



Citicorp International Limited
花旗國際有限公司

31 December 2025

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

Citicorp International Limited ("the Company") is a restricted licence bank incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 50/F, Champion Tower, Three Garden Road, Central, Hong Kong.

Principal activities

The Company is principally engaged in the provision of banking support services to Citibank N.A., Hong Kong Branch. The Company also conducts merchant business.

The Company is registered as a restricted licence bank under the Hong Kong Banking Ordinance and a registered institution under the Securities and Futures Ordinance to conduct Types 1 and 4 regulated activities.

Share capital

Details of the movements in share capital of the Company during the financial year are set out in note 17 to the financial statements. The Company did not issue shares during the year.

Dividend

The Company paid an interim dividend of HK\$1,322,940,000 in respect of the year ended 31 December 2025 (2024: HK\$1,275,132,800).

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2025 (2024: HK\$ Nil).

Directors

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

Steven Lo Wai Ming
Susan Kwek Ai Kheng (resigned on 21 November 2025)
Mark Fordyce Hart
Frederick Roberto Wayman
Christopher David Long
Horace Yip Chi Ho

There being no provision in the Company's articles of association for the retirement of directors by rotation, the present directors continue in office for the ensuing 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 Company is currently in force and was in force throughout this year.

Directors' interests in transactions, arrangements or contracts

No transaction, arrangement or contract of significance to which the Company, or any of its holding company or fellow subsidiary was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Directors' interests in shares

The Company's ultimate holding company, Citigroup Inc., operates stock option and stock award plans enabling eligible employees, including directors of the Company, to acquire shares of common stock in Citigroup Inc. Certain directors of the Company in office during the year have been granted awards over shares of the common stock of Citigroup Inc. pursuant to the above stock award plan. During the year, the following directors acquired shares of common stock in Citigroup Inc. pursuant to the above stock award plan:

Steven Lo Wai Ming
Susan Kwek Ai Kheng
Frederick Roberto Wayman
Christopher David Long
Horace Yip Chi Ho

Apart from the foregoing, at no time during the year was the Company, or any of its holding or fellow subsidiary companies, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Management contract

During the year, there subsisted contracts between the Company and Citibank, N.A. under which both companies provide management services to each other for a fee. No director of the Company had an interest in the above contracts.

Compliance with the Banking (Disclosure) Rules

The Banking (Disclosure) Rules set out the minimum standards for public disclosure which authorised institutions must make in respect of the financial performance, financial position and capital adequacy. The Company's financial statements and the unaudited supplementary information on pages 47 to 50 for the financial year ended 31 December 2025 comply fully with the applicable disclosure provisions of the Banking (Disclosure) Rules.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting or by way of a written resolution passed by the member of the Company in lieu of the Annual General Meeting.

By order of the board


Hong Kong *x Chris*

22 APR 2026



Independent auditor's report to the member of Citicorp International Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Citicorp International Limited ("the Company") set out on pages 7 to 46 which comprise the statement of financial position as at 31 December 2025, 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, comprising material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2025 and of its financial performance and its cash flows for the year then ended in accordance with HKFRS Accounting Standard 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 Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have 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 all the information included in the annual report, 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 to the member of Citicorp International Limited (continued)

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors 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 Standard 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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. This 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 skepticism 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.



**Independent auditor's report to the member of
Citicorp International Limited (continued)**
(Incorporated in Hong Kong with limited liability)

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

- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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 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 Jessup, Alisdair James (practising certificate number: P08488).

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 APR 2026

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

(Expressed in thousands of Hong Kong dollars)

	<i>Note</i>	<i>2025</i> \$'000	<i>2024</i> \$'000
Interest income	4(a)	53,056	109,714
Interest expense	4(b)	<u>(30,362)</u>	<u>(37,966)</u>
Net interest income		22,694	71,748
Fee and commission income	5	3,988,206	4,060,261
Other income	6	<u>5,776</u>	<u>4,165</u>
Operating income		4,016,676	4,136,174
Operating expenses	7	<u>(2,149,976)</u>	<u>(2,524,830)</u>
Profit before taxation		1,866,700	1,611,344
Income tax	9(a)	<u>(301,822)</u>	<u>(289,324)</u>
Profit for the year		<u>1,564,878</u>	<u>1,322,020</u>
Other comprehensive income for the year, net of tax:			
Item that will not be classified to profit or loss:			
Remeasurement of net defined benefit liabilities		159	(462)
Item that may be classified subsequently to profit or loss:			
Changes in fair value of financial assets measured at fair value through other comprehensive income		<u>496</u>	<u>(1,296)</u>
Total comprehensive income		<u>1,565,533</u>	<u>1,320,262</u>

The notes on pages 12 to 46 form part of these financial statements.

Statement of financial position at 31 December 2025

(Expressed in thousands of Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
Assets			
Balances with banks	10	2,673,143	2,059,964
Financial assets measured at fair value through other comprehensive income	11	1,496,062	994,830
Plant and equipment	13	281	308
Deferred tax assets	9(d)	56,487	41,555
Other assets	14	7,251	16,980
TOTAL ASSETS		<u>4,233,224</u>	<u>3,113,637</u>
Liabilities			
Deposits and balances from banks	15	1,400,000	465,885
Defined benefit liabilities		9,173	9,350
Current taxation	9(c)	57,970	90,604
Other liabilities	16	746,450	659,249
Total liabilities		<u>2,213,593</u>	<u>1,225,088</u>
Equity			
Share capital	17	187,556	187,556
Reserves	18	1,832,075	1,700,993
Total equity		<u>2,019,631</u>	<u>1,888,549</u>
TOTAL EQUITY AND LIABILITIES		<u>4,233,224</u>	<u>3,113,637</u>

Approved and authorised for issue by the board of directors on **22 APR 2026**



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) Directors
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The notes on pages 12 to 46 form part of these financial statements.

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

(Expressed in thousands of Hong Kong dollars)

	Note	Share capital \$'000	Capital reserve \$'000	Fair value reserves \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January 2024		187,556	114,916	1,431	1,611,841	1,915,744
Profit for the year		-	-	-	1,322,020	1,322,020
Other comprehensive income		-	-	(1,296)	(462)	(1,758)
Total comprehensive income for the year		-	-	(1,296)	1,321,558	1,320,262
Equity-settled share-based transactions		-	(72,324)	-	-	(72,324)
Dividends declared in respect of the current year	20	-	-	-	(1,275,133)	(1,275,133)
Balance at 31 December 2024 and 1 January 2025		187,556	42,592	135	1,658,266	1,888,549
Profit for the year		-	-	-	1,564,878	1,564,878
Other comprehensive income		-	-	496	159	655
Total comprehensive income for the year		-	-	496	1,565,037	1,565,533
Equity-settled share-based transactions		-	(111,511)	-	-	(111,511)
Dividends declared in respect of the current year	20	-	-	-	(1,322,940)	(1,322,940)
Balance at 31 December 2025		187,556	(68,919)	631	1,900,363	2,019,631

The notes on pages 12 to 46 form part of these financial statements.

Cash flow statement

for the year ended 31 December 2025

(Expressed in thousands of Hong Kong dollars)

	<i>Note</i>	2025 \$'000	2024 \$'000
Operating activities			
Profit before taxation		1,866,700	1,611,344
Adjustments for:			
Net interest income		(22,694)	(71,748)
Depreciation		27	92
Impairment recovery		139	(52)
Share-based payment transactions		(126,677)	(100,434)
		1,717,495	1,439,202
Decrease/(increase) in operating asset			
Other assets		9,754	(921)
Increase in operating liabilities			
Deposits from banks		934,115	465,885
Other liabilities		88,535	17,938
Defined benefit liabilities		(336)	444
		1,022,314	484,267
Cash generated from operations		2,749,563	1,922,548
Tax paid			
- Hong Kong Profits Tax paid		(333,163)	(197,024)
- Overseas tax paid		(1,060)	(1,847)
Net cash generated from operating activities		2,415,340	1,723,677

Cash flow statement
for the year ended 31 December 2025 (continued)
(Expressed in thousands of Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
Investing activities			
Net movement of financial asset measured at fair value through other comprehensive income		(500,758)	437,291
Interest received		53,056	110,687
Net cash (used in)/generated from investing activities		(447,702)	547,978
Financing activities			
Dividend paid	20	(1,322,940)	(1,275,133)
Interest paid		(31,519)	(38,079)
Net cash used in financing activities		(1,354,459)	(1,313,212)
Net increase in cash and cash equivalents		613,179	958,443
Cash and cash equivalents at 1 January	19(a)	2,059,964	1,101,521
Cash and cash equivalents at 31 December	19(a)	2,673,143	2,059,964

The notes on pages 12 to 46 form part of these financial statements.

Notes to the financial statements

(Expressed in thousands of Hong Kong dollars unless otherwise indicated)

1 Principal activities

The Company is principally engaged in the provision of banking support services to Citibank N.A., Hong Kong Branch. The Company also conducts merchant business.

The Company is registered as a restricted licence bank under the Hong Kong Banking Ordinance and a registered institution under the Securities and Futures Ordinance to conduct Types 1 and 4 regulated activities.

2 Material accounting policies

(a) *Statement of compliance*

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

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

(b) *Basis of preparation of the financial statements*

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

- obligations under share-based incentive plans (see note 2(g)(iii)); and
- financial instruments at fair value through other comprehensive income (see note 2(c))

2 Material accounting policies (continued)

The preparation of financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, 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 judgements 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.

(c) Financial instruments

(i) Initial recognition

The Company initially recognises financial assets and financial liabilities at fair value through profit or loss ("FVTPL") on the date it becomes a party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the date which they are originated.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

2 Material accounting policies (continued)

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

2 Material accounting policies (continued)

In assessing whether the contractual cash flows are SPPI, the Company 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 Company considers:

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

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. When (and only when) the Company changes its business model for managing financial assets, it reclassifies all affected financial assets in accordance with the new business model. The reclassification should be applied prospectively from the 'reclassification date', which is defined as, 'the first day of the first reporting period following the change in business model that results in reclassifying financial assets'. Accordingly, any previously recognised gains, losses or interest will not be restated.

If a financial asset is reclassified out of the amortised cost measurement category and into the FVTPL or fair value through other comprehensive income ("FVOCI") measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss (if reclassification as FVTPL measurement category) or is recognised in other comprehensive income (if reclassification as FVOCI measurement category).

If a financial asset is reclassified out of the FVOCI measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost.

If a financial asset is reclassified out of the FVOCI measurement category and into the FVTPL measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

2 Material accounting policies (continued)

Financial liabilities

The Company classifies its financial liabilities as measured at amortised cost.

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the statement of financial position date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the statement of financial position date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the statement of financial position date.

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

The Company uses the first-in, first-out method to determine realised gains and losses to be recognised in profit or loss on derecognition.

(v) Offsetting

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

2 Material accounting policies (continued)

(vi) Credit losses and impairment of assets

The Company recognises loss allowances for Expected Credit Loss ("ECL") on financial assets measured at amortised cost and FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2 Material accounting policies (continued)

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

- significant financial difficulty of the borrower or issuer,
- a breach of contract such as a default or being more than 90 days past due; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(d) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost of items of furniture and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives of 3 to 10 years.

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

Where parts of an item of equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Impairment of non-financial assets

Internal and external sources of information are reviewed at each statement of financial position date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- plant and equipment; and
- other non-financial assets.

2 Material accounting policies (continued)

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs 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 asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in the profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

(f) **Cash and Cash equivalents**

Cash equivalents are demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(g) **Employee benefits**

(i) Short-term employee benefits and contributions to defined contribution retirement plans

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.

2 Material accounting policies (continued)

(ii) Defined benefit retirement plan obligations

The Company's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in operating expenses. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(iii) Share-based payments

The Company participates in a number of Citigroup Inc. ("Citigroup") share-based incentive plans under which Citigroup grants shares to the Company's employees. Pursuant to a separate Stock Plans Affiliate Participation Agreement ("SPAPA"), the Company reimburses Citigroup for the fair value of the share-based incentive awards delivered to the Company's employees under these plans. The Company accounts for these plans as equity-settled plans, with separate accounting for its associated obligations to make payments to Citigroup. The Company recognises the fair value of the awards at grant date as compensation expense over the vesting period with a corresponding credit in equity as a capital contribution from Citigroup. The Company's liability to Citigroup under the SPAPA is remeasured at each reporting date until settlement date and any changes in value are recognised in equity.

(iv) Termination benefits

Termination benefits are recognised at the earlier of when the Company can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 Material accounting policies (continued)

(h) 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 directly 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 statement of financial position date, and any adjustment to tax payable in respect of previous years.

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.

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. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company.

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 statement of financial position date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each statement of financial position date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

2 Material accounting policies (continued)

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

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(i) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(j) Revenue recognition

Income is classified by the Company as revenue when it arises from the provision of services.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Company's revenue and other income recognition policies are as follows:

(i) Fee and commission income

Fee and commission income arises from financial services provided by the Company including merchant and investment banking services and banking support services.

2 Material accounting policies (continued)

Fee and commission income is recognised when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk is incurred and is accounted for as interest income.

Origination or commitment fees received/paid by the Company which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

(ii) Interest income

Interest income for all interest-bearing financial instruments is recognised in the profit or loss on an accruals basis using the effective interest method.

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 the financial asset.

When calculating the effective interest rate for financial instruments, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset.

(k) *Translation of foreign currencies*

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the statement of financial position date. Exchange gains and losses are recognised in the profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Hong Kong dollars using the foreign exchange rates ruling at the transaction dates. 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.

All exchange differences relating to monetary items are presented as gains less losses from dealing in foreign currencies in the profit or loss.

2 Material accounting policies (continued)

(1) Related parties

- (1) A person, or a close member of that person's family, is related to the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Company's parent.
- (2) An entity is related to the Company if any of the following conditions applies:
 - (i) The entity and the Company 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 Company or an entity related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (1).
 - (vii) A person identified in (1)(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 services to the Company or the Company'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.

3 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRS Accounting Standards that are first effective for the current accounting period of the Company.

None of the amendments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Interest income and interest expense

(a) Interest income

	2025 \$'000	2024 \$'000
Interest income on financial assets measured at fair value through other comprehensive income - Unlisted	32,195	59,681
Interest income on placements with banks	20,861	50,033
	53,056	109,714

(b) Interest expense

	2025 \$'000	2024 \$'000
Interest expense on deposits and balances from banks	30,362	37,966

5 Fee and commission income

	2025 \$'000	2024 \$'000
Agency and servicing fees	86,273	91,677
Banking support services fees	3,901,933	3,968,584
	3,988,206	4,060,261

Banking support services comprises of front and back office support services provided mainly to the intermediate holding company in the ordinary course of business.

6 Other income

	2025	2024
	\$'000	\$'000
Gain on foreign exchange	<u>5,776</u>	<u>4,165</u>

7 Operating expenses

	2025	2024
	\$'000	\$'000
Staff costs		
- Salaries and other staff costs	1,334,933	1,360,093
- Amount recognised in respect of defined benefit plan, contributions to defined contribution plan and Mandatory Provident Fund Scheme	72,188	69,091
- Equity-settled share-based payment expenses	97,257	105,731
Premises and equipment expenses		
- Depreciation	27	92
- Rent and rates	139,684	158,952
- Others	3	-
Auditors' remuneration	670	664
Communication expenses	3,970	3,717
Market data expenses	48,167	42,663
Membership expenses	166	112
Management and services fees	369,522	691,346
Computer processing services expenses	1,344	1,839
Others	82,047	90,530
	<u>2,149,976</u>	<u>2,524,830</u>

8 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 are as follows:

	2025 \$'000	2024 \$'000
Directors' fees	340	340
Salaries, allowances and benefits in kind	3,754	4,539
Discretionary bonuses	3,593	3,437
Share-based payments	2,617	3,645
Retirement scheme contributions	208	229
	<u>10,512</u>	<u>12,190</u>

9 Taxation

(a) Taxation in the statement of profit or loss and other comprehensive income represents:

	2025 \$'000	2024 \$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	315,511	281,320
(Over)/under-provision in respect of prior years	<u>(14,981)</u>	<u>11,667</u>
	300,530	292,987
Current tax - Overseas		
Provision for the year	1,060	1,847
Deferred tax		
Origination and reversal of temporary differences	<u>232</u>	<u>(5,510)</u>
	<u>301,822</u>	<u>289,324</u>

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

9 Taxation (continued)

(b) Reconciliation between tax expense charged to profit or loss and accounting profit at applicable tax rates:

	2025 \$'000	2024 \$'000
Profit before taxation	<u>1,866,700</u>	<u>1,611,344</u>
Notional tax on profit before tax	308,006	265,872
Tax effect of other adjustments	8,797	11,785
(Over)/under-provision in prior years	<u>(14,981)</u>	<u>11,667</u>
Actual tax expense charged to profit or loss	<u>301,822</u>	<u>289,324</u>

(c) Current taxation in the statement of financial position represents:

	2025 \$'000	2024 \$'000
Provision for Hong Kong Profits Tax for the year	315,511	281,320
Provision for Hong Kong Profits Tax carried forward from prior year	8,805	8,809
Provisional Profits Tax paid	<u>(266,346)</u>	<u>(199,525)</u>
Taxation payable	<u>57,970</u>	<u>90,604</u>

(d) Deferred tax assets and liabilities recognised

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

	<i>Depreciation in excess of the related depreciation allowances</i> \$'000	<i>Timing difference on share-based payment transactions</i> \$'000	<i>Others</i> \$'000	<i>Total</i> \$'000
Deferred tax arising from:				
At 1 January 2024	(54)	23,451	(4,443)	18,954
Credited/(charged) to the statement of profit or loss and other comprehensive income	13	2,810	2,687	5,510
Charged to reserve	-	17,091	-	17,091
At 31 December 2024	<u>(41)</u>	<u>43,352</u>	<u>(1,756)</u>	<u>41,555</u>
At 1 January 2025	(41)	43,352	(1,756)	41,555
Credited/(charged) to the statement of profit or loss and other comprehensive income	3	(1,242)	1,007	(232)
Charged to reserve	-	15,164	-	15,164
At 31 December 2025	<u>(38)</u>	<u>57,274</u>	<u>(749)</u>	<u>56,487</u>

10 Balances with bank

	2025 \$'000	2024 \$'000
Balances with banks - on demand	2,673,423	2,060,104
Less: Impairment allowances	(280)	(140)
	2,673,143	2,059,964

11 Financial assets measured at fair value through other comprehensive income

	2025 \$'000	2024 \$'000
Exchange Fund bills	1,496,062	994,830
Issued by: - Sovereigns	1,496,062	994,830
Analysed by place of listing: - Unlisted	1,496,062	994,830

12 Equity-settled share-based transactions

The Company participates in a number of Citigroup share-based incentive plans to attract, retain and motivate employees, to provide incentives for their contributions to the long-term performance and growth of the Company, and to encourage employee stock ownership.

Capital Accumulation programme ("CAP")

The Company participates in the Citigroup Capital Accumulation Programme ("CAP"), under which shares of Citigroup common stock are awarded in the form of restricted or deferred stock to participating employees. Generally CAP awards of restricted or deferred stock constitute a percentage of annual incentive compensation and vest ratably over a three or four year period beginning on or about the first anniversary of the award date. Continuous employment within Citigroup is generally required to vest in CAP. The programme provides that employees who meet certain age plus years-of-service requirements (retirement-eligible employees) may terminate active employment and continue vesting in their awards provided they comply with specified non-compete provisions. Awards granted to retirement-eligible employees are accrued in the year prior to the grant date in the same manner as cash incentive compensation is accrued. During the applicable vesting period, the shares awarded cannot be sold or transferred by the participant, and the award is subject to cancellation if the participant's employment is terminated. After the award vests, the shares become freely transferable. From the date of award, the recipient of a restricted stock award can direct the vote of the shares and receive regular dividends to the extent dividends are paid on Citigroup common stock. Recipients of deferred stock awards receive dividend equivalents to the extent dividends are paid on Citigroup common stock, but cannot vote.

12 Equity-settled share-based transactions (continued)

Stock awards granted generally vest 25% per year over four years. For the CAP granted up to 2008, CAP participants were able to receive all or part of their award in stock options.

Information with respect to current year stock awards under CAP is as follows:

	2025	2024
Shares awarded	139,820	211,941
Weighted average fair market value per share (US\$)	81.38	53.92

Summary of share-based transactions

	2025 \$'000	2024 \$'000
After-tax compensation charged to earnings	81,209	88,285
Total carrying amount of share-based transaction liability	<u>347,118</u>	<u>262,743</u>

Fair value assumptions

The fair value of a share award is based on the average of closing prices of Citigroup Inc. common stock on the New York Stock Exchange ("NYSE") for five trading days immediately preceding the award date.

13 Plant and equipment

	<i>Furniture and equipment</i>	
	2025 \$'000	2024 \$'000
Cost:		
At 1 January and 31 December	<u>1,479</u>	<u>1,479</u>
Accumulated depreciation:		
At 1 January	1,171	1,079
Charge for the year	<u>27</u>	<u>92</u>
At 31 December	<u>1,198</u>	<u>1,171</u>
Net book value	<u>281</u>	<u>308</u>

14 Other assets

	2025 \$'000	2024 \$'000
Accounts receivable	5,952	16,101
Prepaid expenses	1,299	879
	7,251	16,980

The above balances do not contain amounts overdue for more than 12 months.

15 Deposits and balances from banks

	2025 \$'000	2024 \$'000
Deposits and balances from banks	1,400,000	465,885

16 Other liabilities

	2025 \$'000	2024 \$'000
Accrued interest	1,270	113
Staff related expenses accruals	351,319	379,740
Payable for equity-settled share-based payment	347,118	262,743
Others	46,743	16,653
	746,450	659,249

17 Share capital

	2025		2024	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	187,556,200	187,556	187,556,200	187,556

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company 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 Company. All ordinary shares rank equally with regard to the Company's residual assets.

18 Reserves

Capital reserve

The capital reserves comprise the subsequent change in fair value of the share awards granted to employees of the Company recognised in accordance with the accounting policy for share-based payments in note 2(g)(iii).

Fair value reserve

This reserve comprises the cumulative net change in the fair value of FVOCI debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (note 2(c)).

19 Cash and cash equivalents and other cash flow information

(a) Reconciliation of cash and cash equivalents with the statement of financial position

	2025 \$'000	2024 \$'000
Balances with banks	<u>2,673,143</u>	<u>2,059,964</u>

(b) Reconciliation of liabilities arising from financing activities

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

	2025 \$'000	2024 \$'000
At 1 January	(113)	-
Interest expense	30,362	37,966
Interest paid	<u>(31,519)</u>	<u>(38,079)</u>
At 31 December	<u>(1,270)</u>	<u>(113)</u>

20 Dividends

Dividends paid to equity shareholder of the Company attributable to the financial year

	2025 \$'000	2024 \$'000
Interim dividend declared and paid of \$7.05 per ordinary share (2024: \$6.80)	<u>1,322,940</u>	<u>1,275,133</u>

21 Financial risk management and fair values of financial instruments

This section presents information about the Company's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments:

- credit risk: loss resulting from customer or counterparty default and arises on credit exposure in all forms, including settlement risk.
- market risk: risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and market risk comprises currency risk, interest rate risk and other price risk.
- liquidity and funding risk: risk that the Company is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.
- operational risk: risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes legal risk which is the risk of loss (including litigation costs, settlements and regulatory fines) resulting from the failure of Citi to comply with laws, regulations, prudent ethical standards and contractual obligations in any aspect of Citi's business but excludes strategic and reputation risks.

The Company has established frameworks, policies and procedures to identify and analyse these risks, to set appropriate risk limits, thresholds and controls, and to monitor the risks and limits / thresholds continually by means of reliable and up-to-date management and information systems. The Company continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. The Internal Audit also perform regular audits to ensure compliance with the policies and procedures.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

(a) *Credit risk management*

The Company's activities are predominantly with group entities or with institutions with strong credit standing. As such, management does not consider the credit risk for the Company's activities to be significant.

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

Maximum exposure

The maximum exposure to credit risk at the statement of financial position date without taking into consideration of any collateral held or other credit enhancements is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	2025 \$'000	2024 \$'000
Balances with banks	2,673,143	2,059,964
Other assets	7,251	16,980
Financial assets measured at fair value through other comprehensive income	1,496,062	994,830
	4,176,456	3,071,774

(b) Market risk management

Market risk arises on all market risk sensitive financial instruments, including securities, foreign exchange contracts, interest rate derivatives, etc. The objective of market risk management is to avoid adverse financial effects from market volatilities.

The Company's foreign currency positions mainly arise from foreign exchange dealing and other banking related operations. All foreign currency positions are managed by the Trading and Treasury Department within limits approved by the Market Risk Management.

The Company applies quantitative techniques and simulation models to identify and assess the potential net interest income and market value effects of these interest rate positions in different interest rate scenarios. The risk position is monitored periodically and any exceptions would be reviewed and escalated to appropriate level of risk manager and governance forum.

(i) Currency risk

The Company is exposed to currency risks primarily arising from financial instruments that are denominated in the United States dollar ("USD"). As the Hong Kong dollar ("HKD") is pegged to the USD, the Company considers the risk of movements in exchange rates between the HKD and the USD to be insignificant.

The Company seeks to match closely its foreign currency denominated assets with corresponding liabilities in the same currencies.

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

The net positions in foreign currencies are disclosed when each currency constitutes 10% or more of the respective total net position in all foreign currencies.

	2025 \$'000	2024 \$'000
United States dollars		
Spot assets	226,613	288,464
Spot liabilities	<u>(412,114)</u>	<u>(730,934)</u>
Net short position	<u>(185,501)</u>	<u>(442,470)</u>

(ii) Interest rate risk

Interest Rate Risk in the Banking Book ("IRRBB") pertains to the risk to the Company's financial condition resulting from adverse movements in interest rates that affect the Company's capital and earnings. The Company's principal measures of risk to economic value of equity ("EVE") and net interest income ("NII") are defined based on the standardized framework described in the Supervisory Policy Manual module IR-1 "Interest Rate Risk in the Banking Book" and in accordance with the method used in the Return on Interest Rate Risk in the Banking Book (MA(BS)12A).

IRRBB is managed by Treasury within the limits that are set and monitored by the Company's independent risk management team, Asset and Liability Committee (ALCO) and the Board. The Company has an established IRRBB limit framework for identified risk factors that clearly defines approved risk profiles and aligns with the Company's risk appetite. In order to manage IRRBB effectively, the Company may take hedging actions or restructure existing positions to reduce IRRBB. The Company regularly assesses viability of these actions and other strategies, including further strengthening its capital position, and implement such strategies when deemed prudent, ensuring the Company operates well within established limits.

IRRBB regulatory reporting and monitoring is done on a quarterly basis. IRRBB measures from this return, including any hedging strategies or actions to reduce IRRBB, are presented to the ALCO and the Board. In addition to and in accordance with global firm-specific standards, IRRBB based on internal methodologies and assumptions is monitored on a monthly basis. While the Company uses internally defined standard interest rate shocks and scenario assumptions for internal risk reports, rate models and other assumptions that relate to interest rate risk sensitivity are consistent between internal monitoring and regulatory reporting. These models and assumptions are reviewed and validated on an annual basis, at the minimum, and where applicable, are governed by an established Model Risk Management Policy.

The Company employs additional measurements of vulnerability to loss, including stress testing based on the six standardized interest rate shocks defined by the HKMA and internally selected scenarios that reflect plausible balance sheet and risk changes as observed in the past as well as based on hypothetical or forward-looking assumptions. Potential impact from these changes is considered when reviewing policy, setting limits as well as assessing capital adequacy.

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

In calculating change in NII, the Company assumes that businesses and/or the Treasury make no additional changes in balances or positioning in response to the unanticipated rate changes. A static balance sheet is maintained throughout the 12 month forecast horizon, remaining constant in terms of size and product mix regardless of the interest rate scenario with maturing instruments being replaced with ones of the same original tenor and repricing terms.

Major currency positions reported are determined based on the criteria defined by HKMA. Currencies identified as significant for the current annual reporting date at 31st December 2025 are HKD and USD. IRR Economic Value Sensitivities do not include any netting across currencies. All favorable exposures (gains) are excluded and adverse exposures (losses) are reported.

Quantitative Disclosure

Template IRRBB1: Quantitative information on interest rate risk in banking book

This table provides information on the change in economic value of equity ("EVE") and change in net interest income ("NII") over next 12 months under each of the prescribed interest rate shock scenario in respect of the Company's interest rate exposures arising from banking book positions. The Company's variations in earnings based on the standardized framework described in the Supervisory Policy Manual module IR-1 "Interest Rate Risk in the Banking Book" and the Return on Interest Rate Risk in the Banking Book (MA(BS)12A) for the current annual reporting date at 31st December 2025, and prior year comparative figures are as follows:

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

Period: 31st December 2025

(in HKD million)		change in EVE	change in NII
1	Parallel up	3	(50)
2	Parallel down	0	51
3	Steepener	0	
4	Flattener	3	
5	Short rate up	4	
6	Short rate down	0	
7	Maximum	4	51
8	Tier 1 capital		1,963

Period: 31st December 2024

(in HKD million)		change in EVE	change in NII
1	Parallel up	3	(49)
2	Parallel down	1	49
3	Steepener	1	
4	Flattener	3	
5	Short rate up	3	
6	Short rate down	1	
7	Maximum	3	49
8	Tier 1 capital		1,921

(c) Liquidity risk

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalise on opportunities for business expansion. This includes the Company's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity ratio, and to make new loans and investments as opportunities arise.

Liquidity is managed on a daily basis by the Treasury Teams under the direction of the Hong Kong Asset and Liability Committee ("ALCO") and in accordance with the Quarterly Liquidity Review Process (Horizontal Review), which is jointly reviewed and approved by Finance Chief Risk Officer and ALCO. The Treasury Teams are responsible for ensuring that the Company has adequate liquidity for all operations, and monitoring local and international markets for the adequacy of funding and liquidity.

The Company manages liquidity risk by holding sufficient liquid assets (e.g. cash and short-term funds and securities) of appropriate quality to ensure that short-term funding requirements are covered within prudent limits.

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

(i) Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period at the statement of financial position date to the contractual maturity date.

	2025				
	<i>Total</i> \$'000	<i>Repayable on demand</i> \$'000	<i>1 month or less</i> \$'000	<i>Over 1 month to 3 months</i> \$'000	<i>Undated or overdue</i> \$'000
Assets					
Balances with banks	2,673,143	2,673,143	-	-	-
Financial assets designated at fair value through other comprehensive income	1,496,062	-	299,788	1,196,274	-
Plant and equipment	281	-	-	-	281
Deferred tax assets	56,487	-	-	-	56,487
Other assets	7,251	-	-	-	7,251
Total assets	4,233,224	2,673,143	299,788	1,196,274	64,019
Liabilities					
Deposits and balances from banks	1,400,000	-	1,400,000	-	-
Defined benefit liabilities	9,173	-	-	-	9,173
Current taxation	57,970	-	57,970	-	-
Other liabilities	746,450	-	-	-	746,450
Total liabilities	2,213,593	-	1,457,970	-	755,623
Asset-liability gap	2,019,631	2,673,143	(1,158,182)	1,196,274	(691,604)

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

	2024				
	Total \$'000	Repayable on demand \$'000	1 month or less \$'000	Over 1 month to 3 months \$'000	Undated or overdue \$'000
Assets					
Balances with banks	2,059,964	2,059,964	-	-	-
Financial assets designated at fair value through other comprehensive income	994,830	-	-	994,830	-
Plant and equipment	308	-	-	-	308
Deferred tax assets	41,555	-	-	-	41,555
Other assets	16,980	-	-	-	16,980
Total assets	<u>3,113,637</u>	<u>2,059,964</u>	<u>-</u>	<u>994,830</u>	<u>58,843</u>
Liabilities					
Deposits and balances from banks	465,885	-	465,885	-	-
Defined benefit liabilities	9,350	-	-	-	9,350
Current taxation	90,604	-	90,604	-	-
Other liabilities	659,249	-	-	-	659,249
Total liabilities	<u>1,225,088</u>	<u>-</u>	<u>556,489</u>	<u>-</u>	<u>668,599</u>
Asset-liability gap	<u>1,888,549</u>	<u>2,059,964</u>	<u>(556,489)</u>	<u>994,830</u>	<u>(609,756)</u>

As the deposits may mature without being withdrawn, the contractual maturity dates do not represent expected dates of future cash flows.

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

(ii) Analysis of non-derivative financial liabilities by contractual undiscounted cash flows

The following table details the remaining contractual maturities at the statement of financial position date of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or, if floating, based on rates current at the statement of financial position date) and the earliest date the Company can be required to pay.

	<u>2025</u>		
	<i>Carrying amount</i> \$'000	<i>Total contractual undiscounted cash flow</i> \$'000	<i>Within 1 year or on demand</i> \$'000
Deposits and balances from banks	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>
	<u>2024</u>		
	<i>Carrying amount</i> \$'000	<i>Total contractual undiscounted cash flow</i> \$'000	<i>Within 1 year or on demand</i> \$'000
Deposits and balances from banks	<u>465,885</u>	<u>465,885</u>	<u>465,885</u>

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

(d) Operational risk management

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition of operational risk includes legal risk – which is the risk of loss (including litigation costs, settlements and regulatory fines) resulting from the failure of Citi to comply with laws, regulations, prudent ethical standards and contractual obligations in any aspect of Citi's business – but excludes strategic and reputation risks.

Operational risk is inherent to Citi's global business processes and related activities, products, and services. Citi's objective is to keep or reduce residual operational risk to within acceptable levels, which is formalized in the operational risk appetite. This is managed through an overall framework with checks and balances that include recognized ownership of the risk by the businesses, with independent risk management oversight. Citi mitigates its operational risk by setting up its key controls and assessments according to Citigroup's and the Regulators' standards. They are also evaluated, monitored, and managed by its sound governance structure. The Operational Risk Management (ORM) team establishes and oversees the Operational Risk Policy, an integral part of the Enterprise Risk Management Framework. There are standards in place for consistent risk identification, measurement, monitoring and reporting supported by a robust governance structure comprising of the three lines of defence (i.e. Business, Independent Risk, Independent Compliance and Internal Audit further augmented by enterprise control and support functions, i.e. HR and Legal).

Principles of Good Operational Risk Management:

Strong Ownership and Oversight

- Established lines of defense
- Businesses and Functions self-identify issues before Regulators and Internal Audit
- Issues are remediated on time and not reopened
- Significant events are escalated timely and consistently evaluated for lessons learned
- Governance Committees actively oversee risk identification and control remediation
- Management implements effective controls to mitigate significant risks
- Products and services are delivered as intended
- Credible second-line operational risk managers

Dynamic Framework and Tools

- Risk Appetite is clearly articulated and monitored with key indicators
- Taxonomies and scoring methodologies are intuitive and used consistently
- Managers Control Assessment (MCA) provides a dynamic residual risk picture and tool for proactive prioritization
- End-to-end processes are assessed by management
- Material risks are identified and aligned with capital / stress projections
- Reporting is timely and clearly articulates the operational risk profile
- Technology platform that integrates all framework elements

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

(e) Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might otherwise be possible with greater gearing and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The process of allocating capital to specific operations and activities is undertaken by senior management.

Consistent with industry practice, the Company monitors its capital structure on the basis of the capital adequacy ratio and there have been no material changes in the Company's policy on the management of capital during the year.

The capital adequacy ratios as at 31 December 2025 and 2024 are computed on the basis as specified by the HKMA for its regulatory purposes, and are in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance.

The Company has complied with all externally imposed capital requirements, with capital positions well above the minimum capital requirement set out by the HKMA, throughout the years ended 31 December 2025 and 2024. Further information on the Company's capital positions can be found in part (a) of the unaudited supplementary information.

(f) Fair value measurement

(i) Financial instruments measured at fair value

Fair value hierarchy

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

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

At 31 December 2025, the only financial instruments of the company carried at fair value were exchange fund bills of \$1,496,062,000 (2024: \$994,830,000) (see note 11). These instruments are measured at fair value on a recurring basis and their fair value measurements fall into Level 2 of the fair value hierarchy described above.

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The company's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(g) Fair values of financial instruments carried at other than fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2025 and 2024.

22 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Company entered into the following material related party transactions. The Company has policies on lending to related parties which define related parties, credit and reporting processes, requirements and restrictions on such lending.

(a) Transactions with group companies

During the year, the Company entered into transactions with related parties in the normal course of its banking business. The transactions were priced at the relevant market rates at the time of each transaction.

The amount of related-party transactions during the year and outstanding balances at the end of the year are set out below:

	Note	Intermediate holding company		Fellow subsidiaries	
		2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
Interest income	(i)	20,861	50,033	-	-
Interest expense	(ii)	(30,362)	(37,966)	-	-
Fee and commission income	(iii)	3,729,331	3,735,538	172,518	233,046
Operating expenses	(iv)	(246,789)	(585,029)	(138,287)	(106,313)
		<u>3,473,041</u>	<u>3,162,576</u>	<u>34,231</u>	<u>126,733</u>

22 Material related party transactions (continued)

(b) Amounts outstanding with group companies

Included in the statement of financial position captions are balances due from and to group companies:

	Note	Ultimate holding company		Intermediate holding company		Fellow subsidiaries	
		2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
Balances with banks	(i)	-	-	2,673,032	2,059,886	-	-
Other assets		-	-	660	2,221	724	5,691
Deposit and balances of banks	(ii)	-	-	1,400,000	465,885	-	-
Other liabilities	(v)	334,424	243,538	1,568	2,274	1,278	7,416

- (i) During the year, deposits and cash were placed with the intermediate holding company bank. Interest income represents the interest derived from the deposits and cash placed at market rates.
- (ii) During the year, borrowings were entered with the intermediate holding company bank. Interest expense represents the interest incurred from the borrowings at market rates.
- (iii) During the year, the Company earned fee and commission income for provision of banking support services on a revenue sharing basis.
- (iv) During the year, the Company paid fee and commission expenses to intermediate holding company and fellow subsidiaries which provide administration, technology and back office support to the Company.
- (v) The outstanding balances are unsecured, interest free and repayable on demand, which mainly include liabilities to ultimate holding company related to share-based payments.

(c) Key management personnel emoluments

Besides the director's emoluments (see note 8), there is no other key management personnel emoluments.

Amounts disclosed include emoluments totalling \$4,524,154 (2024: \$4,905,581) to certain key management personnel were paid by group companies of the Company. The Company did not reimburse the group companies for the service provided.

In addition to the amounts disclosed, emoluments totalling \$6,531,009 (2024: \$9,491,556) to certain key management personnel who provided services to group companies of the Company were paid by the Company. The Company did not receive reimbursement from group companies.

(d) Loans to directors

Pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, the Company did not grant any loans to directors during the year (2024: Nil).

23 Immediate and ultimate holding company

At 31 December 2025 and 2024, the directors consider the immediate holding company to be Citigroup Holding (Singapore) Private Limited, which is incorporated in Singapore. This entity does not produce financial statements available for public use. Its ultimate holding company is considered to be Citigroup Inc., which is incorporated in the United States of America. Consolidated financial statements are prepared for Citigroup Inc. under generally accepted accounting principles in the United States. These financial statements are available for public use.

24 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 these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Company.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Contracts referencing nature-dependent electricity</i>	1 January 2026
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

The Company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements except for the following:

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

HKFRS 18, Presentation and disclosure in financial statements

HKFRS 18 will replace HKAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, income taxes and discontinued operations categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The company does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

Unaudited supplementary information

(Expressed in thousands of Hong Kong dollars unless otherwise indicated)

(a) Capital adequacy ratio

The Company's regulatory capital position as at 31 December was as follows:

	2025	2024
Common Equity Tier I (CET 1) capital ratio	<u>28.66%</u>	<u>21.99%</u>
Tier I Capital Ratio	<u>28.66%</u>	<u>21.99%</u>
Total Capital Ratio	<u>28.66%</u>	<u>21.99%</u>

The capital adequacy ratios were calculated in accordance with the Banking (Capital) Rules (the "Capital Rules").

Countercyclical Capital Buffer Ratio

	2025	2024
Countercyclical Capital Buffer Ratio	<u>0.50%</u>	<u>0.49%</u>

The relevant disclosures pursuant to the Banking (Disclosure) Rules for this period can be found in our website www.citibank.com.hk/cil.

Capital Conservation Buffer Ratio

Under the Banking (Capital) Rules, the capital conservation buffer ratios for calculating the Company's buffer level are 2.5% for 2025 and 2024.

Regulatory capital disclosures can be found in our website www.citibank.com.hk/cil, covering a description of the main features, the full terms and conditions of the Company's capital instruments, a detailed breakdown of the Company's CET1 capital, AT1 capital, Tier 2 capital, regulatory deductions and a full reconciliation between the Company's accounting and regulatory statement of financial position.

Unaudited supplementary information (continued)
(Expressed in thousands of Hong Kong dollars unless otherwise indicated)

(b) Leverage ratio

	2025	2024
Leverage ratio	<u>47.00%</u>	<u>62.52%</u>

The leverage ratio is computed on the same basis as specified in a notice from the HKMA in accordance with section 3C of the Capital Rules. The relevant disclosures pursuant to the Banking (Disclosure) Rules can be found in our website <http://www.citibank.com.hk>.

(c) Segmental information

(i) By geographical area

All profits and assets are booked in Hong Kong.

(ii) By class of business

	2025 \$'000	2024 \$'000
Banking support service fees	3,901,933	3,968,584
Others	<u>86,273</u>	<u>91,677</u>
	<u>3,988,206</u>	<u>4,060,261</u>

Banking support services comprises of front and back office support services provided mainly to the intermediate holding company in the ordinary course of business.

Unaudited supplementary information (continued)

(Expressed in thousands of Hong Kong dollars unless otherwise indicated)

(c) Segmental information (continued)

(iii) International claims

The country risk exposures in the tables below are prepared in according to the location and types of the counterparties as defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of International Banking Statistics. International claims are on-statement of financial position exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk.

International claims attributable to individual countries or areas not less than 10% of the bank's total international claims, after recognised risk transfer, are shown as follows:

There were no advances to public sector entities as at the above respective reporting dates.

	At 31 December 2025				Total
	Banks	Official sector	Non-bank financial institutions	Non-bank financial private sector	
Developed countries	247,000	-	-	-	247,000
- of which United States	247,000	-	-	-	247,000
Developing Asia and Pacific	-	-	1,000	29,000	30,000
- of which Taiwan, China	-	-	-	29,000	29,000

	At 31 December 2024				Total
	Banks	Official sector	Non-bank financial institutions	Non-bank financial private sector	
Developed countries	290,000	-	1,000	1,000	292,000
- of which United States	290,000	-	-	-	290,000
Developing Asia and Pacific	7,000	-	1,000	30,000	38,000
- of which Taiwan, China	-	-	-	29,000	29,000

Unaudited supplementary information (continued)

(Expressed in thousands of Hong Kong dollars unless otherwise indicated)

(d) Corporate governance

The Company is a wholly owned subsidiary of Citigroup Inc. ("Citigroup") and falls under the Citigroup corporate governance infrastructure. Under this structure, the Company is committed to high standards of corporate governance and its activities are monitored by the various committees which Citigroup has in place in Hong Kong and globally. The control framework of the Company also falls under the Citigroup control requirements. The Company's Board comprises a majority of Directors from Citigroup and one Independent Non-executive Director and board meetings are held as and when necessary. The Company has fully complied throughout the year with the applicable guidelines in the Supervisory Policy Manual CG-1 "Corporate Governance of Locally Incorporated Authorised Institutions" issued by HKMA.