 22,910 | (36,232) |

Consolidated cash flow statement (continued)
For the year ended 31 December 2025

| | Note | 2025 HK\$'M | 2024 HK\$'M |
|---|-------|----------------|-----------------|
| Investing activities | | | |
| Payment for purchase of property, plant and equipment | | (735) | (822) |
| Payment for purchase of intangible assets | | (2,264) | (3,418) |
| Proceeds from disposal of property, plant and equipment | | 292 | 154 |
| Proceeds from sale of intangible assets | | 8 | – |
| Net cash used in investing activities | | (2,699) | (4,086) |
| Financing activities | | | |
| Issuance of Additional Tier 1 Capital | | 21,831 | 4,687 |
| Redemption of Additional Tier 1 Capital | | (7,853) | (1,954) |
| Issuance of subordinated liabilities | | 5,460 | 8,079 |
| Redemption of subordinated liabilities | | (6,268) | (5,057) |
| Contribution from non-controlling interest | | 141 | – |
| Dividend paid to shareholders of the Bank | | (18,926) | (9,948) |
| Payment of lease liabilities | | (1,014) | (1,134) |
| Interest paid on subordinated liabilities | | (1,324) | (1,345) |
| Net cash used in financing activities | | (7,953) | (6,672) |
| Net increase/(decrease) in cash and cash equivalents | | 12,258 | (46,990) |
| Cash and cash equivalents at 1 January | | 83,569 | 147,089 |
| Effect of foreign exchange | | (9) | (16,530) |
| Cash and cash equivalents at 31 December | 30(a) | 95,818 | 83,569 |
| Cash flows from operating activities include: | | | |
| Interest received | | 71,254 | 80,655 |
| Interest paid | | 48,331 | 58,333 |
| Dividends received | | 29 | 23 |

The notes on pages 17 to 147 form part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Principal activities

The principal activities of Standard Chartered Bank (Hong Kong) Limited (the “Bank”) and its subsidiaries (together referred to as the “Group”) are the provision of banking and related financial services.

2. Material accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance. These consolidated financial statements also comply with IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IAS”) and Interpretations issued by the International Accounting Standards Board (“IASB”). A summary of the material accounting policies adopted by the Group is set out below.

The HKICPA/IASB has issued certain new and revised HKFRS/IFRS that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 comprise the Group and its interest in an associate.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and liabilities (including derivatives) at fair value through profit or loss and investment properties, which are carried at fair value.

Assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less cost to sell.

The preparation of the consolidated financial statements in conformity with adopted HKFRS/IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRS/IFRS that have a significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 3.3.

The Bank has prepared the financial statements on the basis that it will continue to operate as a going concern.

Certain comparative figures have been restated in certain notes to conform to the current year’s presentation.

(c) Subsidiaries and non-controlling interests

Subsidiaries are all entities, including structured entities (note 2(x)), which the Group controls. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are de-consolidated from the date that control ceases, and where any interest in the subsidiary remains, this is remeasured to its fair value and the change in carrying amount is recognised in the consolidated income statement. Details of the Group’s principal subsidiaries are given in note 17.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(c) *Subsidiaries and non-controlling interests (continued)*

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Group, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.

In the Bank's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any.

(d) *Associates*

Associates are entities in respect of which the Group has significant influence, but not control, over the financial and operating policies and procedures. Details of the Group's interest in an associate are provided in note 18.

Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements and are initially recognised at cost. The Group's investment in associates includes goodwill, if any, identified on acquisition and accumulated impairment losses.

The Group's share of its associates' post-acquisition profits or losses are recognised in the consolidated income statement, and the share of post-acquisition movements in other comprehensive income are recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the consolidated statement of financial position. When the Group's share of losses in an associate is equal to or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless they have incurred obligations or made payments on behalf of the associate.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates. At each balance sheet date, the Group assesses whether there is any objective evidence of impairment in the investment in associates. Such evidence includes a significant or prolonged decline in the fair value of the Group's investment in an associate below its cost, among other factors.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated income statement. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(i)).

In the Bank's statement of financial position, investments in associates are stated at cost less impairment losses and dividends from pre-acquisition profits, if any, unless they are classified as assets held for sale.

(e) *Intangible assets*

(i) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "Goodwill and intangible assets". Goodwill on acquisitions of associates is included in "Interest in an associate".

Goodwill included in "Goodwill and intangible assets" is tested annually for impairment and carried at cost less any accumulated impairment losses. Detailed calculations are performed based on expected pre-tax cash flows of the relevant cash generating units and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement. Goodwill is allocated to cash generating units for the purpose of impairment testing. Cash generating units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. Note 20 sets out the major cash-generating units to which goodwill has been allocated.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(e) Intangible assets (continued)

(ii) Acquired intangibles

At the date of acquisition of a subsidiary or an associate, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity, and are amortised on the basis of their expected useful lives (4 to 16 years). At each reporting date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately to the recoverable amount.

(iii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalised where it is probable that it will generate future economic benefits attributable to the asset that will flow from its use. Computer software costs are amortised over each asset's useful life to a maximum of a 10 year time period. Costs associated with maintaining software are recognised as an expense as incurred.

(f) Investment properties

Investment properties are land and buildings which are owned either to earn rental income or for long term investment or for both. Investment properties are stated in the consolidated statement of financial position at fair value. Any gains or losses arising from a change in fair value or from the disposal of an investment property is recognised in the consolidated income statement.

(g) Property, plant and equipment and right-of-use assets

Property, plant and equipment is stated at cost less accumulated depreciation and impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings, leasehold land and leasehold improvements, are depreciated over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the lease.
- Equipment and motor vehicles, are depreciated over 3 to 15 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

At each reporting date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Gains and losses on disposals are included in the consolidated income statement.

Where the Group is a lessee of a right-of-use asset, the leased assets are capitalised and included in "Property, plant and equipment" with a corresponding liability to the lessor recognised in "Other liabilities", in accordance with the Group's lease accounting policy in note 2(h).

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(h) Leases

Where the Group is the lessee

The Group assesses whether a contract is a lease in scope of this policy by determining whether the contract gives it the right to use a specified underlying physical asset for a lease term greater than 12 months, unless the underlying asset is of low value.

When the Group is a lessee and the lease is deemed in scope, it recognises a liability equal to the present value of lease payments over the lease term, discounted using the incremental borrowing rate applicable in the economic environment of the lease. The lease liability is recognised in 'Other liabilities'. A corresponding right-of-use asset equal to the lease liability, adjusted for any lease payments made at or before the commencement date, is recognised in 'Property, plant and equipment'. The lease term includes any extension options contained in the contract that the Group is reasonably certain it will exercise.

The Group subsequently depreciates the right-of-use asset using the straight-line method over the lease term and measures the lease liability using the effective interest method. Depreciation on the asset is recognised in 'Operating expenses', and interest on the lease liability is recognised in 'Interest expense'.

Where the Group is the lessor

Assets leased to customers under operating leases are included within property, plant and equipment and depreciated over their estimated useful lives. Rental income on these leased assets is recognised in the consolidated income statement on a straight-line basis unless another systematic basis is more representative.

(i) Financial instruments

Classification and measurement of financial instruments

The Group classifies its financial assets into the following measurement categories: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. Financial liabilities are classified as either amortised cost, or held at fair value through profit or loss. Management determines the classification of its financial assets and liabilities at initial recognition of the instrument or, where applicable, at the time of reclassification.

i) Financial assets held at amortised cost and fair value through other comprehensive income ("FVOCI")

Debt instruments held at amortised cost or held at FVOCI have contractual terms that give rise to cash flows that are solely payments of principal and interest ("SPPI characteristics"). Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows have SPPI characteristics, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify the consideration of the time value of money – e.g. periodical reset of interest rates.

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Group manages financial assets to generate cash flows.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(i) Financial instruments (continued)

i) Financial assets held at amortised cost and fair value through other comprehensive income (“FVOCI”) (continued)

The Group makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management. Factors considered include:

- how the performance of the product business line is evaluated and reported to the Group’s management;
- how managers of the business model are compensated, including whether management is compensated based on the fair value of assets or the contractual cash flows collected;
- the risks that affect the performance of the business model and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows (“hold to collect”) are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (“hold to collect and sell”) are classified as held at FVOCI.

Both hold to collect and hold to collect and sell business models involve holding financial assets to collect the contractual cash flows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular group of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in the credit risk of financial assets but sales for other reasons should be both infrequent and insignificant.

Cash flows from the sale of financial assets under a hold to collect and sell business model in contrast are integral to achieving the objectives under which a particular group of financial assets are managed. This may be the case where frequent sales of financial assets are required to manage the Group’s daily liquidity requirements or to meet regulatory requirements to demonstrate liquidity of financial instruments. Sales of assets under hold to collect and sell business models are therefore both more frequent and more significant in value than those under the hold to collect model.

Equity instruments designated as held at FVOCI

Non-trading equity instruments acquired for strategic purposes rather than capital gain may be irrevocably designated at initial recognition at FVOCI on an instrument by instrument basis. Gains and losses arising from changes in the fair value of these instruments, including foreign exchange gains and losses, are recognised directly in equity and are never reclassified to profit or loss even on derecognition.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(i) Financial instruments (continued)

ii) Financial assets and liabilities held at fair value through profit or loss

Financial assets which are not held at amortised cost or not held at fair value through other comprehensive income are held at fair value through profit or loss. Financial assets and liabilities held at fair value through profit or loss are either mandatorily classified as fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

Mandatorily classified at fair value through profit or loss

Financial assets and liabilities which are mandatorily held at fair value through profit or loss are split between two sub-categories as follows:

- Trading, including
 - financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short term; and
 - derivatives.
- Non-trading mandatorily at fair value through profit or loss, including
 - instruments (other than trading or derivatives) in a business which has a fair value business model;
 - hybrid financial assets that contain one or more embedded derivatives;
 - financial assets that would otherwise be measured at amortised cost or FVOCI but which do not have SPPI characteristics; and
 - equity instruments that have not been designated as held at FVOCI.

Designated at fair value through profit or loss

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis ("accounting mismatch").

To reduce accounting mismatches, the Group has designated certain financial liabilities at fair value through profit or loss where the liabilities either:

- have fixed rates of interest and interest rate swaps or other interest rate derivatives have been entered with the intention of significantly reducing interest rate risk; or
- are exposed to foreign currency risk and derivatives have been acquired with the intention of significantly reducing exposure to market changes; or
- have been acquired to fund trading asset portfolios or assets.

Financial liabilities may also be designated at fair value through profit or loss where they are managed on a fair value basis or have an embedded derivative where the Group does not separately value the embedded derivative component.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(i) Financial instruments (continued)

iii) Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Under a financial guarantee contract, the Group undertakes to meet a customer's obligations under the terms of a debt instrument if the customer fails to do so. Loan commitments are firm commitments to provide credit under prespecified terms and conditions. Financial guarantee contracts and loan commitments issued at below market interest rates are initially recognised as liabilities at fair value, whilst financial guarantees and loan commitments issued at market rates are recorded off balance sheet. Subsequently these instruments are measured at the higher of the expected credit loss provision, and the amount initially recognised less the cumulative amount of income recognised in accordance with the principles of HKFRS 15/IFRS 15 – Revenue from Contracts with Customers ("HKFRS 15/IFRS 15").

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Group has access at that date. The fair value of a liability includes the risk that the Group will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument, and for unlisted securities, is not active, the Group establishes fair value by using valuation techniques.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade-date (the date on which the Group commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on settlement date (the date on which cash is advanced to the borrowers). Financial liabilities, which include borrowings, not classified as held at fair value through profit or loss are classified at amortised cost on settlement date.

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets and financial liabilities which are not subsequently measured at fair value through profit or loss.

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in the consolidated income statement but is amortised or released to the consolidated income statement as the inputs become observable, or the transaction matures or is terminated.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(i) Financial instruments (continued)

Subsequent measurement

i) Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method (see note 2(o)(i)). Foreign exchange gains and losses are recognised in the consolidated income statement.

Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

ii) Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Foreign exchange gains and losses on the amortised cost are recognised in the consolidated income statement. Changes in expected credit losses are recognised in the consolidated income statement and are accumulated in a separate component of equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss in reserve, are transferred to the consolidated income statement.

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to the consolidated income statement.

iii) Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value (including contractual interest) recorded in "Net trading income" in the consolidated income statement unless the instrument is part of a cash flow hedging relationship.

iv) Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss are held at fair value, with changes in fair value (including contractual interest) recognised in "Net trading income" in the consolidated income statement, other than that attributable to changes in own credit risk. Fair value changes attributable to own credit risk are recognised in other comprehensive income and recorded in a separate category of reserves unless this is expected to create or enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated at fair value through profit or loss is recognised in the consolidated income statement.

The Group calculates own credit adjustment ("OCA") on its issued debt designated at fair value, including structured notes, in order to reflect changes in its own credit standing. Own issued note liabilities are discounted utilising spreads as at the measurement date. These spreads consist of a market level of funding component and an idiosyncratic own credit component. Under HKFRS 9/IFRS 9 the change in the OCA component is reported under other comprehensive income. The Group's OCA reserve will increase if its credit standing worsens and, conversely, decrease if its credit standing improves. The Group's OCA reserve will reverse over time as its liabilities mature.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(i) Financial instruments (continued)

Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement.

Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred, such as whether the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the consolidated income statement except for equity instruments elected FVOCI and cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expired and this is evaluated both qualitatively and quantitatively.

If the Group purchases its own debt, it is derecognised and the difference between the carrying amount of the liability and the consideration paid is included in 'other operating income' except for the cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income and are never recycled to the consolidated income statement.

Modified financial instruments

Financial assets and financial liabilities whose original contractual terms have been modified, including those loans subject to forbearance strategies are considered to be modified instruments. Modifications may include changes to the tenor, cash flows and or interest rates amongst other factors.

Where derecognition of financial assets is appropriate, the newly recognised residual loans are assessed to determine whether the assets should be classified as purchased or originated credit impaired assets ("POCI").

Where derecognition is not appropriate, the gross carrying amount of the applicable instruments are recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate (or credit adjusted effective interest rate for POCI financial assets). The difference between the recalculated values and the pre-modified gross carrying values of the instruments are recorded as a modification gain or loss in the consolidated income statement.

Gains and losses arising from modifications for credit reasons are recorded as part of 'credit impairment'. Modification gains and losses arising for non-credit reasons are recognised either as part of "credit impairment" or within income depending on whether there has been a change in the credit risk on the financial asset subsequent to the modification. Modification gains and losses arising on financial liabilities are recognised within income.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(i) Financial instruments (continued)

Reclassifications

Financial liabilities are not reclassified subsequent to initial recognition.

Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

Financial assets are reclassified at their fair value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at fair value through other comprehensive income do not affect effective interest rate or expected credit loss computations.

i) Reclassified from amortised cost

Where financial assets held at amortised cost are reclassified to financial assets held at fair value through profit or loss, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in the consolidated income statement.

For financial assets held at amortised cost that are reclassified to fair value through other comprehensive income, the difference between the fair value of the assets at the date of reclassification and the previously recognised gross carrying value is recognised in other comprehensive income. Additionally, the related cumulative expected credit loss amounts relating to the reclassified financial assets are reclassified from loan loss provisions to a separate reserve in other comprehensive income at the date of reclassification.

ii) Reclassified from fair value through other comprehensive income

Where financial assets held at fair value through other comprehensive income are reclassified to financial assets held at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the consolidated income statement.

For financial assets held at fair value through other comprehensive income that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always been held at amortised cost. In addition, the related cumulative expected credit losses held within other comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification.

iii) Reclassified from fair value through profit or loss

Where financial assets held at fair value through profit or loss are reclassified to financial assets held at fair value through other comprehensive income or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of expected credit losses. Where financial assets held at fair value through profit or loss are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(j) *Hedge accounting*

The Group has chosen to continue to apply hedging requirements under HKAS 39/IAS 39 Financial instruments: recognition and measurement rather than those of HKFRS 9/IFRS 9 Financial instruments. The accounting treatment of hedge transactions will differ according to the nature of the instrument hedged and whether the hedge qualifies as a hedging instrument for accounting purposes.

The Group designates certain derivatives as either:

- a) Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge)
- b) Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge)
- c) Hedges of the net investment of a foreign operation (net investment hedges)

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

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

(i) *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualified as fair value hedging instruments are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the consolidated income statement over the remaining term to maturity of the hedged item. For details, please refer to note 31 to the consolidated financial statements.

(ii) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedging instruments are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are recycled to the consolidated income statement in the periods in which the hedged item affects the consolidated income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement. For details, please refer to note 31 to the consolidated financial statements.

(iii) *Net investment hedge*

Hedges of net investments are accounted for in a similar manner to cash flow hedges, with gains and losses on the effective portion of the hedges deferred in "Exchange reserve" in equity until the net investment is disposed of. The ineffective portion of the hedges is recognised in "Net trading income" immediately. For details, please refer to note 31 to the consolidated financial statements.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(k) Impairment

The Group's expected credit losses ("ECL") calculations are outputs of complex models with a number of underlying assumptions. The significant judgements and estimates in determining ECL include:

- the Group's criteria for assessing if there has been a significant increase in credit risk;
- development of ECL models, including the choice of inputs relating to macroeconomic variables;
- determining estimates of forward looking macroeconomic forecasts;
- evaluation of management overlays and post-model adjustments;
- determination of probability weightings for Stage 3 individually assessed provisions.

The calculation of credit-impairment provisions also involves expert credit judgement to be applied by the credit risk management team based upon counterparty information they receive from various sources including client-facing employees and on external market information.

ECL are determined for all financial debt instruments that are classified at amortised cost or fair value through other comprehensive income, undrawn commitments and financial guarantees.

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive over the contractual life of the instrument.

Measurement

Expected credit losses are computed as unbiased, probability weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward looking.

For material portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default ("PD") with the loss given default ("LGD") with the expected exposure at the time of default ("EAD"). For less material Retail loan portfolios, the Group has adopted less sophisticated approaches based on historical roll rates or loss rates.

Forward looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates, interest rates, house price indices and commodity prices amongst others. These assumptions are incorporated using the Group's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally, and are consistent with those used for budgeting, forecasting and capital planning.

To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. Both in respect of determining the PD, LGD and EAD and in determining the overall expected credit loss amounts. These scenarios are determined using a Monte Carlo approach centred around the Group's most likely forecast of macroeconomic assumptions.

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Group is exposed to credit risk. However, for certain revolving credit facilities, which include credit cards or overdrafts, the Group's exposure to credit risk is not limited to the contractual period. For these instruments, the Group estimates an appropriate life based on the period that the Group is exposed to credit risk, which includes the effect of credit risk management actions such as the withdrawal of undrawn facilities.

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgement. As a practical expedient, the Group may also measure credit impairment on the basis of an instrument's fair value using an observable market price.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(k) Impairment (continued)

Measurement (continued)

The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, regardless of whether foreclosure is deemed probable.

Cash flows from unfunded credit enhancements held are included within the measurement of expected credit losses if they are part of, or integral to, the contractual terms of the instrument (this includes financial guarantees, unfunded risk participations and other non-derivative credit insurance).

Cash shortfalls are discounted using the effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired (“POCI”) instruments) on the financial instrument as calculated at initial recognition or if the instrument has a variable interest rate, the current effective interest rate determined under the contract.

| <u>Instruments</u> | <u>Location of expected credit loss provisions</u> |
|---|---|
| Financial assets held at amortised cost | Loss provisions: netted against gross carrying value ¹ |
| Debt instruments at FVOCI | Other comprehensive income (FVOCI Reserve) ² |
| Loan commitments and financial guarantees | Other liabilities ³ |

¹ POCI assets do not attract an ECL provision on initial recognition. An ECL provision will be recognised only if there is an increase in expected credit losses from that considered at initial recognition.

² Debt securities classified as FVOCI are held at fair value. The ECL attributed to these instruments is held as a separate reserve within OCI and is recycled to the profit and loss account along with any fair value measurement gains or losses held within FVOCI when the applicable instruments are derecognised.

³ ECL on loan commitments and financial guarantees are recognised as a liability provision. Where a financial instrument includes both a loan (i.e. financial asset component) and an undrawn commitment (i.e. loan commitment component), and it is not possible to separately identify the ECL on these components, ECL amounts on the loan commitment are recognised together with ECL amounts on the financial asset. To the extent the combined ECL exceeds the gross carrying amount of the financial asset, the ECL is recognised as a liability provision.

Recognition

i) 12 months expected credit losses (stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit-impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

ii) Significant increase in credit risk (stage 2)

If a financial asset experiences a significant increase in credit risk (“SICR”) since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in ECL. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or roll rate approach is applied to compute ECL, significant increase in credit risk is primarily based on 30 days past due.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(k) Impairment (continued)

Recognition (continued)

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

Quantitative factors include an assessment of whether there has been a significant increase in the forward-looking PD since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk. We compare the residual lifetime PD at the balance sheet date to the residual lifetime PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a significant increase in credit risk.

Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on non-purely precautionary early alert (and subject to closer monitoring).

A non-purely precautionary early alert account is one which exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such an account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over management's ability to manage operations, weak/deteriorating operating results, liquidity strain and overdue balances amongst other factors.

iii) Credit impaired (or defaulted) exposures (stage 3)

Financial assets are considered to be credit impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. Financial assets that are credit impaired (or in default) included those that are past due for more than 90 days in respect of principal and/or interest. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit impaired.

Evidence that a financial asset is credit impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;
- For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concessions that lenders would not otherwise consider, which include forbearance actions;
- Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligations;
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower;
- Purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

Irrevocable lending commitments to a credit impaired obligor that have not yet been drawn down are also included within the stage 3 credit impairment provision to the extent that the commitment cannot be withdrawn.

Loss provisions against credit impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the cash flows expected to be recovered, discounted at the instrument's original effective interest rate, and the gross carrying value of the instrument prior to any credit impairment.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(k) Impairment (continued)

Recognition (continued)

Expert credit judgement

Instruments graded Credit Grade 13 or Credit Grade 14 are regarded as Non-Performing Loans, i.e. stage 3 or credit impaired exposures.

For individually significant financial assets within stage 3, Stressed Assets Group (“SAG”) and Stressed Asset Risk (“SAR”) will consider all judgements that have an impact on the expected future cash flows of the asset. These include: the business prospects, industry and geo-political climate of the customer, quality of realisable value of collateral, the Group’s legal position relative to other claimants and any renegotiation/forbearance/modification options. The difference between the loan carrying amount and the discounted expected future cash flows will result in the stage 3 credit impairment amount. The future cash flow calculation involves significant judgements and estimates. As new information becomes available and further negotiations/forbearance measures are taken the estimates of the future cash flows will be revised, and will have an impact on the future cash flow analysis.

For financial assets which are not individually significant, such as the Retail portfolio or small business loans, which comprise a large number of homogeneous loans that share similar characteristics, statistical estimates and techniques are used, as well as credit scoring analysis.

Retail banking clients are considered credit-impaired when they are more than 90 days past due. Retail products are also considered credit-impaired if the borrower files for bankruptcy or other forbearance programmes, the borrower is deceased or the business is closed in the case of a small business if the borrower surrenders the collateral, or there is an identified fraud on the account. Additionally, if the account is unsecured and the borrower has other credit accounts with the Group that are considered credit-impaired, the account may also be credit-impaired.

Techniques used to compute impairment amounts use models which analyse historical repayment and default rates over a time horizon. Where various models are used, judgement is required to analyse the available information provided and select the appropriate model or combination of models to use.

As part of normal model monitoring and validation operational processes, where a model’s performance breaches the monitoring thresholds or validation standards, an assessment is completed to determine whether an ECL Post Model Adjustment (“PMA”) is required to correct for the identified model issue. PMAs will be removed when the models are updated to correct for the identified model issue or the estimates return to being within the monitoring thresholds.

Expert credit judgement is also applied to determine whether any post-model adjustments are required for credit risk elements which are not captured by the models.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(k) *Impairment (continued)*

Modified financial instruments

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised within impairment in the consolidated income statement with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group would not otherwise consider, the instrument is considered to be credit-impaired and is considered forborne.

These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification. Although loans may be modified for non-credit reasons, a significant increase in credit risk may occur. ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk.

In addition to the recognition of modification gains and losses, the revised carrying value of modified financial assets will impact the calculation of expected credit losses, with any increase or decrease in ECL recognised within impairment.

Forborne loans

Forborne loans are those loans that have been modified in response to customers' financial difficulties.

Forbearance strategies assist clients who are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the client, the Group or a third party including government sponsored programmes or a conglomerate of credit institutions. Forbearance may include debt restructuring such as new repayment schedules, payment deferrals, tenor extensions, interest only payments, lower interest rates, forgiveness of principal, interest or fees, or relaxation of loan covenants.

Forborne loans that have been modified (and not derecognised) on terms that are not consistent with those readily available in the market and/or where we have granted a concession compared to the original terms of the loans are considered credit impaired if there is a detrimental impact on cash flows. The modification loss is recognised in the consolidated income statement within impairment and the gross carrying value of the loan reduced by the same amount.

Write-offs of credit impaired instruments and reversal of impairment

To the extent a financial debt instrument is considered irrecoverable, the applicable portion of the gross carrying value is written-off against the related loan provision. Such loans are written-off after all the necessary procedures have been completed and it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written-off decrease the amount of the provision for loan impairment in the consolidated income statement. If, in a subsequent period, the amount of the credit impairment loss decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised credit impairment loss is reversed by adjusting the impairment allowance. The amount of the reversal is recognised in the consolidated income statement.

Improvement in credit risk/curing

A period may elapse from the point at which instruments enter lifetime expected credit losses (stage 2 or stage 3) and are reclassified back to 12-month expected credit losses (stage 1). For financial assets that are credit-impaired (stage 3), a transfer to stage 2 is only permitted where the instrument is no longer considered to be credit-impaired. An instrument will no longer be considered credit-impaired when there is no shortfall of cash flows compared to the original contractual terms.

Financial assets within stage 2 or stage 3 can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(k) *Impairment (continued)*

Write-offs of credit impaired instruments and reversal of impairment (continued)

Where a significant decrease in credit risk is determined using quantitative measures, the instrument will be automatically transferred back to stage 1 when the original PD-based transfer criteria are no longer met. Where instruments are transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1. This includes instances where management actions led to instruments being classified as stage 2, requiring those actions to be resolved before loans are reclassified to stage 1.

A forbore loan can only be removed from the disclosure (cured) if the loan is performing (stage 1 or 2) and a further two year probation period is met.

In order for a forbore loan to become performing, the following criteria have to be satisfied:

- At least a year has passed with no default based upon the forbore contract terms
- The customer is likely to repay its obligations in full without realising security
- The customer has no accumulated impairment against the amount outstanding

Subsequent to the criteria above, a further two year probation period has to be fulfilled, whereby regular payments are made by the customer and none of the exposures to the customer are more than 30 days past due.

(l) *Offsetting financial transactions*

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(m) *Fiduciary activities*

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets and income of the Group.

(n) *Cash and cash equivalents*

Cash and cash equivalents include:

- Cash on hand and balances at central banks' that are on demand or placements which are contractually due to mature overnight only, except for restricted balances; and
- Other balances that have less than three months' maturity from the date of acquisition, are not subject to contractual restrictions, are subject to insignificant changes in value, are highly liquid and are held for the purpose of meeting short-term cash commitments. This includes products such as treasury bills and other eligible bills, short-term government securities, loans and advances to banks (including reverse repos), and loans and advances to customers (only non-demand or non-overnight placements at central banks), which are held for appropriate business purposes. On demand accounts with non-central banks are reported as part of 'loans and advances to banks'.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(o) Revenue recognition

(i) Net interest income and other gains or losses arising from financial instruments

Interest income for financial assets held at either FVOCI or amortised cost, and interest expense on all financial liabilities held at amortised cost is recognised in the consolidated income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the expected life of the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of a financial asset or the amortised cost of a financial liability. When calculating the effective interest rate for financial instruments other than credit impaired assets, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider expected credit losses.

The calculation of effective interest rate includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability and all other premiums or discounts.

Interest income for financial assets that are either held at FVOCI or amortised cost that have become credit impaired subsequent to initial recognition (stage 3) is recognised using the original effective interest rate applied to the net carrying value. Interest income is therefore recognised on the amortised cost of the financial asset including expected credit losses. Should the credit risk on a stage 3 financial asset improve such that the financial asset is no longer considered credit impaired, interest income recognition reverts to a computation based on the gross carrying value of the financial asset.

Interest income and expense on financial instruments held at fair value through profit or loss is recognised within net trading income.

Gains and losses arising from changes in the fair value of financial assets and liabilities held at fair value through profit or loss, as well as any interest receivable or payable, are included in the consolidated income statement in the period in which they arise.

Gains and losses arising from changes in the fair value of financial assets held at fair value through other comprehensive income other than foreign exchange gains and losses from monetary items, are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the consolidated income statement, except for the investments in equity irrevocably designated at fair value through other comprehensive income.

Dividends on equity instruments are recognised in the consolidated income statement within other operating income when the Group's right to receive payment is established. Foreign exchange gains and losses on monetary items are recognised in net trading income.

(ii) Fees and commissions

Fees and commissions charged for services provided by the Group are recognised as and when the service is completed or significant act performed. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as for the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis.

The determination of the services performed for the customer, the transaction price, and when the services are completed depends on the nature of the product with the customer. The main considerations on income recognition by product are as follows:

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(o) Revenue recognition (continued)

(ii) Fees and commissions (continued)

Transaction Banking

The Group recognises fee income associated with transactional trade and cash management at the point in time the service is provided. The Group recognises income associated with trade contingent risk exposures (such as letters of credit and guarantees) over the period in which the service is provided.

Payment of fees is usually received at the same time the service is provided. In some cases, letters of credit and guarantees issued by the Group have annual upfront premiums, which are amortised on a straight-line basis to fee income over the year.

Financial Markets

The Group recognises fee income at the point in time the service is provided. Fee income is recognised for a significant non-lending service when the transaction has been completed and the terms of the contract with the customer entitle the Group to the fee. Fees are usually received shortly after the service is provided.

Syndication fees are recognised when the syndication is complete. Fees are generally received before completion of the syndication, or within 12 months of the transaction date.

Securities services include custody services, fund accounting and administration, and broker clearing. Fees are recognised over the period the custody or fund management services are provided, or as and when broker services are requested.

Wealth Management

Upfront consideration on bancassurance agreements is amortised straight-line over the contractual term. Commissions for bancassurance activities are recorded as they are earned through sales of third-party insurance products to customers. These commissions are received within a short time frame of the commission being earned. Target-linked fees are accrued based on percentage of the target achieved, provided it is assessed as highly probable that the target will be met. Cash payment is received at a contractually specified date after achievement of a target has been confirmed.

Upfront and trailing commissions for managed investment placements are recorded as they are confirmed. Income from these activities is relatively even throughout the period, and cash is usually received within a short time frame after the commission is earned.

Retail Products

The Group recognises most income at the point in time the Group is entitled to the fee, since most services are provided at the time of the customer's request.

Credit card annual fees are recognised at the time the fee is received since in most of our retail markets there are contractual circumstances under which fees are waived, so income recognition is constrained until the uncertainties associated with the annual fee are resolved. The Group defers the fair value of reward points on its credit card reward programmes, and recognises income and costs associated with fulfilling the reward at the time of redemption.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(p) *Income tax*

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Current and deferred tax relating to items which are charged or credited directly to equity, are credited or charged directly to equity and are subsequently recognised in the consolidated income statement together with the current or deferred gain or loss.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities for which a legal right of set off exists.

(q) *Provisions*

The Group recognises a provision for a present legal or constructive obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(r) *Employee benefits*

(i) *Short term employee benefits*

Salaries, annual bonuses, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(ii) *Retirement benefit obligations*

The Group operates a number of defined contribution and defined benefit plans.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis, and such amounts are charged to operating expenses. The Group has no further payment obligations once the contributions have been paid.

For funded defined benefit plans, the net liability recognised in the consolidated statement of financial position represents the present value of the defined benefit obligations at the reporting date less the fair value of plan assets. For unfunded defined benefit plans the liability recognised at the balance sheet date is the present value of the defined benefit obligation.

The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using an interest rate equal to the yield on government bonds that are denominated in the currency in which the benefits will be paid, and that have a term to maturity approximating to the term of the related pension liability.

Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the consolidated statement of other comprehensive income in the period they arise. Net interest expense, the cost of accrual of new benefits, and administrative expenses met directly from plan assets are recognised in the income statement in the period in which they were incurred.

The Group determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payment.

(iii) *Share-based compensation*

The Group's immediate holding company, Standard Chartered PLC ("SC PLC"), operates equity-settled share-based compensation plans in which the Group's employees participate. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. For deferred share awards granted as part of an annual performance award, the expense is recognised over the period from the start of the performance period to the vesting date. For all other awards the expense is recognised over the period from the start of the date of grant to the vesting date.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as a binomial option pricing model.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period. Forfeitures prior to vesting attributable to factors other than the failure to satisfy a non-market vesting condition are treated as a cancellation and the remaining unamortised charge is debited to the consolidated income statement at the time of cancellation.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(s) Translation of foreign currencies

Items included in each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

Foreign currency transactions are translated into Hong Kong dollars 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 consolidated income statement.

Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognised in either the consolidated income statement or shareholders' equity depending on the treatment of the gain or loss on the asset or liability.

The results and financial position of all foreign operations that have a functional currency different from the Group's presentation currency are accounted for as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the reporting date.
- income and expenses for each consolidated income statement are translated at average exchange rates or at rates on the date of the transaction where exchange rates fluctuate significantly; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, the exchange differences are recognised in the consolidated income statement as part of the gain or loss on disposal.

(t) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, directors, significant shareholders and/or their close family members) or other entities and include (i) associates and joint ventures of SC PLC and its subsidiaries ("SC PLC Group"), (ii) entities which are under the significant influence of related parties of the Group where those parties are individuals, (iii) post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group, and (iv) entities or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(v) *Sale and repurchase agreements*

Securities sold subject to repurchase agreements (“repos”) remain on the consolidated statement of financial position; the counterparty liability is included in “Deposits by banks”, “Customer accounts” or “Amounts due to immediate holding company/fellow subsidiaries”, as appropriate. Securities purchased under agreements to re-sell (“reverse repos”) are not recognised on the consolidated statement of financial position and the consideration paid is recorded in “Loans and advances to customers”, “Loans and advances to banks” or “Amounts due from fellow subsidiaries” as appropriate. The difference between the sale and repurchase price is treated as interest and recognised over the life of the agreement.

Securities borrowed are not recognised in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

(w) *Assets held for sale*

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when:

- their carrying amounts will be recovered principally through sale;
- they are available for sale in their present condition; and
- their sale is highly probable within 12 months from the date of classification.

Immediately before the initial classification as held for sale, the carrying amounts of the assets (or assets and liabilities in the disposal groups) are measured in accordance with the applicable accounting policies described above.

(x) *Structured entities*

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Contractual arrangements determine the rights and therefore relevant activities of the structured entity. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their activities. Structured entities are consolidated when the substance of the relationship between the Group and that of the structured entity indicates the Group has power over the contractual relevant activities of the structured entity, are exposed to variable returns, and can use that power to affect the variable return exposure. In determining whether to consolidate a structured entity, the Group takes into account their ability to direct the relevant activities of the structured entity. Control over relevant activities is generally evidenced through a unilateral right to liquidate the structured entity, investment in a substantial proportion of the securities issued by the structured entity or where the Group holds specific subordinated securities that embody certain controlling rights. The Group may further consider relevant activities embedded within contractual arrangements such as call options which give the practical ability to direct the entity, special relationships between the structured entity and investors, and if a single investor has a large exposure to variable returns of the structured entity.

(y) *Other equity instruments*

Financial instruments including preference share capital issued are classified as equity, when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Securities, including Additional Tier 1 Capital Securities, which carry a discretionary coupon and have no fixed maturity or redemption date are classified as other equity instruments. Interest payments on these securities are recognised, net of tax, as distributions from equity in the period in which they are declared.

(z) *Dividends*

Dividends on equity instruments are recognised as a liability once they have been declared and no longer at the discretion of the directors, and in certain situations, approved by shareholders.

Notes to the consolidated financial statements continued

3.1 Changes in accounting policies

The Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these financial statements.

Other amendments and interpretations applied for the first time in 2025 do not have an impact on the Group's consolidated financial statements.

3.2. Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 31 December 2025

There were no new accounting standards or interpretations that had a material effect on the Group's financial statements in 2025.

HKFRS/IFRS 18 Presentation and Disclosure in Financial Statements

The new standard HKFRS/IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 but earlier application is permitted. This new standard replaces HKAS/IAS 1 Presentation of Financial Statements and amends HKAS/IAS 7 Statement of Cash Flows. HKFRS/IFRS 18 introduces three defined categories for income and expenses – operating, investing and financing – to improve the structure of the income statement, and requires all companies to provide new defined subtotals, including operating profit. HKFRS/IFRS 18 will require disclosure of explanations of company-specific measures that are related to the income statement, referred to as management-defined performance measures. HKFRS/IFRS 18 sets out enhanced guidance on how to organise information and whether to provide it in the primary financial statements or in the notes. The Group will apply HKFRS/IFRS 18 for annual reporting periods beginning on 1 January 2027, which is currently not expected to have a material impact on the Group's financial statements other than a change in the presentation of the primary statements.

HKFRS/IFRS 9 Financial Instruments and HKFRS/IFRS 7 Financial Instruments: Disclosures Amendments

Amendments to the Classification and Measurement of Financial Instruments were issued to amend requirements related to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features. Disclosure requirements were also amended relating to investments in equity instruments designated at fair value through other comprehensive income and disclosure requirements were added for financial instruments with contingent features that do not relate directly to basic lending risks and costs. The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. The amendments are not expected to have a material impact on the Group's financial statements.

3.3. Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions about the effects of uncertain future events on those assets and liabilities at the reporting date. These estimations and assumptions are based on historical experience and expectation of future events and are reviewed periodically as actual results may differ from these estimates.

Pensions

Actuarial assumptions are made in valuing defined benefit obligations as set out in note 27 and are updated periodically.

Taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. Deferred tax liabilities are recognised on all temporary differences and deferred tax assets are recognised on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgements as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

Notes to the consolidated financial statements continued

3.3. Significant accounting estimates and judgements (continued)

Valuation of financial instruments

The Group evaluates the significance of financial instruments and material accuracy of the valuations incorporated in the financial statements as they involve a high degree of judgement and estimation uncertainty in determining the carrying values of financial assets and liabilities at the balance sheet date.

- Fair value of financial instruments is determined using valuation techniques and estimates which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Changes in the observability of significant valuation inputs can materially affect the fair values of financial instruments.
- When establishing the exit price of a financial instrument using a valuation technique, the Group estimates valuation adjustments in determining the fair value.
- In determining the valuation of financial instruments, the Group makes judgements on the amounts reserved to cater for model and valuation risks, which cover both Level 2 and Level 3 assets, and the significant valuation judgements in respect of Level 3 instruments.
- Where the estimated measurement of fair value is more judgemental in respect of Level 3 assets, these are valued based on models that use a significant degree of non-market-based unobservable inputs.

Interest in an associate

The Group applies judgement in determining if it has significant influence over associates. These judgements are at times determined by equity holdings, and the voting rights associated with those holdings. However, further considerations including but not limited to board seats, advisory committee members and specialist knowledge of some decision-makers are also taken into account.

Impairment testing of investments in associates is performed if there is a possible indicator of impairment. Judgement is used to determine if there is objective evidence of impairment. Objective evidence may be observable data such as losses incurred on the investment when applying the equity method, the granting of concessions as a result of financial difficulty, or breaches of contracts/regulatory fines of the associate. Further judgement is required when considering broader indicators of impairment such as losses of active markets or ratings downgrades across key markets in which the associate operates.

Impairment testing is based on estimates including forecasting the expected cash flows from the investments, growth rates, terminal values and the discount rate used in calculation of the present values of those cash flows. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement.

Impairment of financial assets

Policies on impairment of financial assets are set out in note 2(k).

Goodwill impairment

An annual assessment is made, as set out in note 20, as to whether the current carrying value of goodwill is impaired.

Share-based payments

Share-based payments involve judgement and estimation uncertainty exists when determining the expenses and carrying values of share awards at the balance sheet date.

- LTIP awards are determined using an estimation of the probability of meeting certain metrics over a three-year performance period using the Monte Carlo simulation model.
- Deferred shares are determined using an estimation of expected dividends.
- Sharesave Plan valuations are determined using a binomial option-pricing model.

Notes to the consolidated financial statements continued

3.3. Significant accounting estimates and judgements (continued)

Computer software

On an annual basis software assets' residual values and useful lives are reviewed, including assessing for indicators of impairment. Indicators of impairment include loss of business relevance, obsolescence, exit of the business to which the software relates, technological changes, change in use of the asset, reduction in useful life, plans to reduce usage or scope.

For capitalised software that is internally generated, judgement is required to determine which costs relate to research (expensed) and which costs relate to development (capitalised). Further judgement is required to determine the technical feasibility of completing the software such that it will be available for use. Estimates are used to determine how the software will generate probable future economic benefits: these estimates include cost savings, income increases, balance sheet improvements, improved functionality or improved asset safeguarding.

4. Operating profit

The operating profit for the year is stated after taking into account the following:

(a) *Interest income*

| | 2025 HK\$'M | 2024 HK\$'M |
|---|----------------|----------------|
| Interest income arising from financial assets: | | |
| – amortised cost | 61,875 | 68,425 |
| – measured at fair value through other comprehensive income | 6,159 | 6,871 |
| | 68,034 | 75,296 |

(b) *Interest expense*

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| Interest expense arising from financial liabilities measured at amortised cost | 45,175 | 54,546 |
| Interest expense on lease liabilities | 151 | 185 |
| | 45,326 | 54,731 |

(c) *Net fee and commission income*

| | 2025 HK\$'M | 2024 HK\$'M |
|---|----------------|----------------|
| Fee and commission income | 14,937 | 13,388 |
| Of which | | |
| – Financial instruments that are not fair valued through profit or loss | 2,629 | 2,484 |
| – Trust and other fiduciary activities | 2,090 | 1,664 |
| Fee and commission expense | (4,144) | (4,580) |
| Of which | | |
| – Financial instruments that are not fair valued through profit or loss | (978) | (1,471) |
| – Trust and other fiduciary activities | (512) | (340) |
| Net fee and commission income | 10,793 | 8,808 |
| | 2025 HK\$'M | 2024 HK\$'M |
| Transaction Services | 2,274 | 1,951 |
| Banking | 821 | 685 |
| Markets | 290 | (272) |
| Wealth Solutions | 7,112 | 5,814 |
| Retail Products | 584 | 759 |
| Others | (288) | (129) |
| Net fee and commission income | 10,793 | 8,808 |

Notes to the consolidated financial statements continued

4. Operating profit (continued)

(d) Net trading income

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| Net gains on financial instruments held for trading | 25,768 | 25,216 |
| Net gains on financial assets mandatorily at fair value through profit or loss other than held for trading | 4,846 | 6,553 |
| Net gain/(loss) on financial instruments designated at fair value through profit or loss | 789 | (347) |
| | 31,403 | 31,422 |

(e) Other operating income

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| Rental income from operating lease assets | 260 | 310 |
| Dividend income from financial assets at fair value through other comprehensive income | 29 | 23 |
| Net gains/(losses) on disposal of debt securities at fair value through other comprehensive income | 132 | (504) |
| Net gains on disposal and write-off of property, plant and equipment | 61 | 166 |
| Net losses on disposal of financial instruments measured at amortised cost | (132) | (128) |
| Net (losses)/gains on revaluation of investment properties (note 19) | (70) | 122 |
| Others | 402 | 221 |
| | 682 | 210 |

(f) Operating expenses

| | 2025 HK\$'M | 2024 HK\$'M |
|---|----------------|----------------|
| Staff costs | | |
| – wages and salaries | 12,004 | 11,476 |
| – contributions to defined contribution plans | 735 | 718 |
| – expenses in respect of the defined benefits plan (note 27(b)) | 181 | 191 |
| – net share-based payment expenses | 361 | 517 |
| – other staff costs | 2,837 | 2,218 |
| Depreciation (note 19) | 1,851 | 1,786 |
| Premises and equipment expense, excluding depreciation | 1,316 | 1,150 |
| Amortisation of intangible assets (note 20) | 1,550 | 1,895 |
| Auditor's remuneration | 52 | 52 |
| Others | 16,797 | 15,981 |
| | 37,684 | 35,984 |

Notes to the consolidated financial statements continued

5. Impairment charges

(a) Credit impairment

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| Net expected credit loss charges/(releases) on: | | |
| – loans and advances to banks | (1) | 11 |
| – loans and advances to customers | 3,295 | 4,021 |
| – debt securities at amortised cost | 31 | – |
| – debt securities at fair value through other comprehensive income | 36 | 1 |
| – account receivables | 27 | – |
| – loan commitments and financial guarantees | (76) | 1 |
| | 3,312 | 4,034 |

(b) Other impairment

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| (Release)/charges for property, plant and equipment (note 19) | (2) | 71 |
| Charges for capitalised software and other intangible assets (note 20) | 122 | 1,023 |
| (Release)/charges for other assets | (13) | 39 |
| | 107 | 1,133 |

6. Taxation in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| Current tax | | |
| Hong Kong profits tax | 2,649 | 2,139 |
| Overseas taxation | 1,088 | 1,055 |
| Under/(over)-provision in respect of prior years | 77 | (17) |
| | 3,814 | 3,177 |
| Deferred tax (note 25) | | |
| Origination of temporary differences | 342 | 480 |
| Under/(over)-provision in respect of prior years | (205) | 156 |
| | 137 | 636 |
| | 3,951 | 3,813 |

The provision for Hong Kong profits tax for 2025 is calculated at 16.5% (2024: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

The Pillar Two global minimum tax rules apply in Hong Kong from 1 January 2025. The HKAS/IAS 12 exception to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes has been applied. There is no current tax charge for the year ended 31 December 2025 in respect of current period Pillar Two income taxes.

Notes to the consolidated financial statements continued

6. Taxation in the consolidated income statement (continued)

(b) Reconciliation between taxation and accounting profit at applicable tax rates:

| | 2025 HK\$'M | 2024 HK\$'M |
|---|----------------|----------------|
| Profit before taxation | 25,368 | 20,374 |
| Notional tax on profit before taxation, calculated at Hong Kong profits tax rate of 16.5% | 4,186 | 3,362 |
| Tax effect of non-deductible expenses | 487 | 626 |
| Tax effect of non-taxable revenue | (713) | (742) |
| Under/(over)-provision in prior years | (128) | 139 |
| Tax effect of different tax rates of subsidiaries operating in other jurisdictions | 316 | 447 |
| Others | (197) | (19) |
| Taxation | 3,951 | 3,813 |

7. Directors' remuneration

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation are as follows:

| | 2025 HK\$'M | 2024 HK\$'M |
|--------------------------------|----------------|----------------|
| Fees | 6 | 5 |
| Short-term employment benefits | 57 | 58 |
| Post-employment benefits | 1 | 2 |
| Equity compensation benefits | 57 | 41 |
| | 121 | 106 |

8. Segmental reporting

The Group's segmental reporting is prepared in accordance with HKFRS/IFRS 8 Operating Segments and is reported consistently with the internal performance framework and as presented to the Group's Management Team. This includes a client segments view and a geographical segments view.

The analysis reflects how the client segments and markets are managed internally to drive better decision-making, resource allocation and return outcomes. Underlying segment and market performance is based on arms-length transfer pricing and reflects the underlying profitability including related capital and infrastructure costs. Income attribution to segments and markets is based on their contribution to the revenue generated across the network, considering factors such as booking location, trader and sales effort. Treasury outcomes, which segments can directly benefit, influence and optimise, are allocated to individual business segments.

During the year there has been a change in respect to the classification of income attributable to geographical markets which have been re-presented to ensure recognition is in line with transfer pricing principles for services performed including origination, structuring, booking and risk management. This is necessary to align the presentation of the disclosure of geographical markets' operating income with client segments. Prior year amounts have been re-presented in line with the current year basis of preparation to align with information reviewed by the Chief Operating Decision Maker ("CODM").

Notes to the consolidated financial statements continued

8. Segmental reporting (continued)

Client segments

The Group has three reportable business segments: Corporate & Investment Banking (“CIB”); Wealth & Retail Banking (“WRB”) and Ventures:

- (i) CIB supports clients with their transaction banking, financial markets, corporate finance and borrowing needs. The Group provides solutions in some of the world’s fastest-growing economies and most active trade corridors. Our clients include governments, banks, investors and local and large corporations.
- (ii) WRB serves individuals and small businesses, with a focus on the affluent segment. The Group provides digital banking services with a human touch to our clients, with services spanning across deposits, payments, financing products and Wealth Management. Private Banking offers a full range of investment, credit and wealth planning products to grow, and protect, the wealth of high net-worth individuals. The Group also supports clients with their business banking needs.
- (iii) Ventures mainly includes Mox Bank Limited, a cloud-native, mobile only digital bank, which was launched in September 2020.

Activities not directly related to a client are included in Central & Other items. These mainly include Corporate Centre costs, treasury activities, and certain strategic investments.

Geographical segments

The Group comprises four geographical segments, Hong Kong, Mainland China, Taiwan and Korea. Geographical segment is classified by the location of the principal operations of the subsidiary.

(a) Segment results, assets and liabilities

Client segments

| | 2025 | | | | Consolidated Total HK\$'M |
|--|--|-----------------------------------|--------------------|---------------------------------|------------------------------|
| | Corporate & Investment Banking HK\$'M | Wealth & Retail Banking HK\$'M | Ventures HK\$'M | Central & Other Items HK\$'M | |
| Operating income | | | | | |
| – External | 35,222 | 12,657 | 748 | 15,025 | 63,652 |
| – Inter-segment | (8,170) | 23,521 | – | (15,351) | – |
| | 27,052 | 36,178 | 748 | (326) | 63,652 |
| Operating expenses | (13,312) | (19,902) | (828) | 9 | (34,033) |
| Operating profit/(loss) before impairment | 13,740 | 16,276 | (80) | (317) | 29,619 |
| Impairment charges | (833) | (2,297) | (199) | (34) | (3,363) |
| Share of profit of an associate | – | – | – | 885 | 885 |
| Restructuring & other items | (559) | (1,950) | (8) | (11) | (2,528) |
| Profit/(loss) before taxation | 12,348 | 12,029 | (287) | 523 | 24,613 |
| At 31 December 2025 | | | | | |
| Segment assets | 1,350,779 | 585,784 | 25,659 | 685,694 | 2,647,916 |
| Of which: loans and advances to customers | 526,496 | 575,128 | 13,760 | 9,957 | 1,125,341 |
| Segment liabilities | 1,093,187 | 1,278,375 | 22,983 | 132,894 | 2,527,439 |
| Of which: customer accounts | 852,304 | 1,260,363 | 20,987 | 16,549 | 2,150,203 |

Notes to the consolidated financial statements continued

8. Segmental reporting (continued)

(a) Segment results, assets and liabilities (continued)

Client segments (continued)

| | 2024 (Restated) | | | | Consolidated Total HK\$'M |
|--|--|-----------------------------------|--------------------|---------------------------------|------------------------------|
| | Corporate & Investment Banking HK\$'M | Wealth & Retail Banking HK\$'M | Ventures HK\$'M | Central & Other Items HK\$'M | |
| Operating income | | | | | |
| – External | 31,552 | 11,324 | 545 | 16,523 | 59,944 |
| – Inter-segment | (5,346) | 22,052 | – | (16,706) | – |
| | 26,206 | 33,376 | 545 | (183) | 59,944 |
| Operating expenses | (13,051) | (18,814) | (794) | (52) | (32,711) |
| Operating profit/(loss) before impairment | 13,155 | 14,562 | (249) | (235) | 27,233 |
| Impairment charges | (1,655) | (3,124) | (379) | (126) | (5,284) |
| Share of profit of an associate | – | – | – | 520 | 520 |
| Restructuring & other items | (116) | (1,531) | – | (99) | (1,746) |
| Profit/(loss) before taxation | 11,384 | 9,907 | (628) | 60 | 20,723 |
| At 31 December 2024 (Restated) | | | | | |
| Segment assets | 1,225,845 | 570,564 | 18,793 | 545,472 | 2,360,674 |
| Of which: loans and advances to customers | 501,705 | 560,962 | 6,328 | 14,224 | 1,083,219 |
| Segment liabilities | 983,641 | 1,099,141 | 18,289 | 104,744 | 2,205,815 |
| Of which: customer accounts | 750,606 | 1,079,281 | 17,356 | 17,276 | 1,864,519 |

Geographical segments

| | 2025 | | | | Consolidated Total HK\$'M |
|---|---------------------|--------------------------|------------------|-----------------|------------------------------|
| | Hong Kong HK\$'M | Mainland China HK\$'M | Taiwan HK\$'M | Korea HK\$'M | |
| Operating income | 41,701 | 8,921 | 4,545 | 8,485 | 63,652 |
| Operating expenses | (18,924) | (6,279) | (2,676) | (6,154) | (34,033) |
| Operating profit before impairment | 22,777 | 2,642 | 1,869 | 2,331 | 29,619 |
| Impairment charges | (2,035) | (651) | (168) | (509) | (3,363) |
| Share of profit of an associate | – | 885 | – | – | 885 |
| Restructuring & other items | (849) | (323) | (157) | (1,199) | (2,528) |
| Profit before taxation | 19,893 | 2,553 | 1,544 | 623 | 24,613 |
| At 31 December 2025 | | | | | |
| Segment assets | 1,692,465 | 390,031 | 165,709 | 399,711 | 2,647,916 |
| Of which: loans and advances to customers | 698,484 | 111,766 | 88,660 | 226,431 | 1,125,341 |
| Segment liabilities | 1,697,364 | 337,838 | 149,309 | 342,928 | 2,527,439 |
| Of which: customer accounts | 1,460,621 | 285,615 | 137,927 | 266,040 | 2,150,203 |

Notes to the consolidated financial statements continued

8. Segmental reporting (continued)

(a) Segment results, assets and liabilities (continued)

Geographical segments (continued)

| | 2024 (Restated) | | | | Consolidated Total HK\$'M |
|---|---------------------|-----------------------------|------------------|-----------------|---------------------------------|
| | Hong Kong HK\$'M | Mainland China HK\$'M | Taiwan HK\$'M | Korea HK\$'M | |
| Operating income | 35,731 | 10,887 | 4,548 | 8,778 | 59,944 |
| Operating expenses | (17,898) | (6,219) | (2,643) | (5,951) | (32,711) |
| Operating profit before impairment | 17,833 | 4,668 | 1,905 | 2,827 | 27,233 |
| Impairment charges | (3,149) | (1,405) | (303) | (427) | (5,284) |
| Share of profit of an associate | – | 520 | – | – | 520 |
| Restructuring & other items | (301) | (249) | (77) | (1,119) | (1,746) |
| Profit before taxation | 14,383 | 3,534 | 1,525 | 1,281 | 20,723 |
| At 31 December 2024 (Restated) | | | | | |
| Segment assets | 1,501,584 | 326,520 | 163,131 | 369,439 | 2,360,674 |
| Of which: loans and advances to customers | 668,259 | 122,397 | 84,887 | 207,676 | 1,083,219 |
| Segment liabilities | 1,502,233 | 254,401 | 144,511 | 304,670 | 2,205,815 |
| Of which: customer accounts | 1,291,537 | 216,279 | 133,826 | 222,877 | 1,864,519 |

(b) Reconciliation of reportable segment operating income, profit before taxation, assets and liabilities

| | 2025 HK\$'M | 2024 HK\$'M (Restated) |
|--|------------------|------------------------------|
| Operating income | | |
| Reportable segment revenue | 63,652 | 59,944 |
| Restructuring | 282 | 248 |
| Others | 1,652 | 813 |
| Total operating income | 65,586 | 61,005 |
| | | |
| | 2025 HK\$'M | 2024 HK\$'M (Restated) |
| Profit before taxation | | |
| Reportable segment profit before taxation | 24,613 | 20,723 |
| Others | 755 | (349) |
| Profit before taxation | 25,368 | 20,374 |
| | | |
| | 2025 HK\$'M | 2024 HK\$'M (Restated) |
| Assets | | |
| Reportable segment assets | 2,647,916 | 2,360,674 |
| Amounts due from immediate holding company and fellow subsidiaries | 466,362 | 435,017 |
| Others | (213,829) | (226,519) |
| Total assets | 2,900,449 | 2,569,172 |

Notes to the consolidated financial statements continued

8. Segmental reporting (continued)

(b) Reconciliation of reportable segment operating income, profit before taxation, assets and liabilities (continued)

| | 2025 HK\$'M | 2024 HK\$'M (Restated) |
|---|------------------|------------------------------|
| Liabilities | | |
| Reportable segment liabilities | 2,527,439 | 2,205,815 |
| Amount due to immediate holding company and fellow subsidiaries | 288,515 | 313,315 |
| Others | (128,844) | (142,813) |
| Total liabilities | 2,687,110 | 2,376,317 |

9. Cash and balances at central banks

| | 2025 HK\$'M | 2024 HK\$'M |
|-----------------------------|----------------|----------------|
| Cash in hand | 3,299 | 3,126 |
| Balances with central banks | 95,250 | 48,825 |
| | 98,549 | 51,951 |

10. Loans and advances to banks

(a) Loans and advances to banks

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| Gross loans and advances to banks | | |
| – maturing one month | 43,002 | 45,886 |
| – maturing one month to one year | 91,149 | 104,059 |
| – maturing one year to five years | 13,166 | 10,299 |
| – maturing over five years | 1,645 | 173 |
| | 148,962 | 160,417 |
| Less: Expected credit loss provision (note 15) | (56) | (57) |
| | 148,906 | 160,360 |

(b) Impaired loans and advances to banks

| | 2025 HK\$'M | 2024 HK\$'M |
|---|----------------|----------------|
| Gross impaired loans and advances to banks | 383 | 24 |
| Less: | | |
| Stage 3 expected credit loss provision (note 15) | (22) | (24) |
| | 361 | – |
| <i>Gross impaired loans and advances to banks as a % of gross loans and advances to banks</i> | 0.26% | 0.01% |

There is no collateral held against impaired loans and advances to banks.

11. Hong Kong SAR Government certificates of indebtedness and currency notes in circulation

The Hong Kong Special Administrative Region currency notes in circulation are secured by the deposit of funds in respect of which the Government of Hong Kong Special Administrative Region certificates of indebtedness are held.

Notes to the consolidated financial statements continued

12. Financial assets at fair value through profit or loss

| | 2025 | | | Total HK\$'M |
|---|--------------------------|--|--|-----------------|
| | Trading assets HK\$'M | Non-trading financial assets mandatorily at fair value through profit or loss HK\$'M | Financial assets designated at fair value through profit or loss HK\$'M | |
| Debt securities: | | | | |
| – Treasury bills | 36,265 | – | – | 36,265 |
| – Certificates of deposit held | 30,873 | – | – | 30,873 |
| – Other debt securities | 274,702 | 237 | 335 | 275,274 |
| | 341,840 | 237 | 335 | 342,412 |
| Equity securities | 66,590 | 105 | – | 66,695 |
| Loans and advances to customers and banks | 30,731 | 138,686 | – | 169,417 |
| Positive fair values of derivatives | 68,512 | – | – | 68,512 |
| | 507,673 | 139,028 | 335 | 647,036 |
| | 2024 (Restated) | | | |
| | Trading assets HK\$'M | Non-trading financial assets mandatorily at fair value through profit or loss HK\$'M | Financial assets designated at fair value through profit or loss HK\$'M | Total HK\$'M |
| Debt securities: | | | | |
| – Treasury bills | 42,723 | – | – | 42,723 |
| – Certificates of deposit held | 101,937 | – | – | 101,937 |
| – Other debt securities | 212,795 | 230 | 544 | 213,569 |
| | 357,455 | 230 | 544 | 358,229 |
| Equity securities | 31,412 | 208 | – | 31,620 |
| Loans and advances to customers and banks | 25,897 | 159,430 | – | 185,327 |
| Positive fair values of derivatives | 98,578 | – | – | 98,578 |
| | 513,342 | 159,868 | 544 | 673,754 |

Notes to the consolidated financial statements continued

13. Investment securities

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| At fair value through other comprehensive income | | |
| Debt securities | | |
| – Treasury bills | 115,040 | 43,803 |
| – Certificates of deposit held | 11,693 | 15,243 |
| – Other debt securities | 174,908 | 162,938 |
| | <u>301,641</u> | <u>221,984</u> |
| Equity shares | 1,897 | 1,614 |
| | <u>303,538</u> | <u>223,598</u> |
| At amortised cost | | |
| Debt securities | | |
| – Treasury bills | 1,655 | 560 |
| – Certificates of deposit held | 3,097 | 3,529 |
| – Other debt securities | 177,137 | 133,911 |
| Less: Expected credit loss provision (note 15) | (41) | (10) |
| | <u>181,848</u> | <u>137,990</u> |
| | <u>485,386</u> | <u>361,588</u> |

14. Loans and advances to customers

(a) Loans and advances to customers

| | 2025 HK\$'M | 2024 HK\$'M |
|--|------------------|----------------|
| Gross loans and advances to customers | 1,000,993 | 966,327 |
| Trade bills | 1,362 | 2,391 |
| | <u>1,002,355</u> | <u>968,718</u> |
| Less: Expected credit loss provision (note 15) | (9,801) | (15,466) |
| | <u>992,554</u> | <u>953,252</u> |

(b) Impaired loans and advances to customers

| | 2025 HK\$'M | 2024 HK\$'M |
|---|----------------|----------------|
| Gross impaired loans and advances to customers | 15,067 | 16,346 |
| Less: | | |
| Stage 3 expected credit loss provision (note 15) | (6,022) | (11,620) |
| | <u>9,045</u> | <u>4,726</u> |
| <i>Gross impaired loans and advances to customers as a % of gross loans and advances to customers</i> | <u>1.50%</u> | <u>1.69%</u> |
| Fair value of collateral held against the covered portion of impaired loans and advances to customers | 5,653 | 5,528 |
| Covered portion of impaired loans and advances to customers | 3,617 | 2,530 |
| Uncovered portion of impaired loans and advances to customers | 11,450 | 13,816 |

The covered portion of impaired loans and advances to customers represents the amount of collateral held against outstanding balances. It does not include any collateral held over and above outstanding exposures.

Notes to the consolidated financial statements continued

15. Analysis of expected credit loss provisions on financial instruments by stage

| | 2025 | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 HK\$'M | Stage 2 HK\$'M | Stage 3 HK\$'M | Total HK\$'M |
| Expected credit loss provision on: | | | | |
| – Loans and advances to banks (note 10) | 34 | – | 22 | 56 |
| – Loans and advances to customers (note 14) | 1,786 | 1,993 | 6,022 | 9,801 |
| – Debt securities at amortised cost (note 13) | 41 | – | – | 41 |
| – Debt securities at fair value through other comprehensive income ¹ | 56 | – | – | 56 |
| – Other assets | – | – | 27 | 27 |
| – Loan commitments and financial guarantees (note 26) | 183 | 98 | 3 | 284 |
| | 2,100 | 2,091 | 6,074 | 10,265 |
| | | | | |
| | 2024 | | | |
| | Stage 1 HK\$'M | Stage 2 HK\$'M | Stage 3 HK\$'M | Total HK\$'M |
| Expected credit loss provision on: | | | | |
| – Loans and advances to banks (note 10) | 33 | – | 24 | 57 |
| – Loans and advances to customers (note 14) | 1,848 | 1,998 | 11,620 | 15,466 |
| – Debt securities at amortised cost (note 13) | 10 | – | – | 10 |
| – Debt securities at fair value through other comprehensive income ¹ | 20 | – | – | 20 |
| – Other assets | – | – | – | – |
| – Loan commitments and financial guarantees (note 26) | 221 | 147 | 3 | 371 |
| | 2,132 | 2,145 | 11,647 | 15,924 |

¹ These instruments are held at fair value on the balance sheet. The corresponding expected credit loss provision is held within FVOCI reserve – Debt.

16. Amounts due from/to fellow subsidiaries and immediate holding company

During the year, the Bank entered into transactions with related parties in the ordinary course of its banking business including lending, acceptance and placement of inter-bank deposits, correspondent banking transactions, banking operation/outsourcing activities and off-balance sheet transactions.

The amounts of transactions with fellow subsidiaries during the year are set out below:

| | 2025 HK\$'M | 2024 HK\$'M |
|--------------------|----------------|----------------|
| Operating income | 6,384 | 6,504 |
| Operating expenses | 6,276 | 5,745 |

Notes to the consolidated financial statements continued

16. Amounts due from/to fellow subsidiaries and immediate holding company (continued)

The amounts due from/to fellow subsidiaries and amounts due from/to immediate holding company stated on the consolidated statement of financial position included the following:

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| Amounts due from fellow subsidiaries: | | |
| Loans and advances to banks | 175,279 | 115,530 |
| Financial assets at fair value through profit or loss | | |
| – Positive fair values of derivatives | 68,888 | 85,022 |
| – Investment securities | 7,397 | 7,592 |
| Other assets | 4,428 | 5,978 |
| | 255,992 | 214,122 |
| Amounts due from immediate holding company: | | |
| Financial assets at fair value through profit or loss | | |
| – Positive fair values of derivatives | – | 179 |
| – Investment securities | 1 | 29 |
| | 1 | 208 |
| Amounts due to fellow subsidiaries: | | |
| Deposits by banks | 29,308 | 20,090 |
| Financial liabilities at fair value through profit or loss | | |
| – Negative fair values of derivatives | 68,355 | 98,533 |
| Subordinated liabilities issued by subsidiaries of the Bank ¹ : | | |
| – KRW600 billion 2.65% fixed rate subordinated debt 2029 | 3,131 | 3,055 |
| – CNY10 million floating rate Tier 2 notes 2040 | 11 | – |
| Other liabilities | 12,088 | 13,275 |
| | 112,893 | 134,953 |
| Amounts due to immediate holding company: | | |
| Subordinated liabilities issued by the Bank ¹ : | | |
| <i>Tier 2 capital instruments:</i> | | |
| – US\$250 million floating rate Tier 2 notes 2031 | – | 1,941 |
| – EUR1,000 million 1.20% fixed rate Tier 2 notes 2031 | 8,967 | 7,738 |
| – US\$700 million fixed rate Tier 2 notes due 2040 | 5,691 | – |
| <i>Non-capital Loss-Absorbing Capacity (“LAC”) debt instruments:</i> | | |
| – US\$1,500 million 1.46% fixed rate notes 2027 | 11,671 | 11,499 |
| – US\$1,250 million 2.61% fixed rate notes 2028 | 9,520 | 9,186 |
| – EUR1,000 million 4.20% fixed rate notes 2032 | 9,216 | 8,279 |
| Subordinated liabilities issued by the subsidiaries of the Bank ¹ : | | |
| <i>Tier 2 capital instruments:</i> | | |
| – CNY4,000 million 4.75% fixed rate Tier 2 notes 2030 | – | 4,326 |
| Other liabilities | | |
| – Others | 708 | 759 |
| | 45,773 | 43,728 |

¹ Interest expenses on these subordinated liabilities amounted to HK\$1,543 million (2024: HK\$1,502 million).

Notes to the consolidated financial statements continued

16. Amounts due from/to fellow subsidiaries and immediate holding company (continued)

The contractual amounts of contingent liabilities and commitments to fellow subsidiaries are set out below:

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| Financial guarantees and other credit related contingent liabilities | 2,318 | 2,310 |
| Loan commitments and other credit related commitments | 9,219 | 14,811 |

17. Investments in subsidiaries of the Bank and interests in structured entities

(a) Investments in subsidiaries

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| Investment cost | 54,691 | 53,775 |
| Less: accumulated impairment provision | (1,044) | (959) |
| | 53,647 | 52,816 |

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

| <i>Name of company</i> | <i>Place of incorporation</i> | <i>Particulars of issued and paid up capital</i> | <i>Proportion of ownership interest held by the Bank</i> | <i>Principal activity</i> |
|--|-----------------------------------|---|--|---|
| Standard Chartered Bank (China) Limited | Mainland China | 10,727,000,000 ordinary shares | 100% | Banking and related financial services |
| Standard Chartered NEA Limited | United Kingdom | 4,205,165,153 ordinary shares of US\$1 each | 100% | Investment holdings |
| Standard Chartered Bank Korea Limited | Republic of Korea | 262,608,618 ordinary shares of KRW 5,000 each* | 100% | Banking and related financial services |
| Standard Chartered Bank (Taiwan) Limited | Taiwan | 2,910,571,976 ordinary shares of TWD10 each* | 100% | Banking and related financial services |
| Mox Bank Limited | Hong Kong | 621,690,000 ordinary shares of HK\$10 each (2024: 527,850,000) | 74.36% (2024: 71.58%) | Banking and related financial services |

* held by Standard Chartered NEA Limited

Notes to the consolidated financial statements continued

17. Investments in subsidiaries of the Bank and interests in structured entities (continued)

(b) Interests in consolidated and unconsolidated structured entities

Consolidated structured entity

A structured entity is consolidated where the Group controls the structured entity. The following table presents the Group's interests in structured entities.

| | 2025 HK\$'M | 2024 HK\$'M |
|-----------------------------|----------------|----------------|
| Asset-backed securitisation | 7,031 | 10,666 |

Unconsolidated structured entity

An unconsolidated structured entity is a structured entity that is not controlled by the Group. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions. An interest in a structured entity creates variability of the returns of the Group arising from the performance of the structured entities.

The main types of activities for which the Group utilises unconsolidated structured entities are as follows:

- Asset-backed securities: The Group has investments in asset-backed securities issued by third-party sponsored and managed structured entities. For the purpose of market making and at the discretion of the trading desk, the Group may hold debt securities from structured entities.
- Lending: This represents lending in the normal course of business to third parties through structured entities.
- Structured finance: Structured finance comprises interests in transactions that the Group or, more usually, a customer has structured, using one or more structured entities, which provide beneficial arrangements for customers. The Group's exposure primarily represents the provision of funding to these structures as a financial intermediary, for which it receives a lender's return.

The table below presents the carrying amount of the assets recognised in the consolidated financial statements relating to variable interests held in unconsolidated structured entities and the maximum exposure to loss relating to those interests. Maximum exposure to loss is primarily limited to the carrying amount of the Group's on-balance sheet exposure to the structured entity. For off-balance sheet exposure, the maximum exposure to loss is the notional amount of potential future losses.

| | 2025 | | | 2024 | | |
|---|--|--|-----------------|--|--|-----------------|
| | Lending & structured finance HK\$'M | Asset- backed securities HK\$'M | Total HK\$'M | Lending & structured finance HK\$'M | Asset- backed securities HK\$'M | Total HK\$'M |
| Financial assets at fair value through profit or loss | 14 | 12,086 | 12,100 | 459 | 4,742 | 5,201 |
| Loans and advances to customers | 113,219 | – | 113,219 | 89,493 | – | 89,493 |
| Investment securities | – | 55,458 | 55,458 | – | 47,657 | 47,657 |
| Total assets | 113,233 | 67,544 | 180,777 | 89,952 | 52,399 | 142,351 |
| Off-balance sheet | 42,221 | – | 42,221 | 21,401 | – | 21,401 |
| Group's maximum exposure to loss | 155,454 | 67,544 | 222,998 | 111,353 | 52,399 | 163,752 |

Notes to the consolidated financial statements continued

18. Interest in an associate

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| Share of net assets | 18,483 | 17,140 |
| Less: accumulated impairment provision | (11,608) | (11,404) |
| | 6,875 | 5,736 |

| <i>Name of associate</i> | <i>Place of establishment and operation</i> | <i>Particulars of issued and paid up capital</i> | <i>Proportion of ownership interest</i> | <i>Principal activity</i> |
|---|---|--|---|--|
| China Bohai Bank Company Limited ("Bohai") | The People's Republic of China | 17,762 million ordinary shares of RMB1 each | 16.26% | Provision of banking and related financial services ¹ |

¹ Bohai is a strategic partner for the Group to develop its China business.

The Group's investment in Bohai is less than 20% but it is considered to be an associate because of the significant influence the Group is able to exercise over the management of Bohai and its financial and operating policies. This influence is evidenced largely through the representation on the Board of Directors in Bohai and the provision of technical expertise to Bohai. The Group applies the equity method of accounting for its investment in Bohai.

Bohai has a statutory year end of 31 December, but publishes its year-end financial statements after the Group. As it is impracticable for Bohai to prepare financial statements sooner, the Group recognises its share of Bohai's earnings on a three-month lag basis. Therefore, the Group recognised its share of Bohai's profits and movements in other comprehensive income for the 12 months ended 30 September 2025 in the Group's consolidated statement of income and consolidated statement of comprehensive income for the year ended 31 December 2025, respectively, also considering any known changes and events in the subsequent period from 1 October 2025 to 31 December 2025 that would have materially affected the results.

If the Group did not have significant influence in Bohai, the investment would be carried at fair value rather than the current carrying value.

Impairment testing

On 31 December 2025, the listed equity value of Bohai is below the carrying amount of the Group's investment in associate. The Group has assessed that the investment in Bohai remains impaired until there is greater clarity around the macroeconomic outlook in China and the resumption of dividends by Bohai. The Group also assessed the carrying value of its investment in Bohai for impairment and, considering that the investment cannot be recognised at a carrying amount higher than its recoverable amount at the reporting date, has not recognised the Group's share of Bohai's profit for the final quarter of 2025 of HK\$204 million. The financial forecasts used to estimate the recoverable amount, a VIU calculation, reflects management's best estimate of Bohai's future earnings, in line with current economic conditions and Bohai's latest reported results.

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| VIU | 6,875 | 5,736 |
| Carrying amount ¹ | 6,875 | 5,736 |
| Fair value based on quoted share price | 2,801 | 2,571 |

¹ This represents the Group's 16.26% share of net assets less other equity instruments the Group does not hold

Basis of recoverable amount

The impairment test was performed by comparing the recoverable amount of Bohai, determined as the higher of VIU and fair value less costs to sell, with its carrying amount.

The VIU is calculated using a dividend discount model ("DDM"), which estimates the distributable future cashflows to the equity holders, after adjusting for regulatory capital requirements, for a 5-year period, after which a terminal value ("TV") is calculated based on the Price to Earnings ("P/E") exit multiple. The key assumptions in the VIU are as follows:

- Short to medium term projections are based on management's best estimates of future profits available to ordinary shareholders and have been determined with reference to the latest published financial results, the historical performance of Bohai and forward-looking macro-economic variables for Mainland China;

Notes to the consolidated financial statements continued

18. Interest in an associate (continued)

Basis of recoverable amount (continued)

- The projections use available information and include normalised performance over the forecast period, inclusive of: (i) balance sheet growth assumptions based on the short to medium term GDP growth rates for Mainland China; (ii) Net Interest Income (“NII”) projecting interest income (primarily the 1-year Loan Prime Rate (“1-year LPR”) as basis) and interest expenses (Shanghai Interbank Offered Rate (“3m SHIBOR”) as basis) with reference to forecast third party market interest rates plus/minus an observed historical spread to the benchmark rate; (iii) Non-interest income estimated according to the latest available performance of Bohai, with consideration of the contribution of the constituent parts of the non-interest income; (iv) Operating expense based on historical performance of Bohai and growth consistent with the short to medium term GDP growth rates applied to balance sheet projections; (v) ECL assumptions using Bohai’s historical reported ECL, based on the proportion of ECL from loans and advances to customers and financial investments measured at amortised cost and FVOCI; and (vi) Statutory tax rate of 25% was applied to the taxable profit of Bohai, after consideration of taxable and non-taxable elements, consistent with historical reported results;
- The distributable reserves under the DDM are calculated as the difference between the capital resources and the capital requirements in each of the forecast periods. The calculation assumes a target CET 1 capital ratio and risk weighted asset (“RWA”) growth consistent with total assets;
- The discount rate applied to these cash flows was estimated with reference to a capital asset pricing model (CAPM), which includes a long-term risk-free rate, beta, and company risk premium assumptions for Bohai; and
- A long-term average P/E multiple of comparable companies is used to derive a TV after the 5-year forecast period.

The VIU model was refined during 2025 to include more granular forecasting assumptions for each period. While it is impracticable for the Group to estimate the impact on future periods, the key changes to the 2025 model are summarised as follows:

- The Group continues to calculate non-interest income with reference to the five components, i.e., net gains on financial investments through P/L, net gains on financial investments through OCI, net fee and commission income, net trading income and other income. All components of non-interest income continue to be grown by the relevant GDP rate for China over the forecasted period. However, the Group changed the returns forecasted for the financial investments through P/L over the forecast period, by using the most recent reported returns as the starting point, normalising such returns to a long-term average over the forecast period. Previously, the return of this component of non-interest income was normalised to the long-term average from the start of the forecast period (year 1), and then grown according to relevant GDP rate of China. As a result of this change, the year 1 total forecasted non-interest income is more aligned to the recently reported results, but due to the normalisation affect, the implied growth is negligible.

The key assumptions used in the VIU calculation are:

| | 2025 | 2024 |
|--|-----------------|---------------|
| Pre-tax discount rate | 15.87% | 15.31% |
| Total balance-sheet (and risk-weight assets) growth rate | 3.33% – 4.59% | 3.77% – 4.52% |
| P/E multiple | 5.7x | 5.6x |
| Interest income | 3.12% – 3.20% | 3.00% – 3.56% |
| Interest expense | 1.78% – 1.85% | 1.77% – 2.01% |
| Non-interest income – financial investments return | 2.24% – 3.55% | 1.91% |
| Other non-interest income growth rate | 3.33% – 4.59% | 3.77% – 4.52% |
| Operating expense | 3.33% – 4.59% | 3.77% – 4.52% |
| Expected credit losses as a percentage of customer loans | 0.77% | 0.84% – 1.36% |
| Expected credit losses as a percentage of financial investments measured at amortised cost and FVOCI | 0.57% | 0.48% – 1.26% |
| Tax expense | 12.77% – 12.96% | 5.4% – 14.1% |
| Capital maintenance ratio | 8.00% | 8.00% |

Notes to the consolidated financial statements continued

18. Interest in an associate (continued)

Basis of recoverable amount (continued)

The table below discloses sensitivities to the key assumptions used in the VIU calculation, according to management's judgement of reasonably possible changes. Changes were applied to every cash flow year on an individual basis. The percentage change to the assumptions reflects the level at which management assess the reasonableness of the assumptions used and their impact on the VIU.

| Sensitivities | basis points | Key assumption increase Increase/ (decrease) in VIU HK\$'M | Key assumption decrease Increase/ (decrease) in VIU HK\$'M |
|--|----------------------|---|---|
| Discount rate | 100 | (241) | 257 |
| Total balance sheet (and risk weighted asset) growth rate | 100 | (311) | 296 |
| P/E multiple | 1.0x | 872 | (872) |
| Net interest income – Scenario 1 ¹ | 10 | (148) | 148 |
| Net interest income – Scenario 2 ² | Various ² | 2,919 | (1,821) |
| Non-interest income – financial investments return | 100 | 2,296 | (2,296) |
| Other non-interest income growth rate | 100 | 420 | (405) |
| Operating expense | 100 | (545) | 529 |
| Expected credit losses as a percentage of customer loans | 10 | (1,144) | 1,144 |
| Expected credit losses as a percentage of financial investments measured at amortised cost and FVOCI | 10 | (669) | 662 |
| Tax expense | 300 | 210 | (218) |
| Capital maintenance ratio | 50 | (195) | 195 |

¹ This scenario assumes that one-year LPR and three-month SHIBOR increase or decrease by the same amount, to demonstrate the impact on the carrying amount of a similar scenario.

² An alternative scenario is that Bohai's asset yield and liability cost move in the same direction, albeit by different amounts, through the five-year forecast period including the terminal value. The key assumption increase sensitivity assumes that asset yields increase by 25 basis points and liability costs increase by 10 basis points in each period. The key assumption decrease sensitivity assumes that asset yields decrease by 25 basis points and liability costs decrease by 15 basis points in each period.

Summary of financial information of the associate

The following table sets out the summarised financial statements of Bohai prior to the Group's share of the associate being applied:

| | 30 September 2025 HK\$'M | 30 September 2024 HK\$'M |
|---|--------------------------------|--------------------------------|
| Assets | 2,121,270 | 1,898,596 |
| Liabilities and other equity instrument not held by the Group | (2,007,595) | (1,792,063) |
| Net assets | 113,675 | 106,533 |
| Operating income ¹ | 27,074 | 27,959 |
| Profit after taxation ¹ | 5,943 | 5,316 |
| Other comprehensive income ¹ | (1,710) | 537 |

¹ This represents twelve months of earnings (1 October to 30 September)

Notes to the consolidated financial statements continued

19. Property, plant and equipment

| 2025 | Buildings and leasehold land held for own use HK\$'M | Equipment furniture & fixtures HK\$'M | Leased premises and equipment assets ¹ HK\$'M | Investment properties HK\$'M | Total HK\$'M |
|--|---|--|---|---------------------------------|-----------------|
| Cost or valuation: | | | | | |
| At 1 January 2025 | 6,887 | 4,070 | 9,066 | 1,083 | 21,106 |
| Additions | 188 | 547 | 1,062 | - | 1,797 |
| Disposals and write-offs | (92) | (60) | (375) | - | (527) |
| Reclassifications | (63) | 63 | - | - | - |
| Fair value adjustments ² | - | - | - | (6) | (6) |
| Exchange adjustment | 118 | 78 | 85 | - | 281 |
| At 31 December 2025 | 7,038 | 4,698 | 9,838 | 1,077 | 22,651 |
| Representing | | | | | |
| Cost | 7,038 | 4,698 | 9,838 | - | 21,574 |
| Valuation | - | - | - | 1,077 | 1,077 |
| | 7,038 | 4,698 | 9,838 | 1,077 | 22,651 |
| Accumulated depreciation and impairment: | | | | | |
| At 1 January 2025 | 2,840 | 2,644 | 5,176 | - | 10,660 |
| Charge for the year (note 4(f)) | 240 | 427 | 1,184 | - | 1,851 |
| Impairments (note 5(b)) | (5) | - | 3 | - | (2) |
| Attributable to assets sold or written off | (44) | (60) | (192) | - | (296) |
| Elimination of accumulated depreciation on revalued property | - | - | - | - | - |
| Exchange adjustment | 29 | 55 | 42 | - | 126 |
| At 31 December 2025 | 3,060 | 3,066 | 6,213 | - | 12,339 |
| Net Book Value | | | | | |
| At 31 December 2025 | 3,978 | 1,632 | 3,625 | 1,077 | 10,312 |

Notes to the consolidated financial statements continued

19. Property, plant and equipment (continued)

| 2024 | Buildings and leasehold land held for own use HK\$'M | Equipment furniture & fixtures HK\$'M | Leased premises and equipment assets ¹ HK\$'M | Investment properties HK\$'M | Total HK\$'M |
|--|---|--|---|---------------------------------|-----------------|
| Cost or valuation: | | | | | |
| At 1 January 2024 | 7,671 | 3,707 | 7,639 | 810 | 19,827 |
| Additions | 137 | 685 | 1,761 | - | 2,583 |
| Disposals and write-offs | (274) | (155) | (135) | - | (564) |
| Reclassifications | (82) | 58 | - | 24 | - |
| Transfers to assets held for sale | (6) | - | - | - | (6) |
| Elimination of accumulated depreciation on revalued property | (21) | - | - | - | (21) |
| Fair value adjustments ² | - | - | - | 249 | 249 |
| Exchange adjustment | (538) | (225) | (199) | - | (962) |
| At 31 December 2024 | 6,887 | 4,070 | 9,066 | 1,083 | 21,106 |
| Representing | | | | | |
| Cost | 6,887 | 4,070 | 9,066 | - | 20,023 |
| Valuation | - | - | - | 1,083 | 1,083 |
| | 6,887 | 4,070 | 9,066 | 1,083 | 21,106 |
| Accumulated depreciation and impairment: | | | | | |
| At 1 January 2024 | 2,878 | 2,599 | 4,295 | - | 9,772 |
| Charge for the year (note 4(f)) | 271 | 387 | 1,128 | - | 1,786 |
| Impairments (note 5(b)) | 12 | 2 | 57 | - | 71 |
| Attributable to assets sold or written off | (131) | (151) | (131) | - | (413) |
| Elimination of accumulated depreciation on revalued property | (21) | - | - | - | (21) |
| Exchange adjustment | (169) | (193) | (173) | - | (535) |
| At 31 December 2024 | 2,840 | 2,644 | 5,176 | - | 10,660 |
| Net Book Value | | | | | |
| At 31 December 2024 | 4,047 | 1,426 | 3,890 | 1,083 | 10,446 |

¹ The maturity profile of the associated lease liabilities is disclosed in note 33(e)(i).

² Changes in fair value of the investment properties were recognised as follows:

| | 2025 HK\$'M | 2024 HK\$'M |
|---|----------------|----------------|
| (Decrease)/increase in valuation charged/credited to consolidated income statement (note 4(e)) | (70) | 122 |
| Increase in valuation credited to other comprehensive income upon reclassification to investment property | 64 | 127 |
| | (6) | 249 |

Notes to the consolidated financial statements continued

19. Property, plant and equipment (continued)

Investment properties

| | 2025 HK\$'M | 2024 HK\$'M |
|---|----------------|----------------|
| Leasehold in Hong Kong, at fair value | 182 | 209 |
| Freehold outside Hong Kong, at fair value | 895 | 874 |

The Group's investment properties consist of office units in Hong Kong and an office building in Dubai. The investment properties were revalued as at 31 December 2025 on an open market value basis. The valuations were carried out by independent firms, namely Jones Lang LaSalle Limited and Cushman & Wakefield Core Valuations LLC, which have among their staff, members of the Royal Institute of Chartered Surveyors with recent experience in the location and category of the properties being valued.

The fair value of the investment properties is primarily determined using comparable recent market transactions on arm's length terms.

The fair value is categorised as a level 2 valuation using observable inputs.

20. Goodwill and intangible assets

| | Capitalised software and other intangible assets HK\$'M | Goodwill HK\$'M | Total HK\$'M |
|---|---|--------------------|-----------------|
| Cost: | | | |
| At 1 January 2025 | 16,158 | 5,347 | 21,505 |
| Additions | 2,264 | - | 2,264 |
| Impairments (note 5(b)) | (10) | - | (10) |
| Disposals and write-offs | (1,768) | - | (1,768) |
| Exchange adjustment | 155 | 194 | 349 |
| At 31 December 2025 | 16,799 | 5,541 | 22,340 |
| Accumulated amortisation: | | | |
| At 1 January 2025 | 9,228 | - | 9,228 |
| Charge for the year (note 4(f)) | 1,550 | - | 1,550 |
| Impairments (note 5(b)) | 112 | - | 112 |
| Attributable to intangible assets sold or written off | (1,760) | - | (1,760) |
| Exchange adjustment | 164 | - | 164 |
| At 31 December 2025 | 9,294 | - | 9,294 |
| Carrying amount: | | | |
| At 31 December 2025 | 7,505 | 5,541 | 13,046 |

Notes to the consolidated financial statements continued

20. Goodwill and intangible assets (continued)

| | Capitalised software and other intangible assets HK\$'M | Goodwill HK\$'M | Total HK\$'M |
|---|---|--------------------|-----------------|
| Cost: | | | |
| At 1 January 2024 | 13,416 | 5,657 | 19,073 |
| Additions | 3,418 | – | 3,418 |
| Impairments (note 5(b)) | (162) | – | (162) |
| Disposals and write-offs | (55) | – | (55) |
| Exchange adjustment | (459) | (310) | (769) |
| At 31 December 2024 | 16,158 | 5,347 | 21,505 |
| Accumulated amortisation: | | | |
| At 1 January 2024 | 6,851 | – | 6,851 |
| Charge for the year (note 4(f)) | 1,895 | – | 1,895 |
| Impairments (note 5(b)) | 861 | – | 861 |
| Attributable to intangible assets sold or written off | (52) | – | (52) |
| Exchange adjustment | (327) | – | (327) |
| At 31 December 2024 | 9,228 | – | 9,228 |
| Carrying amount: | | | |
| At 31 December 2024 | 6,930 | 5,347 | 12,277 |

Goodwill**Cash generating-units (CGUs)**

Goodwill is allocated to CGUs, which are considered the level at which goodwill is managed and which generate independent cash flows. At year-end 2025, the Group had two global CGUs representing Corporate & Investment Banking (“CIB”) and Wealth Management (“WM”), along with country CGUs representing Retail Banking (“RB”) for each of Hong Kong and Taiwan.

Testing of goodwill for impairment

An annual assessment is made as to whether the current carrying value of goodwill is impaired. For the purpose of impairment testing, goodwill is allocated at the date of acquisition to a CGU. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. The recoverable amounts for all the CGUs were measured based on Value-in-Use (“VIU”). The calculation of VIU for each CGU is calculated using five-year cash flow projections and an estimated terminal value based on a perpetuity value after year five. The cash flow projections are based on forecasts approved by management up to 2030. The perpetuity terminal value amount is calculated using year five cash flows using long-term GDP growth rates (5-year average). All cash flows are discounted using pre-tax discount rates which reflect market rates appropriate to the CGU.

Notes to the consolidated financial statements continued

20. Goodwill and intangible assets (continued)

Testing of goodwill for impairment (continued)

The goodwill allocated to each CGU and key assumptions used in determining the recoverable amounts are set out below and are solely estimates for the purpose of assessing impairment of acquired goodwill.

| | 2025 | | | 2024 | | |
|--------------------------------------|--------------------|--|---|--------------------|--|---|
| | Goodwill HK\$'M | Pre-tax discount rate percent | Long-term forecast GDP growth rates percent | Goodwill HK\$'M | Pre-tax discount rate percent | Long-term forecast GDP growth rates percent |
| Cash generating unit | | | | | | |
| Country CGUs – Retail Banking | | | | | | |
| Hong Kong | 611 | 12.9 | 1.0 | 611 | 12.8 | 1.1 |
| Taiwan | 2,364 | 12.0 | 1.3 | 2,271 | 12.0 | 1.5 |
| Global CGUs | | | | | | |
| Wealth Management | 118 | 15.1 | 1.6 | 118 | 15.0 | 1.8 |
| Corporate & Investment Banking | 2,448 | 15.9 | 2.1 | 2,347 | 15.5 | 2.3 |
| | <u>5,541</u> | | | <u>5,347</u> | | |

In the current year, there are no CGUs for which any individual movement on key estimates (cash flow, discount rate and GDP growth) would cause an impairment.

21. Other assets

| | 2025 HK\$'M | 2024 HK\$'M |
|-----------------------------------|----------------|----------------|
| Prepayments and accrued income | 7,908 | 7,792 |
| Sundry debtors | 8,274 | 5,653 |
| Cash collateral | 16,173 | 14,478 |
| Acceptances and endorsements | 9,411 | 10,500 |
| Commodities | 104,263 | 14,806 |
| Unsettled trades and others | 43,456 | 21,969 |
| Assets held for sale ¹ | 1,099 | 239 |
| | <u>190,584</u> | <u>75,437</u> |

¹ Assets held for sale mainly included loans at 31 December 2025 and 31 December 2024.

22. Customer accounts

| | 2025 HK\$'M | 2024 HK\$'M (Restated) |
|-------------------------|------------------|------------------------------|
| Current accounts | 379,173 | 329,538 |
| Savings accounts | 818,877 | 738,995 |
| Time and other deposits | 848,791 | 705,497 |
| | <u>2,046,841</u> | <u>1,774,030</u> |

Notes to the consolidated financial statements continued

23. Debt securities in issue

| | 2025 HK\$'M | 2024 HK\$'M |
|--------------------------------|----------------|----------------|
| Certificates of deposit | 4,680 | 3,946 |
| Other debt securities in issue | 14,390 | 12,737 |
| | 19,070 | 16,683 |

24. Financial liabilities at fair value through profit or loss

| | 2025 HK\$'M | 2024 HK\$'M (Restated) |
|--|----------------|------------------------------|
| Trading liabilities | | |
| – Short position in securities | 60,293 | 50,961 |
| – Negative fair values of derivatives | 69,470 | 83,912 |
| | 129,763 | 134,873 |
| Financial liabilities designated at fair value through profit or loss: | | |
| – Deposits by banks | 7,907 | 4,754 |
| – Customer accounts | 103,491 | 87,892 |
| – Debt securities issued | 7,436 | 10,037 |
| | 118,834 | 102,683 |
| | 248,597 | 237,556 |

The Group designates certain financial liabilities at fair value where either the liabilities:

- have fixed rates of interest and interest rate swaps or other interest related derivatives have been transacted with the intention of significantly reducing interest rate risk; or
- are exposed to equity price risk, foreign currency risk or credit risk and derivatives have been transacted with the intention of significantly reducing exposure to market changes.

Financial liabilities designated at fair value through profit or loss

| | 2025 HK\$'M | 2024 HK\$'M (Restated) |
|--|----------------|------------------------------|
| Carrying balance aggregate fair value | 118,834 | 102,683 |
| Amount contractually obliged to repay at maturity | 117,742 | 102,006 |
| Difference between aggregate fair value and contractually obliged to repay at maturity | 1,092 | 677 |
| Cumulative change in fair value accredited to credit risk difference | 316 | (33) |

The net fair value gain on financial liabilities designated at fair value through profit or loss was HK\$789 million for the year ended 31 December 2025 (2024: net loss of HK\$347 million).

Notes to the consolidated financial statements continued

25. Taxation in the consolidated statement of financial position

Deferred tax assets and liabilities:

The components of gross deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

| | Depreciation allowances in excess of related depreciation HK\$'M | Impairment losses on financial assets HK\$'M | Financial assets at fair value through other comprehensive income HK\$'M | Own credit adjustments HK\$'M | Tax Loss HK\$'M | Others HK\$'M | Total HK\$'M |
|---|---|--|--|-------------------------------------|--------------------|------------------|-----------------|
| At 1 January 2024 | (821) | 692 | (59) | (142) | 136 | 317 | 123 |
| Release/(charge) to consolidated income statement (note 6(a)) | 61 | (586) | (7) | - | (99) | (5) | (636) |
| Release/(charge) to reserves | - | - | (191) | 170 | - | 166 | 145 |
| Others | (19) | 56 | 12 | 4 | - | (37) | 16 |
| At 31 December 2024 | (779) | 162 | (245) | 32 | 37 | 441 | (352) |
| Release/(charge) to consolidated income statement (note 6(a)) | (124) | (85) | 8 | - | (1) | 65 | (137) |
| Release/(charge) to reserves | - | - | 44 | 157 | - | (306) | (105) |
| Others | 4 | (10) | (3) | - | - | 25 | 16 |
| At 31 December 2025 | (899) | 67 | (196) | 189 | 36 | 225 | (578) |

Notes to the consolidated financial statements continued

25. Taxation in the consolidated statement of financial position (continued)

Deferred tax comprises assets and liabilities as follows:

| | Asset HK\$'M | 2025 Liability HK\$'M | Total HK\$'M | Asset HK\$'M | 2024 Liability HK\$'M | Total HK\$'M |
|---|-----------------|-----------------------------|-----------------|-----------------|-----------------------------|-----------------|
| Deferred tax comprises: | | | | | | |
| Depreciation allowances in excess of related depreciation | 20 | (919) | (899) | 73 | (852) | (779) |
| Impairment losses on financial assets | 268 | (201) | 67 | (105) | 267 | 162 |
| Financial assets at fair value through other comprehensive income | (31) | (165) | (196) | (183) | (62) | (245) |
| Own credit adjustments | 6 | 183 | 189 | 35 | (3) | 32 |
| Tax Loss | 3 | 33 | 36 | 37 | - | 37 |
| Others | 558 | (333) | 225 | 653 | (212) | 441 |
| | 824 | (1,402) | (578) | 510 | (862) | (352) |
| Analysed by: | | | | | | |
| | | | | | 2025 HK\$'M | 2024 HK\$'M |
| Net deferred tax asset recognised on the consolidated statement of financial position | | | | | 824 | 510 |
| Net deferred tax liability recognised on the consolidated statement of financial position | | | | | (1,402) | (862) |
| | | | | | (578) | (352) |

Unrecognised deferred tax

| | 2025 HK\$'M | 2025 HK\$'M | 2024 HK\$'M | 2024 HK\$'M |
|--|-------------------------|----------------|-------------------------|----------------|
| No account has been taken of the following potential deferred tax assets/(liabilities): | Net tax effected | Gross | Net tax effected | Gross |
| Withholding tax on unremitted earnings from overseas subsidiaries and associates | (1,803) | (28,139) | (1,931) | (30,908) |
| Tax losses | 5,802 | 25,489 | 5,342 | 24,278 |
| Held-over gains on incorporation of overseas branches | (186) | (745) | (173) | (691) |
| Other temporary differences | 82 | 343 | 81 | 348 |

26. Other liabilities

| | 2025 HK\$'M | 2024 HK\$'M |
|---|----------------|----------------|
| Accruals and deferred income | 15,227 | 15,027 |
| Provision for liabilities and charges | 931 | 375 |
| Acceptances and endorsements | 9,411 | 10,500 |
| Cash collateral | 9,781 | 15,694 |
| Expected credit loss provision on loan commitments and financial guarantees (note 15) | 284 | 371 |
| Lease liabilities | 3,940 | 4,181 |
| Unsettled trades and others | 78,095 | 48,000 |
| | 117,669 | 94,148 |

Notes to the consolidated financial statements continued

27. Employee retirement benefits

The Group operates six defined benefit plans (2024: six).

SCB HK Scheme

Standard Chartered Bank Hong Kong Retirement Scheme (“HK Scheme”) was established under a trust arrangement. It is registered under the Occupational Retirement Schemes Ordinance (“ORSO”). The Bank is the sole employer participating in the HK Scheme.

The Bank has an unconditional right to the HK Scheme’s surplus and the HK Scheme has no minimum funding requirements.

The key responsibilities of the HK Scheme’s trustees are to ensure that the HK Scheme is administered in accordance with the trust deed and to act on behalf of all members impartially, prudently and in good faith.

The HK Scheme exposes the Group to interest rate risk, investment risk and salary risk.

The Bank’s contributions are determined with reference to the funding valuation carried out by the HK Scheme’s actuary in accordance with the ORSO requirements. The last funding valuation of the HK Scheme was carried out as at 31 December 2023.

The Bank established the Long Service Payment (“LSP”) obligations under Employment Ordinance starting from 2023.

Overseas plans

The principal overseas defined benefit arrangements operated by the Group are in Korea and Taiwan.

(a) Amounts recognised in the consolidated statement of financial position

| | 2025 | | | | | 2024 | | | | |
|---|---------|----------|----------|----------|---------|---------|----------|----------|----------|---------|
| | Funded | | Unfunded | | | Funded | | Unfunded | | |
| | HK | Overseas | HK | Overseas | Total | HK | Overseas | HK | Overseas | Total |
| | Scheme | Plans | LSP | Plans | | Scheme | Plans | LSP | Plans | |
| HK\$’M | HK\$’M | HK\$’M | HK\$’M | HK\$’M | HK\$’M | HK\$’M | HK\$’M | HK\$’M | HK\$’M | HK\$’M |
| Fair value of plan assets | 1,488 | 2,167 | – | – | 3,655 | 1,453 | 1,983 | – | – | 3,436 |
| Present value of obligations | (1,259) | (2,011) | (15) | (51) | (3,336) | (1,275) | (1,966) | (11) | (48) | (3,300) |
| Net asset/(liability) recognised in the consolidated statement of financial position (included in “Other assets/Other liabilities”) | 229 | 156 | (15) | (51) | 319 | 178 | 17 | (11) | (48) | 136 |

(i) Movements in the present value of the defined benefit obligations:

| | 2025 | | | | | 2024 | | | | |
|--|---------|----------|----------|----------|---------|---------|----------|----------|----------|---------|
| | Funded | | Unfunded | | | Funded | | Unfunded | | |
| | HK | Overseas | HK | Overseas | Total | HK | Overseas | HK | Overseas | Total |
| | Scheme | Plans | LSP | Plans | | Scheme | Plans | LSP | Plans | |
| HK\$’M | HK\$’M | HK\$’M | HK\$’M | HK\$’M | HK\$’M | HK\$’M | HK\$’M | HK\$’M | HK\$’M | HK\$’M |
| At 1 January | (1,275) | (1,966) | (11) | (48) | (3,300) | (1,445) | (2,049) | (8) | (52) | (3,554) |
| Benefits paid | 137 | 193 | – | – | 330 | 212 | 93 | – | – | 305 |
| Current service cost | (42) | (140) | (1) | (4) | (187) | (49) | (141) | (2) | (3) | (195) |
| Interest cost | (42) | (63) | – | (3) | (108) | (40) | (66) | – | (2) | (108) |
| Actuarial gain/(loss) – from experience | 4 | 6 | – | 4 | 14 | 19 | 3 | 13 | 4 | 39 |
| Actuarial gain/(loss) – from assumptions | (41) | 17 | (3) | 1 | (26) | 28 | (60) | (14) | (2) | (48) |
| Exchange rate adjustment | – | (58) | – | (1) | (59) | – | 254 | – | 7 | 261 |
| At 31 December | (1,259) | (2,011) | (15) | (51) | (3,336) | (1,275) | (1,966) | (11) | (48) | (3,300) |

Notes to the consolidated financial statements continued

27. Employee retirement benefits (continued)

(ii) Movements in the fair value of plan assets:

| | 2025 | | | | | 2024 | | | | |
|--|--------|----------|----------|----------|--------|--------|----------|----------|----------|--------|
| | Funded | | Unfunded | | | Funded | | Unfunded | | |
| | HK | Overseas | HK | Overseas | Total | HK | Overseas | HK | Overseas | Total |
| | Scheme | Plans | LSP | Plans | Total | Scheme | Plans | LSP | Plans | Total |
| HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M |
| At 1 January | 1,453 | 1,983 | – | – | 3,436 | 1,484 | 2,038 | – | – | 3,522 |
| Contributions | 14 | 114 | – | – | 128 | 15 | 143 | – | – | 158 |
| Benefits paid | (137) | (193) | – | – | (330) | (212) | (93) | – | – | (305) |
| Interest income | 49 | 66 | – | – | 115 | 43 | 70 | – | – | 113 |
| Administrative expenses | (1) | – | – | – | (1) | (1) | – | – | – | (1) |
| Return on plan assets, excluding amounts included in interest income | 110 | 139 | – | – | 249 | 124 | 85 | – | – | 209 |
| Exchange rate adjustment | – | 58 | – | – | 58 | – | (260) | – | – | (260) |
| At 31 December | 1,488 | 2,167 | – | – | 3,655 | 1,453 | 1,983 | – | – | 3,436 |

(iii) Movements in the net assets recognised in the consolidated balance sheet are as follows:

| | 2025 | | | | | 2024 | | | | |
|--|--------|----------|----------|----------|--------|--------|----------|----------|----------|--------|
| | Funded | | Unfunded | | | Funded | | Unfunded | | |
| | HK | Overseas | HK | Overseas | Total | HK | Overseas | HK | Overseas | Total |
| | Scheme | Plans | LSP | Plans | Total | Scheme | Plans | LSP | Plans | Total |
| HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M |
| At 1 January | 178 | 17 | (11) | (48) | 136 | 39 | (11) | (8) | (52) | (32) |
| Contributions | 14 | 114 | – | – | 128 | 15 | 143 | – | – | 158 |
| Current service cost | (42) | (140) | (1) | (4) | (187) | (49) | (141) | (2) | (3) | (195) |
| Net interest income/(cost) | 7 | 3 | – | (3) | 7 | 3 | 4 | – | (2) | 5 |
| Administrative expenses | (1) | – | – | – | (1) | (1) | – | – | – | (1) |
| Return on plan assets, excluding amounts included in interest income | 110 | 139 | – | – | 249 | 124 | 85 | – | – | 209 |
| Actuarial gain/(loss) – from experience | 4 | 6 | – | 4 | 14 | 19 | 3 | 13 | 4 | 39 |
| Actuarial gain/(loss) – from assumptions | (41) | 17 | (3) | 1 | (26) | 28 | (60) | (14) | (2) | (48) |
| Exchange rate adjustment | – | – | – | (1) | (1) | – | (6) | – | 7 | 1 |
| At 31 December ¹ | 229 | 156 | (15) | (51) | 319 | 178 | 17 | (11) | (48) | 136 |

¹ The surplus total of HK\$319 million (2024: surplus of HK\$136 million) is made up of plans in surplus of HK\$394 million (2024: HK\$247 million) net of plans in deficit of HK\$75 million (2024: HK\$111 million).

The weighted average duration of the defined benefit obligation as at 31 December 2025 for HK Scheme is 3 years (2024: 4 years), Unfunded HK LSP is 16 years (2024: 15 years) and overseas plan is 6 years (2024: 7 years).

The Group's expected contribution to its defined benefit pension in 2026 is HK\$138 million (2025: HK\$156 million).

Notes to the consolidated financial statements continued

27. Employee retirement benefits (continued)

(b) Amounts recognised in the consolidated income statement for the year (note 4(f))

| | 2025 | | | | | 2024 | | | | |
|----------------------------|-----------|----------------|----------|----------------|--------|-----------|----------------|----------|----------------|--------|
| | Funded | | Unfunded | | | Funded | | Unfunded | | |
| | HK Scheme | Overseas Plans | HK LSP | Overseas Plans | Total | HK Scheme | Overseas Plans | HK LSP | Overseas Plans | Total |
| | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M |
| Current service cost | 42 | 140 | 2 | 3 | 187 | 49 | 141 | 2 | 3 | 195 |
| Net interest (income)/cost | (7) | (2) | – | 2 | (7) | (3) | (4) | – | 2 | (5) |
| Administrative expenses | 1 | – | – | – | 1 | 1 | – | – | – | 1 |
| | 36 | 138 | 2 | 5 | 181 | 47 | 137 | 2 | 5 | 191 |

(c) Principal actuarial assumptions used in the valuation and sensitivity analysis

| | HK Scheme | | Overseas Plans | |
|----------------------------|------------|------------|----------------|-----------|
| | 2025 | 2024 | 2025 | 2024 |
| Discount rate | 2.5%, 3.7% | 3.5%, 3.7% | 1.3%-3.8% | 1.6%-3.6% |
| Rate of growth of salaries | 4.0%, 4.0% | 3.5%, 4.0% | 3.5%-4.5% | 3.5%-4.5% |

These assumptions are likely to change in the future and thus will affect the value placed on the defined benefit obligations. Changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

- If the discount rate increased by 25 basis points, the obligation would reduce by approximately HK\$4 million for the HK Scheme (2024: HK\$12 million) and HK\$36 million for overseas plans (2024: HK\$36 million)
- If the rate of growth of salaries was higher by 25 basis points the obligation would increase by approximately HK\$17 million for the HK Scheme (2024: HK\$10 million) and HK\$39 million for overseas plans (2024: HK\$39 million)

(d) Profile of plan obligations

| | 2025 | | 2024 | |
|--|------------------------|--------------------------|------------------------|--------------------------|
| | Funded plans HK\$'M | Unfunded plans HK\$'M | Funded plans HK\$'M | Unfunded plans HK\$'M |
| Benefits expected to be paid during 2025 | 223 | 5 | 220 | 5 |
| Benefits expected to be paid during 2026 | 597 | 5 | 527 | 5 |
| Benefits expected to be paid during 2027 | 420 | 6 | 383 | 5 |
| Benefits expected to be paid during 2028 | 459 | 6 | 414 | 5 |
| Benefits expected to be paid from 2029 onwards | 1,884 | 38 | 2,038 | 36 |

(e) Major categories of assets

| | HK Scheme ¹ | | Overseas Plans | |
|---------------------|------------------------|------|----------------|------|
| | 2025 | 2024 | 2025 | 2024 |
| Equities | 18% | 34% | 11% | 10% |
| Bonds | 78% | 56% | 4% | 4% |
| Investment funds | – | – | 21% | 21% |
| Insurance contracts | – | – | 59% | 59% |
| Cash and others | 4% | 10% | 5% | 6% |
| | 100% | 100% | 100% | 100% |

¹ All assets under the HK Scheme have a quoted market price

Notes to the consolidated financial statements continued

28. Share capital and other equity instruments

| | 2025 | | 2024 | |
|--|---------------|---------------|---------------|---------------|
| | No. of Shares | HK\$'M | No. of Shares | HK\$'M |
| Issued and fully paid | | | | |
| Ordinary share capital: | | | | |
| Class A ordinary shares | 706 million | 12,500 | 706 million | 12,500 |
| Class B ordinary shares | 1,231 million | 78 | 1,231 million | 78 |
| Class C ordinary shares | 342 million | 21,165 | 342 million | 21,165 |
| Class D ordinary shares | 3,010 million | 23,604 | 3,010 million | 23,604 |
| Redemption/Bought back of preference shares | | | | |
| HK\$3,800 million 8.25% non-cumulative preference shares | | 3,800 | | 3,800 |
| US\$500 million 6.25% perpetual non-cumulative convertible preference shares | | 3,878 | | 3,878 |
| | | 65,025 | | 65,025 |
| Other equity instrument | | | 2025 | 2024 |
| | | | HK\$'M | HK\$'M |
| Additional Tier 1 capital: | | | | |
| US\$900 million floating rate undated Additional Tier 1 capital securities | | | 7,031 | 7,031 |
| US\$1,000 million fixed rate undated Additional Tier 1 capital securities | | | – | 7,750 |
| US\$250 million floating rate undated Additional Tier 1 capital securities | | | 1,957 | 1,957 |
| US\$250 million fixed rate undated Additional Tier 1 capital securities | | | 1,959 | 1,959 |
| US\$600 million fixed rate undated Additional Tier 1 capital securities | | | 4,687 | 4,687 |
| US\$1,000 million 7.625% fixed rate reset undated Additional Tier 1 capital securities | | | 7,783 | – |
| US\$800 million floating rate undated Additional Tier 1 capital securities | | | 6,270 | – |
| US\$1,000 million 7.000% fixed rate reset undated Additional Tier 1 capital securities | | | 7,778 | – |
| | | | 37,465 | 23,384 |

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares do not have a par value.

On 30 December 2014, 10 perpetual non-cumulative convertible preference shares were issued to Standard Chartered Bank at an aggregate issue price of US\$500 million with a liquidation preference of US\$500 million. The preference shares qualified as Additional Tier 1 capital under the Banking (Capital) Rules. The preference shares have been fully redeemed or bought back in December 2020 via payment out of distributable profits and for which the amount was transferred from retained earnings to share capital in accordance with the requirements of the Hong Kong Companies Ordinance.

On 1 June 2019, the Bank acquired 100 percent of the share capital of SCB China from a fellow subsidiary by issuance of Class C ordinary share capital amounting to HK\$21,165 million.

On 24 June 2019, the Bank issued floating rate undated Additional Tier 1 capital securities to SC PLC with a face value of US\$900 million. The capital securities are undated with an optional call date on 12 April 2026 and bear a coupon rate equivalent to 3-month USD LIBOR plus 4.48 percent per annum, which was re-stated to SOFR Benchmark plus 0.26161 percent plus 4.48 percent per annum on 12 April, 2023. The securities qualify as Additional Tier 1 capital under the Banking (Capital) Rules and LAC debt instruments under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (“LAC Rules”).

On 1 October 2019, the Bank acquired 100 percent of the share capital of SC NEA Group from a fellow subsidiary by issuance of Class D ordinary share capital amounting to HK\$23,604 million.

Notes to the consolidated financial statements continued

28. Share capital and other equity instruments (continued)

On 31 March 2022, the Bank issued floating rate undated Additional Tier 1 capital securities to SC PLC with a face value of US\$250 million. The capital securities are undated with optional call date on or nearest to June 2031 and each distribution payment date thereafter and distribute equivalent to SOFR Benchmark plus 4.2 percent per annum. The securities qualify as Additional Tier 1 capital under the Banking (Capital) Rules and LAC debt instruments under the LAC Rules.

On 26 August 2022, the Bank issued fixed rate reset undated Additional Tier 1 capital securities to SC PLC with a face value of US\$250 million. The capital securities are undated with optional call on 27 August 2027, and each reset date thereafter and bear a coupon rate of 7.75 percent per annum until the first reset date on 27 August 2027. The coupon will be reset every 5 years thereafter if the capital securities are not redeemed, to a fixed rate equivalent to the prevailing U.S Treasury rate plus 4.976 percent. The securities qualify as Additional Tier 1 capital under the Banking (Capital) Rules and LAC debt instruments under the LAC Rules.

On 3 July 2024, the Bank issued fixed rate reset undated Additional Tier 1 capital securities to SC PLC with a face value of US\$600 million. The capital securities are undated with optional call on 8 March 2030 to the first reset date on 8 September 2030, and each reset date thereafter. The securities bear a coupon rate of 7.875 percent per annum until the first reset date on 8 September 2030. The coupon will be reset every 5 years thereafter if the capital securities are not redeemed, to a fixed rate equivalent to the prevailing U.S Treasury rate plus 3.57 percent. The securities qualify as Additional Tier 1 capital under the Banking (Capital) Rules and LAC debt instruments under the LAC Rules.

On 16 January 2025, the Bank issued fixed rate reset undated Additional Tier 1 capital securities to SC PLC with a face value of US\$1,000 million. The capital securities are undated with optional call on 16 January 2032 to the first reset date on 16 July 2032, and each reset date thereafter. The securities bear a coupon rate of 7.625 percent per annum until the first reset date on 16 July 2032. The coupon will be reset every 5 years thereafter if the capital securities are not redeemed, to a fixed rate equivalent to the prevailing U.S Treasury rate plus 3.023 percent. The securities qualify as Additional Tier 1 capital under the Banking (Capital) Rules and LAC debt instruments under the LAC Rules.

On 28 May 2025, the Bank issued floating rate undated Additional Tier 1 capital securities to SC PLC with a face value of US\$800 million. The capital securities are undated with optional call date on 28 May 2030 and each distribution payment date thereafter and distribute equivalent to SOFR Benchmark plus Margin Floating Rate per annum. The securities qualify as Additional Tier 1 capital under the Banking (Capital) Rules and LAC debt instruments under the LAC Rules.

On 14 Nov 2025, the Bank issued fixed rate reset undated Additional Tier 1 capital securities to SC PLC with a face value of US\$1,000 million. The capital securities are undated with optional call on 14 November 2035 and each distribution payment date thereafter. The securities bear a coupon rate of 7.000 percent per annum until the first reset date on 14 May 2036. The coupon will be reset every 5 years thereafter if the capital securities are not redeemed, to a fixed rate equivalent to the prevailing U.S Treasury rate plus 2.873 percent. The securities qualify as Additional Tier 1 capital under the Banking (Capital) Rules and LAC debt instruments under the LAC Rules.

The Ordinary Shares shall rank pari passu with each other with respect to the payment of dividends by the Bank. The Class B ordinary shares, the Class C ordinary shares and the Class D ordinary shares shall rank pari passu with each other, but in priority to the Class A ordinary shares, with respect to any return of capital by the Bank.

29. Reserves

Nature and purpose of reserves

(i) Own credit adjustment (“OCA”) reserve

The own credit adjustment reserve represents the cumulative gains and losses on financial liabilities designated at fair value through profit or loss relating to the Group’s own credit risk. Gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit risk in the year have been taken through other comprehensive income into this reserve. On derecognition of applicable instruments the balance of any OCA will not be recycled to the consolidated income statement, but will be transferred within equity to retained earnings.

Notes to the consolidated financial statements continued

29. Reserves (continued)

Nature and purpose of reserves (continued)

(ii) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(j).

(iii) Investment in debt securities at fair value through other comprehensive income reserve (“FVOCI reserve – Debt”) and Investment in equity securities at fair value through other comprehensive income reserve (“FVOCI reserve – Equity”)

The FVOCI reserve – Debt and FVOCI reserve – Equity comprise respectively the cumulative net change in the fair value of the investment in debt securities and equity securities measured at fair value through other comprehensive income, less the ECL allowance and taxation in profit or loss. The reserve is dealt with in accordance with the accounting policy in note 2(i).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(s).

(v) Other reserves

Other reserves mainly comprise:

- Merger reserve which arises on the acquisition of common control entities in accordance with the principles of merger accounting under the Accounting Guideline No.5 Merger Accounting for Common Control Combinations issued by the HKICPA.
- Capital contribution reserve which represents the excess of consideration received over the book value of a subsidiary transferred to a commonly controlled entity.
- Statutory reserves which are held by certain overseas subsidiaries to comply with local regulations.

Retained profits are the cumulative net earnings of the Group that have not been paid out as dividends, but retained to be reinvested in the business. To satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes, the Group has earmarked a ‘regulatory reserve’ from retained profits. Movements in the reserve are made directly through retained profits. As at 31 December 2025, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Group to shareholders by HK\$939 million (2024: HK\$686 million).

30. Cash and cash equivalents

(a) Components of cash and cash equivalents in the consolidated cash flow statement

| | 2025 HK\$'M | 2024 HK\$'M |
|---|----------------|----------------|
| Cash and balances at central banks | 30,581 | 13,594 |
| Loans and advances to banks with original maturity within three months | 35,704 | 55,705 |
| Investment securities with original maturity within three months | 24,138 | 5,725 |
| Loans and advances to customers with original maturity within three months | 15,833 | 13,639 |
| Financial assets at fair value through profit or loss with original maturity within three month | 154 | – |
| Amounts due from fellow subsidiaries with original maturity within three months | 9,031 | 1,376 |
| Less: Overdrafts included in “amounts due to fellow subsidiaries” | (19,623) | (6,470) |
| | 95,818 | 83,569 |

Notes to the consolidated financial statements continued

30. Cash and cash equivalents (continued)

(b) Reconciliation with the consolidated statement of financial position

| | 2025 HK\$'M | 2024 HK\$'M (Restated) |
|---|----------------|------------------------------|
| Cash and balances at central banks | 98,549 | 51,951 |
| Less: restricted cash | (67,968) | (38,357) |
| Financial assets at fair value through profit or loss | 647,036 | 673,754 |
| Loans and advances to banks | 148,906 | 160,360 |
| Investment securities | 485,386 | 361,588 |
| Loans and advances to customers | 992,554 | 953,252 |
| Amounts due from fellow subsidiaries | 255,992 | 214,122 |
| Amounts due from immediate holding company | 1 | 208 |
| Overdrafts included in "amounts due to fellow subsidiaries" | (19,623) | (6,470) |
| Amounts in the consolidated statement of financial position | 2,540,833 | 2,370,408 |
| Less: amounts that did not meet the definition of cash and cash equivalents | (2,445,015) | (2,286,839) |
| Cash and cash equivalents in the consolidated cash flow statement | 95,818 | 83,569 |

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

| | 2025 | |
|---|--|--------------------------------|
| | Subordinated liabilities to fellow subsidiaries and immediate holding company HK\$'M | Lease liabilities HK\$'M |
| At 1 January 2025 | 46,550 | 4,181 |
| Changes from financing cash flows: | | |
| Issuance of subordinated liabilities | 5,460 | - |
| Repayment of subordinated liabilities | (6,268) | - |
| Interest paid on subordinated liabilities | (1,324) | - |
| Payment of lease liabilities | - | (1,014) |
| Total changes from financing cash flows | (2,132) | (1,014) |
| Exchange adjustments | 2,219 | (440) |
| Hedge accounting adjustments | 27 | - |
| Net increase in lease liabilities from entering into new leases, net of disposals | - | 1,062 |
| Interest expense on subordinated liabilities and borrowings | 1,543 | - |
| Interest expense on lease liabilities | - | 151 |
| At 31 December 2025 | 48,207 | 3,940 |

Notes to the consolidated financial statements continued

30. Cash and cash equivalents (continued)

(c) Reconciliation of liabilities arising from financing activities (continued)

| | 2024 | |
|---|---|-----------------------------|
| | Subordinated liabilities to fellow subsidiaries and immediate holding company HK\$'M | Lease liabilities HK\$'M |
| At 1 January 2024 | 43,392 | 3,612 |
| Changes from financing cash flows: | | |
| Issuance of subordinated liabilities | 8,079 | - |
| Repayment of subordinated liabilities | (5,057) | - |
| Interest paid on subordinated liabilities | (1,345) | - |
| Payment of lease liabilities | - | (1,134) |
| Total changes from financing cash flows | 1,677 | (1,134) |
| Exchange adjustments | 723 | (247) |
| Hedge accounting adjustments | (744) | - |
| Net increase in lease liabilities from entering into new leases, net of disposals | - | 1,765 |
| Interest expense on subordinated liabilities and borrowings | 1,502 | - |
| Interest expense on lease liabilities | - | 185 |
| At 31 December 2024 | 46,550 | 4,181 |

31. Derivative financial instruments

The use of derivatives for trading and their sale to customers as risk management products is an integral part of the Group's business activities. These instruments are also used to manage the Group's own exposures to market risk as part of its asset and liability management process. The principal derivative instruments used by the Group are foreign exchange related and interest rate related contracts, which are primarily over-the-counter derivatives. Most of the Group's derivative positions have been entered into to meet customer demand and to hedge these and other trading positions. For accounting purposes, derivatives are classified as either held for trading or held for hedging.

The tables below analyse the notional principal amounts and the positive and negative fair values of derivative financial instruments. The notional principal amount is the amount of principal underlying the contract at the reporting date.

| | 2025 | | | 2024 | | |
|---|--------------------------------------|-----------------------------|----------------------------------|--------------------------------------|-----------------------------|----------------------------------|
| | Notional principal amounts HK\$'M | Fair value assets HK\$'M | Fair value liabilities HK\$'M | Notional principal amounts HK\$'M | Fair value assets HK\$'M | Fair value liabilities HK\$'M |
| Foreign exchange derivative contracts: | | | | | | |
| Forward foreign exchange contracts | 8,445,375 | 57,056 | (54,099) | 6,812,322 | 82,833 | (68,672) |
| Currency swaps and options | 2,084,033 | 29,018 | (26,445) | 1,901,507 | 52,505 | (49,334) |
| | 10,529,408 | 86,074 | (80,544) | 8,713,829 | 135,338 | (118,006) |
| Interest rate derivative contracts: | | | | | | |
| Swaps | 11,999,579 | 37,779 | (38,653) | 9,235,646 | 41,924 | (45,360) |
| Forward rate agreement and options | 127,092 | 4,043 | (1,203) | 129,631 | 822 | (2,207) |
| | 12,126,671 | 41,822 | (39,856) | 9,365,277 | 42,746 | (47,567) |
| Other derivative contracts | 508,698 | 9,504 | (17,425) | 376,917 | 5,555 | (16,872) |
| Total derivatives | 23,164,777 | 137,400 | (137,825) | 18,456,023 | 183,639 | (182,445) |

Notes to the consolidated financial statements continued

31. Derivative financial instruments (continued)

Derivative held for hedging

The notional principal amounts and the positive and negative fair values of derivative financial instruments held for hedging purposes at the reporting date are as follows:

| | 2025 | | | 2024 | | |
|---|---|------------------------------|-----------------------------------|--|--------------------------------|-------------------------------------|
| | Notional principal amounts HK'M | Fair value assets HK'M | Fair value liabilities HK'M | Notional principal amounts HK\$'M | Fair value assets HK\$'M | Fair value liabilities HK\$'M |
| | Derivatives designated as fair value hedges: | | | | | |
| Interest rate swaps | 52,324 | 765 | (690) | 54,966 | 667 | (1,398) |
| | 52,324 | 765 | (690) | 54,966 | 667 | (1,398) |
| Derivatives designated as cash flow hedges: | | | | | | |
| Interest rate swaps | 189,146 | 1,027 | (298) | 129,353 | 754 | (1,148) |
| Cross currency swaps | 67,441 | 581 | (111) | 85,671 | 4,367 | (13) |
| | 256,587 | 1,608 | (409) | 215,024 | 5,121 | (1,161) |
| Derivatives designated as net investment hedges: | | | | | | |
| Forward foreign exchange contracts | 25,849 | 1,940 | - | 37,303 | 1,559 | - |
| Total derivatives held for hedging | 334,760 | 4,313 | (1,099) | 307,293 | 7,347 | (2,559) |

Fair value hedges

The fair value hedges principally consist of interest rate swaps and cross currency swaps. The interest rate swaps are used to protect against changes in the fair value of certain fixed rate assets and liabilities due to movements in market interest rates. The cross currency swaps are used to manage foreign exchange exposures and interest rate risk.

Maturity of hedging instruments

The Group held the following derivatives as hedging instruments in fair value hedges.

| Risk category | 2025 | | | | 2024 | | | |
|---|-------------------------------------|---|--------------------------------|-----------------------------------|----------------------------------|---|--------------------------------|-----------------------------------|
| | Less than one month HK\$'M | More than one month and less than one year HK\$'M | One to five years HK\$'M | More than five years HK\$'M | Less than one month HK\$'M | More than one month and less than one year HK\$'M | One to five years HK\$'M | More than five years HK\$'M |
| | Interest rate risk | | | | | | | |
| Notional Amount | | | | | | | | |
| Hedge of debt securities | - | - | - | 406 | - | 708 | 2,020 | - |
| Hedge of treasury bills | 3,113 | 1,557 | 1,245 | 3,674 | 372 | 609 | 11,767 | 233 |
| Hedge of loans and advances to customers | - | - | 136 | 2,335 | - | 1,582 | 184 | 2,329 |
| Hedge of intragroup borrowings | 3,892 | 11,647 | 9,730 | 14,589 | - | - | 24,019 | 8,037 |
| Hedge of customer accounts | - | - | - | - | - | 3,106 | - | - |
| | 7,005 | 13,204 | 11,111 | 21,004 | 372 | 6,005 | 37,990 | 10,599 |

Notes to the consolidated financial statements continued

31. Derivative financial instruments (continued)

Fair value hedges (continued)

Hedging instruments and ineffectiveness

| Risk Category | 2025 | | | | |
|--|--------------------|------------------------------|---------------------|---|---|
| | Notional HK\$'M | Carrying Amount ¹ | | Change in fair value used to calculate ineffectiveness hedge ineffectiveness HK\$'M | Ineffectiveness recognised in net trading income HK\$'M |
| | | Asset HK\$'M | Liability HK\$'M | | |
| Interest rate risk | | | | | |
| Interest rate swaps – Hedge of debt securities | 406 | – | (5) | (13) | 3 |
| Interest rate swaps – Hedge of treasury bills | 9,589 | 119 | (3) | (98) | (3) |
| Interest rate swaps – Hedge of loans and advances to customers | 2,471 | 1 | (19) | (74) | – |
| Interest rate swaps – Hedge of intragroup borrowings | 39,858 | 645 | (663) | 749 | 3 |
| Interest rate swaps – Hedge of customer accounts | – | – | – | (11) | (1) |
| | 52,324 | 765 | (690) | 553 | 2 |

¹ The carrying amount represents the fair value of the hedging instruments including its respective accrued interest

| Risk Category | 2024 | | | | |
|--|--------------------|------------------------------|---------------------|---|---|
| | Notional HK\$'M | Carrying Amount ¹ | | Change in fair value used to calculate ineffectiveness hedge ineffectiveness HK\$'M | Ineffectiveness recognised in net trading income HK\$'M |
| | | Asset HK\$'M | Liability HK\$'M | | |
| Interest rate risk | | | | | |
| Interest rate swaps – Hedge of debt securities | 2,728 | 16 | (16) | 30 | 2 |
| Interest rate swaps – Hedge of treasury bills | 12,981 | 233 | (3) | (22) | 1 |
| Interest rate swaps – Hedge of loans and advances to customers | 4,095 | 22 | – | (8) | – |
| Interest rate swaps – Hedge of intragroup borrowings | 32,056 | 385 | (1,379) | 813 | 1 |
| Interest rate swaps – Hedge of customer accounts | 3,106 | 11 | – | 28 | – |
| | 54,966 | 667 | (1,398) | 841 | 4 |

¹ The carrying amount represents the fair value of the hedging instruments including its respective accrued interest

Notes to the consolidated financial statements continued

31. Derivative financial instruments (continued)

Fair value hedges (continued)

Hedged items

| | 2025 | | | | | |
|---------------------------------|-----------------|---------------------|--|---------------------|--|--|
| | Carrying Amount | | Accumulated amount of fair value hedge adjustments included in the carrying amount | | Change in the value used for calculating hedge ineffectiveness | Accumulated amortising amount of fair value hedge adjustments no longer designated as hedges |
| | Asset HK\$'M | Liability HK\$'M | Asset HK\$'M | Liability HK\$'M | | |
| Debt securities | 411 | - | 4 | - | 16 | 41 |
| Treasury bills | 9,501 | - | (89) | - | 95 | 31 |
| Loans and advances to customers | 2,488 | - | 17 | - | 74 | - |
| Intragroup borrowings | - | (39,889) | - | 31 | (746) | - |
| Customer accounts | - | - | - | - | 10 | - |
| Grand Total | 12,400 | (39,889) | (68) | 31 | (551) | 72 |

| | 2024 | | | | | |
|---------------------------------|-----------------|---------------------|--|---------------------|--|--|
| | Carrying Amount | | Accumulated amount of fair value hedge adjustments included in the carrying amount | | Change in the value used for calculating hedge ineffectiveness | Accumulated amortising amount of fair value hedge adjustments no longer designated as hedges |
| | Asset HK\$'M | Liability HK\$'M | Asset HK\$'M | Liability HK\$'M | | |
| Debt securities | 2,726 | - | - | - | (28) | 153 |
| Treasury bills | 12,707 | - | (201) | - | 23 | 87 |
| Loans and advances to customers | 4,033 | - | (65) | - | 8 | - |
| Intragroup borrowings | - | (32,830) | - | 775 | (812) | - |
| Customer accounts | - | (3,096) | - | (10) | (28) | - |
| Grand Total | 19,466 | (35,926) | (266) | 765 | (837) | 240 |

Notes to the consolidated financial statements continued

31. Derivative financial instruments (continued)

Cash flow hedges

The cash flow hedges principally consist of interest rate swaps and cross currency swaps that are used to hedge against the variability in cash flows of certain floating rate assets and liabilities.

Maturity of hedging instruments

The Group held the following derivatives as hedging instruments in cash flow hedges.

| Risk category | 2025 | | | | 2024 | | | |
|---|----------------------------|---|--------------------------|-----------------------------|----------------------------|---|--------------------------|-----------------------------|
| | Less than one month HK\$'M | More than one month and less than one year HK\$'M | One to five years HK\$'M | More than five years HK\$'M | Less than one month HK\$'M | More than one month and less than one year HK\$'M | One to five years HK\$'M | More than five years HK\$'M |
| Interest rate risk | | | | | | | | |
| Notional Amount | | | | | | | | |
| Hedge of debt securities | - | 590 | 1,000 | - | - | - | 1,590 | - |
| Hedge of loans and advances to customers | 708 | 28,679 | 86,148 | 16,182 | 1,382 | 11,325 | 64,085 | 27,676 |
| Hedge of cash and balances at central banks | 1,557 | 16,830 | 35,901 | 1,323 | - | 6,212 | 17,083 | - |
| Hedge of customer accounts | - | - | 228 | - | - | - | - | - |
| | 2,265 | 46,099 | 123,277 | 17,505 | 1,382 | 17,537 | 82,758 | 27,676 |
| Foreign exchange risk and Currency risk | | | | | | | | |
| Notional Amount | | | | | | | | |
| Hedge of debt securities | 389 | 20,278 | - | - | - | - | - | - |
| Hedge of treasury bills | - | - | - | - | 1,502 | 16,581 | - | - |
| Hedge of loans and advances to customers | 4,854 | 5,492 | - | - | - | 936 | - | - |
| Hedge of intragroup lending and borrowing | 5,209 | 21,128 | 4,577 | - | - | 43,775 | 4,522 | - |
| Hedge of customer accounts | 2,030 | 3,338 | 146 | - | 3,766 | 14,589 | - | - |
| | 12,482 | 50,236 | 4,723 | - | 5,268 | 75,881 | 4,522 | - |

Hedging instruments and ineffectiveness

| Risk category | 2025 | | | | | |
|---|-----------------|------------------------------|-------|---|---|---|
| | Notional HK\$'M | Carrying Amount ¹ | | Change in fair value used to calculate hedge ineffectiveness HK\$'M | Changes in the value of the hedging instrument recognised in OCI HK\$'M | Ineffectiveness recognised in trading income HK\$'M |
| | Asset HK\$'M | Liability HK\$'M | | | | |
| Interest rate risk | | | | | | |
| Interest rate swaps – Hedge of debt securities | 1,590 | 24 | - | 19 | 19 | - |
| Interest rate swaps – Hedge of loans and advances to customers | 131,717 | 794 | (275) | 1,500 | 1,467 | 33 |
| Interest rate swaps – Hedge of cash and balances at central banks | 55,611 | 209 | (21) | 346 | 344 | 2 |
| Interest rate swaps – Hedge of deposits from customer accounts | 228 | - | (2) | 1 | 1 | - |
| | 189,146 | 1,027 | (298) | 1,866 | 1,831 | 35 |
| Foreign exchange risk and currency risk | | | | | | |
| Cross currency swaps – Hedge of debt securities | 20,667 | 7 | (6) | - | - | - |
| Cross currency swaps – Hedge of treasury bills | - | - | - | (1,104) | (1,104) | - |
| Cross currency swaps – Hedge of loans and advances to customers | 10,346 | 63 | (6) | 14 | 14 | - |
| Cross currency swaps – Hedge of intragroup lending and borrowing | 30,914 | 291 | (67) | (470) | (470) | - |
| Cross currency swaps – Hedge of deposits from customer accounts | 5,514 | 220 | (32) | (648) | (648) | - |
| | 67,441 | 581 | (111) | (2,208) | (2,208) | - |

¹ The carrying amount represents the fair value of the hedging instruments including its respective accrued interest

Notes to the consolidated financial statements continued

31. Derivative financial instruments (continued)

Cash flow hedges (continued)

Hedging instruments and ineffectiveness (continued)

| Risk category | 2024 | | | | | |
|---|--------------------|------------------------------|---------------------|--|---|---|
| | Notional HK\$'M | Carrying Amount ¹ | | Change in fair value used to calculate ineffectiveness hedge HK\$'M | Changes in the value of the hedging instrument recognised in OCI HK\$'M | Ineffectiveness recognised in trading income HK\$'M |
| | | Asset HK\$'M | Liability HK\$'M | | | |
| Interest rate risk | | | | | | |
| Interest rate swaps – Hedge of debt securities | 1,590 | 4 | - | 4 | 4 | - |
| Interest rate swaps – Hedge of loans and advances to customers | 104,468 | 749 | (1,053) | (937) | (912) | (25) |
| Interest rate swaps – Hedge of cash and balances at central banks | 23,295 | 1 | (95) | (75) | (76) | 1 |
| | 129,353 | 754 | (1,148) | (1,008) | (984) | (24) |
| Foreign exchange risk and currency risk | | | | | | |
| Cross currency swaps – Hedge of debt securities | - | - | - | 3 | 3 | - |
| Cross currency swaps – Hedge of treasury bills | 18,083 | 2,067 | (1) | 2,555 | 2,555 | - |
| Cross currency swaps – Hedge of loans and advances to customers | 936 | - | (6) | 20 | 20 | - |
| Cross currency swaps – Hedge of intragroup lending and borrowing | 48,297 | 1,621 | (6) | 914 | 916 | (2) |
| Cross currency swaps – Hedge of deposits from customer accounts | 18,355 | 679 | - | 411 | 411 | - |
| | 85,671 | 4,367 | (13) | 3,903 | 3,905 | (2) |

¹ The carrying amount represents the fair value of the hedging instruments including its respective accrued interest

Hedged items

| | 2025 | | |
|------------------------------------|---|--------------------------------------|--|
| | Change in the value used for calculating hedge ineffectiveness HK\$'M | Cash flow hedge reserve HK\$'M | Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied HK\$'M |
| Debt securities | (19) | 24 | (3) |
| Treasury bills | 1,104 | - | - |
| Loans and advances to customers | (1,481) | 378 | 502 |
| Cash and balances at central banks | (344) | 268 | - |
| Intragroup lending and borrowing | 470 | 14 | - |
| Customer accounts | 647 | 4 | 477 |
| | 377 | 688 | 976 |

Notes to the consolidated financial statements continued

31. Derivative financial instruments (continued)

Cash flow hedges (continued)

Hedged items (continued)

| | 2024 | | Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied HK\$'M |
|------------------------------------|--|-----------------------------------|--|
| | Change in the value used for calculating hedge ineffectiveness HK\$'M | Cash flow hedge reserve HK\$'M | |
| Debt securities | (7) | 4 | (11) |
| Treasury bills | (2,555) | 43 | - |
| Loans and advances to customers | 892 | (450) | (9) |
| Cash and balances at central banks | 76 | (76) | - |
| Intragroup lending and borrowing | (916) | (89) | - |
| Customer accounts | (411) | 19 | 641 |
| | (2,921) | (549) | 621 |

Impact of cash flow hedges on profit and loss and other comprehensive income

| | 2025 HK\$'M Income/ (expense) | 2024 HK\$'M Income/ (expense) |
|---|--|--|
| Cash flow hedge reserve balance as at 1 January | 91 | 1,087 |
| (Loss)/gain recognised in other comprehensive income on effective portion of changes in fair value of hedging instruments | (377) | 2,921 |
| Gain/(loss) reclassified to income statement when hedged item affected net profit | 1,963 | (4,116) |
| Taxation credit/(charge) relating to cash flow hedges | (261) | 199 |
| Cash flow hedge reserve balance as at 31 December | 1,416 | 91 |

Notes to the consolidated financial statements continued

31. Derivative financial instruments (continued)

Net investment hedges

A foreign currency exposure arises from a net investment in subsidiaries that have a different functional currency from that of the Group. This risk arises from the fluctuation in spot exchange rates between the functional currencies of the subsidiaries and the functional currency of the Group, which causes the value of the investments to vary.

Maturity of hedging instruments

The Group held the following derivatives as hedging instruments in net investment hedges.

| Risk category | 2025 | | | | 2024 | | | |
|---|------------------------|---|----------------------|-------------------------|---------------------------|--|----------------------|-------------------------|
| | Less than one month | More than one month and less than one year | One to five years | More than five years | Less than one month | More than one month and less than one year | One to five years | More than five years |
| | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M |
| Foreign exchange risk | | | | | | | | |
| Notional amount | | | | | | | | |
| Hedge of net investments in subsidiaries | 25,849 | - | - | - | 37,303 | - | - | - |
| | 25,849 | - | - | - | 37,303 | - | - | - |

Hedging instruments and ineffectiveness

| Risk category | 2025 | | | | | | |
|--|--------------------|-----------------|---------------------|---|---|---|---|
| | Notional HK\$'M | Carrying amount | | Change in fair value used to calculate hedge ineffectiveness HK\$'M | Changes in the value of the hedging instrument recognised in OCI HK\$'M | Ineffectiveness recognised in net trading income HK\$'M | Amount reclassified from reserves to net trading income HK\$'M |
| | | Asset HK\$'M | Liability HK\$'M | | | | |
| Foreign exchange risk | | | | | | | |
| Foreign exchange forwards - Hedge of net investments in subsidiaries | 25,849 | 1,940 | - | 1,940 | 1,940 | - | - |
| | 25,849 | 1,940 | - | 1,940 | 1,940 | - | - |

| Risk category | 2024 | | | | | | |
|--|--------------------|-----------------|---------------------|---|--|---|---|
| | Notional HK\$'M | Carrying amount | | Change in fair value used to calculate hedge ineffectiveness HK\$'M | Changes in the value of the hedging instrument recognised in OCI HK\$'M | Ineffectiveness recognised in net trading income HK\$'M | Amount reclassified from reserves to net trading income HK\$'M |
| | | Asset HK\$'M | Liability HK\$'M | | | | |
| Foreign exchange risk | | | | | | | |
| Foreign exchange forwards - Hedge of net investments in subsidiaries | 37,303 | 1,559 | - | 1,559 | 1,559 | - | - |
| | 37,303 | 1,559 | - | 1,559 | 1,559 | - | - |

Notes to the consolidated financial statements continued

31. Derivative financial instruments (continued)

Net investment hedges (continued)

Hedged items

| | 2025 | | |
|---------------------------------|--|----------------------------|---|
| | Change in the value used for calculating hedge ineffectiveness HK\$'M | Exchange reserve HK\$'M | Balances remaining in the exchange reserve from hedging relationships for which hedge accounting is no longer applied HK\$'M |
| Net investments in subsidiaries | (1,940) | 1,940 | - |
| | (1,940) | 1,940 | - |

| | 2024 | | |
|---------------------------------|--|----------------------------|---|
| | Change in the value used for calculating hedge ineffectiveness HK\$'M | Exchange reserve HK\$'M | Balances remaining in the exchange reserve from hedging relationships for which hedge accounting is no longer applied HK\$'M |
| Net investments in subsidiaries | (1,559) | 1,559 | - |
| | (1,559) | 1,559 | - |

Notes to the consolidated financial statements continued

32. Contingent liabilities and commitments

(a) *The following is a summary of the contractual amounts of each significant contingent liability and commitment:*

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| Direct credit substitutes | 23,523 | 9,250 |
| Transaction-related contingencies | 51,849 | 53,477 |
| Trade-related contingencies | 10,817 | 13,477 |
| Forward asset purchases | 98 | 98 |
| Forward deposits placed | 7,793 | 664 |
| Other commitments: | | |
| which are not unconditionally cancellable: | | |
| with original maturity of not more than one year | 9,993 | 13,064 |
| with original maturity of more than one year | 155,630 | 140,638 |
| which are unconditionally cancellable | 656,119 | 706,691 |
| | 915,822 | 937,359 |

Contingent liabilities and commitments are credit-related instruments, which include letters of credit, guarantees and commitments to extend credit. The risk involved is similar to the credit risk involved in extending loan facilities to customers. These transactions are therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for loans. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client defaults. As the facilities may expire without being drawn upon, the contracted amounts do not represent expected future cash flows.

Notes to the consolidated financial statements continued

32. Contingent liabilities and commitments (continued)

(b) Capital commitments

Capital commitments outstanding at 31 December 2025 in respect of property, plant and equipment purchase not provided for in the consolidated financial statements were HK\$84 million (2024: HK\$13 million).

(c) Contingencies

The Group receives legal claims against it arising in the normal course of business. Where appropriate the Group recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation.

A number of Korean banks sold equity-linked securities (ELS) to customers, the redemption values of which are determined by the performance of various stock indices. From January 2021 to May 2023, Standard Chartered Bank Korea Limited ("SCB Korea") sold relevant ELS to its customers. Due to the performance of the Hang Seng China Enterprise Index, many customers of Korean banks experienced loss on their ELS investments. SCB Korea has paid or offered compensation to its impacted customers. In November 2025, the Financial Supervisory Service issued a notice of a proposed regulatory penalty relating to the ELS matter, which SCB Korea is contesting. Appropriate provisions have been recognised with respect to the proposed penalty amount and outstanding compensation claims.

33. Risk management

The coverage of risk management activities of the Group has expanded in alignment to the change in legal entity structure through the creation of a Greater China & North Asia ("GCNA") hub, which included Standard Chartered Bank (Hong Kong) Limited and its subsidiaries in China, Korea, and Taiwan. The regional senior management of the Group, with the support of the senior management at individual subsidiary level, are responsible in the management of risk for the GCNA hub.

Risk management approach

Enterprise Risk Management Framework ("ERMF")

Risk management is at the heart of banking, it is what we do. Managing risk effectively is how we drive commerce and prosperity for our clients and our communities, and it is how we grow sustainably and profitably as an organisation.

Effective risk management is essential to consistent and sustainable performance for all of our stakeholders and is therefore a central part of the financial and operational management of the Group. The Group adds value to clients and therefore the communities in which they operate by taking and managing appropriate levels of risk, which in turn, generates returns for shareholders.

The ERMF enables the Group to manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our Risk Appetite ("RA"). The ERMF is embedded across the Group, including its branches and subsidiaries, and is reviewed annually. The latest version is effective from November 2025.

Notes to the consolidated financial statements continued

33. Risk management (continued)

Risk management approach (continued)

Enterprise Risk Management Framework (“ERMF”) (continued)

Risk culture

Risk culture encompasses our general awareness, attitudes, and behaviours towards risk, as well as how risk is managed at the enterprise level.

A healthy risk culture is one in which everyone takes personal responsibility to identify and assess, openly discuss, and take prompt action to address existing and emerging risks. We expect those in our control functions to provide oversight and challenge constructively, collaboratively, and in a timely manner on the risks owned by the first line of defence. This effort is reflected in our valued behaviours, underpinned by our Code of Conduct and Ethics.

The risks we face constantly evolve, and we must always look for ways to manage them as effectively as possible. While unfavourable outcomes will occur from time to time, a healthy risk culture means that we react quickly and transparently. We can then take the opportunity to learn from our experience and improve our framework and processes.

Strategic risk management

The Group approaches strategic risk management as follows:

- Risk identification: impact analyses of risks that arise from the Group’s growth plans, strategic initiatives, and business model vulnerabilities are reviewed. This assesses how existing risks have evolved in terms of relative importance or whether new risks have emerged.
- Risk Appetite: impact analysis is performed to assess if strategic initiatives can be achieved within RA and highlight areas where additional RA should be considered.
- Stress testing: identified risks are used to develop scenarios for enterprise stress tests.

Notes to the consolidated financial statements continued

33. Risk management (continued)

Risk management approach (continued)

Roles and responsibilities

Three Lines of Defence model

The Group applies a three line of defence model to its day-to-day activities for effective risk management, and to reinforce a strong governance and control environment. Typically:

- Businesses and functions engaged in or supporting revenue generating activities that own and manage the risks constitute the first line of defence.
- Control functions, independent of the first line of defence, that provide oversight and challenge of risk management activities act as second line of defence.
- Internal Audit acts as the third line of defence providing independent assurance on the effectiveness of controls supporting the activities of the first and second line of defence functions.

Each Principal Risk Type (“PRT”) has a Risk Type Framework (“RTF”) which outlines the areas of governance and risk management and is the formal mechanism through which the authorities are delegated. Risk management plans, processes, activities, and resource allocations are consistent with the three lines of defence model prescribed by the ERMF.

The Risk function

The Risk function provides oversight and challenge on the Group’s risk management, ensuring that business is conducted in line with regulatory expectations. The CRO directly manages the Risk function, which is independent from the origination, trading and sales functions of the businesses. The Risk function is responsible for:

- proposing the RA for approval by the Board;
- maintaining the ERMF, ensuring that it remains relevant and appropriate to the Group’s business activities, and is effectively communicated and implemented across the Group;
- ensuring that risks are properly assessed, risk and return decisions are transparent and risks are controlled in accordance with the Group’s standards and RA.
- overseeing and challenging the management of PRTs under the ERMF.
- independence of the Risk function by ensuring that the necessary balance in making risk and return decisions is not compromised by short-term pressures to generate revenues.

The Risk function supports the Group’s strategy by building a sustainable ERMF that places regulatory and compliance standards, together with culture of appropriate conduct, at the forefront of the Group’s agenda.

Our Compliance, Financial Crime & Conduct Risk (“CFCR”) function, works alongside the Risk function within the ERMF to deliver a unified second line of defence. Compliance Risk and Financial Crime Risk, as PRTs, fall under the scope of the CFR’s responsibilities.

Risk Appetite and profile

The Group recognises the following constraints which determine the risks that the Group is willing to take in pursuit of its strategy and the development of a sustainable business:

- Risk capacity is the maximum level of risk the Group can assume, given its current capabilities and resources, before breaching constraints determined by capital and liquidity requirements, internal operational environment, or otherwise failing to meet the expectations of regulators and law enforcement agencies.
- Risk appetite is defined by the Group and approved by the Board. It is the maximum amount and type of risk that the Group is willing to assume in pursuit of its strategy. The Group RA is defined as “the approved boundary for the risk that the Group is willing to undertake to achieve the Group strategic objectives and Corporate Plan”. Risk appetite cannot exceed risk capacity.

Notes to the consolidated financial statements continued

33. Risk management (continued)

Risk management approach (continued)

Risk Appetite and profile (continued)

The Board has approved a Risk Appetite Statement, which is underpinned by a set of financial and operational control parameters, known as Risk Appetite metrics and associated thresholds. These directly constrain the aggregate risk exposures that can be taken across the Group. The Risk Appetite Statement is supplemented by an overarching statement outlining the Group's Risk Appetite Principles.

Risk Appetite Principles: The Group's Risk Appetite is in accordance to its overall approach to risk management and its risk culture. The Group follows the highest ethical standards required by its stakeholders and ensure a fair outcome for its clients, the effective operation of financial markets, while at the same time meeting expectations of regulators and law enforcement agencies. The Group sets its risk appetite to enable it to grow sustainably and to avoid shocks to earnings or its general financial health and to manage its reputational risk in a way that would not materially undermine the confidence of its investors and all internal and external stakeholders.

Risk Appetite Statement: The Group will not compromise adherence to its risk appetite in order to pursue revenue growth or higher returns.

The Group's risk profile is its overall exposure to risk at a given point in time, covering all applicable risk types. Risk control tools such as exposure limits, underwriting standards, scorecard cut-offs and policies and other operational control parameters are used to keep the Group's risk profile within risk appetite (and therefore also risk capacity). Status against risk appetite is reported to the Board, the Board Risk Committee, and the Hong Kong & GCNA Risk Committee ("HK&GCNA RC"). This includes the reporting of breaches.

The HK&GCNA RC and the Hong Kong and GCNA Asset and Liability Committee are responsible for ensuring that the Group's risk profile is managed in compliance with the Risk Appetite set by the Board. The Board Risk Committee advises the Board on the Risk Appetite Statement and monitors the Group's compliance with it.

Risk identification and assessment

Identification and assessment of potential adverse risk events is an essential first step in managing the risks of any business or activity. To ensure consistency in communication the Group uses PRTs to classify its risk exposures. However, we also recognise the need to maintain a holistic perspective since:

- a single transaction or activity may give rise to multiple types of risk exposure
- risk concentrations may arise from multiple exposures that are closely correlated
- a given risk exposure may change its form from one risk type to another

There are also sources of risk that arise beyond our own operations, such as the Group's dependency on suppliers for the provision of services and technology.

As the Group remains accountable for risks arising from the actions of such third parties, failure to adequately monitor and manage these relationships could materially impact the Group's ability to operate.

The Group maintains a taxonomy of risks inherent to the strategy and business model, as well as a risk inventory which captures identified risks, including the Topical and Emerging Risks ("TERs") to which the Group is or might be exposed to. Multiple identification and assessment techniques are used to ensure breadth and depth of understanding of the internal and external risk environment, as well as potential opportunities. A risk assessment of the corporate plan is undertaken annually, supplemented by risk assessments of new initiatives. Risk identification findings inform the related risk oversight process, and most importantly RA and controls setting, scenario selection and design, and model refinement and development.

The Hong Kong & GCNA CRO and the HK&GCNA RC review regular reports on the risk profile for the PRTs, adherence to the approved Risk Appetite and the Group risk inventory including TERs. They use this information to escalate material developments in each risk event and make recommendations to the SCBHK Board on any potential changes to our Corporate Plan.

Notes to the consolidated financial statements continued

33. Risk management (continued)

Stress testing

The objective of stress testing is to support the Group in assessing that it:

- Does not have a portfolio with excessive concentrations of risk that could produce unacceptably high losses under severe but plausible scenarios;
- Has sufficient financial resources to withstand severe but plausible scenarios;
- Has the financial flexibility to respond to extreme but plausible scenarios; and
- Understands the Group's key business model risks, considers what kind of event might crystallise those risks – even if extreme with a low likelihood of occurring – and has identified, as required, actions to mitigate the likelihood and/or the impact of those events.
- Has set RA metrics at appropriate levels.

Enterprise Stress Tests incorporate Capital and Liquidity Adequacy Stress Tests including recovery and resolution, as well as reverse stress tests.

Stress tests are performed at Group, country, business and portfolio level under a wide range of risks and at varying degrees of severity. Unless specifically set by the regulator, scenario design is a bespoke process that aims to explore risks that can adversely impact the Group.

In addition, analysis is run at PRT level to assess specific risks and concentrations that the Group may be exposed to. These include qualitative assessments such as stressing of credit sectors or portfolios, and quantitative assessments such as potential losses from severe but plausible market risk scenarios or internal stressed liquidity metrics.

Stress testing plays a critical role in assessing the potential impact on portfolio values of extreme but plausible scenarios, leading to potential losses typically much larger than those predicted by the Value at Risk (VaR) model. The Group uses historical and forward-looking scenarios: a common set of scenarios is used across all legal entities complemented in some cases with entity-specific scenarios. RA for market risk stress losses is set for the key legal entities.

The Board delegates the approval of the Enterprise Stress Tests to Board Risk Committee. The Board Risk Committee relies on the recommendation from approving senior HK management committees. A Stress Testing Forum is appointed by the Hong Kong & GCNARC to review and challenge the Stress Tests.

Based on the stress test results, the Chief Risk Officer and Chief Financial Officer can recommend strategic actions to ensure that the Group strategy remains within the Board approved Risk Appetite.

The Group has also undertaken Climate Risk stress tests as mandated by the regulators.

Principal risk types

Principal Risk Types are those risks that are inherent in our strategy and the Group's business model and have been formally defined in the Group's ERMF. These risks are managed through distinct RTFs which are approved by the Hong Kong & GCNA CRO and the HK&GCNA RC. The Principal Risk Types and associated Risk Appetite Statements are approved by the SCBHK Board.

Notes to the consolidated financial statements continued

33. Risk management (continued)

Principal risk types (continued)

The PRTs are reviewed annually. The table below shows the Group's current PRTs, their definitions and RA statements.

Principal risks

| Principal Risk Types | Definition | Risk Appetite Statement |
|---|--|--|
| Credit Risk | Potential for loss due to failure of a counterparty to meet its agreed obligations to pay the Group. | The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors. |
| Traded Risk | Potential for market or counterparty credit risk losses resulting from activities undertaken by the Group in fair valued financial market instruments. | The Group should control its financial markets activities to ensure that market and counterparty credit risk losses do not cause material damage to the Group's franchise. |
| Treasury Risk | Potential for insufficient capital, liquidity, or funding to support our operations, the risk of reductions in earnings or value from movements in interest rates impacting banking book items and the potential for losses from a shortfall in the Group's pension plans. | The Group should maintain sufficient capital, liquidity and funding to support its operations, and an interest rate profile ensuring that the reductions in earnings or value from movements in interest rates impacting banking book items does not cause material damage to the Group's franchise. In addition, the Group should ensure its pension plans are adequately funded. |
| Operational and Technology Risk | Potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks). | The Group aims to control operational and technology risks to ensure that operational losses (financial or reputational), including any related to the conduct of business matters, do not cause material damage to the Group's franchise. |
| Information and Cyber Security (ICS) Risk | Risk to the Group's assets, operations, and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems. | The Group aims to mitigate and control ICS risks to ensure that incidents do not cause the Bank material harm, business disruption, financial loss or reputational damage – recognising that while incidents are unwanted, they cannot be entirely avoided. |
| Financial Crime Risk | Potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering and anti-bribery and corruption, and fraud. | The Group has no appetite for breaches of laws and regulations related to Financial Crime, recognising that while incidents are unwanted, they cannot be entirely avoided. |
| Compliance Risk | Potential for penalties or loss to the Group or for an adverse impact to our clients or stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws, or regulations. | The Group has no appetite for breaches of laws and regulations related to regulatory non-compliance; recognising that while incidents are unwanted, they cannot be entirely avoided. |
| Environmental, Social and Governance and Reputational (ESGR) Risk | Potential or actual adverse impact on the environment and/or society, the Group's financial performance, operations, or the Group's name, brand or standing, arising from environmental, social or governance factors, or as a result of the Group's actual or perceived actions or inactions. | The Group aims to measure and manage financial and non-financial risks arising from climate change, reduce emissions in line with our net zero strategy and protect the Group from material reputational damage by upholding responsible conduct and striving to do no significant environmental and social harm. |
| Model Risk | Potential loss that may occur because of decisions or the risk of misestimation that could be principally based on the output of models, due to errors in the development, implementation, or use of such models. | The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models; while accepting some model uncertainty. |

Notes to the consolidated financial statements continued

33. Risk management (continued)

Executive and Board risk oversight

Overview

The Board has ultimate responsibility for risk management and is supported by the Executive Committee, Board Audit Committee, Board Risk Committee and Nomination Committee. The Board approves the ERMF based on the recommendation from the Board Risk Committee, which also recommends the Group Risk Appetite Statement.

The Board appoints the Executive Committee to maintain a sound system of internal control and risk management. The HK&GCNARC, through its authority delegated by the Board via Executive Committee, oversees effective implementation of the ERMF and is responsible for the management of all risks other than those delegated to the Combined cluster and Hong Kong Asset and Liability Committee (“ALCO”) and the Country Pensions Committee. The Hong Kong & GCNA CRO, as Chair of the HK&GCNA RC, approves the use of sub-committees and forums to support the HK&GCNA RC overseeing risk at Cluster, Business, Country, or Principal Risk Type level.

The Board Risk Committee receives regular reports on risk management, including the Group’s portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference. The Board Risk Committee also conducts deep dive reviews on a rolling basis of different sections of the consolidated risk information report that is provided at each scheduled committee meeting.

The committee governance structure ensures that risk-taking authority and risk management policies are cascaded down from the Board to the appropriate functional, client segment and country-level senior management and committees. Information regarding material risk issues and compliance with policies and standards is communicated to the appropriate client segment, functional and senior management and committees.

Hong Kong & GCNA Risk Committee (“HK&GCNA RC”)

The HK&GCNA RC is responsible for ensuring the effective management of risk throughout the Group in support of the Group’s strategy. The Hong Kong & GCNA CRO chairs the HK&GCNA RC, whose members are drawn from the management team. The Committee determines the overall ERMF for the Group on a consolidated basis, including the delegation of any part of its authorities to appropriate individuals or properly constituted committees.

The HK&GCNA RC requests and receives information to fulfil its governance mandates relating to the risks to which the Group is exposed. As with the Board Risk Committee, the HK&GCNA RC and ALCO receive reports that include information on risk measures, Risk Appetite metrics and thresholds, risk concentrations, forward-looking assessments, updates on specific risk situations or actions agreed by these committees to reduce or manage risk.

Combined cluster and Hong Kong Asset and Liability Committee (“ALCO”)

The Cluster ALCO is chaired by the Cluster Chief Financial Officer. The Cluster ALCO will guide the SCBHK’s strategy and ensure that, in executing its strategy, SCBHK operates within internally approved risk appetite and external regulatory requirements relating to Treasury risks, optimises returns and meets internal and external recovery and resolution planning requirements.

Country Pensions Committee

The Chief Executive Officer, supported by an appointed Country Pensions Committee that carries out relevant governance duties, is responsible for the financial risks arising from the defined benefit pension plan for the Group.

Risk profile

The Group manages and controls our Principal Risk Types through distinct risk types frameworks, policies and Board-approved Risk Appetite.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Group. Credit exposures arise from both the banking and trading books.

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. The Group manages its credit exposures following the principle of diversification across products, regions, industry sectors, collateral types and client segments.

SC PLC Group-wide credit policies and standards are established and approved by SC PLC's Group Risk Committee ("GRC") or individuals with authority delegated. The GRC oversees the delegation of credit approval and loan impairment provisioning authorities. The principles for the delegation, review and maintenance of credit approval authorities are defined in the Risk Authorities policy. In addition, there are other Group-wide policies integral to credit risk management such as those relating to stress testing, risk measurement and impairment provisioning.

The Hong Kong & GCNARC, as appropriate, approve policies and standards based on those approved by GRC. When approving risk policies and standards, Hong Kong & GCNARC takes into account the requirements of the local Hong Kong regulations and the guidelines issued by the HKMA.

Credit rating and measurement

Risk measurement plays a central role, along with judgement and experience, in informing risk-taking and portfolio management decisions.

A standard alphanumeric Credit Risk grade system is used for Corporate & Investment Banking ("CIB"), whereby credit grades 1 to 12 are assigned to performing customers, and credit grades 13 and 14 are assigned to non-performing or defaulted customers.

Wealth and Retail Banking ("WRB") IRB portfolios use application and behaviour credit scores that are calibrated to generate a probability of default and then mapped to the standard alphanumeric credit risk grade system. The Group refers to external ratings from credit bureau, however, the Group does not rely solely on these to determine WRB credit grades.

Advanced Internal Ratings-Based (AIRB) models cover the majority of our exposures and are used in assessing risks at a customer and portfolio level, setting strategy, and optimising our risk-return decisions.

We adopt the AIRB approach under the Basel regulatory framework to calculate Credit Risk capital requirements for the majority of our exposures. The Group has also established a global programme to assess capital requirements necessary to be implemented to meet the latest revised Basel III regulation (referred to as Basel 3.1 or Basel IV).

IRB risk measurement models are approved by the Hong Kong & GCNARC, on the recommendation of the Model Assessment Committee ("MAC"). Prior to review by the Model Assessment Forum ("MAF"), all IRB models are validated in detail by a model validation team, which is separate from the teams which develop and maintain the models. Models undergo annual validation by the model validation team. Reviews are also triggered if the performance of a model deteriorates materially against predetermined thresholds during the ongoing model performance monitoring process which takes place between the annual validations.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Credit Approval

The Bank has been locally incorporated since 1 July 2004. Since then, the approval process reflects strategic decisions that are being made in accordance with individual managers' delegated authorities and the terms of reference of appropriate committees. It is recognised that, as a major part of SC PLC, all significant risk decisions emanating from individual countries have an impact to SC PLC, be it regulatory, concentration, strategic, etc. It is therefore recognised that it is essential for SC PLC to consider such transactions to ensure that these issues are included as part of the decision making process. Delegated authorities approved by the Hong Kong & GCNARC are delegated to the key risk managers to ensure that all risk decisions are made within the Group.

All credit proposals are subject to a robust credit risk assessment. It includes a comprehensive evaluation of the client's credit quality, including willingness, ability and capacity to repay. The primary lending consideration for counterparties is based on their credit quality and operating cash flows, while for individual borrowers it is based on personal income or wealth. The risk assessment gives due consideration to the client's liquidity and leverage position.

Where applicable, the assessment includes a detailed analysis of the Credit Risk mitigation arrangements to determine the level of reliance on such arrangements as the secondary source of repayment in the event of a significant deterioration in a client's credit quality leading to default. Lending activities that are considered as high risk or non-standard are subjected to stricter minimum requirements and require escalation to a senior credit officer or authorised body.

Credit Concentration Risk for CIB is managed through concentration limits covering large exposure limit to a single counterparty or a group of connected counterparties (based on control and economic dependence criteria), or at portfolio level for multiple exposures that are closely correlated.

Large exposure concentration risk is managed through concentration limits set by counterparty or group of connected counterparties based on control and economic dependence criteria. Risk appetite metrics are set at portfolio level and monitored to control concentration, where appropriate, by industry, specific product, tenor, and top 20 client concentration.

Credit concentrations are monitored by the Hong Kong & GCNARC and concentration limits that are material to the Group are reviewed and approved at least annually by the Hong Kong & GCNARC.

Credit monitoring

The Group regularly monitors credit exposures, portfolio performance, external trends and emerging risks that may impact risk management outcomes.

Internal risk management reports that are presented to risk committees contain information on key political and economic trends across major portfolios and countries; portfolio delinquency and loan impairment performance.

In CIB, clients and portfolios are subject to additional review when they display signs of actual or potential weakness; for example, where there is a decline in the client's position within their industry, financial deterioration, a breach of covenants, or non-performance of an obligation within the stipulated period. Such accounts are subject to a dedicated process overseen by the Credit Issues Committee in the relevant countries where client account strategies and credit grades are re-evaluated. In addition, remedial actions can be undertaken, such as placing accounts on early alert for exposure reduction, security enhancement or exiting the account. Credit-impaired accounts are managed by the Group's specialist recovery unit, Stressed Asset Group (SAG), which is independent of the Client Coverage/Relationship Managers. The Stressed Asset Risk (SAR) Group is the second line risk unit.

The WRB Credit Issues Committee ("CIC") is a sub-committee of the Hong Kong & GCNARC. The CIC meets regularly to assess relevant credit matters, which include market developments with direct credit implications, credit policy changes, prominent or emerging credit concerns, portfolio performance monitoring, and mitigating actions.

For WRB exposures, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behaviour is also tracked and considered for lending decisions. Accounts that are past due or charge-off are subject to a collections or recovery process respectively and managed independently by the Risk function & Risk Operation.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Credit mitigation

The Group also sets out standards for the eligibility, enforceability, and effectiveness of mitigation arrangements. Potential losses are mitigated using a range of tools, such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

Risk mitigants are carefully assessed for their market value, legal enforceability, correlation, and counterparty risk of the protection provider. Collateral is valued prior to drawdown and regularly thereafter as required, to reflect current market conditions, the probability of recovery and the period of time to realise the collateral in the event of liquidation. The Group also seeks to diversify its collateral holdings across asset classes and markets.

Where guarantees, credit insurance, standby letters of credit or credit derivatives are used as Credit Risk mitigation, the creditworthiness of the protection provider is assessed and monitored using the same credit process applied to the obligor.

Collateral types which are eligible for risk mitigation include: cash; account receivables; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; risk participations; guarantees; credit insurance; and standby letters of credit. The Group also enters into collateralised reverse repurchase agreements. Physical collateral, such as property, fixed assets and commodities, and financial collateral must be independently valued, and an active secondary resale market must exist. The collateral must be valued prior to drawdown and regularly thereafter. The valuation frequency is at minimum annual and more frequent valuations are driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. For financial collateral to be eligible for recognition the collateral must be sufficiently liquid, and its value over time sufficiently stable, to provide appropriate certainty as to the credit protection achieved. Risk mitigation benefits may be reduced or removed where the collateral value is not supported by a recent independent valuation.

Documentation must be held to enable the Group to realise the collateral without the cooperation of the obligor in the event that this is necessary.

For certain types of lending, typically mortgages or asset financing where a first charge over the risk mitigant must be attained, the right to take charge over physical assets is significant in terms of determining appropriate pricing and recoverability in the event of default. Physical collateral is required to be insured at all times against risk of physical loss or damage.

Collateral values are, where appropriate, adjusted to reflect current market conditions, the probability of recovery and the period of time to realise the collateral in the event of liquidation. Stress tests are performed on changes in collateral values for key portfolios to assist senior management in managing the risks in those portfolios. The Group also seeks to diversify its collateral holdings across asset classes and markets.

Traded Products

Credit risk from traded products derives from the positive mark-to-market value of the underlying instruments, and an additional component to cater for potential future market movements. This counterparty credit risk is managed within the Group's overall credit risk appetite for corporate and financial institutions. In addition to analysing potential future movements, the Group uses various single and multi-risk factor stress test scenarios to identify and manage counterparty credit risk across derivatives and securities financing transactions.

Securities

Within CIB, the portfolio limits and parameters for the underwriting and purchase of all pre-defined securities assets to be held for sale are approved by the Group's Excess Approval Committee with support by the Group's Underwriting Committee ("UC"). The Excess Approval Committee is established under the authority of Hong Kong & GCNARC. CIB business operates within set limits, which include country, single issuer, holding period and credit grade limits.

Day to day credit risk management activities for traded securities are carried out by a specialist team within the Risk function whose activities include oversight and approval within the levels delegated by the UC. Issuer credit risk, including settlement and pre-settlement risk, and price risk are controlled by the Risk function.

The UC approves individual proposals to underwrite new corporate security issues for clients. Where an underwritten security is held for a period longer than the target sell-down period, the final decision on whether to sell the position rests within the Risk function.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

HKFRS 9/IFRS 9 methodology

Approach for determining expected credit losses

Credit loss terminology

| Component | Definition |
|-------------------------------|---|
| Probability of default ("PD") | The probability that a counterparty will default, over the next 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2), incorporating the impact of forward looking economic assumptions that have an effect on Credit Risk, such as unemployment rates and GDP forecasts. The PD estimates will fluctuate in line with the economic cycle. The lifetime (or term structure) PDs are based on statistical models, calibrated using historical data and adjusted to incorporate forward-looking economic assumptions. |
| Loss given default ("LGD") | The loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cash flows due and those that the Bank expects to receive. The Group estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant. |
| Exposure at default ("EAD") | The expected balance sheet exposure at the time of default, taking into account expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of facilities with limits, repayments of principal and interest, and amortization. |

To determine the expected credit loss, these components are multiplied together: PD for the reference period (up to 12 months or lifetime) x LGD x EAD) and discounted to the balance sheet date using the effective interest rate as the discount rate.

Although the HKFRS 9/IFRS 9 models leverage the existing Basel advanced IRB risk components, several significant adjustments are required to ensure the resulting outcome is in line with the HKFRS 9/IFRS 9 requirements.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Credit loss terminology (continued)

Key differences between regulatory and IFRS expected credit loss models

| | Basel advanced IRB Expected Loss (EL) | HKFRS 9/IFRS 9 Expected Credit Loss (ECL) |
|------------------------|---|--|
| Rating philosophy | Mix of point-in-time, through-the-cycle or hybrid | Point-in-time, forward looking |
| Parameters calibration | Often conservative, due to regulatory floors and downturn and long-run calibration requirements | Unbiased estimate, based on conditions known at the balance sheet date |
| - PD | | Inclusion of forward-looking information and removal of conservatism and bias |
| - LGD | | Removal of regulatory floors, exclusion of non-direct costs |
| - EAD | Floored at outstanding amount | Recognises ability to have a reduction in exposure from the balance sheet date to the default date |
| Timeframe | 12-month period | Up to 12 months, and lifetime |
| Discounting applied | Discounting at the weighted average cost of capital to the time of default | Discounting at the effective interest rate ("EIR") to the balance sheet reporting date |

Global HKFRS 9/IFRS 9 ECL models have been developed for the CIB businesses on a global basis, in line with their respective portfolios. However, for some of the key countries, country-specific models have also been developed.

The calibration of forward-looking information is assessed at a country level to take into account local macroeconomic conditions.

WRB expected credit loss models are country and product specific given the local nature of the WRB business.

For less material WRB loan portfolios, the SC PLC Group has adopted simplified approaches based on historical roll rates or loss rates:

- For medium-sized WRB portfolios, a roll rate model is applied, which uses a matrix that gives average loan migration rate from delinquency states from period to period. A matrix multiplication is then performed to generate the final PDs by delinquency bucket over different time horizons.
- For smaller WRB portfolios, loss rate models are applied. These use an adjusted gross charge-off rate, developed using monthly write-off and recoveries over the preceding 12 months and total outstanding balances.

Application of lifetime ECL

Expected credit loss is estimated based on the period over which the Group is exposed to Credit Risk. For the majority of exposures this equates to the maximum contractual period. For retail credit cards and corporate overdraft facilities however, the Group does not typically enforce the contractual period, which can be as short as one day. As a result, the period over which the Group is exposed to Credit Risk for these instruments reflects their behavioural life, which incorporates expectations of customer behaviour and the extent to which Credit Risk management actions curtail the period of that exposure. The average behavioural life for retail credit cards is between 3 and 6 years across our footprint markets.

The behavioural life for corporate overdraft facilities is 36 months.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Key assumptions and judgements in determining expected credit loss

Incorporation of forward-looking information and the impact of non-linearity

The evolving economic environment is a key determinant of the ability of a bank's clients to meet their obligations as they fall due. It is a fundamental principle of HKFRS 9/IFRS 9 that the provisions banks hold against potential future Credit Risk losses should depend, not just on the health of the economy today, but should also take account of potential changes to the economic environment. For example, if a bank were to anticipate a sharp slowdown in the world economy over the coming year, it should hold more provisions today to absorb the credit losses likely to occur in the near-future.

To capture the effect of changes to the economic environment, the computation of expected credit loss incorporates forward-looking information assumptions on the path of economic variables and asset prices that are likely to have an effect on the repayment ability of the Group's clients.

The 'base forecast' of the economic variables and asset prices is based on management's view of the five-year outlook, supported by projections from the Group's in-house research team and outputs from a third-party model that project specific economic variables and asset prices. The research team takes consensus views into consideration, and senior management review projections for some core country variables against consensus when forming their view of the outlook. For the period beyond five years, management utilises the in-house research view and third-party model outputs, which allow for a reversion to long-term growth rates or norms. All projections are updated on a quarterly basis.

Management's view covers a core set of economic variables and asset prices required to set the strategic plan. To reach the full set of economic variables and asset prices required to compute expected credit loss for all the SC PLC Group's clients in all the SC PLC Group's footprint markets, management's view is augmented with projections from the SC PLC Group's in-house research team and outputs from a range of models that project specific economic variables and asset prices.

Forecast of key macroeconomic variables underlying the ECL calculation and the impact on non-linearity

Forecast – management's view of the most likely outcome – the pace of growth of the world economy in 2026 is expected to remain broadly unchanged from 2025 at around 3.1 per cent. This compares to the average of 3.7 per cent growth for the 10 years prior to COVID-19 (between 2010 and 2019). Growth in 2025 had been supported by exporters front-loading exports to the US and consumers in key markets remaining resilient. 2026 for many economies it is likely to be a year of transition from monetary to fiscal policy, and from export-led to increasingly domestic (particularly investment-led) growth.

The US economy is expected to grow slightly faster in 2026 than the 1.5 per cent growth for last year. The outlook is supported by strong business investment and spending, which will be underpinned by corporate tax cuts and the race for AI adoption. Similarly, the outlook for the Middle East is expected to be slightly better in 2026 as OPEC+ cuts are phased out resulting to the gradual recovery in oil output.

Ongoing diversification and infrastructure programmes will also support investment spending. In Asia growth is expected to remain robust though moderate on the fading effects from the strong front-loading of exports to the US in 2025. Political uncertainty in some countries may also weigh on growth. Africa is expected to remain strong, with the region less exposed than others to trade tensions. In larger economies such as Nigeria and South Africa, reform momentum will provide additional support. In contrast growth prospects in the euro area are expected to remain muted around 1 per cent (unchanged from 2025) given trade pressures – both from US tariffs and increasing competition from China – and the uneven picture across economies in the region.

The risks around the economic outlook remains elevated amid persistent trade policy uncertainty, heightened geopolitical tensions, including around disruptions to global international relationships, and fears of financial-market corrections – all of which point to potentially higher probability of adverse outcomes.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Key assumptions and judgements in determining expected credit loss (continued)

Forecast of key macroeconomic variables underlying the ECL calculation and the impact on non-linearity (continued)

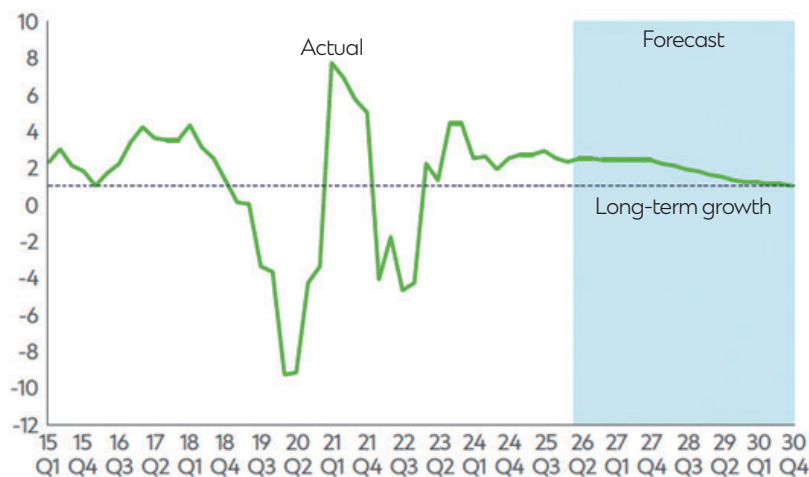
While the quarterly Base Forecasts inform the Group's strategic plan, one key requirement of HKFRS 9/IFRS 9 is that the assessment of provisions should consider multiple future economic environments. For example, the global economy may grow at a different pace than the Base Forecast, and these variations would have different implications for the provisions that the Group should hold today. As the negative impact of an economic downturn on credit losses tends to be greater than the positive impact of an economic upturn, if the Group sets provisions only on the ECL under the Base Forecast it might maintain a level of provisions that does not appropriately capture the range of potential outcomes. To address the inherent uncertainty in economic forecast, and the property of skewness (or non-linearity), HKFRS 9/IFRS 9 requires reported ECL to be a probability-weighted ECL, calculated over a range of possible outcomes.

To assess the range of possible outcomes the Group simulates a set of 50 scenarios around the Base Forecast, calculates the ECL under each of them and assigns an equal weight of 2 per cent to each scenario outcome. These scenarios are generated by a Monte Carlo simulation, which addresses the challenges of crafting many realistic alternative scenarios in the many countries in which the Group operates. The alternative scenarios are modelled while considering the degree of historical uncertainty (or volatility) observed from Q1 1990 to Q3 2025 around economic outcomes, the trends in each macroeconomic variable modelled and the correlation in the unexplained movements around these trends. Collectively, the 50 scenarios explore a range of hypothetical alternative outcomes for the global economy, including scenarios that turn out better than expected and those that amplify anticipated stresses.

The GDP graph for Hong Kong below illustrates the shape of the Base Forecast in relation to prior periods' actuals. The long-term growth rates are based on the pace of economic expansion expected for 2030. The peak/trough amounts show the highest and lowest points within the Base Forecast.

GDP growth is expected to moderate in Hong Kong in 2026.

Hong Kong GDP YoY%



Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Key assumptions and judgements in determining expected credit loss (continued)

Forecast of key macroeconomic variables underlying the ECL calculation and the impact on non-linearity (continued)

| | 2025 year-end forecasts | | | |
|-----------------------------|-------------------------|-------------------|--------------------------------|------------------------|
| | Hong Kong | | | |
| | GDP growth (YoY%) | Unemployment % | 3 month interest rates % | House prices (YoY%) |
| 5-year average ¹ | 2.0 | 3.3 | 3.5 | 4.2 |
| Quarterly peak | 2.6 | 3.7 | 3.5 | 5.7 |
| Quarterly trough | 1.1 | 3.2 | 3.5 | 2.3 |
| Monte Carlo | | | | |
| Low ² | (4.3) | 1.7 | (0.8) | (21.0) |
| High ³ | 7.5 | 5.5 | 7.4 | 33.9 |

| | 2024 year-end forecasts | | | |
|-----------------------------|-------------------------|-------------------|--------------------------------|------------------------|
| | Hong Kong | | | |
| | GDP growth (YoY%) | Unemployment % | 3 month interest rates % | House prices (YoY%) |
| 5-year average ¹ | 2.2 | 3.1 | 2.4 | 3.8 |
| Quarterly peak | 3.5 | 3.2 | 2.9 | 6.8 |
| Quarterly trough | 1.5 | 3.0 | 2.1 | (2.6) |
| Monte Carlo | | | | |
| Low ² | (1.8) | 1.8 | 0.3 | (13.1) |
| High ³ | 5.8 | 5.1 | 5.3 | 22.2 |

¹ 5 year averages covering 20 quarters from Q1 2026 to Q4 2030 for the 2025 annual report. They cover Q1 2025 to Q4 2029 for the numbers reported for the 2024 annual report

² Represents the 10th percentile in the range of economic scenarios used to determine non-linearity

³ Represents the 90th percentile in the range of economic scenarios used to determine non-linearity

Credit-impaired assets managed by SAR incorporate forward-looking economic assumptions in respect of the recovery outcomes identified and are assigned individual probability weightings per HKFRS 9/IFRS 9. These assumptions are not based on a Monte Carlo simulation but are informed by the Base Forecast.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Sensitivity of expected credit loss calculation to macroeconomic variables

The ECL calculation relies on multiple variables and is inherently non-linear and portfolio-dependent, which implies that no single analysis can fully demonstrate the sensitivity of the ECL to changes in the macroeconomic variables. The Group has conducted a series of analyses with the aim of identifying the macroeconomic variables which might have the greatest impact on the overall ECL. These encompassed single variable and multi-variable exercises, using simple up/down variation and extracts from actual calculation data, as well as bespoke scenario design assessments.

The primary conclusion of these exercises is that no individual macroeconomic variable is materially influential. The Group believes this is plausible as the number of variables used in the ECL calculation is large. This does not mean that macroeconomic variables are uninfluential; rather, that the Group believes that consideration of macroeconomics should involve whole scenarios, as this aligns with the multi-variable nature of the calculation.

The Group faces downside risks in the operating environment related to the uncertainties surrounding the macroeconomic outlook. To explore this, a sensitivity analysis of ECL was undertaken to explore the effect of slower economic recoveries across the Group's footprint markets. Two downside scenarios were considered in particular to explore the current uncertainties over commodity prices. The Global Trade and Geopolitical Trade Tensions (GTGT) scenario is characterised by an escalating trade war between the US and China and other economies. The "Higher for Longer Commodities and Rates" scenario explores the impact from stickier than expected inflation due to persistent shipping disruptions and rise in energy prices amid fears of an escalation of the Middle East conflict.

The total modelled stage 1 and 2 ECL provisions (including both on and off-balance sheet instruments) would be approximately HK\$265 million higher under the Higher for Longer Commodities and Trade scenario, and HK\$1,151 million higher under the Global Trade and Geopolitical Tensions scenario than the baseline ECL provisions (which excluded the impact of multiple economic scenarios and management overlays which may already capture some of the risks in these scenarios). Stage 2 exposures as a proportion of stage 1 and 2 exposures would increase from 1.9 per cent in the base case to 2.0 per cent and 2.7 per cent respectively under the Higher for Longer Commodities and Trade and Global Trade and Geopolitical Tensions scenarios. This includes the impact of exposures transferring to stage 2 from stage 1 but does not consider an increase in stage 3 defaults.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Sensitivity of expected credit loss calculation to macroeconomic variables (continued)

Under both scenarios, the majority of the increase in ECL in CIB came from the main corporate and CRE portfolios. For the main corporate portfolios, ECL would increase by HK\$101 million and HK\$47 million for the Higher for Longer Commodities and Trade scenario and Global Trade and Geopolitical Tensions scenarios respectively and the proportion of stage 2 exposures would increase from 3.4 per cent in the base case to 4.0 per cent and 5.5 per cent respectively.

Significant increase in Credit Risk (“SICR”)

Quantitative criteria

SICR is assessed by comparing the risk of default at the reporting date to the risk of default at origination. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria. These criteria have been separately defined for each business and where meaningful are consistently applied across business lines.

Assets are considered to have experienced SICR if they have breached both relative and absolute thresholds for the change in the average annualised lifetime probability of default (PD) over the residual term of the exposure.

The absolute measure of increase in credit risk is used to capture instances where the PDs on exposures are relatively low at initial recognition as these may increase by several multiples without representing a significant increase in credit risk. Where PDs are relatively high at initial recognition, a relative measure is more appropriate in assessing whether there is a significant increase in credit risk, as the PDs increase more quickly.

The SICR thresholds have been calibrated based on the following principles:

- Stability – The thresholds are set to achieve a stable stage 2 population at a portfolio level, trying to minimise the number of accounts moving back and forth between stage 1 and stage 2 in a short period of time
- Accuracy – The thresholds are set such that there is a materially higher propensity for stage 2 exposures to eventually default than is the case for stage 1 exposures
- Dependency from backstops – The thresholds are stringent enough such that a high proportion of accounts transfer to stage 2 due to movements in forward-looking HKFRS 9/IFRS 9 PDs rather than relying on backward-looking backstops such as arrears
- Relationship with business and product risk profiles – the thresholds reflect the relative risk differences between different products, and are aligned to business processes

For CIB clients, the quantitative thresholds are a relative 100 per cent increase in PD and an absolute change in PD of between 50 and 100 bps for investment grade and sub-investment grade assets.

For WRB clients, the relative threshold is a 100 percent increase in PD and the absolute change in PD is between 100-350 basis points depending on the product.

Private Banking clients are assessed qualitatively, based on a delinquency measure relating collateral top-ups or sell-downs.

Debt securities with an internal credit rating mapped to an investment grade equivalent are allocated to stage 1 and all other debt securities to stage 2.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Significant increase in credit risk ("SICR") (continued)

Qualitative criteria

Qualitative factors that indicate there has been a significant increase in credit risk include processes linked to current risk management.

Backstop

Across all portfolios, accounts that are 30 or more days past due ("DPD") on contractual payments of principal and/or interest that have not been captured by the criteria above are considered to have experienced a significant increase in credit risk.

Expert credit judgement may be applied in assessing significant increase in credit risk to the extent that certain risks may not have been captured by the models or through the above criteria. Such instances are expected to be rare, for example due to events arising close to the reporting date.

CIB clients

Quantitative criteria

Exposures are assessed based on both the absolute and the relative movement in the PD from origination to the reporting date as described above.

To account for the fact that the mapping between internal credit grades (used in the origination process) and PDs is non-linear (e.g. a one-notch downgrade in the investment grade universe results in a much smaller PD increase than in the sub-investment grade universe), the absolute thresholds have been differentiated by credit quality at origination, as measured by internal credit grades being investment grade or sub-investment grade.

Qualitative criteria

Qualitative factors that indicate that there has been a significant increase in credit risk include processes linked to current risk management, such as placing loans on non-purely precautionary early alert or being assigned a CG12 rating. An account is placed on non-purely precautionary early alert if it exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over management's ability to manage operations, weak/deteriorating operating results, liquidity strain and overdue balances, among other factors.

All client assets that have been assigned a CG12 rating, equivalent to 'Higher risk', are deemed to have experienced a significant increase in credit risk. Accounts rated CG12 are primarily managed by relationship managers in the CIB unit with support from SAG for certain accounts. All CIB clients are placed in CG12 when they are 30 DPD unless they are granted a waiver through a strict governance process.

An account is placed on non-purely precautionary Early Alert if it exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over management's ability to manage operations, weak/deteriorating operating results, liquidity strain and overdue balances among other factors.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

WRB clients

Material portfolios for which a statistical model has been built are assessed based on both the absolute and relative movement in the PD from origination to the reporting date as described above. For these portfolios, the original lifetime PD term structure is determined based on the original Application Score or Risk Segment of the client.

Qualitative criteria

Accounts that are 30 DPD that have not been captured by the quantitative criteria are considered to have experienced a significant increase in credit risk. For less material portfolios, which are modelled based on a roll-rate or loss-rate approach, significant increase in credit risk is primarily assessed through the 30 DPD trigger.

Private Banking clients

For Private Banking clients, significant increase in credit risk is assessed by referencing the nature and the level of collateral against which credit is extended (known as 'Classes of Risk').

Qualitative criteria

For all Private Banking Classes, in line with risk management practice, an increase in credit risk is deemed to have occurred where margining or loan-to-value covenants have been breached.

For Class I assets, if these margining requirements have not been met within 30 days of a trigger, significant credit deterioration is assumed to have occurred.

For Class I and Class III assets, a significant increase in credit risk is assumed to have occurred where the Bank is unable to 'sell down' the applicable assets to meet revised collateral requirements within 5 days of a trigger.

Class II assets are typically unsecured or partially secured or secured against illiquid collateral such as shares in private companies. Significant credit deterioration of these assets is deemed to have occurred when any Early Alert trigger has been breached.

Debt Securities

Quantitative criteria

The Bank is utilising the low credit risk simplified approach. All debt securities with an internal credit rating mapped to an investment grade equivalent are allocated to stage 1 and all other debt securities are allocated to stage 2.

Qualitative criteria

Debt securities utilise the same qualitative criteria as the CIB client segments, including being placed on Early Alert or being classified as credit grade 12.

Assessment of credit-impaired financial assets

WRB clients

The core components in determining credit-impaired expected credit loss provisions are the value of gross charge off and recoveries. Gross charge off and/or loss provisions are recognised when it is established that the account is unlikely to pay through the normal process. Recovery of unsecured debt post credit-impairment is recognised based on actual cash collected, either directly from clients or through the sale of defaulted loans to third-party institutions. Release of credit-impairment provisions for secured loans is recognised if the loan outstanding is paid in full (release of full provision), or the provision is higher than the loan outstanding (release of the excess provision). If the loan is paid to current and remains in current for more than 180 days (1 year for forbore loans) the account will be transferred to stage 2.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Assessment of credit-impaired financial assets (continued)

CIB clients

Credit-impaired accounts are managed by the Group's specialist recovery unit, Stressed Asset Group (SAG), which is independent of the Client Coverage/Relationship Managers. Where a portion of exposure is considered not recoverable, a stage 3 credit impairment provision is raised. This stage 3 provision is the difference between the loan-carrying amount and the probability-weighted present value of estimated future cash flows, reflecting a range of scenarios (typically the 'upside', 'downside' and 'likely' recovery outcomes). Where the exposure is secured by collateral, the values used will incorporate the impact of forward-looking economic information on the value recoverable collateral and time to realise the same.

The individual circumstances of each client are considered when SAG estimates future cashflows and the timing of future recoveries which involves significant judgement. All available sources, such as cashflow arising from operations, selling assets or subsidiaries, realising collateral or payments under guarantees, are considered. In any decision relating to the raising of provisions, the Group attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews. The individual impairment provisions (viz. those not directly from a model) are approved by Stressed Assets Risk (SAR) who are in the Second Line of Defence.

Write-offs

Where it is considered that there is no realistic prospect of recovering a portion of an exposure against which an impairment provision has been raised, that amount will be written off.

Governance and application of expert credit judgement in respect of expected credit losses

Expected credit loss models are approved by the Hong Kong & GCNARC, on the recommendation of the MAF, who assesses the model for fitness for purpose and adequacy to interpretation of HKFRS 9/IFRS 9 requirements. Prior to review by the MAF, all models used for expected credit loss computation are validated in detail by an independent model validation team, which is separate from the teams which develop and maintain the models. Models undergo annual validation by the model validation team and results are presented to MAF for oversight and recommendation to Hong Kong & GCNARC on decisions for continued use of models.

Key inputs into the calculation and resulting expected credit loss provisions are subject to review and approval by Risk, Finance and Economic Research. Risk and Finance jointly review and approve the expected credit loss provisions and any judgmental override that may be necessary on a quarterly basis.

Expected credit loss for financial assets classified as stages 1, 2 and 3 for each reporting period, as well as material adjustments and overlays are reviewed and approved by Risk and Finance functions. Macroeconomic forecasts are approved via the Credit Issue Committee on a quarterly basis and utilised in the forward-looking expected credit loss computation.

Management overlay

China Commercial Real Estate

Total exposure to China CRE decreased by HK\$9 billion to HK\$6 billion (31 December 2024: HK\$15 billion) and the proportion of credit impaired exposures decreased to 57 per cent (2024: 70 per cent) due to write-offs within the credit impaired portfolio. The overall provision coverage decreased to 67 per cent (2024: 87 per cent). The proportion of the loan book rated as Higher Risk decreased to 1.6 per cent (2024: 2.8 per cent) primarily due to write-off during the year.

The Group continues to hold a judgemental management overlay, which decreased by HK\$263 million to HK\$281 million (2024: HK\$544 million), reflecting repayments and utilisations during the year.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Other

In CIB, additional overlays of HK\$366 million (2024: HK\$449 million) have been taken in Hong Kong. The overlay in Hong Kong reflects subdued economic activity and increasing commercial property vacancy rates which contributes to an uncertain outlook that are not yet fully reflected in the credit grades and modelled ECL.

Maximum exposure to credit risk

The maximum exposures to credit risk of on-balance sheet financial instruments, before taking account of any collateral or other credit enhancements is the carrying amount reported on the statement of financial position. For off-balance sheet instruments, the maximum exposure to credit risk, which excludes loan commitments which are unconditionally cancellable, is the contractual nominal amounts as set out below:

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| Financial guarantees and other credit related contingent liabilities | 86,189 | 76,204 |
| Loan commitments and other credit related commitments | 173,514 | 154,465 |
| | 259,703 | 230,669 |

The requirement for collateral is not a substitute for the ability to pay. However, it is an important consideration for any lending decisions. In determining the financial effect of collateral held against loans neither past due nor credit impaired, the Group has assessed the significance of the collateral held in relation to the type of lending.

(i) Loans and advances

Loans not credit impaired

In CIB, the Group has HK\$399,271 million (2024: HK\$385,425 million) of corporate exposures that are not credit impaired. Based on the fair value of the collateral held, 24% (2024: 21%) of these exposures are secured by collateral.

The Group also undertakes collateralised lending and borrowing (reverse repos and repos) arrangements, and the collateral held against these types of loans are set out in note 35 to the financial statements.

Repossessed collateral

As at 31 December, the amount of assets obtained by taking possession of collateral held as security was as follows:

| | 2025 HK\$'M | 2024 HK\$'M |
|-------------------------------|----------------|----------------|
| Property, plant and equipment | 88 | 132 |

Loan collateral acquired from borrowers due to restructuring or their inability to repay, continues to be recorded as "Loans and advances to customers" in the consolidated statement of financial position at the lower of fair value (less costs to sell) and the carrying amount of the loan (net of any impairment allowances), until the collateral is realised.

Repossessed collaterals obtained are intended to be realised in an orderly fashion to repay the impaired loans and are not held for the own use of the Group.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

(ii) Off-balance sheet exposures

For certain types of exposures such as letters of credit and guarantees, the Group obtains collateral such as cash depending on internal Credit Risk assessments, as well as in the case of letters of credit holding legal title to the underlying assets should a default take place.

Credit quality**Loans and advances**

The following table sets out an analysis of the credit quality for loans and advances.

Mapping of credit quality

The group uses the following internal risk mapping to determine the credit quality for loan.

| Credit quality description | Corporate & Investment Banking | | | Private Banking ¹ | Wealth and Retail Banking |
|----------------------------|--------------------------------|----------------------------------|-------------------------|------------------------------|---|
| | Internal grade mapping | S&P external ratings equivalent | Regulatory PD range (%) | Internal ratings | Number of days past due |
| Strong | Grade 1A-5B | AAA/AA+ to BBB-/BB+ ² | 0 to 0.425 | Class I and Class IV | Current loans (neither past due nor impaired) |
| Satisfactory | Grade 6A-11C | BB to CCC+ ³ | 0.426 to 15.75 | Class II and Class III | Loans past due till 29 days |
| Higher Risk | Grade 12 | CCC+ to C | 15.751 to 99.999 | SAG and SAR managed | Past due loans 30 days and over till 90 days |

¹ For Private Banking, classes of risk represent the type of collateral held. Class I represents facilities with liquid collateral, such as cash and marketable securities. Class II represents unsecured/partially secured facilities and those with illiquid collateral, such as equity in private enterprises. Class III represents facilities with residential or commercial real estate collateral. Class IV covers margin trading facilities.

² Banks' rating: AAA/AA+ to BB+/BB. Sovereigns' rating: AAA to BB+

³ Banks' rating: BB to "CCC+ to C". Sovereigns' rating: BB+/BB to B-/CCC+

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Credit quality (continued)

Loans and advances (continued)

| | 2025 | | 2024 | |
|------------------------------|---|---------------------------------------|---|---------------------------------------|
| | Loans and advances to customers HK\$'M | Loans and advances to banks HK\$'M | Loans and advances to customers HK\$'M | Loans and advances to banks HK\$'M |
| Stage 1 | | | | |
| – Strong | 849,718 | 111,048 | 803,738 | 133,843 |
| – Satisfactory | 113,983 | 37,523 | 122,707 | 26,514 |
| Stage 2 | | | | |
| – Strong | 6,812 | – | 8,244 | 5 |
| – Satisfactory | 12,747 | 8 | 16,294 | 31 |
| – Higher risk | 4,028 | – | 1,389 | – |
| of which (stage 2): | | | | |
| – Less than 30 days past due | 733 | – | 637 | – |
| – More than 30 days past due | 1,325 | – | 854 | – |
| Stage 3, credit impaired | 15,067 | 383 | 16,346 | 24 |
| Gross loans and advances | 1,002,355 | 148,962 | 968,718 | 160,417 |

Debt securities

The following table analyses debt securities (including certificates of deposit) and treasury bills. The standard credit ratings used by the Group are those used by Standard & Poor's or their equivalent. Debt securities held which have a short-term rating are reported against the long-term rating of the issuer.

| | 2025 | | 2024 | |
|---------------|--------------------------|---------------------------------|--------------------------|---------------------------------|
| | Treasury bills HK\$'M | Other debt securities HK\$'M | Treasury bills HK\$'M | Other debt securities HK\$'M |
| AAA | 5,616 | 98,627 | 2,552 | 127,901 |
| AA- to AA+ | 119,424 | 288,488 | 72,087 | 160,689 |
| A- to A+ | 27,920 | 248,046 | 12,447 | 321,724 |
| Lower than A- | – | 22,383 | – | 17,956 |
| Unrated | – | 22,836 | – | 10,478 |
| Total | 152,960 | 680,380 | 87,086 | 638,748 |

Movement in credit impairment

The table below sets out the movement in gross exposures and credit impairment by stage in respect of loans and advances to customers. Gross exposures in this context means the balance sheet amount outstanding, together with undrawn committed facilities and undrawn cancellable facilities relating to overdrafts and credit cards.

Impairment allowances on loans to banks, debt securities and financial guarantees are not material to the Group.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Movement in credit impairment (continued)

The table is an aggregate of monthly movements. Transfers between stages are deemed to occur at the beginning of a month and therefore amounts transferred net to zero. The re-measurement of expected credit loss resulting from a change in stage is reported within the profit and loss line of the stage in which they are transferred to.

Loans and advances to customers

| | Stage 1 | | | Stage 2 | | | Stage 3 | | | Total | | |
|---|---------------------|-------------------------------|---------------------------|---------------------|-------------------------------|---------------------------|---------------------|-------------------------------|---------------------------|---------------------|-------------------------------|---------------------------|
| | Gross balance HK\$M | Total credit impairment HK\$M | Net carrying amount HK\$M | Gross balance HK\$M | Total credit impairment HK\$M | Net carrying amount HK\$M | Gross balance HK\$M | Total credit impairment HK\$M | Net carrying amount HK\$M | Gross balance HK\$M | Total credit impairment HK\$M | Net carrying amount HK\$M |
| As of 1 January 2025 | 926,445 | (1,848) | 924,597 | 25,927 | (1,998) | 23,929 | 16,346 | (11,620) | 4,726 | 968,718 | (15,466) | 953,252 |
| Net transfers between stages | (38,878) | (2,096) | (40,974) | 28,055 | 2,725 | 30,780 | 10,823 | (629) | 10,194 | - | - | - |
| Net changes in exposure | 61,418 | (233) | 61,185 | (30,795) | (353) | (31,148) | (2,983) | 99 | (2,884) | 27,640 | (487) | 27,153 |
| Changes in models | - | - | - | - | - | - | - | - | - | - | - | - |
| Changes in risk parameters | - | 2,019 | 2,019 | - | (1,660) | (1,660) | - | (3,197) | (3,197) | - | (2,838) | (2,838) |
| Net re-measurement from stage change | - | 410 | 410 | - | (573) | (573) | - | (388) | (388) | - | (551) | (551) |
| Discount unwind | - | - | - | - | - | - | - | 156 | 156 | - | 156 | 156 |
| Written offs | - | - | - | - | - | - | (10,643) | 10,643 | - | (10,643) | 10,643 | - |
| Exchange translation difference and other movements | 14,716 | (38) | 14,678 | 400 | (134) | 266 | 1,524 | (1,086) | 438 | 16,640 | (1,258) | 15,382 |
| As at 31 December 2025 | 963,701 | (1,786) | 961,915 | 23,587 | (1,993) | 21,594 | 15,067 | (6,022) | 9,045 | 1,002,355 | (9,801) | 992,554 |
| Income statement ECL release/(charge) | | 2,196 | | | (2,586) | | | (3,486) | | | (3,876) | |
| Recoveries of amounts previously written off | | - | | | - | | | 581 | | | 581 | |
| Total credit impairment release/(charge) | | 2,196 | | | (2,586) | | | (2,905) | | | (3,295) | |

Notes to the consolidated financial statements continued

33. Risk management (continued)

(b) *Traded Risk*

Traded Risk is the potential for market or counterparty credit losses resulting from activities undertaken by the Bank in financial markets.

Mitigation

Traded Risk limits are calibrated to ensure that risk exposure is affordable. The Traded Risk Policy sets the principles that must be followed for the end-to-end traded risk management process including limit setting, risk capture and measurement, limit monitoring and escalation, risk mitigation and stress testing

Policies are reviewed and approved by the Global Head, Traded Risk Management. The Group will adopt group policies where feasible with ongoing Hong Kong & GCNARC review annually to ensure their ongoing effectiveness.

Governance committee oversight

At the Board level, the Board Risk Committee oversees the effective management of Traded Risk. At the executive level, the Group Risk Committee delegates responsibilities to the HK & GCNA RC”) to act as the primary risk governance body for Traded Risk. Hong Kong & GCNARC further delegates stress testing and model risk to the Stress Testing Committee for stress testing and to the Model Assessment Committee for model risk.

For subsidiaries, authority for setting Traded Risk Limits is delegated from the local Board to the local risk committee, Chief Risk Officer and Traded Risk managers. Meetings are held regularly, and the committees monitor all material Traded Risk exposures, as well as key internal developments and external trends, and ensure that appropriate action is taken.

Decision-making authorities and delegation

Traded Risk authorities are reviewed at least annually to ensure they remain appropriate and to assess the quality of decisions taken by the authorised person. Key risk-taking decisions are made only by certain individuals with the skills, judgement and perspective to ensure that the Group’s control standards and risk-return objectives are met.

All material Traded Risks are monitored daily against approved limits. Traded Risk limits apply at all times, unless separate intra-day limits have been set. Limit excess approval decisions are based on an assessment of the circumstances driving the excess and of the proposed remediation plan. Limits and excesses can only be approved by a Traded Risk manager with the appropriate delegated authority.

Monitoring

TRM monitors the overall portfolio risk and ensures that it is within specified limits and therefore Risk Appetite. Limits are typically reviewed at least once a year.

All material Traded Risks are monitored daily against approved limits. Traded Risk limits apply at all times, unless separate intra-day limits have been set.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(b) *Traded Risk (continued)*

Market Risk

Market risk is the potential for fair value loss due to adverse moves in financial markets.

A summary of our current policies and practices regarding Market Risk management is provided in the 'Principal Risks' section. The Group's exposure to Market Risk arises predominantly from the following sources:

The primary categories of Market Risk for the Group are:

- Interest rate risk: arising from changes in yield curves, and implied volatilities.
- Foreign exchange rate risk: arising from changes in currency exchange rates and implied volatilities.
- Commodity risk: arising from changes in commodity prices and implied volatilities.
- Credit spread risk: arising from changes in the price of debt instruments and credit-linked derivatives and driven by factors other than the level of risk-free interest rates
- Equity risk: arising from changes in the prices of equities and implied volatilities.

Market Risk Measurement

The Group uses a Value at Risk (VaR) model to measure the risk of losses arising from future potential adverse movements in market rates, prices and volatilities.

VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome.

For day-to-day risk management, VaR is calculated as at the close of business for expected movements over one business day and to a confidence level of 97.5 percent. Intra-day risk levels may vary from those reported at the end of the day.

The Group applies two VaR methodologies:

- Historical simulation: this involves the revaluation of all existing positions to reflect the effect of historically observed changes in Market Risk factors on the valuation of the current portfolio. This approach is applied for general Market Risk factors and the majority of specific (credit spread) risk factors. The enhanced Volatility Scaling VaR (VSV) model went live in January 2025, where risk factors' returns are scaled to reflect historical volatility. The VSV model is more responsive to volatility changes observed in the market.
- Monte Carlo simulation: this methodology is used in conjunction with historical simulations when historical data are not directly available. This approach is applied for the idiosyncratic credit spread risk factor or single name equity risk factor. The simulation is performed by calibrating the model to preserve volatility of risk factors.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(b) Traded Risk (continued)

The Group applies two VaR methodologies: (continued)

Trading and Non-trading (VaR at 97.5%, 1 day)

| Value at risk: | 2025 | | | | 2024 | | | |
|----------------|-------------------|------------------|-----------------|-------------------|-------------------|------------------|-----------------|-------------------|
| | Average HK\$'M | High** HK\$'M | Low** HK\$'M | Actual* HK\$'M | Average HK\$'M | High** HK\$'M | Low** HK\$'M | Actual* HK\$'M |
| Total | 204.8 | 309.7 | 131.8 | 198.0 | 181.7 | 228.6 | 143.1 | 153.6 |

Trading (VaR at 97.5%, 1 day)

| Value at risk: | 2025 | | | | 2024 | | | |
|-----------------------|-------------------|------------------|-----------------|-------------------|-------------------|------------------|-----------------|-------------------|
| | Average HK\$'M | High** HK\$'M | Low** HK\$'M | Actual* HK\$'M | Average HK\$'M | High** HK\$'M | Low** HK\$'M | Actual* HK\$'M |
| Interest rate risk | 78.1 | 110.1 | 55.5 | 62.7 | 68.7 | 86.6 | 55.5 | 58.8 |
| Foreign exchange risk | 32.5 | 80.5 | 13.7 | 21.5 | 19.0 | 37.2 | 10.4 | 24.5 |
| Credit spread risk | 35.1 | 46.3 | 22.2 | 32.4 | 31.1 | 36.9 | 25.9 | 28.5 |
| Total [^] | 136.8 | 199.6 | 73.4 | 122.7 | 91.2 | 122.6 | 70.3 | 82.7 |

Non-trading (VaR at 97.5%, 1 day)

| Value at risk: | 2025 | | | | 2024 | | | |
|----------------------------------|-------------------|------------------|-----------------|-------------------|-------------------|------------------|-----------------|-------------------|
| | Average HK\$'M | High** HK\$'M | Low** HK\$'M | Actual* HK\$'M | Average HK\$'M | High** HK\$'M | Low** HK\$'M | Actual* HK\$'M |
| Interest rate risk ^{^^} | 124.5 | 184.4 | 84.1 | 123.0 | 123.2 | 157.6 | 97.5 | 109.6 |

* Actual one day VaR at period end date.

** Highest and lowest VaR for each risk factor are independent and usually occur on different days.

[^] Total Trading VaR shown in the tables above is not a sum of the component risks due to offsets between them.

^{^^} Includes credit spread risk arising from fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI") securities.

Market risk changes

The first half of 2025 was dominated by trade concerns as the United States raised tariff rates to record high levels triggering a massive self-off in risky assets as investors feared a global recession. The global economy showed resilience as the market shrugged off the impact, but trade tensions and budgetary constraints may dampen the outlook in 2026.

Management VaR allows SCB to manage the market risk across the trading book and the fair valued non-trading books. High volatilities were observed across various asset classes such as gold and silver due to the record-breaking rallies driven by factors including geopolitical tensions, strong buying from retail demand and central banks. The local market was not immune as HKMA defended the HKD currency peg with HKD injection which resulted in a rapid decline in HIBOR rates in Q2. Given that SCB uses a volatility scaled VaR methodology, trading book VaR is highly sensitive to the large movements in the market risk factors, and there was a notable increase in the VaR usage despite the market risk exposures have not increased substantially.

Notes to the consolidated financial statements continued

33. Risk management (continued)

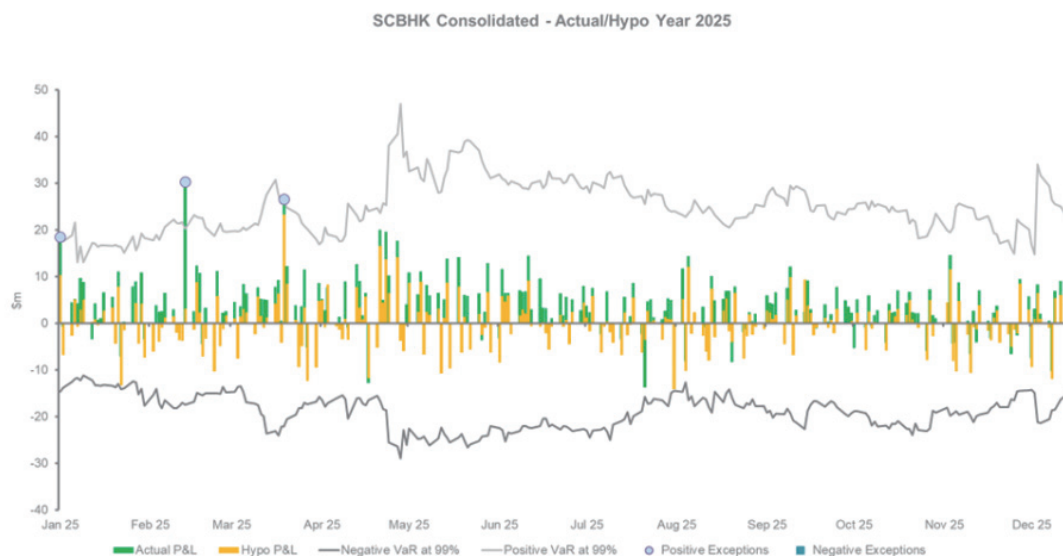
(b) Traded Risk (continued)

Backtesting

- In total, there was no negative exception in the previous 250 business days.
- The positive exceptions in Actual P&L occurred on 16th January, 28th February and 3rd April 2025: driven by Client Income, Intraday trades, and reserve adjustments.

The graphs below illustrate the performance of the VaR model used in the Group capital calculations. They compare the 99 percentile loss confidence level given by the VaR model with the Hypothetical and Actual P&L of each day given the real market movements. Actual backtesting P&L excludes the following items from trading P&L: brokerage expense, fees & commissions, non-market-related accounting valuation adjustments and accounting debit valuation adjustments. Hypothetical backtesting P&L further excludes P&L from new deals and market operations.

Backtesting chart for Internal Model Approach (IMA) regulatory trading book at SCBHK Consolidated level with profit and loss (P&L) versus VaR (99 per cent, one day). Note that IMA regulatory is no longer used since FRTB went live in Jan 2025.



Counterparty credit risk

Counterparty Credit Risk is the potential for loss in the event of the default of a derivative counterparty, after taking into account the value of eligible collaterals and risk mitigation techniques. The Group's counterparty credit exposures are included in the Credit Risk section.

A Potential Future Exposure (PFE) model is used to measure the credit exposure arising from the positive mark-to-market of traded products. The PFE model provides a quantitative estimate of future potential movements in market rates, prices, and volatilities at a certain confidence level over different time horizons based on the tenor of the transactions.

The Group applies two PFE methodologies: simulation-based, used for the bulk of FX, interest rates and commodity products, and add-on-based for credit products and residual non-simulation-based products.

Derivative financial instruments credit risk mitigation

The Group enters into master netting agreements, which in the event of default result in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions.

In addition, the Group enters into collateral agreements with counterparties where collateral is deemed a necessary or desirable mitigant to the exposure. Cash collateral includes collateral called under a variation margin process from counterparties if total uncollateralized mark-to-market exposure exceeds the threshold and minimum transfer amount specified in the credit support annex ("CSA"). With certain counterparties, the CSA is reciprocal and requires us to post collateral if the overall mark-to-market values of positions are in the counterparty's favour and exceed an agreed threshold.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(c) Foreign exchange risk

Foreign exchange trading exposures are principally derived from customer driven transactions.

Foreign exchange risk in the non-trading book portfolios is minimised by match funding assets and liabilities in the same currency. The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority.

The Group had the following non-structural foreign currency positions which exceeded 10% of the net non-structural position in all foreign currencies:

| | 2025 HK\$'M | 2024 HK\$'M |
|----------------------------------|----------------|----------------|
| US dollars exposure | | |
| Spot assets | 816,407 | 838,233 |
| Spot liabilities | (984,154) | (986,236) |
| Forward purchases | 3,963,966 | 3,135,810 |
| Forward sales | (3,789,297) | (2,978,265) |
| Net option position | (690) | 844 |
| Net long non-structural position | 6,232 | 10,386 |

| | 2025 HK\$'M | 2024 HK\$'M |
|-----------------------------------|----------------|----------------|
| Chinese Renminbi exposure | | |
| Spot assets | 620,003 | 854,549 |
| Spot liabilities | (543,075) | (659,845) |
| Forward purchases | 2,597,222 | 2,402,892 |
| Forward sales | (2,678,194) | (2,602,957) |
| Net option position | (628) | (56) |
| Net short non-structural position | (4,672) | (5,417) |

| | 2025 HK\$'M | 2024 HK\$'M |
|-----------------------------------|----------------|----------------|
| South Korean Won exposure | | |
| Spot assets | 480,002 | 427,718 |
| Spot liabilities | (430,817) | (382,184) |
| Forward purchases | 1,119,785 | 1,134,635 |
| Forward sales | (1,169,975) | (1,181,888) |
| Net option position | (723) | (1,003) |
| Net short non-structural position | (1,728) | (2,722) |

The Group had the following structural foreign currency positions which exceeded 10% of the net structural position in all foreign currencies:

| | 2025 HK\$'M | 2024 HK\$'M |
|------------------|----------------|----------------|
| Chinese Renminbi | 39,996 | 25,587 |
| US dollars | 30,558 | 29,034 |
| South Korean Won | 13,355 | 14,460 |
| | 83,909 | 69,081 |

Notes to the consolidated financial statements continued

33. Risk management (continued)

(d) Treasury risk

Interest rate risk in the banking book

The Group defines Interest Rate Risk In The Banking Book (“IRRBB”) as the potential for a reduction in future earnings or economic value due to changes in interest rates. The risk arises from differences in the repricing profile, interest rate basis, and optionality of banking book assets, liabilities and off-balance sheet items. IRRBB represents an economic and commercial risk to the Group and its capital adequacy. The Group monitors IRRBB in line with the HKMA Supervisory Policy Manual on “Interest Rate Risk Management”. As at 31 December 2025, the IRRBB metric remained within the regulatory threshold.

Liquidity and Funding risk

Liquidity and Funding risk is the risk that we may not have sufficient stable or diverse sources of funding to meet our obligations as they fall due.

The Group’s Liquidity and Funding Risk framework requires each country to ensure that it operates within predefined liquidity limits and remains in compliance with the liquidity policies and practices, as well as local regulatory requirements.

The Group achieves this through a combination of setting risk appetite and associated limits, policy formation, risk measurement and monitoring, prudential and internal stress testing, governance and review.

Since the beginning of the year there were no significant changes in the bank’s liquidity risk policies.

Primary sources of funding

The Group’s funding strategy is largely driven by its policy to maintain adequate liquidity at all times, in all geographic locations and for all currencies, and hence to be in a position to meet all obligations as they fall due. The Group’s funding profile is therefore well diversified across different sources, maturities and currencies.

A substantial portion of our assets are funded by customer deposits, aligned with our policy to fund customer assets predominantly using customer deposits. Wholesale funding is diversified by type and maturity and represents a stable source of funds for the Group.

The Group maintains access to wholesale funding markets in all major financial centres in which the Group operates. This seeks to ensure that the Group has market intelligence, maintains stable funding lines and can obtain optimal pricing when performing its interest rate risk management activities.

Liquidity risk management

The Treasury Liquidity and Finance Functions, as first line of defence, are jointly responsible for developing and performing necessary risk management activities in a risk type framework for liquidity risk and for complying with regulatory requirements in the countries in which the Group operates. The Treasury Risk is accountable, as the second line of defence, for providing independent challenge and oversight of the risk type framework and first line risk management activities relating to liquidity risk.

The Group develops and adopts policies to address material liquidity risks and aims to maintain its risk profile within the Group’s Risk Appetite. In order to do this, metrics are set against the respective risk types. Where appropriate, Risk Appetite metrics are cascaded down to countries. The Group maintains a Recovery Plan which is a live document to be used by management in the event of stress in order to restore the Group to a stable and sustainable position. The Recovery Plan includes a set of Recovery Indicators, an escalation framework and a set of management actions capable of being implemented in a stress. A Recovery Plan is also maintained within each major country subsidiary.

At Group and country level, the Group implements various business-as-usual and stress risk measures and monitors these against limits and management action triggers. This ensures that the Group maintains an adequate and well-diversified liquidity buffer as well as a stable funding base, and that it meets its liquidity and funding regulatory requirements. A funding plan is also developed for efficient liquidity projections to ensure the Group is adequately funded in required currencies to meet its obligations and client funding needs.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(d) Treasury risk (continued)

Governance

At the Board level, the Board Risk Committee oversees the effective management of liquidity risk. At the executive level, the Regional Asset and Liability Committee ensures the effective management of risk throughout the Group in support of the Group's strategy, guides the Group's strategy on balance sheet optimization and ensures that the Group operates within the internally approved Risk Appetite and other internal and external liquidity requirements.

Country oversight under the liquidity framework resides with country Asset and Liability Committees. Countries must ensure that they remain in compliance with Group liquidity policies and practices, as well as local regulatory requirements.

Monitoring

On a day-to-day basis, the management of liquidity is performed by Treasury Markets. The Group regularly reports and monitors liquidity risks inherent in its business activities and those that arise from internal and external events. The management of liquidity is monitored by Treasury Liquidity and Finance with appropriate escalation processes in place.

Internal risk management reports covering the balance sheet and the liquidity position of the Group are presented to Regional Asset and Liability Committee. The reports contain key information on balance sheet trends, exposures against Risk Appetite and supporting risk measures which enable members to make informed decisions around the overall management of the Group's balance sheet. Oversight at a country level is provided by the country Asset and Liability Committee, with a focus on the local liquidity risks, local prudential requirements and risks that arise from local internal and external events.

Liquidity and Funding risk metrics

The Group monitors key liquidity metrics regularly, both on a country basis and in aggregate across the Group.

The following Liquidity and Funding Board Risk Appetite metrics define the maximum amount and type of risk that the Group is willing to assume in pursuit of its strategy: Liquidity Coverage Ratio (LCR), liquidity stress survival horizons, external wholesale borrowing, advances-to-deposits ratio and Net Stable Funding Ratio (NSFR).

Liquidity Coverage Ratio ("LCR")

The LCR is a regulatory requirement set to ensure that the Group has sufficient unencumbered high-quality liquid assets to meet its liquidity needs in a 30-calendar-day liquidity stress scenario.

The Group monitors and reports its liquidity position in line with the Banking (Liquidity) Rules issued by the HKMA and has maintained its liquidity position above the prudential requirement.

Stress Coverage

The Group intends to maintain a prudent and sustainable funding and liquidity position, in all countries and currencies, such that it can withstand a severe but plausible liquidity stress.

The Group's approach to managing liquidity and funding risk is reflected in the following Board-level Risk Appetite Statement:

"The Group should hold an adequate buffer of high-quality liquid assets to survive extreme but plausible liquidity stress scenarios for at least 60 days without recourse to extraordinary central bank support."

The Group's internal liquidity stress testing framework covers the following stress scenarios:

Standard Chartered-specific – This scenario captures the liquidity impact from an idiosyncratic event affecting Standard Chartered only i.e. the rest of the market is assumed to operate normally.

Market-Wide – This scenario captures the liquidity impact from a market-wide crisis affecting all participants in a country, region or globally.

Combined – This scenario assumes both Standard Chartered-specific and Market-Wide events affecting the Group simultaneously and hence the most severe scenario.

All scenarios include, but are not limited to, modelled outflows for retail and wholesale funding, off-balance sheet funding risk, cross currency funding risk, intraday risk, franchise risk and risks associated with a deterioration of the Group's credit rating.

Notes to the consolidated financial statements continued

33. Risk management (continued)

*(d) Treasury risk (continued)**Stress Coverage (continued)*

Stress testing results show that a positive surplus was maintained under all scenarios at 31 December 2025 i.e. respective countries are able to survive for a period of time as defined under each scenario. The combined scenario at 31 December 2025 showed the Group maintained liquidity resources to survive greater than 60 days, as per the Group's Board Risk Appetite. The results take into account currency convertibility and portability constraints across all major presence countries.

The Group's credit ratings as at 31 December 2025 were A+ with stable outlook (S&P) and A1 with stable outlook (Moody's). A downgrade in the Group's long-term credit ratings would increase derivative collateral requirements and outflows due to rating-linked liabilities. The impact of a two-notch long term ratings downgrade has a minimal impact on the Group's derivatives collateral requirements.

External wholesale borrowing

The Board sets a risk limit to prevent excessive reliance on wholesale borrowing. Limits are applied to all operating subsidiaries in the Group and as at the reporting date the Group remained within Board Risk Appetite.

Advances-to-deposits ratio

This is defined as the ratio of total loans and advances to customers relative to total customer deposits. An advances-to-deposits ratio of below 100 percent demonstrates that customer deposits exceed customer loans as a result of the emphasis placed on generating a high level of funding from customers.

| | 2025 HK\$'M | 2024 HK\$'M (Restated) |
|---------------------------------|----------------|------------------------------|
| Loans and advances to customers | 992,554 | 953,252 |
| Customer accounts | 2,046,841 | 1,774,030 |
| Advances-to-deposits ratio | 48.5% | 53.7% |

Net stable funding ratio ("NSFR")

The Group monitors and reports the NSFR in line with the Banking (Liquidity) Rules issued by the HKMA.

The NSFR is a balance sheet metric which requires institutions to maintain a stable funding profile in relation to the characteristics of their assets and off-balance sheet activities over a one-year horizon. It is the ratio between the amount of available stable funding ("ASF") and the amount of required stable funding ("RSF"). ASF factors are applied to the balance sheet liabilities and capital, based on their perceived stability and the amount of stable funding they provide. Likewise, RSF factors are applied to assets and off-balance sheet exposures according to the amount of stable funding they require. At the last reporting date, the Group NSFR remained above 100 percent.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(d) Treasury risk (continued)

Maturity profiles

(i) Contractual maturity of assets and liabilities

The following table presents assets and liabilities by maturity groupings based on the remaining period to the contractual maturity date as at the balance sheet date on a discounted basis. Contractual maturities do not necessarily reflect actual repayments or cash flow.

Within the tables below, cash and balances with central banks, interbank placements, and investment securities that are fair value through other comprehensive income are used by the Group principally for liquidity management purposes.

| | 2025 | | | | | | | Total HK\$'M |
|--|-------------------------------------|------------------------------------|--|---|--|--------------------------------|-------------------|------------------|
| | Repayable on demand HK\$'M | Due within 1 month HK\$'M | Due between 1 month to 3 months HK\$'M | Due between 3 months to 1 year HK\$'M | Due between 1 year to 5 years HK\$'M | Due after 5 years HK\$'M | Undated HK\$'M | |
| Assets | | | | | | | | |
| Cash and balances at central banks | 98,549 | - | - | - | - | - | - | 98,549 |
| Loans and advances to banks | 9,875 | 48,030 | 54,628 | 49,782 | 18,669 | 5,376 | - | 186,360 |
| Hong Kong SAR Government certificates of indebtedness | 50,191 | - | - | - | - | - | - | 50,191 |
| Derivative financial instruments | 6 | 11,143 | 13,158 | 26,932 | 13,755 | 3,518 | - | 68,512 |
| Investment securities | 1,167 | 80,452 | 135,682 | 156,005 | 279,376 | 226,351 | 15,460 | 894,493 |
| Loans and advances to customers | 8,349 | 140,658 | 126,147 | 139,510 | 225,977 | 483,876 | - | 1,124,517 |
| Amounts due from immediate holding company | - | - | - | - | 1 | - | - | 1 |
| Amounts due from fellow subsidiaries | 170,563 | 20,441 | 4,088 | 12,751 | 19,309 | 28,840 | - | 255,992 |
| Others | 11,557 | 46,818 | 128,645 | 3,342 | 824 | 37 | 30,611 | 221,834 |
| Total Assets | 350,257 | 347,542 | 462,348 | 388,322 | 557,911 | 747,998 | 46,071 | 2,900,449 |
| Liabilities | | | | | | | | |
| Hong Kong SAR currency notes in circulation | 50,191 | - | - | - | - | - | - | 50,191 |
| Deposits by banks | 32,309 | 16,824 | 279 | 482 | 1,404 | - | - | 51,298 |
| Customer accounts | 1,168,591 | 211,653 | 100,133 | 175,740 | 473,183 | 21,032 | - | 2,150,332 |
| Derivative financial instruments | 42 | 10,715 | 13,951 | 29,738 | 11,584 | 3,440 | - | 69,470 |
| Debt securities in issue | 1 | 948 | 2,448 | 12,498 | 4,238 | 6,373 | - | 26,506 |
| Amounts due to immediate holding company | 707 | - | - | - | 21,192 | 23,874 | - | 45,773 |
| Amounts due to fellow subsidiaries | 18,305 | - | 7,311 | 10,272 | 50,464 | 26,541 | - | 112,893 |
| Others | 18,578 | 7,362 | 105,199 | 33,766 | 3,163 | 1,586 | 10,993 | 180,647 |
| <i>of which: Lease liabilities</i> | - | 113 | 55 | 876 | 2,260 | 636 | - | 3,940 |
| Total Liabilities | 1,288,724 | 247,502 | 229,321 | 262,496 | 565,228 | 82,846 | 10,993 | 2,687,110 |

Loans and advances to banks, investment securities, loans and advances to customers, deposits by banks, customer accounts and debt securities in issue included balances recognised at fair value through profit or loss.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(d) Treasury risk (continued)

Maturity profiles (continued)

(i) Contractual maturity of assets and liabilities (continued)

| | 2024 (Restated) | | | | | | | Total HK\$'M |
|--|-------------------------------------|------------------------------------|--|---|--|--------------------------------|-------------------|------------------|
| | Repayable on demand HK\$'M | Due within 1 month HK\$'M | Due between 1 month to 3 months HK\$'M | Due between 3 months to 1 year HK\$'M | Due between 1 year to 5 years HK\$'M | Due after 5 years HK\$'M | Undated HK\$'M | |
| Assets | | | | | | | | |
| Cash and balances at central banks | 51,951 | - | - | - | - | - | - | 51,951 |
| Loans and advances to banks | 11,332 | 73,843 | 63,972 | 47,707 | 13,390 | 6,348 | - | 216,592 |
| Hong Kong SAR Government certificates of indebtedness | 49,451 | - | - | - | - | - | - | 49,451 |
| Derivative financial instruments | 5 | 14,524 | 15,970 | 44,574 | 19,845 | 3,660 | - | 98,578 |
| Investment securities | 119 | 42,217 | 78,218 | 240,759 | 232,542 | 155,968 | 1,614 | 751,437 |
| Loans and advances to customers | 4,009 | 124,521 | 125,896 | 159,233 | 223,106 | 445,582 | - | 1,082,347 |
| Amounts due from immediate holding company | - | - | - | 208 | - | - | - | 208 |
| Amounts due from fellow subsidiaries | 117,942 | 21,642 | 6,887 | 22,219 | 23,652 | 21,780 | - | 214,122 |
| Others | 10,089 | 28,401 | 33,852 | 2,911 | 516 | 19 | 28,698 | 104,486 |
| Total Assets | 244,898 | 305,148 | 324,795 | 517,611 | 513,051 | 633,357 | 30,312 | 2,569,172 |
| Liabilities | | | | | | | | |
| Hong Kong SAR currency notes in circulation | 49,451 | - | - | - | - | - | - | 49,451 |
| Deposits by banks | 20,194 | 3,726 | 1,554 | 2,567 | 446 | - | - | 28,487 |
| Customer accounts | 1,044,798 | 180,649 | 91,171 | 153,112 | 375,044 | 17,148 | - | 1,861,922 |
| Derivative financial instruments | - | 12,583 | 13,217 | 35,095 | 19,522 | 3,495 | - | 83,912 |
| Debt securities in issue | - | 490 | 2,798 | 10,528 | 6,673 | 6,231 | - | 26,720 |
| Amounts due to immediate holding company | 759 | - | - | - | 20,685 | 22,284 | - | 43,728 |
| Amounts due to fellow subsidiaries | 3,056 | 48,335 | 7,462 | 16,205 | 44,929 | 14,966 | - | 134,953 |
| Others | 424 | 2,530 | 100,844 | 25,998 | 6,847 | 261 | 10,240 | 147,144 |
| <i>of which: Lease liabilities</i> | - | 362 | 433 | 148 | 2,363 | 875 | - | 4,181 |
| Total Liabilities | 1,118,682 | 248,313 | 217,046 | 243,505 | 474,146 | 64,385 | 10,240 | 2,376,317 |

Loans and advances to banks, investment securities, loans and advances to customers, deposits by banks, customer accounts and debt securities in issue included balances carried at fair value through profit or loss.

(ii) Behavioural maturity of financial assets and liabilities

The cash flows presented in previous section reflect the cash flows that will be contractually payable over the residual maturity of the instruments. However, contractual maturities do not necessarily reflect the timing of actual repayments or cash flow. In practice, certain assets and liabilities behave differently from their contractual terms, especially for short-term customer accounts, credit card balances and overdrafts, which extend to a longer period than their contractual maturity. On the other hand, mortgage balances tend to have a shorter repayment period than their contractual maturity date. Expected customer behaviour is assessed and managed on a country basis using qualitative and quantitative techniques, including analysis of observed customer behaviour over time.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(d) Treasury risk (continued)

Maturity profiles (continued)

(iii) Maturity of financial liabilities on an undiscounted basis

The following tables analyses the contractual cash flows payable for the Group's financial liabilities by remaining contractual maturities on an undiscounted basis. The financial liability balances in the tables below will not agree to the balances reported in the consolidated balance sheet as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

Within the 'Undated' maturity band are undated financial liabilities, on which interest payments are not included as this information would not be meaningful given the instruments are undated. Interest payments on these instruments are included within the relevant maturities up to five years.

| | 2025 | | | | | | | Total HK\$'M |
|---|-------------------------------------|------------------------------------|--|---|--|--------------------------------|-------------------|------------------|
| | Repayable on demand HK\$'M | Due within 1 month HK\$'M | Due between 1 month to 3 months HK\$'M | Due between 3 months to 1 year HK\$'M | Due between 1 year to 5 years HK\$'M | Due after 5 years HK\$'M | Undated HK\$'M | |
| Liabilities | | | | | | | | |
| Deposits by banks | 32,355 | 16,884 | 281 | 486 | 1,405 | - | - | 51,411 |
| Customer accounts | 1,169,578 | 212,815 | 101,384 | 179,137 | 475,086 | 26,610 | - | 2,164,610 |
| Derivative financial instruments ¹ | 42 | 10,715 | 13,951 | 29,738 | 11,584 | 3,440 | - | 69,470 |
| Debt securities in issue | 1 | 971 | 2,486 | 12,607 | 4,541 | 8,798 | - | 29,404 |
| Amounts due to immediate holding company | 708 | 105 | 209 | 942 | 24,790 | 26,124 | - | 52,878 |
| Amounts due to fellow subsidiaries | 18,305 | - | 7,311 | 10,272 | 50,464 | 26,541 | - | 112,893 |
| Others | 18,578 | 7,362 | 101,035 | 33,766 | 3,163 | 1,586 | 10,993 | 176,483 |
| Total Liabilities | 1,239,567 | 248,852 | 226,657 | 266,948 | 571,033 | 93,099 | 10,993 | 2,657,149 |
| | 2024 (Restated) | | | | | | | |
| | Repayable on demand HK\$'M | Due within 1 month HK\$'M | Due between 1 month to 3 months HK\$'M | Due between 3 months to 1 year HK\$'M | Due between 1 year to 5 years HK\$'M | Due after 5 years HK\$'M | Undated HK\$'M | Total HK\$'M |
| Liabilities | | | | | | | | |
| Deposits by banks | 20,220 | 3,746 | 1,569 | 2,587 | 446 | - | - | 28,568 |
| Customer accounts | 1,048,197 | 181,550 | 92,093 | 155,841 | 376,349 | 22,823 | - | 1,876,853 |
| Derivative financial instruments ¹ | - | 12,583 | 13,217 | 35,095 | 19,522 | 3,495 | - | 83,912 |
| Debt securities in issue | - | 510 | 2,835 | 10,630 | 6,784 | 8,914 | - | 29,673 |
| Amounts due to immediate holding company | 759 | 101 | 203 | 911 | 24,545 | 23,705 | - | 50,224 |
| Amounts due to fellow subsidiaries | 3,055 | 48,596 | 7,476 | 16,268 | 45,188 | 14,966 | - | 135,549 |
| Others | 424 | 2,530 | 95,779 | 25,998 | 6,847 | 261 | 10,240 | 142,079 |
| Total Liabilities | 1,072,655 | 249,616 | 213,172 | 247,330 | 479,681 | 74,164 | 10,240 | 2,346,858 |

¹ Derivatives are on a discounted basis.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(d) Treasury risk (continued)

Capital management

The HKMA sets capital requirements for the Bank and certain subsidiaries specified by the HKMA. In implementing current capital requirements, the HKMA requires the Group to maintain prescribed ratios of capital to risk-weighted assets and a leverage ratio of tier 1 capital to total on- and off-balance sheet exposures. The leverage ratio is a complementary volume-based measure to the risk-based capital requirements. The Group calculates its capital adequacy ratios and leverage ratio on both a consolidated and solo-consolidated basis in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance. Individual banking subsidiaries are directly regulated by their local banking supervisors, who set and monitor their capital adequacy requirements. Non-banking subsidiaries are also subject to the supervision and capital requirements of local regulatory authorities.

The HKMA sets loss absorbing capacity (“LAC”) requirements for the Bank. In implementing LAC requirements, the HKMA requires the Group to maintain prescribed ratios of LAC expressed as a percentage of risk-weighted assets, LAC expressed as a percentage of exposure measure, and LAC debt expressed as a percentage of LAC regulatory minimum. The Group calculates its LAC ratios in accordance with the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (“LAC Rules”).

Hong Kong LAC Rules came into operation on 14 December 2018. Following classification by the HKMA (as resolution authority), in-scope entities are required under these rules to issue LAC instruments that can be written down or converted in the event of failure and maintain minimum LAC resources.

The Bank was notified by HKMA of its classification as a material subsidiary under the LAC Rules with effect from 1 April 2019, with Standard Chartered PLC (“SC PLC”) as the non-HK resolution entity. Following this classification, the Bank has met its minimum LAC requirements since 1 July 2019.

In addition to meeting the regulatory requirements, the Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might otherwise be possible with greater gearing and the advantages and security afforded by a sound capital position, and adjusts the capital structure in light of changes in economic conditions.

The process of allocating capital to specific operations and activities is undertaken by Treasury, ALCO and Cluster ALCO and is reviewed regularly by the Board. With oversight by ALCO, each subsidiary manages their allocated capital to support their planned business growth and meet their local regulatory requirements.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(d) Treasury risk (continued)

Capital management (continued)

Consistent with industry practice, the Group monitors its capital structure on the basis of the capital adequacy ratio and there have been no material changes in the Group's policy on the management of capital on both the consolidated and solo-consolidated basis during the year.

The Group has complied with all externally imposed capital and LAC requirements during 2025.

The Group uses the foundation internal ratings based ("FIRB") and advanced internal ratings based ("AIRB") approach for both the measurement of credit risk capital requirements and the management of credit risk for the majority of its portfolios. The Group also uses the standardized (credit risk) approach for certain insignificant portfolios exempted from FIRB and AIRB. For counterparty credit risk, the Group uses the standardized (counterparty credit risk) approach ("SA-CCR") to calculate its default risk exposures. For credit valuation adjustment ("CVA"), the group uses the reduced basic CVA approach ("BA-CVA") to calculate CVA risk capital charge.

For securitization exposures, the group uses the securitization internal ratings-based approach ("SEC-IRBA"), securitization external ratings – based approach ("SEC-ERBA"), securitization standardised approach ("SEC-SA") or securitization fallback approach ("SEC-FBA") to determine credit risk for its banking book securitization exposures.

For market risk, the Group uses the standardized (market risk) ("STM") approach to calculate its market risk capital charges. For operational risk, the Group adopts the standardized operational risk approach to calculate its operational risk capital charges.

The Banking (Capital) Rules issued by the HKMA require all authorised institutions in Hong Kong to meet three levels of minimum capital ratios, namely common equity tier 1, tier 1 and total capital ratios, and minimum leverage ratio.

The Group's consolidated capital as at 31 December 2025 consists of tier 1 capital after deductions of HK\$192,196 million (2024: HK\$174,108 million) and tier 2 capital after deductions of HK\$16,527 million (2024: HK\$10,571 million). Tier 2 capital includes subordinated debt and impairment allowances and regulatory reserve eligible for inclusion in Tier 2 capital.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(e) Operational & Technology risk

The Group defines Operational & Technology risk as the potential for loss resulting from inadequate or failed internal processes, technology events, systems, human error, or from the impact of external events (including legal risks). The potential for operational risk events to occur is a constant challenge as operational risk arises from all activities carried out within the Group. To address this the Group maps risks across the Group at a process level with controls installed to mitigate these risks. The Group benchmarks practices against peers and regulatory requirements.

Operational Risk Governance

The Hong Kong & GCNARC provides oversight of operational risk management across GCNA. They are supported by country level forums and sub-committees including the Business/Function Risk Forums, Operational Risk & Resilience Committee, to oversee operational risks arising from businesses and functions, internal and external fraud, third party risk management, data quality management, and Operational Resilience respectively.

Risk Appetite approach

Operational & Technology risk is managed to achieve the Risk Appetite Statement approved by the Board. The Group aims to control operational risks to ensure that operational losses (financial or reputational), including any losses related to conduct of business matters, do not cause material damage to the Group's franchise.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(f) Environmental, Social and Governance and Reputational (ESGR) Risk

The Group defines ESGR as Potential or actual adverse impact on the environment and/or society, the Group's financial performance, operations, or the Group's name, brand or standing, arising from environmental, social or governance factors, or as a result of the Group's actual or perceived actions or inactions.

Risk Appetite Statement

The Group aims to measure and manage financial and non-financial risks arising from climate change, reduce emissions in line with our net zero strategy and protect the Group from material reputational damage by upholding responsible conduct and striving to do no significant environmental and social harm.

ESGR continues to be an area of growing importance, driving a need for strategic transformation across business activities and risk management to ensure that we uphold the principles of Responsible Business Conduct and continue to do the right thing for our stakeholders, the environment and affected communities. Our policy frameworks and Position Statements integrate our values into our core working practices by articulating our approach to clients in sensitive sectors and our commitments to climate change and human rights. We continue to progress on our transformation agenda, driving the Bank's Net Zero commitments and building a leading sustainable franchise. Our progress to date includes the setting of public Net Zero targets, leadership in voluntary carbon markets, and ongoing support of innovation in green, transition, and social finance.

The growth of Sustainable Finance products offering across the banking industry has prompted stronger and more robust regulations to prevent greenwashing. We are moving quickly to integrate anti-greenwashing policies, standards and controls into our risk management activities. As we prepare for the varying regulatory developments across our footprint, we continue to invest in data and infrastructure to reinforce our compliance efforts and are actively engaging with several of our regulatory super visors.

Roles and responsibilities

The Hong Kong & GCNA CRO with delegation to Head of Enterprise Risk Management, Hong Kong & SCBHK Group is the Risk Framework Owner for ESGR under the SCB Group's Enterprise Risk Management Framework. They constitute the second line of defence, overseeing and challenging the first line of defence, which resides with the Hong Kong & GCNA Chief Executive Officer, Business Heads, Product Heads and Function Heads in respect of risk management activities of reputational and sustainability-related risks respectively.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(f) *Environmental, Social and Governance and Reputational (ESGR) Risk (continued)*

Mitigation

The ESGR RTF provides the overall risk management approach for Environmental, Social and Governance (ESG) and Reputational risks.

The ESG Risk policy outlines the Group's commitment to integrating ESG considerations into its business, operations, and decision-making process. The policy sets out the requirements for identifying, assessing, and managing ESG risks, including Climate Risk.

The Reputational Risk policy sets out the principal sources of reputational risk driven by negative shifts in stakeholder perceptions, as well as the responsibilities for managing Reputational Risk arising out of client onboarding and due diligence, from transactions, product design and product features, or strategic coverages such as exposure to sensitive industries, markets, or investments. Whenever potential for stakeholder concerns is identified, issues are subject to review and decision by both the first and second lines of defence. The Reputational Risk policy also sets out the key considerations for mitigating greenwashing risk that can arise during product and/or deal lifecycle, sustainability reporting and disclosures, and external campaigns related to sustainability themes.

Governance Committee Oversight

The Board retains the overall oversight responsibility for ESGR Risk. Oversight from an operational perspective falls under the remit of the HK&GCNARC and the Board Risk Committee.

Monitoring

Exposure to reputational risks arising from transactions, clients, products and strategic coverage is monitored through established triggers to prompt the appropriate risk-based considerations and assessment by the first line of defence and escalations to the second line of defence. Risk acceptance decisions and thematic trends are also reviewed on a periodic basis.

Exposure to ESG Risks is monitored through triggers embedded within the first line of defence processes. The environmental and social risks are considered for clients and transactions via Environmental and Social Risk Assessments and/or Climate Risk Assessments (CRAs). Vendors that are presenting as high risk are assessed for modern slavery risk. Based on responses provided by the supplier at onboarding, those that meet the high-risk category-country combinations are subjected to further risk assessment.

Exposure to Climate Risk is monitored in conjunction with other PRTs. We have embedded qualitative and quantitative climate considerations into the Group's Credit Underwriting Principles for Oil and Gas, Mining, Shipping, Commercial Real Estate and Project Finance portfolio. We have expanded coverage of Climate and Credit Risk considerations to physical collateral, as they serve as key risk mitigants, especially in default events. We assess physical risk concentrations for our WRB portfolio on a quarterly basis and assess the physical risk vulnerabilities of our sites periodically and when new sites are onboarded.

Furthermore, monitoring and reporting on the risk appetite metrics ensures that there is appropriate oversight Board over performance and breaches of thresholds across key metric namely in concentration of material reputational risk, level of alignment with Group's Net Zero aspirations and Position Statements, and modern slavery risks in our suppliers.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(f) *Environmental, Social and Governance and Reputational (ESGR) Risk (continued)*

Climate Risk

We have designed an approach that begins to embed Climate Risk with impacted PRTs within our central ERMF based around two principles:

1. Treat Climate Risk like a traditional risk type. Climate Risk may lead to financial losses and non-financial detriments, much like Credit Risk, and should be managed as such to limit the Group's exposure to these detriments. This means embedding Climate Risk considerations into existing risk identification and management processes, governance, reporting, scenario analysis, strategy, and financial planning.
2. Recognise and build for where Climate Risk is different. Climate Risk is likely to crystallise over much longer time horizons and is inherently difficult to quantify. Its unique features and a need for granular forward-looking measurements require the use and development of new tools and methodologies to quantify and analyse the implications

Risk Appetite Statement

The Group aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients in alignment with the Paris Agreement.

Roles and responsibilities

The three lines of defence model as per the ERMF applies to Climate Risk. The HK&GCNA CRO has the ultimate second-line and senior management responsibility for Climate Risk. HK&GCNA CRO is supported by the Head of Enterprise Risk Management who has day-to-day oversight and central responsibility for second-line Climate Risk activities. As Climate Risk is embedded into the relevant PRTs, second-line responsibilities lie with the Risk Framework Owner (at regional and country level), with subject matter expertise support from the central Climate Risk team.

Mitigation

Climate Risk assessments are considered as part of Reputational and Sustainability transaction reviews for clients and transactions in high carbon sectors. In 2023, we have directly engaged with clients on their adaptation and mitigation plans using client level Climate Risk questionnaires and integrated climate risk into the credit process for ~85-90% of our corporate client exposure in CIB. As part of quarterly credit portfolio reviews in WRB, physical risk assessments for the residential mortgage portfolios are also being monitored for concentration levels.

The Traded Risk stress testing framework covers market impacts from Climate Risk – this includes a transition risk and two physical risk scenarios. Physical and transition risk ratings for sovereigns are widely used across the Group for risk management and reporting purposes.

Notes to the consolidated financial statements continued

33. Risk management (continued)

Mitigation (continued)

The focus for Operational and Technology Risk was originally on Property, Resilience and Third-Party Risk management, and is now being expanded to material technology arrangements. We have also completed liquidity risk assessments for our top liquidity providers.

Governance committee oversight

Board-level oversight is exercised through the Board Risk Committee, and regular Climate Risk updates are provided to the Board and Board Risk Committee. At the executive level, the HK&GCNARC oversees implementation of the Climate Risk workplan.

Tools and methodologies

Applying existing risk management tools to quantify Climate Risk is challenging given inherent data and methodology challenges, including the need to be forward-looking over long time horizons. To quantify climate physical and transition risk we leverage and have invested in a number of areas, including tools and partnerships:

- Munich Re – we are using Munich Re’s physical risk assessment tool, which is built on extensive re-insurance experience.
- Baringa Partners – we are using Baringa’s flagship climate models to understand climate scenarios, and compute transition risk and temperature alignment.
- Standard & Poor – we are leveraging S&P and Trucost’s wealth of climate data covering asset locations, energy mixes and emissions.
- Imperial College – we are leveraging Imperial’s academic expertise to advance our understanding of climate science, upskill our staff and senior management, and progress the state of independent research on climate risks with an acute focus on emerging markets.

Monitoring

The Group has developed its first-generation Climate Risk reporting and Management Team level Risk Appetite metrics. The first version of these metrics was shared with the Country Risk Information Report since September 2021. The metrics were included in the HK&GCNARC risk reports quarterly, and management information is also being progressively rolled out at the regional and country level.

Stress testing

Climate Risk intensifies over time, and future global temperature rises depend on today’s transition pathway. Considering different transition scenarios is crucial to assessing Climate Risk over the next 10, 20 and 50 years. Stress testing and scenario analysis are used to assess capital requirements for Climate Risk and since 2020, physical and transition risks have been included in the Group Internal Capital Adequacy Assessment Process (“ICAAP”). In 2024, we undertook the Hong Kong Monetary Authority led short term and long tenor Climate Risk stress tests. This required significant client engagement and helped grow our understanding and management of Climate Risk.

(g) Compliance Risk

The Group defines Compliance Risk as the “Potential for penalties or loss to the Group or for an adverse impact to our clients, stakeholders or the integrity of the markets we operate in through a failure on our part to comply with laws, or regulations”.

The Group has no appetite for breaches in laws and regulations related to regulatory non-compliance; recognizing that whilst incidents are unwanted, they cannot be entirely avoided.

Risk mitigation is achieved through the identification of material new and amended regulations and the implementation of necessary process and control changes to address these. Processes, controls and control monitoring are governed by the O&T RTF, with any elevated risks managed through the relevant Non-Financial Risk Committees.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(h) *Conduct Risk*

Conduct Risk is an integral component of the Group's Enterprise Risk Management Framework ("ERMF") and is not designated as a standalone Principal Risk Type. It is defined as the risk of detriment to clients, investors, shareholders, counterparties, employees, market integrity, and competition arising from the Group's business activities or individual behavior, including instances of wilful or negligent misconduct.

The Group manages Conduct Risk through its risk culture, Code of Conduct and Ethics, and robust governance structures. Oversight is embedded within existing Risk Type Frameworks, supported by policies, training, monitoring, and a strong emphasis on values and behaviors. All employees are responsible for managing conduct risk, and the First Line Businesses and Functions ensure processes and controls mitigate conduct-related outcomes. Risk Framework Owners oversee tagging of conduct outcomes and escalation of significant breaches.

The Group's approach is documented in the ERMF and complemented by the Speaking Up Policy, which provides safeguards for employees to report concerns. This framework ensures consistent identification, management, and monitoring of conduct risk across the organization.

(i) *Information and cyber security risk*

The Bank defines Information and Cyber Security ("ICS") Risk as the risk to the Group's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems. The Group aims to mitigate and control ICS risks to ensure that incidents do not cause the Bank material harm, business disruption, financial loss or reputational damage – recognising that whilst incidents are unwanted, they cannot be entirely avoided.

The Group Chief Information Officer (GCIO) has overall first line of defence responsibility for ICS Risk for the Group's ICS strategy. The Group Chief Information Security Officer ("CISO") leads the development and execution of the ICS strategy. The ICS Risk Type Framework (RTF) assigns specific responsibilities for 1LoD management of ICS to Information Asset Owners, Business Application Owner, Technology Product Owner, Technology Service Owner, and Process Owners.

The Operational, Technology and Cyber Risk (OTCR) function within Group Risk, operates as the second line of defence and sets the methodology for assessing, and prioritising ICS risks across the Group. This function has overall responsibility for guidance, oversight and independent challenge of 1LoD risk management.

ICS Risk is managed through the ICS RTF, comprising a risk assessment methodology and supporting policy, standards and methodologies. The ICS Policy and standards are aligned to industry best practice models including the National Institute of Standards and Technology Cyber Security Framework and ISO 27001. The OTCR function monitors compliance to the ICS RTF through the review of the ICS risk assessments conducted by CISO through the ICS Risk profile. Within the ICS Risk profile, appropriate mitigating activity for each ICS risk is identified, undertaken and reported against by the business.

ICS risk management oversight and governance falls under the responsibility of the Hong Kong & GCNARC. This includes oversight of ICS RTF implementation, monitoring of Risk Appetite and monitoring of ICS Risk Management activities across the first line. Escalation of ICS risks which fall outside the defined appetite for the Group are reported into and overseen by the Hong Kong & GCNARC to ensure effective mitigation and appropriate risk management.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(j) *Financial Crime Risk*

The SCBHK Group defines Financial Crime Risk as the potential for legal or regulatory penalties, material financial loss or reputational damage resulting from failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering, anti-bribery and corruption, and fraud.

Financial Crime Risk within the SCBHK Group is governed by the country's Financial Crime Risk Committee ("FCRC") which reports to the Hong Kong and GCNA Risk Committee ("RC"). Material risks are escalated to the RC. Both the RC and FCRCs ensure the effective management of Financial Crime Compliance risk in support of the SCBHK Group's strategy and in line with its Risk Appetite, as determined under the ERMF.

Metrics and tolerances covering key operational processes in support of Financial Crime risk management are documented and subject to periodic review. Performance against these metrics is regularly reported to the country's FCRC with risks for breaching tolerances escalated to the RC.

(k) *Model Risk*

The Group defines Model Risk as the potential loss that may occur because of decisions or the risk of misestimation that could be principally based on the output of models due to errors in the development, implementation, or use of such models.

Roles and responsibilities

The Hong Kong & GCNA CRO is the Risk Framework Owner for Model Risk under the Group's Enterprise Risk Management Framework. Day-to-day implementation of the framework and second line risk oversight are further delegated to the Head of Model Risk Management, Hong Kong and GCNA. The Model Risk Type Framework and the related Policy set out clear accountability and roles for the management of Model Risk through three lines of defence framework.

First line ownership of Model Risk resides with Model Sponsors, who are the business or function heads and who assign a Model Owner for each model. Model Owners, also part of the first line, represent local model users and are responsible for end-to-end model development, communication of model limitations to users, submission of models for validation and for local approval, ensuring appropriate model implementation and use, and periodic monitoring of model performance. Local model users are accountable for local consequences of model use in the business processes under their remit that require the use of models. Local model users, therefore, must understand the design of its models, agree to the models to be used, understand the on-going performance of models, and agree on model risk mitigation actions that might be required in case of model underperformance.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(k) *Model Risk (continued)*

Roles and responsibilities (continued)

Second line risk oversight is provided by Model Risk Management, which also includes Group Model Validation. Group Model Validation independently review and grade models, assessing whether they are in line with their stated design objectives, expected business uses and results, compliance to regulatory requirements, and identifying other potential model-related risks. Model Risk Management team provides second line oversight of Model Risk, performing regular identification of risks arising from model use, challenge to first line stakeholders (including local model users) in relation to their adherence to the Framework, providing risk profile reporting to senior management, and providing expert advice on identified and upcoming Model-related risk and their prevention and/or remediation.

Mitigation

The Model Risk policy and Standards define requirements for model development, validation, implementation, approval, and use, including the regular monitoring of model performance and, where required, model risk mitigants. Model deficiencies identified through the development or validation process, or model performance issues identified through ongoing monitoring, are to be mitigated through the application of model overlays, redevelopment of affected models, imposition of model restrictions, or other appropriate risk mitigation measure, and are all subject to independent review, challenge, and approval. Operational controls are applied to Model Risk-related processes, with regular risk assessments performed to assess appropriateness and effectiveness of those controls, in line with the Operational and Technology RTF, which remediation plans implemented where necessary.

Governance committee oversight, decision-making authorities and delegation

At the Board level, the Board Risk Committee exercises oversight of Model Risk within the Group. At the executive level, the Hong Kong & GCNARC has appointed the Model Assessment Committee to exercise effective second line oversight of the management of Model Risk, while retaining authority to approve models for use across the Group.

The Hong Kong and GCNA Risk Committee is responsible for approving models for use, after subject models undergo assessment of their risks through the Model Assessment Committee. Approval of certain models can be further delegated to the Model Assessment Committee or to other suitable delegated model approver by the Hong Kong and GCNA Risk Committee, with consideration of the risk profile of the models.

Monitoring

The Group monitors Model Risk via a set of Risk Appetite metrics that are approved by the Board. Adherence to Model Risk appetite and any threshold breaches are reported regularly to the Board Risk Committee and to the Hong Kong & GCNARC.

The first line performs regular monitoring of models used locally, with respect to each model's Model Risk Rating. Monitoring results and breaches are presented to model sponsors, owners, local model users and to related senior executives, through summaries reported through the Model Assessment Committee and the Hong Kong and GCNA Risk Committee.

Model Risk Management produces reports in relation to the model landscape, which include performance metrics, identified issues and remediation plans. These are presented for discussion at the Model Assessment Committee and the Hong Kong & GCNARC on a regular basis.

Notes to the consolidated financial statements continued

34. Financial instruments

(a) Valuation of financial instruments carried at fair value

Valuation of financial assets and liabilities held at fair value are subject to a review independent of the business by Valuation Control. For those financial assets and liabilities whose fair value is determined by reference to externally quoted prices or market observable pricing inputs to valuation models, an assessment is made against external market data and consensus services. Financial instruments held at fair value in the consolidated statement of financial position have been classified into a valuation hierarchy that reflects the significance of the inputs used in the fair value measurements.

Valuation methodologies

The valuation hierarchy is set out below:

| | Level 1 | Level 2 | Level 3 |
|------------------------------|--|---|---|
| Fair value determined using: | Unadjusted quoted price in an active market for identical assets and liabilities | Directly or indirectly observable inputs other than unadjusted quoted prices included within Level 1 that are observable ¹ | Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs) (see note 34 (a)(i)) |

¹ These included valuation models such as discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. These models incorporate assumptions and inputs that other market participants would use in their valuations, such as discount rates, default rates, credit spreads and option volatilities. These inputs need to be directly or indirectly observable in order to be classified as level 2.

Notes to the consolidated financial statements continued

34. Financial instruments (continued)

(a) Valuation of financial instruments carried at fair value (continued)

(i) Valuation of financial instruments with significant unobservable inputs

The movements during the year for level 3 financial assets and liabilities are as follows:

Financial assets

| | 2025 | | | |
|---|---|---|---|--------------------------------|
| | Financial assets at fair value through profit or loss HK\$'M | Financial assets at fair value through other comprehensive income HK\$'M | Amount due from fellow subsidiaries HK\$'M | Total Level 3 Assets HK\$'M |
| At 1 January 2025 | 14,853 | 1,502 | 9 | 16,364 |
| Total gains/(losses) recognised in the consolidated income statement | | | | |
| – Net trading income | 725 | – | (2) | 723 |
| Total gains recognised in other comprehensive income | | | | |
| – Net change in fair value | – | 97 | – | 97 |
| Purchases | 35,956 | 152 | 7 | 36,115 |
| Settlements | (20,855) | – | (12) | (20,867) |
| At 31 December 2025 | 30,679 | 1,751 | 2 | 32,432 |
| Total gains recognised in the consolidated income statement relating to assets held at 31 December 2025 | | | | |
| – Net trading income | 332 | – | – | 332 |

Financial liabilities

| | 2025 | | |
|--|--|--|-------------------------------------|
| | Financial liabilities at fair value through profit or loss HK\$'M | Amounts due to fellow subsidiaries HK\$'M | Total Level 3 Liabilities HK\$'M |
| At 1 January 2025 | 12,062 | 120 | 12,182 |
| Total gains recognised in the consolidated income statement | | | |
| – Net trading income | (1,411) | (85) | (1,496) |
| Additions | 33,738 | 279 | 34,017 |
| Settlements | (22,547) | (80) | (22,627) |
| Transfer out of level 3 ¹ | 85 | – | 85 |
| At 31 December 2025 | 21,927 | 234 | 22,161 |
| Total gains recognised in the consolidated income statement relating to liabilities held at 31 December 2025 | | | |
| – Net trading income | (1,518) | (56) | (1,574) |

¹ Transfer out of level 3 during the period relate to financial instruments where the valuation parameters became observable during the period.

Notes to the consolidated financial statements continued

34. Financial instruments (continued)

(a) Valuation of financial instruments carried at fair value (continued)

(i) Valuation of financial instruments with significant unobservable inputs (continued)

The movements during the year for level 3 financial assets and liabilities are as follows:

Financial assets

| | 2024 | | | |
|---|---|---|---|--------------------------------|
| | Financial assets at fair value through profit or loss HK\$'M | Financial assets at fair value through other comprehensive income HK\$'M | Amount due from fellow subsidiaries HK\$'M | Total Level 3 Assets HK\$'M |
| At 1 January 2024 | 14,306 | 1,668 | – | 15,974 |
| Total gains recognised in the consolidated income statement | | | | |
| – Net trading income | 566 | – | 6 | 572 |
| Total losses recognised in other comprehensive income | | | | |
| – Net change in fair value | – | (165) | – | (165) |
| Purchases | 10,132 | – | 15 | 10,147 |
| Settlements | (9,989) | (1) | (12) | (10,002) |
| Transferred into level 3 ¹ | (162) | – | – | (162) |
| At 31 December 2024 | 14,853 | 1,502 | 9 | 16,364 |
| Total gains recognised in the consolidated income statement relating to assets held at 31 December 2024 | | | | |
| – Net trading income | 591 | – | 6 | 597 |

Financial liabilities

| | 2024 (Restated) | | |
|--|--|--|-------------------------------------|
| | Financial liabilities at fair value through profit or loss HK\$'M | Amounts due to fellow subsidiaries HK\$'M | Total Level 3 Liabilities HK\$'M |
| At 1 January 2024 | 5,534 | 83 | 5,617 |
| Total gains recognised in the consolidated income statement | | | |
| – Net trading income | (21) | (76) | (97) |
| Additions | 19,018 | 236 | 19,254 |
| Settlements | (11,441) | (88) | (11,529) |
| Transfer out of level 3 ¹ | (1,028) | (35) | (1,063) |
| At 31 December 2024 | 12,062 | 120 | 12,182 |
| Total gains recognised in the consolidated income statement relating to liabilities held at 31 December 2024 | | | |
| – Net trading income | (175) | (8) | (183) |

¹ Transfers into/(out of) level 3 during the period relate to financial instruments where the valuation parameters became unobservable/(observable) during the period.

Notes to the consolidated financial statements continued

34. Financial instruments (continued)

(a) Valuation of financial instruments carried at fair value (continued)

(i) Valuation of financial instruments with significant unobservable inputs (continued)

The following table presents the key valuation techniques used to measure the fair value of level 3 financial instruments which are held at fair value, the significant unobservable inputs and the range of values for those inputs and the weighted average of those inputs.

| Type of instruments | Principal valuation technique | Significant unobservable inputs | Range ¹ | Weighted average ² |
|---------------------------------|-------------------------------|---------------------------------------|--|-------------------------------|
| Debt securities | Discounted cash flows | Price/Yield | 2.57% to 9.45% (2024: 0.66% to 9.49%) | 5.50% (2024: 4.70%) |
| Loans and advances to banks | Discounted cash flows | Price/Yield | 4.37% to 6.07% (2024: 6.64%) | 5.60% (2024: 6.64%) |
| Loans and advances to customers | Discounted cash flows | Price/Yield | 4.26% to 13.67% (2024: 2.25% to 27.40%) | 9.21% (2024: 9.63%) |
| | | Recovery rates | 99.98% to 99.99% (2024: 93.22% to 95.55%) | 99.99% (2024: 95.06%) |
| | Comparable pricing/yield | Price/Yield | 98.50% to 100% (2024: NA) | 99.99% (2024: NA) |
| Equity shares | Discounted cash flows | Discount rates | 8.20% to 11.80% (2024: 8.30% to 12.40%) | 10.40% (2024: 9.90%) |
| | | Price-Book multiple | NA (2024: 0.34x to 1.24x) | NA (2024: 1.20x) |
| | Option pricing model | Liquidity discount | NA (2024: 19.10% to 30%) | NA (2024: 19.20%) |
| | | Equity value based on volatility | NA (2024: 30.20%) | NA (2024: 30.20%) |
| Debt securities issued | Discounted cash flows | Credit spreads | NA (2024: 0.05% to 1.97%) | NA (2024: 0.80%) |
| | | Interest Rate Curves | NA (2024: 3.54% to 4.36%) | NA (2024: 4.14%) |
| | Option pricing model | Bond Option Implied Volatility | NA (2024: 4.01% to 4.71%) | NA (2024: 4.38%) |
| Deposits by banks | Discounted cash flows | Credit spreads | 4.26% to 4.72% (2024: 0.15% to 3.52%) | 4.49% (2024: 1.01%) |
| Customer deposits | Discounted cash flows | Price/Yield | 2.57% to 13.67% (2024: 0.66% to 12.98%) | 7.04% (2024: 9.27%) |
| | | Interest Rate Curves | NA (2024: 1.38% to 2.20%) | NA (2024: 1.65%) |
| | Internal pricing model | Equity-Equity correlation | 50.76% to 100% (2024: 44.93% to 100%) | 77.59% (2024: 80.02%) |
| | | Equity-Foreign exchange correlation | -26.92% to 46.76% (2024: -36.43% to 48.86%) | 6.69% (2024: 5.05%) |
| Derivatives | Discounted cash flows | Credit spreads | NA (2024: 0.21% to 1.85%) | NA (2024: 1.03%) |
| | | Price/Yield | 2.72% to 9.45% (2024: 6.64%) | 6.50% (2024: 6.64%) |
| | Internal pricing model | Equity-Equity correlation | 50.76% to 100% (2024: 44.93% to 100%) | 77.59% (2024: 80.02%) |
| | | Equity – Foreign exchange correlation | -26.92% to 46.76% (2024: -36.73% to 48.86%) | 6.69% (2024: 5.05%) |
| | Option pricing model | Bond option implied volatility | NA (2024: 4.01% to 4.71%) | NA (2024: 4.38%) |

¹ The ranges of values shown represent the highest and lowest used in the valuation of the level 3 financial instruments as at 31 December 2025 and 31 December 2024. The ranges of values used are reflective of the underlying characteristics of these level 3 financial instruments based on the market conditions at the reporting date. However, these ranges of values may not represent the uncertainty in fair value measurements of these level 3 financial instruments.

² Weighted average for non-derivative financial instruments have been calculated by weighting inputs by the relative fair value.

Notes to the consolidated financial statements continued

34. Financial instruments (continued)

(a) Valuation of financial instruments carried at fair value (continued)

(i) Valuation of financial instruments with significant unobservable inputs (continued)

The following section describes the significant unobservable inputs identified in the above valuation technique table.

Credit spreads

Credit spreads represent the additional yield that a market participant would demand for taking exposures to the credit risk of an instrument. An increase in credit spread, in isolation, would result in a decrease in fair value measurement.

Discount rates

Discount rates are applied to discount future dividend in the discounted cash flow model. An increase in the discount rate, in isolation, would result in a decrease in fair value measurement.

Equity-Equity correlation and Equity-Foreign Exchange correlation

Correlation is the measure of how movement in one variable influences the movement in another variable. An equity-equity correlation is the correlation between two equity instruments while an equity-foreign exchange correlation refers to the correlation between equity instrument and foreign exchange instrument.

Interest rate curves

Interest rate curves are the term structure of interest rates and measures of future interest rates at a particular point in time.

Liquidity discount

Liquidity discount in the valuation of unlisted investments reflect the fact that these investments are not actively traded. An increase in liquidity discount will result in an unfavourable movement in the fair value of the unlisted firm.

Price-Book (P/B) Multiple

Price-Book Multiple is the ratio of the market value of equity to the book value of equity. An increase in P/B multiple will result in a favourable movement in the fair value of the unlisted firm.

Recovery rates

Recovery rates are the expectation of the rate of recovery resulting from the liquidation of a particular loan. As the probability of default increases for a given instrument, the valuation of that instrument will increasingly reflect its expected recovery level assuming default. An increase in the recovery rate, in isolation, would result in a favourable movement in the fair value of the loan.

Volatility

Volatility represents an estimate of how much a particular instrument, parameter or index will change in value over time. Generally, the higher the volatility, the more expensive the option will be.

Yield

Yield is the interest rate that is used to discount the future cash flows in a discounted cash flow model. An increase in the yield, in isolation, would result in a decrease in fair value measurement.

Notes to the consolidated financial statements continued

34. Financial instruments (continued)

(a) Valuation of financial instruments carried at fair value (continued)

(ii) Sensitivities in respect of the fair values of level 3 assets and liabilities

Where the fair values of financial instruments are measured using valuation techniques that incorporate one or more significant inputs which are based on unobservable market data, we apply a 10 percent increase or decrease on the values of these unobservable parameter inputs, to generate a range of reasonably possible alternative valuations in accordance with the requirements of HKFRS 7/IFRS 7, Financial Instruments: Disclosures. The percentage shift is determined by statistical analyses performed on a set of reference prices, which include certain equity indices, credit indices and volatility indices, based on the composition of the level 3 financial instruments. Favourable and unfavourable changes are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. This level 3 sensitivity analysis assumes a one way market move and does not consider offsets for hedges.

| | 2025 | | | | | |
|-------------------------------------|---|--------------------|----------------------|---|--------------------|----------------------|
| | Held at fair value through profit or loss | | | Held at fair value through other comprehensive income | | |
| | Net exposure | Favourable changes | Unfavourable changes | Net exposure | Favourable changes | Unfavourable changes |
| | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M |
| Debt securities | 17,559 | 17,808 | 17,313 | - | - | - |
| Loans and advances to customers | 8,115 | 8,234 | 7,951 | - | - | - |
| Loans and advances to banks | 4,891 | 5,437 | 4,419 | - | - | - |
| Equity shares | 105 | 115 | 94 | 1,751 | 1,952 | 1,553 |
| Positive fair values of derivatives | 11 | 13 | 11 | - | - | - |
| Deposits by banks | (1,240) | (1,157) | (1,323) | - | - | - |
| Customer deposits | (20,598) | (20,091) | (21,090) | - | - | - |
| Negative fair values of derivatives | (323) | (321) | (368) | - | - | - |
| | 8,520 | 10,038 | 7,007 | 1,751 | 1,952 | 1,553 |
| | 2024 (Restated) | | | | | |
| | Held at fair value through profit or loss | | | Held at fair value through other comprehensive income | | |
| | Net exposure | Favourable changes | Unfavourable changes | Net exposure | Favourable changes | Unfavourable changes |
| | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M | HK\$'M |
| Debt securities | 4,822 | 4,919 | 4,714 | - | - | - |
| Loans and advances to customers | 4,634 | 4,764 | 4,507 | - | - | - |
| Loans and advances to banks | 5,179 | 5,682 | 4,675 | - | - | - |
| Equity shares | 209 | 230 | 188 | 1,502 | 1,651 | 1,351 |
| Positive fair values of derivatives | 18 | 19 | 17 | - | - | - |
| Debt securities issued | (1,717) | (1,692) | (1,741) | - | - | - |
| Deposits by banks | (2,495) | (2,495) | (2,495) | - | - | - |
| Customer deposits | (16,187) | (15,079) | (17,251) | - | - | - |
| Negative fair values of derivatives | (296) | (282) | (309) | - | - | - |
| | (5,833) | (3,934) | (7,695) | 1,502 | 1,651 | 1,351 |

Notes to the consolidated financial statements continued

34. Financial instruments (continued)

(a) Valuation of financial instruments carried at fair value (continued)

(ii) Sensitivities in respect of the fair values of level 3 assets and liabilities (continued)

These reasonably possible alternatives could have increased or decreased the values of financial instruments held at fair value through profit or loss and those classified as fair value through other comprehensive income by the amounts disclosed below.

| Financial instruments | Fair value changes | 2025 HK\$'M | 2024 HK\$'M (Restated) |
|---|--------------------|----------------|------------------------------|
| Held at fair value through profit or loss | Possible increase | 1,518 | 1,899 |
| | Possible decrease | (1,513) | (1,862) |
| Held at fair value through other comprehensive income | Possible increase | 201 | 149 |
| | Possible decrease | (198) | (151) |

(b) Valuation of financial instruments carried at amortised cost

The following table shows the carrying amounts and incorporates the estimated of fair values of those financial assets and liabilities not presented on the balance sheet at fair value. These fair values may be different from the actual amount that will be received or paid on the settlement or maturity of the financial instruments. For certain instruments, the fair value may be determined using assumptions for which no observable prices are available.

| | 2025 | | | | | 2024 (Restated) | | | | |
|--|-----------------------------|-------------------|-------------------|-------------------|------------------|-----------------------------|-------------------|-------------------|-------------------|------------------|
| | Carrying value HK\$'M | Fair Value | | | | Carrying value HK\$'M | Fair Value | | | |
| | | Level 1 HK\$'M | Level 2 HK\$'M | Level 3 HK\$'M | Total HK\$'M | | Level 1 HK\$'M | Level 2 HK\$'M | Level 3 HK\$'M | Total HK\$'M |
| Assets | | | | | | | | | | |
| Loans and advances to banks | 148,906 | - | 148,588 | 361 | 148,949 | 160,360 | - | 160,344 | 24 | 160,368 |
| Loans and advances to customers | 992,554 | - | 59,041 | 924,157 | 983,198 | 953,252 | - | 41,006 | 884,490 | 925,496 |
| Total | 1,141,460 | - | 207,629 | 924,518 | 1,132,147 | 1,113,612 | - | 201,350 | 884,514 | 1,085,864 |
| Liabilities | | | | | | | | | | |
| Deposits by banks | 43,391 | - | 39,600 | - | 39,600 | 23,733 | - | 23,233 | - | 23,233 |
| Customer accounts | 2,046,841 | - | 2,023,534 | - | 2,023,534 | 1,774,030 | - | 1,749,881 | - | 1,749,881 |
| Debt securities in issue | 19,070 | - | 16,129 | - | 16,129 | 16,683 | - | 14,510 | - | 14,510 |
| Subordinated liabilities and other borrowed funds | 48,208 | - | 48,441 | - | 48,441 | 46,024 | - | 46,030 | - | 46,030 |
| Total | 2,157,510 | - | 2,127,704 | - | 2,127,704 | 1,860,470 | - | 1,833,654 | - | 1,833,654 |

¹ The subordinated liabilities comprise of internal issuance grouped under amounts due to immediate holding company and amounts due to fellow subsidiaries (note 16).

Other financial instruments not carried at fair value are typically short term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value.

Notes to the consolidated financial statements continued

34. Financial instruments (continued)

(c) *Transfers of financial assets*

The Group enters into collateralised repurchase agreements (repos). These transactions typically entitle the Group and its counterparties to have recourse to assets similar to those provided as collateral in the event of a default. Assets pledged in respect of repos continue to be recognised on the consolidated statement of financial position as the Group retains substantially the associated risk and rewards of these assets.

The table below sets out the financial assets provided by the Group as collateral for repurchase transactions:

| | 2025 HK\$'M | 2024 HK\$'M |
|---|----------------|----------------|
| Collateral pledged against repurchase agreements | | |
| On balance sheet | | |
| Investment securities | 35,235 | 20,047 |
| Off balance sheet | | |
| Repledged collateral received | 12,767 | 195 |
| | 48,002 | 20,242 |
| Balance sheet liabilities – repurchase agreements | | |
| Deposits by banks | 9,957 | 3,504 |
| Customer accounts | 30,520 | 12,415 |
| | 40,477 | 15,919 |

(d) *Offsetting financial assets and financial liabilities*

The following tables present details of financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

| Assets | 2025 | | | | | |
|--|--|--|--|--|-----------------------------------|----------------------|
| | Gross amounts of recognised financial assets HK\$'M | Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK\$'M | Net amounts of financial assets presented in the consolidated statement of financial position HK\$'M | Related amounts not offset in the consolidated statement of financial position | | Net amount HK\$'M |
| | | | | Financial instruments HK\$'M | Financial collateral HK\$'M | |
| Positive fair values of derivative financial instruments | 150,439 | (13,039) | 137,400 | (86,240) | (2,776) | 48,384 |
| Reverse repos, securities borrowing and similar agreements | 217,124 | – | 217,124 | – | (200,608) | 16,516 |
| | 367,563 | (13,039) | 354,524 | (86,240) | (203,384) | 64,900 |

| Liabilities | 2025 | | | | | |
|---|--|---|---|--|-----------------------------------|----------------------|
| | Gross amounts of recognised financial liabilities HK\$'M | Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK\$'M | Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'M | Related amounts not offset in the consolidated statement of financial position | | Net amount HK\$'M |
| | | | | Financial instruments HK\$'M | Financial collateral HK\$'M | |
| Negative fair values of derivative financial instruments | 150,718 | (12,893) | 137,825 | (86,240) | (2,218) | 49,367 |
| Repos and similar agreements | 40,477 | – | 40,477 | – | (6,580) | 33,897 |
| | 191,195 | (12,893) | 178,302 | (86,240) | (8,798) | 83,264 |

Notes to the consolidated financial statements continued

34. Financial instruments (continued)

(d) Offsetting financial assets and financial liabilities (continued)

| Assets | 2024 | | | | | |
|--|--|--|--|--|-----------------------------------|----------------------|
| | Gross amounts of recognised financial assets HK\$'M | Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK\$'M | Net amounts of financial assets presented in the consolidated statement of financial position HK\$'M | Related amounts not offset in the consolidated statement of financial position | | Net amount HK\$'M |
| | | | | Financial instruments HK\$'M | Financial collateral HK\$'M | |
| Positive fair values of derivative financial instruments | 200,337 | (16,698) | 183,639 | (123,074) | (10,016) | 50,549 |
| Reverse repos, securities borrowing and similar agreements | 192,225 | - | 192,225 | - | (179,205) | 13,020 |
| | 392,562 | (16,698) | 375,864 | (123,074) | (189,221) | 63,569 |

| Liabilities | 2024 | | | | | |
|---|--|--|--|--|-----------------------------------|----------------------|
| | Gross amounts of recognised financial liabilities HK\$'M | Gross amounts of recognised assets offset in the consolidated statement of financial position HK\$'M | Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'M | Related amounts not offset in the consolidated statement of financial position | | Net amount HK\$'M |
| | | | | Financial instruments HK\$'M | Financial collateral HK\$'M | |
| Negative fair values of derivative financial instruments | 199,143 | (16,698) | 182,445 | (123,074) | (5,823) | 53,548 |
| Repos and similar agreements | 15,919 | - | 15,919 | - | (2,953) | 12,966 |
| | 215,062 | (16,698) | 198,364 | (123,074) | (8,776) | 66,514 |

The Group is able to offset assets and liabilities which do not meet the HKAS/IAS 32 netting criteria (see note 2(l)). Such arrangements include master netting arrangements for derivatives and global master repurchase agreements for repos and reverse repos. These agreements generally allow that all outstanding transactions with a particular counterparty can be offset but only in the event of default or other pre-determined events, therefore the related financial assets and financial liabilities are not offset in the consolidated statement of financial position.

Under repos and reverse repos, the Group would pledge (legally sell) and obtain (legally purchase) financial collateral which are mainly highly liquid assets which can be sold in the event of a default.

The related amounts not offset in the consolidated statement of financial position which are disclosed in the table above include financial instruments covered by master netting arrangements and financial collateral pledged and obtained but exclude the effect of over collateralisation.

Notes to the consolidated financial statements continued

35. Assets pledged as security for liabilities

The Group maintains pledged cash and securities accounts to secure any borrowings or other obligations resulting from the Group's use of clearing systems and to cover short positions. As at 31 December 2025, the Group had securities amounting to HK\$60,293 million (2024: HK\$50,961 million) to cover the short positions.

Reverse repos and securities borrowing transactions

The Group also undertakes reverse repos and securities borrowing transactions as set out in the table below:

| | 2025 HK\$'M | 2024 HK\$'M |
|--|----------------|----------------|
| Consolidated statement of financial position assets – reverse repos and securities borrowing | | |
| Loans and advances to banks | 33,377 | 55,276 |
| Loans and advances to customers | 111,759 | 109,246 |
| Amounts due from fellow subsidiaries | 71,988 | 27,703 |
| | 217,124 | 192,225 |

Under reverse repos and securities borrowing arrangements, the Group obtains securities on terms that permit it to repledge or resell the securities to others. The amount of securities which the Group is able to repledge or resell are as follows:

| | 2025 HK\$'M | 2024 HK\$'M |
|---|----------------|----------------|
| Securities and collateral that can be repledged or sold (at fair value) | 216,624 | 196,964 |
| Thereof repledged/transferred to others under repos (at fair value) | 12,767 | 195 |

These transactions are conducted under terms that are usual and customary to standard lending and stock borrowing activities.

Notes to the consolidated financial statements continued

36. Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 7 is as follows:

| | 2025 HK\$'M | 2024 HK\$'M |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 240 | 239 |
| Post-employment benefits | 11 | 11 |
| Equity compensation benefits | 215 | 151 |
| Termination benefits | 3 | 7 |
| | 469 | 408 |

Total employee staff costs during the year are included on note 4(f).

(b) Credit facilities and loans to key management personnel

During the year, the Group provided credit facilities to key management personnel of the Group and their close family members and companies controlled or significantly influenced by them. The credit facilities were provided in the ordinary course of business and on substantially the same terms as for comparable transactions with persons of a similar standing or, where applicable, with other employees.

| | 2025 HK\$'M | 2024 HK\$'M |
|---------------------------------|----------------|----------------|
| Loan balances: | | |
| At 1 January | 37 | 42 |
| At 31 December | 111 | 37 |
| Average balance during the year | 112 | 40 |
| Income earned | 3 | 1 |
| Undrawn commitments | 76 | 72 |

(c) Loans, quasi-loans and other dealings to directors and entities controlled by directors

Information of the Group disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

| | 2025 HK\$'M | 2024 HK\$'M |
|---|----------------|----------------|
| Aggregate amount of relevant loans by the Group outstanding at 31 December | 29 | 31 |
| Maximum aggregate amount of relevant loans by the Group outstanding during the year | 34 | 36 |

(d) Related party transactions with associates and joint ventures of SC PLC Group

During the year, the Group entered into transactions with associates and joint ventures of SC PLC Group in the ordinary course of its banking business and on substantially the same terms as for comparable transactions with third-party counterparties. The amounts of material transactions during the year are set out below:

| | 2025 HK\$'M | 2024 HK\$'M |
|---|----------------|----------------|
| Deposits from associates and joint ventures | 974 | 1,093 |
| Operating income | 21 | 24 |

Notes to the consolidated financial statements continued

37. Share based payments

The Group operates a number of share-based arrangements for its executive directors and employees. The Group determines both the grant and settlement date for all schemes, and no option to determine grant or settlement date is available to employees. No other principal subsidiaries have separate share schemes.

Discretionary share plans

The 2021 Standard Chartered Share Plan (the "2021 Plan") was approved by shareholders in May 2021 and is the Group's main share plan, replacing the 2011 Standard Chartered Share Plan (the "2011 Plan") for new awards from June 2021. It is used to deliver various types of share awards to employees and former employees of the Group, including directors and former executive directors:

| Award type | Description and performance measures | Valuation |
|---|---|--|
| Long Term Incentive Plan (LTIP) awards | <p>The vesting of awards granted in 2025, 2024 and 2023 are subject to the following performance measures:</p> <ul style="list-style-type: none"> relative total shareholder return (TSR); return on tangible equity (RoTE) (with a Common Equity Tier 1 (CET1) underpin); and strategic measures (including targets set for sustainability linked to business strategy) <p>Each measure is assessed independently over a three-year period. LTIP awards have an individual conduct gateway requirement that results in the award lapsing if not met.</p> | <p>The fair value of the relative TSR component is calculated using the probability of meeting the measures over a three-year performance period, using a Monte Carlo simulation model.</p> <p>The value of the remaining components is based on the expected performance against the RoTE and strategic measures in the scorecard and the resulting estimated number of shares expected to vest at each reporting date. These combined values are used to determine the accounting charge.</p> <p>No dividend equivalents accrue for the LTIP awards made in 2025, 2024, 2023 or 2022 and the fair value takes this into account, calculated by reference to market consensus dividend yield.</p> |
| Deferred shares | <p>Used to deliver:</p> <ul style="list-style-type: none"> the deferred portion of year-end variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant. This enables the Group to meet regulatory requirements relating to deferral levels, and is in line with market practice. replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers. These vest in the quarter most closely following the date when the award would have vested at the previous employer. This enables the Group to meet regulatory requirements relating to buy-outs, and is in line with market practice. <p>Deferred share awards are not subject to any performance measures.</p> | <p>The fair value for deferred shares, which are granted to employees who are not categorised as material risk takers, is based on 100 per cent of the face value of the shares at the date of grant as the share price will reflect expectations of all future dividends.</p> <p>For awards granted to material risk takers in 2025, the fair value of awards takes into account the lack of dividend equivalents, calculated by reference to market consensus dividend yield.</p> |

The remaining life of the 2021 Standard Chartered Share Plan during which new awards can be made is six years.

Notes to the consolidated financial statements continued

37. Share based payments (continued)

LTIP awards

| Grant date | 2025 12-May | 2024 12-March |
|-------------------------------|------------------|------------------|
| Share price at grant date (£) | 11.70 | 6.60 |
| Vesting period (years) | 3-7 | 3-7 |
| Expected dividend yield (%) | 3.5 | 4.2 |
| Fair value (RoTE) (£) | 2.86, 2.96, 3.06 | 1.55, 1.61, 1.68 |
| Fair value (TSR) (£) | 1.97, 2.04, 2.10 | 0.95, 1.01, 1.06 |
| Fair value (Strategic) (£) | 3.81, 3.94, 4.08 | 2.06, 2.15, 2.24 |

Deferred shares – year-end

| Grant date | 2025 | | | | | | | |
|-------------------------------|-----------------------------|----------------|-----------------------------|---------------------|-----------------------------|---------------------|-----------------------------|---------------------|
| | 17-Nov | | 24-Sep | | 12-May | | 14-Mar | |
| Share price at grant date (£) | 16.13 | | 14.55 | | 11.7 | | 11.77 | |
| Vesting period (years) | Expected dividend yield (%) | Fair value (£) | Expected dividend yield (%) | Fair value (£) | Expected dividend yield (%) | Fair value (£) | Expected dividend yield (%) | Fair value (£) |
| 1-3 years | N/A | 20.49 | N/A | 18.48 | N/A | 14.86 | N/A | 14.95 |
| | - | - | 2.5, 2.5, 2.5 | 16.95, 17.16, 17.37 | 3.5, 3.5, 3.5 | 13.18, 13.41, 13.64 | 3.3, 3.3, 3.3 | 13.34, 13.56, 13.78 |
| 1-5 years | | | | | | | | |
| 3-7 years | - | - | - | - | - | - | 3.3, 3.3 | 12.30, 12.71 |

| Grant Date | 2024 | | | |
|-------------------------------|-----------------------------|------------------|-----------------------------|------------------|
| | 17 June | | 11 March | |
| Share price at grant date (£) | 7.24 | | 6.56 | |
| Vesting Period (Years) | Expected dividend yield (%) | Fair value (£) | Expected dividend yield (%) | Fair value (£) |
| 1-3 years | N/A | 9.17 | 4.2, 4.2 | 7.65, 8.30 |
| 1-5 years | 3.8, 3.8, 3.8 | 8.05, 8.20, 8.35 | 4.2, 4.2, N/A | 7.19, 7.49, 8.30 |
| 3-7 years | | | 4.2, 4.2 | 6.49, 6.76 |

Deferred shares – buy-outs

| Grant date | 2025 | | | | | | | |
|-------------------------------|-----------------------------|---------------------|-----------------------------|--|-----------------------------|---------------------|-----------------------------|----------------|
| | 17-Nov | | 24-Sep | | 12-May | | 14-Mar | |
| Share price at grant date (£) | 16.13 | | 14.55 | | 11.7 | | 11.77 | |
| Vesting Period (Years) | Expected Dividend Yield (%) | Fair Value (£) | Expected Dividend Yield (%) | Fair Value (£) | Expected Dividend Yield (%) | Fair Value (£) | Expected Dividend Yield (%) | Fair Value (£) |
| 3 months | | | 2.5 | 19.44 | | | 3.3 | 15.07 |
| 4 months | 3.3 | 21.14 | | | 3.5 | 15.87 | | |
| 6 months | | | 2.5 | 18.85, 19.09, 19.32 | | | | |
| 7 months | 3.3 | 20.97 | | | | | | |
| 9 months | | | 2.5 | 19.2 | | | | |
| 10 months | | | | | 3.5 | 15.58 | | |
| 1 year | 3.3 | 20.30, 20.46, 20.63 | 2.5 | 18.39, 18.62, 18.74, 18.85, 18.97, 19.09 | 3.5 | 15.06, 15.33, 15.44 | 3.3 | 14.59, 14.71 |
| 2 years | 3.3 | 19.65, 19.81, 19.97 | 2.5 | 17.94, 18.17, 18.28, 18.39, 18.51, 18.62 | 3.5 | 14.92 | 3.3 | 14.12, 14.24 |
| 3 years | 3.3 | 19.18, 19.33 | 2.5 | 17.72, 17.94, 18.17 | 3.5 | 14.41 | 3.3 | 13.78 |
| 4 years | | | 2.5 | 17.51 | | | | |
| 5 years | | | | | | | | |

Notes to the consolidated financial statements continued

37. Share based payments (continued)

| Grant date | 2024 | | | | | | | |
|-------------------------------|--------------------|----------------|--------------------|---------------------------|--------------------|---------------------|--------------------|---------------------------|
| | 18-Nov | | 23-Sep | | 17-Jun | | 11-Mar | |
| Share price at grant date (£) | 9.43 | | 7.59 | | 7.24 | | 6.56 | |
| Vesting Period (Years) | Expected | Fair Value (£) | Expected | Fair Value (£) | Expected | Fair Value (£) | Expected | Fair Value (£) |
| | Dividend Yield (%) | | Dividend Yield (%) | | Dividend Yield (%) | | Dividend Yield (%) | |
| 3 months | | | 4.2 | 9.59 | 3.8 | 9.07 | 4.2 | 8.22 |
| 4 months | 4.2 | 11.83 | | | | | | |
| 6 months | | | 4.2 | 9.49 | 3.8 | 8.99 | 4.2 | 8.14 |
| 7 months | 4.2 | 11.69 | | | | | | |
| 9 months | | | 4.2 | 9.4 | 3.8 | 8.90 | 4.2 | 8.06 |
| 10 months | | | | | | | | |
| 1 year | 4.2 | 11.22, 11.36 | 4.2 | 9.02, 9.11, 9.21, 9.30 | 3.8 | 8.58, 8.66, 8.74 | 4.2 | 7.73, 7.81, 7.89, 7.97 |
| 1.4 years | | | | | | | | |
| 2 years | 4.2 | 10.77, 10.90 | 4.2 | 8.65, 8.74, 8.83, 8.93 | 3.8 | 8.26, 8.34 | 4.2 | 7.42, 7.50, 7.57, 7.65 |
| 2.4 years | | | | | | | | |
| 3 years | 4.2 | 10.46 | 4.2 | 8.39 | | | 4.2 | 7.20, 7.34 |
| 4 years | 4.2 | 10.04 | | | | | 4.2 | 7.05 |
| 5 years | | | | | | | | |

All Employee Sharesave Plans

Under the 2023 Sharesave Plan, employees may open a savings contract and save up to £500 (increased from £250 since 2024) per month over three years to purchase ordinary shares in the Company at a discount of up to 20 per cent (the "option exercise price"). The discount applies to higher of: the 5-day average share price prior to the invitation or the closing share price on the last trading day prior to the invitation. At the end of the savings contract they have a period of six months to exercise the option. There are no performance measures attached to Sharesave options, and no exercise price is payable to receive an option. In some countries in which the Group operates, it is not possible to operate equity-settled Sharesave, typically due to securities law and regulatory restrictions. In these countries, where possible, the Group offers an equivalent cash-based alternative to its employees.

The remaining life of the 2023 Sharesave Plan during which new awards can be made is eight years.

Valuation – Sharesave:

Options under the Sharesave plans are valued using a binomial option-pricing model. The same fair value is applied to all employees including executive directors. The fair value per option granted and the assumptions used in the calculation are as follows:

All Employee Sharesave Plan (Sharesave)

| Grant Date | 2025 | 2024 |
|-------------------------------|--------------|--------------|
| | 24 September | 23 September |
| Share Price At Grant Date (£) | 14.55 | 7.59 |
| Exercise Price (£) | 11.10 | 6.10 |
| Vesting Period (Years) | 3 | 3 |
| Expected Volatility (%) | 31.2 | 32.9 |
| Expected Option Life (Years) | 3.5 | 3.5 |
| Risk-Free Rate (%) | 3.98 | 3.88 |
| Expected Dividend Yield (%) | 2.5 | 4.2 |
| Fair Value (£) | 6.49 | 2.73 |

The expected volatility is based on historical volatility over the last three years, or the three years prior to grant. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is calculated by reference to market consensus dividend yield.

Notes to the consolidated financial statements continued

37. Share based payments (continued)

Reconciliation of share award movements for the year to 31 December 2025

| | LTIP | Deferred shares | Sharesave | Weighted average Sharesave exercise price (£) |
|---|----------|-----------------|--------------|---|
| Outstanding at 1 January 2025 | 716,501 | 8,394,733 | 6,796,874 | 5.44 |
| Granted | 255,091 | 2,667,734 | 1,498,374 | 11.10 |
| Lapsed | (19,490) | (184,858) | (256,679) | 6.01 |
| Exercised | (80,053) | (3,211,397) | (413,012) | 3.80 |
| Outstanding at 31 December 2025 | 872,049 | 7,666,212 | 7,625,557 | 6.62 |
| Exercisable at 31 December 2025 | - | 32,465 | 13,786 | |
| Range of exercise prices (£) | - | - | 3.67 – 11.10 | |
| Weighted average contractual remaining life (years) | 7.65 | 8.10 | 2.01 | |

Reconciliation of share award movements for the year to 31 December 2024

| | LTIP | Deferred shares | Sharesave | Weighted average Sharesave exercise price (£) |
|---|-----------|-----------------|-------------|---|
| Outstanding at 1 January 2024 | 627,336 | 7,309,092 | 5,592,527 | 4.22 |
| Granted | 262,507 | 4,147,198 | 3,139,015 | 6.10 |
| Lapsed | (112,860) | (102,906) | (290,323) | 7.41 |
| Exercised | (60,482) | (2,958,651) | (1,644,345) | 3.39 |
| Outstanding at 31 December 2024 | 716,501 | 8,394,733 | 6,796,874 | 5.44 |
| Exercisable at 31 December 2024 | - | 38,868 | 383,514 | |
| Range of exercise prices (£) | - | - | 3.14 – 6.10 | |
| Weighted average contractual remaining life (years) | 7.77 | 8.34 | 2.55 | |

38. Ultimate and immediate holding company

The Bank's ultimate and immediate holding company is SC PLC, a company registered in England and Wales. SC PLC has listings on the London Stock Exchange and the Stock Exchange of Hong Kong.

39. Post balance sheet events

On 13 January 2026, the Bank issued 2 fixed rate notes with total face value of USD2,000 million to SC PLC. The notes qualify as LAC debt instruments under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements — Banking Sector) Rules of Hong Kong (the "LAC Rules").

In addition, on 14 January 2026, the Bank redeemed fixed rate notes with face value of USD1,500 million from SC PLC.

Notes to the consolidated financial statements continued

40. Comparative amounts

Certain comparative figures have been restated to conform to the current year's presentation.

41. Statement of financial position of the Bank as at 31 December 2025

| | 2025 HK\$'M | 2024 HK\$'M |
|--|------------------|------------------|
| Assets | | |
| Cash and balances at central banks | 6,472 | 4,364 |
| Loans and advances to banks | 102,911 | 116,312 |
| Hong Kong SAR Government certificates of indebtedness | 50,191 | 49,451 |
| Financial assets at fair value through profit or loss | 473,402 | 516,090 |
| Investment securities | 300,665 | 188,385 |
| Loans and advances to customers | 565,683 | 544,946 |
| Amounts due from immediate holding company | 1 | 208 |
| Amounts due from fellow subsidiaries | 192,580 | 136,255 |
| Amounts due from subsidiaries of the Bank | 74,442 | 96,735 |
| Investments in subsidiaries of the Bank | 53,647 | 52,816 |
| Interest in an associate | 3,168 | 3,168 |
| Property, plant and equipment | 5,714 | 5,869 |
| Goodwill and intangible assets | 5,549 | 5,177 |
| Other assets | 147,593 | 35,178 |
| | 1,982,018 | 1,754,954 |
| Liabilities | | |
| Hong Kong SAR currency notes in circulation | 50,191 | 49,451 |
| Deposits by banks | 31,893 | 19,697 |
| Customer accounts | 1,386,570 | 1,220,704 |
| Financial liabilities at fair value through profit or loss | 142,589 | 129,220 |
| Amounts due to immediate holding company | 45,773 | 31,259 |
| Amounts due to fellow subsidiaries | 57,897 | 62,512 |
| Amounts due to subsidiaries of the Bank | 35,898 | 36,880 |
| Current tax liabilities | 1,031 | 911 |
| Deferred tax liabilities | 901 | 494 |
| Other liabilities | 61,376 | 54,278 |
| | 1,814,119 | 1,605,406 |
| Equity | | |
| Share capital | 65,025 | 65,025 |
| Reserves | 65,409 | 61,139 |
| Shareholders' equity | 130,434 | 126,164 |
| Other equity instruments | 37,465 | 23,384 |
| | 167,899 | 149,548 |
| | 1,982,018 | 1,754,954 |

Approved and authorised for issue by the Board of Directors on 3 March 2026.

HUEN Wai Yi Mary
Director

Gaurav BAGGA
Director

Notes to the consolidated financial statements continued

42. Statement of changes in equity of the Bank for the year ended 31 December 2025

| | Share capital HK\$M | Own credit adjustment reserve HK\$M | Cash flow hedge reserve HK\$M | FVOCI reserve- Debt HK\$M | FVOCI reserve- Equity HK\$M | Other reserves HK\$M | Retained profits ¹ HK\$M | Sub-total HK\$M | Other equity instruments HK\$M | Total HK\$M |
|--|------------------------|--|--|------------------------------------|--------------------------------------|----------------------------|---|--------------------|--------------------------------------|----------------|
| At 1 January 2024 | 65,025 | 41 | 1,083 | (228) | (218) | 251 | 57,449 | 123,403 | 20,651 | 144,054 |
| Issuance of Additional Tier 1 Capital | - | - | - | - | - | - | - | - | 4,687 | 4,687 |
| Redemption of Additional Tier 1 Capital | - | - | - | - | - | - | - | - | (1,954) | (1,954) |
| Profit for the year | - | - | - | - | - | - | 12,741 | 12,741 | - | 12,741 |
| Other comprehensive income/(loss), net of tax | - | (25) | (930) | 460 | 15 | 127 | 142 | (211) | - | (211) |
| Dividend paid | - | - | - | - | - | - | (9,948) | (9,948) | - | (9,948) |
| Movement in respect of share-based compensation plans | - | - | - | - | - | - | 179 | 179 | - | 179 |
| At 31 December 2024 | 65,025 | 16 | 153 | 232 | (203) | 378 | 60,563 | 126,164 | 23,384 | 149,548 |
| Issuance of Additional Tier 1 Capital | - | - | - | - | - | - | - | - | 21,831 | 21,831 |
| Redemption of Additional Tier 1 Capital | - | - | - | - | - | - | (103) | (103) | (7,750) | (7,853) |
| Profit for the year | - | - | - | - | - | - | 21,361 | 21,361 | - | 21,361 |
| Other comprehensive income/(loss), net of tax | - | (23) | 1,324 | 370 | 46 | 65 | 60 | 1,842 | - | 1,842 |
| Dividend paid | - | - | - | - | - | - | (18,926) | (18,926) | - | (18,926) |
| Movement in respect of share-based compensation plans | - | - | - | - | - | - | 96 | 96 | - | 96 |
| At 31 December 2025 | 65,025 | (7) | 1,477 | 602 | (157) | 443 | 63,051 | 130,434 | 37,465 | 167,899 |

¹ Retained profits are the cumulative net earnings of the Bank that have not been paid out as dividends, but retained in the business. To satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes, the Bank has earmarked a 'regulatory reserve' from retained profits. Movements in the reserve are made directly through retained earnings. As at 31 December 2025, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Bank to shareholders by HK\$490 million (2024: HK\$555 million).

Appendix I: Corporate Governance Report

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority (“HKMA”)

Corporate Governance Practices and objectives

Standard Chartered Bank (Hong Kong) Limited (the “Bank”) has followed the module on “Corporate Governance of Locally Incorporated Authorised Institutions” (“CG-1”) under the Supervisory Policy Manual (“SPM”) issued by the HKMA throughout the year ended 31 December 2025.

Organisational and governance structure and policies

Board Composition

Chairman, Non-Executive Director

HUNG Pi Cheng Benjamin (appointed as Chairman on 1 April 2025)

Executive Directors

Gaurav BAGGA

HUEN Wai Yi Mary

Non-Executive Directors

Noelle Kathleen EDER (appointed on 19 January 2026)

LEE Cheuk Kuen Gloria

Saleem RAZVI

Xiaomin RONG

Independent Non-Executive Directors

LEE Man Yuen Margaret

LEONG Kwok Kuen Lincoln

John Peter SHELLEY

Carlson TONG

Andrew Walter Bougourd Ross WEIR (appointed on 25 April 2025)

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority (“HKMA”) (continued)

Organisational and governance structure and policies (continued)

Board Composition (continued)

HUNG Pi Cheng Benjamin

Board Chair, Non-Executive Director

Mr. Hung was appointed to the Board in January 2008 and was the Chairperson between May 2014 and May 2019. He was redesignated as Non-Executive Director of the Bank on 3 September 2024 and appointed as Board Chair in April 2025.

Mr. Hung was appointed Standard Chartered’s President, International in April 2024. He sits on the Group’s Management Team and is the Chairman of Standard Chartered Bank (China) Limited and Standard Chartered Bank (Singapore) Limited.

Mr. Hung joined Standard Chartered in 1992 and has held a number of senior management positions spanning corporate, commercial and retail banking. Prior to his current role, he was CEO, Asia, overseeing the Bank’s presence in 21 Asian markets.

Mr. Hung is a member of the Hong Kong Chief Executive’s Council of Advisers, Exchange Fund Advisory Committee and the General Committee of the Hong Kong General Chamber of Commerce, and co-opted member of the Executive Committee of the West Kowloon Cultural District Authority. He is the Chairman of the Board of Directors of the Financial Services Development Council, Co-Chair of B20’s Finance and Infrastructure Taskforce and WestK Enterprise Limited. He also serves as an economic advisor at the International Consultative Conference on the Future Economic Development of Guangdong Province, Mainland China. He was previously the chairman of the Hong Kong Association of Banks, a member of the Financial Services Development Council, a board member of the Hong Kong Exchanges and Clearing Limited, the Hong Kong Airport Authority and the Hong Kong Hospital Authority, and a Council Member of the University of Hong Kong.

He holds a Master of Business Administration from University of Toronto and a Bachelor of Arts in Business Administration from University of Washington.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority (“HKMA”) (continued)

Organisational and governance structure and policies (continued)

Board Composition (continued)

HUEN Wai Yi Mary

Executive Director and Chief Executive Officer, Hong Kong and Greater China & North Asia (“GCNA”)

Ms. Huen was appointed to the Board in September 2016. She was appointed as CEO for Hong Kong and GCNA in August 2024 and sits on the Group Management Team.

Ms. Huen has over 30 years of experience in business management and banking services. She joined Standard Chartered in 1991 and has held key senior management positions across balance sheet product management, wealth management and distribution. Ms. Huen was the Regional Head of Retail Banking, GCNA, before being appointed CEO for Hong Kong in March 2017 and taking on an expanded role as Cluster CEO for Hong Kong, Taiwan and Macau in January 2021.

Ms. Huen also serves the broader Hong Kong community as a representative of Hong Kong, China to the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council, a Council member of the Hong Kong Management Association and a member of the Hong Kong Trade Development Council’s Belt and Road & Greater Bay Area Committee, Advisory Committee and Development of International Aviation Superhubs, and the Human Resources Planning Commission. Ms. Huen is also a member of the Board and the Executive Committee the Hong Kong Hospital Authority.

Ms. Huen received a Bachelor of Arts degree from the University of Hong Kong.

Gaurav BAGGA

Executive Director and Chief Financial Officer, Hong Kong and Cluster CFO GCNA

Mr. Bagga was appointed to the Board in September 2024. He was appointed as the Chief Financial Officer (“CFO”) Hong Kong and Cluster CFO GCNA in July 2024.

Mr. Bagga joined Standard Chartered Bank in 2009 and has held numerous key positions in Standard Chartered including CFO of Cluster Markets (Philippines, Sri Lanka, Australia, Nepal and Brunei), Head of Performance Management Analytics Wholesale Banking, and Global Head Asset & Liability Management Product Control. He was most recently the CFO, Singapore and ASEAN Cluster (Thailand, Malaysia, Vietnam and Trust Bank Singapore) from 2017 to 2024.

Prior to joining Standard Chartered, Mr. Bagga was the Engagement Manager with McKinsey & Company, focusing on advisory for Banking and Insurance clients. He counseled senior executives/boards of local and multinational banks as they developed their growth strategies, acquired and divested businesses, entered new markets, revamped their organisations and transformed entire businesses.

Mr. Bagga holds a Master of Business Administration, focus in Finance from the University of Texas and a Bachelor of Science in Computer Science from Iowa State University Ames.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority (“HKMA”) (continued)

Organisational and governance structure and policies (continued)

Board Composition (continued)

LEE Cheuk Kuen Gloria

Non-Executive Director

Ms. Lee was appointed to the Board in May 2017.

Prior to her appointment as Non-executive Director of the Bank, Ms. Lee had held numerous roles in Standard Chartered Group including Vice Chair, Commercial Banking, Hong Kong; Vice Chair, Corporate & Institutional Clients, Hong Kong; Head, Corporate & Institutional Clients, Hong Kong; Head of Origination & Client Coverage, Hong Kong; Head of Client Relationships, Hong Kong; Head of Local Corporates, Hong Kong and Pearl River Delta and Senior Manager, General Manufacturing and Trading, Hong Kong.

Ms. Lee received a Bachelor of Social Sciences Degree majoring in Economics from the University of Hong Kong.

Saleem RAZVI

Non-Executive Director

Mr. Razvi was appointed to the Board in June 2021 and appointed to the role of Chief Financial Officer, Asia in April 2021 based in Hong Kong before retiring from the Bank in May 2024. He was redesignated as a Non-Executive Director in June 2024.

He joined Standard Chartered Bank in 2006 as Head of Finance, Hong Kong and went on to become Chief Financial Officer for Hong Kong and Greater China in 2010. He moved to the role of CFO Wholesale Bank in 2012 and then to the role of CFO, Corporate and Institutional Banking & Client Businesses in 2014. Immediately prior to his appointment to the current role, he was the Group Treasurer, based in Singapore but regularly spending time in London also.

Before joining Standard Chartered, Mr. Razvi was Chief Accounting Officer for HSBC Hong Kong and Asia Pacific. He worked for HSBC for twelve years in a variety of Finance related roles, with specialisation in Investment Banking and Financial Markets in Asia.

Mr. Razvi is a member of the Institute of Chartered Accountants in England and Wales and holds a Bachelor of Science (Hons) in Theoretical Physics, University of London.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority (“HKMA”) (continued)

Organisational and governance structure and policies (continued)

Board Composition (continued)

Xiaomin RONG

Non-Executive Director

Mr. Rong was appointed to the Board in September 2024. He was appointed as the Chief Risk Officer, Global Wealth & Retail Banking in January 2021 and took on an expanded role for the GCNA markets in July 2024.

Mr. Rong first joined Standard Chartered Group in May 2017 as Chief Risk Officer Hong Kong & Chief Credit Officer GCNA, responsible for enterprise-wide risk management and governance for the Bank and credit risk management for Retail Banking business in GCNA. Prior to his roles in Standard Chartered Group, Mr. Rong was the Chief Risk Officer of HSBC Bank Taiwan from August 2014 to May 2017 and held multiple senior risk roles in the HSBC group in China and North America during 2002 to 2014.

Mr. Rong holds a Master of Business Administration with concentrations in Finance, Strategy and General Management from Kellogg School of Management at Northwestern University and Master of Arts from University of Chicago.

Noelle Kathleen EDER

Non-Executive Director

Ms. Eder was appointed to the Board in January 2026. She was appointed as the Group Head, Technology & Operations in May 2025. She is a member of the Group Management Team and is based in Singapore.

Ms. Eder’s extensive career spans more than 30 years, across the financial services, financial technology, healthcare, and hospitality industries. She has deep experience in areas from modernising global technology to driving core innovation, as well as in data and analytics, cyber security, product management and software development. Ms. Eder is also passionate about giving back to the community. She was named one of the top 50 leaders in technology on the Forbes CIO Next List and is listed in WomenTech network’s 100 Executive Women in Tech to Watch for 2025.

Prior to joining the Bank, Ms. Eder was the Executive Vice President and Global Chief Information Officer at The Cigna Group, where she was responsible for leading the digital, technology, data and analytics and operations strategy, aligning with the organisation’s goals to drive innovation and transform healthcare. Prior to joining The Cigna Group, her previous roles include Chief Information and Digital Officer at Hilton Worldwide Holdings, and Chief Card Customer Experience Officer for Capital One Financial Corporation. She also held leadership roles at Intuit and Teknowledge.

Ms. Eder holds a Bachelor of Arts Degree in English from Boston University.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority (“HKMA”) (continued)

Organisational and governance structure and policies (continued)

Board Composition (continued)

LEONG Kwok Kuen Lincoln

Independent Non-Executive Director

Mr. Leong was appointed to the Board in June 2021.

Mr. Leong is a Chartered Accountant with experience in general management, investment management and investment banking. He has a wealth of executive and non-executive board experience across a range of industries and markets, a deep commercial network and understanding of, and connection with, the Hong Kong market.

Mr Leong spent over 15 years at MTR Corporation limited in a range of executive roles, becoming its Chief Executive Officer from 2015 to 2019. Prior to this he held a number of senior roles within private equity and investment banking including as a partner at Capital Z Asia Limited from 1999 to 2002, Senior Vice President of Investment Banking at Lehman Brothers Asia Ltd from 1997 to 1999 and Director of, followed by Head of Corporate Finance at Schroders Asia Ltd from 1991 to 1997. Mr. Leong started his career as an accountant at Pricewaterhouse (now PricewaterhouseCoopers) in 1982 in London and subsequently joined Pricewaterhouse in Vancouver in 1986.

Mr. Leong was previously a non-executive director of Jardine Strategic Holdings Limited and Mandarin Oriental International Limited, and an independent non-executive director of Link Asset Management Limited (manager of the listed Link Real Estate Investment Trust) and SUNeVision Holdings Ltd.

Mr. Leong was appointed as an independent non-executive director (“INED”) of Standard Chartered PLC and to the Court of Standard Chartered Bank in November 2024. He is also an INED of the Hong Kong listed China Resources Land Limited, a non-executive director of Hongkong Land Holdings Limited and holds a number of roles on the boards of not-for-profit companies including, The Community Chest of Hong Kong, and the Hong Kong Housing Society.

Mr. Leong is a Chartered Accountant of the Institute of Chartered Accountants in England and Wales and Canadian Institute of Chartered Accountants. He holds a Master and a Bachelor of Arts Degree from Cambridge University.

LEE Man Yuen Margaret

Independent Non-Executive Director

Ms. Lee was appointed to the Board in April 2023.

Ms. Lee has over 30 years of experience in banking industry. From 1987 to 2015, Ms. Lee worked at Standard Chartered Bank (Hong Kong) Limited, mainly responsible for corporate banking business. From 2016 to 2022, Ms. Lee was an independent non-executive director of Scotiabank (Hong Kong) Limited. She was previously an Independent Non-Executive Director and a member of the Nomination Committee of Haitong International Securities Group Limited from 2021 to 2024.

Ms. Lee is an executive committee member of the Belt and Road Youth Foundation Limited, honorary adviser of the Hong Kong Family Planning Association and committee member of project management committee for Project Aspire, The Education University of Hong Kong.

Ms. Lee holds a Bachelor Degree of Commerce from University of Calgary.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority (“HKMA”) (continued)

Organisational and governance structure and policies (continued)

Board Composition (continued)

John Peter SHELLEY

Independent Non-Executive Director

Mr. Shelley was appointed to the Board in January 2025.

Mr. Shelley is a seasoned banker with over four decades of experience leading and shaping businesses in Hong Kong, Beijing, New York, Channel Islands and London. His experience spans corporate, institutional, consumer and private banking and roles that encompass most aspects of businesses.

Mr. Shelley held various senior roles with Royal Bank of Scotland (“RBS”) during 2000 and 2016 including Non-Executive directorships for group subsidiaries within RBS group. Following his RBS career, John held an advisory role at KPMG in Hong Kong prior to joining the Bank. He was previously an independent non-executive director, Board Risk Committee Chair and Member of Audit Committee and Remuneration Committee of Standard Chartered Bank (China) Limited from 2020 to 2024.

Mr. Shelley holds a Master of Business Administration from the University of Warwick and is an Associate of Chartered Institute of Bankers (ACIB) in the United Kingdom.

Carlson TONG

Independent Non-Executive Director

Mr. Tong was appointed to the Board in August 2024.

Mr. Tong has a deep understanding and knowledge of operating in the financial services and regulatory sectors in mainland China and Hong Kong.

Mr. Tong joined KPMG UK in 1979, becoming an Audit Partner of the Hong Kong firm in 1989. He was elected Chairman of KPMG China and Hong Kong in 2007, before becoming Asia Pacific chairman and a member of the global board and global executive team in 2009. He spent over 30 years at KPMG and was actively involved in the work of the securities and futures markets, serving as a member of the Main Board and Growth Enterprise Market Listing Committee of the Stock Exchange of Hong Kong from 2002 to 2008 (Chair from 2006 to 2008). After retiring from KPMG in 2011, he was appointed a non-executive director of the Securities and Futures Commission, becoming its Chair in 2012 until he stepped down in October 2018. From 2017 until July 2020, Mr. Tong was a non-executive director of the Hong Kong International Airport Authority. He was a member of the Hong Kong Human Resource Planning Commission from April 2020 until December 2022 and Chair of the Hong Kong University Grants Committee from January 2016 until he stepped down in December 2022. Before joining the Bank, Mr. Tong was an Independent Non-Executive Director of Standard Chartered PLC from 2019 to 2024. He was also an observer on behalf of the Hong Kong SAR Government for Cathay Pacific Airways Limited from 2020 to 2024. He was awarded the Gold and Silver Bauhinia Star in 2014 and 2019 respectively for his contributions to enhancing Hong Kong’s status as an international financial center.

Mr. Tong is an independent non-executive director of MTR Corporation Limited, Chairman of its Nomination Committee and a member of its Audit and Risk Committee. He sits on various Hong Kong SAR government bodies and is the Chairman of Hong Kong Exchanges and Clearing Limited and a board member of Hong Kong Investment Corporation Limited. He is also a director and the Chair of the Working Committee of the World Federation of Exchanges and a member of the International Advisory Council of National Financial Regulatory Administration.

Mr. Tong is a Fellow of both the Institute of Chartered Accountants in England and Wales (“ICAEW”) and the Hong Kong Institute of Certified Public Accountants. He received the 2022 ICAEW Outstanding Achievement Award and was awarded an honorary Doctor of Business Administration by the Hong Kong University of Science and Technology, an honorary Doctor of Social Science by the Chinese University of Hong Kong, as well as an honorary Doctor of Social Sciences by the Education University of Hong Kong.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority (“HKMA”) (continued)

Organisational and governance structure and policies (continued)

Board Composition (continued)

Andrew Walter Bougourd Ross WEIR

Independent Non-Executive Director

Mr. Weir was appointed to the Board in April 2025.

Mr. Weir is a Chartered Accountant and has over 35 years experience in governance, auditing, finance and business advisory in Hong Kong, Asia, Middle East and the UK.

He is a Fellow and a Council Member of the Institute of Chartered Accountants in England and Wales and a Fellow of the Hong Kong Institute of Certified Public Accountants and The Institute of Directors.

Mr. Weir is the Chairman of the Listing Review Committee of The Stock Exchange of Hong Kong Limited, the Chairman of the Supervisory Board of the British Chamber of Commerce in Hong Kong and the Deputy Chairman of the Financial Services Development Council, where he chairs the Governance Committee and the Middle East Financial Services Working Group. He is also the Chairman of the Pacific Basin Economic Council Limited and the Belt and Road Global Belt and Road Forum.

Currently, Mr. Weir is an Independent Non-Executive Director, the Chairman of the Audit Committee, and a member of the Board Risk Committee of FWD Group Holdings Limited (“FWD Group”), and a Non-Executive Director of Hang Lung Properties Limited. He is an elected Steward and Board Member and Chairman of the Audit Committee and also the Finance Committee of The Hong Kong Jockey Club and a Trustee of The Hong Kong Jockey Club Charities Trust.

He was the Global Head of Asset Management and the Global Head of Real Estate at KPMG until September 30, 2024, and a member of the Global Financial Services Leadership Team. From 2011 to 2023, Mr. Weir was the Regional Senior Partner of KPMG in Hong Kong and the Vice Chairman of KPMG China and a member of the Executive Committee and Board. He was previously the Head of Capital Markets, KPMG China and chaired KPMG’s UK-China corridor and Middle East-China corridor, the KPMG Board Leadership Centre and the KPMG Independent Non-Executive Directors Forum.

Mr. Weir received an MBE in the Queen’s Birthday Honours List in 2017 and was appointed a Justice of the Peace in 2020 and awarded the Bronze Bauhinia Star in 2024 for his services to Hong Kong as an International Finance Centre.

He holds a Bachelor’s honours degree in Economics and a Master’s degree in Development Economics.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority (“HKMA”) (continued)

Organisational and governance structure and policies (continued)

Board selection process

The Nomination Committee regularly reviews the structure, size and composition of the Board and identifies individuals suitably qualified to become members of the Board. The Committee makes recommendations to the Board on the appointment of and succession planning for Directors (subject to the approval of the HKMA), having regard to the skills, knowledge, experience and diversity the candidate adds to the Board and compliance with corporate governance standards set out in the HKMA Supervisory Policy Manual CG-1 and the guidance on Empowerment of Independent Non-Executive Directors (“INEDs”) in the Banking Industry in Hong Kong issued by the HKMA.

A candidate being considered for Board appointment is expected to devote adequate time to attend all Board meetings and, where relevant, Committee meetings in person. An individual who is to be appointed as an INED should also meet the independence status prior to their appointment.

In accordance with the Articles of Association of the Bank, a Director appointed by the Board shall hold office only until the next following Annual General Meeting and shall be eligible for re-election.

Board Committees

(a) The Board of Directors (“the Board”)

The Board is responsible for overseeing the management of the business and affairs of the Bank including the determination and approval of the Bank’s financial objectives and strategic plan. It oversees the Bank’s compliance with statutory and regulatory obligations, its capital and corporate structure and ensures a sound system of internal control and risk management. The Board also reviews performance in light of the Bank’s strategy, objectives, corporate and business plans and budgets and determines appropriate levels for the Bank’s capital and liquidity positions. The Board delegates day-to-day management of the Bank’s risks to a number of committees. Risk profiles and capital related matters are reviewed by the Board on a regular basis. After the Restructuring, the scope of the Board had been expanded to govern the consolidated Group of SCBHK.

The Board has held four scheduled and four ad hoc meetings in 2025.

The below committees operate under the direct authority of the Board.

(b) Executive Committee (“EXCO”)

The EXCO was created on 1 June 2019 with Asia regional scope since 1 January 2021 until 31 March 2024 due to internal restructuring. It resumed operations and continues its supervision responsibility for the overseas subsidiaries since 30 September 2024 and operates as the Hong Kong and GCNA EXCO. The EXCO meets regularly in relation to the day to day management, operation and control of Hong Kong and GCNA businesses. It also sub-delegates to various committees certain aspects of the conduct of the business as detailed below. The EXCO includes the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer (“CRO”) of the Bank, the country CEOs of the overseas subsidiaries and the heads of various businesses and functions in Hong Kong and GCNA.

The EXCO have held eight meetings in 2025.

(c) Audit Committee (“AC”)

The AC reviews, on behalf of the Board, the Bank’s internal financial controls to identify, assess, manage and monitor financial risks and to review the bank’s internal control systems. The AC also reviews the annual and interim financial statements, discusses matters raised by Internal Audit and external auditors and ensures that audit recommendations are implemented accordingly. After the Restructuring, the AC had an expanded scope to oversee GCNA subsidiaries.

The AC comprises three independent non-executive directors (“INEDs” or “INED”) and two non-executive directors (“NED”), namely, Andrew Walter Bougourd Ross Weir (AC Chairperson and INED), Lee Man Yuen Margaret (INED), Lee Cheuk Kuen Gloria (NED), Saleem Razvi (NED) and John Peter Shelley (INED).

The AC has held four scheduled meetings in 2025.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority (“HKMA”) (continued)

Organisational and governance structure and policies (continued)

Board Composition (continued)

(d) Board Risk Committee (“BRC”)

The BRC exercises oversight on behalf of the Board of the overall risk appetite and risk management strategy and its implementation by management of SCBHK as well as SCB China, SCB Korea and SCB Taiwan. The BRC reviews the appropriateness and effectiveness of the Bank’s risk management systems and controls. The BRC also advises and assists the Board in discharging its responsibilities for the Bank’s culture-related matters, including the oversight of effective mechanisms to assess behavioural standards and whistleblowing policy.

The BRC comprises four INEDs and two NEDs, namely, John Peter Shelley (BRC Chairperson and INED), Leong Kwok Kuen Lincoln (INED), Lee Cheuk Kuen Gloria (NED), Saleem Razvi (NED), Carlson Tong (INED) and Andrew Walter Bougourd Ross Weir (INED).

The BRC has held four scheduled meetings in 2025.

(e) Nomination Committee (“NomCo”)

The NomCo is responsible for identifying individuals suitably qualified to become members of the Board or of key senior management, and selecting, or recommending such individuals to the Board. The NomCo reviews succession plans of the Board and key senior management roles. It also reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any adjustments that are deemed necessary.

The NomCo comprises three INEDs and one ED, namely, Lee Man Yuen Margaret (NomCo Chairman and INED), Andrew Walter Bougourd Ross Weir (INED), Carlson Tong (INED) and Huen Wai Yi Mary (ED).

The NomCo has held two scheduled meeting in 2025.

(f) Remuneration Committee (“RemCo”)

The RemCo was established on 1 October 2018. It is responsible for reviewing the framework and policies for remuneration and compliance with the applicable laws and regulatory guidelines. The RemCo shall ensure, on behalf of the Board, that the Company’s remuneration policies are consistent with effective risk management.

Following the establishment of the revised SCB HK corporate governance structure in 2019, the RemCo discharges the necessary oversight and control of the subsidiaries remuneration for SCB China, SCB Korea and SCB Taiwan, through:

- (i) Adoption of a detailed and consistent remuneration framework that already exists across the SCB Group where the subsidiaries are all subject to the Group Subsidiary Governance Policy and have adopted Group remuneration policies and procedures similar to those of SCB HK; and
- (ii) Existing subsidiary corporate governance, which are already subject to local guidance, regulations and rules including requirements relating to their independent directors, boards and committees.

The RemCo comprises four INEDs and one ED (as permanent invitee) namely Carlson Tong (RemCo Chairman and INED), Lee Man Yuen Margaret (INED), Leong Kwok Kuen Lincoln (INED), John Peter Shelley (INED) and Huen Wai Yi Mary (ED).

The RemCo has held two scheduled meetings in 2025.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority (“HKMA”) (continued)

Organisational and governance structure and policies (continued)

Sub-committees of EXCO

(a) Hong Kong and GCNA Asset and Liability Committee (“ALCO”)

The ALCO, appointed by the EXCO, is responsible for the implementation of, and compliance with, the Group’s balance sheet management policies, including those relating to Treasury risks and ensure that, in executing its strategy, SCBHK Group operates within internally approved risk appetite and external regulatory requirements relating to Treasury risks including recovery and resolution planning requirements. The ALCO comprises the Hong Kong and GCNA CEO, CFO, CRO, and the key business and treasury heads as voting members, with attendance from key business segment and risk management heads and the subsidiary CEOs and CFOs. The ALCO also ensures that the SCBHK Group jointly and severally complies, at all times, with the rules and regulations set by the SCBHK Group’s lead regulator, the Hong Kong Monetary Authority and where applicable, individual regulators in the countries in which the SCBHK Group has a presence. There were six meetings held in 2025.

(b) Hong Kong and GCNA Risk Committee (“RC”)

The Hong Kong and GCNA RC, through its authority delegated by the EXCO, is responsible for the management of all Principle Risk Types (“PRTs”) in the SCBHK Group other than those delegated to Hong Kong and GCNA Asset and Liability Committee (“ALCO”) and the Country Pensions Committee (“CPC”). The RC oversees effective application of the Bank’s Enterprise Risk Management Framework (“ERMF”), recommends risk appetite for approval by the SCBHK Board or Board level committee, approves and reviews new models and risk control parameters including policies, risk exposure limits, or other control levers. The RC is chaired by the Hong Kong and GCNA CRO with members including the Hong Kong and GCNA CEO and CFO, and the key business and risk management heads. There were in total eight standing RC meetings held in 2025.

(c) Pillar III Committee (“Pillar III”)

Through its authority delegated by the Board, the Pillar III is responsible for reviewing, approving and upholding compliance of the Pillar III disclosure statement in accordance with the Bank’s Disclosure Policy, the Banking (Disclosure) Rules and the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules. The Pillar III is chaired by the Hong Kong and GCNA CFO and CRO, with members including key finance and risk management heads. There were two meetings held in 2025.

Risk appetite

The details of the Group’s risk appetite are disclosed in note 33 to the consolidated financial statements.

Major share ownership and voting rights

The Bank was wholly owned by Standard Chartered PLC.

Related party transactions

All related party transactions during the year ended 31 December 2025 are disclosed in notes 16 and 36 to the consolidated financial statements.

Complex structures

A structured entity is consolidated into the Group’s consolidated financial statements where the Group controls the structured entity. For details, please refer to note 17 to the consolidated financial statements.

Appendix II: directors of the Bank's subsidiaries

The names of all directors who have served on the board of the subsidiaries of the Bank during the year and up to 3 March 2026:

Aldcroft, Stewart Robert Kenneth
Au Yang, Chi Chun Evan (appointed in Anchorpoint Financial Limited on 28 March 2025)
Bagga, Gaurav (appointed in Anchorpoint Financial Limited on 28 March 2025)
Chan, Kin Wang Ronald (appointed in Horsford Nominees Limited on 20 May 2025)
Chen, Ban-Ren (Benny) (resigned from Standard Chartered Bank (Taiwan) Limited on 24 September 2025)
Chen, Charles (appointed in Standard Chartered Bank (Taiwan) Limited on 24 September 2025)
Cheng, Lai Ching (Christy)
Chiu, Jason Felix Tsz Kiu
Chiu, Larence (appointed in Standard Chartered (Guangzhou) Business Management Co., Ltd. on 4 January 2024)
Choi, Hee Nam
Choi, Moon Hee
Chou, Han Yin
Chow, Frankie
Chua, Meng Keong
Cook, Joel (resigned from Standard Chartered Securities (China) Limited on 22 August 2025)
Feng, Yan
Fernandes, Jean Mavix (appointed in Mox Bank Limited on 1 August 2025)
Garrido Garcia, Alvaro (appointed in Mox Bank Limited on 1 September 2025)
Geng, Lin Grace (resigned from Standard Chartered Securities (China) Limited on 8 July 2025)
Gilbert, Nicholas William (appointed in Standard Chartered Bank (Taiwan) Limited on 1 April 2025)
Goriz, Michael Andres (resigned from Mox Bank Limited on 15 May 2025)
Han, Fei
Hardacre, Andrew James (resigned from Standard Chartered Bank (Taiwan) Limited on 24 September 2025)
Hia, Sebastian Poh Lee
Huen, Mary Wai Yi (resigned from Standard Chartered Bank (Taiwan) Limited on 19 March 2025)
Hui, Helen S.
Hui, Hon Hing Susanna
Hung, Luzia Rosa
Hung, Pi Cheng Benjamin
Jones, Richard Percival Trefor (resigned from Mox Bank Limited on 31 July 2025)
Kalra, Sagar Ashok (appointed in Horsford Nominees Limited on 1 September 2025)
Kee Sun Tuan
Kellaway, Simon Mark
Kim, Darren Suk (resigned from Standard Chartered Bank Korea Limited on 30 July 2025)
Kim, Hong Sik
Kim, Joo Hyun
Kwang, Kookjae
Kwon, Yong Kwan
Lau, Ka Ming (appointed in Anchorpoint Financial Limited on 28 March 2025)
Lau, Suet Chiu Frederick
Lau, Tze Hau William (resigned from Standard Chartered Bank (Taiwan) Limited on 21 May 2025)
Lee, Hoi Keung (resigned from Standard Chartered Bank (China) Limited on 15 February 2025)
Lee, Kwang Hee
Lee, Yun (appointed in Standard Chartered Bank Korea Limited on 31 July 2025)
Leow, Jinn Yiun (stepped down due to dissolution of Marina Aquata Shipping Pte. Ltd., Marina Aruana Shipping Pte. Ltd., Marina Cobia Shipping Pte. Ltd., and Marina Opah Shipping Pte. Ltd. on 16 August 2025)
Lian, David Chee Wai (appointed in Standard Chartered NEA Limited on 23 September 2025)
Lin, Anthony Yuen Tung
Lin Mei
Lu, Jean
Lui, Tsz Wan Christina (appointed in Anchorpoint Financial Limited on 28 March 2025)
Lyn, Frank Yee Chon
Ma, Kam Sing Allen
Maffei, Dominic James (appointed in Anchorpoint Financial Limited on 11 February 2025)
Mengal, Pierre Georges Joseph
Michau, Rene Julius (appointed in Anchorpoint Financial Limited on 28 March 2025)

Appendix II: directors of the Bank's subsidiaries continued

Mohanty, Subhradeep (stepped down due to dissolution of Marina Aquata Shipping Pte. Ltd., Marina Aruana Shipping Pte. Ltd., Marina Cobia Shipping Pte. Ltd., and Marina Opah Shipping Pte. Ltd. on 16 August 2025)

Nam, Daehee

Ngan, Vivian Man Ching

Pandey, Abhishek (stepped down due to dissolution of Marina Aquata Shipping Pte. Ltd., Marina Aruana Shipping Pte. Ltd., Marina Cobia Shipping Pte. Ltd., and Marina Opah Shipping Pte. Ltd. on 16 August 2025)

Park, Alex

Park, Jong Bok (resigned from Standard Chartered Bank Korea Limited on 7 January 2025)

Parthasarathy, Lakshminarasimhan (resigned in Standard Chartered NEA Limited on 30 July 2025)

Porritt, Wayne (appointed in Standard Chartered Bank (Taiwan) Limited on 24 September 2025)

Powell, Gregory John (appointed in Standard Chartered Bank (China) Limited on 15 February 2025)

Rong, Xiaomin

Sew, Simon Joseph (stepped down due to dissolution of Marina Aquata Shipping Pte. Ltd., Marina Aruana Shipping Pte. Ltd., Marina Cobia Shipping Pte. Ltd., and Marina Opah Shipping Pte. Ltd. on 16 August 2025)

Staff, Richard Douglas John

Subberwal, Samir

Tan, Ming Kiu John (resigned from Standard Chartered Bank (China) Limited on 20 January 2025 and appointed in Standard Chartered Bank (Taiwan) Limited on 18 March 2025)

Toh, Toak Cheng (appointed in Standard Chartered Bank (Taiwan) Limited on 22 May 2025)

Thang, Kai Chi John

Tung, Lawrence Yu (appointed on 21 July 2025 and resigned in Standard Chartered Securities (China) Limited on 3 November 2025)

Tung, Lieh Cheung Andrew

Uygun, Barbaros

Wang, Cindy Xin Xin (stepped down due to dissolution of SC Ventures Management Consulting (Shenzhen) Limited on 16 May 2025)

Wang, Yunlai (appointed in Standard Chartered Securities (China) Limited on 3 November 2025)

Weng (Ang), Hsiu-Ying (Sam)

Wong, Kenneth Koon Kan

Wong, Norbert Siew Hieng

Xie, Wen

Zhai, Yanqun

Zhang, Danian

Zhang, Xiao Lei

Zhong, Xichen Johnson

Zhu, Zhu (appointed in Standard Chartered Securities (China) Limited on 8 September 2025)