

**THE HONGKONG AND SHANGHAI BANKING
CORPORATION LIMITED – MAURITIUS BRANCH**

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Annual Report

for the year ended 31 December 2025

Contents

Management discussion and analysis.....	1-21
Statement on corporate governance practices.....	22-45
Climate-related and environmental financial risk disclosure.....	46-51
Statement of compliance.....	52
Statement of management's responsibility for financial reporting	53
Independent Auditor's Report	54-60
Statement of profit or loss and other comprehensive income	61
Statement of financial position	62
Statement of changes in equity.....	63
Statement of cash flows	64
Notes to the financial statements	65-163
Additional cautionary statement regarding ESG data, metrics and forward-looking statements.....	164 - 165

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis

The Hongkong and Shanghai Banking Corporation Limited – Mauritius Branch (the 'Bank') is registered in the Republic of Mauritius as a foreign company and holds a banking licence issued by the Bank of Mauritius ("BOM"). The Bank's registered office is Level 5, Icon Ebene, Office 1(West Wing) Rue de l'Institut, Ebene, Mauritius.

Principal activities

Effective from 1 January 2025, HSBC Holdings together with its subsidiary undertakings ("the Group") implemented a new organisational business structure that aims to unleash its full potential by building on its strong progress in recent years and driving its success into the future. These include Corporate and Institutional Banking, International Wealth and Premier banking, Hong Kong and United Kingdom ("UK"). In Mauritius, the Bank's activities involve a business structure under Corporate and Institutional Banking. The Bank offers a comprehensive range of financial services including foreign exchange and money market products, global trade services, global payments solutions and custody and clearing services.

The Bank is registered in Mauritius as a branch of The Hongkong and Shanghai Banking Corporation Limited ("HBAP"), a company incorporated in Hong Kong. The Group, a company incorporated in the United Kingdom is the ultimate holding company and controlling party.

The Management is pleased to present the Annual Report of The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch for the year ended 31 December 2025.

The financial statements on pages 61 to 163 have been prepared in accordance with IFRS Accounting Standards ("IFRS") and in compliance with the requirements of the Mauritian Companies Act 2001, the Mauritian Banking Act 2004 and the regulations and guidelines issued by the BoM.

In preparing the financial statements, Management required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRS Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management has authorised the issue of this annual report on 23 March 2026 and they do not have the power to amend the financial statements after issue.

This annual report contains certain forward-looking statements with respect to the financial condition; results of operations and business of the Bank, including the strategic priorities; financial, investment and capital targets; and the Bank's ability to contribute to the Group's environmental, social and governance ('ESG') ambitions, targets and commitments described herein.

Statements that are not historical facts, including statements about the Bank's beliefs and expectations, are forward-looking statements. Words such as 'may', 'will', 'should', 'expects', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', or the negative thereof, other variations thereon or similar expressions are intended to identify forward-looking statements. These statements are based on current plans, information, data, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. The Bank makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements.

Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements which may or may not prove to be correct.

Forward-looking statements can be made in writing but may also be made verbally by directors, officers and employees of the Bank including during management presentations in connection with this document.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors, including ESG-related factors, could cause actual results, performance or other future events to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. This may be due to a variety of risks, uncertainties and other factors. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Principal activities (continued)

This may be due to a variety of risks, uncertainties and other factors including, without limitation, those which relate to general market or economic conditions, regulatory and government policy changes, continued volatility in trade and tariff policies, increased volatility in interest rates and inflation levels and other macroeconomic risks, geopolitical tensions such as the Russia-Ukraine war or the conflict in the Middle East, the US military operation in Venezuela and potential further US action in the Western Hemisphere and, elsewhere, or the efficacy of the Bank's and the Group's actions in managing and mitigating ESG related risks, and in progressing towards the Group's ESG ambitions, targets and commitments.

For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements.

Additional risks and factors which may impact the Bank's future financial condition and performance are identified in Risk processes and tools on page 37 to page 39 of the annual report.

This annual report contains a number of graphics, text boxes and credentials which aim to give a high-level overview of certain elements of our disclosures and to improve accessibility for readers. These graphics, text boxes and credentials are designed to be read within the context of the annual report as a whole.

The information, statements and opinions set out in this annual report do not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any advice or recommendation in respect of such securities or other financial instruments.

Financial review

Key ratios

	2025	2024	2023
	%	%	%
Net Interest Margin	2.7	2.0	1.4
Cost Efficiency Ratio	87.8	98.3	103.2
Productivity Ratio	88.0	98.3	103.2
Return on Average Assets	0.4	0.1	0.0
Return on Tangible Equity ("ROTE")	1.9	0.7	(7.6)
Total Capital Adequacy Ratio ("CAR")	61.2	52.9	25.5
Liquidity Coverage Ratio ("LCR")	581.1	406.5	803.8
Net Stable Funding Ratio ("NSFR")	226.9	230.7	N/A

* BoM Guideline on Net Stable Funding Ratio (NSFR) became effective as from 30 June 2024.

The commentary in this financial review compares the Bank's financial performance for the year ended 31 December 2025 with the year ended 31 December 2024 unless otherwise stated. The prior years ending 2024 and 2023 have been revised in accordance with IFRS 5 to separately disclose discontinued operations pertaining to the domestic retail and business banking operations in the financial statements.

Profitability

Key profitability items

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Net interest income	314,635	335,406	346,868
Net fee and commission income	76,427	79,333	81,913
Net trading income	138,713	137,648	163,327
Other operating income	184,521	222,685	183,887
Total operating income	714,296	775,072	775,995
Net impairment (charge)/release on financial assets	(1,231)	5,699	20,268
Total expenses	(627,478)	(762,145)	(800,872)
Profit before income tax	85,587	18,626	(4,609)

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Financial review (continued)

Profitability (continued)

For 2025, the Bank recorded a profit before tax of MUR85.6m, which was MUR67.0m higher compared to the prior year (2024: MUR18.6m). This performance was mainly driven by a decrease in total expenses partly offset by a drop in total operating income.

Total operating income decreased by 7.9% to MUR714.2m (2024: MUR775.1m), mainly due to a fall in net interest income which declined by 6.2% to MUR314.6m (2024: MUR335.4m) on account of higher interest expense on customer deposits and other borrowed funds. During the year, other operating income decreased to MUR184.5m (2024: MUR222.7m) from lower intercompany management fees received.

Over the year, a net impairment charge on financial assets of MUR1.2m (2024: release of MUR5.7m) was recognised following the implementation of the new large corporate model under IFRS9 impairment calculation engine and changes in the Forward Economic Guidance ("FEG") reflecting the economic uncertainty outlook.

Total expenses decreased by 17.7% to MUR627.5m (2024: MUR762.1m) compared to the prior year. This was mainly due to a drop in intercompany recharges and personnel expenses.

Financial position

Key balance sheet items

	2025	2024	2023
	MUR'm	MUR'm	MUR'm
Assets			
Cash and cash equivalents	6,360.8	7,218.5	10,974.7
Loan and advances to banks	635.4	524.0	650.9
Loan and advances to customers	3,359.5	3,596.4	4,615.9
Investment securities at FVOCI	2,759.4	2,063.2	5,649.8
Investment securities at amortised cost	857.6	671.0	1,309.2
Liabilities			
Deposits from customers	7,082.7	7,631.4	6,871.6
Deposits from banks	1,269.0	667.7	236.9
Other borrowed funds	3,047.1	3,217.5	133.7

The Bank's total assets remained stable at MUR14.5bn (2024: MUR14.5bn). There was an increase in both investment securities held at fair value through other comprehensive income of MUR0.7bn and investment securities held at amortised cost of MUR0.2bn. These were offset by a decrease in cash and cash equivalents of MUR0.9bn.

Loans and advances to customers decreased by MUR0.2bn during the year to MUR3.4bn (2024: MUR3.6bn) due to scheduled loan repayments.

Deposits from banks increased by MUR0.6bn to MUR1.3bn (2024: MUR0.7bn) due to higher vostro intercompany balances.

Deposits from customers decreased by MUR0.5bn to MUR7.1bn (2024: MUR7.6bn) primarily due to a decrease in term deposits.

As of 31 December 2025, the Bank's Tier 1 and total capital ratios increased slightly to stand at 59.2% and 61.2% respectively (2024: 51.0% and 52.9% respectively), mainly driven by a decrease in risk weighted assets of MUR0.5bn.

As at 31 December 2025, the Bank's consolidated Liquidity Coverage Ratio increased to 581.1% (Dec 2024: 406.5%) mainly due to lower Net Cash Outflows ("NCO") driven by an increase in Nostro balances.

As at 31 December 2025, the Bank's consolidated Net Stable Funding Ratio decreased to 226.9% (Dec 2024: 230.7%) due to lower Available Stable Funding ("ASF") driven by lower customer deposits.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Financial review (continued)

Performance against objectives

The below performance has been disclosed in relation to continuing operations where relevant.

Objective for 2025	Performance for 2025	Objective for 2026
Return on tangible equity (“ROTE”)		
Deliver a positive ROTE.	A ROTE of 1.9% was achieved.	Deliver in line with the Group target to achieve ROTE of 17% or above.
Operating income		
Maintaining revenue at 2024 levels	Revenue decreased slightly compared to prior year by 7.9% mainly due to a fall in net interest income and intercompany management fees received.	To maintain revenue at 2025 levels.
Operating expenses		
Maintain operating costs flat to 2024 levels	The cost efficiency ratio of the Bank was 87.8%. The reason for the decrease in costs relates to lower personnel costs and intercompany charges incurred.	Maintain operating costs flat to 2025 levels.
Portfolio quality		
To maintain asset quality and minimise impairment charges through sound underwriting policies and robust portfolio monitoring processes	The impairment allowance as a percentage of total loans and advances to customers was 0.02% (2024: 0.02%)	To maintain asset quality and minimise impairment charges through sound underwriting policies and robust portfolio monitoring processes
Capital and liquidity risk management		
To maintain total capital ratio above the Bank of Mauritius (“BoM”) minimum regulatory requirement of 12.5%	The Bank’s total capital adequacy ratio was 61.2% and the Tier 1 ratio was 59.2%.	To maintain total capital adequacy ratio above the BoM minimum regulatory requirement of 12.5%.
To regulatory limit of 100%	The Bank’s Liquidity Coverage Ratio (“LCR”) stood at 581.1% for the Bank which is above the regulatory limit of 100%.	Above regulatory limit of 100%.
Return on average assets		
Maintain a positive return on average assets	The Bank recorded a return on average assets of 0.4% (2024: 0.1%)	Maintain a positive return on average assets.

Outlook

The operating environment is expected to remain uncertain amid ongoing geopolitical tensions, evolving monetary policy conditions and moderating global growth. As a small and open economy, Mauritius remains exposed to external developments, including movements in interest rates, foreign exchange volatility and global trade flows. Margin pressures and funding costs may persist in the near term; however, the Bank remains well positioned to manage balance sheet dynamics through active asset-liability management and close monitoring of credit exposures.

Management remains cautious in its outlook, prioritising resilience, operational efficiency and maintaining strong regulatory compliance standards, while continuing to support clients in a measured and sustainable manner.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Credit exposure and quality

General

The Bank manages its credit risks by establishing policies and control procedures for maintaining and developing risk assets, and off-balance sheet exposure of sound quality and distribution, over appropriate economic sectors. Such policies and control procedures are set out in the Bank's instructions manuals, which are in compliance with regulatory requirements.

In accordance with the BoM Guideline on Credit Concentration Risk, the Bank is subject to an aggregate large credit exposure limit in respect of its Mauritian denominated exposures as follows:

- Aggregate credit exposure to any single customer shall not exceed 25 per cent of the Bank's Tier 1 capital;
- Aggregate credit exposure to any group of closely related customers shall not exceed 40 per cent of the Bank's Tier 1 capital; and
- Aggregate large credit exposures to all customers and groups of connected counterparties shall not exceed 800 per cent of the Bank's Tier 1 capital.

Gross customer advances by industry sector

	2025 Total		Entities Inside		Entities Outside	
	MUR'000	% of total	MUR'000	% of total	MUR'000	% of total
Other Non-Financial Corporations						
C - Manufacturing	867,971	25.8%	867,971	25.8%	-	-
F- Construction	117,447	3.5%	117,447	3.5%	-	-
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	847,882	25.2%	847,882	25.2%	-	-
H - Transportation and storage	2,251	0.1%	2,251	0.1%	-	-
M - Professional, scientific and technical activities	12,110	0.4%	12,110	0.4%	-	-
N - Administrative and support service activities	17,217	0.5%	17,217	0.5%	-	-
Q - Human health and social work activities	112,956	3.3%	112,956	3.3%	-	-
S - Other service activities	163,131	4.9%	163,131	4.9%	-	-
Financial and business services	133,210	4.0%	133,197	4.0%	13	100.0%
Public Non-Financial Corporations	286,196	8.5%	286,196	8.5%	-	-
Global Business Corporations (GBCs)	799,864	23.8%	799,864	23.8%	-	-
Total gross customer advances	3,360,235	100.0%	3,360,222	100.0%	13	100.0%

	2024 Total		Entities Inside Mauritius		Entities Outside	
	MUR'000	% of total	MUR'000	% of total	MUR'000	% of total
Other Non-Financial Corporations						
C - Manufacturing	831,318	23.1%	831,318	23.1%	-	-
F- Construction	78,369	2.2%	78,369	2.2%	-	-
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	777,263	21.6%	777,263	21.6%	-	-
I - Accommodation and food service activities	19,698	0.5%	19,698	0.5%	-	-
L - Real estate activities	395	0.0%	395	0.0%	-	-
M - Professional, scientific and technical activities	28,295	0.8%	28,295	0.8%	-	-
N - Administrative and support service activities	23,175	0.6%	23,175	0.6%	-	-
Q - Human health and social work activities	2,316	0.1%	2,316	0.1%	-	-
S - Other service activities	318,662	8.9%	318,662	8.9%	-	-
Financial and business services	32,579	0.9%	32,579	0.9%	-	-
Public Non-Financial Corporations	308,934	8.6%	308,934	8.6%	-	-
Global Business Corporations (GBCs)	1,176,168	32.7%	1,176,168	32.7%	-	-
Total gross customer advances	3,597,172	100.0%	3,597,172	100.0%	-	-

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Credit exposure and quality (continued)

Gross customer advances by industry sector (continued)

	2023 Total		Entities Inside		Entities Outside	
	MUR'000	% of total	MUR'000	% of total	MUR'000	% of total
Other Non-Financial Corporations						
C - Manufacturing	1,524,557	33.0%	1,524,557	33.0%	-	-
Wholesale and retail trade; and repair of motor						
G - vehicles and motorcycles	672,082	14.6%	672,082	14.6%	-	-
H - Transportation and storage	31,026	0.7%	31,026	0.7%	-	-
I - Accommodation and food service activities	163,902	3.5%	163,902	3.5%	-	-
L - Real estate activities	1,964	0.0%	1,964	0.0%	-	-
M - Professional, scientific and technical activities	46,182	1.0%	46,182	1.0%	-	-
S - Other service activities	72,062	1.6%	72,062	1.6%	-	-
Financial and business services	338,000	7.3%	338,000	7.3%	-	-
Public Non-Financial Corporations	330,000	7.2%	330,000	7.1%	-	-
Global Business Corporations (GBCs)	1,130,758	24.5%	1,130,758	24.5%	-	-
Households	306,583	6.6%	306,583	6.6%	-	-
Total gross customer advances	4,617,116	100.0%	4,617,116	100.0%	-	-

The nominal amount of the foreign exchange contracts by industry sector

	2025		Entities Inside Mauritius		Entities Outside Mauritius	
	MUR'000	% of total	MUR'000	% of total	MUR'000	% of total
Banks - HSBC Group	5,772	3.1%	-	-	5,772	100.0%
Corporate	177,516	96.9%	177,516	100.0%	-	-
Total	183,288	100.0%	177,516	100.0%	5,772	100.0%

	2024		Entities Inside		Entities Outside	
	MUR'000	% of total	MUR'000	% of total	MUR'000	% of total
Banks - HSBC Group	17,000	8.6%	-	-	17,000	100.0%
Banks - Non HSBC Group	282	0.1%	282	0.2%	-	-
Manufacturing	180,514	91.3%	180,514	99.8%	-	-
Total	197,796	100.0%	180,796	100.0%	17,000	100.0%

	2023		Entities Inside		Entities Outside	
	MUR'000	% of total	MUR'000	% of total	MUR'000	% of total
Banks - HSBC Group	35,675	17.0%	-	-	35,675	100.0%
Banks - Non HSBC Group	-	-	-	-	-	-
Manufacturing	174,640	83.0%	174,640	100.0%	-	-
Total	210,315	100.0%	174,640	100.0%	35,675	100.0%

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Credit exposure and quality (continued)

Credit quality

The BoM Guideline on Credit Impairment Measurement and Income Recognition which previously dictated the general banking reserve calculation has been repealed and superseded by the BoM *Guideline on Classification, Provisioning and Write-off of Credit Exposures* effective as from 30 September 2024. As at 31 December 2025, a general banking reserve of MUR58.5m (2024: MUR71.4m) has been set aside as an appropriation of retained earnings to cater for future potential losses in the portfolio.

IFRS 9 Stage 1 & 2 provisions stood at MUR0.8m at 31 December 2025 on loans and advances to customers (2024: MUR0.8m).

Credit-impaired (Stage 3)

The Bank determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the loan is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

Therefore, the definitions of credit-impaired and default are aligned as far as possible so that stage 3 represents all loans which are considered defaulted or otherwise credit-impaired.

Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less ECL allowance.

There were no Stage 3 funded facilities as at 31 December 2025 (2024: Nil).

Restructured credits

Stage 3 ECLs held on non-performing and restructured loans was Nil as at 31 December 2025 (2024: Nil). There were no non-performing loans which were restructured during the year.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Risk management policies and controls

The nature of the Bank’s risks and the approach to manage those risks differ fundamentally between the trading and the non-trading portfolio. Those risks are reviewed on a monthly basis by the Asset and Liability Committee (“ALCO”) and the Risk Management Meeting (“RMM”). Risk management information relating to the trading activities and non-trading activities, are set out below and the Bank’s risks profile is analysed in note 37 of the financial statements.

Risk	Arising from	Measurement, monitoring and management of risk
Treasury Risk		
Treasury risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements, including the risk of adverse impact on earnings or capital due to structural foreign exchange exposures and changes in market interest rates, together with pension risk.	Treasury risk arises from changes to the respective resources and risk profiles driven by customer behaviour, management decisions or the external environment.	Treasury risk is: <ul style="list-style-type: none"> – measured through risk appetite and more granular limits, set to provide an early warning of increasing risk, minimum ratios of relevant regulatory metrics, and metrics to monitor the key risk drivers impacting treasury resources; – monitored and projected against appetites and by using operating plans based on strategic objectives together with stress and scenario testing; and – managed through control of resources in conjunction with risk profiles, strategic objectives and cash flows.
Credit risk		
Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract.	Credit risk arises principally from direct lending and trade finance, but also from certain other products such as guarantees and derivatives, from holding assets in the form of debt securities.	Credit risk is: <ul style="list-style-type: none"> - measured as the amount which could be lost if a customer or counterparty fails to make repayments; - monitored using various internal risk management measures and within limits approved by individuals within a framework of delegated authorities; and - managed through a robust risk control framework which outlines clear and consistent policies, principles and guidance for risk managers; and by setting limits and appetite across geographical markets and portfolios.
Market Risk		
Market risk is the risk of an adverse financial impact on trading activities arising from changes in market parameters such as interest rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads.	Exposure to market risk is separated into two portfolios: <ul style="list-style-type: none"> - Trading portfolios - Non-trading portfolios 	Market risk is: <ul style="list-style-type: none"> - measured using sensitivities, value at risk and stress testing, giving a detailed picture of potential gains and losses for a range of market movements and scenarios as well as tail risks over specified time horizons; - monitored using Value at Risk (“VaR”), stress testing and other measures ; and - managed using risk limits approved by the RMM for the Bank and the various global businesses.

Management discussion and analysis (continued)

Risk management policies and controls (continued)

Risk	Arising from	Measurement, monitoring and management of risk
Climate Risk		
<p>Climate risk relates to the financial and non-financial impacts that may arise as a result of climate change and the move to a net zero economy.</p>	<p>Climate risk can materialise through:</p> <ul style="list-style-type: none"> – physical risk, which arises from the increased frequency and severity of extreme weather events, such as typhoons and floods, or chronic gradual shifts in weather patterns or rises in sea level; – transition risk, which arises from the process of moving to a low carbon economy; – net zero alignment risk, which arises from failing to meet our net zero commitments or to meet external expectations related to net zero because of inadequate ambition and/or plans, poor execution, or inability to adapt to changes in the external environment; and – the risk of greenwashing, which arises from the act of knowingly or unknowingly making inaccurate, unclear, misleading or unsubstantiated claims regarding sustainability to stakeholders. 	<p>Climate risk is:</p> <ul style="list-style-type: none"> – measured using risk metrics; – managed through adherence to risk appetite thresholds, through specific policies, and through enhancements to processes and development of tools including the development of product market controls to manage the risk of greenwashing and the development of portfolio steering capabilities to manage our net zero targets.
Resilience Risk		
<p>Resilience risk is the risk of sustained and significant business disruption from execution, delivery, physical security or safety events, causing the inability to provide critical services to our customers, affiliates, and counterparties.</p>	<p>Resilience risk arises from failures or inadequacies in processes, people, systems or external events.</p>	<p>Resilience risk is:</p> <ul style="list-style-type: none"> – measured using a range of metrics with defined maximum acceptable impact tolerances, and against our agreed risk appetite; – monitored through oversight of enterprise processes, risks, controls and strategic change programmes; and – managed by continual monitoring and thematic reviews.
Regulatory Compliance Risk		
<p>Regulatory compliance risk is the risk associated with breaching our duty to clients and other counterparties, inappropriate market conduct (including unauthorised trading) and breaching related financial services regulatory standards.</p>	<p>Regulatory compliance risk arises from the failure to observe relevant laws, codes, rules and regulations and can manifest itself in poor market or customer outcomes and lead to fines, penalties and reputational damage to our business.</p>	<p>Regulatory compliance risk is:</p> <ul style="list-style-type: none"> – measured by reference to identified metrics, incident assessments, regulatory feedback and the judgement and assessment of our regulatory compliance teams; – monitored against the first line of defence risk and control assessments, the results of the monitoring and control assurance activities of the second line of defence functions, and the results of internal and external audits and regulatory inspections; and – managed by establishing and communicating appropriate policies and procedures, training employees in them and monitoring activity to help ensure their observance. Proactive risk control and/or remediation work is undertaken where required.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Risk management policies and controls (continued)

Risk	Arising from	Measurement, monitoring and management of risk
Financial Crime Risk		
Financial crime risk is the risk that HSBC's products and services will be exploited for criminal activity. This includes fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing.	Financial crime risk arises from day-to-day banking operations involving customers, third parties and employees.	Financial crime risk is: <ul style="list-style-type: none"> – measured by reference to risk appetite, identified metrics, incident assessments, regulatory feedback and the judgement of, and assessment by, our compliance teams; – monitored against the first line of defence risk and control assessments, the results of the monitoring and control assurance activities of the second line of defence functions, and the results of internal and external audits and regulatory inspections; and – managed by establishing and communicating appropriate policies and procedures, training employees in them and monitoring activity to help ensure their observance. Proactive risk control and/or remediation work is undertaken where required.

Concentration of risk policies

The Bank maintains a credit risk portfolio that is adequately diversified. Maximum exposure limits are set for individual counterparties, countries and sectors to maximise any potential diversification benefits while complying with BoM *Guideline on Credit Concentration Risk*.

The six most significant individual concentration cases in respect of one customer or group as at 31 December 2025 were as follows:

Customer Group	Total MUR'm	% of Large corporate exposure*	% of Tier 1 capital (Under Basel III)
Customer Group 1	440	15.3	18.5
Single Customer 1	375	13.0	15.7
Customer Group 2	370	12.8	15.5
Single Customer 2	350	12.1	14.7
Single Customer 3	350	12.1	14.7
Single Customer 4	348	12.1	14.6

* "Large credit exposure" means the sum of all exposures to a customer or a group of connected counterparties in Mauritian Rupees or foreign currencies or both which is over 10% of the Bank's Tier 1 Capital.

The facilities extended to the above-mentioned customers consist mostly of working capital, trade finance facilities and medium loans.

The policies and practices on credit concentration are governed by the requirements of the BoM *Guideline on Credit Concentration Risk*.

As at 31 December 2025, the top 6 customer groups exposures accounted for 77.4% (2024 – 89.3%) of total large credit exposure extended to corporates.

As at 31 December 2025, the Bank is in compliance with the BoM *Guideline of Credit Concentration Risk*.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Related party transactions policies and practices

In accordance with the BoM *Guideline on Related Party Transactions*, credit exposure to any single borrower/group of closely related customers who are related parties to the Bank shall be subject to the following conditions:

- (a) the aggregate of credit exposures to and investments in equity shares of all related parties in Category 1 (further described below), other than investments in subsidiaries and associates, should not exceed 60 per cent of the Bank's Tier 1 capital;
- (b) the aggregate of credit exposures to and investments in equity shares of all related parties in Category 1 and Category 2 (further described below), other than investments in subsidiaries and associates, should not exceed 150 per cent of the Bank's Tier 1 capital.

For the purpose of determining the regulatory limits on exposures to related parties, the latter are classified into the following three categories:

Category 1

This includes credit exposures to:

- a) a person who has significant interest in the Bank;
- b) a director of the Bank;
- c) a director of a body corporate that controls the financial institution;
- d) the spouse, child and parent of a natural person covered in (a) or (b) or (c) above;
- e) any entity that is controlled by a person described in (a) or (b) or (c) or (d) above; and
- f) any entity in which the Bank has significant interest, excluding a subsidiary of the Bank as mentioned in (e) above.

Category 2

This includes credit exposures to:

- a) senior officers, which are outside the terms and conditions of employment contracts;
- b) the spouse, child and parent of senior officers;
- c) senior officers of a body corporate that controls the financial institution;
- d) any entity that is controlled by a person described in (a) or (b) or (c) above; and
- e) a subsidiary of the financial institution with no shareholder (natural person) holding directly or indirectly more than a significant shareholding in the parent financial institution.

Category 3

This includes credit exposures to senior officers, which are within the terms and conditions of employment contracts.

The following credit exposures are however exempted from the regulatory limits:

- a) a credit exposure to the extent to which it is collateralised by deposits with the Bank or Government securities or a loan to the extent to which it is guaranteed by Government;
- b) "a credit exposure to the extent to which it is collateralised by securities issued by another government or a loan to the extent to which it is guaranteed by another government provided that the exposure is
 - (i) denominated and funded in its national currency, and
 - (ii) approved by the Bank under paragraph 4 of the *Guideline on Standardised Approach to Credit Risk* for a zero per cent risk weight; "
- c) a credit exposure to parastatal bodies and to an entity in which the Government has more than 50 per cent shareholding;
- d) inter-bank transactions as part of treasury operations;
- e) credit exposures representing less than 2 per cent of the Bank's Tier 1 capital; and
- f) category 3 type of related party exposures.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Related party transactions policies and practices (continued)

The Bank complies with the BoM Guideline on Related Party Transactions which sets out the manner in which these transactions are identified, monitored and reported on a quarterly basis. A minimum of three from the group of Senior Management Officers, all Operating Committee (“OpCo”) members, reviews and approves every related party transaction.

In line with the above guideline, Management has adopted a policy which sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them, and reporting procedures to the OpCo.

The table below sets out the six largest related party exposures and the respective percentages of the Bank’s Tier 1 capital:

Related Party	Exposure MUR'm	% of Tier1 capital
1. The Hongkong and Shanghai Banking Corporation Limited, Hong Kong Branch	10,716	449.5
2. HSBC Bank (Mauritius) Limited, Mauritius	3,975	166.8
3. HSBC Bank Plc Group Treasury, London	3,665	153.7
4. The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch	2,540	106.6
5. HSBC Bank (China) Company Limited, China	1,166	48.9
6. HSBC Bank Middle East, Dubai	774	32.5

All of the above exposures are exempted facilities under the BOM *Guideline Related Party Transactions*. None of the loans advanced to related parties were classified as non-performing as at 31 December 2025.

Basel III Disclosures

Scope of application

The Bank’s credit, market and operational risks are measured under the Standardised Approach. The amount of credit risk capital is arrived at by applying the risk weights based on the external credit assessments for sovereign, central bank and bank exposures along with the standard Basel III risk weights as applicable under the Standardised Approach for corporate, retail, mortgage and past due exposures. The capital charge for market risk is based on the assessment of foreign exchange risk in the Bank’s trading book. The computation of operational risk capital follows the Basel III measurement methodology whereby gross income is used as a proxy to calculate capital charge.

Capital Structure

The Hongkong and Shanghai Banking Corporation Limited-Mauritius Branch is a branch of The Hongkong and Shanghai Banking Corporation Ltd, a company registered in Hong Kong and regulated by the Hong Kong Monetary Authority.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Basel III Disclosures (continued)

The Capital Base under Basel III stood as follows:

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Tier 1 capital			
CET1 capital			
Assigned capital	1,499,750	1,499,750	1,499,750
Other disclosed reserves	311,087	307,027	282,329
Retained earnings*	925,647	659,228	451,573
CET1 before regulatory adjustments	2,736,484	2,466,005	2,233,652
Pension assets	(351,700)	(167,266)	(95,015)
Other intangible assets	(985)	(1,795)	-
Total regulatory adjustments to CET1	(352,685)	(169,061)	(95,015)
Tier 1 capital (T1)	2,383,799	2,296,944	2,138,637
Tier 2 capital			
Fixed assets revaluation reserves (subject to Provisions)	41,711	41,711	92,745
	38,140	44,139	97,146
Tier 2 capital (T2)	79,851	85,850	189,891
Total capital (T1 + T2)	2,463,650	2,382,794	2,328,528
Total risk weighted assets	4,023,457	4,505,960	9,136,009

* including audited profits/(losses) for the year

At least 10 times a year, the Asset and Liability Management Committee ("ALCO") reviews the actual and projected capital adequacy ratios under the local regulatory capital requirement and ensures compliance with the regulatory requirement.

Capital Adequacy

The Basel III Standardised Approach presents greater risk sensitivity in measuring credit risk in that it makes use of the credit ratings of External Credit Assessment Institutions ("ECAIs") to define the weights used when calculating the risk-weighted assets.

Claims on corporate customers as well as claims on corporate public sector entities are assigned a standard risk weight of 100% when they are not rated by the recognised rating agencies as disclosed on page 24. A standard risk weight of 75% is applied to retail exposures which meet the criteria set in the BoM *Guideline on Standardised Approach to Credit Risk*.

Past due claims are assigned a risk weight, ranging from 50% to 150%, depending on the proportion of specific provision to the outstanding amount of the exposure.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Basel III Disclosures (continued)

Capital Adequacy (continued)

With on balance sheet total risk weighted assets ("RWA") of MUR 2.8bn (2024: MUR2.8bn), details of which are given in the Credit Risk Exposures section on page 18, minimum capital requirements for credit risk for portfolios subject to the Standardised Approach as at 31 December 2025 was MUR346.3m (2024: MUR350.7m). Risk weighted assets of MUR 280.3m (2024: MUR725.5m) for market and non-market related off balance sheet exposures and MUR61.7m (2024: MUR35.0m) for market risk foreign currency exposure, generated further capital requirement of MUR42.8m (2024: MUR90.7m).

Risk weighted assets for Operational Risk in accordance with the Basic Indicator Approach calculated based on the average gross income per annum for the last three years, amounted to MUR607.0m (2024: MUR626.5m), generated a capital charge for operational risk of MUR91.0m (2024: MUR94.0m).

Total risk weighted asset capital requirement therefore stood at MUR0.5bn (2024: MUR0.6bn) as compared to the Bank's capital base of MUR2.5bn (2024: MUR2.4bn).

The regulatory limits applicable to the Bank were as follows:

	2025	2024	2023
	%	%	%
CET 1 capital adequacy ratio*			
<i>Regulatory Limit - Minimum CET 1 CAR</i>	59.2	51.0	23.4
	9.0	9.0	10.0
Tier 1 capital adequacy ratio			
<i>Regulatory Limit - Minimum Tier 1 CAR</i>	59.2	51.0	23.4
	10.5	10.5	11.5
Total capital adequacy ratio*			
<i>Regulatory Limit - Minimum Total CAR</i>	61.2	52.9	25.5
* including audited profits for the year	12.5	12.5	13.5

The Credit Risk Policy Framework

Credit Risk is the risk that a counterparty of the Bank will be unable or unwilling to meet a commitment that it has entered into. Credit Risk may take various forms, including:

- Lending - that funds will not be repaid;
- Guarantees or bonds - that funds will not be forthcoming upon crystallisation of the liability;
- Treasury products - that the payment or series of payments due from the counterparty under the contract is not forthcoming or ceases;
- Trading businesses - that settlement will not be effected;
- Cross-border exposure - that the availability and free transfer of currency is restricted or ceases; and
- Holdings of assets in the form of debt securities - that the value of these falls e.g. after a downgrading of credit rating.

Credit Risk may be mitigated by the deployment of appropriate techniques of risk analysis for the management of individual facilities and of portfolios and for the early detection of risk deterioration, as well as by the completion of effective legal documentation and the taking of security.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Basel III Disclosures (continued)

The Credit Risk Policy Framework (continued)

The Bank has historically sought to maintain a conservative, yet constructive and competitive credit risk culture. This has served the Bank well, through successive economic cycles and strategic plan periods, and remains valid today. This culture is determined and underpinned by the disciplined credit risk control environment which the Bank has put in place to govern and manage credit risk, and which is embodied in the formal policies and procedures within which the Bank must operate. These extend from the overall strategic approach to the daily actions of Management, demonstrated in:

- The corporate values, principles and standards as set out in the HSBC Group Standards Manual;
- The organisational structure, governance arrangements, the assumption of authority/ responsibility, and the inter-action of functions; and
- The risk rating systems and assessment techniques, controls, reporting and other processes that are employed to measure, evaluate, monitor and manage credit risk.

The Bank's credit risk policy is governed by the Group's Credit instructions manuals and lending guidelines. The Bank's lending guidelines further give an indication of the local management's current view of the business development priorities. The guidelines also set out terms and conditions which are likely to lead to the approval of credit applications taking into account changes in the economic outlook, competitive environment and the evolution of the asset book. The guidelines are reviewed on an annual basis.

The Chief Risk Officer of the HSBC Group for the Asia Pacific region establishes the credit approval limit for the Chief Executive Officer and Head of Banking ("CEO") and the Chief Risk & Compliance Officer at the local office, who in turn, delegate their limits to the credit team depending on their experience. Credit exposures in excess of the Country delegated limits are approved by the parent company in Hong Kong. The Credit Risk team ensures that credit risk assessment standards remain in line with the HSBC Group's credit policy.

The identification, understanding and management of our different risks are of increasing importance and as a result, a comprehensive Risk Management Framework is applied throughout the HSBC Group and across all risk types, including credit risk. Local risk governance is primarily exercised through the RMM, held six times a year, with clear visibility and communication through the same forums held regionally in Hong Kong and at the Group level in London. This structure helps to ensure appropriate oversight and accountability of risk, and facilitates reporting and escalation as appropriate. The Bank's information system has also been designed such that unauthorised excesses, overdue loan repayments and pending documentation are tracked and addressed in a timely manner. In addition, regular reporting on credit risk is made to Head Office and to the BoM.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Basel III Disclosures (continued)

Credit Risk Exposures

As per the BoM Guideline on Segmental Reporting under a Single Banking License Regime, for branches of foreign banks, the capital adequacy ratio applies only to the Segment A type of business (Refer to note 2(h)).

Total Segment A gross credit risk exposures as at 31 December 2025 stood as follows:

<u>Fund based:</u>	2025
Items	MUR'000
Claims on cash items	458,076
Claims on sovereigns	2,092,823
Claims on central bank	4,555,221
Claims on banks	528,795
Claims on domestic PSEs ("Public sector entities")	287,416
Claims on corporates	2,321,432
Claims on other assets	556,949
Total	10,800,712
<u>Non fund based:</u>	
Direct credit substitute	219,327
Transaction-related contingent items	421,552
Trade related contingencies	1,663
Commitments with an original maturity of up to one year	12,174
Commitments that can be unconditionally cancellable at any time by the Bank	6,697,858
Foreign exchange contracts	1,775
Total	7,354,349

The geographical distribution of the above fund based and non-fund based exposures are all to Mauritius.

The counterparty type distribution of exposures was as follows, excluding cash items, past due claims and other assets:

<u>Fund based:</u>	2025
Items	MUR'000
Sovereign	2,092,823
Financial institutions	5,084,016
Corporates	2,608,848
Others	1,015,025
Total	10,800,712
<u>Non fund based:</u>	
Corporates	7,354,349
Total	7,354,349

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Basel III Disclosures (continued)

Credit Risk Exposures (continued)

The residual maturity breakdown of the portfolio was as follows:

Fund based (On balance sheet)

Items (No Months)	Amount MUR000's								
	Total	0-3m	3-6m	6-12m	12-24m	24-36m	36-60m	> 60m	Non maturity
Claims on cash items	458,076	-	-	-	-	-	-	-	458,076
Claims on sovereigns	2,092,823	689,354	443,165	197,484	100,581	662,239	-	-	-
Claims on central banks	4,555,221	3,674,226	296,137	146,299	438,559	-	-	-	-
Claims on banks	528,795	161,199	217,174	237	150,185	-	-	-	-
Claims on domestic PSEs	287,416	-	-	-	-	-	-	287,416	-
Claims on corporates	2,321,432	1,382,215	138,733	568,743	79,008	13,308	139,425	-	-
Claims on other assets	556,949	-	-	-	-	-	-	-	556,949
TOTAL	10,800,712	5,906,994	1,095,209	912,763	768,333	675,547	139,425	287,416	1,015,025

Non fund based (Off balance sheet)

Items (No Months)	Amount in MUR'000s							
	Total	0-3m	3-6m	6-12m	12-24m	24-36m	36-60m	> 60m
Direct credit substitute	219,327	51,163	5,297	144,687	5,172	700	12,068	240
Transaction-related contingent items	421,552	29,371	103,789	97,657	150,719	3,692	7,590	28,734
Trade related contingencies	1,663	1,663	-	-	-	-	-	-
Commitments with an original maturity of up to one year	12,174	12,174	-	-	-	-	-	-
Commitments that can be unconditionally cancellable at any time by the Bank without prior notice, or that effectively provide for automatic cancellation due to the deterioration in a borrower's credit worthiness	6,697,858	4,192,296	834,597	1,670,964	1	-	-	-
Foreign exchange contracts	1,775	1,775	-	-	-	-	-	-
TOTAL	7,354,349	4,288,442	943,683	1,913,308	155,892	4,392	19,658	28,974

All the items in the above-mentioned disclosures are subject to the Basel III Standardised Approach.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Basel III Disclosures (continued)

Credit Risk: Standardised Approach

The Standardised Approach to Credit Risk requires banks to use credit assessments provided by external credit assessment institutions (“ECAIs”) that are recognised by national supervisors as eligible for regulatory capital purposes, to determine the risk weights on their credit exposures.

The following ECAIs are used by the Bank:

- Standard & Poor’s Ratings Services
- Moody’s Investors Service
- Fitch Ratings

The ratings of these international credit rating agencies are used for capital adequacy purposes for risk weighting claims in all market segments. Claims on sovereigns, claims on central banks and international institutions, claims on banks and claims on corporates are the major market segments where the Bank makes use of the above referred credit agencies rating data.

Apart from the above 3 referred ECAIs, the BoM Guideline on the Recognition and Use of External Credit Assessment Institutions allows the use of the following agencies to risk weight claims on corporates only:

- Credit Analysis and Research Limited (“CARE”)
- Credit Rating Information Services of India Limited (“CRISIL”)
- India Research
- Investment Information and Credit Rating Agency of India (“ICRA”)

The Bank also makes use of the corporate ratings indicated by the above four Indian agencies to risk weight the advances it extends to its portfolio of Indian corporates, for its calculation of capital adequacy. If ratings are not available, the facilities extended to them are risk weighted at 100%.

Segment A exposures after credit risk mitigation (“CRM”) subject to the Standardised approach as at 31 December 2025 were as follows:

Fund Based:

Items	Exposures Before CRM	Exposures After CRM	Risk Weight	RWA
	MUR’000	MUR’000	%	MUR’000
Cash in hand	458,076	458,076	0	-
Claims on Sovereigns	2,092,823	2,092,823	0	-
Claims on Central Banks	4,555,221	4,555,221	0	-
Claims on Banks	528,795	528,795	20	105,759
Claims on Domestic PSE	287,416	287,416	0	-
Claims on Corporate	2,321,432	2,108,210	100	2,108,210
Other assets	556,949	556,949	100	556,949
Total	10,800,712	10,587,490		2,770,918

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Basel III Disclosures (continued)

Credit Risk: Standardised Approach (continued)

Non Fund Based:

Items	Exposures Before CRM	Exposures After CRM	Credit Conversion Factor	Credit Equivalent Amount	RWA
	MUR'000	MUR'000	%	MUR'000	MUR'000
Direct Credit Substitute	219,327	208,487	100	208,487	90,479
Transaction-related Contingent Items	421,552	377,951	50	188,976	185,538
Trade Related Contingencies	1,663	1,663	20	333	67
Commitments with an original maturity	12,174	12,174	20	2,435	2,435
Commitments that can be unconditionally cancellable at any time by the Bank without prior notice, or that effectively provide for automatic cancellation due to the deterioration in a borrower's credit worthiness	6,697,858	6,697,858	0	-	-
Total	7,352,574	7,298,133		400,231	278,519

Items	Notional principal amount	Credit conversion factor	Potential future exposure	Current exposure	Credit equivalent amount	RWA
	MUR'000	%	MUR'000	MUR'000	MUR'000	MUR'000
Foreign Exchange	177,516	1	1,775	0	1,775	1,775

Credit Risk Mitigation:

The Bank generally accepts security as collateral for advances extended to its customer base. The acceptable forms of security are agreed every year by way of Country Risk Plans which are prepared and by the Credit Risk Management function and approved by the regional credit function at head office level in Hong Kong before being circulated to relationship managers for guidance and adherence. Credit derivatives, haircuts and on and off-balance sheet netting are not used in respect of credit risk mitigation.

Common acceptable forms of security are:

- Standby Letters of Credit /Guarantees from banks
- Cash or deposits held under lien
- Personal or Corporate Guarantees
- Letters of Undertaking
- Registered mortgages
- Fixed and floating charge on all assets

Management discussion and analysis (continued)

Basel III Disclosures (continued)

Market Risk

Market risk is the risk that the market rates and prices on which the Bank has taken views (interest rates, exchange rates, equity prices etc.) will move adversely relative to positions taken causing losses to the Bank.

It is the responsibility of the Country Chief Executive Officer & Head of Banking (CEO) or his/her delegate to ensure that market risk may only be taken by Markets & Securities Services business within authorised limits. Units other than Markets & Securities Services business must transfer market risk to the Markets & Securities Services business, either by an internal transaction between the two areas, or by the inclusion of the transaction in the Markets & Securities Services business' dealing position. The market risk limit mandate of the Bank therefore encompasses all market risks taken by the Bank. Exceptions to this rule are explicitly agreed with local Management, such as local and regional ALCO, with Group Market Risk function in Group Head Office in London. Any exceptions are subject to the same control and reporting requirements as that applied to risk taken by Markets & Securities Services, including annual review of limits by Group Market Risk.

An Annual Limit Review ("ALR") is prepared by Group Market Risk and reviewed by the RMM of the Group Management Board ("GMB") each year. The Bank henceforth submits a request annually to apply for market risk limits covering the following calendar year. All requests are submitted in writing, and these clearly indicate the support of the CEO, or his delegate and, the local and regional Head of Markets & Securities Services and the Head of Market Risk in Hong Kong. These annual submissions contain formal confirmation that all limits can be independently monitored and that all products have passed through an appropriate due diligence process.

The foreign exchange risk position as at 31 December 2025 stood at MUR61.7m (2024: MUR35.0m), giving a capital requirement of MUR7.7m (2024: MUR4.4m).

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events, including legal risk. Operational risk arises from day-to-day operations or external events and is relevant to every aspect of the HSBC Group's business.

The HSBC Group's Risk Management Framework is the overarching approach adopted by the Bank to ensure governance and management of operational risks. The framework consists of a set of activities, processes and tools which are used in the management of operational risk across HSBC.

The purpose of the Risk Management Framework is to enable the Bank to fully identify and manage its operational risks in an effective manner and maintain operational risk within risk appetite.

The *BoM Guideline on Operational Risk Management and Capital Adequacy Determination* which came into effect on 01 April 2008, defines three main methods for calculating operational risk capital charges. These are the Basic Indicator Approach ("BIA"), the Standardised Approach and the Advanced Measurement Approach. The Bank has chosen the BIA approach to calculate its operational risk capital requirement and this is briefly described below.

Under the BIA, the capital requirement for operational risk is equal to 15% of the average annual positive gross income over the previous three years.

Gross income is defined as the sum of net interest income and net non-interest income and is arrived at before accounting for:

- a) Provisions, including those for credit impairment;
- b) operating expenses (including fees paid for outsourced services); and
- c) realised profits/ losses from the sale of investment securities.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Basel III Disclosures (continued)

Operational Risk (continued)

The Bank's capital requirement for operational risk as at 31 December 2025, based on total Segment A operating income, stood as follows:

	Financial Year Ended 2025 MUR'000	Financial Year Ended 2024 MUR'000	Financial Year Ended 2023 MUR'000
Annual Gross Income	637,743	608,561	574,732
-1 Number of Years with positive income	3		
-2 Average Gross Income over the last 3 years	607,012		
-3 Capital charge for Operational Risk	91,052		

Interest rate risk in the trading book

Present Value of Basis Point ("PVBP") is one of the most widely used methods for quantifying outright interest rate risk. It expresses the impact on the present value of a position of a one basis point (1bp) rise in the interest rate used to calculate the present value - for example a change from 5.25% to 5.26%. PVBP is calculated net within each currency and gross across currencies.

This is an accurate expression of interest rate sensitivity and exposure and is the most appropriate method for books where the value of the book is sensitive to interest rate movements.

PVBP cannot, however, be readily calculated by mental arithmetic, unlike some other forms of limit. The PVBP of a given position is affected not only by the nominal amount of the position and its term but also by any coupon, for example on a bond, and by the actual level of interest rates used to calculate the present value.

PVBP is used by the Bank's treasury trading system to monitor interest rate risk. The outstanding position as at 31 December 2025 in the trading book by time buckets is disclosed in Note 37 of these financial statements.



Hajrah Sakauloo
**Chief Executive Officer and Head
of Banking**



Jason Chin-Koon-Siew
Head of Finance

Date: 23 March 2026

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices

The Bank is a public interest entity as defined under the Mauritian Financial Reporting Act 2004, and is guided by the Bank of Mauritius Guideline on Corporate Governance, and the National Code of Corporate Governance for Mauritius (2016) (the “Code”).

Corporate governance involves a framework of processes and attitudes within a company and relationships between a company’s management, board, shareholders and other stakeholders. Effective corporate governance practices are essential to adding value and ensuring long-term continuity and success of a company.

Compliance with the National Code of Corporate Governance for Mauritius (2016)

During the year under review, the Management of the Bank continuously assessed the requirements and provisions as specified in the Code and took the necessary steps to ensure adherence thereto.

Throughout the year ended 31 December 2025, to the best of the Management’s knowledge, where the Bank has not applied certain principles set out in the Code, the reasons for non-application are listed out in the relevant sections of the report.

Principles of the Code
Principle 1: Governance Structure
Principle 2: The Structure of the Board and its Committees
Principle 3: Director Appointment Procedures
Principle 4: Director Duties, Remuneration and Performance
Principle 5: Risk Governance and Internal Controls
Principle 6: Reporting with Integrity
Principle 7: Audit
Principle 8: Relations with Shareholders and Other Key Stakeholders

Group culture and values

The Group’s purpose of opening up a world of opportunity and its ambition is to be the most trusted bank globally, putting customers at the heart of everything it does. The Group uses its unique expertise, capabilities, breadth and perspectives to open up new opportunities for its customers. The Group is bringing together the people, ideas and capital that drive progress and growth, helping to create a better world – for its customers, people, investors and communities.

Behavioural approach to managing culture

HSBC adopts a behavioural approach to managing culture. It seeks to identify behaviours that support long-term strategic goals and create an environment in which they can flourish.

The following behaviours, which express our values, have been identified as the behavioural standards supporting effective risk management and good conduct. These standards are also important in promoting prudent risk-taking and fair treatment of customers which underpin our culture:

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

Behavioural approach to managing culture (continued)

- We get it done – Moving at pace and making things happen.
- We value difference – Seeking out different perspectives
- We take responsibility – Holding ourselves accountable and taking the long view
- We succeed together – Collaborating across boundaries

Our values are the bedrock of our culture. All employees are expected to reflect these values by acting with integrity; speaking up and acting; escalating concerns; and doing the right thing for our customers, communities and each other.

The Bank's Code of Conduct is a document that brings together the Bank's purpose and values in the context of Bank's history and Bank's future, and how they can be used to make better decisions.

Management of conduct is a critical component of all the Bank's business activities, including the Board's strategy and business model, the Bank's culture and behaviours, its interaction with customers, financial markets operations, and governance and oversight processes. Employees are empowered through the Code of Conduct to support responsible decision making and to adhere to the highest standards of business practice.

The Bank ensures effective management in line with the above values and its Code of Conduct (Code of Ethics) which was reviewed and approved in April 2023. Employees are empowered through the Code of Conduct to support responsible decision making and to adhere to the highest standards of business practice. Incident reporting is encouraged and a dedicated confidential telephone is available for all employees. There was no change in the Code of Conduct in the year under review.

Management is responsible for compliance of the Bank with all relevant laws and regulation and ensuring the integrity of the annual financial report and periodically monitors the compliance to the Code of Conduct by all the employees of the Bank.

Principle One - Governance Structure

1. Governance Structure

1.1 Shareholding Structure

The Bank is registered in Mauritius as a branch of HBAP, a company incorporated in Hong Kong. HSBC Holdings plc, a company incorporated in United Kingdom, is the ultimate holding company. As at 31 December 2025, the Bank's assigned capital was MUR 1,499,750,000, solely held by The Hongkong and Shanghai Banking Corporation Limited.

1.2 Responsibilities of the Board of The Hongkong and Shanghai Banking Corporation

The Bank is led by a committed and unitary Board, which has the ultimate collective responsibility for the overall stewardship and oversight of the activities of the Bank. The Bank operates within a clearly defined governance framework, which provides for delegation of authority and clear lines of responsibility without abdicating the Board's responsibility.

The Board through the executive management aims to promote the long-term success of the Bank, delivering sustainable value and promoting a culture of openness and debate. In exercising its duty to promote the success of the Bank, the Board is responsible for overseeing the leadership and management of the Bank.

1.3 Responsibilities of the Management of the Bank

Management is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Bank. It is also responsible for safeguarding the assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management is responsible for ensuring that the internal control systems in place are effective and that the Bank's operations are properly controlled and comply with policies approved by the Bank as well as applicable laws and regulations.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

1.3 Responsibilities of the Management of the Bank (continued)

Management is responsible for regularly reviewing and evaluating performance against financial and other strategic objectives, business challenges, business developments and risk (including strategic risk, financial risk, operational risk and compliance risk). It is also responsible for determining the nature and extent of risk which can be taken in order to achieve the Bank's strategic objectives.

Management is responsible for the preparation and fair presentation of the financial statements as described in Section 6.1. Management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. Management has assessed the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Principle two - The Structure of the Senior Management and its Committees

The Bank is headed by its CEO and is supported in the day to day running of the business by the Operating Committee ("OpCo") members managing customer service and operations, business development and marketing.

The following are the main Management Committees set up for specific matters:

1. Operating Committee
2. Assets and Liabilities Committee
3. Risk Management Meeting

2.1 Executive Committee, demised on 18 September 2025 and replaced by the OpCo

The Executive Committee ("EXCO") of the Bank meets regularly and operates as a general committee under the direct authority of the Board of the Company. Of note, the Bank has been dispensed by the BoM from establishing a local advisory board.

Frequency	At least 10 times yearly	
	Gregory Lowden ¹	CEO of HSBC Mauritius and Managing Director – Chairman of Executive Committee
	Hajrah Sakauloo ²	CEO and Head of Banking – Chairperson of the Executive Committee as from 1 March 2025
	Sarina Saul-Hassam ³	Chief Operating Officer ("COO")
	Rajiv Gopaul ⁴	Chief Financial Officer ("CFO")
	Jason Chin-Koon-Siew ⁵	Head of Finance
	Masud A Monwar ⁶	Head of Human Resources
	Vivekananda Caleemootoo	Head of Markets and Securities Services
	Noor Jehan Meerun	Communications Manager
	Yousuf M Syed	Chief Risk and Compliance Officer ("CRCO")
	Ashiti Prosand	Head of Legal and Company Secretary
	Alexandra Kidson ⁷	Interim COO
	Sanjeev Suresh ⁸	Interim CFO
	Deepa Harcharan	Business Planning and Execution Manager – CEO Office

¹ Gregory Lowden resigned as CEO on 28 February 2025

² Hajrah Sakauloo appointed as Chief Executive Officer & Head of Banking as from 1 March 2025

³ Sarina Saul-Hassam proceeded on Maternity and annual leaves from 18 February to 16 July 2025

⁴ Rajiv Gopaul resigned as a Committee member on 6 January 2025

⁵ Jason Chin-Koon-Siew appointed as Head of Finance as from 1 July 2025

⁶ Masud A Monwar resigned as a Committee member on 1 November 2025

⁷ Alexandra Kidson acted as interim COO from 1 February 2025 to 31 July 2025

⁸ Sanjeev Suresh appointed as interim CFO from 27 January 2025 to 26 July 2025

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

2.1 Executive Committee, demised on 18 September 2025 and replaced by the OpCo (continued)

<p>Purpose</p>	<p>The objective of the EXCO is to discuss, review and manage business strategies as well as performance in the Bank. Under the leadership of the CEO, the EXCO has the executive management responsibility for the Bank. The EXCO shall exercise all of the powers, authorities and discretions, in so far as they concern the management and day to day running of the Bank.</p> <p>The EXCO is a forum for discussion of business issues at the Bank level, with the intention to discuss and agree appropriate actions to ensure a consistent and proactive approach to strategy and business development. It carries responsibility to ensure all legal and regulatory requirements are fulfilled and risk is managed appropriately. The EXCO provides a framework which maintains a reporting and control structure whereby all business, operations and global functions lines of operation are accountable to individual members of the EXCO. While the EXCO and other sub-committees provide support and assistance for decision making and discharging duties, the responsibilities are personal and individuals are ultimately responsible for the timely and effective execution of the performance of their duties in accordance with their role profile and delegated authorities.</p> <p>The EXCO members are responsible for timely and effective implementation of resolutions within their area of authority. Those assigned an action point must take responsibility for implementation overall in a timely and effective manner. The members notify the Chair promptly and the EXCO, without delay, of any extraordinary events or risks occurring in the course of the Bank's activities. The members must, in addition, immediately inform the Chair and/or the Secretary of EXCO of any potential conflicts of interest that may arise in the execution of their role regarding topics tabled in the Agenda. In the decision process relating to business and other topics where there is a risk of conflict of interest with their private matters, the concerned members must abstain from participating in the deliberations and adoption of resolutions. Exceptional cases, which are the responsibility of the EXCO, owing to their urgent nature and in order to protect the best interests of the Bank, may be dealt with and decided by the Chair.</p> <p>Such decisions must be brought to the attention of the EXCO without delay and added in the minutes of the next meeting. In any case, the EXCO must be advised of such transactions or decisions.</p>
<p>Main Responsibilities</p>	<p>The EXCO members are responsible for timely and effective implementation of resolutions within their area of authority. Those assigned an action point must take responsibility for implementation overall in a timely and effective manner. The members notify the Chair promptly and the EXCO, without delay, of any extraordinary events or risks occurring in the course of the Bank's activities. The members must, in addition, immediately inform the Chair and/or the Head of Legal of any potential conflicts of interest that may arise in the execution of their role regarding topics tabled in the Agenda. In the decision process relating to business and other topics where there is a risk of conflict of interest with their private matters, the concerned members must abstain from participating in the deliberations and adoption of resolutions.</p> <p>Exceptional cases, which are the responsibility of the EXCO, owing to their urgent nature and in order to protect the best interests of the Bank, may be dealt with and decided by the Chairperson. Such decisions must be brought to the attention of the EXCO without delay and added in the minutes of the next meeting. In any case, the EXCO must be advised of such transactions or decisions.</p>

Statement on corporate governance practices (continued)

2.2 Operating Committee, set up as from 19 September 2025

Starting Q4 2024 and running into 2025, the HSBC Group has undergone significant structural changes with the core objective of this transformation being to accelerate delivery of our strategic priorities, while ‘*Creating a simpler, more dynamic organisation with clarity of accountability and faster decision-making where talented colleagues thrive*’.

Following the above, through the Governance Framework and Operating Rhythm (“GFOR”) the Target State to be reached by HSBC Group entities, are:

- a. Faster decision making
- b. Streamlined & strategic governance body
- c. Enhanced individual accountability
- d. Nimble and adaptive to change
- e. Culture of trust & continuous learning

The Bank had to adopt the Group’s approach and underwent some changes as well, through the demise of its EXCO and the setting up of the OpCo that was approved by the Board in September 2025.

The OpCo has been established to support the CEO and Head of Banking for day-to-day management responsibilities, operations and oversight of the Bank.

Frequency of meetings	At least 6 times yearly	
Core Members	Hajrah Sakauloo	CEO and Head of Banking (Chairperson)
	Sarina Saul-Hassam	COO up to 6 February 2026
	Ruth Antonette Ricaforte Censon (Toni)	Interim COO as from March 2026
	Yousuf M Syed	CRCO
	Vivekananda Caleemootoo	Head of Markets and Securities Services
	Jason Chin-Koon-Siew	Head of Finance
	Ashiti Prosand	Head of Legal and Company Secretary
	Masud A Monwar	Head of Human Resource up to 1 November 2025
	Deepika Devi Raghu-Goorah	Head of People as from 3 November 2025
Standing Attendees	Prabal Chakraborty	Head of Global Payment Solutions
	Shiv Singh	Chief Information Officer (“CIO”) & Chief Information Security Officer (“CISO”)
	Deepa Harcharan	Business Manager, CEO Office
Main Responsibilities	<p>The key responsibilities of the OpCo include:</p> <ol style="list-style-type: none"> i. Review and challenge execution of HSBC strategy as set out by the Group/Regional OpCo through strategic updates and the Financial Resource Plan (‘FRP’); ii. Review performance of market share by segment, product, assessment of customer feedback; iii. Review initiatives and projects of the Bank and oversee strategic, financial and operational performance; iv. Review & approve for the HongKong and Shanghai Banking Corporation Limited Mauritius (‘PTL’) and review and approve for HSBC Bank (Mauritius) Limited (‘HBMU’) to the Board of Directors, the FRP and respective strategies, supported by appropriate stress testing analysis; v. Oversee the sustainability related strategies, including strategic changes to policy and ongoing execution against targets; vi. Lead the tone from the top on organizational culture and behaviours; vii. Review and recommend the People strategy and underlying components such as Talent Development strategies, Organisational Design, Succession Planning, Employee Listening, Inclusion strategies and policies, Performance policies and Reward strategies as well as review attrition levels; viii. Review snapshot data to identify hotspots, agree and track enterprise actions ix. Review and recommend, for HBMU to the Board of Directors, the country’s Technology and Operations including underlying components as Data Strategy; x. Review regulatory feedback provided by the Bank of Mauritius and other key regulators, agree and track enterprise actions to address the feedback. 	

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

2. The Structure of the Senior Management and its Committees (continued)

2.3 Asset and Liability Committee

The Asset and Liability Committee (ALCO) of the Bank has a formal schedule of matters reserved to it and holds its meetings not less than 10 times each year. It is responsible for the overall balance sheet strategy, funding and capital management, acquisition and divestment policy, and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of the Bank and the impact of these risks on the balance sheet.

ALCO monitors the external environment in which the Bank operates and assesses the impact of factors such as interest rate volatility and trends, market liquidity, exchange rate movements, monetary and fiscal policies and competitors' actions.

Frequency	At least 10 times yearly	
Composition	Rajiv Gopaul ¹	Chief Financial Officer and Executive Director (Chairman)
	Sanjeev Suresh ²	Interim CFO (Chairman)
	Jason Chin-Koon-Siew ³	Head of Finance (Chairman)
	Gregory Lowden ⁴	CEO of HSBC Mauritius and Managing Director
	Hajrah Sakaloo ⁵	CEO and Head of Banking
	Yousuf M Syed	CRCO
	Vivekananda Caleemootoo	Head of Markets and Securities Services
	Shoba Thancanamootoo	Head of Market Treasury
	Prabal Chakraborty	Country Head of Global Payments Solutions
	Rajiv Bali	Head of Global Trade Services
	Warren Lau You Hin ⁶	Head of Assets and Liabilities Capital Management
	Maita Fourville-Victoire	Head of Global Network Banking
Gaurav Jain	Country Head of Institutional Client Group	
Purpose	<p>The key responsibilities of the Asset and Liability Committee include:</p> <ul style="list-style-type: none"> (i) provide direction and ensure tactical follow-through to create an evolving balance sheet structure to meet the Bank's performance objectives within prescribed risk parameters; (ii) monitor the ALCM risks and influences; (iii) provide a forum for discussing ALCO issues; (iv) facilitate teamwork between different businesses/sites/departments; (v) resolve departmental inter-face issues such as transfer pricing and resource allocation; (vi) review overall sourcing and allocation of funding; (vii) be forward looking and determine the most likely banking environment for asset/liability forward planning and review contingency scenarios; (viii) evaluate alternative rate, pricing and portfolio mix scenarios, (ix) review asset/liability distribution and maturities; (x) companies' rationalisation. 	
Main Responsibilities	<p>The key responsibilities of the Asset and Liability Committee include:</p> <ul style="list-style-type: none"> (i) to manage the balance sheet with a view to achieving efficient allocation and utilization of all resources; (ii) to enhance economic profit by improving net profits and prompting efficiency in the use of capital and funding by enhancing return on risk weighted assets in the context of a clearly defined growth policy; (iii) to review all related risks and ensure their prudent management, including, but not limited to structural interest rate risk, structural foreign exchange risk and liquidity/funding risk; (iv) to monitor the external environment and measure the impact (current and projected) on profitability and the balance sheet of factors such as interest rate volatility/trends/expected future movements, market liquidity, trends/expected future movements, monetary and fiscal policies, customer behaviour and competitor bank actions, accounting and regulatory changes; 	

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

2. The Structure of the Senior Management and its Committees (continued)

2.3 Asset and Liability Committee (continued)

Main Responsibilities (continued)	<p>(v) to understand the interaction between different lines of business and portfolios in the balance sheet and the issues affecting them such as funds transfer pricing, behaviouralisation and resource allocation.</p> <p>The members must notify the Chair promptly and ALCO, without delay, of any extraordinary events or risks occurring in the course of the Bank’s activities impacting liquidity, funding, capital and any other ALCO matters.</p> <p>The members must, in addition, immediately inform the Chair of any potential conflicts of interest that may arise in the execution of their role regarding topics tabled in the Agenda. In the decision process relating to business and other topics where there is a risk of conflict of interest with their private matters, the concerned members must abstain from participating in the deliberations and adoption of resolutions.</p>
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¹ Rajiv Gopaul resigned as a Committee member on 7 January 2025

² Sanjeev Suresh appointed as Interim CFO from 27 January 2025 to 26 July 2025

³ Jason Chin-Koon-Siew appointed as Head of Finance as from 21 July 2025

⁴ Gregory Lowden resigned as Managing Director on 28 February 2025

⁵ Hajrah Sakauloo appointed as Head of Banking & Chief Executive Officer as from 1 March 2025

⁶ Warren Lau You Hin appointed as Head of ALCM as from 15 August 2025

2.4 Risk Management Meeting (RMM)

The RMM is a formal governance committee established to provide recommendations and advice to the CRCO on enterprise-wide management of all risks, including key policies and frameworks for the management of risk within the Bank. It supports the CRCO’s individual accountability for the oversight of enterprise risk as set out in the Group’s Risk Management Framework (“RMF”).

Decision-making authority in relation to all matters considered at the RMM remains with the CRCO, except where decision –making authority is within the scope of another RMM member in accordance with the RMF.

The CRCO is accountable to the Bank’s OpCo. Members will provide reports to OpCo through the Bank’s CRCO and other members of the Region/Local Risk Management Function as determined by the CRCO.

Frequency	6 meetings per Year	
	Yousuf M Syed	CRCO (Chairperson)
	Gregory Lowden ¹	Managing Director
	Hajrah Sakauloo ²	CEO and Head of Banking
	Rajiv Gopaul ³	Chief Financial Officer (CFO)
	Jason Chin- Koon-Siew ⁴	Head of Finance (HoF)
	Sarina Saul-Hassam ⁵	Chief Operating Officer (COO)
	Ashiti Prosand	Head of Legal and Company Secretary
	Vivekananda Caleemootoo	Head of Markets & Securities Services
	Masud A Monwar ⁶	Head of Human Resources
	Deepika Devi Raghu-Goorah ⁷	Head of People
	Alexandra Kidson ⁸	Interim COO
Sanjeev Suresh ⁹	Interim CFO	
Main Responsibilities	<p>The RMM serves as the governance forum for enterprise-wide risk management with particular focus on risk culture, risk appetite, risk profile and integration of risk management into the Bank’s strategic objectives. The members of the RMM (“Members”) will debate, consider, advise and make recommendations on such matters as the CRCO will determine. This may include:</p> <p><u>Strategy</u></p> <ul style="list-style-type: none"> • Providing a forum for risk issue to be considered, including strategic and budgetary responses to technology and climate risk; • Receiving regular reports on the status of material Change/Transformation projects including the delivery, risk, key exposures, and risk mitigation plans in conjunction with the opinions from the Second Line, Risk, Internal Audit or external stakeholders as necessary. 	

Statement on corporate governance practices (continued)

2. The Structure of the Senior Management and its Committees (continued)

2.4 Risk Management Meeting (RMM) (continued)

<p>Main Responsibilities (continued)</p>	<p><u>Business Performance and Priorities</u></p> <ul style="list-style-type: none"> (i) Reviewing key risk management policies and framework addendums; including but not limited to the Bank's Risk Appetite Framework, annual Risk Appetite Statements and Stress Testing Framework and changes thereto, prior to onward submission for the Bank/Management approval where appropriate; (ii) Reviewing of credit and market risk limits for the Bank's businesses and the delegation of these limits for the control of the credit, market, operational and reputational risks in the light of the Bank's capital and related risk capacity; (iii) Considering the Bank's Risk Profile, Key Risk Management Information, and be informed of material changes to the Risk Appetite Profile, Top and Emerging Risks and Risk Map; (iv) Considering relevant reports and updates pertaining to the key risks and issues across the three lines of defence, commissioning further review where required; (v) Reviewing the effectiveness of internal controls required to manage risk, including processes for managing Regulatory Compliance Risk arising from Volcker Rules in relation to the activity of entities that are owned by the Bank and do not come under the supervision of one of the Global Businesses; (vi) Receiving and reviewing reports and updates on regulatory reporting risk; (vii) Acting as a forum for the review, discussion or escalation of significant ALCO/Treasury Risk related matters; (viii) Reviewing, discussing and addressing material financial and non-financial risks, as listed in the Group risk taxonomy; (ix) Providing approval where required on financial crime matters such as the enterprise-wide Money Laundering/Terrorist Financing risk assessment and the Money Laundering/Terrorist Financing program, including policies, controls and procedures; (x) Receiving and reviewing reports and updates on the Bank's internal assessments and/or regulatory submissions, including but not limited to Recovery and Resolution, Stress Testing, the Internal Capital Adequacy Assessment Process ('ICAAP'), Internal Liquidity Adequacy Assessment Process ('ILAAP') and related management actions as required; (xi) Reviewing and understanding the high level structure and operational processes of the business in respect of Client Assets and assess the effectiveness, transparency and visibility of the controls over these. Discuss and oversee the remediation of breaches and to also consider Client Assets' findings from Regulator's supervision reports, Risk, Audit, and Regulatory Compliance monitoring reviews, as well as regulatory developments; (xii) Reviewing and providing on-going recommendation of updates to the Bank's Recovery Plan, to ensure that any material changes in the Bank's business, strategy, nature or scale of its activities or the regulatory or operational environment are considered and the Recovery Plan updated if required; (xiii) Reviewing, discussing and addressing regulatory risks and issues, policy changes and resultant impact. Promote, monitor and assess the regulatory risk culture; (xiv) Ensuring that risk management practices support desired conduct and culture outcomes;
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The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

2. The Structure of the Senior Management and its Committees (continued)

2.4 Risk Management Meeting (RMM) (continued)

Main Responsibilities (continued)	<p><u>Governance</u></p> <p>(i) Considering the Bank's risk reports and taking action in relation to the issues raised therein as it considers appropriate;</p> <p>(ii) Any other matter within the remit of the CRCO that he may wish to bring to the RMM.</p>
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¹ Gregory Lowden resigned as Managing Director on 28 February 2025

² Hajrah Sakauloo appointed as Head of Banking & Chief Executive Officer as from 1 March 2025

³ Rajiv Gopaul resigned as a Committee member on 7 January 2025

⁴ Jason Chin-Koon-Siew appointed as Head of Finance as from 21 July 2025

⁵ Sarina Saul-Hassam proceeded on Maternity and annual leaves from 18 February to 16 July 2025 and resigned as a Committee member on 6 February 2026

⁶ Masud A Monwar resigned as a Committee member on 01 November 2025

⁷ Deepika Devi Ragu-Goorah appointed as Head of People as from 03 November 2025

⁸ Alexandra Kidson acted as interim COO from 1 February 2025 to 31 July 2025

⁹ Sanjeev Suresh appointed as Interim CFO from 27 January 2025 to 26 July 2025

The terms of reference of the OpCo, ALCO and RMM are reviewed annually.

2.5 Corporate Governance Committee

All matters pertaining to Corporate Governance are regularly reviewed and discussed by the Management. Hence, a committee on Corporate Governance has not been constituted.

2.6 Remuneration Committee

The Bank has been dispensed from constituting a separate Remuneration Committee. The exemption was granted by Bank of Mauritius vide its letter dated 13 December 2012.

2.7 Committee Attendance

	EXCO/OpCo	ALCO	RMM
Number of meetings held	9	10	6
Chief Executive Officer	1	1	1
CEO and Head of Banking	9	9	5
Chief Operating Officer	9	-	5
Head of Finance	9	10	6
Head of Human Resources/People	9	-	5
Head of Markets and Securities Services	9	10	6
Business Planning and Executive Manager	7	-	-
Head of Communication	7	-	-
CRCO	9	10	6
Head of Legal	8	-	5
Head of Market Treasury	-	10	-
Country Head of Global Liquidity and Cash Management	-	8	-
Head of ALCM and Business Finance	-	9	-
Country Head of Global Trade and Receivables Finance	-	8	-
Team Head – Operating Corporates	-	7	-
Head of Global Network Banking	-	2	-

The Bank was headed by its Chief Executive Officer & Head of Banking, Hajrah Sakauloo.

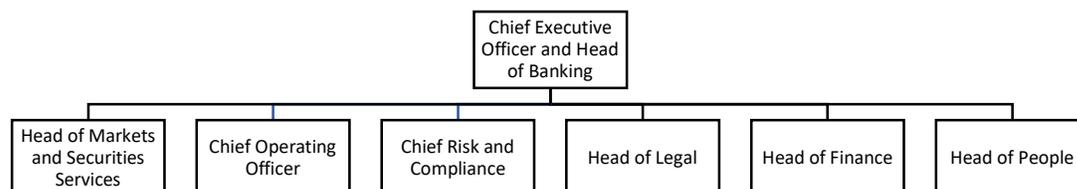
The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

2. The Structure of the Senior Management and its Committees (continued)

2.8 Senior Management's Profile

As at 31 December 2025, the organisation chart of the Bank is as follows:



Gregory Lowden – CEO of HSBC Mauritius up to 28 February 2025 (Non-resident)

Mr. Lowden was the Managing Director and CEO of HSBC Mauritius. Prior to this role, he was the Deputy Head of International Subsidiary Banking, Hong Kong, where he led a strong team supporting the complex financing requirements of corporate clients headquartered in Europe, the Middle East, and around Asia. Since June 2025, Mr. Lowden has returned to Hong Kong as Regional Head of Communications, Asia and Middle East, HSBC.

He initially joined HSBC on the International Management Programme in 2009 and has held a variety of senior roles across Commercial Banking, Trade Finance, Financial Crime Risk, and Government Affairs, including working three years in the Group Chairman's office, in the UK, US, and Hong Kong. Mr. Lowden graduated from the University of Cambridge.

Hajrah Sakauloo – Chief Executive Officer and Head of Banking effective 1 March 2025 (Resident)

A fellow member of the Association of Chartered Certified Accountants, Hajrah Sakauloo brings over two decades of experience to HSBC, where she has held various leadership positions across operations, Custody & Clearing, Corporate & Institutional Banking, and Global Banking & Markets with a particular focus on international business. She was previously the Mauritius Head of Wholesale Banking overseeing a wide spectrum of businesses ranging from institutional large international corporate clients to mid-sized corporates.

Rajiv Gopaul – Chief Financial Officer– up to 6 January 2025 (Resident)

Mr. Gopaul was the Head of Finance, HSBC Mauritius. He joined HSBC in 2000 and has served in a number of roles in Group Finance spanning Tax, ALCM and Group Treasury in London and, in 2014, was appointed the Finance Lead for the UK Ring-Fenced Bank project. Prior to joining HSBC, he qualified as a Chartered Accountant specialising in Corporate Tax and worked at a large UK banking group as Head of UK tax compliance. Mr. Gopaul holds a Bachelor of Science degree in Accounting & Finance from the London School of Economics & Political Science.

Jason Chin-Koon-Siew – Head of Finance as from 1 July 2025 (Resident)

Member of the Institute of Chartered Accountants in England and Wales, Mr. Chin-Koon-Siew has joined HSBC in 2018 and has held various positions within the Finance function spanning from ALCM, Business Finance, Regulatory and Financial Reporting. Prior to joining HSBC, he worked at KPMG in Deals Advisory where he specialised in due diligence, valuation and financial modelling, playing a key role in complex financial transactions.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

2. The Structure of the Senior Management and its Committees (continued)

2.8 Senior Management's Profile (continued)

Masud A Monwar – Head of Human Resources up to 1 November 2025 (Resident)

Mr. Monwar is a seasoned HR Professional with more than 16 years' experience across multinational organizations. Prior to HSBC, Mr. Monwar worked in GlaxoSmithKline as HR Manager in a Business Partnering Role for two Businesses with additional responsibility of Leading Reward, Performance and Talent for the country. He holds an Executive MBA Degree and a Bachelor Degree in Business Administration.

Deepika Devi Raghu-Goorah – Head of People as from 3 November 2025 (Resident)

Mrs. Raghu-Goorah is a seasoned HR professional in the banking industry. She brings more than a decade of experience across multiple African markets including Mauritius. She has extensive expertise in HR strategy, operations, talent, performance, rewards, benefits management, and employee engagement. Prior to joining HSBC, she held various roles at Standard Chartered Bank, including HR Advisor covering African Markets, HR Business Advisor for Southern Africa, Manager Service Delivery for Mauritius & Angola, and Acting Head of HR for Mauritius. She holds a master's in business administration in Financial Risk Management and a bachelor's degree in business administration specializing in Banking and Financial Services.

Yousuf Syed – CRCO and Executive Director effective 1 March 2025 (Resident)

Mr. Syed has worked in leading international financial service organisations like Citicorp, American Express, Mashreq Bank, India Infoline Finance, and geographically in India, Middle East, and the Philippines. He joined HSBC Invest Direct Financial Services in 2014 as Chief Risk Officer where he was responsible for managing the enterprise-wide risk. Later he worked in the India Remediation Management Office and unsecured risk for India Wealth and Personal Banking (WPB) Risk. He was Head of WPB Risk for HSBC Philippines before joining the Bank in 2022 as the Chief Risk Officer and he has been appointed as Chief Risk & Compliance Officer in 2023.

Ashiti Prosand – Head of Legal (Resident)

Ms. Prosand joined HSBC Mauritius in March 2019 as Head of Legal. She previously worked at MauBank Ltd in the same capacity. Prior joining MauBank Ltd, she worked in the legal and compliance department of Standard Chartered Bank (Mauritius) Limited, handling various roles in the aforementioned department. Ms. Prosand is a law graduate from the University of Mauritius and holds a Masters Degree in International Business Law from the University of Manchester. She is also an Associate of the Institute of Company Secretaries and Administrators (ICSA), UK.

Sarina Saul-Hassam – Chief Operating Officer (Resident) up to 6 February 2026

Mrs. Saul-Hassam has been with HSBC Group for 18 years and was the Regional CMB Chief Administration Officer for ASP based in Hong Kong prior joining Mauritius as COO. Sarina has got rich experience that in having undertaken a variety of transformation and leadership roles within Commercial Banking and Wealth and Personal Banking across country (UK and Indonesia), regional and global roles. She graduated from the University of Manchester with a B.Sc.(Hons) Degree in Financial Services. She is passionate about leading Diversity and Inclusion with a key focus on creating career development opportunities in an inclusive and accessible way.

Ruth Antonette Censon Ricaforte (Toni) –Interim Chief Operating Officer as from March 2026 (Non-resident)

Ms. Ricaforte has joined the Mauritius team as Interim COO starting March 2026, for one year. She has served as Director, Asia and Middle East COO Office, Ms. Ricaforte brings over 20 years of international banking experience working across business lines and functions in Asia, Middle East, and the UK. She has led large scale transformation programmes including the launch of a market leading digital wallet proposition in Hong Kong. Recently she has led the Portfolio Management Office for Transformation Services, working very closely with COOs in Asia and Middle East markets and Regional Heads of Transformation driving execution of material programmes for the region. She holds a Diploma - Bachelor of Science Major in Biology from University of Philippines

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

2. The Structure of the Senior Management and its Committees (continued)

2.8 Senior Management's Profile (continued)

Vivekananda Caleemootoo - Head of Markets and Securities Services (Resident)

Mr. Caleemootoo was appointed Head of Global Markets Mauritius in the last quarter of 2015. He graduated from Lander University, USA and has worked previously in audit and accounting firms. He passed the American Institute of Certified Accountant examination in Nov 2001. He joined HSBC Mauritius in 2002 in finance and eventually moved to global markets where he held various roles. Throughout his career with the Bank, Mr. Caleemootoo has gained significant experience in various products, systems, and policies related to Global Markets.

3. Senior Management Appointments Procedures

3.1 Appointment of senior management roles

The Bank has a formal process in place for appointment of senior management roles, which is led by the CEO of the Bank, the regional business heads or function heads in Hong Kong. The CEO reviews the structure, size and composition of the Operating Committee annually, or whenever appointments are considered, to ensure that the Bank has a diverse mix of competencies, knowledge and experience, in order to enrich Operating Committee discussions and improve the quality of decision making.

3.2 Succession Planning

Succession Planning and the development of management are part of the standard HSBC Group processes which are required by the Group. The Board of the Company assumes the responsibility that the Bank has an effective management team. The Bank has formal succession plans for all the critical management and senior officer roles.

3.3 Induction and Orientation for senior management

It is crucial that new senior managers receive a proper induction when being appointed to ensure that they are familiarised, as soon as possible, with the Bank's operations, business environment and corporate strategy, as well as their duties and responsibilities. Senior Management go through induction and orientation process including mandatory training relevant for their roles.

Management and employees of the Bank are all familiar with the Bank's business model and expectations of the HSBC Group. Each member of the Management is aware of his/her legal duties and roles and responsibilities and is kept informed on the Bank's operations and business environment, so as to enable him/her to effectively contribute to strategic discussions and oversight.

3.4 Continuous Training and Development

Continuous training is essential to cope with the constant changes in the business environment. Management has a duty to keep up-to-date with industry, legal and regulatory developments. It is also the responsibility of the Bank to provide adequate training and development programme to its senior managers.

As employees of the Bank, senior managers attended mandatory trainings as well as specific that are critical in their roles.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

4. Management Duties, Remuneration and performance

4.1 Position Statement and Statement of Accountabilities

In line with the HSBC Group policy, each member of the management has an individual job description which has been reviewed and approved by his/her respective business or functional head. Each job description provides a clear description of the incumbent's roles and responsibilities.

Title	Roles and Responsibilities
Chief Executive Officer & Head of Banking	Responsible for overseeing operations and business activities to ensure they produce the desired results and are consistent with the overall HSBC strategy. Responsible for leading the Business, setting the strategic and day to day direction and driving growth aspirations and revenue for Commercial Banking Business whilst retaining the appropriate risk management discipline to achieve the Bank's strategic goals.
Chief Operating Officer	Responsible for directing and controlling all organisational operations in accordance with the strategic and business plans to ensure the organisational goals and objectives are met.
Head of People	Provide strategic HR leadership to the Business to align People Strategy with Business Strategy and drive the implementation of people processes to enable business performance.
Chief Risk and Compliance Officer	Responsible for directing the effective identification, assessment, management, monitoring and mitigation of risk across all current and potential future risk types within the remit area, including wholesale credit and market, security and operational risk, and risk strategy and governance as well as for ensuring adequate controls are in place to manage financial crime and regulatory compliance risk and ensure the business complies with the letter and spirit of relevant regulations, thereby delivering fair outcomes and embedding a robust risk management culture in the Bank.
Head of Finance	Responsible for directing and controlling all aspects of financial management to ensure that the executive management board, auditors, tax authorities, regulators and shareholders are provided with accurate and timely information and advice on the financial position of the Bank, in compliance with prevailing financial, tax and regulatory requirements.
Head of Markets and Securities Services	Responsible for leading the Business, setting the strategic and day to day direction and driving growth aspirations and revenue for Global Markets and the international Customer Group whilst retaining the appropriate risk management discipline to achieve Group's strategic goals.
Head of Legal	Provides guidance to the Management on legal related matters and ensures that the Management is aware of their duties and responsibilities.

4.2 Statement of Remuneration Policy

The Bank advocates to attract, retain and motivate the most talented individuals in order that there may be a positive contribution to the long-term success of the Bank.

The Bank applies a Group based reward strategy that focuses on rewarding successful performance and the assessment is tailored to both annual as well as long term objectives that have been agreed. Furthermore, the structure of remuneration is made up of fixed pay, benefits, annual incentive and the Group Performance Share Plan.

During the financial year 2025, Senior Management received emoluments, which includes salaries and other benefits as disclosed in Note 36 on related party transactions.

Statement on corporate governance practices (continued)

4. Management Duties, Remuneration and performance (continued)

4.3 Conflict of Interest

Personal interests of management or persons closely associated with management must not take precedence over those of the Bank. Management should make the best effort to avoid conflicts of interests or situations which others may reasonably perceive to be conflicts of interests.

The Bank has a comprehensive policy to provide guidance on what constitute a conflict of interest and how it will be managed and monitored by the Bank in line with the applicable laws. This policy is directed not only to management and Senior Officers of the Bank, but to all employees who can influence any decision of the Bank.

4.4 Information Governance

The Bank continuously seeks to foster frameworks that upholds the security of information and Information Technology (IT) systems in adherence to regulatory and industry norms keeping in mind the confidentiality, integrity and availability of information. The OpCo, through the Risk Management Committee, receives update from the Head of IT to ensure that that set policies implemented by management to manage associated risks, supported by appropriate structures, processes and resources.

Information Risk occurs when information held by the Bank wherever it resides and in whatever format it is stored, is lost, stolen or manipulated. The Bank protects against this risk through the implementation of administrative, technical, and physical measures. There are normally wide-ranging duties of confidentiality with respect to customer information. Many of the jurisdictions in which HSBC operates also have specific data protection, privacy and bank secrecy laws, regulations and codes which also apply where information is outsourced or transferred to third parties and which additionally obligate Group companies to keep customer data safe from identity fraud.

The Bank has applied standard of confidentiality in relation to certain types of information. Managers are responsible for ensuring that all mandatory information risk policies are acted upon and implemented. They are also responsible for ensuring that effective procedures are in place to meet the obligations and requirements imposed by local data protection, privacy and bank secrecy laws, regulations, and codes. Local Security Risk, IT, HR, and Regulatory Compliance advice should be sought to ensure that all aspects of data protection are covered, and that wherever an incident of data loss occurs, a clear local reporting structure is in place and discuss in IT Steering Committee conduct quarterly. All key IT projects and expenditure are monitored and scrutinised by the OpCo.

5. Risk Governance and Internal Controls

5.1 Risk Management

All Bank employees have a role to play in the management of risk, with the ultimate accountability residing with the OpCo of the Bank. The management, advised by the RMM, sets the 'tone from the top' and is responsible for reviewing and evaluating the effectiveness of the Bank's risk management framework, as well as embedding and maintaining a supportive culture in relation to the management of risk.

The Group Risk Management Framework ("RMF") is applied throughout the Bank and across all the types of risk, both financial and non-financial, that the Bank faces in its business and operational activities. The effectiveness of the RMF depends on the staff living the values, behaviours, and principles contained within the framework.

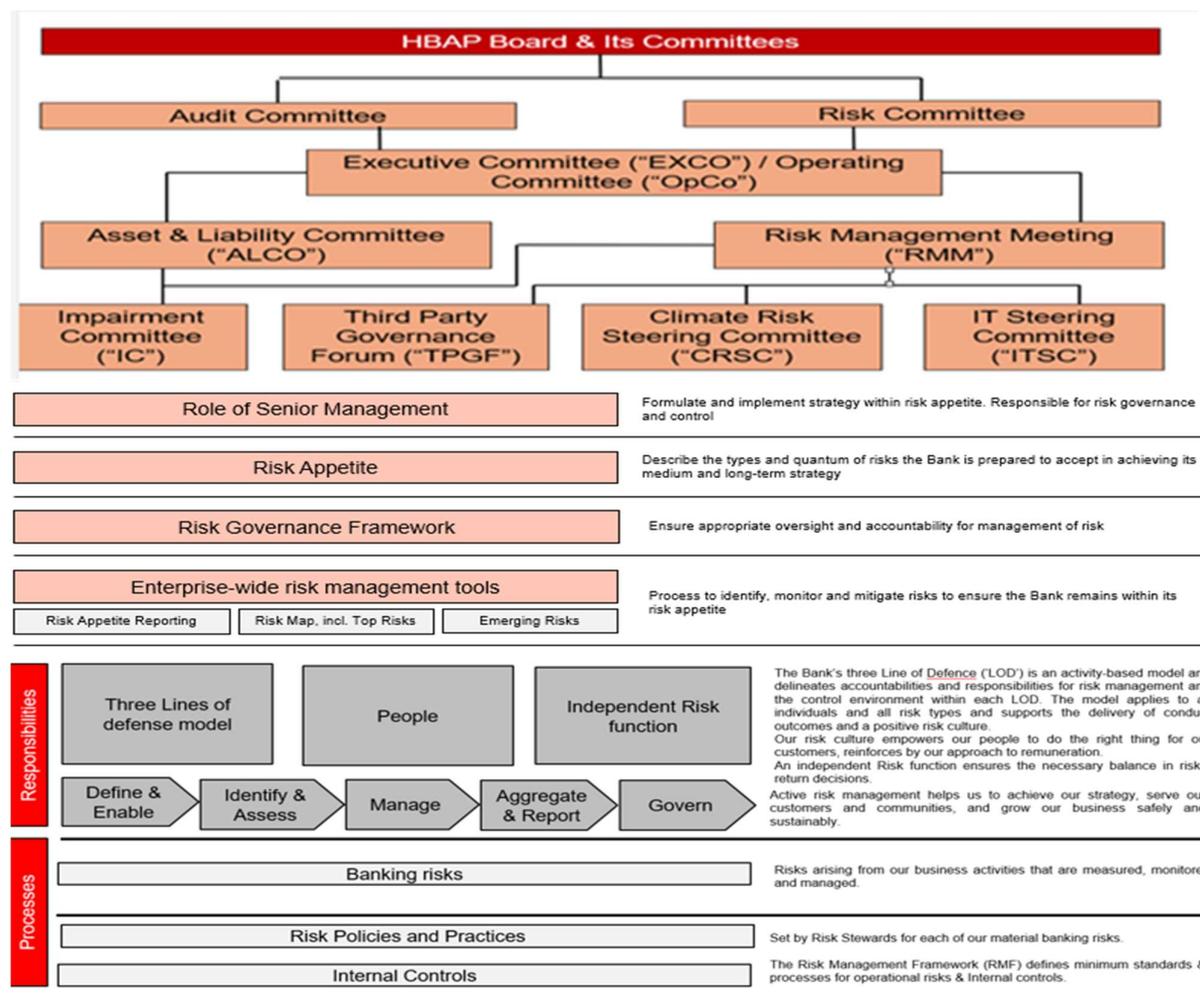
The RMF describes Group's and the Bank's approach to managing risk. It is applicable to all employees and is supplemented by specialist principles, risk frameworks, and guidance such as the Purpose-led Conduct Approach which is designed to capture how the Bank's risk management arrangements impact its customers and the financial markets in which the Bank operates, the Reputational Risk Framework, which sets out the Group's approach to the management of Reputational Risk; and the Model Risk Management Framework, which promotes an understanding of model risk on both an individual model basis as well as in aggregate across the Group.

Statement on corporate governance practices (continued)

5. Risk Governance and Internal Controls (continued)

5.1 Risk Management (continued)

The following diagram and descriptions summarise the key components of the framework, including governance, roles and responsibilities and internal controls.



The next sections provide an overview of the key components of the framework as applied by the Bank.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

5. Risk Governance and Internal Controls (continued)

5.2 Risk Governance

Management has ultimate responsibility for the effective management of risk and approves the Bank's risk appetite. It is advised by the RMM.

Executive accountability for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the risk management framework resides with the CRCO and is supported by the RMM and ensures all matters of significance are raised. The minutes of the RMM are made available to all RMM members and attendees.

Day-to-day responsibility of risk management is delegated to senior managers with individual accountability for decision making. All employees have a role to play in risk management, and these roles are defined using the Three Lines of Defence Model, which is outlined in further detail below.

The above risk governance structure helps to ensure appropriate oversight and accountability of risk and facilitates reporting and escalation to the RMM. Matters of significance are, in turn, reported to the Executive Committee.

5.3 Risk Roles and Responsibilities

The Bank's three Line of Defence ("LOD") is an activity-based model and delineates accountabilities and responsibilities for risk management and the control environment within each LOD. The model applies to all individuals and all risk types and supports the delivery of conduct outcomes and a positive risk culture.

There must be a clear segregation between risk ownership (First LOD), risk oversight and stewardship (Second LOD) and independent assurance (Third LOD) to help support effective identification, assessment, management, and reporting of risks. It is the activities, not the job titles, which determine where one sits in the three LOD model.

- The First LOD has ultimate ownership for risk and controls, including read across assessments of identified issues, events and near misses, and the delivery of good conduct outcomes. It is the responsibility of the First LOD to assess whether an issue is likely to have relevance to another part of the business, and therefore what level of read across action is required, and whether when looked at in aggregate the level of consolidated risks is greater than on an individual basis.
- The Second LOD provides subject matter expertise, advice, guidance and review and challenge of the First LOD's activities to help ensure that risk management decisions and actions are appropriate, within risk appetite and support the delivery of conduct outcomes. The Second LOD is independent of the risk-taking activities undertaken by the First LOD and includes CRCO, Risk Stewards, the Operational and Resilience Risk ("ORR") function and Second LOD Assurance teams.
- The Third LOD is Global Internal Audit ("GIA"). GIA helps the OpCo to protect the assets, reputation and sustainability of the Group. GIA provides independent assurance to management and the non-executive Risk and Audit Committees as to whether our risk management, governance and internal control processes are designed and operating effectively.

The Bank risk function, headed by the CRCO, is responsible for the Bank's risk management framework and forms part of the second line of defence. It is independent from the businesses, including sales and trading functions, to provide challenge, appropriate oversight and balance in risk/return decisions.

5.4 Risk Processes and Tools

The Bank uses a range of tools to identify, monitor and manage risks. The key enterprise-wide risk management tools are summarised below:

- Risk Appetite: The risk appetite is defined as the aggregate risks that the Bank takes in order to achieve its strategic objectives. The risk appetite also defines the risks that are outside the Bank's warning triggers or thresholds in order to operate effectively. Risk Appetite provides a mechanism for the management to collectively define the Bank's willingness to engage in certain activities.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

5. Risk Governance and Internal Controls (continued)

5.4 Risk Processes and Tools (continued)

- Risk Map: The Risk Map is an integrated risk management tool used to assess, monitor and report the current risk profile, including Risk Drivers and Top Risks, of the Bank. It provides a point-in-time view of the enterprise-wide risk profile across both financial and non-financial risks in line with the Group's risk taxonomy and identified Thematic Issues. The Risk Map provides a second LOD view of the residual risk profile against the qualitative statements for the Bank.
- Emerging Risks: An Emerging Risk is defined as a risk that could have a material impact on the risk profile of the Bank but is not under active management and is not immediate.

The Emerging Risks report is a key enterprise risk management tool used and provides forward-looking and thematic analysis of Emerging Risks which are often large-scale events or trends, difficult to predict and are often beyond the Bank's ability to directly control. The report is used to assess the internal and external risk environment and provide a view of emerging issues that could threaten the execution of the Bank's strategy or operations.

All risks should be monitored and managed in line with the RMF.

In addition to the above tools, the Bank is also supported by a stress testing programme which supports risk management and capital planning. This includes execution of stress tests mandated by Bank's regulators and is supported by dedicated teams and infrastructure.

As at 31 December 2025, the following risks were identified by the Bank as emerging risks;

- Geopolitical and Macroeconomic Risk
 - Global Trade: Inflationary risks from higher tariffs: The US administration will use trade policy – particularly tariffs – to address a range of issues, including reducing trade deficits, encouraging inbound investment in the U.S. and sanctioning the non-use of the dollar. Such tariffs could reinforce geopolitical fragmentation and add to inflation. The tariffs, tensions and fears of retaliation and a trade war will probably cause many businesses to reduce their planned investments, and that, economists say, will hurt economies worldwide. US exporters will face a particularly tough time, as they are likely to face rising tariff barriers in their foreign markets. In addition, tariffs are likely to drive up the dollar and reduce the competitiveness of their exports in global markets. Given that major imports for Mauritius are from US, China & Europe. This could give rise to an increase in the local inflation rate and thereby impacting local corporates margins
 - Failure to meet increasing regulatory developments and/or to implement systems (including changes) mandated by the regulators: The risk of failing to identify, deal effectively with, prepare for, respond to or implement the requirements of regulatory change (including legislations, regulations, guidelines and systems) mandated by the regulators or authorities. The risk applies on an enterprise-wide basis, covering expectations for both the FLOD and the SLOD when responding to regulatory change across all risk types. It scopes all developments and systems changes. Hence, the need to manage the Bank's response to change to all rules, regulations, laws and systems whether they relate to any Financial or Non-Financial risks; in other words, it is not limited to obligations related to Compliance risks. The Bank has no appetite for failing to implement material regulatory requirements (new or changing), in a timely and effective manner. Where failures are identified, these will need to be addressed promptly and efficiently, and any breach would be reported under its respective risk taxonomy mapping. This emerging risk is closely associated with Conduct Outcome #5 - "We operate resiliently and securely to avoid harm to customers and markets.
- Environmental
 - Climate Risk – "Physical Risk": Second-order impacts include all impacts of climate change on economic, human and ecosystems beyond the boundaries of the corporation. These may include changes in the availability of natural resources, agricultural productivity, and the geographic distribution of species, disruption to transport, changes to global trade routes and migration. Clients' own infrastructure is impacted by extreme weather events, this could result in financial loss for them, increasing credit risk for HSBC. Bank's business continuity (staff/property/systems) could be impacted, resulting in detriment to clients, thereby increasing operational risk HSBC.

Statement on corporate governance practices (continued)

5. Risk Governance and Internal Controls (continued)

5.4 Risk Processes and Tools (continued)

- Climate Risk – “Transition Risk”: Existing clients’ business models may not be aligned with the transition to a low carbon economy, resulting in potential economic and thereby increasing the risk for the Bank, e.g Credit Risk, eputation risk. Transition to low carbon economy may cause reduced income or loss of employment thereby reducing customers’ ability to repay loans and increasing credit risk. Bank of Mauritius has expanded its focus to cover climate risk management. A guideline has been issued on 01Apr22 and the Bank is expected to develop and implement internal frameworks for the identification, assessment, management and disclosure of climate-related and environmental financial risks. If the Bank fails to effectively design ESG products or respond to regulatory change this will result in regulatory censure and reputational risk
- Digitalisation and Technological Advances
Lack of Infrastructure/resources/funding to benefit from new technologies / Payment Delivery and Future modes of Payments: Continued expansion of technology and organizations involved will create competition. Hire and train resources with expertise in an emerging and rapidly changing technology at a time when they are in extremely high demand. Lack of adequate infrastructure and funding for MAR could result in depleting market share. MAR would not be able to execute such strategies without detriment to customer experience or operational resiliency. Metaverse is a universe of interoperable applications, virtual worlds and real-world connection points that make up an “experiential internet” where people can socialise, work, transact, play and create. As the Metaverse develops and expands, there will be several risks and capabilities that will impact how MAR conducts business today. The potential impacts are a combination with the current uncertainty in the time horizon and solution(s), which present High impact emerging risk.

5.5 Internal Controls

The Bank’s internal controls help ensure it achieves its objectives in operational effectiveness and efficiency, reliable financial reporting, and in compliance with laws, regulations and policies. They also help ensure that the Bank’s risk management activities operate as designed and that the management of risk is carried out appropriately.

- Policies and Procedures: The Bank’s policies and procedures document its risk management requirements; they are reviewed at least annually for continued relevance and appropriateness to help ensure compliance with all relevant regulatory requirements and general good governance.
- Control Activities: applicable for all risk categories, control activities are the actions established through policies and procedures which ensure the Bank’s risks are managed effectively and consistently across the Bank. Control activities are preventive, detective or limiting in nature, and can be manual or automated.
- The enterprise-wide risk management tools, such as the Risk Appetite, Risk Map, Top and Emerging Risks Report and Stress Testing, are used to assess, monitor and report on the effectiveness of the control activities, the residual risks and escalate where the risk appetite has, or is likely to be, breached. It is through these tools and the risk governance structure in place that the management derives assurance that the internal control systems are effective and that any identified risks or deficiencies have monitoring and mitigating action plans in place.
- Systems and Infrastructure: systems or processes which support the identification, capture and exchange of information in a form and time-frame which enables employees to carry out their responsibilities.

During the year there were no significant or material deficiencies in the Bank’s Internal Control systems that the management are not aware of. Management was not aware of any significant area not covered by Internal Control systems.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

5.6 Whistleblowing and HSBC Confidential

The Bank's global whistleblowing arrangements through HSBC Confidential are intended to provide a safe and confidential method for individuals to report concerns and are a critical aspect of promoting a culture of openness and transparency, in support of the Bank's Culture, Values and Code of Conduct.

Individuals across the Bank are actively encouraged to report concerns about wrongdoing or unethical conduct including the use of normal and usual routes, for reporting and escalation. Where those procedures are, in the judgement of the person reporting their concern, inappropriate, unavailable, or where they have escalated a matter by normal routes and those routes have been exhausted or considered ineffective, individuals may report their concerns through HSBC Confidential.

The Group Audit Committee ("GAC") and the Group Executive Committee (through the Group Risk Management Meeting ("GRMM")) are responsible for providing oversight over whistleblowing arrangements in line with their respective Terms of Reference, with the GAC having overall responsibility for determining the efficacy of these arrangements. The Chair of the GAC also acts as the Whistleblowers' Champion for the Group with regulatory responsibility for ensuring and overseeing the integrity, independence and effectiveness of the firm's policies and procedures on whistleblowing and protecting the Reporter.

Individuals should be able to raise genuine concerns without fear of reprisals, and the Bank has a strict policy prohibiting retaliation against those who raise concerns. All allegations of retaliation reported are escalated to senior management.

6. Reporting with Integrity

6.1 Statement of management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2025, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to and forming part of the financial statements, which include a summary of material accounting policies and other explanatory notes, in accordance with IFRS Accounting Standards and in compliance with the requirements of the Mauritian Companies Act 2001, the Mauritian Banking Act 2004 and regulations and guidelines of the Bank of Mauritius.

Please refer to the Statement of management's responsibility for financial reporting at page 53 forming part of this Annual report.

6.2 Performance and Outlook

Please refer to the Management Discussion and Analysis section forming part of this Annual report.

6.3 Website

This annual report will be published on the Bank's website.

6.4 Related Party transactions

Related party transactions of the Bank were conducted in line with relevant internal policies and guidelines. For related party transactions please refer to Note 36 of the financial statements.

Please refer to the Management Discussion and Analysis section forming part of this Annual report.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

6.5 Safety and Health

The Bank has an obligation as per the Occupational Safety and Health Act 2005 (OSHA) of Mauritius to manage safety and health at the workplace which comprises of:

- providing and maintaining a working environment;
- maintaining any place of work under his control, including the means of access to, or egress from it that is safe and without risks to health;
- providing and maintaining adequate facilities and arrangements for the welfare at work of his employees;
- providing information, instruction, training and supervision as is necessary to ensure the safety and health at work of his employees;
- ensuring that any person not in his employment is not exposed to any risk to his safety or health.
- Conducting workplace hazard assessments to identify potential risks to employee's safety and health;
- Development and implementation of safety policies to address identified hazards;
- Maintain records of workplace injuries and illnesses as required by OSHA;
- Regularly inspect the workplace for compliance with OSHA standards; and,
- Seek advice and assistance from Ministry of Labour, Occupational Safety and Health division as and when required.

As per section 30 (1) of OSHA, the Bank has employed a qualified Safety and Health Officer (SHO) who is registered with the Ministry of Labour to review, address and manage safety and health risks within the Bank's premises and to also assist the Bank in achieving its legal obligations towards his employees. The SHO provides advice and makes recommendations on risk mitigation and uses the regional safety and health risk steward for further safety and health advice.

During the year under review, a Safety and Health Report was presented at the OpCo whereby the Bank has demonstrated significant progress in maintaining the highest standards of workplace safety, employee well-being, and regulatory compliance. The report highlights that the Safety and Health Committee took place once every two-month ensuring employee participation in health and safety decision-making among which the reviewed risk assessment for Icon Ebene was discussed. Moreover, a comprehensive training plan was implemented to build knowledge and competence among employees.

Specialized training covered fire safety delivered by the Safety and Health officer for all the fire wardens and first aid conducted by Brilliant Brains for 10 employees. Like every year, the Global safety and Health Month was celebrated under the theme "Safety 365 - S.A.F.E.R Together" as from March until April 2025 for Mauritius and several activities were organized for all staff. And to promote safety awareness among employees, several communications related to safety are sent to HSBC employees throughout the year. Last but not the least, the Bank has successfully earned the WELL Health & Safety Rating Certificate which is a prestigious recognition by the international building Institute (IWBI) that validates our ongoing commitment to creating a safe, healthy and resilient workplace for all.

7. Audit

7.1 Internal audit

The Bank's Audit Committee assists the OpCo in meeting its responsibilities in ensuring an effective system of internal control and compliance and for meeting its external financial reporting obligations on laws and regulations. Global Internal Audit (GIA) assists the Audit Committee in discharging its duties to review the internal control and risk management framework in the Bank.

The Regional Asia Pacific ("ASP") Internal Audit team, part of the GIA function provides independent and objective assurance on the design and operational effectiveness of the Bank's framework of risk management, control and governance processes, as designed and represented by management. The Group Head of Internal Audit reports functionally to the Chairman of the Group Audit Committee and administratively to the Group Chief Executive. The Head of Audit, India participates in the Audit Committee to discuss audit plan status, key controls and risks and observations. Senior Manager Regional ASP Internal Audit also has a separate meeting with the Chairman of the Audit Committee to discuss matters in the absence of executive directors. The Head of Audit, ASP and Head of Audit, India have direct access to the Audit Committee members. The Internal Audit function has no restrictions to access records, employees or management of the Bank.

A risk-based audit approach is adopted to focus on key risk areas and activities. The audit coverage is driven by the annual risk assessment results and regulatory expectations of the Bank. Executive management of the Bank is responsible for ensuring control issues raised by GIA are adequately addressed within an appropriate and agreed time frame.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

7. Audit (continued)

7.2 External auditors

With a view to ensuring the overall adequacy of the Bank's internal control framework, the management evaluates the independence and effectiveness of the external auditor on an ongoing basis before making a recommendation to the head office on their appointment and retention. PricewaterhouseCoopers ("PwC") who were first appointed in 2015 as external auditor was approved by the management. As regards to the timeframe, the total duration of the assignment is for a period of one year with the possibility of re-appointment for another year and thereafter. The Bank follows HSBC Group policy together with the applicable local regulations to appoint external auditors.

For 2025, PwC presented to management their annual audit plan, which was tabled at the OpCo and circulated to the senior management of the Bank.

The table below shows the fees paid to the statutory auditors for the last three financial years:

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Audit fees for statutory audit and Internal Control review fees	6,769	6,810	5,532
Fees for other services (Note a)	715	2,024	374
	7,484	8,834	5,906

Note a: Management has a policy on non-audit services which are provided by our External Auditors. Non-audit services were under continuous review throughout 2025 to determine whether they were permitted by reference to their nature, assessing potential threats and safeguards to auditor independence as well as the overall ratio of audit to non-audit fees. The fees for other services relate to comfort on AML/CFT review.

8. Relationship with shareholders and key stakeholders

8.1 Information for Key Stakeholders

The Bank continues to foster open and trusted relationships with key stakeholders through regular communication and engagement. The Bank communicates to stakeholders in a transparent and timely manner through various communication channels, including press announcements, events and the Bank's website (www.hsbc.co.mu).

Customers

HSBC Group aims to be the world's leading international bank and strives for excellence. Customers are at the heart of everything that the Bank does. The Bank is working to make life simpler, faster and better for its customers.

Operating with high standards of conduct is central to the Bank's long-term success and ability to serve customers. The Bank has clear policies, frameworks and governance in place to support the delivery of that commitment. These cover the way the Bank behaves, designs products and services, trains and incentivises employees, and interacts with customers and each other.

The HSBC approach to conduct is designed to ensure that through its actions and behaviours it delivers fair outcomes for its customers and do not disrupt the orderly and transparent operation of financial markets. The Management places a strong emphasis on conduct, requiring adherence to high behavioural standards and adhering to the HSBC Values.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement on corporate governance practices (continued)

8. Relationship with shareholders and key stakeholders (continued)

8.1 Information for Key Stakeholders (continued)

Employees

The Bank encourages employees to perform at their best, and creates an environment to make that possible. Employees are encouraged to speak up, and reflect the Bank's values in the decisions they make and how they make them, as these decisions shape the future of customers and colleagues

Diversity and inclusion

The Bank is committed to enabling a thriving environment where people are valued, respected and supported; where different ideas, backgrounds, styles and perspectives are actively sought out to create business value; and where career advancement is based on objective criteria. The Bank focuses on the diversity profile of its workforce to make it more reflective of the communities it operates in and the customers it serves.

Employee development

The development of the Bank's employees is essential to the future strength of its business. The Bank continues to develop employee capability through Degreed. Degreed provides a personalized learning experience that helps develop now, next and future skills. It is a learning platform that can be used to discover learning content, build skills, and successfully take on new career challenge. The employee can select the Skills you want to learn about, and Degreed will serve you the best articles, books, videos, courses, and people based on your interests and learning habits.

Giving employees a voice

The Bank conducts employee surveys and hosts HSBC Exchange events to give employees a voice. Exchanges are meetings with no agendas, where managers and leaders simply listen and employees do the talking. It's an innovative approach that provides a forum for people to share their views on any issue and talk about what matters most to them.

Regulators and industry bodies

Management is fully engaged with the authorities and regulators, whom they meet on a regular basis. The management presents annually an overview of the Bank in a trilateral meeting with the central bank, the Bank of Mauritius. In addition, management participates in various work groups initiated by the Bank of Mauritius and the Financial Services Commission.

The Bank is a member of the Mauritius Bankers Association, the industry body representing commercial banks licensed and authorised to conduct banking business in Mauritius. The Bank is also a founder member of the Mauritius Institute of Directors, a local professional organization whose mission is to champion best business practices and effective corporate governance.

8.2 Reporting to The Hongkong and Shanghai Banking Corporation Limited

Given that the Bank is a branch of a foreign bank incorporated in Hong Kong, the management has constant access to and regularly reports to the head office in Hong Kong. Communications happen on a day-to-day basis between the Branch and the head office.

8.3 Employee share plans

To help align the interests of employees with those of shareholders, share options are granted under all-employee share plans and discretionary awards of performance shares and restricted shares are made under the HSBC Share Plan.

Statement on corporate governance practices (continued)

8. Relationship with shareholders and key stakeholders (continued)

8.4 All-employee share option plans

All-employee share option plans have operated within the Group and eligible employees have been granted options to acquire HSBC Holdings ordinary shares. Options under the plans are usually exercisable after one, three or five years.

The exercise of options may be advanced to an earlier date in certain circumstances, for example on retirement, and may be extended in certain circumstances, for example on the death of a participant, the executors of the participant's estate may exercise options up to six months beyond the normal exercise period.

8.5 Discretionary awards

Share awards are restricted shares that are awarded to some employees only, on a discretionary basis to help reward an individual's contribution to the Bank and in recognition of their future potential. In addition, the awards are designed to help retain and motivate key individuals by sharing with them the long-term growth and success of the Bank as a whole.

8.6 Profit remittance policy

Branches should remit 100% of their profits as per the profit remittance policy of the Company. Nevertheless, branches may be authorised to retain profits under particular circumstances that will be reviewed on a case by case basis. Profit retention requests from branches have to be submitted to regional Technical Asset and Liability Committee ("TALCO") for approval. Profit retention requests are usually driven by expected business growth and/or regulatory changes and their consequences on local regulatory requirements.

8.7 Third Party Management Agreement

No third party management agreement presently exists.

Statement on corporate governance practices (continued)

8. Relationship with shareholders and key stakeholders

8.8 Sustainability, Corporate Social Responsibility and Donations

At HSBC, we recognise that how we do business is as important as what we do. We have a responsibility to our customers, employees and the communities in which we operate and understand that to achieve success in the long term, economic growth must also be sustainable.

We aim to support actively the global transition to a low-carbon economy and to contribute to achieving Net Zero. We are mindful of our social responsibilities, and committed to invest in the long-term prosperity of the communities where we operate. We recognise that technology is developing at a rapid pace and that a range of new and different skills are now needed to succeed in the workplace.

The Bank donated MUR3.0m (2024: MUR2.9m) to charities in Mauritius, which was paid in full during the year. There were no statutory charitable giving payments in 2025 (2024: Nil). There were no political donations during the year (2024:Nil).



Hajrah Sakauloo
**Chief Executive Officer and Head of
Banking**



Jason Chin-Koon-Siew
Head of Finance

Date: 23 March 2026

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Climate-related and environmental financial risk disclosure

The Bank's approach to climate reporting

The Bank's disclosure is compliant with the BoM *Guideline on Climate-related and Environmental Financial Risk Management*, which sets out BoM's expected approach to climate-related and environmental financial risks with a view to enhance the resilience of the banking sector against these risks. The Bank aligns its climate related approach and disclosures with the Group.

The Group engages with standard setters to support the development of transparent and consistent climate-related industry standards in areas such as implementation of new International Sustainability Standards across jurisdictions, sustainable finance taxonomy and emissions accounting.

The effective measurement, governance, and reporting of progress against the Group's climate ambitions is reliant on the availability of high-quality accessible, comparable and reliable internal and external data. Newer data sources and topics may be difficult to assure using traditional verification techniques. This, coupled with diverse external data sources and complex structures, further complicates data consolidation.

The Group continues to strengthen its ESG data and analytics capability, working to deliver trusted data assets, dashboards, AI, and advanced analytics solutions that help support initiatives like financed emissions, climate scenario analysis, stress testing, sustainable finance and portfolio optimisation.

The Bank aims to continue to evolve its reporting to recognise market developments, such as the IFRS Accounting Standards, and support the efforts to harmonise the disclosures.

The Bank's governance on climate related matters

The Management of the Bank takes overall responsibility for the climate strategy, overseeing executive management in developing the approach, execution, and associated reporting. The CEO and Head of Banking is supported by the Bank's OpCo and is responsible for supporting the day-to-day management of the business and implementation of the Group's strategy, including the Group's net zero ambitions. The CRCO is the key senior manager responsible for the management of climate-related risks.

A Climate Risk Steering Committee ("CRSC") has been instituted since 2023 to provide senior management oversight of all risk activities relating to the Bank's approach to climate and nature related risk management.

Co-chaired by the CEO and CRCO and attended by the OpCo members, the CRSC met four times in 2025.

Contributing to HSBC's net zero ambition

The Bank follows the Group's approach on continuing to take actions across the organisation to support the implementation of the HSBC Net Zero Transition Plan.

In 2020, the Group set an ambition to become a net zero bank by 2050. Putting customers at the heart of everything we do is key for the Group and financing customers' transition is aligned to the Group's strategy and net zero ambition.

The Group's first net zero transition plan published in January 2024, provides an overview of the Group's net zero strategy and implementation plan for the first time while recognising that the approach will continue to evolve. Since early 2024, the global landscape has shifted markedly, making the pace of transition more uneven. Against this broader landscape, the Group published an updated plan in November 2025, intensifying its efforts to be customer focused, commercial and agile. The Group has also strengthened its associated governance and risk management processes, updated its interim sector-specific financed emissions targets, and published a new Sustainability Risk Policies Framework.

Against this backdrop, the Bank continues its contribution to Group's initiatives and plan.

Supporting our customers

As a global financial institution, the Group, including the Bank, exists to serve its customers. Supporting its customers' transition is one of the most significant roles the Group can play in the global transition to net zero. This will help to deliver long-term value for customers and shareholders. The Group has refined its approach to continue to be responsive to the diverse realities faced by different customers believes across the world, from individuals through to multinational corporates and institutions. For how the Group incorporates net zero considerations into its approach to supporting different customer groups through the transition, see the 'Supporting Our Customers' section in HSBC Group's Net Zero Transition Plan at <https://www.hsbc.com/who-we-are/our-climate-strategy/our-net-zero-transition-plan>.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Climate-related and environmental financial risk disclosure (continued)

Supporting our customers (continued)

The Bank continues to contribute to HSBC Group's ambition in helping its customers transition to net zero and a sustainable future by providing and facilitating between US\$750bn and US\$1tn of sustainable finance and investment by 2030. The Group's sustainable finance and investment ambition aims to help promote green, sustainable and socially-focused business and sustainable investment products and solutions.

The Group defines sustainable finance and investment as any form of financial service that integrates ESG criteria into business or investment decisions. This includes financing, investing and related activities that support the achievement of the United Nation's Sustainable Development Goals ('UN SDGs'), including but not limited to the aims of the Paris Agreement on climate change. The Group's Sustainable Finance and Investment Data Dictionary sets out its approach for classifying financing and investment as sustainable for the purpose of tracking and disclosing its performance against the sustainable finance and investment ambition.

The Group's sustainable finance and investment's detailed definitions is available in the Group's Sustainable Finance and Investment Data Dictionary 2025 (see www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre). Continued progress towards achieving the Group's sustainable finance and investment ambition is dependent on market demand for the products and services set out in the Group's Sustainable Finance and Investment Data Dictionary 2025. The Bank leverages of the Group's approach and assessment.

Working with customers

The Group takes a holistic approach to understanding and supporting the transition journeys of its customers and potential customers. Regular engagement with corporate customers helps tailor its solutions to the diverse realities they face around the globe, and the different stages of their transition journey.

CIB, which incorporates HSBC Infrastructure Finance, gives its customers seamless access to global capital, markets expertise and financing through a single platform.

The Group has also refreshed its strategy to support the transitions of its CIB and Commercial Banking customers and deliver on its growth ambition. Lending to corporate and institutional customers makes up the majority of the Group's balance sheet and financed emissions, so the role the Group plays with these customers is critical to achieving its net zero ambition.

Net zero in HSBC's own operations

The Group continues to address the emissions from its own operations and supply chain by focusing on reducing its consumption and replacing consumption with low carbon alternatives. Based on the Group's current pathway to net zero, in the interim the Group expects to achieve a reduction of around 40% in emissions from HSBC's operations, business travel and supply chain by 2030, compared with its 2019 baseline year. Only high-integrity carbon credits will be used to remove any residual emissions from its own operations that cannot otherwise be reasonably reduced. The Group continues to monitor external guidance, including from the Science Based Target initiative, to seek to ensure its approach remains credible.

Managing climate risk

Climate risk relates to the financial and non-financial impacts that may arise as a result of climate change and the move to a net zero economy. The Bank manages climate risk across all its businesses and incorporates climate considerations within its traditional risk types, in line with the Group-wide risk management framework with oversight from the Board.

The Bank's material exposure to climate risk relates to wholesale client financing activity within its banking portfolio.

The Group's (including the Bank's) banking business is well positioned to support its customers managing their own climate risk through financing. For its most material wholesale customers, the Group (including the Bank) uses a transition engagement questionnaire to understand clients' climate strategies and risks. The Group has set out a suite of policies to guide the Bank's management of climate risk. The Group continues to enhance its climate risk appetite and metrics to help manage climate exposures.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Climate-related and environmental financial risks disclosures (continued)

Managing climate risk (continued)

Overview

The Group's climate risk approach identifies two primary drivers of climate risk:

- physical risk, which arises from the increased frequency and severity of extreme weather events, such as tropical cyclones and floods, or chronic gradual shifts in weather patterns or rises in sea level; and
- transition risk, which arises from the process of moving to a net zero economy, including changes in government policy and legislation, technology, market demand, and reputational implications triggered by a change in stakeholder expectations, actions or inaction

The Group continues to identify a thematic issue related to climate risk that could manifest as reputational, regulatory compliance, and litigation risks: the risk of greenwashing. This risk arises from knowingly or unknowingly making inaccurate, unclear, misleading or unsubstantiated claims regarding sustainability to its stakeholders. Net zero alignment risk had previously been identified as a thematic issue and is now replaced and managed under the HSBC Group's new risk type, Sustainability Execution Risk, to help identify and manage the risks associated with the delivery and execution of the HSBC Group's sustainability strategy. The Bank leverages of the Group's approach and assessment.

Approach

The Bank acknowledges that the physical effects of climate change and the shift towards a net zero economy pose substantial financial risks for companies, investors and the financial system. The Bank may encounter climate risks directly or indirectly through its customer relationships, potentially leading to both financial and non-financial consequences.

The Group's (including the Bank's) climate risk approach aim to effectively manage the material climate risks that could impact the Group's operations, financial performance and stability, and reputation. It is informed by the evolving expectations of the Bank's regulators and is aligned to its Group-wide risk management framework, which sets out how risks are identified assessed and managed across its three lines of defence. For further details of the three lines of defence framework, please refer to the Statement of Corporate Governance practices.

The Group is committed to enhancing its climate risk capabilities across its businesses by prioritising sectors, portfolios and counterparties with the highest impacts. Recognising this as a long-term, iterative process, the Group aims to expand its coverage and integrate more advanced data, climate analytics, frameworks and tools, while adapting to emerging industry best practices and climate-related regulations.

The Group's annual climate risk materiality assessment helps it to understand how climate risk may impact HSBC's risk taxonomy. It assesses the type of impact, likelihood and severity over a 12-month period, and also considers forward looking risk impacts. It is used to support policy, control enhancements, and scenario analysis.

The table below provides an overview of the climate risk drivers considered within the Group's climate risk approach, which is followed by the Bank:

Climate risk – primary risk drivers		Details	Potential Impacts	Time horizons
Physical	Acute	Increased frequency and severity of weather events causing disruption to business operations.	<ul style="list-style-type: none"> - Decreased real estate values or stranded assets - Decreased household income and wealth - Increased costs of legal and compliance - Increased public scrutiny - Decreased profitability - Lower asset performance 	Short term Medium term Long term
	Chronic	Longer-term shifts in climate patterns (e.g. sustained higher temperatures, sea level rise, shifting monsoons or chronic heat waves).		
Transition	Policy and legal	Mandates on, and regulation of products and services and/or policy support for low carbon alternatives. Litigation from parties who have suffered loss and damage from climate impacts.		
	Technology	Replacement of existing products with lower emissions and/or lower options.		
	End-demand (market)	Changing consumer demand from individuals and corporates.		
	Reputational	Increased scrutiny following a change in stakeholder perceptions of climate-related action or inaction.		

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Climate-related and environmental financial risks disclosures (continued)

Approach (continued)

Climate risk – thematic issues

Risk of greenwashing	Firm	Making inaccurate, unclear, misleading or unsubstantiated claims in relation to HSBC's sustainability commitments and targets, as well as the reporting of our performance towards them.
	Product	Making inaccurate, unclear, misleading or unsubstantiated claims in relation to products or services offered to clients that have stated sustainability objectives, characteristics, impacts or features.
	Client	Making inaccurate, unclear, misleading or unsubstantiated claims as a consequence of its relationships with clients or transactions HSBC undertakes with them, where their sustainability commitments or related performance are misrepresented or are not aligned to its own commitments.

The table below provides a summary of how climate risk may impact a subset of the Group's principal risks.

Climate risk drivers	Credit risk	Traded risk	Reputational risk	Regulatory compliance risk	Resilience risk	Other financial and non-financial risk types
Physical risk	✓	✓			✓	✓
Transition risk	✓	✓	✓	✓	✓	✓

Climate risk management

Key developments in 2025

The Bank continues to develop its climate risk management capabilities. The following outlines key developments in 2025:

- The Group enhanced its approach to assessing the impact of climate change on capital, focusing on credit, market and operational risk.
- The Group enhanced its internal climate scenario analysis, including through improvements to input data and models.
- The Bank further embeds climate risk considerations into credit risk assessments by leveraging the revised HSBC climate risk guidelines for relationship managers.

While the Group (including the Bank) has made progress, further work remains, including the need to develop additional metrics and tools to measure the Group's (including the Bank's) exposure to climate-related risks.

Governance and Structure

The Management of the Bank takes overall responsibility for the climate strategy, overseeing executive management in developing the approach, execution, and associated reporting.

The Bank's CRCO is the key senior manager responsible for the management of climate-related risks.

The Bank's CRSC oversees risk activities relating to climate and nature related risk management and the escalation of the risks. The Bank's RMM receives regular updates related to climate risk and sustainability lending.

Risk appetite

The Bank's climate risk appetite forms part of the Bank's risk appetite statement and supports the business in delivering its net zero ambition effectively and sustainably.

Policies, processes and controls

The Group (including the Bank) continues to update and integrate climate risk into policies, processes and controls across many areas of the organisation.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Climate-related and environmental financial risk disclosure (continued)

Embedding climate risk within existing risk taxonomy

The table below provides further details on how the Bank has embedded the management of climate risk across key risk types in line with the Group's risk taxonomy.

Wholesale Credit Risk

The Bank has metrics in place to monitor the exposure of its wholesale corporate lending portfolio to six high transition risk sectors which are: automotive; chemicals; construction, contacting and building materials; metals and mining; oil and gas; and power and utilities.

The Bank's relationship managers engage with their key wholesale customers, including those in higher transition risk sectors, through a transition engagement questionnaire ('TEQ'). The TEQ covers all geographies, and it helps to gather information and assess the wholesale customers' business model aligned to a net zero transition and their exposure to physical and transition risks. The Bank uses the responses to the questionnaire to risk-assess its key wholesale customers.

The Group's credit policies require that relationship managers comment on climate risk factors in credit applications for new money requests and annual credit reviews. The credit policies also require manual credit risk rating overrides if climate is deemed to have a material impact on credit risk under 12 months if not already captured under the original credit risk rating.

In 2025, the Group continued to develop its approach towards credit risk management and refine climate risk guidelines for relationship managers to further embed climate risk considerations into credit risk assessments.

Key challenges for further embedding climate risk into credit risk management relate to the availability of adequate physical risk data to assess impacts on the wholesale customers.

Treasury Risk

Climate risk may impact treasury risk through increased regulatory requirements and from changes to customer behaviours, which may result in increased deposit outflows.

The Group assessed impact of climate change on capital as part of the Group internal capital adequacy assessment ('ICAAP'), focusing on credit risk, traded risk and operational risk; and performed climate risk stress testing as required by the regulators.

Internal liquidity adequacy assessment process ('ILAAP') included assessment of how climate risk may impact key liquidity risk drivers and the Group's liquidity position.

Traded risk

Climate risk may result in trading losses due to increases in market volatility and widening spreads from the macro and microeconomic impacts of transition and physical risk. The Group monitors climate sensitive exposures against regional limits, including for vulnerable countries and high-transition risk sectors.

Climate scenarios are included in the Group's stress testing scenario library and run every month to identify the vulnerabilities of the trading book in a climate-stressed context. The scenarios are updated annually in light of the most recent developments in terms of policy and climate events, with exposures and stress testing results reported to global and regional senior management.

Reputational risk

The Group manages reputational impact of climate risk through its broader reputational risk framework, supported by its sustainability risk policies and metrics.

The Group's regional network of sustainability risk managers provides policy guidance to relationship managers in relation to policy compliance, and in support of implementation across the Group's wholesale banking activities.

Climate-related and environmental financial risk disclosure (continued)

Sustainability execution risk

Sustainability execution risk ('SER') has been formally defined as a new risk type to help identify and manage the risks around the delivery and execution of the Group's sustainability strategy. SER is embedded in the Group's risk taxonomy to help enable effective end-to-end risk management of the Group's sustainability ambitions, targets and commitments through risk stewardship to support monitoring and assessing controls and emerging risks.

Regulatory compliance risk

Regulatory Compliance oversees and supports the business in the management of climate-related risks that could cause breaches of the Bank's regulatory duties to customers and inappropriate market conduct. The Bank's policies include sustainability considerations, particularly in relation to new and ongoing product management, sales outcomes, conflicts of interest and product marketing. The Group (including the Bank) continues to enhance the associated control frameworks, processes and customer outcomes.

Resilience risk

Climate risk may influence resilience risks through impacts on the Bank's buildings or through physical and/or transition disruption to third-party supplier relationships.

The Group reviews how physical climate risk scenarios may affect properties across the region by contributing to and using the results of the Group-wide Internal Climate Scenario Analysis exercise. This process helps the Group identify potential regional challenges and supports decision-making and planning.

Model risk

Model risk in a climate-related context refers to the uncertainties and complexities inherent in the modelling of the financial impact translation of climate-related changes and scenarios.

Climate risk models are used for climate scenario analysis, risk management, and emissions reporting among other use cases. Key challenges, shared across the industry, include the quality and consistency of data, and assumptions required to mitigate these inherent model limitations.

Model risk policy and procedures continue to evolve in line with regulation, setting out the minimum control requirements for identifying, measuring and managing model risk for climate-related models.

Challenges

Key challenges include:

- the diverse range of internal and external data sources and data structures needed for climate-related reporting, which introduces data accuracy and reliability risks;
- industry-wide data gaps on customer emissions and transition plan and methodology gaps, which limit the group's ability to assess transition risks accurately; and
- data limitations on customer assets and supply chains, and methodology gaps, which hinder the group's ability to assess physical risks accurately.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement of compliance

(Section 75 (3) of the Financial Reporting Act)

Name of Public Interest Entity (the “PIE”): The Hongkong and Shanghai Banking Corporation Limited – Mauritius Branch

Reporting period: 31 December 2025

We, on behalf of the Management of The Hongkong and Shanghai Banking Corporation Limited – Mauritius Branch, confirm that to the best of our knowledge the PIE has complied with the obligations and requirements of The National Code of Corporate Governance for Mauritius (2016).



Hajrah Sakauloo
**Chief Executive Officer and Head of
Banking**



Jason Chin-Koon-Siew
Head of Finance

Date: 23 March 2026

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement of management's responsibility for financial reporting

The Bank's financial statements have been prepared by management, which is responsible for their integrity, consistency, objectivity, and reliability. IFRS Accounting Standards as well as the requirements of the Mauritian Banking Act 2004 and the guidelines issued thereunder have been applied and management has exercised its judgment and made best estimates, where deemed necessary.

The Bank has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well-defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the Bank's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the Bank.

The Bank's Senior Management oversees the Management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The Bank's internal auditor conducts a well-designed program of internal audits. In addition, the Bank's compliance function maintains policies, procedures, and programs directed at ensuring compliance with regulatory requirements.

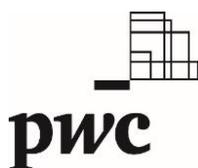
Pursuant to the provisions of the Mauritian Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the Bank as it deems necessary.

The Bank's external auditor, PricewaterhouseCoopers ("PwC"), has full and free access to the management and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

Hajrah Sakauloo
**Chief Executive Officer and Head of
Banking**

Jason Chin-Koon-Siew
Head of Finance

Date: 23 March 2026



Independent Auditor's Report

To the Directors of
The Hongkong and Shanghai Banking Corporation Limited

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the financial statements give a true and fair view of the financial position of The Hongkong and Shanghai Banking Corporation Limited – Mauritius Branch (the “Bank”) as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and in compliance with the Mauritian Companies Act 2001.

What we have audited

The financial statements of The Hongkong and Shanghai Banking Corporation Limited – Mauritius Branch set out on pages 61 to 163 comprise:

- the statement of financial position as at 31 December 2025;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include material accounting policy information and other explanatory information.

Basis for Opinion

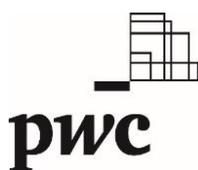
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the “IESBA Code”) as applicable to audits of financial statements of public interest entities. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, PwC Centre, Avenue de Telfair, Telfair 80829, Moka, Republic of Mauritius
Tel: +230 404 5000, Fax: +230 404 5088, www.pwc.com/mu
Business Registration Number : F07000530



Independent Auditor’s Report

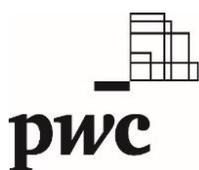
To the Directors of
The Hongkong and Shanghai Banking Corporation Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Credit impairment provisions under IFRS 9</p> <p>As at 31 December 2025, the Bank recorded allowances for expected credit losses on its financial assets of MUR3.7m (refer to note 37(b)(ii) of the financial statements).</p> <p>This is an area of focus because the determination of expected credit losses (‘ECL’) requires the use of complex credit risk methodologies based on the Bank’s historic experience of the correlations between defaults and losses, borrower creditworthiness and economic conditions, which can result in limitations in their reliability to appropriately estimate ECL. Judgement and subjectivity are involved in determining whether these methodologies and their application in models remain appropriate. Management judgement also include:</p> <ul style="list-style-type: none"> • Evaluation of significant increase in credit risk (‘SICR’); • Input assumptions applied to estimate the probability of default (‘PD’), exposure at default (‘EAD’) and loss given default (‘LGD’); • Incorporating forward economic guidance; • Likelihood of economic scenarios; and • Making post model adjustments. 	<p>Given the complexity of the model used for the ECL computation, experts with experience in modelling assisted us.</p> <p>We tested controls in place over the methodologies, their application, significant assumptions and data used in determining the ECL provision. These included controls over the approval of credit facilities, subsequent monitoring, determination of customer credit ratings and system reconciliations performed.</p> <p>We performed substantive audit procedures over the compliance of ECL methodologies with the requirements of IFRS 9.</p> <p>We selected a sample of Stage 1, 2 and 3 exposures and assessed whether the stage classification of these exposures was appropriate in terms of the Bank’s criteria for SICR at the end of the reporting period. This procedure included the inspection of credit ratings at the end of the reporting period, relative to origination date.</p> <p>We reviewed the minutes of the Impairment Committee to assess management’s challenge and discussions surrounding models, ECL output and the approval of any model adjustments.</p>



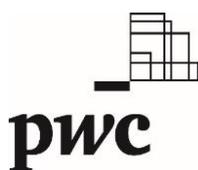
Independent Auditor’s Report

To the Directors of
The Hongkong and Shanghai Banking Corporation Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)
...	<p>We assessed the appropriateness of methodologies used during the year, giving specific consideration to whether management judgmental adjustments were needed. Where management judgemental adjustments were made, we assessed ECL determined and the analysis supporting them.</p> <p>We further performed the following to assess the significant assumptions, data and disclosures:</p> <ul style="list-style-type: none"> • We involved our economic experts in assessing the significant assumptions made in determining the severity and probability of weighting of forward-looking economic scenarios; • We involved our modelling specialists in assessing the appropriateness of the assumptions of the significant assumptions and methodologies used for models; • We considered whether the judgements made in selecting the significant assumptions, as well as determining the management judgemental adjustments, would give rise to indicators of possible management bias; • We performed substantive audit procedures over critical data used in the determination of ECL to ensure these are relevant and reliable; and • We have evaluated and tested the credit risk disclosures made in the annual report.



Independent Auditor's Report

To the Directors of
The Hongkong and Shanghai Banking Corporation Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include 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 identified above 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.

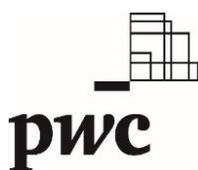
If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and in compliance with the Mauritian Companies Act 2001, the Mauritian Banking Act 2004 and regulations and guidelines issued by the Bank of Mauritius and for such internal control as management determines 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, management is 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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the financial reporting process.



Independent Auditor's Report

To the Directors of
The Hongkong and Shanghai Banking Corporation Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

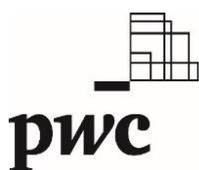
Auditor's Responsibilities for the Audit of the Financial Statements

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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.



Independent Auditor's Report

To the Directors of
The Hongkong and Shanghai Banking Corporation Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with management 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.

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

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

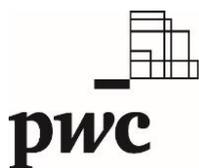
The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- (a) we have no relationship with or interests in the Bank other than in our capacity as auditor;
- (b) we have obtained all the information and explanations we have required; and
- (c) in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

Mauritian Banking Act 2004

The Mauritian Banking Act 2004 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- (a) in our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Mauritian Banking Act 2004 and regulations and guidelines issued by the Bank of Mauritius; and
- (b) the explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.



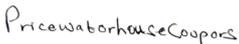
Independent Auditor's Report

To the Directors of
The Hongkong and Shanghai Banking Corporation Limited (Continued)

Report on Other Legal and Regulatory Requirements (Continued)

Mauritian Financial Reporting Act 2004

Our responsibility under the Mauritian Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance ("Code") disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Bank has, pursuant to section 75 of the Mauritian Financial Reporting Act 2004, complied with the requirements of the Code.

Signed by:

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PricewaterhouseCoopers

Signed by:

A123B1561E60462...
Shakil Maghun, licensed by FRC

23 March 2026

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2025

	Notes	2025 MUR'000	2024 MUR'000	2023 MUR'000
Interest income		475,843	447,163	367,520
Interest expense		(161,208)	(111,757)	(20,652)
Net interest income	9	314,635	335,406	346,868
Fee and commission income		83,556	83,319	89,906
Fee and commission expense		(7,129)	(3,986)	(7,993)
Net fee and commission income	10	76,427	79,333	81,913
Net trading income	11	138,713	137,648	163,327
		529,775	552,387	592,108
Other operating income	12	184,521	222,685	183,887
Total operating income		714,296	775,072	775,995
Net impairment (charge)/release on financial assets	13	(1,231)	5,699	20,268
Personnel expenses	14	(259,988)	(302,938)	(386,751)
Operating lease expenses	15	(745)	(1,395)	(1,307)
Depreciation and amortisation		(22,093)	(36,462)	(36,938)
Other expenses	16	(344,652)	(421,350)	(375,876)
Total expenses		(627,478)	(762,145)	(800,872)
Profit/(loss) before tax		85,587	18,626	(4,609)
Income tax expense	17	(33,250)	-	-
Profit/(loss) after tax in respect of continuing operations		52,337	18,626	(4,609)
Profit/(loss) after tax in respect of discontinued operations	8	15,963	(49,574)	(456,641)
Profit/(loss) for the year		68,300	(30,948)	(461,250)
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of retirement benefits	32	184,439	44,736	1,443
Gain/(loss) on revaluation of land and buildings	25	-	34,443	(29,973)
		184,439	79,179	(28,530)
Items that may be reclassified to profit or loss				
Net change in fair value of financial assets at fair value		6,258	24,546	54,871
Total other comprehensive income for the year		190,697	103,725	26,341
Total comprehensive income for the year		258,997	72,777	(434,909)

The notes on pages 65 to 163 form part of these financial statements.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement of financial position
as at 31 December 2025

	Notes	2025 MUR'000	2024 MUR'000	2023 MUR'000
ASSETS				
Cash and cash equivalents	18	6,360,791	7,218,517	10,974,704
Trading assets	19	-	60	31
Loans and advances to banks	20	635,373	524,009	650,864
Loans and advances to customers	21	3,359,454	3,596,392	4,615,880
Investment securities at FVOCI	22	2,759,398	2,063,225	5,649,758
Investment securities at amortised cost	22	857,563	670,986	1,309,196
Assets held for sale	8	73,829	86,625	6,480,194
Other assets	23	431,985	223,318	382,192
Intangible assets	24	985	1,795	2,012
Property, plant and equipment	25	54,877	65,532	276,650
Total assets		14,534,255	14,450,459	30,341,481
LIABILITIES				
Deposits from banks	27	1,269,011	667,664	236,916
Deposits from customers	28	7,082,677	7,631,443	6,871,642
Trading liabilities	19	506	744	603
Other borrowed funds	29	3,047,146	3,217,521	133,687
Liabilities directly associated with assets classified as held for sale	8	-	-	19,662,529
Current tax liabilities	17	33,250	-	-
Other liabilities	30	213,975	302,989	878,198
Total liabilities		11,646,565	11,820,361	27,783,575
Shareholder's funds				
Assigned capital	31	1,499,750	1,499,750	1,499,750
Retained earnings	31	925,647	659,228	451,573
Other reserves	31	462,293	471,120	606,583
Total shareholder's funds		2,887,690	2,630,098	2,557,906
Total liabilities and shareholder's funds		14,534,255	14,450,459	30,341,481

Approved on and authorised for issue by the Operating Committee on 23 March 2026.



Hajrah Sakauloo
Chief Executive Officer and Head of Banking



Jason Chin-Koon-Siew
Head of Finance

Date: 23 March 2026

The notes on pages 65 to 163 form part of these financial statements

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

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

	Assigned capital	Retained earnings	Other Reserves				Fair value reserve	Total shareholder's funds
			Share based payment	Revaluation reserve	Statutory reserve	General banking reserve		
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Balance at 1 January 2023	794,150	896,274	13,981	237,147	306,835	132,833	(95,585)	2,285,635
Total comprehensive income								
Loss for the year from continuing operations	-	(4,609)	-	-	-	-	-	(4,609)
<i>Other comprehensive income</i>								
Net change in fair value of financial asset at FVOCI	-	-	-	-	-	-	54,871	54,871
Realisation of revaluation reserve to retained earnings	-	1,073	-	(1,073)	-	-	-	-
Remeasurements of retirement obligations	-	1,443	-	-	-	-	-	1,443
Revaluation of land and buildings	-	-	-	(29,973)	-	-	-	(29,973)
Total other comprehensive income	-	2,516	-	(31,046)	-	-	54,871	26,341
Total comprehensive income from continuing operations	-	(2,093)	-	(31,046)	-	-	54,871	21,732
Total comprehensive income from discontinued operations	-	(456,641)	-	-	-	-	-	(456,641)
Transactions with owner of the Bank								
Other movements during the year	705,600	-	1,580	-	-	-	-	707,180
Net change in fair value of share-based payment liability	-	(647)	647	-	-	-	-	-
Transactions with owner of the Bank	705,600	(647)	2,227	-	-	-	-	707,180
Transfer to general banking reserve	-	14,680	-	-	-	(14,680)	-	-
Balance at 31 December 2023	1,499,750	451,573	16,208	206,101	306,835	118,153	(40,714)	2,557,906
Total comprehensive income								
Profit for the year from continuing operations	-	18,626	-	-	-	-	-	18,626
<i>Other comprehensive income</i>								
Net change in fair value of financial asset at FVOCI	-	-	-	-	-	-	24,546	24,546
Realisation of revaluation reserve to retained earnings	-	147,852	-	(147,852)	-	-	-	-
Remeasurements of retirement obligations	-	44,736	-	-	-	-	-	44,736
Revaluation of land and buildings	-	-	-	34,443	-	-	-	34,443
Total other comprehensive income	-	192,588	-	(113,409)	-	-	24,546	103,725
Total comprehensive income from continuing operations	-	211,214	-	(113,409)	-	-	24,546	122,351
Total comprehensive income from discontinued operations	-	(49,574)	-	-	-	-	-	(49,574)
Transactions with owner of the Bank								
Other movements during the year	-	-	(585)	-	-	-	-	(585)
Net change in fair value of share-based payment liability	-	(737)	737	-	-	-	-	-
Transactions with owner of the Bank	-	(737)	152	-	-	-	-	(585)
Transfer to general banking reserve	-	46,752	-	-	-	(46,752)	-	-
Balance at 31 December 2024	1,499,750	659,228	16,360	92,692	306,835	71,401	(16,168)	2,630,098
Total comprehensive income								
Profit for the year from continuing operations	-	52,337	-	-	-	-	-	52,337
<i>Other comprehensive income</i>								
Net change in fair value of financial asset at FVOCI	-	-	-	-	-	-	6,258	6,258
Realisation of revaluation reserve to retained earnings	-	-	-	-	-	-	-	-
Remeasurements of retirement obligations	-	184,439	-	-	-	-	-	184,439
Total other comprehensive income	-	184,439	-	-	-	-	6,258	190,697
Total comprehensive income from continuing operations	-	236,776	-	-	-	-	6,258	243,034
Total comprehensive income from discontinued operations	-	15,963	-	-	-	-	-	15,963
Transactions with owner of the Bank								
Other movements during the year	-	-	(1,405)	-	-	-	-	(1,405)
Net change in fair value of share-based payment liability	-	793	(793)	-	-	-	-	-
Transactions with owner of the Bank	-	793	(2,198)	-	-	-	-	(1,405)
Transfer to general banking reserve	-	12,887	-	-	-	(12,887)	-	-
Balance at 31 December 2025	1,499,750	925,647	14,162	92,692	306,835	58,514	(9,910)	2,887,690

The notes on pages 65 to 163 form part of these financial statements

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement of cash flows

for the year ended 31 December 2025

	Notes	2025 MUR'000	2024 MUR'000	2023 MUR'000
Cash flows from operating activities				
Profit/(loss) before income tax from:				
Continuing operations		85,587	18,626	(4,609)
Discontinued operations		15,963	(49,574)	(456,641)
Profit/(loss) before income tax including discontinued operations		101,550	(30,948)	(461,250)
Adjustments for:				
Depreciation, amortisation and impairment		22,093	31,103	75,077
Loss recognised as a result of a remeasurement to fair value less costs to sell		12,796	11,500	-
(Gain)/loss on disposal of property, plant and equipment	12	(1,177)	5,966	745
Loss on disposal of investment securities	12	-	948	-
Profit on modification of lease	12	(362)	(99)	(98)
Net impairment charge/(release) on financial assets		1,231	(5,790)	(26,960)
Net interest income		(314,635)	(512,925)	(737,709)
Exchange differences in respect of cash and cash equivalents		(59,184)	(500,958)	(62,449)
		(237,688)	(1,001,203)	(1,212,644)
Changes in:				
Other assets		(112,626)	89,265	42,765
Other liabilities		103,147	(533,091)	683,905
Trading assets	19 (a)	60	(29)	5,499
Trading liabilities	19 (b)	(238)	141	(6,268)
Loans and advances to customers		237,337	979,575	1,149,202
Loans and advances to banks		(105,888)	139,112	(454,155)
Deposits from customers		(548,255)	759,801	(130,130)
Deposits from banks		601,347	430,748	(214,315)
Interest received		368,445	887,952	1,201,432
Interest paid		(165,083)	(341,372)	(503,049)
Other borrowed funds		(167,068)	3,083,834	(310,807)
Operating assets and liabilities, net of effects from sale of business		-	(1,856,182)	-
Net cash flow on sale of disposal discontinued business		-	(11,382,096)	-
		(26,510)	(8,743,545)	251,435
Tax paid	17	-	-	(44,099)
Net cash (used in)/from operating activities		(26,510)	(8,743,545)	207,336
Cash flows from investing activities				
Acquisition of property, plant and equipment	25	(12,321)	(14,647)	(40,294)
Proceeds from disposal of property, plant and equipment		25	14,818	400
Proceeds from sale of assets held for sale		-	159,300	-
Purchase of investment securities		(3,141,061)	(5,550,529)	(119,948,697)
Proceed from sale and maturity of investment securities		2,665,150	9,872,897	120,827,395
Net cash (used in)/from investing activities		(488,207)	4,481,839	838,804
Cash flows from financing activities				
Principal element of lease payments		(6,362)	(6,712)	(14,488)
Repatriation of profit		-	-	-
Capital increase		-	-	705,600
Net cash (used in)/from financing activities		(6,362)	(6,712)	691,112
Net change in cash and cash equivalents		(521,079)	(4,268,418)	1,737,252
Cash and cash equivalents at 1 January		7,319,947	11,087,407	9,287,706
Exchange differences in respect of cash and cash equivalents		59,184	500,958	62,449
Cash and cash equivalents at 31 December	35	6,858,052	7,319,947	11,087,407

The notes on pages 65 to 163 form part of these financial statements

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Reporting entity

The Hongkong and Shanghai Banking Corporation Limited – Mauritius Branch (the 'Bank') is registered in the Republic of Mauritius as a foreign company and holds a banking licence issued by the BoM. The Bank is registered in Mauritius as a branch of The Hongkong and Shanghai Banking Corporation Limited, a company incorporated in Hong Kong. The Bank's registered office is Icon Ebene, Level 5, Office 1 (West Wing), Rue de L'Institut, Ebene 72201, Mauritius. The Bank's activities involve a business structure under Corporate and Institutional Banking. The Bank offers a comprehensive range of financial services including foreign exchange and money market products, global trade services, global payments solutions and custody and clearing services.

2. Basis of preparation

(a) Compliance with IFRS Accounting Standards

The Bank's financial statements have been prepared in accordance with IFRS Accounting Standards and in compliance with the requirements of the Mauritian Companies Act 2001, the Mauritian Banking Act 2004 and the regulations and guidelines issued by the BoM.

(b) New and amended standards for accounting period beginning 1 January 2025:

Amendments to IAS 21 Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025)

In August 2023, the IASB amended IAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not.

These amendments had no material impact on the Bank's operations or financial statements.

(c) New standards and interpretations not yet adopted

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the Bank. The Bank's assessment of the impact of these new standards and amendments is set out below:

(i) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026)

In May 2024, the IASB issued amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures', effective for annual reporting periods beginning on, or after, 1 January 2026. In addition to guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system, the amendments also provide further clarification regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arising from ESG-related contingencies, and financial assets with certain non-recourse features.

The Bank does not expect these amendments to have a material impact on its operations or financial statements.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

2 Basis of preparation (continued)

(c) New standards and interpretations not yet adopted (continued)

(ii) IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)

In April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. The new accounting standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It will replace IAS 1 'Presentation of Financial Statements' but carries over many requirements from that IFRS Accounting Standard unchanged. In addition, there are three sets of new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of financial information.

While IFRS 18 will not change recognition criteria or measurement bases, it will have an impact on presenting information in the financial statements, in particular the income statement and to a lesser extent the cash flow statement.

The Bank will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial years ending 31 December 2025 and 31 December 2026 will be restated in accordance with IFRS 18.

(d) *Basis of measurement*

The financial statements have been prepared on a historical cost basis except for the following items:

- derivative financial instruments are measured at fair value;
- Fair value through other comprehensive income ("FVOCI") financial assets;
- financial instruments at fair value through profit or loss ("FVPL") are measured at fair value; and
- net defined benefit (asset)/liability is measured at fair value of plan assets less present value of the defined benefit obligation;
- assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

(e) *Critical accounting estimates and judgments*

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items highlighted as the critical accounting estimates and judgements in note 4, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of these financial statements. Management's selection of the Bank's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

(f) *Going concern*

The financial statements are prepared on a going concern basis as management is satisfied that the Bank has the resources to continue in business for the foreseeable future. In making this assessment, Management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources. These considerations include stressed scenarios as well as considering potential impacts from other top and emerging risks, and the related impact on profitability, capital and liquidity.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

2 Basis of preparation (continued)

(g) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand Mauritian Rupees unless otherwise stated.

(h) Segmental reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the BoM Guideline on Public Disclosure of Information, the Bank is required to split into Resident and Non-Resident:

- Non-Resident means a person whose centre of economic interest is located outside Mauritius; and includes a company incorporated in Mauritius in so far as its banking transactions carried out through a permanent establishment outside Mauritius are concerned; but does not include a company incorporated outside Mauritius in so far as its banking transactions carried out through a permanent establishment in Mauritius are concerned.
- Resident relates to banking business other than Non-Resident business.

Expenditure incurred by the Bank but which is not directly attributable to income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

Neither these guidelines nor IFRS mandate the application of IFRS 8 to the financial statements of the Bank.

3. Summary of material accounting policies

The accounting policies set out below have been applied consistently to all the years presented in the financial statements unless otherwise stated.

(a) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The financial statements of the Bank are presented in Mauritian Rupees ("MUR"), which is the Bank's functional currency and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the reporting date except non-monetary assets and liabilities measured at historical cost that are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the profit or loss depending on where the gain or loss on the underlying item is recognised.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(b) Interest

Interest income and expense are recognised in profit or loss for all interest-bearing financial instruments measured at amortised cost and FVOCI using the effective interest method. The effective interest method is a way of calculating the amortised cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received by the Bank that are an integral part of the effective interest rate.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(c) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Fees and commission income are earned from a diverse range of services provided by the Bank to its customers. The Bank acts as principal in the majority of contracts with customers, with the exception of broking services. For most brokerage trades, the Bank acts as agent in the transaction and recognises broking income net of fees payable to other parties in the arrangement.

The Bank recognises fees earned on transaction-based arrangements at a point in time when we have fully provided the service to the customer, for example, fees arising from negotiating a transaction (fee and commission income and global custody fees). Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement (for example, retail banking customer fees, corporate banking related fees and financial guarantee contracts). It should be noted that the Bank does not offer services with multiple non-distinct/distinct performance obligations.

Fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(d) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes and foreign exchange differences.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(e) Leases

Leases are recognised as a Rights of Use (“ROU”) asset and a corresponding lease liability at the date at which the leased asset is made available for use. Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant period rate of interest on the remaining balance of the liability. The ROU asset is depreciated over the shorter of the ROU asset’s useful economic life and the lease term on a straight-line basis.

The Bank leases various offices and residential properties. The rental contracts are typically made for fixed period of 1 to 6 years but may have extension options as described below. However, during 2025, all office leases were terminated. The lease agreements do not impose any covenants, but the leased assets may not be used as a security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Extension and termination option

Extension and termination options are included in the property leases. These terms are used to maximise operational flexibility in terms of managing contracts. The extension and termination options held are exercisable only by the Bank and not by the respective lessor.

Lease modification

A lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of its original terms and conditions. Common lease modifications include, for example:

- increasing the scope of the lease by adding the right to use one or more underlying assets;
- decreasing the scope of the lease by removing the right to use one or more underlying assets or shortening the contractual lease term;
- increasing the scope of the lease by extending the contractual lease term; and
- changing the consideration in the lease by increasing or decreasing the lease payments.

Changes that result from renegotiations and changes to the terms of the original contract are lease modifications.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(f) Income tax

The tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

On 20 June 2023, legislation was substantively enacted in the UK, the jurisdiction of the entity's ultimate parent entity, HSBC Holdings plc, to introduce the 'Pillar Two' global minimum tax model rules of the OECD's Inclusive Framework on Base Erosion and Profit Shifting (BEPS), with effect from 1 January 2024.

Under these rules, a top-up tax liability arises where the effective tax rate of the parent's operations in a jurisdiction, calculated based on principles set out in the OECD's Pillar Two model rules, is below 15%. Any additional tax arising in relation to jurisdictions in which a Qualified Domestic Minimum Top-up Tax ("QDMTT") applies will be payable to the tax authority in that jurisdiction. Where there is no QDMTT, any resulting tax is payable by HSBC Holdings plc, being the Group's ultimate parent, to the UK tax authority.

During 2022, the government of Mauritius has passed the proposed Pillar Two legislation and a QDMTT, however no effective date has been mentioned. Based on the Group's forecasts, no material top-up tax liability is expected to arise in Mauritius. However, the impact is dependent upon the ongoing evolution of rules and guidance in the UK and Mauritius.

i) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Bank measures its tax balance either based on the most likely amount or the expected value depending on which method provides a better prediction of the resolution of the uncertainty.

ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(f) Income Tax (continued)

ii) Deferred tax (continued)

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate.

(g) Financial assets and liabilities

Measurement methods

i) Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

ii) Initial recognition and measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date the Bank becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 37(b)(iii), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

'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 or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. 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.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(g) Financial assets and liabilities (continued)

Measurement methods (continued)

ii) Initial recognition and measurement (continued)

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

iii) Classification and subsequent measurement of financial assets

The Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss ('FVPL');
- Fair value through other comprehensive income ('FVOCI'); or
- Amortised cost.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(g) Financial assets and liabilities (continued)

iii) Classification and subsequent measurement of financial assets (continued)

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 37(b)(iii). Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through other comprehensive income ("FVOCI")

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily investment securities. They are recognised on the trade date when the Bank enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Other operating income'.

Fair value through profit or loss ("FVPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented within 'Net trading income' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(g) *Financial assets and liabilities (continued)*

iv) Classification and subsequent measurement of financial liabilities

Under IFRS 9, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at FVPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at FVPL are presented partially in Other Comprehensive Income ("OCI") (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments (see note 3(u)).

The Bank's holding in financial liabilities represents mainly deposits and borrowings from banks, customers and other liabilities

v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

vi) Derecognition

Financial assets or a portion thereof, are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition) or the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(h) Impairment

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at the end of each reporting period. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 37(b)(iii) provides more detail of how the expected credit loss allowance is measured.

(i) Write-off of loans and advances

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss. Note 37(b)(ii)(G) provides more detail on the write off policy of the Bank.

(j) Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in profit or loss.

(k) Renegotiated loans and advances

The Bank may sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

These renegotiated loans are subject to ongoing review to determine whether they remain impaired. The carrying amounts of loans that have been classified as renegotiated retain this classification until maturity or derecognition.

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(k) Renegotiated loans and advances (continued)

Loans are identified as renegotiated and classified as credit-impaired when the Bank modifies the contractual payment terms due to significant credit distress of the borrower. An impairment test is performed on renegotiated loans prior to the modification. Renegotiated loans remain classified as credit-impaired until there is sufficient evidence to demonstrate a reduction in the risk of non-payment of future cash flows and retain the designation of renegotiated until maturity or derecognition.

A loan that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the terms of an existing agreement are modified such that the renegotiated loan is a substantially different financial.

Other than originated credit-impaired loans, all other modified loans could be transferred out of stage 3 if they no longer exhibit any evidence of being credit-impaired and, in the case of renegotiated loans, there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, over the minimum observation period of one year, and there are no other indicators of impairment. These loans could be transferred to stage 1 or 2 by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms). Any amount written off as a result of the modification of contractual terms would not be reversed.

(l) Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents include unrestricted balances held with the BoM and highly liquid financial assets with original maturities of three months or less from the acquisition date including balances with financial institutions.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(m) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, except that non-derivative trading assets may be reclassified out of the fair value through profit or loss – i.e. trading – category if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(n) Intangible assets

Intangible assets are recognised when they are separable or arise from contractual or other legal rights, and it is probable that future economic benefits will flow to the Bank, the cost of which can be measured reliably. Intangible assets include computer software, trade names, mortgage servicing rights, customer lists, core deposit relationships, credit card customer relationships and merchant or other loan relationships. Computer software includes both purchased and internally generated software. The cost of internally generated software comprises all directly attributable costs necessary to create, produce and prepare the software to be capable of operating in the manner intended by management. Costs incurred in the ongoing maintenance of software are expensed immediately as incurred.

Intangible assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable.

Intangible assets with finite useful lives are generally amortised, on a straight-line basis, over their useful lives. The life period of the purchased software is 5 years.

(o) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses, except freehold land and buildings, which are measured at revalued amounts. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

iii) Depreciation

Depreciation is calculated to write off the costs of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of significant items of property, plant and equipment are as follows:

Buildings	- 50 years
Furniture and equipment	- 2 years to 20 years
Computer equipment	- 3 years to 5 years
Motor vehicles	- 5 years

Cost includes expenditure that is directly attributable to the acquisition of the asset. Items less than MUR10,000 are not capitalised but expensed when incurred in the profit and loss. All items between MUR10,000 and MUR60,000 are capitalised with immediate depreciation.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(o) *Property, plant and equipment (continued)*

iv) Revaluation of freehold land and buildings

The Bank's policy is to revalue its freehold land and buildings every five years based on a full valuation report provided by professionally qualified valuers on an open market value basis. However, an interim or desktop valuation is carried out annually by a professionally qualified valuer and the freehold land and buildings are revalued accordingly.

Revaluation surpluses are credited to other comprehensive income and accumulated in the revaluation to reserves in equity. Any subsequent decrease is first charged to reserves in equity. Thereafter, decreases are charged to profit or loss to the extent that the decrease exceeds any amount formerly held in reserves in respect of the same asset. On disposal of revalued assets, the amounts included in the revaluation surplus are transferred to retained earnings.

Items of equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. If significant parts of an item of equipment have different useful lives, then they are accounted for as separate items (major components) of equipment.

v) *Derecognition*

Any gain or loss on disposal of an item property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other operating income in profit or loss. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

(p) *Impairment of non-financial assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(q) *Deposits and other borrowed funds*

Deposits are the Bank's sources of debt funding. Other borrowed funds are used in the daily treasury management activities of the Bank.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits and other borrowed funds are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(r) Provisions

Provisions, including legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(s) Employee benefits

The Bank operates two pension plans, which include both a defined benefit and a defined contribution plan.

i) Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank provides retirement benefits for its employees through a defined contribution plan which is funded by contributions from the Bank. Under the defined contribution plan, the Bank has no legal or constructive obligation to contribute further to what has been contributed into the fund as defined in the rules of the scheme. Pension contributions are charged to profit or loss in the year to which they relate. The Bank has an obligation under the current labour laws to pay a severance allowance on retirement of its employees and is allowed to deduct from this severance allowance up to five times the amount of any annual pension granted at retirement age from the said fund.

ii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(s) *Employee benefits (continued)*

ii) Defined benefit plans (continued)

The present value of the severance allowance payable under the Workers' Rights Act 2019 is calculated annually by independent actuaries using the projected unit credit method. The present value of the severance allowance is determined by the estimated future cash outflows using a discount rate by reference to current interest rates and the yield on bonds and treasury bills and recent corporate debenture issues. Where the present value of the severance allowance payable on retirement is greater than five years of pension payable under the pension plan, the additional severance allowance payable is recognised as a liability and disclosed as unfunded obligations under retirement benefits obligations.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

iii) State pension plan

Contributions to the Contribution Sociale Généralisée ("CSG") are recognised in profit or loss in the period in which they fall due.

iv) Share based payment

The Bank grants restricted shares of HSBC Holdings plc to certain employees under various vesting. Upon vesting, the HSBC Holdings plc delivers the shares to the employees. The Bank's liability against HSBC Holdings plc under such arrangements is measured at fair value at the end of each reporting period. The changes in fair value are recognised in "Other reserves" in each period. For restricted shares, the fair value is determined by using HSBC Holdings plc shares closing price as at year end.

For share options granted to employees of the Bank directly by HSBC Holdings plc, the compensation expense to be spread over the vesting period is determined by reference to the fair value of the options on grant date, and the impact of any nonmarket vesting conditions such as option lapses. The expense is recognised over the vesting period. The corresponding amount is credited to 'Reserve for own shares' in equity.

v) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

vi) Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits at the earlier of the following dates:

- when the Bank can no longer withdraw the offer of those benefits; and
- when the Bank recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(t) *Assigned capital*

Assigned capital represents the capital contribution made by the Head Office to the Bank. Incremental external costs directly attributable to raising additional capital are shown in equity as a deduction, net of tax, from the proceeds.

(u) *Contingent liabilities, contractual commitments and guarantees*

i) Contingent liabilities

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

ii) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised.

Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognized in accordance with the principles of IFRS 15.

Any increase in the liability relating to guarantees is taken to profit or loss under net impairment charge on financial asset.

Loan commitments provided by the Bank are measured as the amount of the loss allowance (calculated as described in note 37(b)(iii)). The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

iii) Acceptances and letters of credit

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances and letters of credit are accounted for as off-balance sheet items and are disclosed as contingent liabilities and commitments.

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(u) *Contingent liabilities, contractual commitments and guarantees (continued)*

iv) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year. As required by the BoM Guideline on Public Disclosure of Information, disclosures have been made with comparative information for two years

v) Non-current assets or disposal group held for sale and discontinued operations

With the sale of the domestic retail and business banking operations, the Bank classifies non-current assets or disposal groups (including assets and liabilities) as held for sale when their carrying amounts will be recovered principally through sale rather than through continuing use. To be classified as held for sale, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups, and the sale must be highly probable.

For a sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Held-for-sale assets and disposal groups are measured at the lower of their carrying amount and fair value less cost to sell except for those assets and liabilities that are not within the scope of the measurement requirements in IFRS 5. If the carrying value of the non-current asset or disposal group is greater than the fair value less costs to sell, an impairment loss for any initial or subsequent write down of the asset or disposal group to fair value less costs to sell is recognised. The impairment loss is calculated upon the held for sale classification and is first allocated against the non-current assets that are in scope of IFRS 5 for measurement.

Any impairment losses in excess of the carrying value of the non-current assets in scope of IFRS 5 for measurement are recognised against the total assets of the disposal group (as a single unit of account rather than on a line-by-line basis against individual financial assets) on classification to held for sale.

The Bank classifies a component as discontinued operation when it either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

After operations have been classified as discontinued, results will be reported as such in the income statement and cash flow statement. Discontinued operations held for sale are measured in the same way as other disposal groups, that is, at the lower of carrying amount and fair value less costs to sell.

Notes to the financial statements

for the year ended 31 December 2025

4. Use of judgements and estimates

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts in the financial statements are described below.

(ii) Assumption and estimation uncertainties

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 37 (b)(iii), which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL mainly relating to:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL;

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience. The Bank does not have any historical loss experience. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions, remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'Upside scenarios' which have not generally been subject to experience gained through stress testing.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

4. Use of judgements and estimates (continued)

(ii) Assumption and estimation uncertainties (continued)

Measurement of the expected credit loss allowance (continued)

Wholesale models are developed at different levels of granularity and complexity depending on data availability and materiality of each portfolio. For the Bank, a simplified approach based on a proxy model, India, has been used. The risk characteristics of the target and proxy portfolios have been analysed and compared to justify the use of India as a proxy model.

The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and very sensitive to the risk factors, in particular to changes in economic and credit conditions. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in notes 37(b)(iii) and 37(b)(iv).

Defined Benefit Obligations

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in the assumptions will impact the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The actuarial report determines the appropriate discount rate at the end of each year and which are validated by the Bank. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the actuary considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions.

The sensitivity analysis for the key assumptions are disclosed in Note 32.

Non current assets or disposal groups held for sale and discontinued operations

The classification as held for sale depends on certain judgements.

Management judgement is required in determining whether the IFRS 5 held for sale criteria including whether a sale is highly probable and expected to complete within one year of classification. The exercise of judgement will normally consider the likelihood of successfully securing any necessary regulatory approvals which are almost always required for sales of banking businesses. For large and complex plans judgment will also include an assessment of the enforceability of any binding sale agreement, the nature and magnitude of any disincentives for non-performance, and the ability of the counterparty to undertake necessary pre-completion preparatory work, comply with conditions precedent, and otherwise be able to comply with contractual undertakings to achieve completion within the expected timescale. Once classified as held for sale, judgement is required to be applied on a continuous basis to ensure that classification remains appropriate in future accounting periods. Refer to note 8 for more details.

5. Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

5. Fair value of financial instruments (continued)

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

(i) Valuation of financial instruments

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: Quoted (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques mainly include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Valuation models for financial instruments measured at fair value that employ significant unobservable inputs require a higher degree of management judgement and estimation in determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

5. Fair value of financial instruments (continued)

(ii) Recurring financial instruments measured at fair value – fair value hierarchy

The table below analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each reporting period. Transfers are primarily attributable to changes in price transparency and in the assessment of observability. There has been no transfer between the fair value hierarchy level during the year.

		Quoted market price Level 1 MUR'000	Using observable inputs Level 2 MUR'000	With significant unobservable inputs Level 3 MUR'000	Total MUR'000
As at 31 December 2025	Notes				
Investment securities - fair value through other comprehensive income	22	-	2,759,398	-	2,759,398
Trading liabilities	19 (b)	-	56	450	506
As at 31 December 2024					
Trading assets	19 (a)	-	-	60	60
Investment securities - fair value through other comprehensive income	22	-	2,063,225	-	2,063,225
Trading liabilities	19 (b)	-	-	744	744
As at 31 December 2023					
Trading assets	19 (a)	-	31	-	31
Investment securities - fair value through other comprehensive income	22	-	5,649,758	-	5,649,758
Trading liabilities	19 (b)	-	36	567	603

IFRS 13 reconciliation for Level 3

	Assets		Liabilities
	Investment securities MUR'000	Trading assets MUR'000	Trading liabilities MUR'000
Balance as at 1 January 2023	-	10	1,157
Transfers in	-	7,359	6,650
Settlements	-	(7,369)	(7,240)
Balance as at 31 December 2023	-	-	567
Transfers in	-	3,561	30,837
Settlements	-	(3,501)	(30,660)
Balance as at 31 December 2024	-	60	744
Transfers in	-	4,898	20,886
Settlements	-	(4,958)	(21,180)
Balance as at 31 December 2025	-	-	450

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

5. Fair value of financial instruments (continued)

(ii) Recurring financial instruments measured at fair value – fair value hierarchy (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at			Unobservable Input	Range of Inputs			Relationship of unobservable inputs to fair value
	2025 MUR '000	2024 MUR '000	2023 MUR '000		2025	2024	2023	
Foreign exchange derivative assets	-	60	-	Forward Points	43.8925- 47.70	44.32- 47.4275	43.8125- 47.0375	Sensitivity of the foreign exchange assets and liabilities are monitored on a net basis. A change of 1 basis point in interest rate would change fair value by +/- MUR961
Foreign exchange derivative liabilities	450	744	567	Forward Points	43.8925- 47.70	44.32- 47.4275	43.8125- 47.0375	

The discounted cash flow method has been used to fair value the foreign exchange derivative assets and liabilities, whether the forward rates have been used as the discount factor. There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(iii) Financial instruments not measured at fair value

The table below sets out fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Carrying amount MUR'000	Quoted market price Level 1 MUR'000	Using observable inputs		With significant unobservable inputs Level 3 MUR'000	Total MUR'000
			Level 2 MUR'000	Level 3 MUR'000		
Assets and Liabilities at 31 December 2025						
Assets						
Loan and advances to banks	635,373	-	635,989	-	-	635,989
Loan and advances to customers	3,359,454	-	3,366,735	-	-	3,366,735
Investment securities at amortised cost	857,563	-	858,359	-	-	858,359
Liabilities						
Deposits from banks	1,269,011	-	1,269,011	-	-	1,269,011
Deposits from customers	7,082,677	-	7,082,677	-	-	7,082,677
Other borrowed funds	3,047,146	-	3,050,937	-	-	3,050,937
Assets and Liabilities at 31 December 2024						
Assets						
Loan and advances to banks	524,009	-	524,009	-	-	524,009
Loan and advances to customers	3,596,392	-	3,603,518	-	-	3,603,518
Investment securities at amortised cost	670,986	613,819	49,067	-	-	662,886
Liabilities						
Deposits from banks	667,664	-	667,664	-	-	667,664
Deposits from customers	7,631,443	-	7,631,443	-	-	7,631,443
Other borrowed funds	3,217,521	-	3,224,821	-	-	3,224,821
Assets and Liabilities at 31 December 2023						
Assets						
Loan and advances to banks	650,864	-	650,864	-	-	650,864
Loan and advances to customers	4,615,880	-	4,624,876	-	-	4,624,876
Investment securities at amortised cost	1,309,196	1,090,358	198,861	-	-	1,289,219
Liabilities						
Deposits from banks	236,916	-	236,916	-	-	236,916
Deposits from customers	6,871,642	-	6,871,642	-	-	6,871,642
Other borrowed funds	133,687	-	133,687	-	-	133,687

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

5. Fair value of financial instruments (continued)

(iii) Financial instruments not measured at fair value (continued)

The following is a list of financial instruments whose carrying amount is a reasonable approximation of the fair value because, for example, they are short term in nature or reprice to current market rates frequently:

Assets	Liabilities
Cash and cash equivalents Other Assets including: <ul style="list-style-type: none">▪ Mandatory balances with central bank▪ Balances due in the clearing▪ Short-term receivables▪ Investment securities at amortised cost	Other liabilities including: <ul style="list-style-type: none">• Acceptance and endorsements• Short-term payables

Bases of valuation

The fair value measurement is the Bank's estimate of 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. It does not reflect the economic benefits and costs that the Bank expects to flow from the instruments' cash flows over their expected future lives. Other reporting entities may use different valuation methodologies and assumptions in determining fair values for which no observable market prices are available.

Fair values of the following assets and liabilities are estimated for the purpose of disclosure as described below:

Loans and advances to banks and customers

The fair value of loans and advances is based on observable market transactions, where available. In the absence of observable market transactions, fair value is estimated using valuation models that incorporate a range of input assumptions. These assumptions may include value estimates from third party brokers which reflect over-the-counter trading activity, forward looking discounted cash flow models using assumptions which the Bank believes are consistent with those which would be used by market participants in valuing such loans, and trading inputs from other market participants which includes observed primary and secondary trades.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

5. Fair value of financial instruments (continued)

(iii) Financial instruments not measured at fair value (continued)

Loans and advances to banks and customers (continued)

Loans are grouped, as far as possible, into homogeneous groups and stratified by loans with similar characteristics to improve the accuracy of estimated valuation outputs.

Valuation techniques are calibrated on a regular basis and tested for validity using prices from observable current market transactions in the same instrument, without modification or repackaging, or are based on any available observable market data.

The fair value of a loan reflects both loan impairments at the reporting date and estimates of market participants' expectations of impairment losses over the life of the loans, and the fair value effect of repricing between origination and the reporting date. The fair valuation of loans and advances to banks and customers is based on indirect observable inputs and therefore classifies under Level 2.

Deposits from banks and customer accounts

For the purpose of estimating fair value, deposits by banks and customer accounts are grouped by remaining contractual maturity. Fair values are estimated by applying current rates offered for deposits of similar remaining maturities, therefore the deposits by banks and customers' accounts are under Level 2 valuation techniques. The fair value of a deposit repayable on demand is approximated by its carrying value.

6. Classification of financial assets and financial liabilities

The accounting policies in Note 3 (g)(iii). The table below provides reconciliation between line items in the statement of financial position and categories of financial instruments. There has been no reclassification between the categories of financial instruments during the year.

	IFRS 9 Measurement Category	2025 MUR'000	2024 MUR'000	2023 MUR'000
Assets				
Cash and cash equivalents	Amortised cost	6,360,791	7,218,517	10,974,704
Trading assets	FVPL	-	60	31
Loans and advances to banks	Amortised cost	635,373	524,009	650,864
Loans and advances to customers	Amortised cost	3,359,454	3,596,392	4,615,880
Investment securities	FVOCI	2,759,398	2,063,225	5,649,758
Investment securities	Amortised cost	857,563	670,986	1,309,196
Other assets	Amortised cost	77,826	53,030	281,244
Assets held for sale ¹	FVPL	-	-	6,451,813
		14,050,405	14,126,219	29,933,490
Liabilities				
Deposits from banks	Amortised cost	1,269,011	667,664	236,916
Deposits from customers	Amortised cost	7,082,677	7,631,443	6,871,642
Trading liabilities	FVPL	506	744	603
Other borrowed funds	Amortised cost	3,047,146	3,217,521	133,687
Other liabilities	Amortised cost	189,038	261,422	784,595
Liabilities of disposal groups held for sale ²	FVPL	-	-	19,659,650
		11,588,378	11,778,794	27,687,093

¹Assets held for sale exclude non-financial assets consisting of property and equipment.

²Liabilities of disposal groups held for sale exclude non-financial liabilities comprising of contract liabilities under IFRS 15.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements for the year ended 31 December 2025

7. Segmental reporting

The information on pages 87 to 88 is provided for in accordance with the BoM *Guideline on Public Disclosure of Information*. The financial statements incorporate both segments with a functional currency of Mauritian Rupees (MUR).

A. Statement of financial position MUR'000

ASSETS	Note	2025			2024			2023		
		Total	Resident	Non-Resident	Total	Resident	Non-Resident	Total	Resident	Non-Resident
Cash and cash equivalents	18	6,360,791	4,925,382	1,435,409	7,218,517	6,091,844	1,126,673	10,974,704	6,741,563	4,233,141
Trading assets	19	-	-	-	60	-	60	31	-	31
Loans and advances to banks	20	635,373	527,465	107,908	524,009	524,009	-	650,864	546,218	104,646
Loans and advances to customers	21	3,359,454	3,359,441	13	3,596,392	3,596,392	-	4,615,880	4,615,880	-
Investment securities - fair value through other comprehensive income	22	2,759,398	2,759,398	-	2,063,225	2,063,225	-	5,649,758	5,649,758	-
Investment securities - Amortised cost	22	857,563	857,563	-	670,986	670,986	-	1,309,196	1,309,196	-
Assets held for sale	8	73,829	73,829	-	86,625	86,625	-	6,480,194	6,480,194	-
Other assets	23	431,985	428,883	3,102	223,318	214,558	8,760	382,192	264,613	117,579
Intangible assets	24	985	985	-	1,795	1,795	-	2,012	2,012	-
Property, plant and equipment	25	54,877	54,877	-	65,532	65,532	-	276,650	276,650	-
Total assets		14,534,255	12,987,823	1,546,432	14,450,459	13,314,966	1,135,493	30,341,481	25,886,084	4,455,397
LIABILITIES										
Deposit from banks	27	1,269,011	619,729	649,282	667,664	318,690	348,974	236,916	28,119	208,797
Deposit from customers	28	7,082,677	6,801,126	281,551	7,631,443	7,351,028	280,415	6,871,642	6,633,351	238,291
Trading liabilities	19	506	450	56	744	683	61	603	500	103
Other borrowed funds	29	3,047,146	3,047,146	-	3,217,521	3,217,521	-	133,687	133,687	-
Liabilities of disposal groups held for sale	8	-	-	-	-	-	-	19,662,529	19,662,529	-
Current tax liabilities	17	33,250	33,250	-	-	-	-	-	-	-
Other liabilities	30	213,975	203,351	10,624	302,989	290,904	12,085	878,198	760,614	117,584
Total liabilities		11,646,565	10,705,052	941,513	11,820,361	11,178,826	641,535	27,783,575	27,218,800	564,775
Shareholder's funds										
Assigned capital	31	1,499,750			1,499,750			1,499,750		
Retained earnings	31	925,647			659,228			451,573		
Other reserves	31	462,293			471,120			606,583		
Total shareholder's funds		2,887,690			2,630,098			2,557,906		
Total liabilities and shareholder's funds		14,534,255			14,450,459			30,341,481		

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements for the year ended 31 December 2025

7. Segmental reporting (continued)

B. Operating Income MUR'000

Notes	2025			2024			2023		
	Total	Resident	Non-Resident	Total	Resident	Non-Resident	Total	Resident	Non-Resident
Interest income	475,843	431,315	44,528	447,163	311,973	135,190	367,520	220,947	146,573
Interest expense	(161,208)	(161,159)	(49)	(111,757)	(110,760)	(997)	(20,652)	(20,555)	(97)
Net interest income	314,635	270,156	44,479	335,406	201,213	134,193	346,868	200,392	146,476
Fee and commission income	83,556	53,929	29,627	83,319	56,324	26,995	89,906	58,302	31,604
Fee and commission expense	(7,129)	(3,265)	(3,864)	(3,986)	(1,968)	(2,018)	(7,993)	(7,073)	(920)
Net fee and commission income	76,427	50,664	25,763	79,333	54,356	24,977	81,913	51,229	30,684
Net trading income	138,713	132,402	6,311	137,648	130,307	7,341	163,327	139,224	24,103
Other operating income	184,521	184,521	-	222,685	222,685	-	183,887	183,887	-
Operating income	714,296	637,743	76,553	775,072	608,561	166,511	775,995	574,732	201,263

8. Assets held for sale, liabilities directly associated with assets classified as held for sale and discontinued operations

Held for sale as at 31 December 2025

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Disposal groups	-	-	6,417,233
Other non-current assets held for sale <i>of which freehold properties</i> ¹	73,829	86,625	62,961
	73,829	86,625	46,350
Total assets	73,829	86,625	6,480,194
Liabilities directly associated with assets classified as held for sale	-	-	19,662,529

¹ The other non-current assets held for sale of MUR73.8m (2024: MUR86.6m) represent the Bank's freehold properties. For one property, the last full valuation was carried out at 31 December 2025 by an experienced, qualified independent valuer, CBRE Ltd, who has relevant professional experience in the locality and category of property held. For the other freehold property, a bid offer was considered for the valuation amount.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

8. Assets held for sale, liabilities directly associated with assets classified as held for sale and discontinued operations (continued)

At 31 December 2023, in relation to the sale of the Bank's domestic retail and business banking operations to ABSA, MUR6.5bn in total assets, including MUR6.4bn of loans and advances to customers, and MUR19.7bn of customer accounts, were reclassified as held for sale in accordance with IFRS 5.

On 5 July 2024, the Bank completed the disposal to ABSA. At 31 December 2025, total assets and liabilities associated with the disposal groups were Nil.

The disposal groups and the other non-current assets held for sale were remeasured at the lower of the carrying amount and fair value less costs to sell at each reporting period.

The valuation of land and buildings has been determined using market comparables. To provide an indication about the reliability of the inputs used in determining fair value, the Bank has classified its land and buildings into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 5 on Fair value of financial instruments. The freehold properties consist of freehold land and buildings and have been determined to be under Level 2. The key factors for this level category is that for both methods, unobservable inputs were used i.e. for the bid offer and also assumptions and necessary adjustments were made in the valuation report.

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Land and building - Level 2	73,829	86,625	46,350

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each reporting period. Transfers are primarily attributable to changes in price transparency and in the assessment of observability. There was no transfer in fair value hierarchy during the year.

Assets and liabilities of disposal group classified as held for sale

At 31 December 2025, the major classes and associated liabilities of disposal groups held for sale are as follows:

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Assets of the disposal group held for sale			
Loans and advances to customers	-	-	6,384,340
Property and equipment	-	-	16,611
Accrued income and other assets	-	-	32,893
Total assets	-	-	6,433,844
Liabilities of the disposal group held for sale			
Customer accounts	-		19,334,045
Other liabilities	-		328,484
Total liabilities	-	-	19,662,529

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

8. Assets held for sale, liabilities directly associated with assets classified as held for sale and discontinued operations (continued)

Details of the sale of the disposal group

Under the financial terms of the sale and purchase agreement, the Bank transferred the domestic retail and business banking operations for a consideration of MUR1. Based on the net liability position of the disposal group, the Bank made a cash contribution of MUR11.4bn. The carrying amounts of assets and liabilities as at date of sale were:

	5-Jul-24 MUR'000
Loans and advances to customers	6,339,135
Property and equipment	23,963
Accrued income and other assets	19,499
Total assets	6,382,597
Customer accounts	17,550,024
Other liabilities	214,669
Total liabilities	17,764,693
Net liability position	(11,382,096)

The sale of domestic retail and business banking operations also met the criteria of discontinued operations classification and presentation under IFRS 5 and accordingly the profit after tax in respect of the discontinued operations for the year ended 31 December 2025 amounted to MUR16.0m (2024; loss of MUR49.6m; 2023: loss of MUR456.6m) has been reported separately in the statement of profit or loss.

Discontinued operations statement of profit or loss and other comprehensive income

	2025	2024	2023
	MUR'000	MUR'000	Restated MUR'000
Interest income	-	423,631	816,134
Interest expense	-	(246,112)	(425,293)
Net interest income	-	177,519	390,841
Fee and commission income	-	53,168	104,028
Fee and commission expense	-	(16,436)	(41,462)
Net fee and commission income	-	36,732	62,566
Net trading income	-	23,816	26,019
Other operating income/(expense)	-	12,969	(400,038)
Total operating income	-	251,036	79,388
Net impairment release on financial assets	-	91	6,692
Personnel expenses	15,963	(55,054)	(235,472)
Operating lease expenses	-	(643)	(1,084)
Depreciation and amortisation	-	(6,141)	(38,137)
Other expenses	-	(238,863)	(268,028)
Total expenses	15,963	(300,701)	(542,721)
Profit/(loss) before income tax	15,963	(49,574)	(456,641)
Income tax charge	-	-	-
Profit/(loss) after tax in respect of discontinued operations	15,963	(49,574)	(456,641)

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

8. Assets held for sale, liabilities directly associated with assets classified as held for sale and discontinued operations (continued)

Other comprehensive income relating to discontinued operations is as follows:

	2025 MUR'000	2023 MUR'000	2022 MUR'000
Total other comprehensive income for the year in respect of discontinued operations	-	-	-

The cash flows attributed to the discontinued operations are as follows:

	2025 MUR'000	2023 MUR'000	2022 MUR'000
Net cash from/(used in) operating activities	-	13,225,153	(13,225,153)
Net cash from/(used in) financing activities	-	3,532	(3,532)
Net cash from/(used in) discontinued operations	-	13,228,685	(13,228,685)

9. Net interest income

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Interest income			
<i>Recognised on financial assets measured at amortised cost</i>			
Cash and cash equivalents	95,583	118,420	177,413
Investment securities	35,731	31,897	9,156
Loans and advances to banks	31,264	33,268	25,375
Loans and advances to customers	207,320	176,383	79,061
Other	392	9,807	86
<i>Recognised on financial assets measured at FVOCI</i>			
Investment securities	105,553	77,388	76,429
Total interest income	475,843	447,163	367,520
Interest expense			
<i>Recognised on financial liabilities measured at amortised cost</i>			
Deposits from banks	(61)	(21)	(73)
Deposits from customers	(65,205)	(32,395)	(6,703)
Other borrowed funds	(94,925)	(77,616)	(12,438)
<i>Other</i>			
Other (including interest expense under IFRS 16)	(1,017)	(1,725)	(1,438)
Total interest expense	(161,208)	(111,757)	(20,652)
Net interest income	314,635	335,406	346,868

Net interest income derived from discontinued operations was Nil during the year ended 31 December 2025 (2024: MUR177.5m, 2023: MUR390.8m).

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

10. Net fee and commission income

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Fee and commission income			
Corporate banking related fees	45,589	50,220	49,581
Financial guarantee contracts	2,890	3,079	2,906
Global custody	17,263	16,540	16,791
Other	17,814	13,480	20,628
<i>of which intercompany fee income</i>	9,284	7,290	9,220
<i>of which fees related to guarantees</i>	6,281	4,428	8,969
Total fee and commission income	83,556	83,319	89,906
Fee and commission expense			
Corporate banking related fees	-	-	(667)
Other	(7,129)	(3,986)	(7,326)
<i>of which intercompany fee income</i>	(2,431)	(2,020)	(6,811)
Total fee and commission expense	(7,129)	(3,986)	(7,993)
Net fee and commission income	76,427	79,333	81,913

Net fee and commission income derived from discontinued operations was Nil during the year ended 31 December 2025 (2024: MUR36.7m, 2023: MUR62.6m).

11. Net trading income

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Foreign exchange	138,713	137,648	163,327

Net trading income derived from discontinued operations was Nil during the year ended 31 December 2025 (2024: MUR23.8m, 2023: MUR26.0m).

12. Other operating income

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Intercompany recharges	194,623	248,784	183,880
Gain/(loss) on disposal of property plant and equipment	1,177	(5,966)	91
Profit on modification of lease	362	99	98
Loss on disposal of investment securities	-	(948)	-
Impairment loss	(13,094)	(15,664)	-
Other	1,453	(3,620)	(182)
	184,521	222,685	183,887

Intercompany recharges relate to regionally allocated cost and IT costs.

Other operating income/(expense) derived from discontinued operations was Nil during the year ended 31 December 2025 (2024: MUR13.0m, 2023: MUR400.0m).

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

13. Net impairment (charge)/release on financial assets

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
(Charge)/release for impairment losses for the year:			
Loans and advances to customers	(1)	456	19,132
Investment securities at FVOCI	(454)	571	3,101
Investment securities at amortised costs	(404)	287	1,262
Loans and advances to banks	64	3,868	(3,653)
Loan commitments and financial guarantees	(443)	507	410
Other assets	7	10	16
	(1,231)	5,699	20,268

Net impairment charge pertaining to discontinued operations was Nil during the year ended 31 December 2025 (2024: charge of MUR91k, 2023: release of MUR6.7m).

14. Personnel expenses

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Wages and salaries	171,288	216,553	292,505
Compulsory social security obligations	11,677	14,527	15,370
Defined contribution plan costs (unfunded) (Note 32)*	2,163	(7,851)	3,074
Equity-settled share based payments	3,319	2,604	1,419
Defined benefit plan costs (funded) (Note 32)*	(2,961)	(16,591)	4,030
Provision for termination benefits	21,441	32,516	49,742
Other personnel expenses	53,061	61,180	20,611
	259,988	302,938	386,751

* For the year ended 31 December 2024, this is in connection with sale of the domestic retail and business banking operations in July 2024, a curtailment gain was incurred, and a settlement arrangement was agreed with the plan participants, effective 31 December 2024, which settled all post-employment benefit plan obligations relating to the employees of that business unit.

There was a reversal of provision for termination benefits of MUR16.0m during the year pertaining to discontinued operations. Personnel expenses pertaining to discontinued operations amounted to MUR55.1m and MUR235.5m during the year ended 31 December 2024 and the year ended 31 December 2023 respectively.

15. Operating lease expenses

Non-cancellable operating lease rentals are payable as follows:

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Minimum rental recognised in profit or loss	745	1,395	1,307
<u>Operating lease commitments</u>			
Future minimum rentals to be paid:			
- Less than one year	745	1,395	1,307

Operating lease expenses pertaining to discontinued operations amounted to Nil during the year ended 31 December 2025 (2024: MUR0.6m, 2023: MUR1.1m).

The leasing arrangements are mainly on printers that are referred to as expense relating to lease on low-value assets.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

16. Other Expenses

The other expenses are mainly head office charges.

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Information and technology costs	7,247	16,921	12,142
Maintenance of premises costs	8,208	14,822	17,014
Other administrative expenses	96,305	138,506	125,359
Intercompany recharges	232,892	251,033	216,142
Other expenses	-	68	5,219
	344,652	421,350	375,876

Other expenses pertaining to discontinued operations was Nil during the year ended 31 December 2025 (2024: MUR238.9m, 2023: MUR268.0m).

17. Income tax

Income tax is calculated on the Bank's taxable profits as follows:

- up to MUR 1.5bn - 5%
- over to MUR 1.5bn - 15%

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit (or loss) of the periods in which the temporary differences are expected to reverse. Based on year 31 December 2025 and the budgeted figures of 2026 to 2030, the effective tax rate for 2025 has been determined to be at 5% (2024:5%; 2023;5%).

The Bank is also liable to pay a special levy of 5.5% on its leviable income (Net interest income and other income before deduction of expenses) derived during the year. For the years ended 31 December 2024 and 31 December 2023, the calculation of special levy of 5.5% on leviable income was subject to a maximum cap of 1.5 times the amount paid in respect of the year ended 31 December 2017. Effective from the accounting period starting on or after 1 July 2025, the cap will be removed. The special levy is included in income tax expense and current liability in the financial statements. The Bank is subject to the Advances Payment System ('APS') whereby it pays income tax on a quarterly basis.

Further to Finance Act 2025, the Bank is subject to a Fair Share Contribution (FSC) at the rate of 5% of its total chargeable income; and to an additional FSC of 2.5% of chargeable income arising from transactions with residents (domestic operations) residents, other than from a global business entity. This is applicable as from 1 July 2025 up to 30 June 2028, hence impact is only on second half of 2025.

Corporate Social Responsibility tax (CSR) is payable at the rate of 2% on Resident (excluding GBC) chargeable income and a Corporate Climate Responsibility (CCR) Levy is also payable by the Bank at the rate of 2% of the total chargeable income. CCR is payable by companies whose annual turnover are above MUR50m.

As from the year of assessment commencing on 1 July 2025, Mauritius has implemented a Qualified Domestic Minimum Top-Up Tax (QDMTT) through the Finance Act 2025. This measure applies to resident entities that are members of large multinational enterprise (MNE) groups. An MNE group falls within scope if its consolidated annual revenue is a minimum of EUR 750 million in at least two of the four fiscal years immediately preceding the relevant year of assessment. While enabling provisions for the QDMTT have been enacted into Mauritian tax legislation, the detailed domestic regulations and administrative guidance necessary for its implementation have not yet been issued as at the reporting date.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

17. Income tax (continued)

	2025 MUR'000	2024 MUR'000	2023 MUR'000
<i>Current tax expense/(credit)</i>			
Current year:			
Income tax	33,250	-	-
Deferred tax	-	-	-
Total tax expense per statement of profit or loss and other comprehensive income	33,250	-	-
 <i>Reconciliation of effective tax rate</i>			
Profit/(loss) from continuing operations before income tax	85,587	18,626	(4,609)
Profit/(loss) from discontinued operations before income tax	15,963	(49,574)	(456,641)
Profit/(loss) before income tax per statement of profit or loss and other comprehensive income	101,550	(30,948)	(461,250)
Income tax at 5%	5,078	(1,547)	(23,063)
Special levy on banks	33,250	-	-
Effect of non-deductible expenses	-	329	175
Deferred tax not recognised	(5,078)	1,218	22,888
	33,250	-	-
 <i>Current Tax Liabilities/(Assets)</i>			
As 1 January	-	-	44,099
Charge for the year	33,250	-	-
Payment	-	-	(44,099)
At 31 December	33,250	-	-

18. Cash and cash equivalents

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Cash in hand	458,076	274,184	281,270
Foreign currency notes and coins	-	-	16,549
Mandatory balances with central bank*	659,317	696,129	2,292,628
Unrestricted balances with central bank	1,320,690	1,840,397	1,747,665
Money market placements	2,487,310	3,281,134	5,488,563
Balances with banks in Mauritius and abroad	1,435,409	1,126,673	1,148,029
	6,360,802	7,218,517	10,974,704
Less Stage 1 and 2 impairment	(11)	-	-
	6,360,791	7,218,517	10,974,704

Mandatory balances with central bank are non-interest bearing balances to be maintained with the BoM as cash reserve requirement. The funds can be used overnight and as such, the funds are not restricted.

Unrestricted balances with Central Bank include non-interest bearing balances over and above the minimum cash reserve requirement (CRR). Money market placements under cash and cash equivalents are fixed interest bearing investments with original maturities of three months or less from the acquisition date. Cash and cash equivalents are measured at amortised cost, less impairment.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

19. Trading assets and liabilities

(a) Trading assets

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Derivative assets			
- Currency spot	-	-	31
- Currency forwards	-	60	-
	<u>-</u>	<u>60</u>	<u>31</u>

(b) Trading liabilities

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Derivative liabilities			
- Currency spot	-	-	36
- Currency forwards	506	744	567
	<u>506</u>	<u>744</u>	<u>603</u>

All trading assets and trading liabilities are current in nature.

The nominal amount of the foreign exchange contracts are as follows:

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Currencies			
USD	5,772	-	6,714
EUR	-	-	5,561
GBP	-	-	6,002
MUR	177,516	197,796	189,639
Others	-	-	2,398
	<u>183,288</u>	<u>197,796</u>	<u>210,314</u>

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

20. Loans and advances to banks

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Loans and advances to banks			
In Mauritius	527,738	524,415	550,439
Outside Mauritius	107,964	-	104,646
	635,702	524,415	655,085
Less Stage 1 and 2 impairment	(329)	(406)	(4,221)
	635,373	524,009	650,864
<i>Remaining term to maturity</i>			
	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Up to 3 months	261,674	103,140	100,439
Over 3 months and up to 12 months	220,318	66,358	504,646
Over 1 year and up to 5 years	153,710	354,917	50,000
	635,702	524,415	655,085
Current	481,992	169,498	605,085
Non-Current	153,710	354,917	50,000
	635,702	524,415	655,085

21. Loans and advances to customers

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Retail customers: Other retail loans	-	-	306,583
Corporate customers	3,074,039	3,288,238	3,980,533
Governments	286,196	308,934	330,000
	3,360,235	3,597,172	4,617,116
Less Stage 1 and 2 impairment	(781)	(780)	(1,236)
	3,359,454	3,596,392	4,615,880

(a) Remaining term to maturity of loans and advances

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Within 3 months	2,372,967	2,625,925	3,447,082
Over 3 to 6 months	333,755	260,420	252,680
Over 6 to 12 months	42,099	76,771	221,387
Over 1 to 5 years	325,218	303,952	324,598
Over 5 years	286,196	330,104	371,369
	3,360,235	3,597,172	4,617,116
Current	2,748,821	2,963,116	3,921,149
Non-Current	611,414	634,056	695,967
	3,360,235	3,597,172	4,617,116

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

21. Loans and advances to customers (continued)

(b) Credit concentration of risk by industry sectors

Total credit facilities extended by the Bank to customers classified by industry sectors:

	2025			2024			2023		
	MUR'000 Total	MUR'000 Resident	MUR'000 Non-Resident	MUR'000 Total	MUR'000 Resident	MUR'000 Non-Resident	MUR'000 Total	MUR'000 Resident	MUR'000 Non-Resident
Other Non-Financial Corporations									
C - Manufacturing	867,971	867,971	-	831,318	831,318	-	1,524,557	1,524,557	-
F - Construction	117,447	117,447	-	78,369	78,369	-	-	-	-
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	847,882	847,882	-	777,263	777,263	-	672,082	672,082	-
H - Transportation and storage	2,251	2,251	-	-	-	-	31,026	31,026	-
I - Accommodation and food service activities	-	-	-	19,698	19,698	-	163,902	163,902	-
L - Real estate activities	-	-	-	395	395	-	1,964	1,964	-
M - Professional, scientific and technical activities	12,110	12,110	-	28,295	28,295	-	46,182	46,182	-
N - Administrative and support service activities	17,217	17,217	-	23,175	23,175	-	-	-	-
Q - Human health and social work activities	112,956	112,956	-	2,316	2,316	-	-	-	-
S - Other service activities	163,131	163,131	-	318,662	318,662	-	72,062	72,062	-
Financial and business services	133,210	133,197	13	32,579	32,579	-	338,000	338,000	-
Public Non-Financial Corporations	286,196	286,196	-	308,934	308,934	-	330,000	330,000	-
Global Business Corporations (GBCs)	799,864	799,864	-	1,176,168	1,176,168	-	1,130,758	1,130,758	-
Households	-	-	-	-	-	-	306,583	306,583	-
	3,360,235	3,360,222	13	3,597,172	3,597,172	-	4,617,116	4,617,116	-

In accordance with BoM Guidelines, home mortgage loans are included within the Households sector.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

21. Loans and advances to customers (continued)

(c) Allowance for impairment losses

	Stage 3 MUR'000	Stage 1 & 2 MUR'000	Total MUR'000
Balance at 1 January 2023	37,465	25,606	63,071
Release for credit impairment for the year	(22,728)	(4,527)	(27,255)
Transferred to held for sale	(14,737)	(19,843)	(34,580)
Balance at 31 December 2023	-	1,236	1,236
Release for credit impairment for the year	-	(456)	(456)
Transferred to held for sale	-	-	-
Balance at 31 December 2024	-	780	780
Provision for credit impairment for the year	-	1	1
Transferred to held for sale	-	-	-
Balance at 31 December 2025	-	781	781

(d) Provision for impairment losses by industry sectors

2025	Gross amount of loans MUR'000	Non- performing loans MUR'000	Stage 3 MUR'000	Stage 1 & 2 MUR'000	Total credit loss allowance MUR'000
Other Non-Financial Corporations					
C - Manufacturing	867,971	-	-	202	202
F - Construction	117,447	-	-	27	27
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	847,882	-	-	197	197
H - Transportation and storage	2,251	-	-	1	1
M - Professional, scientific and technical activities	12,110	-	-	3	3
N - Administrative and support service activities	17,217	-	-	4	4
Q - Human health and social work activities	112,956	-	-	26	26
S - Other service activities	163,131	-	-	38	38
Financial and business services	133,210	-	-	31	31
Public Non-Financial Corporations	286,196	-	-	67	67
Global Business Corporations (GBCs)	799,864	-	-	185	185
	3,360,235	-	-	781	781

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

21. Loans and advances to customers (continued)

(d) Provision for impairment losses by industry sectors (continued)

2024	Gross amount of loans MUR'000	Non- performing loans MUR'000	Stage 3 MUR'000	Stage 1 & 2 MUR'000	Total credit loss allowance MUR'000
Other Non-Financial Corporations					
C - Manufacturing	831,318	-	-	438	438
F - Construction	78,369	-	-	1	1
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	777,263	-	-	102	102
I - Accommodation and food service activities	19,698	-	-	1	1
L - Real estate activities	395	-	-	-	-
M - Professional, scientific and technical activities	28,295	-	-	73	73
N - Administrative and support service activities	23,175	-	-	87	87
Q - Human health and social work activities	2,316	-	-	1	1
S - Other service activities	318,662	-	-	-	-
Financial and business services	32,579	-	-	-	-
Public Non-Financial Corporations	308,934	-	-	77	77
Global Business Corporations (GBCs)	1,176,168	-	-	-	-
	3,597,172	-	-	780	780
2023					
	Gross amount of loans MUR'000	Non- performing loans MUR'000	Stage 3 MUR'000	Stage 1 & 2 MUR'000	Total credit loss allowance MUR'000
Other Non-Financial Corporations					
C - Manufacturing	1,524,557	-	-	484	484
F - Construction	1,964	-	-	1	1
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	672,082	-	-	114	114
H - Transportation and storage	31,026	-	-	-	-
I - Accommodation and food service activities	163,902	-	-	107	107
M - Professional, scientific and technical activities	46,182	-	-	-	-
S - Other service activities	72,062	-	-	-	-
Financial and business services	338,000	-	-	299	299
Public Non-Financial Corporations	330,000	-	-	131	131
Global Business Corporations (GBCs)	1,130,758	-	-	-	-
Households	306,583	-	-	100	100
	4,617,116	-	-	1,236	1,236

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements for the year ended 31 December 2025

22. Investment securities

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Investment securities carried at FVOCI	2,759,398	2,063,225	5,649,758
Investment securities carried at amortised cost	857,563	670,986	1,309,196
	3,616,961	2,734,211	6,958,954
Treasury Bills/Notes	3,568,036	2,685,241	6,760,480
Corporate bonds	48,925	48,970	198,474
	3,616,961	2,734,211	6,958,954
Current	2,415,583	2,036,101	5,473,767
Non-Current	1,201,378	698,110	1,485,187
	3,616,961	2,734,211	6,958,954

Investments securities comprise Government of Mauritius treasury bills and treasury notes that are held for regulatory purposes. Investment securities at amortised cost comprise of Government of Mauritius treasury bills, treasury notes and corporate bonds.

23. Other assets

	Note	2025 MUR'000	2024 MUR'000	2023 MUR'000
Retirement benefits (funded)	32	351,700	167,266	95,015
Items in course of collection from other banks		-	1,951	15,954
Accrued interest receivable		-	-	69,619
Other		80,288	54,103	201,615
<i>of which Acceptance & Endorsement</i>		72,432	35,946	161,145
<i>of which Intercompany receivable</i>		100	8,760	-
		431,988	223,320	382,203
Less Stage 1 and 2 impairment		(3)	(2)	(11)
		431,985	223,318	382,192
Current		80,285	56,052	287,177
Non-current		351,700	167,266	95,015
		431,985	223,318	382,192

24. Intangible assets

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Cost			
Balance as at 1 January	4,053	3,450	3,450
Reclassification from Property, Plant and Equipment	-	603	-
Balance as at 31 December	4,053	4,053	3,450
Amortisation			
Balance as at 1 January	2,258	1,439	747
Charge	810	688	691
Reclassification from Property, Plant and Equipment	-	131	-
Balance as at 31 December	3,068	2,258	1,438
Net Book Value	985	1,795	2,012

The intangible assets relate to computer software with a useful life of 5 years and amortised in a straight-line basis. The remaining useful life is approximately 1 year.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

25. Property, plant and equipment

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Owned property, plant and equipment	39,632	41,707	238,963
Right-of-use assets	15,245	23,825	37,687
At 31 December	54,877	65,532	276,650

	Right-of-use assets (Land and Building)	Land and buildings	Computer and other equipment	Motor Vehicles	Other fixed assets	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cost						
Balance at 1 January 2023	46,898	262,400	40,452	-	158,906	508,656
Additions	10,851	-	25,735	-	3,708	40,294
Disposals	-	-	(365)	-	(19,633)	(19,998)
Revaluation adjustment	-	(1,536)	-	-	-	(1,536)
Modification of lease	8,295	-	-	-	-	8,295
Reclassified as held for sale	(11,427)	(46,350)	(1,019)	-	(12,632)	(71,428)
Balance at 31 December 2023	54,617	214,514	64,803	-	130,349	464,283
Additions	3,076	3,494	6,291	-	1,786	14,647
Reclassification	-	-	6,207	5,515	(11,722)	-
Reclassification to intangible assets	-	-	(603)	-	-	(603)
Adjustment for held for sale	-	-	1,019	-	191	1,210
Disposals	-	-	(36,029)	-	(53,604)	(89,633)
Revaluation adjustment	-	32,035	-	-	-	32,035
Modification of lease	(20,562)	-	-	-	-	(20,562)
Reclassified as held for sale	-	(250,043)	-	-	-	(250,043)
Balance at 31 December 2024	37,131	-	41,688	5,515	67,000	151,334
Additions	-	-	8,393	-	3,928	12,321
Disposals	(8,921)	-	(5,823)	-	(28,682)	(43,426)
Modification of lease	(2,306)	-	-	-	-	(2,306)
Balance at 31 December 2025	25,904	-	44,258	5,515	42,246	117,923
Accumulated depreciation						
Balance at 1 January 2023	12,321	-	34,854	-	70,637	117,812
Depreciation for the year	15,323	2,208	13,950	-	17,032	48,513
Disposals/write off	-	-	(365)	-	(18,488)	(18,853)
Revaluation adjustment	-	28,442	-	-	-	28,442
Modification of lease	(5,687)	-	-	-	-	(5,687)
Impairment	-	-	572	-	25,301	25,873
Reclassified as held for sale	(5,027)	-	(786)	-	(2,654)	(8,467)
Balance at 31 December 2023	16,930	30,650	48,225	-	91,828	187,633
Depreciation for the year	9,792	2,408	7,188	1,103	9,098	29,589
Reclassification	-	-	3,261	3,401	(6,662)	-
Reclassification to intangible assets	-	-	(131)	-	-	(131)
Adjustment for held for sale	-	-	786	-	(1,241)	(455)
Disposals/write off	-	-	(31,184)	-	(37,665)	(68,849)
Revaluation adjustment	-	(2,408)	-	-	-	(2,408)
Modification of lease	(13,416)	-	-	-	-	(13,416)
Impairment release	-	-	(242)	-	(15,269)	(15,511)
Reclassified as held for sale	-	(30,650)	-	-	-	(30,650)
Balance at 31 December 2024	13,306	-	27,903	4,504	40,089	85,802

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

25. Property, plant and equipment (continued)

	Right-of-use assets (Land and Building)	Land and buildings	Computer and other equipment	Motor Vehicles	Other fixed assets	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Depreciation for the year	5,735	-	6,506	1,011	8,031	21,283
Disposals/write off	(5,576)	-	(5,602)	-	(19,593)	(30,771)
Modification of lease	(2,806)	-	-	-	-	(2,806)
Impairment reversal	-	-	(430)	-	(10,032)	(10,462)
Balance at 31 December 2025	10,659	-	28,377	5,515	18,495	63,046
Net Book Value						
As at 31 December 2025	15,245	-	15,881	-	23,751	54,877
As at 31 December 2024	23,825	-	13,785	1,011	26,911	65,532
As at 31 December 2023	37,687	183,864	16,578	-	38,521	276,650

The last full valuation was carried out as at 31 December 2023 by an experienced, qualified independent valuer, Mr. Geoff Kruger from Leadenhall International Property Services (Pty) Ltd, who has relevant professional experience in the localities and categories of the properties held. In the year 2024, the property was reclassified as Assets held for sale refer to note 8.

The valuation of land and buildings has been determined using market comparables. To provide an indication about the reliability of the inputs used in determining fair value, the Bank has classified its land and buildings into the three levels prescribed under the accounting standards. An explanation of each level is provided in Note 5.

MUR'000	2025		2024		2023	
	Land	Buildings	Land	Buildings	Land	Buildings
Level 2	-	-	-	-	127,590	-
Level 3	-	-	-	-	-	56,274

IFRS 13 reconciliation

	2025 MUR'000	2024 MUR'000	2023 MUR'000
At 1 January	-	183,864	262,400
Revaluation	-	35,529	(32,186)
Assets classified as held for sale	-	(219,393)	(46,350)
At 31 December	-	-	183,864

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

25. Property, plant and equipment (continued)

Valuation inputs and relationships to fair value

Valuation model	Sales comparison Approach and Depreciated Replacement cost
Unobservable inputs	Rate per square metre

There was no transfer in fair value hierarchy during the year.

The carrying amounts of buildings that would have been included in the financial statements had the assets been carried at cost less accumulated depreciation is as follows:

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Cost	27,500	27,500	27,500
Accumulated depreciation	(25,737)	(25,561)	(25,385)
Net book value	1,763	1,939	2,115

26. Deferred tax

Deferred tax assets relate to non-current assets.

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available which the Bank can use the benefits therefrom. The tax losses can be carried forward for the next five years.

	2025		2024		2023	
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
	Gross		Gross		Gross	
	amount	Tax effect	amount	Tax effect	amount	Tax effect
Deductible temporary differences	(96,268)	(4,813)	225,970	11,298	425,126	21,256
Tax losses	538,506	26,925	497,481	24,874	327,297	16,365
	442,238	22,112	723,451	36,172	752,423	37,621

27. Deposits from banks

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Other deposits from banks	1,269,011	667,664	236,916

All deposits from banks are current.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

28. Deposits from customers

	2025		
	MUR'000	MUR'000	MUR'000
	Total	Resident	Non-Resident
Corporate customers			
Current accounts	6,181,730	5,900,179	281,551
Savings accounts	11,576	11,576	-
Time deposits with remaining term to maturity			
Up to 3 months	528,802	528,802	-
Over 3 months and up to 6 months	86,650	86,650	-
Over 6 months and up to 12 months	262,527	262,527	-
Government			
Current accounts	11,392	11,392	-
	7,082,677	6,801,126	281,551

Current accounts are mostly non-interest bearing, whereas for Savings account a managed rate is applicable. Interest rate on time deposits will be fixed in nature.

	2024		
	MUR'000	MUR'000	MUR'000
	Total	Resident	Non-Resident
Corporate customers			
Current accounts	6,013,408	5,732,993	280,415
Savings accounts	14,238	14,238	-
Time deposits with remaining term to maturity			
Up to 3 months	1,229,523	1,229,523	-
Over 3 months and up to 6 months	190,309	190,309	-
Over 6 months and up to 12 months	172,724	172,724	-
Over 1 year and up to 5 years	345	345	-
Government			
Current accounts	10,896	10,896	-
	7,631,443	7,351,028	280,415

	2023		
	MUR'000	MUR'000	MUR'000
	Total	Resident	Non-Resident
Corporate customers			
Current accounts	6,583,239	6,344,948	238,291
Savings accounts	19,567	19,567	-
Time deposits with remaining term to maturity			
Up to 3 months	111,172	111,172	-
Over 3 months and up to 6 months	7,220	7,220	-
Over 6 months and up to 12 months	133,450	133,450	-
Over 1 year and up to 5 years	-	-	-
Government			
Current accounts	16,994	16,994	-
	6,871,642	6,633,351	238,291

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements for the year ended 31 December 2025

29. Other borrowed funds

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Borrowings from banks (In Mauritius)	3,047,146	3,217,521	133,687
Current	693,601	579,225	133,687
Non-current	2,353,545	2,638,296	-
	3,047,146	3,217,521	133,687

Other borrowed funds are interest bearing and unsecured in nature. The Bank has a facility line of USD225m with HSBC Hong Kong which enables it to drawdown as and when needed to meet liquidity and funding requirements. The facility has no drawn amount as at 31 December 2025 (2024: Nil; 2023: Nil). There have been no defaults during the year.

30. Other liabilities

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Accrued interest payable	-	18,622	2,125
Accrued expenses (Note a)	45,820	59,778	88,038
Other retirement obligation (unfunded) (Note 32)	11,556	22,302	29,499
Lease liabilities (Note b)	16,998	25,879	39,157
Other	139,601	176,408	719,379
<i>of which: Acceptance and Endorsement</i>	72,432	35,946	161,145
<i>Intercompany recharge costs</i>	10,624	11,107	34,581
<i>Provision for off-balance sheet exposure</i>	1,145	672	679
<i>Severance allowance</i>	9,437	56,716	156,905
<i>Cost to sell</i>	-	-	237,655
	213,975	302,989	878,198
Current	188,465	262,079	823,252
Non-Current	25,510	40,910	54,946
	213,975	302,989	878,198

Note a - Accrued expenses relate mainly to provision for bonuses, professional charges and other accruals.

Note b - The Bank leases various offices and residential properties. All office leases have been terminated during the year. Lease liabilities represent the present value of lease payments over the leases contract period inclusive of the extension option. The lease payments amounted to MUR6.4m. Please refer to note 37(d)(iii) for the maturity analysis.

31. Capital and reserves

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Other Reserves			
Share based payment reserve	14,162	16,360	16,208
Revaluation reserve	92,692	92,692	206,101
Statutory reserve	306,835	306,835	306,835
General banking reserve	58,514	71,401	118,153
Fair value reserve	(9,910)	(16,168)	(40,714)
	462,293	471,120	606,583
Retained Earnings	925,647	659,228	451,573
	1,387,940	1,130,348	1,058,156

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

31. Capital and reserves (continued)

a) Assigned capital

The Bank's assigned capital was at MUR1,499.8m (2024: MUR1,499.8m, 2023: MUR1,499.8m) which is above the minimum capital requirement of MUR400m as per Section 20 of the Mauritian Banking Act 2004.

b) Revaluation reserve

The revaluation reserve comprises the cumulative increase in the existing value of freehold land and buildings held by the Bank.

c) Statutory reserve

The Bank's statutory reserve was at MUR307m in accordance with Section 21 of the Mauritian Banking Act 2004 which requires the Bank to transfer 15% of its annual profits to a statutory reserve until this reserve equals its stated capital.

d) General banking reserve

This represents the amount set aside by the Bank as appropriation of earnings for unforeseeable risks and future credit losses. The BoM *Guideline on Credit Impairment Measurement and Income Recognition* which previously dictated the general banking reserve calculation has been repealed during 2024 and superseded by the BoM *Guideline on Classification, Provisioning and Write-off of Credit Exposures* effective as from 30 September 2024.

For year ended 31 December 2025, the performing exposures were MUR55.9m, macroprudential provision were MUR2.6m and there was no non-performing exposures, giving a total general banking reserve of MUR58.5m.

e) Fair value reserve

The fair value reserve comprises the cumulative net change in the financial assets held at FVOCI until the assets are derecognised or impaired.

f) Retained earnings

Retained earnings relates to profit or loss carried forward at year-end.

g) Share based payment reserve

This represents reserves for restricted share plan and share options granted to employees.

(i) Restricted Share Plan

Share awards are restricted shares that are awarded to some employees only, on a discretionary basis to help reward an individual's contribution to the Bank and in recognition of their future potential. In addition, the awards are designed to help retain and motivate key individuals by sharing with them the long-term growth and success of the Bank as a whole. The shares are granted over a period of 3 years with staggered vesting conditions of 33% each year and are equity settled.

	MUR'000
At 1 January 2023	13,981
Charge to profit or loss	1,580
Fair value movement on shares held	647
At 31 December 2023	<u>16,208</u>
Credit to profit or loss	(585)
Fair value movement on shares held	737
At 31 December 2024	16,360
Credit to profit or loss	(1,405)
Fair value movement on shares held	(793)
At 31 December 2025	14,162

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements for the year ended 31 December 2025

32. Retirement Benefits

(a) Defined benefits plan

The plan is a defined benefit arrangement, with benefits based on final salary. It provides for a pension at retirement and a benefit on death or disablement in service before retirement. In addition, the plan provides for a spouse's pension on a member's death in retirement. The spouse's pension is equal to one-third of the member's pension.

The pension plan is managed by a committee which comprise representatives from across the Bank and regulated by the Private Pension Scheme Act 2012. The committee is responsible of the investment policy with regards to the assets of the pension plan in accordance with the Private Pension Scheme Act 2012. The committee has outsourced the portfolio and administrative services of the pension plans to Swan Wealth Managers Ltd and Swan Pensions Ltd with effect from 21 December 2016.

The assets of the funded plan are held and administered by HSBC Superannuation Fund for Resident Officers ("ROCS") and HSBC Superannuation Fund for Staff Officers, Clerical and Subordinate Staff ("SOCS") respectively. The latter is expected to produce a smooth progression of return from one year to the next. As the fund is expected to produce a smooth return, a fairly reasonable indication of future returns can be obtained by looking at historical ones. Therefore, the long term expected return on asset assumption has been based on historical performance of the fund. In terms of the individual expected returns, the expected return on equities has been based on an equity risk premium above a risk free rate. The risk free rate has been measured in accordance to the yields on government bonds at the measurement date. The fixed interest portfolio includes government bonds, loan stocks and mortgages. The expected return for this asset class has been based on yields of government bonds at the measurement date. The actual return on plan assets was MUR30.4m (2024: MUR144.0m, 2023:MUR87.5m).

The defined benefit plans expose the Bank to actuarial risks, such as longevity risk, investment risk, interest risk and salary risk.

Longevity risk

The plan liability is calculated by reference to the best estimate for the mortality of plan participants both during and after their employment. An increase in life expectancy of the plan participants will increase the plan liability.

Investment risk

The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk

A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Salary risk

The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

Liquidity risk

This risk arises if the employer's actual net cashflows are not sufficient to pay for the employee benefits when they become due.

Investment risk

The present value of the liabilities of the plan are calculated using a discount rate. If the returns on the assets of the plan is lower than the discount rate, then a deficit will arise. Lower returns on the defined contribution scheme will reduce the expected pension which in turn will reduce the allowable gratuity offset. The net result will be an increase in the residual liability. Lower return on the PRGF asset will also increase the deficit.

The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

32. Retirement Benefits (continued)

(a) Defined benefits plan (continued)

The principal actuarial assumptions are:

	2025	2024	2023
Discount rate			
ROCS Funded	5.7%	5.1%	5.3%
SOCS Funded	5.6%	5.1%	5.2%
ROCS Unfunded	5.2%	4.7%	4.7%
SOCS Unfunded	5.3%	4.9%	4.8%
Future long-term salary increase	2.00%	3.0%	3.0%/3.4%
Future expected pension increase	2.00%	3.0%	3.2%

The retirement benefit assets as at 31 December 2025 are based on the report submitted by Swan Life Ltd.

	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Equities	476,763	500,652	421,307
Fixed interest and foreign fixed income	629,290	421,062	580,323
Cash	53,112	247,112	73,661
Total market value of assets	1,159,165	1,168,826	1,075,291
Present value of plan liabilities	(807,465)	(1,001,560)	(980,276)
Net asset for retirement obligation recognised in statement of financial position	351,700	167,266	95,015

Expected contribution next year

The Bank is not expected to contribute to the pension schemes for the year ending 31 December 2026 (2025: Nil)

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

32. Retirement Benefits (continued)

(a) Defined benefits plan (continued)

Maturity profile of the Defined Benefits Obligation

As at 31 December 2025, the average remaining working life of the employees for ROCS Funded 9 years, ROCS Unfunded 5 years, SOCS Funded 9 years and SOCS Unfunded 6 years (2024: ROCS Funded 10 years, ROCS Unfunded 5 years, SOCS Funded 9 years and SOCS Unfunded 6 years).

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Pension expense components for the year			
Current service cost	5,742	8,899	11,913
Past service cost	-	(16,861)	-
	<u>5,742</u>	<u>(7,962)</u>	<u>11,913</u>
Interest cost	49,572	49,798	56,761
Interest income	(58,275)	(55,133)	(63,300)
Net interest cost	(8,703)	(5,335)	(6,539)
Total amount recognised in profit or loss	<u>(2,961)</u>	<u>(13,297)</u>	<u>5,374</u>
Movement in asset recognised in statement of financial position			
At start of the year	167,266	95,015	103,270
Total amount recognised in profit or loss	2,961	13,297	(5,374)
Actuarial gains/(losses)	171,530	43,831	(4,615)
Employer's contributions	9,943	15,123	1,734
At end of the year	<u>351,700</u>	<u>167,266</u>	<u>95,015</u>
Change in defined benefit obligation			
Present value of defined benefit obligation			
At start of the year	(1,001,560)	(980,276)	(922,825)
Current service cost	(5,742)	(8,899)	(11,913)
Effect of curtailments*	-	16,861	-
Interest cost	(49,572)	(49,798)	(56,761)
Remeasurements	191,368	(45,080)	(28,647)
Benefits paid	58,041	65,632	39,870
Present value of defined benefit obligation at end of the year	<u>(807,465)</u>	<u>(1,001,560)</u>	<u>(980,276)</u>

*In connection with sale of the domestic retail and business banking operations in July 2024, a curtailment gain was incurred and a settlement arrangement was agreed with the plan participants, effective 31 December 2024, which settled all post-employment benefit plan obligations relating to the employees of that business unit.

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Change in plan assets			
Fair value of plan assets at start of the year	1,168,826	1,075,291	1,026,095
Interest income	58,275	55,133	63,300
Employer's contributions	9,943	15,123	1,733
Return on plan assets, excluding amounts included in interest income	(19,838)	88,911	24,033
Benefits paid	(58,041)	(65,632)	(39,870)
Fair value of plan assets at end of the year	<u>1,159,165</u>	<u>1,168,826</u>	<u>1,075,291</u>

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

32. Retirement Benefits (continued)

(a) Defined benefits plan (continued)

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Analysis of amount recognised in statement of changes in equity			
(Losses)/Gains on pension scheme assets	(19,838)	88,911	24,033
Remeasurements - Experience gains on the liabilities	33,388	(48,956)	13,804
Remeasurements - Changes in financial assumptions on the liabilities	157,980	3,876	(42,452)
Actuarial gain/(loss) recognised in other comprehensive income	171,530	43,831	(4,615)
Net asset/(liability) relating to the funded plans			
Present value of funded obligations	(807,465)	(1,001,560)	(980,276)
Fair value of plan assets	1,159,165	1,168,826	1,075,291
Surplus of funded plans	351,700	167,266	95,015

Sensitivity analysis

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Decrease in Defined Benefit Obligation due to 1% increase in discount rate	79,310	114,188	103,514
Increase in Defined Benefit Obligation due to 1% decrease in discount rate	95,549	140,614	141,532
Increase in Defined Benefit Obligation due to 1% increase in future long-term salary assumption	7,116	16,780	24,864
Decrease in Defined Benefit Obligation due to 1% decrease in future long-term salary assumption	6,692	15,580	23,051
Increase in Defined Benefit Obligation due to 1% increase in future long-term pension assumption	87,901	122,982	117,801
Decrease in Defined Benefit Obligation due to 1% decrease in future long-term pension assumption	74,739	103,063	99,694

The sensitivity analysis above has been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting year if all other assumptions remained unchanged.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

(b) Severance allowance - Defined Contribution Plan employees

The liability relates to employees who are entitled to statutory benefits prescribed under parts VIII and IX of the Workers' Rights Act 2019 ('WRA'). The latter provides for a lump sum on withdrawal, at retirement or death, whichever occurs earlier, based on final salary and years of service.

For employees who are members of the Defined Contribution plan, half of any lumpsum and 5 years of pension (relating to Employer's share of contributions only) payable from the pension fund have been offset from the gratuities.

The Bank is not expected to contribute to its post-employment defined contribution plans for the year ending 31 December 2026.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

32. Retirement Benefits (continued)

(b) Severance allowance - Defined Contribution Plan employees (continued)

The principal actuarial assumptions are:

	2025	2024	2023
Discount rate	5.9%	5.2%	5.6%
Future long-term salary increase	2.0%	3.0%	3.4%

Maturity profile

The average remaining working life of the employees at 31 December 2025 is 15 years. (2024: 17 years; 2023: 19 years).

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Pension expense components for the year			
Current service cost	1,003	1,171	1,929
Past service cost	-	(9,115)	-
Net interest cost	1,160	1,652	2,171
Total amount recognised in profit or loss	2,163	(6,292)	4,100
Movement in liability recognised in statement of financial position			
At start of the year	(22,302)	(29,499)	(31,457)
Total amount recognised in profit or loss	(2,163)	6,292	(4,100)
Actuarial gains	12,909	905	6,058
At end of the year	(11,556)	(22,302)	(29,499)
Change in defined contribution obligation			
Present value of defined contribution obligation			
At start of the year	(22,302)	(29,499)	(31,457)
Current service cost	(1,003)	(1,171)	(1,929)
Interest cost	(1,160)	(1,652)	(2,171)
Past service cost	-	9,115	-
Remeasurements	12,909	905	6,058
Present value of defined benefit obligation at end of the year	(11,556)	(22,302)	(29,499)
Analysis of amount recognised in statement of changes in equity			
Remeasurements - Experience losses on the liabilities	2,136	826	1,368
Remeasurements - Changes in financial assumptions on the liabilities	10,773	79	4,690
Actuarial gains recognised in other comprehensive income	12,909	905	6,058
Cumulative actuarial (losses)/gains recognised			
Cumulative actuarial losses at start of year	(4,375)	(5,280)	(11,338)
Actuarial gains recognised this year	12,909	905	6,058
Cumulative actuarial gains/(losses) at end of year	8,534	(4,375)	(5,280)

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements for the year ended 31 December 2025

32. Retirement Benefits (continued)

(b) Severance allowance - Defined Contribution Plan employees (continued)

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Net liability relating to the unfunded plans			
Unfunded defined contribution obligation	(11,556)	(22,302)	(29,499)
Actuarial gains on plan liabilities	12,909	905	6,058

Sensitivity analysis

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Increase in defined benefit obligation due to 1% decrease in discount rate	5,767	8,374	11,558
Decrease in defined benefit obligation due to 1% increase in discount rate	4,337	6,902	9,290
Increase in defined benefit obligation due to 1% increase in future long-term salary assumption	5,950	8,529	11,739
Decrease in defined benefit obligation due to 1% decrease in future long-term pension assumption	4,517	7,117	9,601

The sensitivity analysis above has been carried out by recalculating the present value of obligation at end of period after increasing the discount rate/salary increase rate while leaving all other assumptions unchanged. The results are particularly sensitive to a change in discount rate/salary increase rate due to the nature of the liabilities being the difference between the pure retirement gratuities under the Workers Rights Act 2019 and the deductions allowable, being five times the annual pension provided and half the lump sum received by the member at retirement from the pension fund with reference to the Bank's share of contributions.

33. Contingent liabilities

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and are generally extended over the year of the facility. These commitments and contingent liabilities have off-balance sheet credit risk. Only origination fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expired. The possibility of any outflow in settlement is remote.

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

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Guarantees on account of customers	1,301,361	2,260,033	2,417,190
Letters of credit and other obligations	7,628	205,708	81,248
	<u>1,308,989</u>	<u>2,465,741</u>	<u>2,498,438</u>

34. Commitments

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Undrawn credit facilities	8,305,604	9,137,359	10,010,514

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

35. Analysis of cash and cash equivalents

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Cash and cash equivalents (Note 18)	6,360,791	7,218,517	10,974,704
Investment securities less than three months	497,261	101,430	112,703
	6,858,052	7,319,947	11,087,407

36. Related party transactions

Key management personnel

The total remuneration and transactions entered by the members of senior management with the Bank as listed in the statement of corporate governance practices is disclosed below:

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Loans	-	-	33,189
Interest income	-	-	1,048
Deposits	-	-	57,014
Interest expense	-	-	367
<i>Key management compensation</i>			
Salaries and short-term employee benefits	61,323	68,775	89,716
Share based payments	2,280	-	-
Post employment benefits	2,615	2,955	7,601
Key management exposure (MUR'000)	-	-	33,841
% of Tier 1 capital	-	-	1.6

Loans to members of senior management are granted on the same terms and conditions and at the same interest rates as prescribed by policies governing all staff loans. Deposits from members of senior management are agreed at commercial rate and same terms and conditions for all customers of the Bank. On 5 July 2024, all loans and deposits were transferred to ABSA further to the disposal of the retail banking operations. None of the facilities granted to related parties were non-performing.

Nil amount was paid as termination benefits to key management personnel during 2025.

Group Companies

The Bank is a branch of The Hongkong and Shanghai Banking Corporation Limited ("HSBC Ltd") and has a related party relationship with it. The Bank has also a related party relationship with other group companies under HSBC Holdings plc, the ultimate holding company. The Bank has bank accounts (nostro) with the related parties and the latter also hold bank accounts (vostro) with the Bank. Interests, fees and commissions were paid and/or received in relation to these bank accounts. During the year, the Bank also paid group support costs to its Head Office, HSBC Bank Middle East and HSBC India. The following table summarises the transactions during the year and the balances at year-end with related parties.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

36. Related party transactions (continued)

MUR'000	2025					Total
	HSBC Ltd*	HSBC Bank Plc	HSBC Holding Plc*	HSBC Bank USA	Other related parties	
<i>Statement of financial position:</i>						
Assets						
Intercompany bank accounts	88,087	456,369	-	880,747	1,769	1,426,972
Balances and placements with banks	2,023,416	-	-	-	-	2,023,416
Other assets	-	100	-	-	-	100
Liabilities						
Other borrowed funds	3,047,146	-	-	-	-	3,047,146
Intercompany deposits	639,776	367,530	-	40	10,118	1,017,464
Trading liabilities	56	-	-	-	-	56
Other liabilities	10,624	3	-	-	-	10,627
<i>Statement of comprehensive income:</i>						
Other interest receivable	43,019	34,623	-	17,941	-	95,583
Other interest payable	93,733	2	-	-	-	93,735
Fee and commission receivable	8,966	-	-	318	-	9,284
Fee and commission payable	296	274	-	1,592	269	2,431
Other income	194,623	-	-	-	-	194,623
Other expenses	125,139	-	107,753	-	-	232,892

* HSBC Ltd and HSBC Bank Plc includes their international branches.

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates, as for comparable transactions with third-party counterparties. None of the facilities granted to Group companies were non-performing as at 31 December 2025 (2024: Nil, 2023: Nil). Impairment allowance on the related party financial assets was MUR0.3m (2024: MUR0.4m, 2023: MUR0.6m).

MUR'000	2024					Total
	HSBC Ltd*	HSBC Bank Plc	HSBC Holding Plc*	HSBC Bank USA	Other related parties	
<i>Statement of financial position:</i>						
Assets						
Intercompany bank accounts	761,112	310,060	36,435	541,296	2,413	1,651,316
Balances and placements with banks	1,495,897	8,771	-	-	-	1,504,668
Other assets	8,760	-	-	-	-	8,760
Liabilities						
Other borrowed funds	2,717,521	-	-	-	-	2,717,521
Intercompany deposits	884,199	258,080	-	40	9,364	1,151,683
Other liabilities	16,849	-	-	-	-	16,849
<i>Statement of comprehensive income:</i>						
Other interest receivable	116,862	22,927	-	42,869	1	182,659
Other interest payable	72,150	-	-	-	-	72,150
Fee and commission receivable	6,678	-	-	624	-	7,302
Fee and commission payable	248	254	310	931	277	2,020
Other income	248,784	-	-	-	-	248,784
Other expenses	520,656	-	129,372	-	-	650,028

* HSBC Ltd and HSBC Bank Plc includes their international branches.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements for the year ended 31 December 2025

36. Related party transactions (continued)

MUR'000	2023					Total
	HSBC Ltd*	HSBC Bank Plc	HSBC Holding Plc*	HSBC Bank USA	Other related parties	
<i>Statement of financial position:</i>						
Assets						
Intercompany bank accounts	626,588	312,021	120,303	288,758	234,714	1,582,384
Balances and placements with banks	3,382,281	561,259	-	-	-	3,943,540
Liabilities						
Other borrowed funds	133,687	-	-	-	-	133,687
Intercompany deposits	487,787	95,256	-	40	9,274	592,357
Other liabilities	34,581	-	-	-	-	34,581
<i>Statement of comprehensive income:</i>						
Other interest receivable	123,151	13,769	132	40,361	1	177,414
Other interest payable	12,435	-	3	-	-	12,438
Fee and commission receivable	8,779	-	-	442	-	9,221
Fee and commission payable	223	267	349	5,037	935	6,811
Other income	183,667	-	-	-	-	183,667
Other expenses	166,292	-	107,147	-	-	273,439

* HSBC Ltd and HSBC Bank Plc includes their international branches.

None of the facilities granted to Group companies were non-performing (2024: Nil, 2023: Nil).

37. Financial Risk Management

(a) Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risks (including interest rate and foreign currency risks)

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risks, and the Bank's management of capital. The measurement of ECL under IFRS 9 uses the information and approaches that the Bank uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed separately in note 37(b)(iii).

Risk management framework

The Board of Directors of the Head Office has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Bank has established the Assets and Liabilities Committee ('ALCO') and RMM committees, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(a) *Introduction and overview (continued)*

The Group Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Group Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

The credit risk management framework of the Bank includes RMM, which provides a holistic forum for oversight of the different aspects of risk management. The RMM at a minimum meets six times a year to review all risks across all line of businesses and functions. The Bank's information system has been designed such that unauthorised excesses, overdue loan repayments and pending documentation are tracked and addressed in a timely manner. In addition, regular reporting on credit risk is made to the parent, The Hongkong and Shanghai Banking Corporation Limited, incorporated in Hong Kong, and to the BoM.

(b) *Credit risk*

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and other banks and investment debt securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The Bank generally accepts security as collateral for advances extended to its corporate customer base. The acceptable forms of tangible security are agreed every year by way of area lending guidelines which are prepared by the Credit Risk Management function and approved by the regional credit function in Hong Kong before being circulated to relationship managers for guidance and adherence. Credit derivatives, haircuts and on and off-balance sheet netting are not used in respect of credit risk mitigation.

For risk management purposes, credit risk arising on trading assets is managed independently; and information thereon is disclosed below. The market risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk.

i) Management of credit risk

The Global Risk & Compliance function, headed by the HSBC Group Chief Risk & Compliance Officer, has functional responsibility for the management of the Bank's credit risk, including:

- formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- establishing the authorisation structure for the approval and renewal of credit facilities;
- reviewing and assessing credit risk in excess of designated limits;
- reviewing and limiting concentrations of exposure to counterparties, geographies and industries and product types;
- developing and maintaining the Bank's risk rating systems; and
- providing advice, guidance and specialist skills to business units to promote best practice throughout HSBC Group in the management of credit risk.

Each business unit is required to implement HSBC Group credit policies and procedures, with credit approval authorities delegated from the HSBC Group Credit Committee. Each business unit has a Chief Risk & Compliance Officer / Chief Risk Officer who is responsible for the implementation of the HSBC Group's credit policies and procedures and for monitoring and controlling all credit risks in its portfolios. The Bank's Management, through the local Quarterly Impairment Committee, reviews the adequacy of the Expected Credit Losses ("ECL") and accounts written off, if any.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) Credit risk (continued)

i) Management of credit risk (continued)

For rating assignment at individually significant customer level, businesses adopt an internal ratings-based (“IRB”) approach and maintain risk rating methodologies incorporating the PD and the attribution of EAD and LGD values at facility level.

PD reflects the likelihood of the obligor default within the next 12 months or the life of the instrument, and is assigned to all corporate and other judgmentally assessed obligors, reviewed at least annually.

LGD, is an estimate of the severity of the loss that the Bank is likely to incur in the event that the borrower defaults, expressed as a percentage of exposure at default and applied as a rating at facility level. The use of EAD and LGD ensure the Bank complies with Group and local regulatory parameters to evaluate the severity of loss associated with judgmentally assessed credit exposures.

Regular audits of business units and HSBC Group Credit processes are undertaken by the Internal Audit function.

The Bank assesses the credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a point in time assessment of the probability of default of financial instruments, whereas IFRS 9 stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit impaired financial instruments, there is no direct relationship between the credit quality assessment and IFRS 9 stages 1 and 2, though typically the lower credit quality bands exhibit a higher proportion in stage 2. The five credit quality classifications defined below, each encompass a range of granular internal credit rating grades assigned to wholesale and retail lending businesses and the external ratings attributed by external agencies to debt securities, as shown in the table below. As at 31 December 2025, the Bank has not classified any of its financial assets as having low credit risk. The credit quality classifications for wholesale lending are unchanged and are based on internal credit risk ratings.

Credit quality classification	Sovereign Debt securities and bills	Other Debt securities and bills	Wholesale lending	
	External credit rating	Internal credit rating	12-month Basel probability of default %	
Strong	BBB and above	A- and above	CRR1 to CRR2	0.000–0.169
Good	BBB- to BB	BBB+ to BBB-	CRR3	0.170–0.740
Satisfactory	BB- to B & unrated	BB+ to B & unrated	CRR4 to CRR5	0.741–4.914
Sub-standard	B- to C	B- to C	CRR6 to CRR8	4.915–99.999
Credit-impaired	Default	Default	CRR9 to CRR10	100

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit Quality of financial instruments

	Gross carrying/nominal amount							
	Strong MUR'000	Good MUR'000	Satisfactory MUR'000	Sub- standard MUR'000	Credit impaired MUR'000	Total MUR'000	Allowance for ECL MUR'000	Net MUR'000
Loans and advances to customers at amortised cost	607,112	1,127,041	1,571,897	54,185	-	3,360,235	(781)	3,359,454
– corporate and commercial	607,099	1,127,041	1,438,700	54,185	-	3,227,025	(776)	3,226,249
– non-bank financial institutions	13	-	133,197	-	-	133,210	(5)	133,205
Loans and advances to banks at amortised cost	635,702	-	-	-	-	635,702	(329)	635,373
Other financial assets measured at amortised cost	2,827,696	3,962,000	49,017	-	-	6,838,713	(612)	6,838,101
– cash and cash equivalents*	2,822,302	3,080,424	-	-	-	5,902,726	(11)	5,902,715
– investment securities	-	809,144	49,017	-	-	858,161	(598)	857,563
– acceptance and endorsement	-	72,432	-	-	-	72,432	(3)	72,429
– accrued income and other assets	5,394	-	-	-	-	5,394	-	5,394
Investment securities measured at FVOCI	-	2,759,398	-	-	-	2,759,398	(838)	2,758,560
Total gross carrying amount on balance sheet	4,070,510	7,848,439	1,620,914	54,185	-	13,594,048	(2,560)	13,591,488
Loan and other credit related commitments	3,163,104	2,048,091	3,052,489	41,920	-	8,305,604	(959)	8,304,645
Financial guarantee and similar contracts	936,688	144,452	212,131	15,598	120	1,308,989	(186)	1,308,803
Total nominal amount off-balance sheet	4,099,792	2,192,543	3,264,620	57,518	120	9,614,593	(1,145)	9,613,448
At 31 December 2025	8,170,302	10,040,982	4,885,534	111,703	120	23,208,641	(3,705)	23,204,936

*Cash and cash equivalents exclude cash in hand and foreign currency notes and coins.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(ii) Credit Quality of financial instruments (continued)

	Gross carrying/nominal amount					Total MUR'000	Allowance for ECL MUR'000	Net MUR'000
	Strong MUR'000	Good MUR'000	Satisfactory MUR'000	Sub- standard MUR'000	Credit impaired MUR'000			
Loans and advances to customers at amortised cost	393,665	1,730,495	948,725	524,287	-	3,597,172	(780)	3,596,392
– corporate and commercial	393,665	1,730,495	948,725	491,708	-	3,564,593	(780)	3,563,813
– non-bank financial institutions	-	-	-	32,579	-	32,579	-	32,579
Loans and advances to banks at amortised cost	524,415	-	-	-	-	524,415	(406)	524,009
Other financial assets measured at amortised cost	6,946,204	665,954	53,905	2,492	-	7,668,555	(196)	7,668,359
– cash and cash equivalents*	6,944,333	-	-	-	-	6,944,333	-	6,944,333
– investment securities	-	621,784	49,396	-	-	671,180	(194)	670,986
– acceptance and endorsement	-	35,946	-	-	-	35,946	(2)	35,944
– accrued income and other assets	1,871	8,224	4,509	2,492	-	17,096	-	17,096
Investment securities measured at FVOCI	2,063,609	-	-	-	-	2,063,609	(384)	2,063,225
Trading assets measured at FVPL	60	-	-	-	-	60	-	60
Total gross carrying amount on balance sheet	9,927,953	2,396,449	1,002,630	526,779	-	13,853,811	(1,766)	13,852,045
Loan and other credit related commitments	2,203,658	3,801,230	3,127,555	5,169	-	9,137,612	(253)	9,137,359
Financial guarantee and similar contracts	1,400,575	778,122	287,423	40	-	2,466,160	(419)	2,465,741
Total nominal amount off-balance sheet	3,604,233	4,579,352	3,414,978	5,209	-	11,603,772	(672)	11,603,100
At 31 December 2024	13,532,186	6,975,801	4,417,608	531,988	-	25,457,583	(2,438)	25,455,145

*Cash and cash equivalents exclude cash in hand and foreign currency notes and coins.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(ii) Credit Quality of financial instruments (continued)

	Gross carrying/nominal amount					Total MUR'000	Allowance for ECL MUR'000	Net MUR'000
	Strong MUR'000	Good MUR'000	Satisfactory MUR'000	Sub- standard MUR'000	Credit impaired MUR'000			
Loans and advances to customers at amortised cost	539,178	1,261,568	2,652,235	164,135	-	4,617,116	(1,336)	4,615,780
– Personal	-	-	-	-	-	-	(100)	(100)
– corporate and commercial	539,178	1,261,568	2,434,235	44,135	-	4,279,116	(1,180)	4,277,936
– non-bank financial institutions	-	-	218,000	120,000	-	338,000	(56)	337,944
Loans and advances to banks at amortised cost	655,085	-	-	-	-	655,085	(4,221)	650,864
Other financial assets measured at amortised cost	12,011,450	121,915	130,182	4,270	-	12,267,817	(492)	12,267,325
– cash and cash equivalents*	10,676,885	-	-	-	-	10,676,885	-	10,676,885
– investment securities	1,309,677	-	-	-	-	1,309,677	(481)	1,309,196
– acceptance and endorsement	10,862	89,096	61,187	-	-	161,145	(11)	161,134
– accrued income and other assets	14,026	32,819	68,995	4,270	-	120,110	-	120,110
Assets held for sale	6,090,836	22,706	270,526	-	67,745	6,451,813	(34,580)	6,417,233
Investment securities measured at FVOCI	5,650,899	-	-	-	-	5,650,899	(1,141)	5,649,758
Trading assets measured at FVPL	31	-	-	-	-	31	-	31
Total gross carrying amount on balance sheet	24,947,480	1,406,189	3,052,943	168,405	67,745	29,642,761	(41,770)	29,600,991
Loan and other credit related commitments	3,046,777	2,925,091	4,026,879	12,036	-	10,010,783	(271)	10,010,512
Financial guarantee and similar contracts	1,241,490	868,159	388,207	990	-	2,498,846	(408)	2,498,438
Total nominal amount off-balance sheet	4,288,267	3,793,250	4,415,086	13,026	-	12,509,629	(679)	12,508,950
At 31 December 2023	29,235,747	5,199,439	7,468,029	181,431	67,745	42,152,390	(42,449)	42,109,941

*Cash and cash equivalents exclude cash in hand and foreign currency notes and coins.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch
Notes to the financial statements
for the year ended 31 December 2025

37 Financial Risk Management (continued)

(b) **Credit risk (continued)**

(ii) Credit Quality of financial instruments (continued)

Total loans and advances at amortised cost by portfolio stage distribution

	Gross carrying amount				Allowance for ECL			
	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
2025								
Corporate and commercial	2,097,184	1,129,841	-	3,227,025	(354)	(422)	-	(776)
Non-bank financial institutions	133,210	-	-	133,210	(5)	-	-	(5)
Banks	635,702	-	-	635,702	(329)	-	-	(329)
At 31 December 2025	2,866,096	1,129,841	-	3,995,937	(688)	(422)	-	(1,110)
2024								
Corporate and commercial	2,120,433	1,444,160	-	3,564,593	(237)	(543)	-	(780)
Non-bank financial institutions	32,579	-	-	32,579	-	-	-	-
Banks	524,415	-	-	524,415	(406)	-	-	(406)
At 31 December 2024	2,677,427	1,444,160	-	4,121,587	(643)	(543)	-	(1,186)
2023								
Corporate and commercial	2,405,095	1,874,021	-	4,279,116	(239)	(941)	-	(1,180)
Non-bank financial institutions	138,000	200,000	-	338,000	(7)	(49)	-	(56)
Banks	655,085	-	-	655,085	(4,221)	-	-	(4,221)
At 31 December 2023	3,198,180	2,074,021	-	5,272,201	(4,467)	(990)	-	(5,457)

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit Quality of financial instruments (continued)

Wholesale lending - credit risk profile by obligor grade for loans and advances at amortised cost

2025		Gross carrying amount				Allowance for ECL				ECL coverage %
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	PD range %	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	
Corporate and Commercial		2,097,184	1,129,841	-	3,227,025	(354)	(422)	-	(776)	(0.02)
CRR1	0.000 to 0.053	-	-	-	-	-	-	-	-	-
CRR2	0.054 to 0.169	607,098	-	-	607,098	(110)	-	-	(110)	(0.02)
CRR3	0.170 to 0.740	748,628	378,414	-	1,127,042	(73)	(39)	-	(112)	(0.01)
CRR4	0.741 to 1.927	14,263	241,316	-	255,579	-	(82)	-	(82)	(0.03)
CRR5	1.928 to 4.914	725,444	457,677	-	1,183,121	(171)	(156)	-	(327)	(0.03)
CRR6	4.915 to 8.860	-	28,923	-	28,923	-	(128)	-	(128)	(0.44)
CRR7	8.861 to 15.000	1,751	23,511	-	25,262	-	(17)	-	(17)	(0.07)
CRR8	15.001 to 99.999	-	-	-	-	-	-	-	-	-
CRR9/10	100.000	-	-	-	-	-	-	-	-	-
Non bank financial institutions		133,210	-	-	133,210	(5)	-	-	(5)	(0.00)
CRR1	0.000 to 0.053	13	-	-	13	(1)	-	-	(1)	(7.69)
CRR2	0.054 to 0.169	-	-	-	-	-	-	-	-	-
CRR3	0.170 to 0.740	-	-	-	-	-	-	-	-	-
CRR4	0.741 to 1.927	-	-	-	-	-	-	-	-	-
CRR5	1.928 to 4.914	133,197	-	-	133,197	(4)	-	-	(4)	(0.00)
CRR6	4.915 to 8.860	-	-	-	-	-	-	-	-	-
CRR7	8.861 to 15.000	-	-	-	-	-	-	-	-	-
CRR8	15.001 to 99.999	-	-	-	-	-	-	-	-	-
CRR9/10	100.000	-	-	-	-	-	-	-	-	-
Banks		635,702	-	-	635,702	(329)	-	-	(329)	(0.05)
CRR1	0.000 to 0.053	635,702	-	-	635,702	(329)	-	-	(329)	(0.05)
CRR2	0.054 to 0.169	-	-	-	-	-	-	-	-	-
CRR3	0.170 to 0.740	-	-	-	-	-	-	-	-	-
CRR4	0.741 to 1.927	-	-	-	-	-	-	-	-	-
CRR5	1.928 to 4.914	-	-	-	-	-	-	-	-	-
CRR6	4.915 to 8.860	-	-	-	-	-	-	-	-	-
CRR7	8.861 to 15.000	-	-	-	-	-	-	-	-	-
CRR8	15.001 to 99.999	-	-	-	-	-	-	-	-	-
CRR9/10	100.000	-	-	-	-	-	-	-	-	-
At 31 December 2025		2,866,096	1,129,841	-	3,995,937	(688)	(422)	-	(1,110)	(0.03)

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

37 Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit Quality of financial instruments (continued)

Wholesale lending - credit risk profile by obligor grade for loans and advances at amortised cost

2024	PD range %	Gross carrying amount				Allowance for ECL				ECL coverage %
		Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000	
Corporate and Commercial		2,120,434	1,444,159	-	3,564,593	(237)	(543)	-	(780)	(0.02)
CRR1	0.000 to 0.053	-	-	-	-	-	-	-	-	-
CRR2	0.054 to 0.169	393,665	-	-	393,665	(5)	-	-	(5)	(0.00)
CRR3	0.170 to 0.740	1,040,534	689,961	-	1,730,495	(126)	(67)	-	(193)	(0.01)
CRR4	0.741 to 1.927	188,897	57,818	-	246,715	(10)	(68)	-	(78)	(0.03)
CRR5	1.928 to 4.914	497,338	204,671	-	702,009	(94)	(38)	-	(132)	(0.02)
CRR6	4.915 to 8.860	-	491,709	-	491,709	(2)	(370)	-	(372)	(0.08)
CRR7	8.861 to 15.000	-	-	-	-	-	-	-	-	-
CRR8	15.001 to 99.999	-	-	-	-	-	-	-	-	-
CRR9/10	100.000	-	-	-	-	-	-	-	-	-
Non bank financial institutions		32,579	-	-	32,579	-	-	-	-	-
CRR1	0.000 to 0.053	-	-	-	-	-	-	-	-	-
CRR2	0.054 to 0.169	-	-	-	-	-	-	-	-	-
CRR3	0.170 to 0.740	-	-	-	-	-	-	-	-	-
CRR4	0.741 to 1.927	-	-	-	-	-	-	-	-	-
CRR5	1.928 to 4.914	-	-	-	-	-	-	-	-	-
CRR6	4.915 to 8.860	32,579	-	-	32,579	-	-	-	-	-
CRR7	8.861 to 15.000	-	-	-	-	-	-	-	-	-
CRR8	15.001 to 99.999	-	-	-	-	-	-	-	-	-
CRR9/10	100.000	-	-	-	-	-	-	-	-	-
Banks		524,415	-	-	524,415	(406)	-	-	(406)	(0.08)
CRR1	0.000 to 0.053	524,415	-	-	524,415	(406)	-	-	(406)	(0.08)
CRR2	0.054 to 0.169	-	-	-	-	-	-	-	-	-
CRR3	0.170 to 0.740	-	-	-	-	-	-	-	-	-
CRR4	0.741 to 1.927	-	-	-	-	-	-	-	-	-
CRR5	1.928 to 4.914	-	-	-	-	-	-	-	-	-
CRR6	4.915 to 8.860	-	-	-	-	-	-	-	-	-
CRR7	8.861 to 15.000	-	-	-	-	-	-	-	-	-
CRR8	15.001 to 99.999	-	-	-	-	-	-	-	-	-
CRR9/10	100.000	-	-	-	-	-	-	-	-	-
At 31 December 2024		2,677,428	1,444,159	-	4,121,587	(643)	(543)	-	(1,186)	(0.03)

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit Quality of financial instruments (continued)

Wholesale lending - credit risk profile by obligor grade for loans and advances at amortised cost

2023	PD range %	Gross carrying amount				Allowance for ECL				ECL coverage %
		Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000	
Corporate and Commercial		2,405,095	1,874,022	-	4,279,117	(239)	(941)	-	(1,180)	(0.03)
CRR1	0.000 to 0.053	291,583	62	-	291,645	-	-	-	-	-
CRR2	0.054 to 0.169	247,534	-	-	247,534	(19)	-	-	(19)	0.01
CRR3	0.170 to 0.740	882,381	379,186	-	1,261,567	(178)	(41)	-	(219)	(0.02)
CRR4	0.741 to 1.927	695,561	746,118	-	1,441,679	(29)	(282)	-	(311)	(0.02)
CRR5	1.928 to 4.914	288,036	704,520	-	992,556	(13)	(366)	-	(379)	(0.04)
CRR6	4.915 to 8.860	-	-	-	-	-	-	-	-	-
CRR7	8.861 to 15.000	-	44,136	-	44,136	-	(252)	-	(252)	(0.57)
CRR8	15.001 to 99.999	-	-	-	-	-	-	-	-	-
CRR9/10	100.000	-	-	-	-	-	-	-	-	-
Non bank financial institutions		138,000	200,000	-	338,000	(7)	(49)	-	(56)	(0.02)
CRR1	0.000 to 0.053	-	-	-	-	-	-	-	-	-
CRR2	0.054 to 0.169	-	-	-	-	-	-	-	-	-
CRR3	0.170 to 0.740	-	-	-	-	-	-	-	-	-
CRR4	0.741 to 1.927	-	-	-	-	-	-	-	-	-
CRR5	1.928 to 4.914	18,000	200,000	-	218,000	-	(29)	-	(29)	(0.01)
CRR6	4.915 to 8.860	-	-	-	-	-	-	-	-	-
CRR7	8.861 to 15.000	120,000	-	-	120,000	(7)	(20)	-	(27)	(0.02)
CRR8	15.001 to 99.999	-	-	-	-	-	-	-	-	-
CRR9/10	100.000	-	-	-	-	-	-	-	-	-
Banks		655,085	-	-	655,085	(4,221)	-	-	(4,221)	(0.64)
CRR1	0.000 to 0.053	655,085	-	-	655,085	(4,221)	-	-	(4,221)	(0.64)
CRR2	0.054 to 0.169	-	-	-	-	-	-	-	-	-
CRR3	0.170 to 0.740	-	-	-	-	-	-	-	-	-
CRR4	0.741 to 1.927	-	-	-	-	-	-	-	-	-
CRR5	1.928 to 4.914	-	-	-	-	-	-	-	-	-
CRR6	4.915 to 8.860	-	-	-	-	-	-	-	-	-
CRR7	8.861 to 15.000	-	-	-	-	-	-	-	-	-
CRR8	15.001 to 99.999	-	-	-	-	-	-	-	-	-
CRR9/10	100.000	-	-	-	-	-	-	-	-	-
At 31 December 2023		3,198,180	2,074,022	-	5,272,202	(4,467)	(990)	-	(5,457)	(0.10)

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(iii) Credit risk measurement and analysis

(A) Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. A description of how the Bank determines when a significant increase in credit risk has occurred is given below.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. A description of how the Bank defines credit-impaired and default is given below.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. A description of inputs, assumptions and estimation techniques used in measuring the ECL is given below.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. An explanation of how the Bank has incorporated this in its ECL models is given below.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

(B) Explanation of inputs, assumptions and estimation techniques

In general, the Bank calculates ECL using three main components, a PD, a LGD, and the EAD. The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the lifetime. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument, respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the end of the reporting period to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

The measurement of ECL needs to take into account forecast of future economic conditions. This could be incorporated into the measurement of ECL in more than one way. In theory, forecast economic conditions could be expanded into full credit risk variables. These variables are incorporated into the risk parameters (PDs, LGDs and EADs) used to determine IFRS 9 stage allocation and ECL measurement. This is possible if the risk parameters are calculated using an economic response model. The projection of future economic conditions relies on point in time statistical models supplemented by judgement or based entirely on judgement where there is insufficient data and correlations to develop statistically based models. Where PDs are adjusted on a systemised basis, stage allocation is determined using PDs which are calculated on a probability weighted basis. The ECL is then measured on a probability weighted basis based on this stage allocation. In practice, methods that put less pressure on calculations performed during the reporting periods may be used, for example, the use of scalars provided that these methods meet the measurement objective. Simplified approaches which rely on the judgement of credit risk managers are applied where models do not support a systemised approach, e.g. the use of discounted cash flow models.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to of the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(iii) Credit risk measurement and analysis (continued)

(B) Explanation of inputs, assumptions and estimation techniques (continued)

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Stage 1 and 2

IFRS 9 credit risk models (IFRS 9 models) produce a number of risk component estimates that are used to measure ECL allowances and provisions for Stage 1 and 2 instruments. These models must be developed, implemented and maintained in line with approved global model standards. Stage 1 and 2 ECL allowances and provisions must be measured on either up to 12 months or lifetime ECL basis (depending on stage allocation) in a way that is unbiased and probability-weighted and incorporates forecasts of future economic conditions.

Stage 3

The ECL allowance assessment for financial instruments graded CRR 9/10 (i.e. Stage 3) must be determined on a Lifetime ECL basis.

Furthermore, expected credit losses of any financial instrument should also be measured in a way that reflects:

- a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b) the time value of money; and
- c) reasonable and supportable information that is available without undue cost or effort at the end of the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL under stage 3 is determined on an individual basis using a discounted cash flow ("DCF") methodology. The expected future cash flows are based on the credit risk officer's estimates as at the end of the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral. The cash flows are discounted at a reasonable approximation of the original effective interest rate.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to of the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(iii) Credit risk measurement and analysis (continued)

(C) Significant increase in credit risk (“SICR”)

An assessment of whether credit risk has increased significantly since initial recognition is performed at the end of each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the end of the reporting date compared to that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower, and the geographical region. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of lending, particularly between retail and wholesale.

However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due for wholesale. In addition, wholesale loans that are individually assessed, typically corporate and commercial customers, and included on a watch or worry list are included in stage 2.

For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime PD which encompasses a wide range of information including the obligor’s customer risk rating, macroeconomic condition forecasts and credit transition probabilities. Significant increase in credit risk is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at reporting date (or that the origination PD has doubled in the case of origination CRR greater than 3.3). The significance of changes in PD was informed by expert credit risk judgement, referenced to historical credit migrations and to relative changes in external market rates. The quantitative measure of significance varies depending on the credit quality at origination as follows:

Origination CRR	Significant trigger – PD to increase by
CRR 0.1 – 1.2	15bps
CRR 2.1 – 3.3	30bps
Greater than CRR 3.3 and not impaired	2 times

For loans originated prior to the implementation of IFRS 9, the origination PD does not include adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. For these loans, the quantitative comparison is supplemented with additional CRR deterioration based thresholds as set out in the table below:

Origination CRR	Number notches in the band	Additional significance criteria – Number of CRR grade notches of deterioration required to identify as significant credit deterioration (Stage 2)
0.1	1 notch	5 notches
1.1 – 4.2	9 notches	4 notches
4.3 – 5.1	2 notches	3 notches
5.2 – 7.1	5 notches	2 notches
7.2 – 8.2	3 notches	1 notch
8.3	1 notch	0 notch

Notes to of the financial statements

for the year ended 31 December 2025

37 Financial Risk Management (continued)

(b) ***Credit risk (continued)***

(iii) Credit risk measurement and analysis (continued)

(D) Period over which ECL is measured

Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Bank is exposed to credit risk. For wholesale overdrafts, credit risk management actions are taken no less frequently than on an annual basis and therefore this period is to the expected date of the next substantive credit review. The date of the substantive credit review also represents the initial recognition of the new facility. However, where the financial instrument includes both a drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit the Bank's exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period the Bank remains exposed to credit risk that is not mitigated by credit risk management actions. This applies to retail overdrafts and credit cards, where the period is the average time taken for stage 2 exposures to default or close as performing accounts, determined on a portfolio basis and ranging from between two and six years. In addition, for these facilities it is not possible to identify the ECL on the loan commitment component separately from the financial asset component. As a result, the total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.

Under IFRS 9, the scope of impairment now covers amortised cost of financial assets, loan commitments and financial guarantees, as well as debt instruments measured at FVOCI. Impairment is calculated in three stages and financial instruments are allocated into one of the three stages where the transfer mechanism depends on whether there is a significant increase in credit risk between its first recognition and the relevant reporting period. After the allocation, the measurement of ECL, which is the product of PD, LGD and EAD, will reflect the change in risk of default occurring over the remaining life of the instruments.

(E) Definition of default and credit-impaired assets

IFRS 9 requires an assessment of the extent of increase in credit risk of a financial instrument since initial recognition. This assessment is performed by considering the change in the risk of default occurring over the remaining life of the financial instrument. As a result, the definition of default is important.

IFRS 9 does not specifically define default, but requires it to be applied on a consistent basis with internal credit risk management practice for the relevant instruments and consider qualitative factors where appropriate. In addition, IFRS 9 also introduces a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging criterion is more appropriate.

In addition, default is defined under Basel for regulatory reporting purposes. The Basel regulation provides a clear definition by referring to the number of days past due and criteria for unlikelihood to pay. The criteria for unlikelihood to pay are similar to the definition of credit-impaired under IFRS 9 and in general, default for regulatory reporting purposes does not occur later than when a financial asset is 90 days past due as well.

In view of the above, the Bank has decided to align the IFRS 9 definition of default and Basel definition of 'default' whenever possible. The Bank has decided not to rebut the presumption introduced by IFRS 9, that is, default does not occur later than when a financial asset is 90 days past due. The use of the same default definition ensures that a single and consistent view of credit risk is applied for internal risk management, regulatory capital, and impairment calculations. In addition, since the criteria for credit-impaired under IFRS 9 can be interpreted consistently with the accounting default definition, all accounting defaults are considered to be credit-impaired and all credit-impaired assets are considered to be defaulted for accounting purposes.

Notes to of the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(iii) Credit risk measurement and analysis (continued)

(F) Movement between stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Except for renegotiated loans, financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above. Renegotiated loans will continue to be in stage 3 until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum one-year period and there are no other indicators of impairment. For loans that are assessed for impairment on a portfolio basis, the evidence typically comprises a history of payment performance against the original or revised terms, as appropriate to the circumstances. For loans that are assessed for impairment on an individual basis, all available evidence is assessed on a case-by-case basis.

(G) Write-off policy

The Bank writes off a loan/security balance (and any related allowances for impairment losses) when the Bank's Credit Risk Team determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status. Nil amount was written off during the year (2024: MUR2.8m). The Bank is complying with BoM *Guideline on Classification, Provisioning and Write-off of Credit Exposures*.

(H) Collaterals

Although collateral can be an important mitigant of credit risk, it is the Bank's general practice to lend on the basis of the customer's ability to meet their obligations out of their cash flow resources rather than rely on the value of security offered. Depending on the customer's standing and the type of product, facilities may be provided unsecured. For other lending, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of default, the Bank may use the collateral as a source of repayment. There has been no change in the Bank's collateral policy for the year and there are no financial instruments for which the underlying collaterals would have resulted in no impairment allowance.

The Bank holds collateral against loans and advances to customers in the form of mortgage on property, deposit and securities under lien and charge on plant and machinery. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are updated every 3 years and every year when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks and investment securities, and no such collateral was held at 31 December 2025, 31 December 2024 and 31 December 2023. Additional information on collaterals is available in note 37 (b)(iv).

(I) Modification of financial assets

The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

Notes to of the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) ***Credit risk (continued)***

(iii) Credit risk measurement and analysis (continued)

(I) Modification of financial assets (continued)

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for a minimum period of one year or more.

The Bank continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

(J) Renegotiated loans and forbearance

The Bank does not hold any wholesale renegotiated loans as at 31 December 2025, however those renegotiated loans are to be classified as stage 3 until there is sufficient evidence to demonstrate a significant reduction in the risk of nonpayment of future cash flows, observed over a minimum one-year period, and there are no other indicators of impairment.

(K) Forward looking economic inputs

At 31 December 2025, four scenarios were used to capture the latest economic expectations and to articulate management's view of the range of risks and potential outcomes. Each scenario is updated with the latest economic forecasts and distributional estimates every quarter.

Three scenarios, the Upside, Central and Downside are drawn from consensus forecasts, market data and distributional estimates of the entire range of economic outcomes. The fourth scenario, the Downside 2, represents management's view of severe downside risks. Consensus estimates are deployed as conditioning variables in a proprietary expansion of the scenario variables.

The Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting. It is created using consensus forecasts, which is the average of a panel of external forecasts.

The outer scenario represent the tails of the distribution and are less likely to occur. The Consensus Upside and Downside scenarios are created with reference to forecast probability distributions for select markets that capture economists' views of the entire range of economic outcomes. In the later years of those scenarios, projections revert to long-term consensus trend expensctions. Reversion to trend expectations is done with reference to historically observed quarterly changes in the values of macroeconomic variables.

The fourth scenario, the Downside 2, is designed to represent management's view of severe downside risks. It is globally consistent, narrative-driven scenario that explores a more extreme economic outcome than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations and may instead explore alternative states of equilibrium, where economic activities moves permanently away from past trends.

The consensus Downside and the consensus Upside scenarios are each constructed to be consistent with a 10% probability. The Downside 2 is constructed to a 5% probability. The Central scenario is assigned the remaining 75% probability This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. However, management may depart from this probability-based scenario weighting approach when the economic outlook and forecasts are determined to be particularly uncertain and risks are elevated.

Notes to of the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) ***Credit risk (continued)***

(iii) Credit risk measurement and analysis (continued)

(K) Forward looking economic inputs

At 31 December 2025, consensus forecasts and distributional estimates were assessed to inadequately reflect the consequences of the US election on the global economic outlook. Forecasts lag and there is increased uncertainty as to how economic policy will change and how tariffs will be implemented. Scenarios were constructed using the standard methodology, as described, before an adjustment to account for policy changes was subsequently applied. The adjustment is based on a modelled update to the Central scenario and incorporated a detailed narrative of US economic policy proposals, including specific tariff rates. The modelled results were then layered onto the Central scenario. Outer scenarios are adjusted in parallel.

The scenario adjustment entailed no change in scenario probability weights, which remained in-line with the Forward Economic Guidance framework. Uncertainty relating to the policy outlook have been addressed in the scenarios directly. Measures of dispersion and uncertainty have remained low but may reflect lags in the consensus economic forecasting process. Scenarios produced to calculate ECL are aligned to the Group's top and emerging risks.

Critical accounting estimates and judgements

The calculation of ECL under IFRS 9 involves significant judgements, assumptions and estimates. The most significant are set out below:

- the selection and configuration of economic scenarios, given the constant change in economic conditions and distribution of economic risks; and;
- estimating the economic effects of those scenarios on ECL, where similar observable historical conditions cannot be captured by the credit risk models.
- the identification of customers experiencing significant increases in credit risk and credit impairment, particularly where those customers have accepted payment deferrals and other reliefs designed to address short-term liquidity issues, or have extended those deferrals, given limitations in the available credit information on these customers. The use of segmentation techniques for indicators of significant increases in credit risk involves significant estimation uncertainty and;

For wholesale, a global methodology is used for the estimation of the term structure of probability of default ('PD') and loss given default ('LGD'). For PDs, the Bank considers the correlation of forward economic guidance to default rates for a particular industry in a country. For LGD calculations, the Bank considers the correlation of forward economic guidance to collateral values and realisation rates for a particular country and industry. PDs and LGDs are estimated for the entire term structure of each instrument.

For impaired loans, LGD estimates take into account independent recovery valuations provided by external consultants where available or internal forecasts corresponding to anticipated economic conditions and individual company conditions. In estimating the ECL on impaired loans that are individually considered not to be significant, the Bank incorporates forward economic guidance proportionate to the probability-weighted outcome and the Central scenario outcome for non-stage 3 populations.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to of the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Summary of credit risk

The disclosure below presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL.

The following tables analyse all financial assets which represents the concentration of exposures in which how credit risks are managed.

	Gross carrying/nominal amount MUR'000 2025	Allowance for ECL MUR'000 2025	Gross carrying/nominal amount MUR'000 2024	Allowance for ECL MUR'000 2024	Gross carrying/nominal amount MUR'000 2023	Allowance for ECL MUR'000 2023
Loans and advances to customers at amortised cost:	3,360,235	(781)	3,597,172	(780)	4,617,116	(1,336)
- Personal	-	-	-	-	-	(100)
- Corporate and Commercial	3,227,025	(776)	3,564,593	(780)	4,279,116	(1,180)
- Non-bank financial institutions	133,210	(5)	32,579	-	338,000	(56)
Loans and advances to banks at amortised cost:	635,702	(329)	524,415	(406)	655,085	(4,221)
Other financial assets at amortised costs:	6,841,172	(612)	7,668,555	(196)	12,267,817	(492)
- cash and cash equivalents	5,902,726	(11)	6,944,333	-	10,676,885	-
- investment securities	858,161	(598)	671,180	(194)	1,309,677	(481)
- acceptance and endorsement	72,432	(3)	35,946	(2)	161,145	(11)
- accrued income and other assets	7,853	-	17,096	-	120,110	-
Assets held for sale	-	-	-	-	6,451,813	(34,580)
Total gross carrying amount on balance sheet	10,837,109	(1,722)	11,790,142	(1,382)	23,991,831	(40,629)
Loan and other credit related	8,305,604	(959)	9,137,612	(253)	10,010,783	(271)
Financial guarantee and similar	1,308,989	(186)	2,466,160	(419)	2,498,846	(408)
Total nominal amount off-balance sheet	9,614,593	(1,145)	11,603,772	(672)	12,509,629	(679)
At 31 December	20,451,702	(2,867)	23,393,914	(2,054)	36,501,460	(41,308)
At 31 December	2,759,398	(838)	2,063,669	(384)	5,650,930	(1,141)
Investment securities measured at FVOCI (Stage 1)	2,759,398	(838)	2,063,609	(384)	5,650,899	(1,141)
Trading assets measured at FVPL	-	-	60	-	31	-

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch
Notes to of the financial statements
for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(iv) Summary of credit risk (continued)

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector

2025	Gross carrying/ notional amount						Allowance/ provision for ECL						ECL coverage %					
	Stage 1	Stage 2	Of which: <30 DPD	Of which: >30 DPD	Stage 3	Total Gross carrying/ notional amount	Stage 1	Stage 2	Of which: <30 DPD	Of which: >30 DPD	Stage 3	Total Allowance/ provision for ECL	Stage 1	Stage 2	Of which: <30 DPD	Of which: >30 DPD	Stage 3	Total ECL coverage %
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000						
Loans and advances to customers at amortised cost:	2,230,394	1,129,841	-	-	-	3,360,235	(359)	(422)	-	-	-	(781)	-0.02%	-0.04%	0.00%	0.00%	0.00%	-0.02%
- Personal	-	-	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	-0.04%
- Corporate and Commercial	2,097,184	1,129,841	-	-	-	3,227,025	(354)	(422)	-	-	-	(776)	-0.02%	-0.04%	0.00%	0.00%	0.00%	-0.02%
- Non-bank financial institutions	133,210	-	-	-	-	133,210	(5)	-	-	-	-	(5)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Loans and advances to banks at amortised cost:	635,702	-	-	-	-	635,702	(329)	-	-	-	-	(329)	0.05%	0.00%	0.00%	0.00%	0.00%	0.05%
Other financial assets measured at amortised cost	6,789,696	49,017	-	-	-	6,838,713	(520)	(92)	-	-	-	(612)	-0.01%	0.19%	0.00%	0.00%	0.00%	-0.01%
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Loan and other credit related commitments:	4,937,060	3,368,544	-	-	-	8,305,604	(94)	(865)	-	-	-	(959)	0.00%	-0.03%	0.00%	0.00%	0.00%	-0.01%
Financial guarantee and similar contracts	1,035,809	273,060	-	-	120	1,308,989	(22)	(164)	-	-	-	(186)	0.00%	0.06%	0.00%	0.00%	0.00%	-0.01%
At 31 December	15,628,661	4,820,462	-	-	120	20,449,243	(1,324)	(1,543)	-	-	-	(2,867)	-0.01%	-0.03%	0.00%	0.00%	0.00%	-0.01%

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch
Notes to of the financial statements
for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(iv) Summary of credit risk (continued)

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector

2024	Gross carrying/ notional amount						Allowance/ provision for ECL						ECL coverage %						
	Stage 1	Stage 2	Of which: <30 DPD	Of which: >30 DPD	Stage 3	Total Gross carrying/ notional amount	Stage 1	Stage 2	Of which: <30 DPD	Of which: >30 DPD	Stage 3	Total Allowance/ provision for ECL	Stage 1	Stage 2	Of which: <30 DPD	Of which: >30 DPD	Stage 3	Total ECL coverage %	
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000							
Loans and advances to customers at amortised cost:	2,153,012	1,444,160	-	-	-	3,597,172	(237)	(543)	-	-	-	(780)	0.01%	0.04%	0.00%	0.00%	0.00%	0.02%	
- Personal	-	-	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
- Corporate and Commercial	2,120,433	1,444,160	-	-	-	3,564,593	(237)	(543)	-	-	-	(780)	0.01%	0.04%	0.00%	0.00%	0.00%	0.02%	
- Non-bank financial institutions	32,579	-	-	-	-	32,579	-	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Loans and advances to banks at amortised cost	524,415	-	-	-	-	524,415	(406)	-	-	-	-	(406)	0.08%	0.00%	0.00%	0.00%	0.00%	0.08%	
Other financial assets measured at amortised cost	7,640,490	28,065	-	-	-	7,668,555	(194)	(2)	-	-	-	(196)	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Loan and other credit related commitments:	6,106,129	3,031,483	-	-	-	9,137,612	(100)	(153)	-	-	-	(253)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Financial guarantee and similar contracts	1,979,032	487,128	-	-	-	2,466,160	(298)	(121)	-	-	-	(419)	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	
At 31 December	18,403,078	4,990,836	-	-	-	23,393,914	(1,235)	(819)	-	-	-	(2,054)	0.01%	0.02%	0.00%	0.00%	0.00%	0.01%	
2023																			
Loans and advances to customers at amortised cost:	2,543,095	2,074,021	-	-	-	4,617,116	(246)	(990)	(9)	(8)	-	(1,253)	0.01%	0.05%	0.00%	0.00%	0.00%	0.03%	
- Personal	-	-	-	-	-	-	-	-	(9)	(8)	-	(17)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
- Corporate and Commercial	2,405,095	1,874,021	-	-	-	4,279,116	(239)	(941)	-	-	-	(1,180)	0.01%	0.05%	0.00%	0.00%	0.00%	0.03%	
- Non-bank financial institutions	138,000	200,000	-	-	-	338,000	(7)	(49)	-	-	-	(56)	0.01%	0.02%	0.00%	0.00%	0.00%	0.02%	
Loans and advances to banks at amortised cost	655,085	-	-	-	-	655,085	(4,221)	-	-	-	-	(4,221)	0.64%	0.00%	0.00%	0.00%	0.00%	0.64%	
Other financial assets measured at amortised cost	12,267,817	-	-	-	-	12,267,817	(481)	(11)	-	-	-	(492)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Assets held for sale	6,092,225	292,104	-	-	67,484	6,451,813	(16,685)	(3,940)	-	-	(13,955)	(34,580)	0.27%	1.35%	0.00%	0.00%	20.68%	0.54%	
Loan and other credit related commitments:	9,950,158	60,239	-	-	386	10,010,783	(76)	(195)	-	-	-	(271)	0.00%	0.32%	0.00%	0.00%	0.00%	0.00%	
Financial guarantee and similar contracts	1,530,193	538,653	-	-	430,000	2,498,846	(289)	(119)	-	-	-	(408)	0.02%	0.02%	0.00%	0.00%	0.00%	0.02%	
At 31 December	33,038,573	2,965,017	-	-	497,870	36,501,460	(21,998)	(5,255)	(9)	(8)	(13,955)	(41,225)	0.07%	0.18%	0.00%	0.00%	2.80%	0.11%	

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to of the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) *Credit risk (continued)*

(iv) Summary of credit risk (continued)

Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Margin agreement for derivatives, for which the Bank has also entered into master netting agreements;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses.

As at 31 December 2025, the Bank did not have any repossessed collateral (2024: nil, 2023: nil).

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) ***Credit risk (continued)***

(iv) Summary of credit risk (continued)

Collateral and other credit enhancements (continued)

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the year (see note 3(g)(vi)).

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(iv) Summary of credit risk (continued)

	Non-credit impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Gross carrying/nominal amount MUR'000	Allowance for ECL MUR'000						
At 01 January 2025	10,762,588	(1,041)	4,962,771	(817)	-	-	15,725,359	(1,858)
Transfers of financial instruments:	(40,058)	13	40,058	(13)	-	-	-	-
- transfers from stage 1 to stage 2	(46,613)	13	46,613	(13)	-	-	-	-
- transfers from stage 2 to stage 1	6,555	-	(6,555)	-	-	-	-	-
- transfers to stage 3	-	-	-	-	-	-	-	-
- transfers from stage 3	-	-	-	-	-	-	-	-
Net remeasurement of ECL arising from transfer of stage	-	-	-	-	-	-	-	-
Net new and further lending/repayments	66,888	(2)	-	-	-	-	66,888	(2)
Changes in risk parameters - credit quality	263,895	(659)	381,249	184	-	-	645,144	(475)
Asset derecognised (including final repayment)	(2,789,899)	70	(31,964)	10	(4,998)	-	(2,826,861)	80
Changes to model used from ECL calculation	-	-	-	-	-	-	-	-
Assets written off	-	-	-	-	-	-	-	-
Classified to assets held for sale	-	-	-	-	-	-	-	-
At 31 December 2025	8,263,414	(1,619)	5,352,114	(636)	(4,998)	-	13,610,530	(2,255)
ECL (charge)/release for the year	-	(578)	-	181	-	-	-	(397)
Recoveries	-	-	-	-	-	-	-	-
Foreign exchange difference	-	-	-	-	-	-	-	-
Total change in ECL for the year	-	-	-	-	-	-	-	(397)

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(iv) Summary of credit risk (continued)

	Non-credit impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3		Gross carrying/ nominal amount	Allowance for ECL
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL		
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 01 January 2024	20,770,756	(21,517)	2,972,017	(5,244)	497,870	(13,955)	24,240,643	(40,716)
Transfers of financial instruments:	54,577	35	(57,205)	(35)	2,628	-	-	-
- transfers from stage 1 to stage 2	(595,272)	53	595,272	(53)	-	-	-	-
- transfers from stage 2 to stage 1	649,808	(18)	(649,808)	18	-	-	-	-
- transfers to stage 3	-	-	(2,676)	-	2,676	-	-	-
- transfers from stage 3	41	-	7	-	(48)	-	-	-
Net remeasurement of ECL arising from transfer of stage	-	-	-	(8)	-	-	-	(8)
Net new and further lending/repayments	4,601,563	(248)	-	-	-	-	4,601,563	(248)
Changes in risk parameters - credit quality	(3,821,683)	79	5,650,667	407	-	430	1,828,984	916
Asset derecognised (including final repayment)	(10,842,625)	20,610	(3,595,708)	4,063	(495,197)	8,224	(14,933,530)	32,897
Changes to model used form ECL calculation	-	-	-	-	-	-	-	-
Assets written off	-	-	-	-	(5,301)	5,301	(5,301)	5,301
Classified to assets held for sale	-	-	-	-	-	-	-	-
At 31 December 2024	10,762,588	(1,041)	4,969,771	(817)	-	-	15,732,359	(1,858)
ECL release/(charge) for the year	-	(169)	-	399	-	430	-	660
Recoveries	-	-	-	-	-	-	-	4,670
Foreign exchange difference	-	-	-	-	-	-	-	(489)
Total change in ECL for the year	-	-	-	-	-	-	-	4,841

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Summary of credit risk (continued)

2023	Non-credit impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3		Gross carrying/ nominal amount	Allowance for ECL
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL		
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 01 January 2023	21,592,773	(16,506)	2,959,179	(13,011)	138,267	(37,465)	24,690,219	(66,982)
Transfers of financial instruments:	(2,183,275)	(24,803)	2,246,763	25,291	(63,489)	(487)	(1)	1
- transfers from stage 1 to stage 2	(3,024,342)	1,870	3,024,342	(1,870)	-	-	-	-
- transfers from stage 2 to stage 1	834,750	(25,625)	(834,750)	25,625	-	-	-	-
- transfers to stage 3	(1,026)	11	(30,039)	2,748	31,065	(2,759)	-	-
- transfers from stage 3	7,343	(1,059)	87,210	(1,212)	(94,554)	2,272	(1)	1
Net remeasurement of ECL arising from transfer of stage	-	25,226	-	(44,362)	-	(206)	-	(19,342)
Net new and further lending/repayments	9,083,023	(5,769)	-	-	-	-	9,083,023	(5,769)
Changes in risk parameters - credit quality	(7,344,831)	15,517	51,187	(32,080)	141,382	28,130	(7,152,262)	11,567
Asset derecognised (including final repayment)	(6,436,664)	1,503	(2,577,216)	66,495	221,354	2,902	(8,792,526)	70,900
Changes to model used form ECL calculation	-	-	-	(3,637)	-	-	-	(3,637)
Assets written off	-	-	-	-	(7,128)	7,126	(7,128)	7,126
Classified to assets held for sale	6,059,730	(16,685)	292,104	(3,940)	67,484	(13,955)	6,419,318	(34,580)
At 31 December 2023	20,770,756	(21,517)	2,972,017	(5,244)	497,870	(13,955)	24,240,643	(40,716)
ECL release/(charge) for the year	-	19,792	-	(17,524)	-	16,871	-	19,139
Recoveries	-	-	-	-	-	-	-	5,681
Foreign exchange difference	-	-	-	-	-	-	-	(8,915)
Total change in ECL for the year	-	-	-	-	-	-	-	15,905

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(v) Credit exposure

Maximum exposure to credit risk

The Bank's credit exposure is spread across a broad range of asset classes, including trading assets, loans and advances to customers, loans and advances to banks. The following table presents the maximum exposure to credit risk from balance sheet and off-balance sheet financial instruments, before taking account of any collateral held or other credit enhancements (unless such credit enhancements meet accounting offsetting requirements). For financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount; for financial guarantees and similar contracts granted, it is the maximum amount that the Bank would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities. Total exposure to credit risk remained broadly unchanged in 2025 with cash and cash equivalents continuing to be the largest element.

	Note	2025 MUR'000	2024 MUR'000	2023 MUR'000
Cash and cash equivalents	(A)	5,902,726	6,944,333	10,676,885
Trading assets	(B)	-	60	31
Loans and advances to banks	(C)	635,702	524,009	650,864
Loans and advances to customers	(C)	3,360,235	3,596,392	4,615,880
Investment securities - fair value through other comprehensive income	(D)	2,759,398	2,063,225	5,649,758
Investment securities - Amortised cost	(D)	858,161	670,986	1,309,196
Other assets	(E)	77,826	53,040	281,244
Assets held for sale	(F)	-	-	6,451,813
Financial guarantees and other credit-related contingent liabilities	(G)	1,308,989	2,466,160	2,498,846
Loan and other credit-related commitments	(H)	8,305,604	9,137,612	10,010,783
		23,208,641	25,455,817	42,145,300

The Bank does not hold any collaterals against its financial assets other than loans and advances to customers.

(A) Cash and cash equivalents

The Bank held cash and cash equivalents of MUR5.9bn (2024: MUR6.9bn) which represents its maximum credit exposure on these assets, which excludes cash in hand and foreign currency notes and coins.

(B) Trading Assets

The Bank held nil trading assets as at 31 December 2025 (2024: MUR0.03m). An analysis of the credit quality of the maximum credit exposure is as follows:

		2025 MUR'000	2024 MUR'000	2023 MUR'000
Derivatives assets:				
- Bank counterparties	19 (a)	-	-	31
- Non-bank counterparties	19 (a)	-	60	-
		-	60	31

The derivatives assets are with Group banks and local corporates, with a strong credit rating.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(v) Credit exposure

Maximum exposure to credit risk (continued)

(C) Loans & advances neither past due nor impaired

Loans and advances are summarised as follows:

	2025	2024	2023	2025	2024	2023
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Neither past due nor impaired	3,360,235	3,563,753	4,595,108	635,702	524,415	655,085
Past due but not impaired	-	33,419	22,008	-	-	-
Individually impaired	-	-	-	-	-	-
Gross	3,360,235	3,597,172	4,617,116	635,702	524,415	655,085
Less: allowance for impairment	(781)	(780)	(1,236)	(329)	(406)	(4,221)
Net	3,359,454	3,596,392	4,615,880	635,373	524,009	650,864

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

	Loans and advances to customers			Loans to banks		
	2025	2024	2023	2025	2024	2023
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
CRR 1	13	-	290,819	635,702	524,415	655,085
CRR 2	607,099	393,630	247,534	-	-	-
CRR 3	1,127,041	1,730,586	1,261,566	-	-	-
CRR 4	255,579	213,177	1,422,693	-	-	-
CRR 5	1,316,318	702,045	1,208,360	-	-	-
CRR 6	28,923	524,315	-	-	-	-
CRR 7	25,262	-	164,136	-	-	-
CRR 8	-	-	-	-	-	-
Total	3,360,235	3,563,753	4,595,108	635,702	524,415	655,085

(C) Loans and advances past due but not impaired

Loans and advances where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

Gross amount of loans and advances that were past due but not impaired were as follows:

	Loans and advances to customers		
	2025	2024	2023
	MUR'000	MUR'000	MUR'000
Past due up to 30 days	-	33,419	827
Past due 30 - 60 days	-	-	21,167
Past due 60 - 90 days	-	-	14
Total	-	33,419	22,008

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) Credit risk (continued)

(v) Credit exposure

Maximum exposure to credit risk (continued)

(C) Loans & advances neither past due nor impaired (continued)

Loans and advances individually impaired

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s). These loans are graded 6 to 7 (CRR 8 to 9) in the Bank's internal credit risk grading system.

The table below shows the gross amount of individually impaired assets.

	2025 MUR'000	2024 MUR'000	2023 MUR'000
Gross amount	-	-	-
Individual allowance	-	-	-

(D) Investment securities

Investment securities at FVOCI amounting to MUR2.8bn (2024: MUR2.1bn) as at 31 December 2025 consist mainly of Treasury Bill / Notes held with the BoM. Investment securities at amortised cost amounting to MUR0.9bn (2024: MUR0.7bn) comprise consist mainly of Treasury Bill / Notes held with the BoM and corporate bonds.

(E) Other assets

Other assets consisted mainly of acceptances and endorsements.

(F) Assets held for sale

As at 31 December 2025, the assets held for sale amounted to MUR0.07bn (2024: MUR6.5bn).

G) Financial guarantees and other credit-related contingent liabilities

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities. As at 31 December 2025, the Bank held MUR1.3bn (2024: MUR2.5bn) financial guarantees mainly with corporate customers.

(H) Loan commitments

As at 31 December 2025, the Bank held MUR8.3bn (2024: MUR9.1bn) as undrawn credit facilities with corporate customers.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(vi) Concentration of credit risk

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below. The tables below show the concentration of credit risk by sector.

Prepayments amounting to MUR2.5m (2024: MUR3.0m) and have been excluded from other assets.

2025 (MUR '000)	Corporate	Sovereign	Bank	Total
Cash and cash equivalents	-	3,080,424	2,822,302	5,902,726
Loans and advances to customers	3,360,235	-	-	3,360,235
Loans and advances to banks	-	-	635,702	635,702
Investment securities - FVOCI	-	2,759,398	-	2,759,398
Investment securities - Amortised cost	49,017	809,144	-	858,161
Other assets	77,826	-	-	77,826
As at 31 December 2025	3,487,078	6,648,966	3,458,004	13,594,048
Loan and other credit related commitments	8,305,604	-	-	8,305,604
Financial guarantees and other credit related contingencies	653,679	-	655,310	1,308,989
	8,959,283	-	655,310	9,614,593

2024 (MUR '000)				
Cash and cash equivalents	-	2,536,526	4,407,807	6,944,333
Loans and advances to customers	3,597,172	-	-	3,597,172
Loans and advances to banks	-	-	524,415	524,415
Financial assets held for trading	60	-	-	60
Investment securities - FVOCI	-	2,063,609	-	2,063,609
Investment securities - Amortised cost	49,164	622,016	-	671,180
Other assets	51,091	-	1,951	53,042
As at 31 December 2024	3,697,487	5,222,151	4,934,173	13,853,811
Loan and other credit related commitments	8,161,291	-	976,321	9,137,612
Financial guarantees and other credit related contingencies	1,199,517	-	1,266,643	2,466,160
	9,360,808	-	2,242,964	11,603,772

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(vi) Concentration of credit risk (continued)

2023 (MUR '000)	Business banking	Corporate	Sovereign	Bank	Total
Cash and cash equivalents	-	-	4,040,293	6,636,592	10,676,885
Loans and advances to customers	306,583	4,310,533	-	-	4,617,116
Loans and advances to banks	-	-	-	655,085	655,085
Financial assets held for trading	-	-	-	31	31
Investment securities - FVOCI	-	-	5,650,899	-	5,650,899
Investment securities - Amortised cost	-	198,474	1,111,203	-	1,309,677
Other assets	-	265,301	-	15,954	281,255
Assets held for sale	6,429,754	22,059	-	-	6,451,813
As at 31 December 2023	6,736,337	4,796,367	10,802,395	7,307,662	29,642,761
Loan and other credit related commitments	1,189,743	8,821,040	-	-	10,010,783
Financial guarantees and other credit related contingencies	630	1,334,428	-	1,163,788	2,498,846
	1,190,373	10,155,468	-	1,163,788	12,509,629

The tables below show the concentration of credit risk by region and country.

2025 (MUR '000)	North America	Europe	Asia Pacific	Middle East & Africa	Mauritius	Total
Cash and cash equivalents	881,645	459,857	1,474,980	5,820	3,080,424	5,902,726
Loans and advances to customers	-	13	-	-	3,360,222	3,360,235
Loans and advances to banks	-	-	107,964	-	527,738	635,702
Investment securities - FVOCI	-	-	-	-	2,759,398	2,759,398
Investment securities - Amortised cost	-	-	-	-	858,161	858,161
Other assets	-	-	-	-	77,826	77,826
As at 31 December 2025	881,645	459,870	1,582,944	5,820	10,663,769	13,594,048
Undrawn Commitments	-	-	-	231,125	8,074,479	8,305,604
Financial guarantees and other	-	113,392	529,803	12,114	653,680	1,308,989
	-	113,392	529,803	243,239	8,728,159	9,614,593

2024 (MUR '000)						
Cash and cash equivalents	579,594	341,510	200,686	4,883	5,817,660	6,944,333
Loans and advances to customers	-	-	-	-	3,597,172	3,597,172
Loans and advances to banks	-	-	-	-	524,415	524,415
Financial assets held for trading	-	-	-	-	60	60
Investment securities - FVOCI	-	-	-	-	2,063,609	2,063,609
Investment securities - Amortised cost	-	-	-	-	671,180	671,180
Other assets	-	-	-	-	53,042	53,042
As at 31 December 2024	579,594	341,510	200,686	4,883	12,727,138	13,853,811
Undrawn Commitments	2,500	34,871	-	235,362	8,864,879	9,137,612
Financial guarantees and other	-	108,408	737,060	14,468	1,606,224	2,466,160
	2,500	143,279	737,060	249,830	10,471,103	11,603,772

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(vi) Concentration of credit risk (continued)

2023 (MUR '000)	North America	Europe	Asia Pacific	Middle East & Africa	Mauritius	Total
Cash and cash equivalents	522,456	855,149	2,784,346	54,641	6,460,293	10,676,885
Loans and advances to customers	-	-	-	-	4,617,116	4,617,116
Loans and advances to banks	-	-	104,646	-	550,439	655,085
Financial assets held for trading	-	31	-	-	-	31
Investment securities - FVOCI	-	-	-	-	5,650,899	5,650,899
Investment securities - Amortised cost	-	-	-	-	1,309,677	1,309,677
Other assets	-	-	10,862	87,871	182,522	281,255
Assets held for sale	-	-	-	-	6,451,813	6,451,813
As at 31 December 2023	<u>522,456</u>	<u>855,180</u>	<u>2,899,854</u>	<u>142,512</u>	<u>25,222,759</u>	<u>29,642,761</u>
Undrawn Commitments	9,723	271,884	1,124,787	1,236,499	7,367,890	10,010,783
Financial guarantees and other	8,158	122,455	999,534	65,253	1,303,446	2,498,846
	<u>17,881</u>	<u>394,339</u>	<u>2,124,321</u>	<u>1,301,752</u>	<u>8,671,336</u>	<u>12,509,629</u>

(c) **Liquidity risk**

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

(i) Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Markets Treasury ("MKTY") receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. MKTY accordingly maintains a portfolio of liquid assets, largely investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO.

The Bank relies on capital, deposits from customers and borrowings from banks as its primary sources of funding. Deposits from customers generally have short maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the Bank's liquidity risk as compared to borrowing from banks which have longer term maturities.

(ii) Exposure to liquidity risk

Risk is managed by cash flow matching and maintaining sufficient cash resources, investing in high credit-quality investments with deep and liquid markets, monitoring investment concentrations and restricting them where appropriate, and establishing committed contingency borrowing facilities.

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(c) **Liquidity risk (continued)**

(ii) Exposure to liquidity risk (continued)

The Bank uses the Liquidity Coverage Ratio (“LCR”) framework as the basis for its liquidity management and ensures that an adequate stock of unencumbered high-quality liquid assets (“HQLA”), that can be converted easily and immediately into cash to meet the liquidity needs for a 30 calendar day liquidity stress scenario, are maintained. The LCR is calculated as a percentage of the stock of HQLA over net cash outflows over a 30-day time period and is monitored, managed and reported to senior management daily and to ALCO on a monthly basis. At 31 December 2025, the Bank maintained an LCR ratio of 581.1% (2024: 406.5%) against a set regulatory limit of 100% (2024: 100%).

In addition to regulatory metrics, HSBC makes use of an ‘Internal Liquidity Metric’ from its Liquidity Risk Framework, which is used to monitor and manage liquidity risk via a low-point measure across a 270-day horizon taking into account recovery capacity over 3 stress conditions (Idiosyncratic, Market Wide and Combined).

As from 30 June 2024, BoM *Guideline on Net Stable Funding Ratio (NSFR)* became effective. The NSFR aims at decreasing funding risk and promoting resilience over a one-year time horizon by creating incentives for a bank to fund its activities with more stable sources of funding on an ongoing basis thereby reducing its probability of distress and by the same token potential broader systemic stress. The Bank is expected to meet the NSFR requirements on an ongoing basis which is based on the NSFR standards published by the Basel Committee on Banking Supervision and must be read in conjunction with BoM *Guideline on Liquidity Risk Management*. The Bank maintained an NSFR of 226.9% as at 31 December 2025 (2024: 230.7%) against a minimum regulatory NSFR of 100%.

(iii) Maturity analysis for financial assets and financial liabilities

The table below sets out the remaining contractual maturities of the Bank’s financial assets and financial liabilities. The expected cash flows can be significantly different from the contractual cash flows. The most common example of such instruments is the current deposit accounts reported under deposits from customers which are largely contractually repayable on demand. However, those deposits are not expected to be fully withdrawn immediately but to remain with the Bank for a longer period.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(c) Liquidity risk (continued)

(iii) Maturity analysis for financial assets and financial liabilities (continued)

<i>In MUR millions</i>	Less than 1	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
2025						
<i>Non-derivative liabilities</i>						
Deposits from banks	(1,269)	-	-	-	-	(1,269)
Deposits from customers	(6,429)	(314)	(362)	-	-	(7,105)
Other borrowed funds	(696)	-	-	(2,364)	-	(3,060)
Other liabilities	(172)	(1)	(3)	(13)	(4)	(193)
<i>of which lease liabilities</i>	-	(1)	(3)	(13)	(4)	(21)
	(8,566)	(315)	(365)	(2,377)	(4)	(11,627)
<i>Derivative liabilities</i>						
<i>Trading:</i>						
Outflow	(184)	-	-	-	-	(184)
Inflow	183	-	-	-	-	183
	(1)	-	-	-	-	(1)
Unrecognised loan	(1,291)	(3,097)	(3,869)	(48)	-	(8,305)
Financial guarantees and other credit related contingencies	(21)	(281)	(642)	(311)	(54)	(1,309)
<i>Non-derivative assets</i>						
Cash and cash equivalents	6,361	-	-	-	-	6,361
Loans and advances to banks	108	154	220	154	-	636
Loans and advances to customers	1,418	955	376	325	286	3,360
Investment securities	590	694	1,132	1,201	-	3,617
Other assets	78	-	-	-	-	78
	8,555	1,803	1,728	1,680	286	14,052
<i>Derivative assets</i>						
<i>Trading:</i>						
Outflow	-	-	-	-	-	-
Inflow	-	-	-	-	-	-
	-	-	-	-	-	-
Net liquidity gap	(1,324)	(1,890)	(3,148)	(1,056)	228	(7,190)

Other liabilities and other assets include only financial liabilities and financial assets respectively.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(c) Liquidity risk (continued)

(iii) Maturity analysis for financial assets and financial liabilities (continued)

<i>In MUR millions</i>	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
<u>2024</u>						
<i>Non -derivative liabilities</i>						
Deposits from banks	(668)	-	-	-	-	(668)
Deposits from customers	(6,687)	(591)	(373)	-	-	(7,651)
Other borrowed funds	(580)	-	-	(2,656)	-	(3,236)
Other liabilities	(201)	(23)	(15)	(20)	(7)	(266)
<i>of which lease liabilities</i>	<i>1</i>	<i>1</i>	<i>6</i>	<i>15</i>	<i>7</i>	<i>30</i>
	(8,136)	(614)	(388)	(2,676)	(7)	(11,821)
<i>Derivative liabilities</i>						
<i>Trading:</i>						
Outflow	(95)	-	-	-	-	(95)
Inflow	94	-	-	-	-	94
	(1)	-	-	-	-	(1)
Unrecognised loan commitments	(4,324)	(1,734)	(3,079)	-	-	(9,137)
Financial guarantees and other	(310)	(259)	(1,295)	(546)	(56)	(2,466)
<i>Non-derivative assets</i>						
Cash and cash equivalents	7,219	-	-	-	-	7,219
Loans and advances to banks	-	103	66	355	-	524
Loans and advances to customers	1,505	1,121	337	304	330	3,597
Investment securities	251	255	1,929	299	-	2,734
Other assets	24	20	9	-	-	53
	8,999	1,499	2,341	958	330	14,127
<i>Derivative assets</i>						
<i>Trading:</i>						
Outflow	(104)	-	-	-	-	(104)
Inflow	104	-	-	-	-	104
	-	-	-	-	-	-
Net liquidity gap	(3,772)	(1,108)	(2,421)	(2,264)	267	(9,298)

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(c) *Liquidity risk (continued)*

(iii) Maturity analysis for financial assets and financial liabilities (continued)

<i>In MUR millions</i>	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
2023						
<i>Non -derivative liabilities</i>						
Deposits from banks	(237)	-	-	-	-	(237)
Deposits from customers	(6,705)	(27)	(142)	-	-	(6,874)
Other borrowed funds	(134)	-	-	-	-	(134)
Other liabilities	(626)	(105)	(29)	(24)	(1)	(785)
Liabilities directly associated	(15,583)	(920)	(3,157)	-	-	(19,660)
	(23,285)	(1,052)	(3,328)	(24)	(1)	(27,690)
<i>Derivative liabilities</i>						
<i>Trading:</i>						
Outflow	(199)	-	-	-	-	(199)
Inflow	198	-	-	-	-	198
	(1)	-	-	-	-	(1)
Unrecognised loan	(989)	(3,227)	(5,620)	(12)	(163)	(10,011)
Financial guarantees and other	(68)	(208)	(1,313)	(850)	(60)	(2,499)
<i>Non-derivative assets</i>						
Cash and cash equivalents	10,975	-	-	-	-	10,975
Loans and advances to banks	-	100	505	50	-	655
Loans and advances to customers	1,020	2,427	474	325	371	4,617
Investment securities	1,212	1,994	2,331	1,422	-	6,959
Other assets	107	139	27	5	6	284
Assets held for sale	277	1	6,175	-	-	6,453
	13,591	4,661	9,512	1,802	377	29,943
<i>Derivative assets</i>						
<i>Trading:</i>						
Outflow	(12)	-	-	-	-	(12)
Inflow	12	-	-	-	-	12
	-	-	-	-	-	-
Net liquidity gap	(10,752)	174	(749)	916	153	(10,258)

Assets have been shown at carrying amount in the above tables.

(d) *Market risks*

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(d) **Market risks (continued)**

(i) Management of market risks

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Global Banking and Markets unit, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

All foreign exchange risk within the Bank is transferred and managed by Global Banking and Markets. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.

Overall authority for market risk is vested in RMM. Group Market Risk is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

(ii) Exposure to market risks – trading portfolios

One of the tools used to measure and control market risk exposure within the Bank's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified year of time (holding year) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Bank is based upon a 99 percent confidence level and assumes a 1-day holding year. The VaR model used is based mainly on historical simulation. Taking account of market data from the previous two years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- The use of historical data as a proxy for estimating future market moves may not encompass all potential market events, particularly those that are extreme in nature.
- the use of a one-day holding period for risk management purposes of trading and non-trading books assumes that this short period is sufficient to hedge or liquidate all positions.
- The use of a 99% confidence level by definition does not take into account losses that might occur beyond this level of confidence.
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not reflect intra-day exposures.

The Bank uses VaR limits for total market risk and specific foreign exchange, interest rate, and equity and other price risks. The overall structure of VaR limits is subject to review and approval by the Bank's ALCO. VaR limits are allocated to trading portfolios. However, PVBP and FX Exposure are more actively used for market risk management and as such no information is disclosed for VaR.

Management also uses Present Value of Basis Point ("PVBP") which is one of the most widely used methods for quantifying outright interest rate risk. It expresses the impact on the present value of a position of a one basis point (1bp) rise in the interest rate used to calculate the present value – for example a change from 5.25% to 5.26%.

PVBP is calculated net within each currency and gross across currencies.

This is a more accurate expression of interest rate sensitivity and exposure than any other method and is the most appropriate method for books where the value of the book is very sensitive to interest rate movements.

PVBP cannot, however, be readily calculated by mental arithmetic, unlike some other forms of limit. The PVBP of a given position is affected not only by the nominal amount of the position and its term but also by any coupon, for example on a bond, and by the actual level of interest rates used to calculate the present value.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(d) **Market risks (continued)**

(ii) Exposure to market risks – trading portfolios (continued)

A summary of the risk position of the Bank's trading portfolios as at 31 December is as follows:

	At 31 December	Average	Maximum	Minimum
<i>In MUR'000</i>				
2025				
Interest rate risk (PVBP)	0.0001	0.0002	0.0008	-
2024				
Interest rate risk (PVBP)	(0.0165)	0.0163	0.2070	-
2023				
Interest rate risk (PVBP)	(0.0232)	0.0167	0.0505	-

(iii) Exposure to market risks – Non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Global Banking and Markets in its day-to-day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

37. Financial Risk Management (continued)

(d) Market risks (continued)

(iii) Exposure to market risks – Non-trading portfolios (continued)

2025	Note	Carrying amount	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non-interest bearing
<i>In MUR thousand</i>								
Cash and cash equivalents	18	6,360,791	2,762,595	-	-	-	-	3,598,196
Loans and advances to banks	20	635,702	420,666	215,036	-	-	-	-
Loans and advances to customers	21	3,360,235	2,952,010	266,807	-	141,418	-	-
Investment securities	22	3,617,559	1,283,573	739,302	392,925	1,201,759	-	-
Other assets	23	77,826	-	-	-	-	-	77,826
		14,052,113	7,418,844	1,221,145	392,925	1,343,177	-	3,676,022
Deposits from banks	27	1,269,011	1,269,011	-	-	-	-	-
Deposits from customers	28	7,082,677	6,733,500	86,650	262,527	-	-	-
Trading liabilities	19	506	-	-	-	-	-	506
Other borrowed funds	29	3,047,146	3,047,146	-	-	-	-	-
Other liabilities	30	172,040	-	-	-	-	-	172,040
Lease liabilities		16,998	844	843	1,686	10,134	3,491	-
		11,588,378	11,050,501	87,493	264,213	10,134	3,491	172,546
Interest sensitivity gap		2,463,735	(3,631,657)	1,133,652	128,712	1,333,043	(3,491)	3,503,476

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

37. Financial Risk Management (continued)

(d) **Market risks (continued)**

(iii) Exposure to market risks – Non-trading portfolios (continued)

2024	Note	Carrying amount	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non-interest bearing
<i>In MUR thousand</i>								
Cash and cash equivalents	18	7,218,517	3,838,142	-	-	-	-	3,380,375
Trading assets	19	60	-	-	-	-	-	60
Loans and advances to banks	20	524,415	103,140	66,358	-	354,917	-	-
Loans and advances to customers	21	3,597,172	3,107,971	460,332	-	28,869	-	-
Investment securities	22	2,734,405	505,911	643,486	1,285,899	299,109	-	-
Other assets	23	53,032	-	-	-	-	-	53,032
Assets held for sale	8	-	-	-	-	-	-	-
		<u>14,127,601</u>	<u>7,555,164</u>	<u>1,170,176</u>	<u>1,285,899</u>	<u>682,895</u>	<u>-</u>	<u>3,433,467</u>
Deposits from banks	27	667,664	667,664	-	-	-	-	-
Deposits from customers	28	7,631,443	7,268,065	190,309	172,724	345	-	-
Trading liabilities	19	744	-	-	-	-	-	744
Other borrowed funds	29	3,217,521	579,225	-	-	2,638,296	-	-
Other liabilities	30	235,543	-	-	-	-	-	235,543
Lease liabilities		25,879	1,988	1,989	3,294	12,269	6,339	-
Liabilities directly associated with assets classified as held for sale	8	-	-	-	-	-	-	-
		<u>11,778,794</u>	<u>8,516,942</u>	<u>192,298</u>	<u>176,018</u>	<u>2,650,910</u>	<u>6,339</u>	<u>236,287</u>
Interest sensitivity gap		<u>2,348,807</u>	<u>(961,778)</u>	<u>977,878</u>	<u>1,109,881</u>	<u>(1,968,015)</u>	<u>(6,339)</u>	<u>3,197,180</u>

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements
for the year ended 31 December 2025

37. Financial Risk Management (continued)

(d) **Market risks (continued)**

(iii) Exposure to market risks – Non-trading portfolios (continued)

2023	Note	Carrying amount	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non-interest bearing
<i>In MUR thousand</i>								
Cash and cash equivalents	18	10,974,704	5,938,243	-	-	-	-	5,036,461
Trading assets	19	31	-	-	-	-	-	31
Loans and advances to banks	20	655,085	100,439	-	504,646	50,000	-	-
Loans and advances to customers	21	4,617,116	3,462,815	309,067	165,000	308,865	371,369	-
Investment securities	22	6,959,434	3,206,003	491,706	1,839,737	1,421,988	-	-
Other assets	23	281,255	-	-	-	-	-	281,255
Assets held for sale	8	6,451,813	268,535	5,432	6,145,351	-	-	32,495
		<u>29,939,438</u>	<u>12,976,035</u>	<u>806,205</u>	<u>8,654,734</u>	<u>1,780,853</u>	<u>371,369</u>	<u>5,350,242</u>
Deposits from banks	27	236,916	236,916	-	-	-	-	-
Deposits from customers	28	6,871,642	6,730,972	7,220	133,450	-	-	-
Trading liabilities	19	603	-	-	-	-	-	603
Other borrowed funds	29	133,687	133,687	-	-	-	-	-
Other liabilities	30	745,438	-	-	-	-	-	745,438
Lease liabilities		39,157	4,045	3,323	6,342	24,165	1,282	-
Liabilities directly associated with assets classified as held for sale	8	19,659,650	16,409,047	875,364	2,056,187	-	-	319,052
		<u>27,687,093</u>	<u>23,514,667</u>	<u>885,907</u>	<u>2,195,979</u>	<u>24,165</u>	<u>1,282</u>	<u>1,065,093</u>
Interest sensitivity gap		<u>2,252,345</u>	<u>(10,538,632)</u>	<u>(79,702)</u>	<u>6,458,755</u>	<u>1,756,688</u>	<u>370,087</u>	<u>4,285,149</u>

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(d) *Market risks (continued)*

(iv) Exposure to currency risk

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank's main foreign transactions are in US Dollar ('USD'). As the currency in which the Bank presents its financial statements is the Mauritian Rupee, the Bank's financial statements are affected by movements in the exchange rates between the foreign currencies and the Mauritian Rupee. The net open position was as follows:

	2025 MUR Million	2024 MUR Million	2023 MUR Million
Pound Sterling	-	(1)	(1)
Euro	-	-	-
Japanese yen	-	-	-
USD	59	31	105
Other foreign currencies	3	5	5
	62	35	109

(e) *Capital management*

Regulatory capital

The Bank's lead regulator, the BoM, sets and monitors capital requirements for the whole banking sector in Mauritius.

The BoM Guideline on Scope of Application of Basel III and Eligible Capital was issued in June 2014 and was revised in June 2021.

Basel III is a comprehensive set of reform measures, established by the Basel Committee on Banking Supervision (BCBS), to reinforce the regulation, supervision and risk management of the banking sector. The objective of the reforms is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. Basel III seeks to improve the quality of capital that banks hold and provide a more transparent definition of different types of capital.

The Bank's regulatory capital consists of the sum of the following elements:

- (a) Tier 1 capital, which comprises of Common Equity Tier 1 (CET1)
- (b) Tier 2 capital

For each of the two categories above, there is a single set of criteria described in the guideline that the instruments are required to meet before they are included in the relevant category.

For the purpose of determining the capital adequacy ratio, the capital base is the sum of Tier 1 and Tier 2 capital net of regulatory adjustments applied.

The Bank's regulatory capital is analysed as follows:

- Tier 1 capital (all qualifies as CET1 capital), which includes ordinary stated capital, statutory reserve, reserves for own shares, fair value reserves and retained earnings reserves.
- Tier 2 capital, which includes general banking reserves.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(e) Capital management (continued)

Regulatory capital (continued)

Regulatory adjustment applicable to CET1 capital which is only the deduction of deferred tax asset and the defined pension fund asset net of defined benefit fund liabilities.

The Bank's regulatory capital position at 31 December 2025 was as follows:

		2025 MUR'000	2024 MUR'000	2023 MUR'000
Tier 1 capital	Reference			
CET1 Capital				
Assigned Capital	A	1,499,750	1,499,750	1,499,750
Other Disclosed Reserves	B	311,087	307,027	282,329
Retained Earnings	C	925,647	659,228	451,573
CET1 before regulatory adjustments		2,736,484	2,466,005	2,233,652
Deferred tax assets	D	-	-	-
Pension funds assets	G	(351,700)	(167,266)	(95,015)
Other intangible assets		(985)	(1,795)	-
Total regulatory adjustments to CET1		(352,685)	(169,061)	(95,015)
Tier 1 Capital (T1)		2,383,799	2,296,944	2,138,637
Tier 2 Capital				
Fixed Assets Revaluation Reserves (subject to a Provisions)	E F	41,711 38,140	41,711 44,139	92,745 97,146
Tier 2 Capital (T2)		79,851	85,850	189,891
Total Capital (T1 + T2)		2,463,650	2,382,794	2,328,528
		2025 MUR'000	2024 MUR'000	2023 MUR'000
Total on-balance sheet risk-weighted credit exposures		2,770,918	2,805,598	7,290,209
Total non-market-related off-balance sheet risk-weighted credit exposures		278,519	723,661	479,759
Total market-related off-balance sheet risk-weighted credit exposures		1,775	1,865	1,746
Risk weighted assets for operational risk		910,518	939,789	1,255,790
Aggregate net open foreign exchange position		61,727	35,047	108,505
Total risk weighted assets		4,023,457	4,505,960	9,136,009
Capital adequacy ratio (%)		61.2%	52.9%	25.5%

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(e) Capital management (continued)

Regulatory capital (continued)

Each component of the capital base is mapped by cross reference to a full reconciliation of the Bank's statement of financial position as at 31 December 2025 as described in the table below:

(MUR'000)	As Published	Capital Base under Basel III	Reference
ASSETS			
Cash and cash equivalents	6,360,791		
Trading assets	-		
Loans and advances to banks	635,373		
Loans and advances to customers	3,359,454		
<i>of which,</i>			
- Gross loans		3,360,235	
- Stage 3 impairment		-	
- Stage 1&2 impairment		(781)	F
Investment securities - fair value through other comprehensive income	2,759,398		
Investment securities - Amortised cost	857,563		
Intangible assets	985		
Property, plant and equipment	54,877		
Assets held for sale	73,829		
Deferred tax assets	-	-	D
Other assets	431,985	351,700	G
Total assets	14,534,255		
LIABILITIES			
Deposits from banks	1,269,011		
Deposits from customers	7,082,677		
Trading liabilities	506		
Other borrowed funds	3,047,146		
Current tax liabilities	33,250		
Other liabilities	213,975		
Total liabilities	11,646,565		
Shareholder's funds			
Assigned capital	1,499,750	1,499,750	A
Retained earnings	925,647	925,647	C
Other reserves	462,293		
<i>of which,</i>			
- Statutory Reserve	306,835	306,835	B
- Reserves for own shares	14,162	14,162	B
- Fair value reserve	(9,910)	(9,910)	B
- General Banking Reserve	58,514	38,315	F
- Revaluation Reserves	92,692	41,711	E
Total shareholder's funds	2,887,690		
Total liabilities and shareholder's funds	14,534,255		

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(e) Capital management (continued)

Regulatory capital (continued)

Banks are required to apply a capital conservation buffer which aims at promoting the conservation of capital and build-up of adequate buffers above the minimum during normal times which can be drawn down during stressed period.

As from 28 June 2021, banks are required to meet the following new minimum capital requirements in relation to risk-weighted assets (RWAs):

- (a) 9% Common Equity Tier 1/RWAs;
- (b) 10.5% Tier 1 capital/RWAs, and
- (c) 12.5% total capital/RWAs.

Moreover, banks are required to apply a capital conservation buffer which aims at promoting the conservation of capital and build-up of adequate buffers above the minimum during normal times which can be drawn down during stressed year.

The Bank is required to maintain additional Common Equity Tier 1 Capital (CET1) of 1.00 per cent as additional loss absorbency under BoM Domestic Systemically Important Banks ("DSIB") framework. As from 1 January 2024, the Bank was no longer subject to a 1% capital surcharge in respect of the Domestic Systemically Important Bank.

Various limits and minima are applied to elements of the capital base. The restriction applicable to the Bank is on the amount of general banking reserves that may be included as part of tier 2 capital.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirements throughout the year.

	2025	2024	2023
	%	%	%
CET 1 capital adequacy ratio*	59.2	51.0	23.4
<i>Regulatory Limit - Minimum CET 1 CAR</i>	9.0	9.0	10.0
Tier 1 capital adequacy ratio	59.2	51.0	23.4
<i>Regulatory Limit - Minimum Tier 1 CAR</i>	10.5	10.5	11.5
Total capital adequacy ratio*	61.2	52.9	25.5
<i>Regulatory Limit - Minimum Total CAR</i>	12.5	12.5	13.5

Management uses regulatory capital ratios in order to monitor its capital base and these capital ratios remain the international standards for measuring capital adequacy.

Main features of capital

The Bank's assigned capital is at MUR1.5bn which is above the minimum capital requirement of MUR400 million for banks as per Section 20 of the Mauritian Banking Act 2004. The main feature of the assigned capital is that it is perpetual and there are no circumstances under which distributions are mandatory.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to the financial statements

for the year ended 31 December 2025

37. Financial Risk Management (continued)

(e) Capital management (continued)

Regulatory capital (continued)

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon HSBC Group Internal Ratings Based Approach ("IRBA"). ALCO then manages the balance between the notional capital allocated to businesses and the actual invested capital to ensure the Bank does not fall below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation and is subject to review by ALCO as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision-making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by management.

38. Subsequent event

Management is not aware of any matter or circumstance arising since the end of the financial year to the date of this report which could significantly affect the financial position of the Bank at 31 December 2025.

39. Ultimate holding company

The Bank is registered in Mauritius as a branch of The Hongkong and Shanghai Banking Corporation Limited, a company incorporated in Hong Kong. HSBC Holdings plc, a company incorporated in the United Kingdom is the ultimate holding company and controlling party.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Additional cautionary statement regarding ESG and climate-related data, metrics and forward-looking statements

The Annual Report for the year ended 31 December 2025 contains a number of forward-looking statements with respect to the Group's ESG-related ambitions, targets and commitments, climate-related pathways, processes and plans, and the methodologies and scenarios the Group (including the Bank) uses, or intends to use, to assess the Group's (including the Bank's) progress in relation to these ('ESG-related forward-looking statements').

In preparing the ESG-related information contained in the Annual Report for the year ended 31 December 2025, the Group (including the Bank) has made a number of key judgements, estimations and assumptions, and the processes and issues involved are complex. The Group (including the Bank) has used ESG (including climate) data, models and methodologies that it considers, as of the date on which they were used, to be appropriate and suitable to understand and assess climate change risk and its impact, to analyse financed emissions and operational and supply chain emissions, to set ESG-related ambitions, targets and commitments and to evaluate the classification of sustainable finance and investments. However, these data, models and methodologies are often new, are rapidly evolving and are not of the same standard as those available in the context of other financial information, nor are they subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. In particular, it is not possible to rely on historical data as a strong indicator of future trajectories in the case of climate change and its evolution. Outputs of models, processed data and methodologies are also likely to be affected by underlying data quality, which can be hard to assess and the Group (including the Bank) expect industry guidance, market practice, and regulations in this field to continue to change. The Group (including the Bank) also faces challenges in relation to its ability to access data on a timely basis, lack of consistency and comparability between data that is available and its ability to collect and process relevant data. Consequently, the ESG-related forward-looking statements and ESG metrics disclosed in the Annual Report for the year ended 31 December 2025 carry an additional degree of inherent risk and uncertainty.

Due to the unpredictable evolution of climate change and its future impact and the uncertainty of future policy and market response to ESG-related issues and the effectiveness of any such response, the Group (including the Bank) may have to re-evaluate its progress towards its ESG-related ambitions, targets and commitments in the future, update the methodologies it uses or alter its approach to ESG (including climate) analysis and may be required to amend, update and recalculate its ESG-related disclosures and assessments in the future, as market practice and data quality and availability develop.

No assurance can be given by or on behalf of the Bank as to the likelihood of the achievement or reasonableness of any projections, estimates, forecasts, ambitions, targets, commitments, prospects or returns contained herein. Readers are cautioned that a number of factors, both external and those specific to the Group (including the Bank), could cause actual achievements, results, performance or other future events or conditions to differ, in some cases materially, from those stated, implied and/or reflected in any ESG-related forward-looking statement or metric due to a variety of risks, uncertainties and other factors (including without limitation those referred to below):

- Climate change projection risk: this includes, for example, the evolution of climate change and its impacts, changes in the scientific assessment of climate change impacts, transition pathways and future risk exposure and limitations of climate scenario forecasts;
- ESG projection risk: ESG-related metrics are complex and are still subject to development. In addition, the scenarios employed in relation to them, and the models that analyse them have limitations that are sensitive to key assumptions and parameters, which are themselves subject to some uncertainty, and cannot fully capture all of the potential effects of climate, policy and technology-driven outcomes;
- Changes in the ESG regulatory landscape: this involves changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to ESG across all sectors and markets;
- Variation in reporting standards: ESG reporting standards are still developing and are not standardised or comparable across all sectors and markets, and new reporting standards in relation to different ESG metrics are still emerging;

Additional cautionary statement regarding ESG and climate-related data, metrics and forward-looking statements (continued)

– Data availability, accuracy, verifiability and data gaps: the Group's (including the Bank's) disclosures are limited by the availability of high quality data in some areas and the Group's (including the Bank's) own ability to timely collect and process such data as required. Where data is not available for all sectors or consistently year on year, there may be an impact to the Group's (including the Bank's) data quality scores. The Group (including the Bank) may not be able to fully mitigate financial reporting risks related to its climate and ESG disclosures due to the limited quantity and consistency of available data. The accuracy and reliability of data is also impacted by the diverse range of internal and external data sources and data structures needed for climate-related reporting. While the Group (including the Bank) expects its data quality scores to improve over time, as companies continue to expand their disclosures to meet growing regulatory and stakeholder expectations, there may be unexpected fluctuations within sectors year on year, and/or differences between the data quality scores between sectors. Any such changes in the availability and quality of data over time, or the Group's (including the Bank's) ability to collect and process such data, could result in revisions to reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year-on year;

– Developing methodologies and scenarios: the methodologies and scenarios the Group (including the Bank) uses to assess financed emissions and set ESG-related ambitions, targets and commitments may develop over time in line with market practice, industry standards, regulation and/or developments in science, where applicable. Such developments could result in revisions to reported data, including on financed emissions or the classification of sustainable finance and investments, meaning that data outputs may not be reconcilable or comparable year-on year. Consequently, the Group (including the Bank) might need to reassess its progress towards ESG-related ambitions, targets and commitments in the future; and

– Risk management capabilities: global actions, including the Group's (and the Bank's) own actions, may not be effective in transitioning to net zero and in managing relevant ESG risks, including in particular climate, nature-related and human rights risks, each of which can impact the Group (including the Bank) both directly and indirectly through its customers, and which may result in potential financial and non-financial impacts to the Group (including the Bank). In particular:

– the Group (including the Bank) may not be able to achieve its ESG-related ambitions, targets and commitments (including with respect to the positions set forth in the Group's thermal coal phase-out policy and its energy policy, and its targets to reduce its on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors), which may result in the Group's (including the Bank's) failure to achieve some or all of the expected outcomes of its strategic priorities and raise reputational concerns; and

– the Group (including the Bank) may not be able to develop sustainable finance and ESG-related products consistent with the evolving expectations of its regulators, and its capacity to measure the environmental and social impacts from its financing activity may diminish (including as a result of data and model limitations and changes in methodologies), which may affect its ability to achieve its ESG-related ambitions, targets and commitments, including its net zero ambition, its targets to reduce its on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors and the positions set forth in its thermal coal phase-out policy and energy policy, and increase the risk of greenwashing. The Group (including the Bank) may face additional risks if it knowingly or unknowingly makes inaccurate, unclear, misleading, or unsubstantiated claims regarding sustainability to its stakeholders.

Any forward-looking statements made by or on behalf of the Group (including the Bank) speak only as of the date they are made. The Group (including the Bank) expressly disclaims any obligation to revise or update these ESG forward-looking statements, other than as expressly required by applicable law.

Written and/or oral ESG-related forward-looking statements may also be made in the Group's (including the Bank's) periodic reports to the US Securities and Exchange Commission, summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by the Group's (including the Bank's) Directors, officers or employees to third parties, including financial analysts.

The Group's data dictionaries and methodologies for preparing the above ESG-related metrics and third-party limited assurance reports can be found on: www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.