Directors' Report and Financial Statements

For the year ended 31 December 2024

Mox Bank Limited

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Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2024.

Principal place of business

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

Principal activity and business review

Mox is the digital bank majority owned by Standard Chartered Bank (Hong Kong) Limited in partnership with PCCW Limited, HKT Limited and CTrip Financial Management (Hong Kong) Co., Limited. Mox is a licensed bank registered under the Hong Kong Banking Ordinance. The Bank's principal activities are the provision of banking and related financial services in Hong Kong, focusing on serving the banking needs of individual retail customers.

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

As of 31 December 2024, Mox had 650,000 customers, penetrating over 10% of Hong Kong's total bankable population, while customer deposits at over HK$17 billion and customer loans at over HK$6 billion. Mox continued to achieve strong performance, supported by an engaged customer base with average 3.1x products and average login of 15 times per active customer every month. Mox delivered 15% YoY growth in revenue and 56% YoY growth in deposits. Mox Card is a runaway success, with over 100 million transactions to date. The Bank has found immense affinity among Hong Kong customers in just four years since it was founded: Mox was the highest-rated digital bank in Hong Kong on the Apple App Store with a rating of 4.8 out of 5 as of 31 December 2024, representing continued positive customer feedback and support.

Mox received more than 100 awards and recognitions from institutions. In 2024, the Bank swept accolades across the region, including being recognised as the Best Digital Bank in Hong Kong by The Asian Banker, Best Digital Bank for CX in Asia-Pacific and Hong Kong by The Digital Banker, Virtual Bank of the Year in Hong Kong by Asian Banking & Finance, Future Enterprise of the Year by IDC and more. It was also recognised by Oliver Wyman as one of the fastest-growing digital banks in the world.

Mox's 2024 performance was extraordinary, marked by record growth and a reinforced position as a leader in digital banking. Last year saw Mox officially make Mox Invest available to all Hong Kong consumers, positioning Mox as Hong Kong's first bank to offer trading services for U.S. fractional shares and the first Hong Kong digital bank to offer U.S. and Hong Kong equities and fund trading. It also provides customers with access to an exclusive fund offered in partnership with Allianz Global Investors Asia Pacific Limited. Mox continued its momentum by empowering Mox Invest customers to diversify their portfolios with exchange-traded cryptocurrency funds ("Crypto ETFs"). It enabled customers to gain exposure to crypto markets via a regulated and familiar investment platform that removed the complexity of managing personal crypto wallets.

Principal activity and business review (continued)

Mox is the first digital bank in Hong Kong to provide mid-market rates for foreign exchange transactions. For better global money transfers experience, Mox launched Express Remit to make sending money abroad seamless and easy for our customers.

The Bank closed the year by expanding its spending rewards with mile-earning feature on its credit card. Under the theme of "4100" campaign, Mox Credit Card customers who spend every HK$4 can earn 1 Asia Mile with zero ("0") cap and 0% foreign exchange fees. Mox is the first Hong Kong digital bank to offer Asia Miles as part of customer value proposition and this highlighted how Mox's partnership with Cathay added value for its customers.

Mox continues to prioritise Environment, Society and Governance initiatives. Mox demonstrates its commitment to environmental sustainability by providing paperless bank statements, updates and information through the mobile app and emails. Since its launch, this initiative has saved an estimated 84.4 million sheets of paper, equivalent to almost 10,550 trees[1]. Additionally, from January to December 2024, our cloud-native operation has resulted in a reduction of 252.502 metric tons of carbon dioxide-equivalent (MTCO2e)[2] through cloud computing services.

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

Beyond our business operations, Mox remains deeply committed to social responsibility. We mobilised our employees, affectionately known as Moxsters, to actively engage in various Corporate Social Responsibility initiatives. For instance, a group of Moxsters joined a food waste reduction programme, where they transformed rescued vegetables into nutritious soup for elderly residents. While it offered a warm meal to the needy in our community, the initiative also fostered connections and addressed food waste in the community. Another group of Moxsters braved a downpour to participate in a workshop focused on tackling marine litter. They learned about the impact of plastic pollution and upcycled sea glass into unique pendants, demonstrating that even waste can have a second life. These initiatives fostered a sense of collective responsibility and pride among our employees and showcased our commitment to preserving our local environment and supporting regional biodiversity.

We extend our gratitude to all our volunteers, whose enthusiasm and dedication drive Mox's ongoing efforts to make meaningful contributions to the community and environment.

Financial statements

The financial results of the Bank for the year ended 31 December 2024 and the state of the Bank's affairs as at that date are set out in the financial statements on pages 8 to 78.

Recommended dividend

The directors do not recommend any payment of dividend in respect of the year (2023: nil).

Share capital

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

[1] According to Greeners Action, one tree needs to be cut down to produce 8,000 sheets of paper.

[2] According to AWS during the period from January to September 2024.

Directors

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

Samir SUBBERWAL
Barbaros UYGUN
Michael Andres GORRIZ
Allen Kam Sing MA*
Susanna Hon-Hing HUI
Yan FENG
Frank Yee Chon LYN*
Tsz Kiu Jason Felix CHIU*
Richard Percival Trefor JONES (appointed on 25 January 2024)

** Independent non-executive directors*

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

Directors' service contracts

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

Directors' interests in shares and debentures

Certain directors of the Bank have been granted options under various share option schemes of Standard Chartered PLC, the ultimate holding company of the Bank. During the year, Samir SUBBERWAL, Richard Percival Trefor JONES, Michael Andres GORRIZ and Barbaros UYGUN held options under these schemes.

Under the Cash-settled Share Option plan approved by the Board of Directors ("the Board") in April 2020, Barbaros UYGUN had been granted share awards under the scheme. During the year, no such share award is granted to Barbaros UYGUN (2023: nil).

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

Directors' interests in transactions, arrangements or contracts

No contract of significance to which the Bank, or a specified undertaking of the Bank was a party, and in which a director of the Bank had a material interest, subsisted at the end of the year or at any time during the year.

Management contracts

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

Indemnity of directors

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

Auditor

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

On behalf of the board

Samir SUBBERWAL
Chair

Hong Kong, 27 March 2025

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

Opinion
We have audited the financial statements of Mox Bank Limited (the "Bank") set out on pages 8 to 78, which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), 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 the information included in the Directors' Report and Financial Statements, other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2025

Statement of profit or loss and other comprehensive income for the year ended 31 December 2024

(Expressed in thousands of Hong Kong dollars)

	Notes	2024 HK$'000	2023 HK$'000
Interest income	5	951,079	674,674
Interest expense	6	(420,175)	(239,985)
Net interest income		530,904	434,689
Net fee income	7	16,163	42,302
Net trading expense	8	(1,941)	(229)
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income ("FVOCI")		19	(996)
Total operating income		545,145	475,766
Staff costs	9(a)	(306,380)	(285,073)
Premises and equipment	9(b)	(104,058)	(101,097)
Others	9(c)	(358,926)	(352,611)
Operating expenses	9	(769,364)	(738,781)
Operating loss before impairment		(224,219)	(263,015)
Credit impairment	10	(379,010)	(568,273)
Other impairment	18	–	(20,969)
Loss before taxation		(603,229)	(852,257)
Taxation	11	(107,778)	107,778
Loss after taxation		(711,007)	(744,479)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss when specific conditions are met:			
Financial assets at FVOCI:			
– Changes in the fair value, net of tax		(10,515)	6,760
– Reclassification adjustments for (gains)/losses included in profit or loss		(19)	996
Total comprehensive loss for the year		(721,541)	(736,723)

The notes on pages 13 to 78 form part of these financial statements.

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Statement of financial position at 31 December 2024

(Expressed in thousands Hong Kong dollars)

	Notes	2024 HK$'000	2023 HK$'000
Assets			
Balances with central bank	13	653,221	1,387,149
Investment securities	14	10,816,702	4,184,349
Advances to bank	15	97,436	–
Advances to customers	16	6,351,813	6,305,825
Amounts due from immediate holding company	17	2,345,212	1,620,086
Amounts due from fellow subsidiary	17	215	178
Amounts due from related companies	17	2,618	90,237
Intangible assets	18	573,367	501,685
Property and equipment	19	34,032	45,232
Deferred tax assets	24	–	107,778
Prepayments and other assets	20	269,857	124,776
Total assets		21,144,473	14,367,295
Liabilities			
Repurchase agreements at amortised cost	21	500,000	750,000
Deposits from customers	22	17,377,593	11,133,292
Amounts due to immediate holding company	17	688,720	147,126
Amounts due to fellow subsidiary	17	5,358	1,399
Amounts due to related companies	17	4,880	4,635
Other payables	23	416,023	472,872
Total liabilities		18,992,574	12,509,324
Net assets		2,151,899	1,857,971
Equity			
Share capital	25	5,278,500	4,731,100
Other equity instruments	26	468,069	–
Reserves	25	(3,594,670)	(2,873,129)
Total equity		2,151,899	1,857,971

Approved and authorised for issue by the board of directors on 27 March 2025.

Samir SUBBERWAL
Director

Barbaros UYGUN
Director

The notes on pages 13 to 78 form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2024

(Expressed in thousands Hong Kong dollars)

	Notes	Share capital HK$'000	Accumulated losses HK$'000	FVOCI Reserves HK$'000	Other equity instruments HK$'000	Total HK$'000
Balance at 1 January 2023		3,519,000	(2,133,655)	(2,751)	–	1,382,594
Changes in equity for 2023:						
Shares issued	25(b)	1,212,100	–	–	–	1,212,100
Total comprehensive loss for the year		–	(744,479)	7,756	–	(736,723)
Balance at 31 December 2023		4,731,100	(2,878,134)	5,005	–	1,857,971
Changes in equity for 2024:						
Shares issued	25(b)	547,400	–	–	–	547,400
Other equity instruments issued	26	–	–	–	468,069	468,069
Total comprehensive loss for the year		–	(711,007)	(10,534)	–	(721,541)
Balance at 31 December 2024		5,278,500	(3,589,141)	(5,529)	468,069	2,151,899

The notes on pages 13 to 78 form part of these financial statements.

Cash flow statement
for the year ended 31 December 2024

(Expressed in thousands Hong Kong dollars)

	Notes	2024 HK$'000	2023 HK$'000
Operating activities			
Loss before taxation		(603,229)	(852,257)
Adjustment for:			
Depreciation on property and equipment	19	13,978	15,999
Amortisation on intangible assets	18	85,565	80,367
Leased property finance costs	6	1,023	1,380
Credit impairment	10	379,010	568,273
Other impairment	18	–	20,969
		(123,653)	(165,269)
Net (increase)/decrease in operating assets:			
Gross advances to customers		(402,988)	(1,847,175)
Investment securities		(5,781,231)	(1,689,819)
Amounts due from immediate holding company		(82,755)	(774,995)
Amounts due from fellow subsidiary		(37)	–
Amounts due from related companies		(356)	9,772
Prepayments and other assets		(145,082)	(36,535)
Net increase/(decrease) in operating liabilities:			
Repurchase agreements at amortised cost		(250,000)	750,000
Deposits from customers		6,244,301	2,768,032
Amounts due to immediate holding company		(35,777)	(199,081)
Amounts due to fellow subsidiary		245	(10,468)
Amounts due to related companies		3,959	(861)
Other payables		(59,915)	114,932
Net cash used in operating activities		(633,289)	(1,081,467)
Investing activities			
Payment for purchase of property and equipment	19	(2,778)	(6,489)
Additions to intangible assets	18	(157,247)	(125,640)
Net cash used in investing activities		(160,025)	(132,129)

The notes on pages 13 to 78 form part of these financial statements.

Cash flow statement for the year ended 31 December 2024 (continued)

(Expressed in thousands Hong Kong dollars)

	Notes	*2024 HK$'000*	*2023 HK$'000*
Financing activities			
Proceeds from issuing shares	25(b)	635,375	1,202,325
Proceeds from issuing other equity instruments	26	468,069	–
Principal portion of lease payments		(11,521)	(11,475)
Interest element on lease liabilities		(1,023)	(1,380)
Net cash from financing activities		1,090,900	1,189,470
Net increase/(decrease) in cash and cash equivalents		297,586	(24,126)
Cash and cash equivalents at 1 January		1,972,757	1,999,471
Effect of foreign exchange		(7,423)	(2,588)
Cash and cash equivalents at 31 December	27	2,262,920	1,972,757
Cash flows from operating activities include:			
Interest received		1,001,352	698,331
Interest paid		(473,526)	(174,848)

The notes on pages 13 to 78 form part of these financial statements.

Notes to the financial statements

(Expressed in thousands Hong Kong dollars)

1 Principal activities

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

2 Material accounting policies

(a) Statement of compliance

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

(b) Basis of preparation of the financial statements

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

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

2 Material accounting policies (continued)

(c) Financial Instruments

Classification and measurement of financial instruments

Classification

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

(1) Financial assets held at amortised cost and FVOCI

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

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

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

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

2 Material accounting policies (continued)

(c) Financial Instruments (continued)

Classification (continued)

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

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

- how the performance of the product business line is evaluated and reported to the Bank's management;

- how managers of the business model are compensated, including whether management is compensated based on the fair value of assets or the contractual cash flows collected;

- the risks that affect the performance of the business model and how those risks are managed;

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

2 Material accounting policies (continued)

(c) *Financial Instruments (continued)*

Classification (continued)

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

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

The Bank does not currently classify any financial assets and liabilities at fair value through profit or loss.

(3) Financial liabilities held at amortised cost

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

Financial guarantee contracts and loan commitments

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

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

Fair value of financial assets and liabilities

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

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

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

2 Material accounting policies (continued)

(c) Financial Instruments (continued)

Initial recognition

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

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

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

Subsequent measurement

(1) Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method. Foreign exchange gains and losses are recognised in profit or loss.

(2) Financial assets held at FVOCI

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

2 Material accounting policies (continued)

(c) Financial Instruments (continued)

Derecognition of financial instruments

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

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(d) Impairment of financial assets

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

(e) Intangible assets

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

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

2 Material accounting policies (continued)

(e) Intangible assets (continued)

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

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

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

Both the period and method of amortisation are reviewed annually.

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

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

(f) Property and equipment

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

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

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

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

2 Material accounting policies (continued)

(f) Property and equipment (continued)

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

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

(g) Impairment of non-financial assets

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

(h) Leased assets

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

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

2 Material accounting policies (continued)

(h) Leased assets (continued)

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

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

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

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

(i) Cash and cash equivalents

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

(j) Revenue recognition

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

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

2 Material accounting policies (continued)

(j) Revenue recognition (continued)

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the expected life of the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of a financial asset or the amortised cost of a financial liability. When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider ECL. The calculation of effective interest rate includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability and all other premiums or discounts.

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

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

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

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

(ii) Fees and commissions

The Bank earns fee and commission income from customer card processing services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

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

2 Material accounting policies (continued)

(j) Revenue recognition (continued)

(ii) Fees and commissions (continued)

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

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

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

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

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

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

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

(k) Income tax

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

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

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

2 Material accounting policies (continued)

(k) Income tax (continued)

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

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

(l) Provisions

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

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

(m) Employee benefits

(i) Short term employee

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

(ii) Share-based compensation

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

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

2 Material accounting policies (continued)

(n) Translation of foreign currencies

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

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

(o) Related parties

(a) A person, or a close member of that person's family, is related to the Bank if that person:

- (i) has control or joint control over the Bank;
- (ii) has significant influence over the Bank; or
- (iii) is a member of the key management personnel of the Bank or the Bank's parent.

(b) An entity is related to the Bank if any of the following conditions applies:

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

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

2 Material accounting policies (continued)

(p) Government grants

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

During the year of 2023, the Bank received government grant under the Financial Industry Recruitment Scheme for Tomorrow (FIRST) scheme and Hong Kong Employment Support Scheme respectively. The amounts are presented within 'staff costs'.

(q) Costs incurred in obtaining or fulfilling a contract

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

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

(r) Sales and repurchase agreement

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

(s) Other equity instruments

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

(t) Offsetting financial transactions

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

3 Changes in accounting policies

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

The following revised accounting standards became effective from 1 January 2024. None of the revised accounting standards have a material impact on the financial statements.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

4 Significant accounting judgements and estimates

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

Impairment of financial assets

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2024 was HK$36,576,000 (2023: HK$136,352,000). The amount of unrecognised tax losses at 31 December 2024 was HK$3,827,099,000 (2023: HK$2,390,952,000). Further details are contained in note 24 to the financial statements.

4 Significant accounting judgements and estimates (continued)

Capitalisation criteria on capitalised software and work-in-progress

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

Impairment of capitalised software and work-in-progress

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

Amortisation of capitalised software

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

Cash-settled share option plan

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

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

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

4 Significant accounting judgements and estimates (continued)

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

5 Interest income

	2024 *HK$'000*	*2023* *HK$'000*
Interest income arising from financial assets at amortised cost	628,683	582,552
Interest income arising from financial assets at FVOCI	322,396	92,122
	951,079	674,674

Interest income received on placements made with immediate holding company amounted to HK$84,471,000 (2023: HK$57,718,000).

6 Interest expense

	2024 *HK$'000*	*2023* *HK$'000*
Interest expense arising from financial liabilities at amortised cost	419,152	238,605
Interest expense arising from lease liabilities	1,023	1,380
	420,175	239,985

Interest expense paid on money market borrowing placed made with immediate holding company amounted to HK$371,000 (2023: HK$1,079,000).

7 Net fee income

	2024 *HK$'000*	2023 *HK$'000*
Fee and commission income		
Services transferred at a point in time		
– Interchange fee	13,838	26,651
– Amortisation of capitalised contract costs	(26,579)	(13,378)
– Payment handling fee	54,731	42,156
– Securities brokerage fee	8,831	5
– Others	4,871	3,250
Services transferred over time		
– Consultancy service fee income from immediate holding company (note 30(d))	–	8,961
Fee and commission expense (note)	(39,529)	(25,343)
	16,163	42,302

Note:
Included amortisation of capitalised contract costs amounted to HK$6,938,000 (2023: HK$3,044,000).

8 Net trading expense

	2024 *HK$'000*	2023 *HK$'000*
Foreign exchange losses	1,941	229

9 Operating expenses

(a) Staff costs

	2024 *HK$'000*	2023 *HK$'000*
Salaries, wages and other benefits	275,193	243,964
Share based payments (note 31)	7,502	8,352
Retirement benefits	14,349	12,199
Other staff costs	9,336	20,558
	306,380	285,073

Share based payments included equity-settled share option expense amounted to HK$1,874,000 (2023: HK$1,613,000).

9 Operating expenses (continued)

(b) Premises and equipment

	2024 HK$'000	*2023 HK$'000*
Amortisation of capitalised software	85,015	79,767
Depreciation charge on right-of-use operating lease asset	11,674	11,674
Depreciation of computer equipment, furniture and fittings	2,304	4,325
Other premises and equipment costs	5,065	5,331
	104,058	101,097

(c) Others

	2024 HK$'000	*2023 HK$'000*
Service fee paid to an immediate holding company (note 30(d))	16,698	9,068
Auditors' remuneration	2,675	2,827
Amortisation of other intangible assets	550	600
Professional fees	95,818	112,704
Computer costs	130,385	121,316
Marketing costs	74,656	73,259
Other expenses	38,144	32,837
	358,926	352,611

Other expenses included amortisation of capitalised contract costs amounted to HK$4,186,000 (2023: HK$2,705,000).

10 Credit impairment

	2024 HK$'000	*2023 HK$'000*
Credit impairment (release)/charge on advances to customers, analysed by:		
– Stage 1	2,923	632
– Stage 2	(8,615)	140,400
– Stage 3	362,692	357,660
Credit impairment (release)/charge relating to loan commitments	22,010	69,581
	379,010	568,273

11 Income tax in profit or loss

(a) Taxation in profit or loss represents:

	2024 HK$'000	2023 HK$'000
Provision for the year	–	–
Deferred tax (note 24)	(107,778)	107,778
Tax (charge)/credit for the year	(107,778)	107,778

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

	2024 HK$'000	2023 HK$'000
Loss before taxation	(603,229)	(852,257)
Notional tax on loss before taxation calculated at a taxation rate of 16.5% (2023: 16.5%)	(99,533)	(140,622)
Tax effect of non-taxable income	(53,198)	(15,219)
Tax effect of non-deductible expenses	23,545	5,594
Tax effect of unused tax losses not recognised	236,964	60,014
Tax effect of temporary difference recognised for previous years	–	(17,545)
Taxation	107,778	(107,778)

No provision has been made for Hong Kong Profits Tax as the Bank has no assessable profits subject to Hong Kong Profits Tax. (2023: Same)

12 Directors' emoluments

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

	2024 HK$'000	2023 HK$'000
Directors' fees	2,061	1,950
Salaries, allowances and benefits in kind	5,453	5,053
Discretionary bonuses	1,817	1,635
Retirement scheme contributions	374	364
Share based payment	1,432	1,659
	11,137	10,661

12 Directors' emoluments (continued)

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

13 Balances with central bank

	2024 *HK$'000*	*2023* *HK$'000*
Balances with central bank in Hong Kong	653,221	1,387,149

14 Investment securities

	2024 *HK$'000*	*2023* *HK$'000*
At FVOCI:		
Treasury bills	10,816,702	4,184,349

As at 31 December 2024 and 31 December 2023, there were no investment securities that is impaired, overdue or rescheduled.

15 Advances to bank

	2024 *HK$'000*	*2023* *HK$'000*
Time deposits placed with bank	97,436	–

16 Advances to customers

	2024 *HK$'000*	*2023* *HK$'000*
Gross advances to customers	6,603,976	6,597,839
Less: Credit impairment, analysed by:		
– Stage 1	(63,994)	(61,071)
– Stage 2	(147,834)	(156,449)
– Stage 3	(40,335)	(74,494)
	6,351,813	6,305,825

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

The amounts due from immediate holding company represent cash at bank and time deposits placed with immediate holding company. Cash at bank are non-interest bearing, whilst time deposits are interest bearing between 4.00% to 4.76% (2023: 4.87% to 6.50%),with contractual maturities ranging from twenty-seven days to one year (2023: four days to one year). These balances are unsecured.

The amounts due to immediate holding company represent investment securities trade date payables and other liabilities owing to immediate holding company. Other liabilities owing to immediate holding company are unsecured, non-interest bearing and expected to be settled within one year.

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

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

18 Intangible assets

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

18 Intangible assets (continued)

	2023			
	*Capitalised software** *HK$'000*	*Work in Progress** *HK$'000*	*Other intangible assets*** *HK$'000*	*Total* *HK$'000*
Cost				
At 1 January 2023	630,987	35,821	9,822	676,630
Additions	86,524	39,116	–	125,640
Reclassification	–	–	–	–
Write-offs	(30,979)	–	–	(30,979)
At 31 December 2023	686,532	74,937	9,822	771,291
Accumulated amortisation and impairment				
At 1 January 2023	197,399	–	1,850	199,249
Charge for the year***	79,767	–	600	80,367
Write-offs	(10,010)	–	–	(10,010)
At 31 December 2023	267,156	–	2,450	269,606
Net book value				
At 31 December 2023	419,376	74,937	7,372	501,685

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

** Other intangible assets consist of costs incurred on patents, trademarks and membership amounting to HK$16,072,000 (2023: HK$9,822,000). Of which, the amount of intangible assets with indefinite useful life comprise HK$13,072,000 (2023: HK$6,822,000).

*** During 2023, the Bank has reassessed the useful economic life for capitalised software to reflect the period over which the assets are expected to be available for use by the Bank. As a result of this change in estimate, the Bank has recorded a decrease in software amortisation of HK$29,916,000 in 2023.

19 Property and equipment

	2024 Right-of-use operating lease property HK$'000	Leasehold improvement HK$'000	Office equipment HK$'000	Total HK$'000
Cost				
At 1 January 2024	85,846	13,385	15,453	114,684
Additions	–	–	2,778	2,778
At 31 December 2024	85,846	13,385	18,231	117,462
Accumulated depreciation				
At 1 January 2024	47,906	8,006	13,540	69,452
Charge for the year	11,674	1,655	649	13,978
At 31 December 2024	59,580	9,661	14,189	83,430
Net book value				
At 31 December 2024	26,266	3,724	4,042	34,032

	2023 Right-of-use operating lease property HK$'000	Leasehold improvement HK$'000	Office equipment HK$'000	Total HK$'000
Cost				
At 1 January 2023	85,846	8,615	13,734	108,195
Additions	–	4,770	1,719	6,489
At 31 December 2023	85,846	13,385	15,453	114,684
Accumulated depreciation				
At 1 January 2023	36,232	5,597	11,624	53,453
Charge for the year	11,674	2,409	1,916	15,999
At 31 December 2023	47,906	8,006	13,540	69,452
Net book value				
At 31 December 2023	37,940	5,379	1,913	45,232

20 Prepayments and other assets

	2024	*2023*
	HK$'000	*HK$'000*
Capitalised contract costs	167,502	87,883
Prepaid expenses	50,714	21,405
Sundry debtors	4,684	444
Deposits	3,943	4,243
Amounts due from brokers (note)	39,952	7,835
Other receivables	3,062	2,966
	269,857	124,776

As at 31 December 2024 and 31 December 2023, there were no receivables that is impaired, overdue or rescheduled.

Note:
As of 31 December 2024, included in the amounts due from brokers is a receivable from broker for equity trading settlement of HK$8,965,000 (note 29(i)). As of 31 December 2023, the receivable from broker for equity trading settlement was immaterial.

21 Repurchase agreements at amortised cost

The balance represents financial liability for cash received under repos. Collateral under repos were principally exchange fund bills of HK$500,838,000 as of 31 December 2024 (2023: HK$752,350,000).

22 Deposits from customers

	2024	*2023*
	HK$'000	*HK$'000*
Savings accounts	11,141,630	7,394,219
Time deposits	6,235,963	3,739,073
	17,377,593	11,133,292

23 Other payables

	2024 HK$'000	2023 HK$'000
Cash-settled share-based payments	13,839	11,628
Property lease liabilities	26,989	38,510
Receipts in advance	9,438	19,917
ECL provision on loan commitments	107,953	85,943
Accruals of expenses (note)	187,248	156,169
Amounts due to brokerage clients	11,046	184
Other liabilities (note)	59,510	160,521
	416,023	472,872

Note:
These amounts as of 31 December 2024 and 31 December 2023 are unsecured, non-interest bearing and expected to be settled within one year or are repayable on demand.

24 Deferred tax assets and liabilities

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

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

24 Deferred tax assets and liabilities (continued)

	2023				
	Amortisation of capitalised intangibles HK$'000	Unutilised tax losses HK$'000	Impairment losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2023	(77,452)	77,870	–	(418)	–
(Charge)/credit to profit or loss	(4,110)	58,482	50,071	3,335	107,778
At 31 December 2023	(81,562)	136,352	50,071	2,917	107,778

	2024 HK$'000	2023 HK$'000
Net deferred tax assets recognised in the statement of financial position	–	107,778

As at 31 December 2024, the Bank had cumulative tax losses of HK$4,048,774,000 (2023: HK$3,217,325,000) available indefinitely for offsetting against future taxable profits. Deferred tax assets have been recognised in respect of HK$221,675,000 (2023: HK$826,373,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$3,827,099,000 (2023: HK$2,390,952,000). In addition, there is no deductible temporary differences not recognised in 2023 and 2024. There is uncertainty on the timing upon which the tax losses can be utilised in the relevant tax jurisdiction. The tax losses do not expire under current tax legislation.

25 Capital and reserves

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

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

FVOCI Reserves

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

25 Capital and reserves (continued)

(b) Issued share capital

	2024		2023	
	No. of shares	*HK$'000*	*No. of shares*	*HK$'000*
Ordinary shares, issued and called:				
At 1 January	473,110,000	4,731,100	351,900,000	3,519,000
Shares issued and fully paid	54,740,000	547,400	112,412,500	1,124,125
Shares issued and unpaid	–	–	8,797,500	87,975
At 31 December	527,850,000	5,278,500	473,110,000	4,731,100

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

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

The unpaid amount as at 31 December 2023 was settled in January 2024.

(c) Capital management

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

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

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

The Bank calculates its capital adequacy ratios in accordance with the Banking (Capital) Rules and has complied with externally imposed capital requirements at all times in years of 2024 and 2023.

26 Other equity instruments

	2024 HK$'000	2023 HK$'000
Undated non-cumulative Additional Tier 1 capital securities	468,069	–

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

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

27 Cash and cash equivalents

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

	2024 HK$'000	2023 HK$'000
Balances with central bank	653,221	1,387,149
Investment securities with original maturity within three months	633,634	349,350
Advances to bank with original maturity within three months	97,436	–
Cash held at immediate holding company	548,590	206,242
Time deposits placed with immediate holding company with original maturity less than three months	330,039	30,016
Cash and cash equivalents in the cash flow statement	2,262,920	1,972,757

27 Cash and cash equivalents (continued)

(b) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities HK$'000	*Total HK$'000*
At 1 January 2023	49,985	49,985
Changes from financing cash flows		
Principal portion of lease payments	(11,475)	(11,475)
Interest element on lease liabilities	(1,380)	(1,380)
Total changes from financing cash flows	37,130	37,130
Other changes:		
Interest expense on lease liabilities	1,380	1,380
At 31 December 2023	38,510	38,510
Changes from financing cash flows		
Principal portion of lease payments	(11,521)	(11,521)
Interest element on lease liabilities	(1,023)	(1,023)
Total changes from financing cash flows	25,966	25,966
Other changes:		
Interest expense on lease liabilities	1,023	1,023
At 31 December 2024	26,989	26,989

28 Off-balance sheet exposures

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

	2024 *HK$'000*	*2023* *HK$'000*
Direct credit substitute	22,774	12,958
Loan commitments which are unconditionally cancellable	26,579,835	24,069,808
	26,602,609	24,082,766

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

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

As of date of granting of staff housing mortgage loan, and as of 31 December 2024, these loans remain fully collateralised by the respective property values.

As of 31 December 2024, the remaining contractual maturities for the financial guarantee range between 14 years to 24 years (2023: 15 years to 25 years).

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

The total credit risk weighted amount of exposures on direct credit substitute placed with immediate holding company is HK$22,774,000 (2023: HK$12,958,000). Analysis of expected credit loss provision on loan commitments which are unconditionally cancellable is included in Note 29(a).

29 Financial risk management and fair values of financial instruments

Risk management approach

Enterprise Risk Management Framework ("ERMF")

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

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

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

Risk Appetite and profile

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

– **Risk capacity** is the maximum level of risk the Bank can assume, given its current capabilities and resources, before breaching constraints determined by capital and liquidity requirements, internal operational environment (including but not limited to technical infrastructure, risk management capabilities, expertise), or otherwise failing to meet the expectations of regulators and law enforcement agencies.

– **Risk Appetite** is defined as the maximum amount and type of risk the Bank is willing to assume in pursuit of its strategy and approved by the Board. Risk appetite cannot exceed risk capacity.

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

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

Risk Appetite Statement: The Bank will not compromise adherence to its risk appetite in order to pursue revenue growth or higher returns. The Bank's risk profile is its overall exposure to risk at a given point in time, covering all applicable risk types. Risk control tools such as exposure limits, underwriting standards, scorecard cut-offs and policies and other operational control parameters are used to keep the Bank's risk profile within risk appetite (and therefore also risk capacity). Status against risk appetite is reported to the Board Risk Committee ("BRC") and the Executive Risk Committee ("ERC"); this includes the reporting of breaches. Whereas Asset and Liability Committee ("ALCO") is responsible for ensuring that the Bank's balance sheet risk profile is managed within the Risk Appetite set by the Board. The BRC advises the Board on the Risk Appetite Statement and monitors the Bank's compliance with it.

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

Roles and responsibilities

The Three Line of Defence model

Roles and responsibilities for risk management are defined under a Three Lines of Defence model. Each line of defence describes a specific set of responsibilities for risk management and control.

Lines of defence	Definition	Key responsibilities include
First	The businesses and functions engaged in or supporting revenue generating activities that own and manage the risks	• Propose the risks required to undertake the revenue generating activities. • Identify, assess, monitor, and escalate risks and issues to Second Line and senior management and promote healthy risk culture and good conduct. • Validate and self-assess compliance with frameworks and policies (through the control monitoring), confirm the quality of validation, and provide evidence-based affirmation to Second Line. • Manage risks within Risk Appetite, set and execute risk remediation plans and ensure laws and regulations are being complied with. • Ensure systems and processes meet risk data aggregation, risk reporting and data quality requirements set by the Second Line.

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

Roles and responsibilities (continued)

The Three Line of Defence model (continued)

Lines of defence	Definition	Key responsibilities include
Second	The control functions independent of the First Line that provide oversight and challenge of risk management, to provide confidence to senior management and the Board (The Compliance function works alongside the Risk function within the ERMF to deliver a unified Second Line of defence)	• Identify, assess, monitor, and escalate risks and issues to senior management, and the Board or Board-level committees and promote a healthy risk culture and good conduct. • Oversee and challenge First Line risk-taking activities and review First Line risk proposals. • Propose Risk Appetite to the Board, monitor and report adherence to Risk Appetite and intervene to curtail business if it is not in line with existing or adjusted Risk Appetite, there is material non-compliance with policy requirements or when operational controls do not effectively manage risk. • Set risk data aggregation, risk reporting and data quality requirements. • Ensure that there are appropriate controls to comply with applicable laws and regulations, and escalate significant non-compliance matters and developments to senior management and the appropriate committees.

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

Roles and responsibilities (continued)

The Three Line of Defence model (continued)

Lines of defence	Definition	Key responsibilities include
Third	The Internal Audit function provides independent assurance on the effectiveness of controls that support First Line's risk management of business activities, and the processes maintained by the Second Line.	• Independently assess whether management has identified the key risks in the business and whether these are reported and governed in line with the established risk management processes. • Independently assess the adequacy of the design of controls and their operating effectiveness.

Risk identification and assessment

Identification and assessment of potential adverse risk events is an essential first step in managing the risks of any business or activity. To ensure consistency in communication, the Bank uses Principal Risk Types ("PRTs") to classify its risk exposures. Nevertheless, the Bank also recognises the need to maintain an overall perspective since a single transaction or activity may give rise to multiple types of risk exposure. Risk concentrations may arise from multiple exposures that are closely correlated, and a given risk exposure may change its form from one risk type to another.

To facilitate the above, the Bank maintains a dynamic risk identification process with inputs on the internal and external risk environment, as well as potential threats and opportunities from the business and client perspectives. The Bank maintains an inventory of the PRTs and sub-types that are inherent to the strategy and business model, near-term emerging risks that can be measured and mitigated to some extent, and uncertainties that are longer-term matters that should be on the radar but are not yet fully measurable.

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

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

Stress testing

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

- Does not have a portfolio with excessive concentrations of risk that could produce unacceptably high losses under severe but plausible scenarios;

- Has sufficient financial resources to withstand severe but plausible scenarios;

- Has the financial flexibility to respond to extreme but plausible scenarios;

- Understands the Bank's key business model risks, considers what kind of event might crystallise those risks – even if extreme with a low likelihood of occurring – and has identified, as required, actions to mitigate the likelihood and/or the impact of those events; and

- Considers how the outcome of plausible stress events may impact availability of liquidity and regulatory capital.

Enterprise Stress Tests include Capital and Liquidity Adequacy Stress Tests in the context of Capital Adequacy and Recovery Planning; or supervisory-driven stress testing. Stress Tests that assess scenarios that may endanger the viability of the business model.

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

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

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

Principal Risk Types

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

The table below shows the Bank's current PRTs:

Principal risks	Description
Credit Risk	Potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Bank.
Traded Risk	Potential for loss resulting from activities undertaken by the Bank in financial markets.
Treasury Risk	Potential for insufficient capital, liquidity or funding to support our operations, the risk of reductions in earnings or value from movements in interest rates impacting banking book items.
Operational and Technology Risk	Potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks).
Environmental, Social and Governance and Reputational Risk	Potential or actual adverse impact on the environment and/or society, the Bank's financial performance, operations, or the Bank's name, brand or standing, arising from environmental, social or governance factors, or as a result of the Bank's actual or perceived actions or inactions.
Compliance Risk	Potential for penalties or loss to the Bank or for an adverse impact to our clients, stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws, or regulations.
Information and Cyber Security Risk	Risk to the Bank's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems.
Financial Crime Risk	Potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering and anti-bribery & corruption, and fraud.
Model Risk	Potential loss that may occur because of decisions or the risk of mis-estimation that could be principally based on the output of models, due to errors in the development, implementation or use of such models.

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

Executive and Board risk oversight

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

The Board appoints the Executive Committee to maintain a sound system of internal control and risk management. The ERC, through its authority delegated by the Board via Executive Committee, oversees effective implementation of the ERMF and is responsible for the management of all risks other than those delegated to the ALCO.

The BRC receives regular reports on risk management, including the Bank's portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference.

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

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

Executive Risk Committee

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

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

Asset and Liability Committee

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

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

Risk profile

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

(a) Credit risk

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

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

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

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

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

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

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

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

(a) Credit risk (continued)

Expected Credit Losses

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

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

Credit risk exposures are classified into three stages:

- Stage 1 represents exposures with no SICR since the time of origination (referred to as 'non-deteriorated book'). For stage 1 exposures, ECL is computed covering the next 12 months from the reporting date or the remaining lifetime of the asset, whichever is shorter.

- Stage 2 represents exposures that has significantly increased in credit risk' ("SICR") at the reporting date compared to the time of origination (referred to as 'Significantly Deteriorated Book'). For stage 2 exposures, ECL is computed for the lifetime of the asset.

- Stage 3 represents exposures deemed "Credit Impaired" (or default), aligning with the Bank's definition of default and credit-impaired assets. For stage 3 exposures, ECL is computed for the lifetime of the asset.

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

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

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

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

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

(a) Credit risk (continued)

Calculation of ECL

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

- PD represents the likelihood of a borrower defaulting on its financial obligation. The PD information is obtained by the estimation of internal default rate by credit rating.

- LGD measures the loss severity in the case of default. The LGD information is obtained by benchmarking market average.

- EAD is the amount that the Bank expects to be owed at the time of default.

Incorporation of forward-looking information into the ECL models

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

- Based on Hong Kong credit card lending statistics, the Bank constructs scenarios that align with historical financial crisis with corresponding severity and probability.

- The scenarios and probability of occurrence will be reviewed and subject to management deliberation on a regular basis.

Significant Increase in Credit Risk

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

- The borrower is more than or equal to 30 days past due on its contractual payments;

- The borrower's external rating is downgraded more than predetermined criteria since initial recognition.

Definition of default and credit-impaired assets

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

- The borrower is more than or equal to 90 days past due on its contractual payments.

- The borrower is bankrupt.

- The borrower is unlikely to honour its credit obligation.

- The borrower has a reschedule loan such as Debt Relief Plan.

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

(a) Credit risk (continued)

Write-offs Policy

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

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

(2) Early Write-off

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

Credit Risk Exposure

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

2024

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

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

(a) Credit risk (continued)

Credit Risk Exposure (continued)

2023

	Stage 1 HK$'000	*Stage 2 HK$'000*	*Stage 3 HK$'000*	*Total HK$'000*
On-balance sheet credit exposures				
Balances with central bank	1,387,149	–	–	1,387,149
Investment securities	4,184,349	–	–	4,184,349
Advances to customers	6,111,952	407,825	78,062	6,597,839
Amounts due from immediate holding company	1,620,086	–	–	1,620,086
Amounts due from fellow subsidiary	178	–	–	178
Amounts due from related companies	90,237	–	–	90,237
Prepayments and other assets	15,488	–	–	15,488
	13,409,439	407,825	78,062	13,895,326
Off-balance sheet exposures				
Direct credit substitute	12,958	–	–	12,958
Loan commitments which are unconditionally cancellable	24,001,342	58,114	10,352	24,069,808
	24,014,300	58,114	10,352	24,082,766
Total credit exposures	37,423,739	465,939	88,414	37,978,092

Investment securities

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

	2024 HK$'000	*2023 HK$'000*
AA – to AA+	10,816,702	4,184,349

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

(a) Credit risk (continued)

Analysis of expected credit loss provision on financial instruments by stage

	At 31 December 2024			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
	12-month	*Lifetime*	*Lifetime*	
	ECL	*ECL*	*ECL*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Expected credit loss provision on:				
– Advances to customers (note 16)	63,994	147,834	40,335	252,163
– Loan commitments which are unconditionally cancellable (note 23)	73,837	34,116	–	107,953
	137,831	181,950	40,335	360,116

	At 31 December 2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
	12-month	*Lifetime*	*Lifetime*	
	ECL	*ECL*	*ECL*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Expected credit loss provision on:				
– Advances to customers (note 16)	61,071	156,449	74,494	292,014
– Loan commitments which are unconditionally cancellable (note 23)	59,559	26,384	–	85,943
	120,630	182,833	74,494	377,957

Movement in credit impairment

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

- Transfers between Stage 1, Stage 2 and Stage 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period.

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised during the period; and

- Write-offs of allowances related to assets that were written off during the period.

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

(a) *Credit risk (continued)*

Movement in credit impairment (continued)

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

	Stage 1			Stage 2			Stage 3			Total		
	Gross balance HK$'000	ECL HK$'000	Net carrying amount HK$'000	Gross balance HK$'000	ECL HK$'000	Net carrying amount HK$'000	Gross balance HK$'000	ECL HK$'000	Net carrying amount HK$'000	Gross balance HK$'000	ECL HK$'000	Net carrying amount HK$'000
At 1 January 2024	6,111,952	61,071	6,050,881	407,825	156,449	251,376	78,062	74,494	3,568	6,597,839	292,014	6,305,825
Net transfers between stages	(384,948)	26,264	(411,212)	(23,324)	(100,200)	76,876	408,272	73,936	334,336	–	–	–
Net change in exposures	504,196	23,016	481,180	(53,992)	7,050	(61,042)	(29,965)	–	(29,965)	420,239	30,066	390,173
Net re-measurement from stage change	–	(46,357)	46,357	–	84,535	(84,535)	–	306,007	(306,007)	–	344,185	(344,185)
Write-offs	–	–	–	–	–	–	(414,102)	(414,102)	–	(414,102)	(414,102)	–
At 31 December 2024	6,231,200	63,994	6,167,206	330,509	147,834	182,675	42,267	40,335	1,932	6,603,976	252,163	6,351,813
ECL release/(charge) in profit of loss		(2,923)			8,615			(379,943)			(374,251)	
Recoveries of amounts previously written off		–			–			17,251			17,251	
Total credit impairment release/(charge)		(2,923)			8,615			(362,692)			(357,000)	

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

(a) *Credit risk (continued)*

Movement in credit impairment (continued)

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

	Stage 1			Stage 2			Stage 3			Total		
	Gross balance HK$'000	ECL HK$'000	Net carrying amount HK$'000	Gross balance HK$'000	ECL HK$'000	Net carrying amount HK$'000	Gross balance HK$'000	ECL HK$'000	Net carrying amount HK$'000	Gross balance HK$'000	ECL HK$'000	Net carrying amount HK$'000
At 1 January 2023	4,899,119	60,439	4,838,680	134,225	16,049	118,176	10,810	10,324	486	5,044,154	86,812	4,957,342
Net transfers between stages	(339,366)	(27,598)	(311,768)	283,402	20,745	262,657	55,964	6,853	49,111	–	–	–
Net change in exposures	1,552,199	37,783	1,514,416	(9,802)	(9,387)	(415)	308,978	–	308,978	1,851,375	28,396	1,822,979
Net re-measurement from stage change and changes in risk parameters	–	(9,553)	9,553	–	129,042	(129,042)	–	355,007	(355,007)	–	474,496	(474,496)
Write-offs	–	–	–	–	–	–	(297,690)	(297,690)	–	(297,690)	(297,690)	–
At 31 December 2023	6,111,952	61,071	6,050,881	407,825	156,449	251,376	78,062	74,494	3,568	6,597,839	292,014	6,305,825
ECL charge in profit of loss		(632)			(140,400)			(361,860)			(502,892)	
Recoveries of amounts previously written off		–			–			4,200			4,200	
Total credit impairment charge		(632)			(140,400)			(357,660)			(498,692)	

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

(a) Credit risk (continued)

Movement in credit impairment (continued)

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

	Stage 1 ECL	*Stage 2 ECL*	*Stage 3 ECL*	*Total ECL*
At 1 January 2024	59,559	26,384	–	85,943
Net transfers between stages	9,737	(9,737)	–	–
Net change in exposures	15,984	(4,263)	–	11,721
Net re-measurement from stage change	(11,443)	21,732	–	10,289
At 31 December 2024	73,837	34,116	–	107,953

	Stage 1 ECL	*Stage 2 ECL*	*Stage 3 ECL*	*Total ECL*
At 1 January 2023	12,088	4,274	–	16,362
Net transfers between stages	1,363	(1,363)	–	–
Net change in exposures	48,083	4,714	–	52,797
Net re-measurement from stage change	(1,975)	18,759	–	16,784
At 31 December 2023	59,559	26,384	–	85,943

(b) Liquidity and Funding risk

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

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

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

Since the beginning of the year there have been no significant changes in the Bank's liquidity risk policies.

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

(b) Liquidity and Funding risk (continued)

Primary sources of funding

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

A monitoring metric on funding concentration and a threshold over wholesale borrowing are set to avoid over-reliance on a small group of fund providers or on wholesale funding markets. As of 31 December 2024, our assets are primarily funded by diversified retail-based customer deposits, without relying on wholesale borrowing.

Liquidity Risk Management

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

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

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

(b) Liquidity and Funding risk (continued)

Liquidity Risk Management (continued)

Stress risk measures include internal liquidity stress testing covering different stress scenarios. This aims to ensure the Bank holds an adequate buffer of high-quality assets to survive extreme but plausible liquidity stress scenarios for a period as defined under each scenario. All scenarios include, but are not limited to, modelled outflows for funding, off-balance sheet funding risk, and intraday risk. Stress testing results show that a positive surplus was maintained under all scenarios at 31 December 2024 i.e. the Bank is able to survive for a period as defined under each scenario.

The Bank also maintains a Recovery Plan which is a live document to be used by management in the event of stress in order to restore the Bank to a stable and sustainable position. The Recovery Plan includes a set of Recovery Indicators, an escalation framework and a set of management actions capable of being implemented in a liquidity stress.

Governance

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

Monitoring

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

Internal risk management reports covering the balance sheet and the liquidity position of the Bank are presented to the ALCO. The reports contain key information on balance sheet trends, exposures against Risk Appetite and supporting risk measures which enable members to make informed decisions around the overall management of the Bank's balance sheet.

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

(b) Liquidity and Funding risk (continued)

Stress Coverage

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

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

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

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

Stress testing results show that a positive surplus was maintained under all scenarios on 31 December 2024 i.e. the Bank is able to survive for a period of time as defined under each scenario. The combined scenario at 31 December 2024 showed the Bank maintained liquidity resources to survive greater than 30 days, as per the Bank's Board Risk Appetite.

Liquidity position

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

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

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

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

(b) Liquidity and Funding risk (continued)

Liquidity position (continued)

2024

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

As at 31 December 2024, the Bank's loan commitments, which are unconditionally cancellable, amounted to HK$26,579,835,000 (2023: HK$24,069,808,000).

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

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

Liquidity position (continued)

2023

	Repayable on demand HK$'000	Within 1 year HK$'000	Over 1 year HK$'000	Undated HK$'000	Total HK$'000	Statement of financial position carrying amount HK$'000
On balance sheet exposures						
Repurchase agreements at amortised cost	750,000	–	–	–	750,000	750,000
Deposits from customers	7,394,219	3,702,351	89,593	–	11,186,163	11,133,292
Amounts due to immediate holding company	147,126	–	–	–	147,126	147,126
Amounts due to fellow subsidiary	1,399	–	–	–	1,399	1,399
Amounts due to related companies	4,635	–	–	–	4,635	4,635
Property lease liabilities	–	12,544	27,939	–	40,483	38,510
Accruals of expenses	112,734	43,435	–	–	156,169	156,169
Amounts due to brokers	184	–	–	–	184	184
Other liabilities	160,521	–	–	–	160,521	160,521
	8,570,818	3,758,330	117,532	–	12,446,680	12,391,836
Off balance sheet exposures						
Direct credit substitute	–	–	–	12,958	12,958	12,958
	–	–	–	12,958	12,958	12,958
Total exposures	8,570,818	3,758,330	117,532	12,958	12,459,638	12,404,794

(c) *Traded risk*

Traded risk is the potential for loss resulting from activities undertaken by the Bank in the financial markets. The Bank has established policies and standards to identify and analyse these risks, to set appropriate risk controls, and to monitor the risks continually by means of reliable and up-to-date management and information systems. The Bank continually modifies and enhances its risk management policies and systems to reflect changes in the market and best practice risk management processes.

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

(i) Interest rate risk in banking book

The Bank defines interest rate risk in the banking book ("IRRBB") as the potential for a reduction in earnings or economic value due to movements in interest rates. This risk arises from differences in the re-pricing profile, interest rate basis, and optionality of banking book assets, liabilities and off-balance sheet items. IRRBB represents an economic and commercial risk to the Bank and its capital adequacy. The Bank monitors IRRBB in line with the HKMA Supervisory Policy Manual on "Interest Rate Risk in the Banking Book". As at 31 December 2024, the IRRBB metric remained within the regulatory threshold.

(ii) Foreign currency risk

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

(d) Climate Risk

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

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

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

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

(e) Financial instruments by category

The Bank's financial instruments include the following:

	2024 *HK$'000*	*2023* *HK$'000*
Financial assets at FVOCI		
– Investment securities	10,816,702	4,184,349
Financial assets at amortised cost		
– Balances with central bank	653,221	1,387,149
– Advances to bank	97,436	–
– Advances to customers	6,351,813	6,305,825
– Amounts due from immediate holding company	2,345,212	1,620,086
– Amounts due from fellow subsidiary	215	178
– Amounts due from related companies	2,618	90,237
– Other assets	51,641	15,488
	20,318,858	13,603,312
Financial liabilities at amortised cost		
– Repurchase agreements at amortised cost	500,000	750,000
– Deposits from customers	17,377,593	11,133,292
– Amounts due to immediate holding company	688,720	147,126
– Amounts due to fellow subsidiary	5,358	1,399
– Amounts due to related companies	4,880	4,635
– Accruals of expenses and other liabilities	284,793	355,384
	18,861,344	12,391,836

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

(f) Valuation of financial instruments carried at amortised costs

The following table shows the carrying amounts and incorporates the estimated of fair values of those financial assets and liabilities not presented on the balance sheet at fair value. These fair values may be different form the actual amount that will be received or paid on the settlement or maturity of the financial instruments. For certain instruments, the fair value may be determined using assumptions for which no observable prices are available.

	2024			*2023*		
	Carrying	*Fair Value*		*Carrying*	*Fair Value*	
	Value	*Level 2*	*Total*	*Value*	*Level 2*	*Total*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Advances to customers	6,351,813	6,451,609	6,451,609	6,305,825	6,591,239	6,591,239
Liabilities						
Deposits from customers	17,377,593	17,335,030	17,335,030	11,133,292	11,116,951	11,116,951

Other financial instruments not carried at fair value are stated at amounts not materially different from their fair value as of 31 December 2024 and 2023.

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

(g) Valuation of financial instruments carried at fair value

Valuation of financial assets and liabilities held at fair value are subject to a review independent from the business. For those financial assets and liabilities whose fair value is determined by reference to externally quoted prices or market observable pricing inputs to valuation models, an assessment is made against external market data and consensus services. Financial instruments held at fair value in the statement of financial position have been classified into a valuation hierarchy that reflects the significance of the inputs used in the fair value measurements.

Valuation methodologies

The valuation hierarchy is set out below:

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted price in an active market for identical assets and liabilities	Directly or indirectly observable inputs other than unadjusted quoted prices included within Level 1 that are observable	Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	2024			
	Level 1	*Level 2*	*Level 3*	*Total*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment securities at fair value through other comprehensive income	10,816,702	–	–	10,816,702

	2023			
	Level 1	*Level 2*	*Level 3*	*Total*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment securities at fair value through other comprehensive income	4,184,349	–	–	4,184,349

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

(h) Maturity analysis on assets and liabilities

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

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

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

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

	At 31 December 2023		
	Within 12 months HK$'000	*After 12 months HK$'000*	*Total HK$'000*
Balances with central bank	1,387,149	–	1,387,149
Investment securities	4,184,349	–	4,184,349
Advances to customers	4,118,191	2,187,634	6,305,825
Amounts due from immediate holding company	1,620,086	–	1,620,086
Amounts due from fellow subsidiary	178	–	178
Amounts due from related companies	90,237	–	90,237
Intangible assets	–	501,685	501,685
Property, plant and equipment	–	45,232	45,232
Deferred tax assets	–	107,778	107,778
Prepayments and other assets	29,950	94,826	124,776
	11,430,140	2,937,155	14,367,295
Repurchase agreements at amortised cost	750,000	–	750,000
Deposits from customers	11,049,299	83,993	11,133,292
Amounts due to immediate holding company	147,126	–	147,126
Amounts due to fellow subsidiary	1,399	–	1,399
Amounts due to related companies	4,635	–	4,635
Other payables	344,990	127,882	472,872
	12,297,449	211,875	12,509,324

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

(i) Offsetting

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

	2024				
Assets	*Gross amounts of recognised financial assets HK$'000*	*Gross amounts of recognised financial liabilities offset in the statement of financial position HK$'000*	*Net amounts of financial assets presented in the statement of financial position HK$'000*	*Related amounts not offset in the statement of financial position HK$'000*	*Net amount HK$'000*
Amounts due from brokers	27,159	(18,194)	8,965	–	8,965
Liabilities					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to brokers	18,194	(18,194)	–	–	–

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

30 Material related party transactions

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

(a) *Key management personnel remuneration*

Remuneration for key management personnel is as follows:

	2024 *HK$'000*	*2023* *HK$'000*
Short-term employee benefits	38,661	34,767
Post-employment benefits	1,474	1,335
Share based payments	3,908	4,564
	44,043	40,666

(b) *Credit facilities and loans to key management personnel*

During the year, the Bank provided credit facilities to key management personnel of the Bank and their close family members and companies controlled or significantly influenced by them. The credit facilities were provided in the ordinary course of business and on substantially the same terms as for comparable transactions with persons of a similar standing or, where applicable, with other employees.

	2024 *HK$'000*	*2023* *HK$'000*
Unsecured balances of credit limit and guarantees given:		
At 1 January	6,953	2,200
At 31 December	6,198	6,953
Average balance during the year	6,614	3,880
Income earned	–	–

30 Material related party transactions (continued)

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

Information of the Bank disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2024 *HK$'000*	*2023* *HK$'000*
Aggregate amount of relevant unsecured loans by the Bank outstanding at 31 December	658	675
Maximum aggregate amount of relevant unsecured loans by the Bank outstanding during the year	1,780	1,900

The above credit facilities were provided in the ordinary course of business and on substantially the same terms as for comparable transactions with persons of a similar standing or, where applicable, with other employees.

(d) Transactions with other related parties

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

	Note	*2024* *HK$'000*	*2023* *HK$'000*
Transactions with immediate holding company			
– Fees and commission received	(i)	–	8,961
– Service fee paid	(ii)	(16,698)	(9,068)
Transactions with related companies			
– Reimbursement of marketing costs	(iii)	2,220	1,979
– Purchases of services	(iv)	(18,641)	(25,291)

Notes:

(i) Fee and commission received represent consultancy on information technology services provided to a fellow subsidiary, under contract with immediate holding company.

(ii) The service fee paid to immediate holding company relates to service support for various functions. The service fee is charged on a cost basis.

(iii) Co-sharing of expenses made under joint promotional initiatives at fixed pre-determined rate.

(iv) Purchases of services from related parties are made on similar terms as those with other suppliers.

31 Share based payment

(i) Share based payment operated by Mox Bank Limited

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

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

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

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

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

Valuation

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

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

Reconciliation of share award movements for the year

	2024 *No. of units*	*2023* *No. of units*
Outstanding at 1 January	1,500,493	902,621
Granted	928,936	1,032,216
Forfeited	(166,460)	(57,830)
Exercised	(436,995)	(376,514)
Outstanding at 31 December	1,825,974	1,500,493
Share price at grant date (HK$)	10.147	11.665
Exercisable at the end of the year (no. of units)	185,763	33,313
Weighted average contractual remaining life	5.34 years	5.62 years

31 Share based payment (continued)

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

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

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

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

(i) Deferred share awards

Deferred awards are used to deliver the deferred portion of variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant. Deferred awards are not subject to any plan limit. This enables the SC PLC to meet regulatory requirements relating to deferral levels, and is in line with market practice.

(ii) Restricted shares awards

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

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

31 Share based payment (continued)

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

Sharesave Plan

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

The remaining life of the 2023 Sharesave Plan during which new awards can be made is ten years. The 2013 Sharesave Plan has expired and no further awards will be granted under this plan.

32 Immediate parent and ultimate controlling party

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

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2024

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments, new standards and interpretations, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These include the following which are expected to be relevant to the Bank.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21: Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7: Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKTS 10 and HKAS 7: Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18: Presentation and Disclosure in Financial Statements	1 January 2027

HKAS/IAS 21 Amendment – Lack of Exchangeability

Amendments to HKAS/IAS 21 The Effects of Changes in Foreign Exchange Rates were issued to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users to understand the impact of a currency not being exchangeable. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. The amendment is not expected to have a material impact on the Bank's financial statements.

HKFRS/IFRS 18 Presentation and Disclosure in Financial Statements

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

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2024 (continued)

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

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

Appendix I: Corporate Governance Report (unaudited)

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

Corporate Governance Practices and objectives

Mox Bank Limited (referred to as "Mox" or the "Bank") has followed the module on "Corporate Governance of Locally Incorporated Authorised Institutions" ("CG-1") under the Supervisory Policy Manual ("SPM") issued by the HKMA throughout the year ended 31 December 2024.

Board Composition

Chair and Non-Executive Director

Samir SUBBERWAL

Executive Director

Barbaros UYGUN

Non-Executive Directors

Michael Andres GORRIZ
Susanna Hon-Hing HUI
Janet Yan FENG
Richard Percival Trefor JONES (appointed on 25 January 2024)

Independent Non-Executive Directors

Allen Kam Sing MA
Frank Yee Chon LYN
Tsz Kiu Jason Felix CHIU

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

Board Composition (continued)

Samir SUBBERWAL
Chair and Non-Executive Director

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

Mr. Subberwal is currently the Global Head, Wealth Solutions, Deposits and Mortgages, and Chief Client Officer of Standard Chartered Group.

Mr. Subberwal has over 30 years of experience in banking. Prior to his current role, he was the Head of Consumer, Private and Business Banking, Asia and Global Head of Digital Business and the Managing Director & Regional Head, Retail Banking, Greater China & North Asia of Standard Chartered Group responsible for developing business strategy, delivering financial performances, improving business efficiency, driving digital agenda, and enhancing organisational efficiency in the region. He also had the responsibility to identify opportunities for enhancing shareholder value through organisational and external growth with optimal allocation of resources.

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

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

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

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

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

Board Composition (continued)

Barbaros UYGUN
Executive Director and Chief Executive Officer

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

Mr. Uygun is a proven leader with more than 27 years of banking experience spanning business management and strategy, marketing, product development, and digital transformation and a strong advocate of digital transformation in the retail and payments industries. He joins Mox with a solid international track record in establishing digital banks and leading them to sustainable profitability.

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

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

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

Board Composition (continued)

Michael Andres GORRIZ
Non-Executive Director

Mr. Gorriz was appointed to the Board on 28 February 2019.

With over 30 years of experience in the IT industry, Mr. Gorriz is currently an Independent Non-Executive Director of Mercedes-Benz Automobile Finance Co., Ltd. in China, Swiss IT Security AG (an IT security service group based in Luxembourg), Kyberlife (an e-commerce marketplace start-up for life sciences, pharmaceutical, and healthcare industries headquartered in Singapore), and Temenos AG (a company specialised in enterprise software for banks and financial services with its headquarters in Geneva, Switzerland).

Mr. Gorriz is also currently a Board Director of Audax Financial Technology (a digital banking technology solutions provider) and Pivot Digital Pte. Ltd. (an IT services and consulting firm specialising in new business models in Retail Omni Channel, Financial Services and Retail), all of which are companies headquartered in Singapore.

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

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

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

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

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

Board Composition (continued)

Susanna Hon-Hing Hui
Non-Executive Director

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

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

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

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

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

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

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

Board Composition (continued)

Janet Yan FENG
Non-Executive Director

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

Ms. Feng serves as Senior Vice President of Trip.com Group Ltd. (NASDAQ: TCOM/HKEX: 9961) from April 2016, and is the Chief Executive Officer of Ctrip Finance since October 2017 till now. Currently, she also serves as Supervisory Director of TripLink International B.V.. Prior to these positions, Ms. Feng was Vice Financial President of Ctrip and CFO of transportation BU since January 2013, and held a series of management positions related to Finance since January 2004. Ms. Feng also serves as Vice Chairman of Shanghai Shang Cheng Consumer Finance Corporation Limited and Independent Director of TAL Education Group (NYSE: TAL), a leading smart learning solutions provider headquartered in Beijing, China..

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

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

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

Board Composition (continued)

Allen Kam Sing MA
Independent Non-Executive Director

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

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

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

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

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

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

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

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

Board Composition (continued)

Jason Tsz Kiu CHIU
Independent Non-Executive Director

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

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

With over 25 years of experience in technology and entrepreneurship, Mr. Chiu is the co-founder and Executive Chairman of Collectiv, a Web3 technology company based in Hong Kong. Mr. Chiu is also the founder of Cherrypicks, a leading technology innovator and now a subsidiary of NetDragon Websoft Holdings Limited (HKSE: 777). Prior to founding Cherrypicks in 2000, Mr. Chiu was a Director for High Tech Strategy Practice at Deloitte Consulting in Toronto and Hong Kong.

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

Mr. Chiu also serves in innovation and Technology related roles in public, private and NGO sectors, namely: Chairman of the General Support Programme (GSP) Vetting Committee of Innovation and Technology Commission (ITC); Member of the Digital Transformation Group under the Digital Economy Development Committee (DEDC) of the Innovation Technology and Industry Bureau (ITIB); Honorary President of the "Group 30 – Innovation and Creative Industries Council"; and Member of the Hong Kong Applied Science and Technology Research Institute (ASTRI).

In the higher education domain, Mr. Chiu serves as Court and Council Member of University of Hong Kong (HKU), Board Chairman of Versitech (Commercial Vehicle of HKU Technology Transfer Office), Board member of the HKU-Standard Chartered Foundation FinTech Academy and SEED Foundation, Advisor to the HKU Entrepreneurship Engine Fund and Member of the Board of Stewards of the Education University of Hong Kong Foundation. Mr. Chiu also serves in a number of youth, secondary schools and community initiatives in Hong Kong.

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

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

Board Composition (continued)

Frank Yee Chon LYN
Independent Non-Executive Director

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

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

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

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

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

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

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

Board Composition (continued)

Richard Percival Trefor JONES
Non-Executive Director

Mr. Jones was appointed to the Board on 25 January 2024.

Mr. Jones was most recently the Head of Legal for Standard Chartered Bank (Hong Kong) Limited as well as the General Counsel for Greater China and North Asia.

Mr. Jones has over 30 years of experience in Legal and Compliance. Since joining Standard Chartered in 2009, he held various senior positions in the Legal function in Hong Kong and Asia as well as a Global role in Compliance.

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

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

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

Board selection process

The Nomination Committee regularly reviews the structure, size and composition of the Board and identifies individuals suitably qualified to become members of the Board. The Committee makes recommendations to the Board on the appointment of and succession planning for Directors (subject to the approval of the HKMA), having regard to the skills, knowledge, experience and diversity the candidate adds to the Board and compliance with corporate governance standards set out in the HKMA Supervisory Policy Manual CG-1 and the guidance on Empowerment of Independent Non-Executive Directors ("INEDs") in the Banking Industry in Hong Kong issued by the HKMA.

A candidate being considered for Board appointment is expected to devote adequate time to attend all Board meetings and, where relevant, Committee meetings in person. An individual who is to be appointed as an INED should also meet the independence status prior to their appointment.

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

Board selection process (continued)

1. ***(a) The Board of Directors ("the Board")***

The Board is responsible for overseeing the management of the business and affairs of the Bank including the determination and approval of the Bank's financial objectives and strategic plan. It oversees the Bank's compliance with statutory and regulatory obligations, its capital and corporate structure and ensures a sound system of internal control and risk management. The Board also reviews performance in light of the Bank's strategy, objectives, corporate and business plans and budgets and determines appropriate levels for the Bank's capital and liquidity positions. The Board delegates day-to-day management of the Bank's risks to a number of committees. Risk profiles and capital related matters are reviewed by the Board on a regular basis.

The Board held four meetings in 2024.

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

2. ***(b) Audit Committee ("AC")***

The AC reviews, on behalf of the Board, the Bank's internal financial controls to identify, assess, manage and monitor financial risks and to review the bank's internal control systems. The AC also reviews the annual and interim financial statements, discusses matters raised by Internal Audit and the external auditors and ensures that audit recommendations are implemented accordingly.

During 2024, four AC meetings were held.

3. ***(c) Board Risk Committee ("BRC")***

The BRC exercises oversight on behalf of the Board of the overall risk appetite and risk management strategy of the Bank and oversee its implementation by senior management. The BRC reviews the appropriateness and effectiveness of the Bank's risk management systems and controls. The BRC also advises and assists the Board in discharging its responsibilities for the Bank's culture-related matters, including the oversight of effective mechanisms to assess behavioural standards and whistleblowing policy.

During 2024, four BRC meetings were held.

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

Board selection process (continued)

4. ***(d) Nomination Committee ("NomCo")***

The NomCo is responsible for identifying individuals suitably qualified to become members of the Board or of key senior management, and selecting, or recommending such individuals to the Board. The NomCo reviews succession plans of the Board and key senior management roles. It also reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any adjustments that are deemed necessary.

During 2024, three NomCo meetings were held.

5. ***(e) Remuneration Committee ("RemCo")***

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

During 2024, three RemCo meetings were held.

6. ***(f) Executive Committee ("EXCO")***

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

During 2024, seven EXCO meetings were held.

Sub-committees of EXCO

(a) ***Asset and Liability Committee ("ALCO")***

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

During 2024, eleven ALCO meetings were held.

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

Sub-committees of EXCO (continued)

(b) Executive Risk Committee ("ERC")

The ERC, through its authority delegated by the EXCO, is responsible for the management of all PRTs except for Treasury Risk which is managed by the Asset and Liability Committee ("ALCO"). The ERC oversees effective application of the Bank's ERMF, recommends risk appetite for approval by the Board or BRC, approves and reviews new models and risk control parameters including policies, risk exposure limits, and/or other control levers.

During 2024, eight ERC meetings were held.

(c) Technology Committee ("TechCo")

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

During 2024, eight TechCo meetings were held.

Risk appetite

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

Major share ownership and voting rights

As at end of 31 December 2024, the Bank is majority owned by Standard Chartered Bank (Hong Kong) Limited which held 71.58% of the voting rights in the Bank. The other shareholders are HKT Limited (via Digital Access Limited, 13.44%), PCCW Limited (via Digital Harmony Limited, 8.96%), and Ctrip Financial Management (Hong Kong) Co., Limited (6.01%).

Related party transactions

All related party transactions during the year ended 31 December 2024 are disclosed in note 30 to the financial statements.

Complex structures

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

Appendix II: Regulatory Disclosures (unaudited)

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

(a) International claims

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

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

At 31 December 2024	*Banks HK$'000*	*Official Sector HK$'000*	*Non-bank Financial institution HK$'000*	*Non-financial private sector HK$'000*	*Total HK$'000*
Offshore centres	455,437	–	–	3,882	459,319
– of which Hong Kong SAR	455,437	–	–	3,882	459,319
At 31 December 2023					
Offshore centres	86,874	–	–	–	86,874
– of which Hong Kong SAR	86,874	–	–	–	86,874

Appendix II: Regulatory Disclosures (unaudited) (continued)

(b) Advances to customers analysed by industry sector

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

	2024 *HK$'000*	*% of collateral covered by collateral or other liabilities* *HK$'000*
Gross advances for use in Hong Kong		
Industrial, commercial and financial		
– Property development	–	–
– Property investment	–	–
– Financial concerns	–	–
– Stockbrokers	–	–
– Wholesale and retail trade	–	–
– Manufacturing	–	–
– Transport and transport equipment	–	–
– Recreational activities	–	–
– Information technology	–	–
– Others	–	–
	–	–
Individuals	–	–
– Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	–	–
– Advances for the purchase of other residential properties	–	–
– Credit card advances	6,577,545	–
– Others	839	–
Total gross advances for use in Hong Kong	6,578,384	–
Gross advances for use outside Hong Kong	1,911	–
Gross advances to customers	6,580,295	–

Appendix II: Regulatory Disclosures (unaudited) (continued)

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

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

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

	2023 HK$'000	*% of collateral covered by collateral or other liabilities HK$'000*
Gross advances for use in Hong Kong		
Industrial, commercial and financial		
– Property development	–	–
– Property investment	–	–
– Financial concerns	–	–
– Stockbrokers	–	–
– Wholesale and retail trade	–	–
– Manufacturing	–	–
– Transport and transport equipment	–	–
– Recreational activities	–	–
– Information technology	–	–
– Others	–	–
Individuals		
– Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	–	–
– Advances for the purchase of other residential properties	–	–
– Credit card advances	6,573,469	–
– Others	117	–
Total gross advances for use in Hong Kong	6,573,586	–
Gross advances for use outside Hong Kong	1,660	–
Gross advances to customers	6,575,246	–

Appendix II: Regulatory Disclosures (unaudited) (continued)

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

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

At 31 Dec 2023	*Impaired advances to customers HK$'000*	*Overdue advances to customers HK$'000*	*Stage 3 credit loss provision HK$'000*	*Stage 1 & 2 expected credit loss provision HK$'000*
Gross loans and advances for use in Hong Kong				
Individuals	77,980	73,110	74,417	217,246

(c) Advances to customers by geographical location

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

31 Dec 2024	*Total gross loans and advances to customers HK$'000*	*Impaired advances to customers HK$'000*	*Overdue advances to customers HK$'000*	*Stage 3 credit loss provision HK$'000*	*Stage 1 & 2 expected credit loss provision HK$'000*
Hong Kong	6,578,384	42,267	31,239	40,335	211,723
Others	1,911	–	–	–	105
Total	6,580,295	42,267	31,239	40,335	211,828
31 Dec 2023					
Hong Kong	6,573,586	77,980	73,110	74,417	217,246
Others	1,660	81	81	77	274
Total	6,575,246	78,061	73,191	74,494	217,520

Appendix II: Regulatory Disclosures (unaudited) (continued)

(d) Overdue and rescheduled assets

Overdue assets

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

	At 31 December 2024		*At 31 December 2023*	
	HK$'000	*% of advances to customers*	*HK$'000*	*% of advances to customers*
Gross advances to customers which have been overdue with respect to either principal or interest for periods of:				
– 6 months or less but over 3 months	30,526	0.46%	71,626	1.09%
– 1 year or less but over 6 months	713	0.01%	1,565	0.02%
– Over 1 year	–	–	–	–%
	31,239	0.47%	73,191	1.11%

	At 31 December 2024 HK$'000	*At 31 December 2023 HK$'000*
Fair value of collateral held against the covered portion of overdue advances to customers		
– Covered portion of overdue advances to customers	–	–
– Uncovered portion of overdue advances to customers	31,239	73,191
Stage 3 expected credit loss provision against advances to customers overdue more than 3 months	29,811	69,847

Appendix II: Regulatory Disclosures (unaudited) (continued)

(d) Overdue and rescheduled assets (continued)

Rescheduled assets

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

	At 31 December 2024		*At 31 December 2023*	
	HK$'000	*% of advances to customers*	*HK$'000*	*% of advances to customers*
Rescheduled loans and advances to customers	10,306	0%	766	0%

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

As at 31 December 2024, there were no overdue and rescheduled advances to banks and other financial institutions, investment securities and other assets.

Appendix II: Regulatory Disclosures (unaudited) (continued)

(e) Mainland exposures

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

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

Appendix II: Regulatory Disclosures (unaudited) (continued)

(e) Mainland exposures (continued)

	At 31 December 2023		
	On-balance sheet exposure HK$'000	*Off-balance sheet exposure HK$'000*	*Total HK$'000*
Type of counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures	–	–	–
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	–	–	–
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	68	–	68
4. Other entities of central government not reported in item 1 above	–	–	–
5. Other entities of local government not reported in item 2 above	–	–	–
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	–	–	–
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,804	–	1,804
Total	1,872	–	1,872
Total assets after provision	14,281,336		
On-balance sheet exposures as percentage of total assets	0.01%		

Appendix II: Regulatory Disclosures (unaudited) (continued)

(f) Currency risks

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

	2024 United States dollar HK$'000	*2023 United States dollar HK$'000*
Spot assets	322,339	31,294
Spot liabilities	(305,951)	(31,610)
Net long/(short) non-structural position	16,388	(316)

The Bank does not have structural FX position as of 31 December 2024 and 31 December 2023.