



Directors' Report and Financial Statements

For the year ended 31 December 2025

Index

	Page
Directors' Report	1
Independent auditor's report	5
Statement of profit or loss and other comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Cash flow statement	11
Notes to the financial statements	13
Appendix I: corporate governance report (unaudited)	77
Appendix II: regulatory disclosures (unaudited)	92

Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2025.

Principal place of business

Mox Bank Limited (referred to as "Mox" or the "Bank") is a bank incorporated and domiciled in Hong Kong and has its registered office at and principal place of business at 39/F, Oxford House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

Principal activity and business review

A landmark year of growth and recognition

Mox is the digital bank majority owned by Standard Chartered Bank (Hong Kong) Limited in partnership with PCCW Limited, HKT Limited and CTrip Financial Management (Hong Kong) Co., Limited. Mox 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 in Hong Kong, focusing on serving the banking needs of individual retail customers.

Mox was among the first to be granted a digital banking license by the Hong Kong Monetary Authority ("HKMA") in March 2019 and was officially launched in September 2020.

The bank's 2025 performance was extraordinary, marked by a robust growth and a reinforced position as a leader in digital banking. As of 31 December 2025, Mox had around 750,000 customers, penetrating 12% of Hong Kong's total bankable population. Customer deposits increased by 21% year-over-year, reaching a total of over HK\$21 billion. USD balances surged 13 times year-on-year, reflecting the growing confidence of both retail and wealth customers towards Mox. Customer loans grew by 123%, reaching a total of more than HK\$14 billion.

Mox is supported by an engaged customer base with an average of 3.1 products and around 15 logins per active user every month. The Mox Card remains a runaway success, with around 160 million transactions to date. Card spends continued to significantly outpace the market, growing 36% compared with market growth of around 11%, and total spend nearly reached US\$3 billion. Mox Credit Card ranked seventh-largest credit card portfolio among all retail banks in Hong Kong¹.

The Bank has found immense affinity among Hong Kong customers since it was founded five years ago: Mox was the highest-rated digital bank in Hong Kong on the Apple App Store with a rating of 4.8 out of 5 as of 31 December 2025, representing continued positive customer feedback and support.

¹ According to TransUnion's Market Insights and Intelligence Dashboard (MIID) for the period from January to December 2025.

Principal activity and business review (Continued)

A landmark year of growth and recognition (Continued)

Mox received more than 120 awards from institutions to date. In 2025, the Bank swept accolades across the region, including being recognised as the number one in Hong Kong in the Neobank Ranking 2025 by The Banker, Best Digital Bank in Hong Kong by The Asian Banker, Best Pure-Play Digital Bank in Hong Kong by The Digital Banker, Digital Bank of the Year in Hong Kong by Asian Banking & Finance, Future Enterprise of the Year in Hong Kong by IDC, amongst others.

Reimagining banking through innovation

Mox continued to innovate and reimagine banking products. A notable example is FlexiBoost, a groundbreaking deposit solution that offers a distinctive blend of flexibility and competitive interest rates, enabling customers to earn enhanced returns compared to traditional time deposits while retaining easy access to their funds. With a fixed interest rate, FlexiBoost shields customers from market volatility, providing a stable and predictable return on their savings. This launch underscored Mox's dedication to empowering customers to manage their financial futures effectively.

In addition to product innovation, Mox Insure marked the bank's successful foray into the insurance space in 2025. Through an exclusive strategic bancassurance partnership with QBE Hongkong & Shanghai Insurance Limited, two insurance products were launched, including personal accident insurance product "Personal Accident Cushion" and travel insurance "Travel Pick & Go". They made it simple and affordable for customers to access their preferred coverage in seconds, providing a fully digital, end-to-end insurance experience with flexible and customisable coverage options. "Personal Accident Cushion" provides a smart safety net for life's unexpected turns, while "Travel Pick & Go" allows travelers to curate coverage that matches their unique journey. These initiatives demonstrate Mox's ongoing commitment to simplifying insurance and broadening the protection options for Hong Kong consumers.

The Bank continued to optimise the user journey under Mox Invest, further simplifying and expanding the investment experience for its customers. By offering access within the secure and intuitive Mox app to Hong Kong and US equities, ETFs, funds, and starting January 2026, crypto trading, when Mox became the first wave of banks in Hong Kong to provide regulated crypto trading services. This milestone establishes Mox as a leading digital bank in Hong Kong to bring together all major investment categories in one app, at 50% lower fees than traditional banks, reaffirming its commitment to making investing more accessible, seamless, and efficient. Moreover, Mox's rewards ecosystem also continued to thrive, with Asia Miles earned through Mox reaching 1.8 billion, equivalent to 100,000 return tickets to Bangkok. This achievement highlights Mox's ability to enhance everyday spending experiences and deepen engagement through meaningful rewards.

Principal activity and business review (Continued)

Building a sustainable and people-driven future

Alongside its business success, Mox continued to demonstrate its commitment to environmental sustainability by providing paperless bank statements, updates and information through the mobile app and emails. Since its launch, this initiative has saved an estimated 102 million sheets of paper, equivalent to about 12,821 trees². Additionally, from January to December 2025, our cloud-native operation has resulted in a reduction of 230.856 metric tons of carbon dioxide-equivalent (MTCO₂e)³ through cloud computing services.

We also foster an environmentally friendly culture among our employees. We believe that great employee experience leads to great client experience. We support our people in pursuing their ambitions, delivering with purpose, and building rewarding careers enabled by great people leaders.

Financial statements

The financial results of the Bank for the year ended 31 December 2025 and the state of the Bank's affairs as at that date are set out in the financial statements on pages 8 to 76.

Recommended dividend

The directors do not recommend any payment of dividend in respect of the year (2024: nil).

Share capital

Details of movements in share capital of the Bank are set out in note 25(b) to the financial statements.

Directors

The directors during the financial year and up to the date of this report were:

Samir SUBBERWAL
Barbaros UYGUN
Michael Andres GORRIZ (resigned on 15 May 2025)
Allen Kam Sing MA*
Susanna Hon-Hing HUI
Janet Yan FENG
Frank Yee Chon LYN*
Tsz Kiu Jason Felix CHIU, J.P.*
Richard Percival Trefor JONES (resigned on 31 July 2025)
Jean Mavis FERNANDES (appointed on 1 August 2025)
Alvaro GARRIDO GARCIA (appointed on 1 September 2025)

* *Independent non-executive directors*

There being no provision in the Bank's articles of association in connection with the rotation of directors, all existing directors continue in office for the following year.

Directors' service contracts

The terms of service contracts of independent non-executive directors, Allen Kam Sing MA, Frank Yee Chon LYN and Tsz Kiu Jason Felix CHIU, J.P., are three years. Their remuneration was approved by the shareholders.

² According to Tree Journey, one tree makes over 8,000 sheets of paper.

³ According to AWS during the period from January to December 2025.

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, Richard Percival Trefor JONES, Michael Andres GORRIZ and Alvaro GARRIDO GARCIA held options under these schemes.

Under the Cash-settled Share Option plan approved by the Board of Directors ("the Board") in April 2020, Barbaros UYGUN had been granted share awards under the scheme. During the year, no such share award is granted to Barbaros UYGUN (2024: nil).

Except the above, at no time during the year was the Bank, any of its holding companies, 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 contract of significance to which the Bank, or a specified undertaking of the Bank 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.

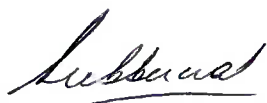
Indemnity of directors

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 this year.

Auditor

These financial statements have been audited by Ernst & Young who retire and, being eligible, offer themselves for re-appointment.

On behalf of the board



Samir SUBBERWAL
Chair

Hong Kong, 1 April 2026

Independent auditor's report

To the members of Mox Bank Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Mox Bank Limited (the "Bank") set out on pages 8 to 76, which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

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

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 financial statements* section of our report. We are independent of the Bank 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.

Information other than the financial statements and auditor's report thereon

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Independent auditor's report (continued)

To the members of Mox Bank Limited
(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors and those charged with governance for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Bank'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 either intend to liquidate the Bank or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Bank's internal control.

Independent auditor's report (continued)
To the members of Mox Bank Limited
(Incorporated in Hong Kong with limited liability)

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

- 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 Bank'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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors 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.

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



Certified Public Accountants
Hong Kong
1 April 2026

Statement of profit or loss and other comprehensive income for the year ended 31 December 2025

(Expressed in thousands of Hong Kong dollars)

	Notes	2025 HK\$'000	2024 HK\$'000
Interest income	5	1,042,603	951,079
Interest expense	6	(364,615)	(420,175)
Net interest income		677,988	530,904
Net fee income	7	42,392	16,163
Net trading expense	8	(6,877)	(1,941)
Net gains on derecognition of financial assets measured at fair value through other comprehensive income ("FVOCI")		5,553	19
Total operating income		719,056	545,145
Staff costs	9(a)	(334,041)	(306,380)
Premises and equipment	9(b)	(118,717)	(104,058)
Others	9(c)	(397,424)	(358,926)
Operating expenses	9	(850,182)	(769,364)
Operating loss before impairment		(131,126)	(224,219)
Credit impairment	10	(353,090)	(379,010)
Loss before taxation		(484,216)	(603,229)
Taxation	11	–	(107,778)
Loss after taxation		(484,216)	(711,007)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss when specific conditions are met:			
Financial assets at FVOCI:			
– Changes in the fair value, net of tax		21,491	(10,515)
– Reclassification adjustments for gains included in profit or loss		(5,553)	(19)
Total comprehensive loss for the year		(468,278)	(721,541)

The notes on pages 13 to 76 form part of these financial statements.

Statement of financial position at 31 December 2025

(Expressed in thousands Hong Kong dollars)

	Notes	2025 HK\$'000	2024 HK\$'000
Assets			
Balances with central bank	13	1,912,546	653,221
Investment securities	14	8,972,042	10,816,702
Advances to bank	15	–	97,436
Advances to customers	16	14,165,072	6,351,813
Amounts due from immediate holding company	17	1,046,691	2,345,212
Amounts due from fellow subsidiary	17	177	215
Amounts due from related companies	17	3,033	2,618
Intangible assets	18	614,924	573,367
Property and equipment	19	22,383	34,032
Deferred tax assets	24	–	–
Prepayments and other assets	20	309,779	269,857
Total assets		<u>27,046,647</u>	<u>21,144,473</u>
Liabilities			
Repurchase agreements at amortised cost	21	1,500,000	500,000
Deposits from customers	22	20,988,125	17,377,593
Amounts due to immediate holding company	17	1,452,021	688,720
Amounts due to fellow subsidiary	17	2,370	5,358
Amounts due to related companies	17	7,094	4,880
Other payables	23	483,140	416,023
Total liabilities		<u>24,432,750</u>	<u>18,992,574</u>
Net assets		<u>2,613,897</u>	<u>2,151,899</u>
Equity			
Share capital	25	6,216,900	5,278,500
Other equity instruments	26	468,069	468,069
Other reserve		(8,124)	–
Reserves	25	<u>(4,062,948)</u>	<u>(3,594,670)</u>
Total equity		<u>2,613,897</u>	<u>2,151,899</u>

Approved and authorised for issue by the board of directors on 1 April 2026.

Samir SUBBERWAL
Director

Barbaros UYGUN
Director

The notes on pages 13 to 76 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2025

(Expressed in thousands Hong Kong dollars)

	Notes	Share capital HK\$'000	Accumulated losses HK\$'000	FVOCI Reserves HK\$'000	Other equity instruments HK\$'000	Other reserve HK\$'000	Total HK\$'000
Balance at 1 January 2024		4,731,100	(2,878,134)	5,005	-	-	1,857,971
Changes in equity for 2024:							
Shares issued	25(b)	547,400	-	-	-	-	547,400
Other equity instruments issued	26	-	-	-	468,069	-	468,069
Total comprehensive loss for the year		-	(711,007)	(10,534)	-	-	(721,541)
Balance at 31 December 2024		5,278,500	(3,589,141)	(5,529)	468,069	-	2,151,899
Changes in equity for 2025:							
Shares issued	25(b)	938,400	-	-	-	-	938,400
Transactions with shareholder*		-	-	-	-	(8,124)	(8,124)
Total comprehensive loss for the year		-	(484,216)	15,938	-	-	(468,278)
Balance at 31 December 2025		<u>6,216,900</u>	<u>(4,073,357)</u>	<u>10,409</u>	<u>468,069</u>	<u>(8,124)</u>	<u>2,613,897</u>

* Customer acquisition-related costs of HK\$8,124,000 were paid to a shareholder in 2025 pursuant to the shareholder's agreement.

The notes on pages 13 to 76 form part of these financial statements.

Cash flow statement for the year ended 31 December 2025

(Expressed in thousands Hong Kong dollars)

	Notes	2025 HK\$'000	2024 HK\$'000
Operating activities			
Loss before taxation		(484,216)	(603,229)
<i>Adjustment for:</i>			
Depreciation on property and equipment	19	14,525	13,978
Amortisation on intangible assets	18	98,399	85,565
Leased property finance costs	6	654	1,023
Credit impairment	10	353,090	379,010
		(17,548)	(123,653)
<i>Net (increase)/decrease in operating assets:</i>			
Gross advances to customers		(8,195,318)	(402,988)
Investment securities		4,163,316	(5,781,231)
Amounts due from immediate holding company		939,512	(82,755)
Amounts due from fellow subsidiary		38	(37)
Amounts due from related companies		(415)	(356)
Prepayments and other assets		(39,922)	(145,082)
<i>Net increase/(decrease) in operating liabilities:</i>			
Repurchase agreements at amortised cost		1,000,000	(250,000)
Deposits from customers		3,610,532	6,244,301
Amounts due to immediate holding company		763,301	(35,777)
Amounts due to related companies		2,214	245
Amounts due to fellow subsidiary		(2,988)	3,959
Other payables		100,869	(59,915)
Net cash generated from/(used in) operating activities		2,323,591	(633,289)
Investing activities			
Payment for purchase of property and equipment	19	(2,876)	(2,778)
Additions to intangible assets	18	(139,956)	(157,247)
Net cash used in investing activities		(142,832)	(160,025)

The notes on pages 13 to 76 form part of these financial statements.

Cash flow statement for the year ended 31 December 2025 (continued)

(Expressed in thousands Hong Kong dollars)

	<i>Notes</i>	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Financing activities			
Proceeds from issuing shares	25(b)	938,400	635,375
Proceeds from issuing other equity instruments	26	–	468,069
Cash payment to shareholder		(8,124)	–
Principal portion of lease payments		(11,890)	(11,521)
Interest element on lease liabilities		(654)	(1,023)
Net cash from financing activities		<u>917,732</u>	<u>1,090,900</u>
Net increase in cash and cash equivalents		3,098,491	297,586
Cash and cash equivalents at 1 January		2,262,920	1,972,757
Effect of foreign exchange		<u>7,115</u>	<u>(7,423)</u>
Cash and cash equivalents at 31 December	27	<u>5,368,526</u>	<u>2,262,920</u>
<i>Cash flows from operating activities include:</i>			
Interest received		943,991	1,001,352
Interest paid		<u>(378,966)</u>	<u>(473,526)</u>

The notes on pages 13 to 76 form part of these financial statements.

Notes to the financial statements

(Expressed in thousands Hong Kong dollars)

1 Principal activities

Mox is a licensed digital bank registered under the Hong Kong Banking Ordinance. The principal activities of the Bank are the provision of banking and related financial services.

2 Material accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Hong Kong Companies Ordinance. Material accounting policies adopted by the Bank are disclosed below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis as modified by the revaluation of financial assets at FVOCI. The financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousands unless otherwise indicated.

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover or settle the majority of assets or liabilities (respectively) of the corresponding financial statement line item.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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 Accounting Standards that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

2 Material accounting policies (continued)

(c) *Financial Instruments*

Classification and measurement of financial instruments

Classification

The Bank classifies its financial assets into the following measurement categories: amortised cost, fair value through profit or loss and FVOCI. 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.

(1) *Financial assets held at amortised cost and 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 Bank 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 Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank’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 Bank manages financial assets to generate cash flows.

2 Material accounting policies (continued)

(c) *Financial Instruments (continued)*

Classification (continued)

(1) *Financial assets held at amortised cost and FVOCI (continued)*

The Bank 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 Bank'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. 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 Bank'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.

2 Material accounting policies (continued)

(c) *Financial Instruments (continued)*

Classification (continued)

(2) 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 FVOCI 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.

(3) Financial liabilities held at amortised cost

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

Financial guarantee contracts and loan commitments

The Bank issued a financial guarantee to its immediate holding company in view of collateralised staff housing mortgage loans issued by its immediate holding company to the Bank's employees as part of staff benefit programme. The financial guarantee is recorded off balance sheet as direct credit substitute.

The Bank issued loan commitments as part of its credit card product offering to customers. The undrawn portion of the credit card facilities are unconditionally cancellable commitments to provide credit under prespecified terms and conditions, and are recorded off balance sheet.

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 Bank has access at that date. The fair value of a liability includes the risk that the Bank 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 Bank establishes fair value by using valuation techniques.

2 Material accounting policies (continued)

(c) *Financial Instruments (continued)*

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 FVOCI are initially recognised on the trade-date (the date on which the Bank 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 profit or loss but is amortised or released to profit or loss as the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

(1) *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. Foreign exchange gains and losses are recognised in profit or loss.

(2) *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 profit or loss. Changes in expected credit losses ("ECL") are recognised in profit or loss 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 profit or loss.

2 Material accounting policies (continued)

(c) *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 Bank has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Bank has retained control, the assets continue to be recognised to the extent of the Bank'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 profit or loss.

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.

(d) *Impairment of financial assets*

The Bank assesses on a forward-looking basis the ECL. The impairment methodology applied depends on whether there has been a significant increase in credit risk ("SICR"). At initial recognition, allowance is required for ECL resulting from default events that are possible within the next 12 months. In the event of a SICR, allowance is required for ECL from all possible default events over the expected life of the financial instrument. For financial assets that are credit-impaired at the reporting date, the Bank measures the ECL as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

(e) *Intangible assets*

Software acquired by the Bank is stated at cost less accumulated amortisation and impairment losses.

Research costs are expensed as incurred. Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate the technical feasibility of completing the development so that it will be available for use or sale, its intention to complete the development and use or sell it, its ability to use or sell the development, the development will generate probable future economic benefits and its ability to measure the expenditure attributable to the development reliability. The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment losses.

2 Material accounting policies (continued)

(e) *Intangible assets (continued)*

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- | | |
|---------------------------|---------------|
| – Capitalised software | 3 to 10 years |
| – Other intangible assets | 5 years |

Both the period and method of amortisation are reviewed annually.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

(f) *Property and equipment*

The property and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- | | |
|--------------------------|-------------|
| – Leasehold improvements | 3 – 5 years |
| – Office equipment | 3 – 6 years |

Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 Material accounting policies (continued)

(f) *Property and equipment (continued)*

The carrying amounts of property and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(g) *Impairment of non-financial assets*

The carrying amounts of non-financial assets (such as intangible assets) are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an intangible asset exceeds its recoverable amount. The recoverable amount of an intangible asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the intangible assets. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(h) *Leased assets*

At inception of a contract, the Bank assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

At the lease commencement date, the Bank recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Bank enters into a lease in respect of a low-value asset, the Bank decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 Material accounting policies (continued)

(h) *Leased assets (continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (note 2(g)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Bank will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank's lease liability is included in "Other payables" in note 23.

(i) *Cash and cash equivalents*

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with central bank, investment securities, advances to bank, cash held at and time deposits placed with immediate holding company, having been within three months of maturity at acquisition.

(j) *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 are recognised in profit or loss using the effective interest method.

2 Material accounting policies (continued)

(j) Revenue recognition (continued)

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

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 Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider ECL. 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 ECL. 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 profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of financial assets held at FVOCI 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 profit or loss, except for the investments in equity instruments irrevocably designated at FVOCI.

- (ii) Fees and commissions

Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not include multiple performance obligations.

2 Material accounting policies (continued)

(j) Revenue recognition (continued)

(ii) Fees and commissions (continued)

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Interchange fee

The Bank provides its customers with card processing services (i.e., authorisation and settlement of transactions executed with the Bank's cards) where it is entitled to an interchange fee for each transaction (i.e., when a cardholder purchases goods and services from merchants using the Bank's card). The fees vary based on the number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed percentage of the underlying cardholder transaction. The variable interchange fees are allocated to each distinct day, based on the number and value of transactions processed that day, and the allocated revenue is recognised as the entity performs.

Interchange fee income is netted off with costs incurred on cash-back rewards scheme and presented within fee and commission income line in note 7.

Payment handling fee

Fee income from payment handling services is recognised at the point in time when the underlying transaction is complete.

Securities brokerage fee

Commission income for broking business is recorded as income at a point in time on a trade date basis.

Provision of consultancy services

Fee income from provision of consultancy services is recognised over scheduled period on a straight-line basis as customer simultaneously receives and consumes the benefits provided by the Bank.

(k) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 Material accounting policies (continued)

(k) *Income tax (continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

(l) *Provisions*

The Bank 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.

(m) *Employee benefits*

(i) Short term employee

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based compensation

The Bank's ultimate holding company, Standard Chartered PLC operates equity-settled share-based compensation plans in which some of the Bank's employees participate. The fair value of the employee services received in exchange for the grant of the share awards is recognised as an expense with the corresponding amount credited to amounts due to an immediate holding company.

In addition, the Bank operates cash-settled share-based compensation plan, namely, Cash-settled Share Option, which are in reference to the Bank's share price. The cash-settled awards are revalued at each balance sheet date and a liability recognised on the balance sheet for all unpaid amounts, with any changes in fair value charged or credited to staff costs in profit or loss until the awards are exercised. Where forfeitures occur prior to vesting that are attributable to factors such as failure to satisfy service conditions, the cumulative charge incurred up to the date of forfeiture is credited to profit or loss.

2 Material accounting policies (continued)

(n) *Translation of foreign currencies*

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Bank initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(o) *Related parties*

- (a) A person, or a close member of that person's family, is related to the Bank if that person:
- (i) has control or joint control over the Bank;
 - (ii) has significant influence over the Bank; or
 - (iii) is a member of the key management personnel of the Bank or the Bank's parent.
- (b) An entity is related to the Bank if any of the following conditions applies:
- (i) The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Bank or to the Bank's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Material accounting policies (continued)

(p) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

(q) Costs incurred in obtaining or fulfilling a contract

The Bank capitalises incremental costs of obtaining customer contract that are expected to be recoverable in accordance with HKFRS 15 Revenue from Contracts with Customers. Carrying value of capitalised contract costs net of amortization is included in note 20.

Amortisation of capitalised contract costs is charged to profit or loss on a systematic basis that is consistent with the transfer of services to which the asset relates, which typically ranges over the expected life of the relationship.

(r) Sales and repurchase agreement

Securities sold subject to repurchase agreements (“repos”) remain on the statement of financial position; the counterparty liability is included in “Repurchase agreements at amortised cost”. Repos are transactions in which the Bank sells a security and simultaneously agrees to repurchase it at a fixed price on a future date. Since the repurchase prices are fixed, the Bank is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities, which the Bank does not have the ability to use during the term of the arrangements, are not derecognised from the financial statements but regarded as “collateral” for the secured lending because the Bank retains substantially all the risks and rewards of these securities. The difference between the sale and repurchase price is treated as interest and recognised over the life of the agreement.

(s) Other equity instruments

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.

(t) Offsetting financial transactions

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

3 Changes in accounting policies

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

The following revised accounting standard became effective from 1 January 2025. None of the revised accounting standard has a material impact on the financial statements.

Amendments to HKAS 21: Lack of Exchangeability

4 Significant accounting judgements and estimates

In determining the carrying amounts of certain assets and liabilities, the Bank makes assumptions about the effects of uncertain future events on those assets and liabilities at the end of the reporting period. 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.

Impairment of financial assets

The calculation of ECL provision for financial assets are based on assumptions about probability of default ("PD") and expected loss rates. The Bank uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 29(a).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2025 was HK\$33,015,000 (2024: HK\$36,576,000). The amount of unrecognised tax losses at 31 December 2025 was HK\$4,496,132,000 (2024: HK\$3,827,099,000). Further details are contained in note 24 to the financial statements.

4 Significant accounting judgements and estimates (continued)

Capitalisation criteria on capitalised software and work-in-progress

Capitalised software and work-in-progress are intangible assets developed in-house. Management exercises judgement in determining whether costs associated with the development of software meet the criteria to be capitalised as intangible assets in accordance with applicable accounting framework. Management also exercises judgment in determining the proportion of internal costs that are directly attributable to the development of intangible assets.

Impairment of capitalised software and work-in-progress

Intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an impairment is required, the recoverable amount is determined based on fair value less costs of sales calculations prepared using management's assumptions and estimates.

Amortisation of capitalised software

Amortisation are provided to write down assets to their residual values over their estimated useful lives. The determination of these residual values and estimated useful lives, and any change to the residual values or estimated useful lives, requires the exercise of management judgement.

Cash-settled share option plan

The liability related to cash-settled share option plan is measured by reference to the fair value of share price valuation of the Bank at the date they are granted and at each financial year end. Judgement is applied in determining the most appropriate valuation model and in determining the inputs to the model. Independent external valuation experts are engaged to advise on the fair value calculation.

Capitalisation criteria, amortisation and impairment on costs incurred in obtaining or fulfilling a contract

In the assessment of capitalisation of incremental costs of obtaining a contract, management exercises judgement in identifying incremental costs which the Bank expects to recover. Management also exercises judgment in determining the amortisation period as the asset may relate to services to be transferred under anticipated contracts.

4 Significant accounting judgements and estimates (continued)

Capitalised contract costs are reviewed for impairment, and management applies assumptions and estimates to determine if the carrying amount exceeds the amount of consideration that the Bank expects to receive in exchange for providing services to which the asset relates, less the costs that relate directly to providing those services and that have not been recognised as expenses.

5 Interest income

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Interest income arising from financial assets at amortised cost	715,973	628,683
Interest income arising from financial assets at FVOCI	<u>326,630</u>	<u>322,396</u>
	<u><u>1,042,603</u></u>	<u><u>951,079</u></u>

Interest income received on placements made with immediate holding company amounted to HK\$74,945,000 (2024: HK\$84,471,000).

6 Interest expense

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Interest expense arising from financial liabilities at amortised cost	363,961	419,152
Interest expense arising from lease liabilities	<u>654</u>	<u>1,023</u>
	<u><u>364,615</u></u>	<u><u>420,175</u></u>

Interest expense paid on money market borrowing placed made with immediate holding company amounted to HK\$5,220,000 (2024: HK\$371,000).

7 Net fee income

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Fee and commission income		
<i>Services transferred at a point in time</i>		
– Interchange fee	27,333	13,838
– Amortisation of capitalised contract costs	(37,919)	(26,579)
– Payment handling fee	57,981	54,731
– Securities brokerage fee	18,392	8,831
– Others	38,081	4,871
Fee and commission expense (note)	<u>(61,476)</u>	<u>(39,529)</u>
	<u>42,392</u>	<u>16,163</u>

Note:

Included amortisation of capitalised contract costs amounted to HK\$12,338,000 (2024: HK\$6,938,000).

8 Net trading expense

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Foreign exchange losses	<u>6,877</u>	<u>1,941</u>

9 Operating expenses

(a) Staff costs

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Salaries, wages and other benefits	294,414	275,193
Share based payments (note 31)	2,947	7,502
Retirement benefits	15,762	14,349
Other staff costs	<u>20,918</u>	<u>9,336</u>
	<u>334,041</u>	<u>306,380</u>

Share based payments included equity-settled share option expense amounted to HK\$1,844,000 (2024: HK\$1,874,000).

9 Operating expenses (continued)

(b) Premises and equipment

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Amortisation of capitalised software	98,399	85,015
Depreciation charge on right-of-use operating lease asset	11,674	11,674
Depreciation of computer equipment, furniture and fittings	2,851	2,304
Other premises and equipment costs	5,793	5,065
	<u>118,717</u>	<u>104,058</u>

(c) Others

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Service fee paid to an immediate holding company (note 30(d))	36,842	16,698
Auditors' remuneration	3,240	2,675
Amortisation of other intangible assets	–	550
Professional fees	111,335	95,818
Computer costs	140,175	130,385
Marketing costs	71,758	74,656
Other expenses	34,074	38,144
	<u>397,424</u>	<u>358,926</u>

Other expenses included amortisation of capitalised contract costs amounted to HK\$5,537,000 (2024: HK\$4,186,000).

10 Credit impairment

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Credit impairment (release)/charge on advances to customers, analysed by:		
– Stage 1	85,880	2,923
– Stage 2	10,153	(8,615)
– Stage 3	292,620	362,692
– POCI	(6,594)	–
Credit impairment (release)/charge relating to loan commitments	<u>(28,969)</u>	<u>22,010</u>
	<u>353,090</u>	<u>379,010</u>

11 Income tax in profit or loss

(a) Taxation in profit or loss represents:

	2025 HK\$'000	2024 HK\$'000
Provision for the year	–	–
Deferred tax (note 24)	–	(107,778)
	<u>–</u>	<u>(107,778)</u>
Tax charge for the year	<u>–</u>	<u>(107,778)</u>

(b) Reconciliation between tax expenses and accounting profit/(loss) at applicable tax rates:

	2025 HK\$'000	2024 HK\$'000
Loss before taxation	<u>(484,216)</u>	<u>(603,229)</u>
Notional tax on loss before taxation calculated at a taxation rate of 16.5% (2024: 16.5%)	(79,896)	(99,533)
Tax effect of non-taxable income	(46,923)	(53,198)
Tax effect of non-deductible expenses	16,294	23,545
Tax effect of unused tax losses not recognised	<u>110,525</u>	<u>236,964</u>
Taxation	<u>–</u>	<u>107,778</u>

No provision has been made for Hong Kong Profits Tax as the Bank has no assessable profits subject to Hong Kong Profits Tax. (2024: Nil)

12 Directors' emoluments

Directors' emoluments 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 is as follows:

	2025 HK\$'000	2024 HK\$'000
Directors' fees	2,032	2,061
Salaries, allowances and benefits in kind	5,751	5,453
Discretionary bonuses	1,090	1,817
Retirement scheme contributions	382	374
Share based payment	<u>1,437</u>	<u>1,432</u>
	<u>10,692</u>	<u>11,137</u>

12 Directors' emoluments (continued)

Pursuant to section 383(1)(a) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, certain directors of the Bank are not paid directly by the Bank but receive remuneration from the Bank's immediate holding company or related parties, in respect of their services to the relevant larger group which includes the Bank. No apportionment has been made as the qualifying services provided by these directors to the Bank are incidental to their responsibilities to the relevant larger group.

13 Balances with central bank

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Balances with central bank in Hong Kong	<u>1,912,546</u>	<u>653,221</u>

14 Investment securities

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
<i>At FVOCI:</i>		
– Treasury bills	8,817,979	10,816,702
– Certificate of deposit held	<u>154,063</u>	<u>–</u>
	<u>8,972,042</u>	<u>10,816,702</u>

As at 31 December 2025 and 31 December 2024, there were no investment securities that is impaired, overdue or rescheduled.

15 Advances to bank

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Time deposits placed with bank	<u>–</u>	<u>97,436</u>

16 Advances to customers

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Gross advances to customers at amortised cost	14,522,517	6,603,976
Less: Credit impairment, analysed by:		
– Stage 1	(149,874)	(63,994)
– Stage 2	(157,987)	(147,834)
– Stage 3	(53,154)	(40,335)
– POCI	<u>(2,827)</u>	<u>–</u>
	14,158,675	6,351,813
Gross advances to customers at fair value through profit or loss	<u>6,397</u>	<u>–</u>
Total net advances to customers	<u>14,165,072</u>	<u>6,351,813</u>

17 Amounts due from/to immediate holding company, fellow subsidiary and related companies

The amounts due from immediate holding company represent cash at bank and time deposits placed with immediate holding company. Cash at bank are non-interest bearing, whilst time deposits are interest bearing between 3.22% to 4.36% (2024: 4.00% to 4.76%), with contractual maturity of one year (2024: twenty-seven days to one year). These balances are unsecured.

The amounts due to immediate holding company represent money market borrowings, investment securities trade date payables and other liabilities owing to immediate company. The money market borrowings placed by immediate holding company are unsecured and interest bearing between 3.12% to 3.25% with contractual maturity of four to five years, whilst other liabilities owing to immediate holding company are unsecured, non-interest bearing and expected to be settled within one year.

The amounts due to/from fellow subsidiary are unsecured, non-interest bearing and expected to be settled within one year.

The amounts due to/from related companies are unsecured, non-interest bearing and expected to be settled within one year.

18 Intangible assets

	<i>2025</i>			<i>Total</i> <i>HK\$'000</i>
	<i>Capitalised</i> <i>software*</i> <i>HK\$'000</i>	<i>Work in</i> <i>Progress*</i> <i>HK\$'000</i>	<i>Other</i> <i>intangible</i> <i>assets**</i> <i>HK\$'000</i>	
Cost				
At 1 January 2025	882,234	30,232	16,072	928,538
Additions	113,180	26,776	–	139,956
Reclassification	19,750	(19,750)	–	–
At 31 December 2025	<u>1,015,164</u>	<u>37,258</u>	<u>16,072</u>	<u>1,068,494</u>
Accumulated amortisation and impairment				
At 1 January 2025	352,171	–	3,000	355,171
Charge for the year	98,399	–	–	98,399
At 31 December 2025	<u>450,570</u>	<u>–</u>	<u>3,000</u>	<u>453,570</u>
Net book value				
At 31 December 2025	<u>564,594</u>	<u>37,258</u>	<u>13,072</u>	<u>614,924</u>

18 Intangible assets (continued)

	<i>2024</i>			<i>Total</i> <i>HK\$'000</i>
	<i>Capitalised</i> <i>software*</i> <i>HK\$'000</i>	<i>Work in</i> <i>Progress*</i> <i>HK\$'000</i>	<i>Other</i> <i>intangible</i> <i>assets**</i> <i>HK\$'000</i>	
Cost				
At 1 January 2024	686,532	74,937	9,822	771,291
Additions	124,917	26,080	6,250	157,247
Reclassification	<u>70,785</u>	<u>(70,785)</u>	<u>–</u>	<u>–</u>
At 31 December 2024	<u>882,234</u>	<u>30,232</u>	<u>16,072</u>	<u>928,538</u>
Accumulated amortisation and impairment				
At 1 January 2024	267,156	–	2,450	269,606
Charge for the year	<u>85,015</u>	<u>–</u>	<u>550</u>	<u>85,565</u>
At 31 December 2024	<u>352,171</u>	<u>–</u>	<u>3,000</u>	<u>355,171</u>
Net book value				
At 31 December 2024	<u>530,063</u>	<u>30,232</u>	<u>13,072</u>	<u>573,367</u>

* Capitalised software and Work in Progress are internally developed software.

** Other intangible assets consist of costs incurred on patents, trademarks and membership amounting to HK\$16,072,000 (2024: HK\$16,072,000). Of which, the amount of intangible assets with indefinite useful life comprise HK\$13,072,000 (2024: HK\$13,072,000).

19 Property and equipment

	<i>2025</i>			
	<i>Right-of-use operating lease property HK\$'000</i>	<i>Leasehold improvement HK\$'000</i>	<i>Office equipment HK\$'000</i>	<i>Total HK\$'000</i>
Cost				
At 1 January 2025	85,846	13,385	18,231	117,462
Additions	–	–	2,876	2,876
At 31 December 2025	<u>85,846</u>	<u>13,385</u>	<u>21,107</u>	<u>120,338</u>
Accumulated depreciation				
At 1 January 2025	59,580	9,661	14,189	83,430
Charge for the year	11,674	1,655	1,196	14,525
At 31 December 2025	<u>71,254</u>	<u>11,316</u>	<u>15,385</u>	<u>97,955</u>
Net book value				
At 31 December 2025	<u>14,592</u>	<u>2,069</u>	<u>5,722</u>	<u>22,383</u>
	<i>2024</i>			
	<i>Right-of-use operating lease property HK\$'000</i>	<i>Leasehold improvement HK\$'000</i>	<i>Office equipment HK\$'000</i>	<i>Total HK\$'000</i>
Cost				
At 1 January 2024	85,846	13,385	15,453	114,684
Additions	–	–	2,778	2,778
At 31 December 2024	<u>85,846</u>	<u>13,385</u>	<u>18,231</u>	<u>117,462</u>
Accumulated depreciation				
At 1 January 2024	47,906	8,006	13,540	69,452
Charge for the year	11,674	1,655	649	13,978
At 31 December 2024	<u>59,580</u>	<u>9,661</u>	<u>14,189</u>	<u>83,430</u>
Net book value				
At 31 December 2024	<u>26,266</u>	<u>3,724</u>	<u>4,042</u>	<u>34,032</u>

20 Prepayments and other assets

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Capitalised contract costs	214,606	167,502
Prepaid expenses	51,999	50,714
Sundry debtors	3,984	4,684
Deposits	3,943	3,943
Amounts due from brokers (note)	31,858	39,952
Other receivables	3,389	3,062
	<u>309,779</u>	<u>269,857</u>

As at 31 December 2025 and 31 December 2024, there were no receivables that is impaired, overdue or rescheduled.

Note:

As of 31 December 2025, included in the amounts due from brokers is a receivable from broker for equity trading settlement of HK\$761,000 (2024: HK\$8,965,000) (note 29(i)).

21 Repurchase agreements at amortised cost

The balance represents financial liability for cash received under repos. Collateral under repos were principally exchange fund bills of HK\$1,803,267,000 as of 31 December 2025 (2024: HK\$500,838,000).

22 Deposits from customers

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Savings accounts	11,059,690	11,141,630
Time deposits	9,928,435	6,235,963
	<u>20,988,125</u>	<u>17,377,593</u>

23 Other payables

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Cash-settled share-based payments	11,531	13,839
Property lease liabilities	15,099	26,989
Receipts in advance	6,741	9,438
ECL provision on loan commitments	78,984	107,953
Accruals of expenses (note)	248,902	187,248
Amounts due to brokerage clients	13,941	11,046
Amount due to broker	8,204	–
Other liabilities (note)	99,738	59,510
	<u>483,140</u>	<u>416,023</u>

Note:

These amounts as of 31 December 2025 and 31 December 2024 are unsecured, non-interest bearing and expected to be settled within one year or are repayable on demand.

24 Deferred tax assets and liabilities

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

	<i>2025</i>				
	<i>Amortisation of capitalised intangibles HK\$'000</i>	<i>Unutilised tax losses HK\$'000</i>	<i>Impairment losses HK\$'000</i>	<i>Others HK\$'000</i>	<i>Total HK\$'000</i>
At 1 January 2025	(92,449)	36,576	52,764	3,109	–
(Charge)/credit to profit or loss	<u>(6,857)</u>	<u>(3,561)</u>	<u>11,065</u>	<u>(647)</u>	<u>–</u>
At 31 December 2025	<u>(99,306)</u>	<u>33,015</u>	<u>63,829</u>	<u>2,462</u>	<u>–</u>

24 Deferred tax assets and liabilities (continued)

	2024				<i>Total</i> HK\$'000
	<i>Amortisation of capitalised intangibles</i> HK\$'000	<i>Unutilised tax losses</i> HK\$'000	<i>Impairment losses</i> HK\$'000	<i>Others</i> HK\$'000	
At 1 January 2024	(81,562)	136,352	50,071	2,917	107,778
(Charge)/credit to profit or loss	<u>(10,887)</u>	<u>(99,776)</u>	<u>2,693</u>	<u>192</u>	<u>(107,778)</u>
At 31 December 2024	<u>(92,449)</u>	<u>36,576</u>	<u>52,764</u>	<u>3,109</u>	<u>-</u>

As at 31 December 2025, the Bank had cumulative tax losses of HK\$4,696,225,000 (2024: HK\$4,048,774,000) available indefinitely for offsetting against future taxable profits. Deferred tax assets have been recognised in respect of HK\$200,092,000 (2024: HK\$221,675,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$4,496,133,000 (2024: HK\$3,827,099,000). In addition, there is no deductible temporary differences not recognised in 2024 and 2025. There is uncertainty on the timing upon which the tax losses can be utilised in the relevant tax jurisdiction. The tax losses do not expire under current tax legislation.

25 Capital and reserves

(a) *Components of the Bank's capital and reserves*

The opening and closing balances of each component of the Bank's equity and a reconciliation between these amounts are set out in the statement of changes in equity.

FVOCI Reserves

FVOCI Reserves comprise the cumulative net change in the fair value of the investment in treasury bills measured at FVOCI. The reserve is dealt with in accordance with accounting policy in note 2(c).

25 Capital and reserves (continued)

(b) Issued share capital

	2025		2024	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Ordinary shares, issued and called:				
At 1 January	527,850,000	5,278,500	473,110,000	4,731,100
Shares issued and fully paid	<u>93,840,000</u>	<u>938,400</u>	<u>54,740,000</u>	<u>547,400</u>
At 31 December	<u>621,690,000</u>	<u>6,216,900</u>	<u>527,850,000</u>	<u>5,278,500</u>

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

(c) Capital management

The Bank's primary objectives when managing capital are to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. As the Bank is part of a larger group, the Bank's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Bank defines "capital" as including all components of equity less unaccrued proposed dividends.

The Bank's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Bank belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Bank or the group, to the extent that these do not conflict with the directors' fiduciary duties towards the Bank or the requirements of the Hong Kong Companies Ordinance. The results of the directors' review of the Bank's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

The Bank calculates its capital adequacy ratios in accordance with the Banking (Capital) Rules and has complied with externally imposed capital requirements at all times in years of 2025 and 2024.

26 Other equity instruments

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Undated non-cumulative Additional Tier 1 capital securities	<u>468,069</u>	<u>468,069</u>

In March 2024, the Bank issued HK\$235 million undated non-cumulative Additional Tier 1 capital securities. The capital securities are perpetual securities in respect of which there is no fixed maturity or redemption date and are not callable within the first 5 years. They have an initial rate of distribution of 8.37% per annum payable in arrears which may be cancellable at the sole discretion of the Bank.

In September 2024, the Bank issued HK\$235 million undated non-cumulative Additional Tier 1 capital securities. The capital securities are perpetual securities in respect of which there is no fixed maturity or redemption date and are not callable within the first 5 years. They have an initial rate of distribution of 8.06% per annum payable in arrears which may be cancellable at the sole discretion of the Bank.

27 Cash and cash equivalents

(a) *Components of cash and cash equivalent in the cash flow statements*

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Balances with central bank	1,912,546	653,221
Investment securities with original maturity within three months	2,936,359	633,634
Advances to bank with original maturity within three months	–	97,436
Cash held at immediate holding company	519,621	548,590
Time deposits placed with immediate holding company with original maturity less than three months	–	<u>330,039</u>
Cash and cash equivalents in the cash flow statement	<u>5,368,526</u>	<u>2,262,920</u>

27 Cash and cash equivalents (continued)

(b) Reconciliation of liabilities arising from financing activities

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

	<i>Lease liabilities</i> <i>HK\$'000</i>	<i>Total</i> <i>HK\$'000</i>
At 1 January 2024	38,510	38,510
Changes from financing cash flows		
Principal portion of lease payments	(11,521)	(11,521)
Interest element on lease liabilities	<u>(1,023)</u>	<u>(1,023)</u>
	25,966	25,966
Other changes:		
Interest expense on lease liabilities	<u>1,023</u>	<u>1,023</u>
At 31 December 2024	26,989	26,989
Changes from financing cash flows		
Principal portion of lease payments	(11,890)	(11,890)
Interest element on lease liabilities	<u>(654)</u>	<u>(654)</u>
	14,445	14,445
Other changes:		
Interest expense on lease liabilities	<u>654</u>	<u>654</u>
At 31 December 2025	<u><u>15,099</u></u>	<u><u>15,099</u></u>

28 Off-balance sheet exposures

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

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Direct credit substitute	19,835	22,774
Loan commitments which are unconditionally cancellable	<u>25,657,840</u>	<u>26,579,835</u>
	<u><u>25,677,675</u></u>	<u><u>26,602,609</u></u>

The direct credit substitute represents financial guarantee the Bank issued to its immediate holding company for collateralised staff housing mortgage loan issued by its immediate holding company to the Bank's employees as part of staff benefit programme.

The amount of guarantee is the aggregated amount of loan granted to employees that was in excess of the HKMA regulatory loan to value ratio cap. The amount of 'excess' was assessed individually for each loan.

As of date of granting of staff housing mortgage loan, and as of 31 December 2025, these loans remain fully collateralised by the respective property values.

As of 31 December 2025, the remaining contractual maturities for the financial guarantee range between 13 years to 29 years (2024: 14 years to 24 years).

Other commitments which are unconditionally cancellable represent the undrawn portion of the credit card facilities issued to customers.

The total credit risk weighted amount of exposures on direct credit substitute placed with immediate holding company is HK\$19,835,000 (2024: HK\$22,774,000). Analysis of expected credit loss provision on loan commitments which are unconditionally cancellable is included in Note 29(a).

29 Financial risk management and fair values of financial instruments

Risk management approach

Enterprise Risk Management Framework ("ERMF")

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

The ERMF enables the Bank to manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our risk appetite.

29 Financial risk management and fair values of financial instruments (continued)

Risk Appetite and profile

The Bank recognises the following constraints which determine the risks that the Bank 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 Bank 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 as the maximum amount and type of risk the Bank is willing to assume in pursuit of its strategy and approved by the Board. Risk appetite cannot exceed risk capacity.

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 Bank. The Risk Appetite Statement is supplemented by an overarching statement outlining the Bank's Risk Appetite Principles.

Risk Appetite Principles: The Bank's Risk Appetite is in accordance to its overall approach to risk management and its risk culture. The Bank follows the highest ethical standards required by its stakeholders and ensures 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 Bank 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 Bank will not compromise adherence to its risk appetite in order to pursue revenue growth or higher returns. The Bank'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 Bank's risk profile within risk appetite (and therefore also risk capacity). Status against risk appetite is reported to the Board Risk Committee ("BRC") and the Executive Risk Committee ("ERC"); this includes the reporting of breaches. Whereas Asset and Liability Committee ("ALCO") is responsible for ensuring that the Bank's balance sheet risk profile is managed within the Risk Appetite set by the Board. The BRC advises the Board on the Risk Appetite Statement and monitors the Bank's compliance with it.

29 Financial risk management and fair values of financial instruments (continued)

Roles and responsibilities

Three Line of Defence model

The Bank applies a three line of defence model to its day-to-day activities, and to reinforce a strong governance and control environment. Typically:

- The businesses and functions engaged in or supporting revenue generating activities that own and manage the risks constitute the first line of defence.
- The 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.

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 Bank uses Principal Risk Types (“PRTs”) to classify its risk exposures.

The Bank also recognises 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; and
- 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 Bank’s dependency on suppliers for the provision of services and technology. The Bank maintains a dynamic risk identification process with inputs on the internal and external risk environment, as well as potential threats and opportunities from the business and client perspectives. The Bank maintains a taxonomy of the PRTs and risk sub-types that includes near-term as well as longer-term uncertainties.

Chaired by the Chief Risk Officer, the ERC reviews regular reports on the risk profile for the PRTs, adherence to the approved Risk Appetite and escalate to the Board material adverse developments and risk events and make recommendations to the Board on any potential changes to our Corporate Plan.

29 Financial risk management and fair values of financial instruments (continued)

Stress testing

The objective of stress testing is to support the Bank 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;
- Understands the Bank'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;
- Considers how the outcome of plausible stress events may impact availability of liquidity and regulatory capital; and
- Has set Risk Appetite metrics at appropriate levels.

Enterprise Stress Tests incorporate Capital and Liquidity Adequacy Stress Tests including recovery planning, as well as reverse stress tests. Stress Tests that assess scenarios that may endanger the viability of the business model.

The Board has ultimate authority in overseeing the design and execution of stress testing and scenario analyses. The Board approves the stress testing framework in the ERMF local addendum annually and results, unless prior delegations by Mox Board have been given.

Based on the Enterprise Stress Test results, the Chief Risk Officer and Chief Financial Officer can recommend strategic actions to the Board to ensure that the Bank's strategy is compatible with the Board-approved Risk Appetite.

29 Financial risk management and fair values of financial instruments (continued)

Principal Risk Types

PRTs are those risks that are inherent in our strategy and business model and have been formally defined in the ERMF. These risks are managed through distinct Risk Type Frameworks (“RTF”) which are approved by the Board. The PRTs and associated Risk Appetite Statements are approved by the Board.

The table below shows the Bank’s current PRTs:

Principal risks	Description
Credit Risk	Potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Bank.
Traded Risk	Potential for market risk losses resulting from activities undertaken by the Bank in fair valued financial market instruments.
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.
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).
Environmental, Social and Governance and Reputational Risk	Potential or actual adverse impact on the environment and/or society, the Bank’s financial performance, operations, or the Bank’s name, brand or standing, arising from environmental, social or governance factors, or as a result of the Bank’s actual or perceived actions or inactions.
Compliance Risk	Potential for penalties or loss to the Bank or for an adverse impact to our clients, stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws, or regulations.
Information and Cyber Security Risk	Risk to the Bank’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.
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 & corruption, and fraud.
Model Risk	Potential loss that may occur because of decisions or the risk of mis-estimation that could be principally based on the output of models, due to errors in the development, implementation or use of such models.

29 Financial risk management and fair values of financial instruments (continued)

Executive and Board risk oversight

The Board has ultimate responsibility for risk management and is supported by the Executive Committee, Board Audit Committee, BRC, Board Nomination Committee and Board Remuneration Committee. The Board approves the ERMF based on the recommendation from the BRC, which also recommends the Bank's risk appetite statement.

The Board appoints the Executive Committee to maintain a sound system of internal control and risk management. The ERC, 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 ALCO.

The BRC receives regular reports on risk management, including the Bank'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 committee governance structure ensures that risk-taking authority and risk management policies are cascaded down from the Board to the appropriate functional and senior management and committees. Information regarding material risk issues and compliance with policies and standards is communicated to the appropriate functional and senior management and committees.

The appointment of Chief Risk Officer (or cessation of appointment) is approved by the Board. The Chief Risk Officer directly manages the Risk function that is separate and independent from the origination, trading and sales functions of the businesses.

Executive Risk Committee

The ERC is responsible for ensuring the effective management of risk throughout the Bank in support of the Bank's strategy. The CRO chairs the ERC, whose members are drawn from the management team. The ERC determines the overall ERMF for the Bank, including the delegation of any part of its authorities to appropriate individuals or properly constituted committees.

The ERC requests and receives information to fulfil its governance mandates relating to the risks to which the Bank is exposed. As with the BRC, the ERC 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.

Asset and Liability Committee

The ALCO is chaired by the Chief Financial Officer. The ALCO will guide the Bank's strategy on balance sheet optimisation and ensure that, in executing the Bank's strategy, the Bank operates within internally approved risk appetite and external regulatory requirements relating to liquidity, capital, leverage, interest rate risk in the banking book, banking book basis risk and meets internal and external recovery and resolution planning requirements (where applicable).

29 Financial risk management and fair values of financial instruments (continued)

Risk profile

The Bank manages and controls our PRTs through distinct RTF, policies and Board-approved Risk Appetite.

(a) Credit risk

Credit Risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Bank in accordance with agreed terms. Credit exposures may arise from both the banking and trading books.

Credit risk is managed through Credit Risk Type Framework ("Credit RTF") that sets out policies and procedures covering the measurement and management of credit risk. The Credit RTF is the principal risk type part of the overall Mox ERMF, which was approved by the Banks' Board of Directors. It allocates roles and responsibilities in credit risk measurement and management in a manner consistent with the "Three Lines of Defence" model prescribed by the Bank's ERMF.

The Credit RTF is built on a risk-based approach, whereby the risk management plans, processes, activities, and resource allocations are determined in accordance with the level of risk. The framework considers processes and tools that are forward-looking – they are repeatable, sustainable and anticipate future needs.

The Bank's credit risk management principles are as follows:

- All credit risk assumed should be within risk appetite and related risk appetite metrics and consistent with the approved strategy.
- All exposures booked are measured, monitored, recorded and capped within the acceptable exposure limit and tenure.
- Lending decisions are based primarily on repayment capability. A holistic approach is adopted in assessing the client's needs by assessing income, risk profile, indebtedness and ability to service total debt.
- Optimise risk-adjusted returns with controlled volatility and within overall risk appetite

The Risk function is the custodian of the integrity of the risk-return profile of the asset portfolio. The risk profile is managed to maintain a low probability of an unexpected loss event that would materially undermine the confidence of our investors.

Credit Policies, and Process Standards are in place to set the minimum standards for the overall management and control of credit risk in Mox. These mandatory standards, which are aligned with the risk principles, are applied to all lending products and cover all key credit activities. When approving Credit Policies and Standard, it takes into account the requirement of the Hong Kong regulations and the guidelines issued by the Hong Kong Monetary Authority.

29 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Expected Credit Losses

ECL are determined for all financial debt instruments that are classified at amortised cost, FVOCI, undrawn loan commitments and financial guarantees.

ECL is 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.

Credit risk exposures are classified into three stages:

- Stage 1 represents exposures with no SICR since the time of origination (referred to as 'non-deteriorated book'). For stage 1 exposures, ECL is computed covering the next 12 months from the reporting date or the remaining lifetime of the asset, whichever is shorter.
- Stage 2 represents exposures that has significantly increased in credit risk' ("SICR") at the reporting date compared to the time of origination (referred to as 'Significantly Deteriorated Book'). For stage 2 exposures, ECL is computed for the lifetime of the asset.
- Stage 3 represents exposures deemed "Credit Impaired" (or default), aligning with the Bank's definition of default and credit-impaired assets. For stage 3 exposures, ECL is computed for the lifetime of the asset.

Where necessary, adjustments or overlays are used to amend results for incorporating forward looking information. The ECL at any reporting date is a discounted value for future losses using the original effective interest rate (or contractual rate if effective interest rate is not available).

The objective of the impairment requirements is to recognise lifetime ECL for all financial instruments for which there have been SICR since initial recognition, considering all reasonable and supportable information, including that which is forward-looking.

The ECL on exposures shall be discounted using the effective interest rate, or an approximation thereof, that will be applied when recognising the financial asset resulting from the loan commitment.

The ECL methodologies implemented commensurate with the complexity, structure and risk profile of the Bank's exposures.

29 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Calculation of ECL

The Bank calculates the ECL by determining PD, loss given default (“LGD”), exposure at default (“EAD”) and expected lifetime. The ECL is measured on either a 12-month or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired.

- PD represents the likelihood of a borrower defaulting on its financial obligation. The PD information is obtained by the estimation of internal default rate by credit rating.
- LGD measures the loss severity in the case of default. The LGD information is obtained by benchmarking market average.
- EAD is the amount that the Bank expects to be owed at the time of default.

Incorporation of forward-looking information into the ECL models

Forward looking information is incorporated to calculate the probability weighted forward-looking ECL.

- Based on Hong Kong credit card lending statistics, the Bank constructs scenarios that align with historical financial crisis with corresponding severity and probability.
- The scenarios and probability of occurrence will be reviewed and subject to management deliberation on a regular basis.

Significant Increase in Credit Risk

The Bank considers a financial instrument to have experienced a SICR when one or more of the following criteria have been met:

- The borrower is more than or equal to 30 days past due on its contractual payments.
- The borrower’s external rating is downgraded more than predetermined criteria since initial recognition.
- The borrower is put under a watch list due to deterioration of relevant determinants of credit risk.

Definition of default and credit-impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- The borrower is more than or equal to 90 days past due on its contractual payments.
- The borrower is bankrupt.
- The borrower is unlikely to honour its credit obligation.
- The borrower has a reschedule loan such as Debt Relief Plan.

29 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Write-offs Policy

(1) Contractual Write-off (150 days past due)

Loan outstanding amount must be written off upon 150 days past due. Collection activities would continue to remind customers about their payment obligation and continued to recover the outstanding amount owed to the Bank.

(2) Early Write-off

Early write-off refers to the write-off of loan outstanding amount which is less than 150 days past due. Reasons include but not limited to bankruptcy, fraud or deceased cases.

Credit Risk Exposure

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

2025

	<i>Stage 1</i> <i>HK\$'000</i>	<i>Stage 2</i> <i>HK\$'000</i>	<i>Stage 3</i> <i>HK\$'000</i>	<i>POCI</i> <i>HK\$'000</i>	<i>Total</i> <i>HK\$'000</i>
<i>On-balance sheet credit exposures</i>					
Balances with central bank	1,912,546	-	-	-	1,912,546
Investment securities	8,972,042	-	-	-	8,972,042
Advances to bank	-	-	-	-	-
Advances to customers	13,884,788	437,329	65,495	134,905	14,522,517
Amounts due from immediate holding company	1,046,691	-	-	-	1,046,691
Amounts due from fellow subsidiary	177	-	-	-	177
Amounts due from related companies	3,033	-	-	-	3,033
Prepayments and other assets	43,174	-	-	-	43,174
	<u>25,862,451</u>	<u>437,329</u>	<u>65,495</u>	<u>134,905</u>	<u>26,500,180</u>
<i>Off-balance sheet exposures</i>					
Direct credit substitute	19,835	-	-	-	19,835
Loan commitments which are unconditionally cancellable	25,574,797	83,043	-	-	25,657,840
	<u>25,594,632</u>	<u>83,043</u>	<u>-</u>	<u>-</u>	<u>25,677,675</u>
Total credit exposures	<u>51,457,083</u>	<u>520,372</u>	<u>65,495</u>	<u>134,905</u>	<u>52,177,855</u>

29 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Credit Risk Exposure (continued)

2024

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
<i>On-balance sheet credit exposures</i>				
Balances with central bank	653,221	-	-	653,221
Investment securities	10,816,702	-	-	10,816,702
Advances to bank	97,436	-	-	97,436
Advances to customers	6,231,200	330,509	42,267	6,603,976
Amounts due from immediate holding company	2,345,212	-	-	2,345,212
Amounts due from fellow subsidiary	215	-	-	215
Amounts due from related companies	2,618	-	-	2,618
Prepayments and other assets	51,641	-	-	51,641
	<u>20,198,245</u>	<u>330,509</u>	<u>42,267</u>	<u>20,571,021</u>
<i>Off-balance sheet exposures</i>				
Direct credit substitute	22,774	-	-	22,774
Loan commitments which are unconditionally cancellable	26,495,575	71,558	12,702	26,579,835
	<u>26,518,349</u>	<u>71,558</u>	<u>12,702</u>	<u>26,602,609</u>
Total credit exposures	<u>46,716,594</u>	<u>402,067</u>	<u>54,969</u>	<u>47,173,630</u>

Investment securities

The following table analyses treasury bills and certificate of deposit held. The standard credit ratings used by the Bank are those used by Standard & Poor's or their equivalent.

	2025 HK\$'000	2024 HK\$'000
AA – to AA+	8,817,979	10,816,702
A	154,063	-
	<u>8,972,042</u>	<u>10,816,702</u>

29 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Analysis of expected credit loss provision on financial instruments by stage

	At 31 December 2025				Total HK\$'000
	Stage 1	Stage 2	Stage 3	POCI	
	12-month	Lifetime	Lifetime	Lifetime	
	ECL	ECL	ECL	ECL	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Expected credit loss provision on:					
– Advances to customers (note 16)	149,874	157,987	53,154	2,827	363,842
– Loan commitments which are unconditionally cancellable (note 23)	<u>54,248</u>	<u>24,736</u>	<u>–</u>	<u>–</u>	<u>78,984</u>
	<u>204,122</u>	<u>182,723</u>	<u>53,154</u>	<u>2,827</u>	<u>442,826</u>
	At 31 December 2024				Total HK\$'000
	Stage 1	Stage 2	Stage 3		
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Expected credit loss provision on:					
– Advances to customers (note 16)	63,994	147,834	40,335		252,163
– Loan commitments which are unconditionally cancellable (note 23)	<u>73,837</u>	<u>34,116</u>	<u>–</u>		<u>107,953</u>
	<u>137,831</u>	<u>181,950</u>	<u>40,335</u>		<u>360,116</u>

Movement in credit impairment

The loss allowance recognised during the year is impacted by a variety of factors, as described below:

- Transfers between Stage 1, Stage 2 and Stage 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period.
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised during the period; and
- Write-offs of allowances related to assets that were written off during the period.

29 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Movement in credit impairment (continued)

(i) Movement in advances to customers and its credit impairment provision (ECL)

On-Balance Sheet

	Stage 1		Stage 2		Stage 3		POCI		Total					
	Gross balance	Net carrying amount	Gross balance	Net carrying amount	Gross balance	Net carrying amount	Gross balance	Net carrying amount	Gross balance	Net carrying amount				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
At 31 December 2024	6,231,200	63,994	6,167,206	330,509	147,834	182,675	42,267	40,335	1,932	-	6,603,976	252,163	6,351,813	
Net Transfers between stages	(262,467)	32,184	(294,651)	(9,801)	(85,396)	75,595	272,268	53,212	219,056	-	-	-	-	
Net change in exposures	1,052,525	56,318	996,207	(29,724)	(11,021)	(18,703)	-	-	-	-	1,022,801	45,297	977,504	
Net re-measurement from stage change	-	(102,620)	102,620	-	52,239	(52,239)	-	219,320	(219,320)	-	-	168,939	(168,939)	
New financial assets purchased or originated during the period	6,863,530	99,998	6,763,532	146,345	54,331	92,014	57,116	46,443	10,673	134,905	2,827	132,078	7,201,896	
Write-off	-	-	-	-	-	-	(306,156)	(306,156)	-	-	-	(306,156)	(306,156)	
Recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	
At 31 December 2025	13,884,788	149,874	13,734,914	437,329	157,987	279,342	65,495	53,154	12,341	134,905	2,827	132,078	14,522,517	
													363,842	14,158,675

29 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Movement in credit impairment (continued)

(i) Movement in advances to customers and its credit impairment provision (ECL) (continued)

On-Balance Sheet (continued)

	Stage 1			Stage 2			Stage 3			POCI			Total		
	Gross balance HK\$'000	ECL amount HK\$'000	Net carrying amount HK\$'000	Gross balance HK\$'000	ECL amount HK\$'000	Net carrying amount HK\$'000	Gross balance HK\$'000	ECL amount HK\$'000	Net carrying amount HK\$'000	Gross balance HK\$'000	ECL amount HK\$'000	Net carrying amount HK\$'000	Gross balance HK\$'000	ECL amount HK\$'000	Net carrying amount HK\$'000
ECL release/(charge) in profit or loss		(85,880)			(10,153)			(318,975)			(2,827)			(417,835)	
Recoveries of amounts previously written off		-			-			26,355			-			26,355	
Discount unwind		-			-			-			9,421			9,421	
Total credit impairment release/(charge)		(85,880)			(10,153)			(292,620)			6,594			(382,059)	

29 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Movement in credit impairment (continued)

(ii) *Movement in ECL provision on loan commitments which are unconditionally cancellable*

	<i>Stage 1 ECL</i>	<i>Stage 2 ECL</i>	<i>Stage 3 ECL</i>	<i>Total ECL</i>
At 1 January 2025	73,837	34,116	–	107,953
Net transfers between stages	12,290	(12,290)	–	–
Net change in exposures	(3,730)	(12,994)	–	(16,724)
Net re-measurement from stage change	<u>(28,149)</u>	<u>15,904</u>	<u>–</u>	<u>(12,245)</u>
At 31 December 2025	<u>54,248</u>	<u>24,736</u>	<u>–</u>	<u>78,984</u>
	<i>Stage 1 ECL</i>	<i>Stage 2 ECL</i>	<i>Stage 3 ECL</i>	<i>Total ECL</i>
At 1 January 2024	59,559	26,384	–	85,943
Net transfers between stages	9,737	(9,737)	–	–
Net change in exposures	15,984	(4,263)	–	11,721
Net re-measurement from stage change	<u>(11,443)</u>	<u>21,732</u>	<u>–</u>	<u>10,289</u>
At 31 December 2024	<u>73,837</u>	<u>34,116</u>	<u>–</u>	<u>107,953</u>

(b) *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 Bank's Liquidity and Funding Risk framework requires the Bank to ensure that it operates within predefined liquidity limits and remains in compliance with the liquidity policies and practices, as well as regulatory requirements.

The Bank 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 have been no significant changes in the Bank's liquidity risk policies.

29 Financial risk management and fair values of financial instruments (continued)

(b) *Liquidity and Funding risk (continued)*

Primary sources of funding

The Bank's funding strategy is largely driven by its policy to maintain adequate liquidity resources to ensure that there is no significant risk that its liabilities cannot be met as they fall due and to ensure full compliance of regulatory requirements. The Bank aims to maintain diversified and stable funding sources. A substantial portion of our assets are funded by customer deposits, aligned with our policy to fund customer assets predominantly using customer deposits.

A monitoring metric on funding concentration and a threshold over wholesale borrowing are set to avoid over-reliance on a small group of fund providers or on wholesale funding markets. As of 31 December 2025, our assets are primarily funded by diversified retail-based customer deposits, with minimal borrowing from immediate parent.

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 Bank develops and adopts policies to address material liquidity risks and aims to maintain its risk profile within the Bank's Risk Appetite. The Bank implements various business-as-usual and stress risk measures and monitors these against limits and management action triggers. Balance sheet plans and budgets are reviewed by ALCO to ensure funding strategy and structure are appropriate and efficient. These ensure that the Bank maintains an adequate and well diversified liquidity buffer and stable funding base, and that it meets its liquidity and funding regulatory requirements.

29 Financial risk management and fair values of financial instruments (continued)

(b) *Liquidity and Funding risk (continued)*

Liquidity Risk Management (continued)

Stress risk measures include internal liquidity stress testing covering different stress scenarios. This aims to ensure the Bank holds an adequate buffer of high-quality assets to survive extreme but plausible liquidity stress scenarios for a period as defined under each scenario. All scenarios include, but are not limited to, modelled outflows for funding, off-balance sheet funding risk, and intraday risk. Stress testing results show that a positive surplus was maintained under all scenarios at 31 December 2025 i.e. the Bank is able to survive for a period as defined under each scenario.

The Bank also maintains a Recovery Plan which is a live document to be used by management in the event of stress in order to restore the Bank 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 liquidity stress.

Governance

At the Board level, the BRC oversees the effective management of liquidity risk. At the executive level, the ALCO ensures the effective management of risk throughout the Bank in support of the Bank's strategy, guides the Bank's strategy on balance sheet optimisation and ensures the Bank operates within the internally approved Risk Appetite and other internal and external liquidity requirements.

Monitoring

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

Internal risk management reports covering the balance sheet and the liquidity position of the Bank are presented to the ALCO. 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 Bank's balance sheet.

29 Financial risk management and fair values of financial instruments (continued)

(b) *Liquidity and Funding risk (continued)*

Stress Coverage

The Bank intends to maintain a prudent and sustainable funding and liquidity position such that it can withstand a severe but plausible liquidity stress. The Bank's internal liquidity stress testing framework covers the following stress scenarios:

Bank-specific – This scenario captures the liquidity impact from an idiosyncratic event affecting Mox 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 Mox-specific and Market-Wide events affecting the Group simultaneously and hence the most severe scenario.

Stress testing results show that a positive surplus was maintained under all scenarios on 31 December 2025 i.e. the Bank is able to survive for a period of time as defined under each scenario. The combined scenario at 31 December 2025 showed the Bank maintained liquidity resources to survive greater than 30 days, as per the Bank's Board Risk Appetite.

Liquidity position

The Bank maintains the Liquidity Maintenance Ratio ("LMR") to ensure the Bank has sufficient liquefiable assets to meet its liquidity needs over a calendar month.

The Bank 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 requirements.

The following table shows the remaining contractual maturities at the end of the reporting period of the Bank's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Bank can be required to pay:

29 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity and Funding risk (continued)

Liquidity position (continued)

2025

	<i>Repayable</i>					<i>Statement of</i>
	<i>on demand</i>	<i>Within 1 year</i>	<i>Over 1 year</i>	<i>Undated</i>	<i>Total</i>	<i>financial</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>position</i>
						<i>carrying</i>
						<i>amount</i>
						<i>HK\$'000</i>
<i>On balance sheet exposures</i>						
Repurchase agreements at amortised cost	1,500,000	-	-	-	1,500,000	1,500,000
Deposits from customers	11,059,690	9,276,455	651,980	-	20,988,125	20,988,125
Amounts due to immediate holding company	1,452,021	-	-	-	1,452,021	1,452,021
Amounts due to fellow subsidiary	2,370	-	-	-	2,370	2,370
Amounts due to related companies	7,094	-	-	-	7,094	7,094
Property lease liabilities	-	11,974	3,421	-	15,395	15,099
Accruals of expenses	197,324	51,578	-	-	248,902	248,902
Amounts due to brokerage clients	13,941	-	-	-	13,941	13,941
Amounts due to broker	8,204	-	-	-	8,204	8,204
Other liabilities	99,738	-	-	-	99,738	99,738
	<u>14,340,382</u>	<u>9,340,007</u>	<u>655,401</u>	<u>-</u>	<u>24,335,790</u>	<u>24,335,494</u>
<i>Off-balance sheet exposures</i>						
Direct credit substitutes	-	-	-	19,835	19,835	19,835
	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,835</u>	<u>19,835</u>	<u>19,835</u>
Total exposures	<u>14,340,382</u>	<u>9,340,007</u>	<u>655,401</u>	<u>19,835</u>	<u>24,355,625</u>	<u>24,355,329</u>

As at 31 December 2025, the Bank's loan commitments, which are unconditionally cancellable, amounted to HK\$25,657,840,000 (2024: HK\$26,579,835,000).

29 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity and Funding risk (continued)

Liquidity position (continued)

2024

	Repayable				Total HK\$'000	Statement of
	on demand HK\$'000	Within 1 year HK\$'000	Over 1 year HK\$'000	Undated HK\$'000		financial position carrying amount HK\$'000
<i>On balance sheet exposures</i>						
Repurchase agreements at amortised cost	500,000	-	-	-	500,000	500,000
Deposits from customers	11,141,630	6,204,985	76,645	-	17,423,260	17,377,593
Amounts due to immediate holding company	688,720	-	-	-	688,720	688,720
Amounts due to fellow subsidiary	5,358	-	-	-	5,358	5,358
Amounts due to related companies	4,880	-	-	-	4,880	4,880
Property lease liabilities	-	12,544	15,395	-	27,939	26,989
Accruals of expenses	132,999	54,039	-	210	187,248	187,248
Amounts due to brokerage clients	11,046	-	-	-	11,046	11,046
Other liabilities	59,510	-	-	-	59,510	59,510
	<u>12,544,143</u>	<u>6,271,568</u>	<u>92,040</u>	<u>210</u>	<u>18,907,961</u>	<u>18,861,344</u>
<i>Off-balance sheet exposures</i>						
Direct credit substitutes	-	-	-	22,774	22,774	22,774
	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,774</u>	<u>22,774</u>	<u>22,774</u>
Total exposures	<u>12,544,143</u>	<u>6,271,568</u>	<u>92,040</u>	<u>22,984</u>	<u>18,930,735</u>	<u>18,884,118</u>

(c) Traded risk

Traded risk is the potential for loss resulting from activities undertaken by the Bank in the financial markets. The Bank has established policies and standards to identify and analyse these risks, to set appropriate risk controls, and to monitor the risks continually by means of reliable and up-to-date management and information systems. The Bank continually modifies and enhances its risk management policies and systems to reflect changes in the market and best practice risk management processes. Currently, the Bank does not involve in trading book business and the traded risk predominantly arises from the Bank's treasury activities.

29 Financial risk management and fair values of financial instruments (continued)

(i) Interest rate risk in banking book

The Bank defines interest rate risk in the banking book (“IRRBB”) as the potential for a reduction in earnings or economic value due to movements in interest rates. This risk arises from differences in the re-pricing 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 Bank and its capital adequacy. The Bank monitors IRRBB in line with the HKMA Supervisory Policy Manual on “Interest Rate Risk in the Banking Book”. As at 31 December 2025, the IRRBB metric remained within the regulatory threshold.

(ii) Foreign currency risk

The Bank’s functional currency is Hong Kong dollars (“HKD”). The Bank is exposed to foreign currency risk through certain transactions that are predominately denominated in United States dollars (“USD”). As the HKD is pegged to the USD, the Bank considers the risk of movements in exchange rates between the HKD and the USD to be insignificant. The net foreign currency exposures are kept to an acceptable level and the risk is not considered significant.

(d) *Climate Risk*

Climate Risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society’s response to it. It manifests through the Bank’s businesses and operations and may impact a variety of PRTs. As such the relevant Climate Risk management aspects and responsibility definitions are embedded in the RTF of the relevant PRTs.

However, the Bank does not aspire to pro-actively take climate risk and is not expected to incur material climate risk exposure. The risk management therefore focuses on monitoring against incompatible business changes and regularly considering relevance of Climate Risk scenario to the portfolio for stress testing.

Committee Oversight – Board-level and executive-level oversights are exercised through the BRC and ERC respectively.

29 Financial risk management and fair values of financial instruments (continued)

(e) Financial instruments by category

The Bank's financial instruments include the following:

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Financial assets at FVOCI		
– Investment securities	8,972,042	10,816,702
Financial assets at FVTPL		
– Advances to customers	6,397	–
Financial assets at amortised cost		
– Balances with central bank	1,912,546	653,221
– Advances to bank	–	97,436
– Advances to customers	14,158,675	6,351,813
– Amounts due from immediate holding company	1,046,691	2,345,212
– Amounts due from fellow subsidiary	177	215
– Amounts due from related companies	3,033	2,618
– Other assets	43,174	51,641
	<u>26,142,735</u>	<u>20,318,858</u>
Financial liabilities at amortised cost		
– Repurchase agreements at amortised cost	1,500,000	500,000
– Deposits from customers	20,988,125	17,377,593
– Amounts due to immediate holding company	1,452,021	688,720
– Amounts due to fellow subsidiary	2,370	5,358
– Amounts due to related companies	7,094	4,880
– Accruals of expenses and other liabilities	385,883	284,793
	<u>24,335,493</u>	<u>18,861,344</u>

29 Financial risk management and fair values of financial instruments (continued)

(f) Valuation of financial instruments carried at amortised costs

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		
	Carrying Value HK\$'000	Fair Value		Carrying Value HK\$'000	Fair Value	
		Level 2 HK\$'000	Total HK\$'000		Level 2 HK\$'000	Total HK\$'000
Assets						
Advances to customers	<u>14,158,675</u>	<u>14,538,151</u>	<u>14,538,151</u>	<u>6,351,813</u>	<u>6,451,609</u>	<u>6,451,609</u>
Liabilities						
Deposits from customers	<u>20,988,125</u>	<u>20,869,854</u>	<u>20,869,854</u>	<u>17,377,593</u>	<u>17,335,030</u>	<u>17,335,030</u>

Other financial instruments not carried at fair value are stated at amounts not materially different from their fair value as of 31 December 2025 and 2024.

29 Financial risk management and fair values of financial instruments (continued)

(g) Valuation of financial instruments carried at fair value

Valuation of financial assets and liabilities held at fair value are subject to a review independent from the business. 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 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	Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	<i>2025</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment securities at fair value through other comprehensive income	<u>8,817,979</u>	<u>154,063</u>	<u>–</u>	<u>8,972,042</u>

	<i>2024</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment securities at fair value through other comprehensive income	<u>10,816,702</u>	<u>–</u>	<u>–</u>	<u>10,816,702</u>

29 Financial risk management and fair values of financial instruments (continued)

(h) Maturity analysis on assets and liabilities

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled.

	<i>At 31 December 2025</i>		
	<i>Within</i>	<i>After</i>	<i>Total</i>
	<i>12 months</i>	<i>12 months</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balances with central bank	1,912,546	–	1,912,546
Investment securities	8,307,135	664,907	8,972,042
Advances to bank	–	–	–
Advances to customers	7,826,081	6,338,991	14,165,072
Amounts due from immediate holding company	1,046,691	–	1,046,691
Amounts due from fellow subsidiary	177	–	177
Amounts due from related companies	3,033	–	3,033
Intangible assets	–	614,924	614,924
Property, plant and equipment	–	22,383	22,383
Prepayments and other assets	88,230	221,549	309,779
	<u>19,183,893</u>	<u>7,862,754</u>	<u>27,046,647</u>
Repurchase agreements at amortised cost	1,500,000	–	1,500,000
Deposits from customers	20,336,145	651,980	20,988,125
Amounts due to immediate holding company	1,452,021	–	1,452,021
Amounts due to fellow subsidiary	2,370	–	2,370
Amounts due to related companies	7,094	–	7,094
Other payables	392,835	90,305	483,140
	<u>23,690,465</u>	<u>742,285</u>	<u>24,432,750</u>

29 Financial risk management and fair values of financial instruments (continued)

(h) Maturity analysis on assets and liabilities (continued)

	<i>At 31 December 2024</i>		
	<i>Within</i>	<i>After</i>	<i>Total</i>
	<i>12 months</i>	<i>12 months</i>	<i>Total</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balances with central bank	653,221	–	653,221
Investment securities	10,816,702	–	10,816,702
Advances to bank	97,436	–	97,436
Advances to customers	4,573,576	1,778,237	6,351,813
Amounts due from immediate holding company	2,345,212	–	2,345,212
Amounts due from fellow subsidiary	215	–	215
Amounts due from related companies	2,618	–	2,618
Intangible assets	–	573,367	573,367
Property, plant and equipment	–	34,032	34,032
Prepayments and other assets	95,412	174,445	269,857
	<u>18,584,392</u>	<u>2,560,081</u>	<u>21,144,473</u>
Repurchase agreements at amortised cost	500,000	–	500,000
Deposits from customers	17,303,669	73,924	17,377,593
Amounts due to immediate holding company	688,720	–	688,720
Amounts due to fellow subsidiary	5,358	–	5,358
Amounts due to related companies	4,880	–	4,880
Other payables	280,864	135,159	416,023
	<u>18,783,491</u>	<u>209,083</u>	<u>18,992,574</u>

29 Financial risk management and fair values of financial instruments (continued)

(i) Offsetting

The following table present details of financial instrument subject to offsetting, enforceable master netting arrangements and similar agreements.

						2025
	<i>Gross amounts of recognised financial assets in the statement of financial position HK\$'000</i>	<i>Gross amounts of recognised financial liabilities offset in the statement of financial position in the statement of financial position HK\$'000</i>	<i>Net amounts of financial assets presented in the statement of financial position HK\$'000</i>	<i>Related amounts not offset in the statement of financial position HK\$'000</i>	<i>Net amount HK\$'000</i>	
Assets						
Amounts due from brokers	29,699	(28,938)	761	-	761	
Liabilities						
Amounts due to brokers	37,142	(28,938)	8,204	-	8,204	
						2024
	<i>Gross amounts of recognised financial assets in the statement of financial position HK\$'000</i>	<i>Gross amounts of recognised financial liabilities offset in the statement of financial position in the statement of financial position HK\$'000</i>	<i>Net amounts of financial assets presented in the statement of financial position HK\$'000</i>	<i>Related amounts not offset in the statement of financial position HK\$'000</i>	<i>Net amount HK\$'000</i>	
Assets						
Amounts due from brokers	27,159	(18,194)	8,965	-	8,965	
Liabilities						
Amounts due to brokers	18,194	(18,194)	-	-	-	

The Bank has a netting agreement in place with the brokers to manage the associated credit risks. The netting agreement and similar arrangements enable the brokers to set-off liabilities against available assets received in the ordinary course of business and/or in the event of the counterparty's default. The offsetting right is a legal right to settle, or otherwise eliminate, all or a portion of an amount due by applying an amount receivable from the same counterparty against it, thus, reducing credit exposure.

30 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Bank entered into the following material related party transactions.

(a) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Short-term employee benefits	40,895	38,661
Post-employment benefits	1,577	1,474
Share based payments	<u>2,947</u>	<u>3,908</u>
	<u>45,419</u>	<u>44,043</u>

(b) Credit facilities and loans to key management personnel

During the year, the Bank provided credit facilities to key management personnel of the Bank 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.

	<i>2025</i> <i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Unsecured balances of credit limit and guarantees given:		
At 1 January	<u>6,198</u>	<u>6,953</u>
At 31 December	<u>13,594</u>	<u>6,198</u>
Average balance during the year	<u>12,067</u>	<u>6,614</u>
Income earned	<u>-</u>	<u>-</u>

30 Material related party transactions (continued)

(c) Loans, quasi-loans and other dealing with directors and entities controlled by directors

Information of the Bank 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\$'000	2024 HK\$'000
Aggregate amount of relevant unsecured loans by the Bank outstanding at 31 December	<u>2,449</u>	<u>658</u>
Maximum aggregate amount of relevant unsecured loans by the Bank outstanding during the year	<u>3,394</u>	<u>1,780</u>

The above 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.

(d) Transactions with other related parties

During the year, other than those that have been included in other notes to financial statements, the Bank entered into the following material related party transactions:

	Note	2025 HK\$'000	2024 HK\$'000
Transactions with immediate holding company			
– Service fee paid	(i)	(36,842)	(16,698)
Transactions with related companies			
– Reimbursement of marketing costs	(ii)	116	2,220
– Purchases of services	(iii)	<u>(19,389)</u>	<u>(18,641)</u>

Notes:

- (i) The service fee paid to immediate holding company relates to service support for various functions. The service fee is charged on a cost basis.
- (ii) Co-sharing of expenses made under joint promotional initiatives at fixed pre-determined rate.
- (iii) Purchases of services from related parties are made on similar terms as those with other suppliers.

(e) Loan acquisition from immediate holding company

During the year, the Bank acquired certain unsecured personal loan portfolio from its immediate holding company for a cash consideration of HK\$7,780 million.

31 Share based payment

(i) Share based payment operated by Mox Bank Limited

Cash-settled Share Option (the "share award")

A cash-settled Share Option plan was approved by Directors of the Bank in April 2020. The share award serves to meet regulatory requirements to defer a portion of variable pay for senior management.

In year 2022, the Share Option plan was extended to include broader group of employees who meet certain criteria, which acts as a tool to incentivise employees with good performance.

The share award is a zero exercise price option, which are vested proportionately over three years period from time of grant. It is granted to participants based on the latest market value of a share of the Bank. Participants are allowed up to seven years from date of vest to exercise the option at no cost to the participants. The option when exercised, are settled in cash, based on the most recent valuation of the share price of the Bank. Any unexercised options after seven years will lapse.

Share award granted to directors are subject to approval in advance by the Remuneration Committee.

Valuation

The share award is measured at fair value, which is based on the share price valuation of the Bank conducted by independent external valuation experts. The income approach is used to determine an appropriate range of values for the Bank. Valuation is relied on the discounted cash flow methodology and considered sensitivities on various key drivers. Discounted cash flow analysis involved forecasting the relevant cash flow stream over an appropriate period and then discounting it back to a present value at a discount rate which is determined based on the Capital Asset Pricing Model.

Independent valuation is expected to be carried out at least once annually.

Reconciliation of share award movements for the year

	<i>2025</i>	<i>2024</i>
	<i>No. of units</i>	<i>No. of units</i>
Outstanding at 1 January	1,825,974	1,500,493
Granted	514,023	928,936
Forfeited	(179,467)	(166,460)
Exercised	(537,738)	(436,995)
	<u>1,622,792</u>	<u>1,825,974</u>
Outstanding at 31 December	<u>1,622,792</u>	<u>1,825,974</u>
Share price at grant date (HK\$)	7.732	10.147
Exercisable at the end of the year (no. of units)	385,708	185,763
Weighted average contractual remaining life	4.93 years	5.34 years

31 Share based payment (continued)

(ii) Share based payment operated by Standard Chartered PLC ("SC PLC")

SC PLC, the ultimate holding company of the Bank, operates a number of share-based arrangements for certain directors and employees of the Bank.

2021 Standard Chartered Share Plan (the '2021 Plan') and 2011 Standard Chartered Share Plan (the '2011 Plan')

The 2021 Plan was approved by shareholders in May 2021 and is the SC PLC's main share plan, replacing the 2011 Plan for new awards, Jun 2021. It may be used to deliver various types of share awards:

(i) Deferred share awards

Deferred awards are used to deliver the deferred portion of 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. Deferred awards are not subject to any plan limit. This enables the SC PLC to meet regulatory requirements relating to deferral levels, and is in line with market practice.

(ii) Restricted shares awards

Restricted share awards, made outside of the annual performance process as replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers, vest in instalments on the anniversaries of the award date specified at the time of grant. This enables the SC PLC to meet regulatory requirements relating to buy-outs, and is in line with market practice. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance measures.

Under the 2021 Plan and 2011 Plan, no grant price is payable to receive an award. The remaining life of the 2021 Plan during which new awards can be made is nine years. The 2011 Plan has expired and no further awards will be granted under this plan.

31 Share based payment (continued)

- (ii) Share based payment operated by Standard Chartered PLC ("SC PLC") (continued)

Sharesave Plan

The 2013 Sharesave Plan expired in May 2023 and a new 2023 Sharesave Plan was approved by shareholders at the Annual General Meeting in May 2023. Under the 2023 Sharesave Plan, employees may open a savings contract. Employees can save up to £250 per month over three years to purchase ordinary shares in the SC PLC at a discount of up to 20 per cent on the share price at the date of invitation (the 'option exercise price'), after which they have a period of six months to exercise the option. There are no performance measures attached to options granted under the Sharesave Plans and no grant price is payable to receive an option. In some countries in which the SC PLC operates, it is not possible to operate Sharesave plans, typically due to securities law and regulatory restrictions. In these countries, where possible, the SC PLC 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 ten years. The 2013 Sharesave Plan has expired and no further awards will be granted under this plan.

32 Immediate parent and ultimate controlling party

The directors consider the immediate holding company and ultimate holding company of the Bank to be Standard Chartered Bank (Hong Kong) Limited and Standard Chartered PLC respectively, which are incorporated in Hong Kong and the United Kingdom and registered in Hong Kong and England and Wales respectively. Standard Chartered PLC and Standard Chartered Bank (Hong Kong) Limited produces financial statements available for public use.

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2025

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments, new standards and interpretations, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These include the following which are expected to be relevant to the Bank.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKFRS 9 and HKFRS 7: Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18: Presentation and Disclosure in Financial Statements	1 January 2027

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 Bank’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 added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs. The amendments are not expected to have a material impact on the Bank’s financial statements.

Appendix I: Corporate Governance Report (unaudited)

The following is the disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority (“HKMA”)

Corporate Governance Practices and objectives

Mox Bank Limited (referred to as “Mox” or 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.

Board Composition

Chair and Non-Executive Director

Samir SUBBERWAL

Executive Director

Barbaros UYGUN

Non-Executive Directors

Michael Andres GORRIZ (resigned on 15 May 2025)

Susanna Hon-Hing HUI

Janet Yan FENG

Richard Percival Trefor JONES (resigned on 31 July 2025)

Jean Mavis FERNANDES (appointed on 1 August 2025)

Alvaro GARRIDO GARCIA (appointed on 1 September 2025)

Independent Non-Executive Directors

Allen Kam Sing MA

Frank Yee Chon LYN

Tsz Kiu Jason Felix CHIU, J.P.

Appendix I: Corporate Governance Report (unaudited) (continued)

Board Composition (continued)

Samir SUBBERWAL

Chair and Non-Executive Director

Mr. Subberwal was appointed to the Board as Non-Executive Director on 10 August 2018, and as Chair on 1 October 2023.

Mr. Subberwal is currently the Global Head, Wealth Solutions, Retail Products, Data & Analytics of Standard Chartered Bank. He also served as Non-executive Director of Trust Bank Singapore Limited, a digital bank in Singapore backed by Standard Chartered and FairPrice Group from 5 December 2023 to 6 October 2025.

Mr. Subberwal has over 30 years of experience in banking. Prior to his current role, Samir was the Global Head, Wealth Solutions, Deposits and Mortgages, and Chief Client Officer of Standard Chartered Bank, responsible for driving the growth of Wealth Solutions, Deposits and Mortgages businesses globally while championing the shift towards a client-centric organisation. He also had the responsibility to identify opportunities for enhancing shareholder value through organisational and external growth with optimal allocation of resources.

Prior to this role, Mr. Subberwal served as the Head of Consumer, Private and Business Banking, Asia and Global Head of Digital Business and the Managing Director & Regional Head, Retail Banking, Greater China & North Asia of Standard Chartered Group responsible for developing business strategy, delivering financial performances, improving business efficiency, driving digital agenda, and enhancing organisational efficiency in the region.

Mr. Subberwal was also the Managing Director & Head, Retail Banking, Hong Kong and was responsible for leading in the overall development, implementation and delivery of a distinctive Retail Banking business strategy and financial plans to ensure the businesses are managed in alignment with Standard Chartered Bank and regional policies and risk parameters.

Prior to the Retail Banking Head role, Mr. Subberwal was the Head, Integrated Distribution, Hong Kong. He made a significant contribution to the success of the business. Integrated Distribution under Samir's leadership drove balance sheet and wealth management revenue growth through building capability and scale across branch banking, new business & digital. He also made significant progress in the Digital Main Bank agenda covering active customers, online sales & multi-channel customer experience through two flagship branches bringing digital and physical channels together for an enhanced customer experience.

Mr. Subberwal originally joined the Standard Chartered Bank as a Management Trainee and has since held a variety of increasingly senior roles across five different geographies. He has in these markets done roles across sales, business development, product management & Wealth Management.

Mr. Subberwal holds a Master of Business Administration, University of Missouri, Kansas City, USA.

Appendix I: Corporate Governance Report (unaudited) (continued)

Board Composition (continued)

Barbaros UYGUN

Executive Director and Chief Executive Officer

Mr. Uygun was appointed to the Board and became the Chief Executive Officer on 27 September 2021.

Mr. Uygun is a proven leader with over 25 years of banking experience spanning business management and strategy, marketing, product development, and digital transformation and a strong advocate of digital transformation in the retail and payments industries. He joined Mox with a solid international track record in establishing digital banks and leading them to sustainable profitability.

Before joining Mox, Mr. Uygun held senior leadership positions at ING Bank Austria, ING Bank Turkey, and Garanti Bank BBVA, where he led their respective digital initiatives. As the CEO of ING Bank Austria, he transformed the bank from one focused on savings into a full-service digital bank. At ING Bank Turkey, he transformed and digitized the retail business for sustainable profitability and grew its profit base materially. He further established a full-service digital bank at Garanti Bank BBVA to expand its customer base exponentially.

Barbaros is recognised as the CEO of the year in the IDC Future Enterprise Awards 2024 for Asia Pacific and Hong Kong. He is also conferred as the 2023 Honorary Certified Banker under The Hong Kong Institute of Bankers. He has a Certificate in Business Excellence (CIBE) from Columbia Business School and a Master of Business Administration from Bogaziçi University in Istanbul, Turkey, and holds a Master of Science in Industrial Engineering from Marmara University.

Appendix I: Corporate Governance Report (unaudited) (continued)

Board Composition (continued)

Michael Andres GORRIZ

Non-Executive Director

Mr. Gorriz was appointed to the Board on 28 February 2019, and served until 15 May 2025.

With over 30 years of experience in the IT industry, Mr. Gorriz is currently a Supervisory Board member of Commerzbank AG, Frankfurt (since May 2025) and an Independent and Non-executive Director of Temenos AG (a company specialised in enterprise software for banks and financial services with its headquarters in Geneva, Switzerland). He is also Chief Technology Adviser of Kyberlife (an e-commerce marketplace start-up for life sciences, pharmaceutical, and healthcare industries headquartered in Singapore).

Prior to his current roles, Mr. Gorriz also served as a Board Director of Audax Financial Technology (a digital banking technology solutions provider), an Independent and Non-executive Director for Mercedes-Benz Automobile Finance Co., Ltd in China and an Advisory Board member of Swiss IT Security AG (a European Cybersecurity consulting company).

From 2015 to 2021, Mr. Gorriz served as the Chief Information Officer for Standard Chartered Group reporting directly to the CEO. He was globally responsible for systems strategy, development and the operation of the technical infrastructure heading a diverse team of over 15,000 employees. He was also responsible for defining and implementing Standard Chartered Bank's digital and innovation agenda and its internal innovation hub, SC Venture. He formulated the Cloud First strategy and built internal capabilities to engineer, migrate and run systems securely on public cloud infrastructures like AWS and Azure. Major achievement during his tenure was the successful migration of customer channels, payment and core banking system to a public cloud infrastructure.

Prior to joining Standard Chartered, Mr. Gorriz was Vice President and Chief Information Officer at Daimler AG where he was globally responsible for strategy, planning and development of the Daimler Group's IT systems, as well as the operation of its technical infrastructure. During his 29 years at Daimler, Mr. Gorriz progressed through specialist research and design roles in aerospace to general management roles.

Mr. Gorriz is an industry acclaimed technology leader and has won numerous awards – including the Global CIO award of the Indian NASSCOM and is one of only three CIOs in Germany nominated to a list of the 40 most important people in IT in the last 40 years.

Mr. Gorriz is a physicist and engineer by background and obtained a PhD in Engineering.

Appendix I: Corporate Governance Report (unaudited) (continued)

Board Composition (continued)

Susanna Hon-Hing Hui

Non-Executive Director

Ms. Hui was appointed to the Board on 2 May 2019.

Ms. Hui is currently the Acting Group Managing Director, Group Chief Financial Officer and Executive Director of PCCW Limited (PCCW), and a Member of PCCW's Executive Committee. Ms. Hui has also been the Group Managing Director of HKT Limited (HKT) and HKT Management Limited (Trustee – Manager), the Trustee-Manager of HKT Trust, since September 2018, as well as an Executive Director of HKT and the Trustee-Manager since November 2011. She is a Member of HKT's Executive Committee and holds directorships in various Group companies.

Ms. Hui joined Cable & Wireless HKT Limited (which was subsequently acquired by PCCW) in September 1999. Since then, she has served the PCCW Group in various capacities, including as Director of Group Finance of the PCCW Group from September 2006 to April 2007, and the Director of Finance of the PCCW Group with responsibility for the telecommunications services sector and regulatory accounting. Ms. Hui was also the Group Chief Financial Officer of HKT from November 2011 to August 2018, an Executive Director of Pacific Century Premium Developments Limited (PCPD) from May 2018 to December 2021 and the Chief Financial Officer of PCPD from July 2009 to November 2011.

Prior to joining Cable & Wireless HKT Limited, Ms. Hui was the Chief Financial Officer of a listed company engaged in hotel and property investment and management.

Drawing on her extensive experience and expertise in innovation and technology ecosystems, Ms. Hui serves as a Member of the Hong Kong Science and Technology Parks Corporation's Board of Directors, the Hong Kong Trade Development Council's Belt and Road & Greater Bay Area Committee and its Greater Bay Area Task Force on Innovation and Technology, and the Digital Economy Development Committee of the Hong Kong Special Administrative Region (HKSAR) Government. She is also a Vice-Chairman of Employers' Federation of Hong Kong as well as a Fellow and a Council Member of The Hong Kong Management Association, where she is appointed Professor of Practice at its Institute of Advanced Management Development.

Ms. Hui graduated with a bachelor's degree in social sciences from the University of Hong Kong with first class honours. She is a qualified accountant and a member of both the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. In 2024, She was awarded the Medal of Honour by the HKSAR Government in recognition of her dedicated and valuable community service, particularly in youth development and supporting underprivileged students.

Appendix I: Corporate Governance Report (unaudited) (continued)

Board Composition (continued)

Janet Yan FENG

Non-Executive Director

Ms. Feng was appointed to the Board on 2 May 2019.

Ms. Feng currently serves as Senior Vice President of Ctrip.com International, Ltd. (NASDAQ: CTRP) from April 2016, and is the Chief Executive Officer (CEO) of Ctrip Finance since October 2017. Starting from February 2025, she also serves as the CEO of Transportation Business Unit.

Prior to these positions, Ms. Feng was a Director on the first Board of Zhong An Online Insurance Company Limited. In addition, she was Vice Financial President of Ctrip and Chief Financial Officer of transportation BU since January 2013, and held a series of management positions related to Finance since January 2004.

Ms. Feng also serves as the Chairperson of Ctrip Project Management Committee, Vice Chairman of Shanghai Shang Cheng Consumer Finance Corporation Limited and an Independent Director of TAL Education Group (NYSE: TAL), a leading smart learning solutions provider headquartered in Beijing, China.

Prior to joining Ctrip, Ms. Feng worked as Senior Auditor in PwC China focused on listed companies and financial enterprises.

Ms. Feng received her bachelor's degree and Master of Business Administration from Shanghai Jiao Tong University.

Appendix I: Corporate Governance Report (unaudited) (continued)

Board Composition (continued)

Allen Kam Sing MA

Independent Non-Executive Director

Mr. Ma was appointed to the Board on 12 April 2019.

Mr. Ma is currently the Executive Director, Deputy Chairman and Chief Financial Officer of Medera Inc., a Boston-based clinical stage biomedical company focusing on developing gene and cell therapeutics solutions for cardiovascular diseases. Prior to his current role, he served as the Chairman and Executive Director of Xellera Therapeutics Ltd, a Hong Kong-based CDMO (Contract Development & Manufacturing Organization) that develops and manufactures therapeutic and regenerative medicine for the treatment of diseases and trauma. Mr. Ma was also the Non-Executive Chairman of Novoheart Holdings Inc., a biotechnology company with its stock listed at the Toronto Stock Exchange.

Mr. Ma was trained as a professional accountant and made himself well known in the regional Information and Communication Technology (ICT) industry by quickly moving into the core business area of multinational corporations in charge of customer and business operations. Besides creating shareholder value and keeping his customers satisfied, his other interest in business is the study of mega trends (both social and technology) and the ecosystem required to enable its stakeholders to benefit therefrom.

Over the past 30 years, Mr. Ma has contributed to the development of Hong Kong's innovation and technology industry in various positions. Prior to his retirement in July 2016, Mr. Ma was the CEO of Hong Kong Science and Technology Parks Corporation (HKSTP). In this position, Mr. Ma redefined the vision and mission of the Corporation and laid out the corporate strategy to form three technology application platforms, expanded HK Science Park and rejuvenated Industrial Estates to address the society's development needs.

Mr. Ma is devoted to nurturing local technology talents through enriching value added services and expanding infrastructure for HKSTP's Incubation Programmes. These together have built a vibrant innovation and technology ecosystem that underpins Hong Kong's ambition to reap substantial economic benefits through re-industrialisation.

Mr. Ma has also held senior executive positions in his career with a number of multinational corporations primarily in the ICT sector, including British Telecom Plc as President, Asia Pacific; Motorola Inc. Global Telecom Solutions Sector as VP & General Manager of Asia; and C&W Hong Kong Telecom in a number of senior executive positions.

Mr. Ma holds a Master of Business Administration from the University of Toronto and is a fellow member of the Chartered Institute of Management Accountants, UK and the Association of Chartered Certified Accountants, UK. He is also a CPA, CMA, Canada.

Appendix I: Corporate Governance Report (unaudited) (continued)

Board Composition (continued)

Jason Tsz Kiu CHIU, J.P.

Independent Non-Executive Director

Mr. Chiu was appointed to the Board on 29 September 2022.

Mr. Chiu is a renowned serial high technology entrepreneur in Hong Kong and was named “Global Impact Award 2022 – North Asia Honouree” by Young Presidents’ Organisation, “Young Industrialist of Hong Kong 2014” by Federation of Hong Kong Industries (FHKI) and a Fellow of the Hong Kong Institute of Directors (FHKIoD). Mr. Chiu is an active angel investor with a portfolio of deep tech startups and Unicorns in Hong Kong, Mainland China, Korea, Finland, France, Australia, Canada and USA.

With over 30 years of experience in technology and entrepreneurship, Mr. Chiu is the co-founder and Executive Chairman of Collectiv, a Web3 technology company based in Hong Kong. Mr. Chiu is also the founder of Cherrypicks, a leading technology innovator and now a subsidiary of NetDragon Websoft Holdings Limited (HKSE: 777) with a global Artificial Intelligence (AI) partnership with Zhongke WengAI, a Beijing-based AI spinoff of the Chinese Academy of Sciences. Prior to founding Cherrypicks in 2000, Mr. Chiu was a Director for High Tech Strategy Practice at Deloitte Consulting in Toronto and Hong Kong.

Mr. Chiu is an active mentor and angel investor for a number of startups. Mr. Chiu is co-founder and Honorary President of the Hong Kong Startup Council under Federation of Hong Kong Industries (FHKI) and is passionate about building disruptive technology for people and the environment, working alongside founders and leaders in research commercialization, digital transformation and ESG impact.

Mr. Chiu also serves in innovation and Technology related roles in public, private and NGO sectors, namely: Chairman of the General Support Programme (GSP) Vetting Committee of Innovation and Technology Commission (ITC); Innovation and Technology Task Force Member of Hong Kong Trade Development Council (HKTDC)’s Belt and Road and Greater Bay Area Committee; Honorary President of the “Group 30 – Innovation and Creative Industries Council”; Member and Chairman of Finance and Administration Committee of the Hong Kong Applied Science and Technology Research Institute (ASTRI); and Member of Hong Kong Housing Authority.

In the higher education domain, Mr. Chiu serves as Court and Council Member of University of Hong Kong (HKU), Board Chairman of HKU Versitech (Commercial Vehicle of HKU Technology Transfer Office), Board member of the HKU-Standard Chartered Foundation FinTech Academy, Advisor to the HKU Entrepreneurship Engine Fund and Committee Member of the Board of Stewards of the Education University of Hong Kong Foundation. A guest lecturer at Harvard Business School (case #N9-807-106) and HKU’s Doctor of Public Administration program, Mr. Chiu was appointed as the Digby Memorial Lecture Orator at HKU. And in the summer of 2025, Mr. Chiu served as the Guest of Honour at the 214th Congregation Ceremony of HKU’s Faculty of Medicine.

Mr. Chiu holds a Bachelor of Applied Science Degree with Dean’s Honour List from the University of Waterloo, Canada.

Appendix I: Corporate Governance Report (unaudited) (continued)

Board Composition (continued)

Frank Yee Chon LYN

Independent Non-Executive Director

Mr. Lyn was appointed to the Board on 1 July 2020.

Mr. Lyn is also an Independent Non-executive Director of Standard Chartered Bank (China) Limited and SenseTime Group Inc., a leading artificial intelligence software company listed on the Hong Kong Stock Exchange.

Mr. Lyn was previously with PwC China & Hong Kong for over 30 years and has held multiple senior positions including markets leader, member of the management board, corporate finance leader and Hong Kong senior partner.

Mr. Lyn is currently a Director and Honorary Treasurer of the Helping Hand in Hong Kong and Zhaoqing Helping Hand Home for the Elderly in Zhaoqing, China.

Previously, Mr. Lyn served as a Director and Treasurer of the Community Chest, a Director of the China Mergers & Acquisitions Association (CMAA) & Chairman of CMAA's International M&A Committee, an Honorary Financial Advisor to the Shantou University Board, and was a Member of China Committee of the Hong Kong General Chamber of Commerce and the Chinese People's Political Consultative Committee of Guangxi Zhuang Autonomous Region.

Mr. Lyn received a Bachelor of Arts degree in accounting and finance from Nottingham Trent University (Trent Polytechnic) and is a member of both the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Institute of Chartered Accountants in England and Wales (ICAEW).

Appendix I: Corporate Governance Report (unaudited) (continued)

Board Composition (continued)

Richard Percival Trefor JONES

Non-Executive Director

Mr. Jones was appointed to the Board on 25 January 2024 and served until 31 July 2025.

Mr. Jones has over 30 years of experience in Legal and Compliance. Since joining Standard Chartered Bank in 2009, he held various senior positions in the Legal function in Hong Kong and Asia as well as a Global role in Compliance. Most recently, he served as the Head of Legal for Standard Chartered Bank (Hong Kong) Limited as well as the General Counsel for Greater China and North Asia.

Prior to joining Standard Chartered Bank, Mr. Jones was the Asia General Counsel for GE Consumer Finance based in Tokyo. He qualified in England and Wales in 1985 and worked for Linklaters in London until moving to Mallesons in Melbourne in 1989. He joined Slaughter and May in Hong Kong, becoming a local partner in 2001. He is qualified in England and Wales, Victoria and New South Wales in Australia and Hong Kong.

During his time at Standard Chartered Bank, Richard was a member of the bank's Asia Diversity and Inclusion Council.

Mr. Jones received a Bachelor of Law (Hons) degree from the University College of Wales, Aberystwyth.

Appendix I: Corporate Governance Report (unaudited) (continued)

Board Composition (continued)

Jean Mavis Fernandes

Non-Executive Director

Ms. Fernandes was appointed to the Board on 1 August 2025.

Ms. Fernandes is the Group Chief Financial Officer for Wealth and Retail Banking at Standard Chartered Bank since August 2024.

Ms. Fernandes possesses over 20 years of experience in banking and is a seasoned and commercially astute Chief Financial Officer (CFO) who specialises in financially transforming businesses and is adept at acquisition, divestitures, building new businesses and legal entity reorganisation. She has deep knowledge of Asian markets and extensive experience in stewarding boards, regulators, investors & rating agencies.

Prior to her current role, Ms. Fernandes also served multiple Senior CFO roles in Standard Chartered Bank which include Regional CFO of ASEAN and South Asia, CFO of the Global Private Bank, CFO of Corporate & Institutional Clients business and CFO of the Singapore market. Most recently, she was the Group CFO at GXS Digital Bank, responsible for digital banks across ASEAN.

Ms. Fernandes holds a Bachelor of Commerce, Accounting and Finance from University of Mumbai, India. She is also a member of Institute of Chartered Accountants of India.

Appendix I: Corporate Governance Report (unaudited) (continued)

Board Composition (continued)

Alvaro Garrido Garcia
Non-Executive Director

Mr. Garrido was appointed to the Board as a Non-executive Director on 1 September 2025.

Mr. Garrido is the Chief Operating Officer, Technology and Operations, and Chief Information Officer, Information Security and Data, of Standard Chartered PLC. He joined the Group in May 2022 as Group Chief Information Security Officer (CISO) and is based in Singapore. In his current role, he has group-wide responsibility for technology, operations, cyber and information security, data, and resilience, and plays a key role in driving the Bank's multi-year transformation agenda, including technology modernisation, operational efficiency, and risk and control uplift.

Mr. Garrido has over 25 years of international experience across technology, cyber security, operations, and large-scale transformation in global financial institutions and multinational organisations. Prior to joining Standard Chartered Bank, he served as Group Chief Security Officer and Group Chief Information Security Officer at Banco Bilbao Vizcaya Argentaria (BBVA), where he led information and cyber security, fraud prevention, and physical security globally. Earlier in his career, he held senior leadership roles at Nordea as Group Chief Information Officer, at British American Tobacco as Global Head of Technology Services, at Roche Pharmaceuticals as Global Head of Engineering, and at Sun Microsystems. His career spans leadership roles across Asia, Europe, the Americas, and the Middle East.

Mr. Garrido brings deep expertise in building resilient, secure, and scalable technology and operations platforms, with a strong track record in cyber security, data, and enterprise-wide change. His experience across regulated financial services and complex multinational environments provides valuable perspective on governance, risk management, and digital transformation.

Mr. Garrido completed the International Management Program at the MIT Sloan School of Management and holds a Master of Science in Telecommunications Engineering from the Universidad Politécnica de Madrid.

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.

Appendix I: Corporate Governance Report (unaudited) (continued)

Board Committees

1. (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.

The Board held four meetings in 2025.

The below Board Committees operate under the direct authority of the Board.

2. (b) *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 the external auditors and ensures that audit recommendations are implemented accordingly.

During 2025, five AC meetings were held.

3. (c) *Board Risk Committee (“BRC”)*

The BRC exercises oversight on behalf of the Board of the overall risk appetite and risk management strategy of the Bank and oversee its implementation by senior management. 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.

During 2025, four BRC meetings were held.

Appendix I: Corporate Governance Report (unaudited) (continued)

Board Committees (continued)

4. (d) *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.

During 2025, two NomCo meetings were held.

5. (e) *Remuneration Committee (“RemCo”)*

The RemCo is responsible for reviewing the framework and policies for remuneration and compliance with the applicable laws and regulatory guidelines. The RemCo ensures, on behalf of the Board, that the Company’s remuneration policies are consistent with effective risk management.

During 2025, three RemCo meetings were held.

6. (f) *Executive Committee (“EXCO”)*

The Board has delegated the Bank’s day-to-day operations to the Executive Committee, which has then onward delegated appropriate authorities to three other Management Committees, namely, the ALCO, the ERC and the Technology Committee.

During 2025, eight EXCO meetings were held.

Sub-committees of EXCO

(a) *Asset and Liability Committee (“ALCO”)*

The ALCO, appointed by the EXCO, is responsible for the implementation of and compliance with balance sheet management policies as directed by the Board. The ALCO also ensures that, in executing the Bank’s strategy and supporting the Standard Chartered Group’s strategy, the Bank operates within internally approved risk appetite and external requirements relating to capital, liquidity, leverage, interest rate risk in the banking book, and meets internal and external recovery and resolution planning requirements.

During 2025, eleven ALCO meetings were held.

Appendix I: Corporate Governance Report (unaudited) (continued)

Sub-committees of EXCO (continued)

(b) *Executive Risk Committee (“ERC”)*

The ERC, through its authority delegated by the EXCO, is responsible for the management of all PRTs other than those delegated to the Asset and Liability Committee (“ALCO”). The ERC oversees effective application of the Bank’s ERMF, recommends risk appetite for approval by the Board or BRC, approves and reviews new models and risk control parameters including policies, risk exposure limits, and/or other control levers.

During 2025, eight ERC meetings were held.

(c) *Technology Committee (“TechCo”)*

The TechCo, through its authority delegated by the EXCO, is responsible for ensuring effective management and direction of the technology portfolio. This includes but is not limited to domains of technology strategy, audit and regulatory activities, technology architecture, people and workforce as well as financial and commercial matters. In addition, the TechCo provides committee members with an overview of the operational health and effectiveness of systems, processes and controls as well as providing a channel for committee members to represent their business units in raising points requiring the attention of the Technology Leadership Team. The committee also functions as an aggregation point for updates, escalations and key activity updates from the various operational technology governance forums for awareness or resolution and, where appropriate, serves as an escalation point for Technology issues to be raised to the EXCO.

During 2025, eight TechCo meetings were held.

Risk appetite

The details of the Bank’s risk appetite are disclosed in note 29 to the financial statements.

Major share ownership and voting rights

As at end of 31 December 2025, the Bank is majority owned by Standard Chartered Bank (Hong Kong) Limited which held 74.36% of the voting rights in the Bank. The other shareholders are HKT Limited (via Digital Access Limited, 12.32%), PCCW Limited (via Digital Harmony Limited, 8.21%), and Ctrip Financial Management (Hong Kong) Co., Limited (5.11%).

Related party transactions

All related party transactions during the year ended 31 December 2025 are disclosed in note 30 to the financial statements.

Complex structures

The Bank does not hold any structured entity as of date of the financial statements.

Appendix II: Regulatory Disclosures (unaudited)

The following accompanying notes are disclosures in compliance with the Banking Disclosure Rules.

(a) *International claims*

International claims are on-balance sheet exposures of counterparties based on the location of those counterparties after taking into account the transfer of risk. Recognised risk transfer refers to the reduction of exposure to a particular country by an effective transfer of credit risk to a different country.

International claims on individual countries or segments, after risk transfer, amounting to 10% or more of the aggregated international claims are shown as below:

	<i>Banks</i>	<i>Official</i>	<i>Non-bank</i>	<i>Non-</i>	<i>Total</i>
	<i>HK\$'000</i>	<i>Sector</i>	<i>Financial</i>	<i>financial</i>	<i>HK\$'000</i>
		<i>HK\$'000</i>	<i>institution</i>	<i>private</i>	
			<i>HK\$'000</i>	<i>sector</i>	
				<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December 2025					
Offshore centres	3,806,399	–	–	4,288	3,810,687
– of which Hong Kong SAR	3,806,399	–	–	4,288	3,810,687
Developed countries	–	2,949,273	–	–	2,949,273
– of which United States	–	2,949,273	–	–	2,949,273
At 31 December 2024					
Offshore centres	455,437	–	–	3,882	459,319
– of which Hong Kong SAR	455,437	–	–	3,882	459,319

Appendix II: Regulatory Disclosures (unaudited) (continued)

(b) Advances to customers analysed by industry sector

The analysis of gross advances to customers by industry sector is based on the categories used by the HKMA.

	2025 HK\$'000	% of collateral covered by collateral or other liabilities HK\$'000
Gross advances for use in Hong Kong		
Industrial, commercial and financial		
– Property development	–	–
– Property investment	–	–
– Financial concerns	–	–
– Stockbrokers	–	–
– Wholesale and retail trade	–	–
– Manufacturing	–	–
– Transport and transport equipment	–	–
– Recreational activities	–	–
– Information technology	–	–
– Others	–	–
Individuals	–	–
– Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	–	–
– Advances for the purchase of other residential properties	–	–
– Credit card advances	7,321,091	–
– Others	6,832,118	–
	<hr/>	<hr/>
Total gross advances for use in Hong Kong	14,153,209	–
Gross advances for use outside Hong Kong	4,483	–
	<hr/>	<hr/>
Gross advances to customers	<u>14,157,692</u>	<u>–</u>

Appendix II: Regulatory Disclosures (unaudited) (continued)

(b) Advances to customers analysed by industry sector (continued)

The amount of impaired and overdue loans and advances to customers and expected credit loss provision for industry sectors which constitute not less than 10% of the Bank's total advances to customers are as follows:

At 31 Dec 2025	<i>Impaired advances to customers HK\$'000</i>	<i>Overdue advances to customers HK\$'000</i>	<i>Stage 3 credit loss provision HK\$'000</i>	<i>Stage 1 & 2 expected credit loss provision HK\$'000</i>
Gross loans and advances for use in Hong Kong				
Individuals	<u>286,079</u>	<u>48,837</u>	<u>138,482</u>	<u>300,608</u>
			<i>2024 HK\$'000</i>	<i>% of collateral covered by collateral or other liabilities HK\$'000</i>
Gross advances for use in Hong Kong				
Industrial, commercial and financial				
– Property development			–	–
– Property investment			–	–
– Financial concerns			–	–
– Stockbrokers			–	–
– Wholesale and retail trade			–	–
– Manufacturing			–	–
– Transport and transport equipment			–	–
– Recreational activities			–	–
– Information technology			–	–
– Others			–	–
Individuals				
– Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme			–	–
– Advances for the purchase of other residential properties			–	–
– Credit card advances		6,577,545		–
– Others		839		–
Total gross advances for use in Hong Kong		<u>6,578,384</u>		–
Gross advances for use outside Hong Kong			<u>1,911</u>	–
Gross advances to customers		<u>6,580,295</u>		–

Appendix II: Regulatory Disclosures (unaudited) (continued)

(b) *Advances to customers analysed by industry sector (continued)*

The amount of impaired and overdue loans and advances to customers and expected credit loss provision for industry sectors which constitute not less than 10% of the Bank's total advances to customers are as follows:

	<i>Impaired advances to customers HK\$'000</i>	<i>Overdue advances to customers HK\$'000</i>	<i>Stage 3 credit loss provision HK\$'000</i>	<i>Stage 1 & 2 expected credit loss provision HK\$'000</i>
At 31 Dec 2024				
Gross loans and advances for use in Hong Kong				
Individuals	<u>42,267</u>	<u>31,239</u>	<u>40,335</u>	<u>211,723</u>

(c) *Advances to customers by geographical location*

The analysis of gross advances to customers by geographical location is in accordance with the location of counterparties, after taking into account of any recognised risk transfer.

	<i>Total gross loans and advances to customers HK\$'000</i>	<i>Impaired advances to customers HK\$'000</i>	<i>Overdue advances to customers HK\$'000</i>	<i>Stage 3 credit loss provision HK\$'000</i>	<i>Stage 1 & 2 expected credit loss provision HK\$'000</i>
31 Dec 2025					
Hong Kong	14,153,209	286,079	48,837	138,482	300,608
Others	<u>4,483</u>	<u>1,065</u>	<u>1,065</u>	<u>1,024</u>	<u>143</u>
Total	<u>14,157,692</u>	<u>287,144</u>	<u>49,902</u>	<u>139,506</u>	<u>300,751</u>
31 Dec 2024					
Hong Kong	6,578,384	42,267	31,239	40,335	211,723
Others	<u>1,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105</u>
Total	<u>6,580,295</u>	<u>42,267</u>	<u>31,239</u>	<u>40,335</u>	<u>211,828</u>

Appendix II: Regulatory Disclosures (unaudited) (continued)

(d) Overdue and rescheduled assets

Overdue assets

The overdue loans and advances of the Bank are analysed as follows:

	<i>At 31 December 2025</i>		<i>At 31 December 2024</i>	
	<i>HK\$'000</i>	<i>% of advances to customers</i>	<i>HK\$'000</i>	<i>% of advances to customers</i>
Gross advances to customers which have been overdue with respect to either principal or interest for periods of:				
– 6 months or less but over 3 months	49,902	0.35%	30,526	0.46%
– 1 year or less but over 6 months	–	–	713	0.01%
– Over 1 year	–	–	–	–
	<u>49,902</u>	<u>0.35%</u>	<u>31,239</u>	<u>0.47%</u>
			<i>At 31</i>	<i>At 31</i>
			<i>December 2025</i>	<i>December 2024</i>
			<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value of collateral held against the covered portion of overdue advances to customers				
– Covered portion of overdue advances to customers			–	–
– Uncovered portion of overdue advances to customers			<u>49,902</u>	<u>31,239</u>
Stage 3 expected credit loss provision against advances to customers overdue more than 3 months			<u>43,575</u>	<u>29,811</u>

Appendix II: Regulatory Disclosures (unaudited) (continued)

(d) *Overdue and rescheduled assets (continued)*

Rescheduled assets

The rescheduled loans and advances of the Bank are analysed as follows:

	<i>At 31 December 2025</i>		<i>At 31 December 2024</i>	
	<i>HK\$'000</i>	<i>% of advances to customers</i>	<i>HK\$'000</i>	<i>% of advances to customers</i>
Rescheduled loans and advances to customers	<u>236,088</u>	<u>1.63%</u>	<u>10,306</u>	<u>0%</u>

Rescheduled loans and advances are those loans and advances, which have been restructured or renegotiated because of a deterioration in the financial position of the borrowers, or the inability of the borrowers to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Bank. Rescheduled loans and advances to customers are stated net of any loans and advances that have subsequently become overdue for over 3 months and reported as overdue loans and advances in note d.

As at 31 December 2025, there were no overdue and rescheduled advances to banks and other financial institutions, investment securities and other assets.

Appendix II: Regulatory Disclosures (unaudited) (continued)

(e) Mainland exposures

The following illustrates the disclosure the Bank is required to make under the prevailing Return of Mainland Activities (MA(BS)20) in respect of its Non-bank Mainland China exposures.

	<i>At 31 December 2025</i>		<i>Total</i> <i>HK\$'000</i>
	<i>On-balance</i> <i>sheet exposure</i> <i>HK\$'000</i>	<i>Off-balance</i> <i>sheet exposure</i> <i>HK\$'000</i>	
<u>Type of counterparties</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures	–	–	–
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	–	–	–
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	190	–	190
4. Other entities of central government not reported in item 1 above	–	–	–
5. Other entities of local government not reported in item 2 above	–	–	–
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	–	–	–
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	<u>2,402</u>	<u>–</u>	<u>2,402</u>
Total	<u>2,592</u>	<u>–</u>	<u>2,592</u>
Total assets after provision	<u>26,978,144</u>		
On-balance sheet exposures as percentage of total assets	<u>0.01%</u>		

Appendix II: Regulatory Disclosures (unaudited) (continued)

(e) Mainland exposures (continued)

	At 31 December 2024		Total HK\$'000
	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	
<u>Type of counterparties</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures	–	–	–
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	–	–	–
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	48	–	48
4. Other entities of central government not reported in item 1 above	–	–	–
5. Other entities of local government not reported in item 2 above	–	–	–
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	–	–	–
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,986	–	1,986
Total	2,034	–	2,034
Total assets after provision	<u>21,026,608</u>		
On-balance sheet exposures as percentage of total assets	<u>0.01%</u>		

Appendix II: Regulatory Disclosures (unaudited) (continued)

(f) *Currency risks*

The currency risk arising from the Bank's operations for those individual currencies which each constitute more than 10% of the total net positions in all foreign currencies are as follows:

	<i>2025</i>	<i>2024</i>
	<i>United States</i>	<i>United States</i>
	<i>dollar</i>	<i>dollar</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Spot assets	3,506,415	322,339
Spot liabilities	(3,521,041)	(305,951)
Net long/(short) non- structural position	(14,626)	16,388

The Bank does not have structural FX position as of 31 December 2025 and 31 December 2024.