

HSBC BANK (MAURITIUS) LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025

HSBC Bank (Mauritius) Limited

Annual Report

for the year ended 31 December 2025

Contents

	Page
Management discussion and analysis	1 - 21
Statement of corporate governance practices	22 - 53
Climate-related and environmental financial risks disclosures	54 - 59
Statement of compliance	60
Statement of directors' responsibility for financial reporting	61
Secretary's certificate	62
Independent Auditor's Report	63 - 69
Statement of profit or loss and other comprehensive income	70
Statement of financial position	71
Statement of changes in equity	72
Statement of cash flows	73
Notes to the financial statements	74 - 144
Appendix - Additional cautionary statement regarding ESG data, metrics and forward-looking statements	145 - 146

HSBC Bank (Mauritius) Limited

Management discussion and analysis

HSBC Bank (Mauritius) Limited ("the Bank") was incorporated in Mauritius on 27 April 2006 (Company number: 62412) and was granted its banking license under Section 7 of the Mauritian Banking Act 2004 by the Bank of Mauritius ("BoM") on 8 June 2006 and started its operations on 1 August 2006. The Bank's registered office is Level 5, Icon Ebene, Office 1 (West Wing) Rue de l'Institut, Ebène, 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 a wholly owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited ("HBAP"), a company incorporated in Hong Kong. HSBC Holdings plc, a company incorporated in England, is the ultimate holding company. HSBC Holdings plc together with its subsidiaries form the HSBC Group.

The directors are pleased to present the annual report of HSBC Bank (Mauritius) Limited for the year ended 31 December 2025.

The financial statements on pages 70 to 144 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.

In preparing the financial statements, the directors are 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.

The directors have authorised the issue of this annual report on 13 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.

HSBC Bank (Mauritius) Limited

Management discussion and analysis

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 45 to page 47 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	3.2	3.9	3.4
Cost Efficiency Ratio	16.2	10.7	9.3
Return on Average Assets	2.6	3.3	3.0
Return on Tangible Equity ("ROTE")	20.6	29.2	30.8
Total Capital Adequacy Ratio ("CAR")	46.7	39.3	41.1
Liquidity Coverage Ratio ("LCR")	388.7	345.2	274.1
Net Stable Funding Ratio ("NSFR")	235.8	203.3	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.

Profitability

Key profitability items

	2025 USD'000	2024 USD'000	2023 USD'000
Net interest income	86,661	124,001	120,488
Net fee and commission income	5,268	5,695	5,237
Net trading income	2,280	2,114	2,209
Other operating income	330	403	360
Total operating income	94,539	132,213	128,294
Net impairment (charge)/release on financial assets	(175)	395	754
Total expenses	(15,323)	(14,104)	(11,882)
Profit before income tax	79,041	118,504	117,166

HSBC Bank (Mauritius) Limited

Management discussion and analysis

Financial Review (continued)

Profitability (continued)

The Bank recorded a profit before income tax of USD79.0m, representing a decline of 33.3% compared to the prior year (2024: USD118.5m). The decline was primarily driven by lower net interest income, reflecting the impact of a lower global interest rate environment and reduced loan volumes.

Total operating income decreased by 28.5% to USD94.5m (2024: USD132.2m). Interest income declined by 32.9% to USD113.3m (2024: USD169.0m), mainly due to lower USD interest rates and reduced customer loan balances. Interest expense also declined during the year, reflecting lower customer deposit balances.

Net fee and commission income decreased by 7.5% to USD5.3m (2024: USD5.7m), largely attributable to higher fees paid to correspondent banks.

A net impairment charge of USD0.2m was recognised during the year, compared to a release of USD0.4m in 2024. This primarily reflects the implementation of a new large corporate IFRS 9 impairment model in 2025 and updates to Forward Economic Guidance assumptions in response to economic uncertainty.

Operating expenses increased by USD1.2m to USD15.3m (2024: USD14.1m), driven mainly by higher personnel costs of USD2.9m from USD2.6m and increased intercompany recharges.

Financial position

Key balance sheet items

	2025	2024	2023
	USD'm	USD'm	USD'm
Assets			
Cash and cash equivalents	694.3	819.8	1,243.3
Loan and advances to banks	221.1	352.9	237.2
Loan and advances to customers	372.8	592.3	906.8
Investment securities at FVOCI	987.9	762.6	634.0
Investment securities at amortised cost	1.1	3.2	170.1
Liabilities			
Deposits from customers	1,974.8	2,347.4	2,639.3
Other borrowed funds	11.4	32.0	379.6

As at 31 December 2025, total assets stood at USD2.3bn, compared to USD2.7bn in the prior year. The decrease was mainly due to:

- a reduction in customer deposits of approximately USD0.4bn, and
- scheduled repayments of customer loans amounting to USD0.2bn, while demand for new facilities remained subdued.

Investment securities classified at fair value through other comprehensive income amounted to USD1.0bn (2024: USD0.8bn). During the year, the Bank recognised a net fair value gain of USD0.8m in other comprehensive income, driven by the decline in market interest rates.

Capital and Liquidity

The Bank remained strongly capitalised throughout the year.

- Total Capital Adequacy Ratio increased to 46.7% (2024: 39.3%)
- Common Equity Tier 1 ("CET1") Ratio stood at 45.8% (2024: 38.4%)

The increase was primarily attributable to a reduction in risk-weighted assets as a result of the decrease in customer loans and advances.

HSBC Bank (Mauritius) Limited

Management discussion and analysis (continued)

Financial Review (continued)

Liquidity remained well above regulatory requirements:

- LCR increased by 43.5 percentage points from 345.2% for the year ended 31 December 2024 to 388.7% for the year ended 31 December 2025 compared to the regulatory minimum of 100%. As at 31 December 2025, the LCR increased mainly due to lower net cash outflows driven by a decrease in customer deposits.
- NSFR stood at 235.8% compared to 203.3% as at 31 December 2024. NSFR increased mainly due to lower required stable funding driven by a decrease in loans and advances to banks and customers.

Performance against objectives

Objective for 2025	Performance for 2025	Objective for 2026
Return on tangible equity		
Deliver in line with the Group target to achieve mid-teens ROTE for 2025.	The Bank recorded a ROTE of 20.6%.	Deliver in line with the Group target to achieve ROTE of 17% or above.
Operating income		
Maintain total operating income at 2024 levels.	Total operating income declined by 28.5% compared to prior year mainly due to a decrease in net interest income following interest rate cuts.	Minimise the impact of projected decrease in operating income linked to the expected decline in global interest rates through net interest income stabilisation initiatives.
Operating expenses		
Maintain operating expenses flat to 2024 levels.	Operating expenses increased by 8.5%, driven an increase in headcount and intercompany recharges.	Operating expenses are expected to remain at 2025 levels.
Portfolio quality		
Proactively continue to manage credit risk within the loan book and keep ECLs at a minimum (Charge of USD1.3m or <1% of total on and off-balance sheet exposures).	Impairment charge of USD0.2m compared to a release of USD0.4m in 2024. Impairment allowance remained < 1% of total on and off balance sheet exposures.	Proactively continue to manage credit risk within the loan book and keep ECLs at a minimum (Charge of USD1.3m or <1% of total on and off-balance sheet exposures).
Capital and Liquidity Risk Management		
To maintain total capital ratio above the BoM minimum regulatory requirement of 12.5%.	The capital ratio remained above the regulatory minimum throughout 2025 and as at 31 December 2025, the capital adequacy ratio was at 46.7%.	To maintain total capital ratio above the BoM minimum regulatory requirement of 12.5%.
Above regulatory limit of 100%.	LCR stood at 388.7% as at year end well above the regulatory limit of 100%.	Above regulatory limit of 100%.
Return on Average Assets		
Monitor return on the average assets to achieve profit before tax above 1%.	Return on Average assets has remained stable at 2.6% in 2025.	Return on average assets is projected to decline driven by the same factors contributing to the decrease in operating income.

HSBC Bank (Mauritius) Limited

Management discussion and analysis (continued)

Financial Review (continued)

Outlook

The global economic environment remained challenging during the year, characterised by persistent trade tensions, geopolitical uncertainty and heightened financial market volatility. The Bank's disciplined approach to credit risk coupled with the interest rate environment experienced in 2025 which is expected to persist into 2026, though the timing and extent of future rate movements remain uncertain, would dampen its performance in 2026. The Bank enters 2026 with:

- a strong capital position,
- high liquidity buffers, and
- a disciplined approach to risk management.
- Management will continue to focus on balance sheet optimisation, cost discipline, and prudent credit risk management.

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 instruction 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 as follows:

Credit Exposures denominated in Mauritian Rupee

- 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.

Credit Exposures denominated in currencies other than the Mauritian Rupee

- Credit exposure to any single customer shall not exceed 50 per cent of the Bank's Tier 1 capital;
- Credit exposure to any group of closely-related customers shall not exceed 75 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 1200 per cent of the Bank's capital base. This limit is exclusive of the limit of 800 per cent imposed in Mauritian Rupee denominated credit.

HSBC Bank (Mauritius) Limited

Management discussion and analysis (continued)

Credit exposure and quality

General (continued)

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

Gross customer advances by industry sector

	2025		2024		2023	
	USD'm	%	USD'm	%	USD'm	%
Other Non-Financial Corporations						
C - Manufacturing	53.9	14.4	48.1	8.1	111.5	12.3
D - Electricity, gas, steam and air conditioning supply	0.1	0.0	0.8	0.1	1.5	0.2
F - Construction	89.8	24.1	97.0	16.4	98.4	10.9
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	-	-	0.5	0.1	3.0	0.3
H - Transportation and storage	-	-	3.0	0.5	7.1	0.8
J - Information and communication	-	-	35.1	5.9	55.1	6.0
Financial and business services	3.3	0.9	1.7	0.3	377.0	41.5
Global Business Corporations (GBCs)	225.9	60.6	406.1	68.6	253.7	28.0
	373.0	100.0	592.3	100.0	907.3	100.0

Off-balance sheet foreign exchange trading contracts at nominal amount by industry sector

	2025 USD'm	2024 USD'm	2023 USD'm
Banks :			
Group	48.2	63.1	111.6
Total	48.2	63.1	111.6

A breakdown of the foreign exchange trading contract by country is disclosed under section Credit Risk Exposures on page 16.

Restructured Credits

No facilities have been restructured during the year.

Credit Impairment

Net impairment charge stood at USD0.2m (2024: release of USD0.4m), which is calculated in accordance with IFRS 9 'Financial Instruments'.

As at 31 December 2025, impairment allowance for loans and advances to customers and banks totaled USD0.3m (2024: USD0.1m). The increase was mainly due to the implementation of the large corporate model under IFRS 9 impairment calculation engine in June 2025 and changes in the FEG reflecting the economic uncertainty outlook.

In line with the provisions laid down in the BoM *Guideline on Classification, Provisioning and Write-Off of Credit Exposures*, the Bank has established a reserve for performing and non-performing exposures of USD5.4m (2024: USD8.3m) which has been set aside as an appropriation of profits to cater for future potential losses in the portfolio.

HSBC Bank (Mauritius) Limited

Management discussion and analysis (continued)

Credit exposure and quality (continued)

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. There were no Stage 3 facilities as at 31 December 2025.

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. Both risks are reviewed by the Asset and Liability Management Committee (ALCO) and Risk Management Meeting (RMM). Risk management information relating to the trading activities and non-trading activities are set out below and an analysis of the Bank’s risks profile is disclosed in note 35 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.

Management discussion and analysis (continued)

Risk management policies and controls (continued)

Risk	Arising from	Measurement, monitoring and management of risk
<p>Credit risk</p> <p>Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract.</p>	<p>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.</p>	<p>Credit risk is:</p> <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.
<p>Market Risk</p> <p>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.</p>	<p>Exposure to market risk is separated into two portfolios:</p> <ul style="list-style-type: none"> - Trading portfolios - Non-trading portfolios 	<p>Market risk is:</p> <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.
<p>Climate Risk</p> <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.

Management discussion and analysis (continued)

Risk management policies and controls (continued)

Risk	Arising from	Measurement, monitoring and management of risk
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.
Financial Crime Risk		
<p>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.</p>	<p>Financial crime risk arises from day-to-day banking operations involving customers, third parties and employees.</p>	<p>Financial crime risk is:</p> <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.

Management discussion and analysis (continued)

Risk management policies and controls (continued)

Risk	Arising from	Measurement, monitoring and management of risk
Model Risk		
Model risk is the risk of the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions.	Model risk arises in both financial and non-financial contexts whenever business decision making includes reliance on models.	Model risk is: <ul style="list-style-type: none"> – measured by reference to model performance tracking and the output of detailed technical reviews, with key metrics including model review statuses and findings; – monitored against model risk appetite statements, insight from the independent validations completed by the model risk management team, feedback from internal and external audits, and regulatory reviews; and – managed by creating and communicating appropriate policies, procedures and guidance, training colleagues in their application, and supervising their adoption to ensure operational effectiveness.

Concentration of risk policies

As at 31 December 2025, the top 6 customers or group of connected customers accounted for 84.6% (2024 – 71.2%) of total large credit exposures extended to corporates. The six most significant concentration with respect to non-exempted exposures are listed below.

Customer Group	Total USD'm	% of Large credit Corporate	% of Tier 1 Capital
Customer Group 1	140.0	21.6	49.6
Customer Group 2	110.0	16.9	39.0
Single Customer 1	89.6	13.8	31.8
Single Customer 2	80.0	12.3	28.4
Single Customer 3	70.0	10.8	24.8
Single Customer 4	60.0	9.2	21.3

*"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.

As at 31 December 2025, the Bank's credit concentration risk stood at 230.4% (2024: 265.9%).

The facilities extended to the customer groups consist mostly of trade finance facilities and medium term loans.

HSBC Bank (Mauritius) Limited

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:

- the aggregate of credit exposures to and investments in equity shares of all related parties in Category 1, other than investments in subsidiaries and associates, should not exceed 60 per cent of the financial institution's Tier 1 capital; and
- the aggregate of credit exposures to and investments in equity shares of all related parties in Category 1 and Category 2, other than investments in subsidiaries and associates, should not exceed 150 per cent of the financial institution'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 financial institution;
- (b) a director of the financial institution;
- (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 financial institution has significant interest, excluding a subsidiary of the financial institution as mentioned in Category 2 (e).

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, including aggregate credit exposures to a group of connected counterparties as defined at Annex II to the *Guideline on Credit Concentration Risk*, credit exposures representing less than 2 per cent of the Bank's Tier 1 capital; and
- (f) category 3 type of related party exposures.

HSBC Bank (Mauritius) Limited

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. All related party transactions are approved by the Board of Directors on a quarterly basis.

In line with the above guideline, the Board 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 Board.

The table below sets out the seven largest related party exposures, outstanding or limits if greater and the respective percentages of the Bank's Tier 1 capital:

	Related Party	Exposure USD'm	% of Tier 1 Capital
1	The Hongkong and Shanghai Banking Corporation Limited - Hong Kong Branch	2,231	791.1
2	The Hongkong and Shanghai Banking Corporation Limited - India Branch	695.5	246.6
3	The Hongkong and Shanghai Banking Corporation Limited - Singapore Branch	403.0	142.9
4	HSBC Bank (Taiwan) Limited	400.0	141.8
5	The Hongkong and Shanghai Banking Corporation Limited - Japan Branch	310.0	109.9
6	The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch	301.0	106.7
7	HSBC Continental Europe, S.A.	205.0	72.7

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 (2024: Nil)

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

HSBC Bank (Mauritius) Limited is a 100% owned subsidiary of The Hongkong and Shanghai Banking Corporation Ltd, a company registered in Hong Kong and regulated by the Hong Kong Monetary Authority. The authorised share capital of HSBC Bank (Mauritius) Limited is USD100m made up of 100,000,000 ordinary shares of nominal value USD 1 each, of which 72,956,783 have been issued.

HSBC Bank (Mauritius) Limited

Management discussion and analysis (continued)

Basel III Disclosures (continued)

The Capital Base under Basel III stood as follows:

	2025	2024	2023
	USD'000	USD'000	USD'000
Tier 1 capital			
CET1 capital			
Paid up capital	72,957	72,957	72,957
Other disclosed reserves	73,859	73,054	72,890
Retained earnings	137,150	192,461	193,671
CET1 before regulatory adjustments	283,966	338,472	339,518
Deferred tax assets	-	(171)	(198)
Defined benefit scheme assets	(1,939)	(689)	(484)
Total regulatory adjustments to CET1	(1,939)	(860)	(682)
Tier 1 capital (T1)	282,027	337,612	338,836
Tier 2 capital			
Eligible reserves	5,367	8,293	9,205
Tier 2 capital (T2)	5,367	8,293	9,205
Total capital (T1 + T2)	287,394	345,905	348,041
Total risk weighted assets	615,544	879,390	846,508

At least 10 times a year, the 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 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. Sovereign, Central Bank and bank risk weights are based on the credit assessments of recognised external rating agencies with each category of borrower having a specific risk weight structure.

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 any of the ECAIs as mentioned on page 17, recognised rating agencies.

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

With on-balance sheet risk weighted assets of USD424.0m (2024: USD659.6m), details of which are given in the Credit Risk: Standardised approach section on page 18, minimum capital requirements for credit risk for portfolios subject to the Standardised Approach as at 31 December 2025 was USD53.0m (2024: USD82.4m). Risk weighted assets of USD13.9m (2024: USD59.1m) for market and non-market related off-balance sheet exposures and USD0.2m (2024: USD0.2m) for market risk foreign currency exposure, generated further capital requirement of USD1.8m (2024: USD7.4m).

Capital requirement for Operational Risk in accordance with the Basic Indicator Approach which, based on the average gross income for the last 3 years per annum of USD118.3m (2024: USD107.0m), gave a capital charge for operational risk of USD17.8m (2024: USD16.1m).

Total risk weighted asset capital requirement therefore stood at USD76.9m (2024: USD109.9m) compared to the Bank's capital base of USD287.4m (2024: USD345.9m).

HSBC Bank (Mauritius) Limited

Management discussion and analysis (continued)

Basel III Disclosures (continued)

Capital Adequacy (continued)

The capital adequacy ratios and their respective regulatory limits, inclusive of capital conservation buffer, applicable to the Bank were as follows:

	2025	2024	2023
	%	%	%
CET 1 capital adequacy ratio*	45.8	38.4	40.0
<i>Regulatory Limit - Minimum CET 1 CAR</i>	9.0	9.0	9.0
Tier 1 capital adequacy ratio	45.8	38.4	40.0
<i>Regulatory Limit - Minimum Tier 1 CAR</i>	10.5	10.5	10.5
Total capital adequacy ratio*	46.7	39.3	41.1
<i>Regulatory Limit - Minimum Total CAR</i>	12.5	12.5	12.5

Capital adequacy ratios include audited profits for 2025. Capital adequacy ratios for 2024 and 2023 have been calculated on the same basis.

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 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 Group's 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.

HSBC Bank (Mauritius) Limited

Management discussion and analysis (continued)

Basel III Disclosures (continued)

The Credit Risk Policy Framework (continued)

The Credit Approval Authorities ("CAA") are delegated in globally consistent CAA Matrix, which has been established by Group Risk. The Chief Executive Officer ("CEO") and the Wholesale Credit Risk ("WCR") team receive a confirmation from the Asia Pacific ("ASP") WCR Policy Team with a CAA Mapping Excel confirming the CAA band assigned for each member. The CAA band assigned is also approved by the Bank's Board of Directors. Credit exposures in excess of the limits delegated to the CEO & local WCR are approved by the parent company in Hong Kong. The Credit Risk team ensures that credit risk assessment standards remain in line with the Group's credit policy.

The identification, understanding and management of the Bank's different risks are of increasing importance and as a result, a comprehensive Enterprise-wide Risk Management Framework is applied throughout the Group and across all risk types, including credit risk. As outlined under the Statement on Corporate Governance Practices, risk governance is exercised in both an executive capacity, through the monthly Risk Management Meetings, and a non-executive capacity, through the quarterly Board of Directors' Meetings, advised and supported by the Risk Management Committee ("RMC"). 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 the parent company in Hong Kong and to BoM.

Credit Risk Exposures

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

Fund based:

Items	USD'000
Claims on Sovereign	987,904
Claims on Central Banks	30,160
Claims on Banks	887,950
Claims on Corporates	371,055
Claims on Other assets	3,217
Total	2,280,286

Non fund based:

Items	USD'000
Direct Credit Substitute	699
Transaction-related contingencies	3,636
Trade-related contingencies	496
Other commitments with an original maturity of up to one year	58,421
Unconditionally cancellable commitments*	314,708
Foreign Exchange Contracts	48,248
Total	426,208

HSBC Bank (Mauritius) Limited

Management discussion and analysis (continued)

Basel III Disclosures (continued)

Credit Risk Exposures (continued)

Fund based:

(USD'000)	Claims on Sovereign	Claims on Central Banks	Claims on Banks	Claims on Corporates	Claims on Other assets	Total
Australia	-	-	6	-	-	6
Belgium	-	-	11	-	-	11
Canada	-	-	2,854	-	-	2,854
Cayman Islands	-	-	-	30,063	-	30,063
China, P.R.	-	-	83	-	-	83
France	-	-	23,611	-	-	23,611
Hong Kong	-	-	195,821	-	-	195,821
Hungary	-	-	-	12	-	12
India	-	-	-	89,689	-	89,689
Japan	-	-	41,696	-	-	41,696
Mauritius	3,537	30,160	153,605	225,233	3,217	415,752
Netherland	-	-	-	1,867	-	1,867
New Zealand	-	-	8	-	-	8
Singapore	-	-	310,357	-	-	310,357
Sri Lanka	-	-	-	59	-	59
South Africa	-	-	1,430	-	-	1,430
South Korea	-	-	20,114	-	-	20,114
Switzerland	-	-	499	-	-	499
Thailand	-	-	3,311	205	-	3,516
United Arab Emirates	-	-	21	-	-	21
United Kingdom	-	-	24,560	18,526	-	43,086
United States	984,367	-	109,963	-	-	1,094,330
Vietnam	-	-	-	5,401	-	5,401
Total	987,904	30,160	887,950	371,055	3,217	2,280,286

Non fund based:

(USD'000)	Direct Credit Substitute	Transaction-related contingencies	Trade-related contingencies	Other commitments with an original maturity of up to one year	Unconditionally cancellable commitments *	Foreign Exchange Contracts	Total
Cayman Islands	-	-	-	-	20,000	-	20,000
Hong Kong	-	25	-	-	-	48,248	48,273
India	-	322	-	-	-	-	322
Mauritius	15	3,259	496	58,421	290,575	-	352,766
Netherlands	499	-	-	-	4,133	-	4,632
Sri Lanka	185	-	-	-	-	-	185
Vietnam	-	30	-	-	-	-	30
Total	699	3,636	496	58,421	314,708	48,248	426,208

* 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.

The counterparty type distribution of exposures was as follows:

(USD'000)	Financial Institutions	Corporates	Others	Total
Fund based	921,647	371,055	987,584	2,280,286
Non-Fund based	49,213	376,995	-	426,208

HSBC Bank (Mauritius) Limited

Management discussion and analysis (continued)

Basel III Disclosures (continued)

Credit Risk Exposures (continued)

The contractual maturity breakdown of the portfolio was as follows:

Fund based

Items	USD'000							
	0 - 3 mths	3 -6 mths	6 - 12 mths	12 - 24 mths	24 - 36 mths	36 - 60 mths	> 60 mths	Total
Number of months								
Claims on Sovereigns	-	470,000	375,669	142,235	-	-	-	987,904
Claims on Central Banks	30,160	-	-	-	-	-	-	30,160
Claims on Banks	776,987	15,798	24,135	71,030	-	-	-	887,950
Claims on Corporates	55,438	39,284	2,498	1,879	51,761	30,389	189,806	371,055
Total	862,585	525,082	402,302	215,144	51,761	30,389	189,806	2,277,069

Non-fund based

Items	USD'000							
	0 - 3 mths	3 -6 mths	6 - 12 mths	12 - 24 mths	24 - 36 mths	36 - 60 mths	> 60 mths	Total
Number of months								
Direct Credit Substitute	-	-	-	15	684	-	-	699
Transaction-related Contingent Items	-	1	30	-	347	400	2,858	3,636
Trade-related contingencies	496	-	-	-	-	-	-	496
Other commitments with an original maturity of up to one year	48,000	10,421	-	-	-	-	-	58,421
Unconditionally cancellable commitments	122,619	41,111	13,210	40,544	6,490	10,734	80,000	314,708
Foreign Exchange Contracts	48,248	-	-	-	-	-	-	48,248
Total	219,363	51,533	13,240	40,559	7,521	11,134	82,858	426,208

All of the items in the above-mentioned disclosures are subject to the Basel III 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")
- Fitch India
- 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%.

HSBC Bank (Mauritius) Limited

Management discussion and analysis (continued)

Basel III Disclosures (continued)

Credit Risk Exposures (continued)

Exposures after credit risk mitigation (“CRM”) subject to the standardised approach were as follows:

Fund based

Items	Exposures before CRM	Exposures After CRM	Risk	RWA
	USD'000	USD'000	%	USD'000
Claims on Sovereigns	987,904	987,904	0	-
Claims on Central Banks	30,160	30,160	0	-
Claims on Banks	701,614	701,614	0	-
	140,657	140,657	20	28,132
	45,679	45,679	50	22,839
Claims on Corporates	279	279	20	56
	1,099	659	50	330
	369,618	369,408	100	369,407
	59	-	150	-
Claims on Other assets	3,217	3,217	100	3,217
Total	2,280,286	2,279,577		423,981

Non-Fund based

Items	Exposures before CRM	Exposures After CRM	Credit Conversion	Credit equivalent amount	RWA
	USD'000	USD'000	%	USD'000	USD'000
Direct Credit Substitute	699	699	100%	699	544
Transaction-related Contingent Items	3,636	3,636	50%	1,618	1,516
Trade-related contingencies	496	496	20%	99	20
Other commitments with an original maturity of up to one year	58,421	58,421	20%	11,684	11,684
Unconditionally cancellable commitments	314,708	314,708	0%	-	-
Total	377,960	377,960		14,100	13,764

Items	Notional principal amount	Credit Conversion Factor	Potential Future Risk	Current exposure	Credit Equivalent Amount	RWA
	USD'000	%	USD'000	USD'000	USD'000	USD'000
Foreign Exchange contracts	48,248	1	482	2	485	97

HSBC Bank (Mauritius) Limited

Management discussion and analysis (continued)

Basel III Disclosures (continued)

Credit Risk Mitigation

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.

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; and
- fixed and floating charge on all assets.

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, thereby causing losses to the Bank.

It is the responsibility of the CEO and Head of Banking or her delegate to ensure that market risk may only be taken by Markets & Securities Services businesses within authorised limits. Units other than Markets & Securities Services businesses 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, and 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 Risk Management Meeting ("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 country 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 USD0.2m (2024: USD0.2m) giving a capital requirement of USD0.02m (2024: USD0.02m).

HSBC Bank (Mauritius) Limited

Management discussion and analysis (continued)

Basel III Disclosures (continued)

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 Group's business.

The 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 the Group.

The purpose of the Operational 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 Standardised 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 Bank's capital requirement for operational risk as at 31 December 2025 stood as follows:

		Financial Year Ended 2025 USD'000	Financial Year Ended 2024 USD'000	Financial Year Ended 2023 USD'000
	Annual Gross Income	94,539	132,213	128,294
(1)	Number of years with positive income	3		
(2)	Average Gross Income over last 3 years	118,349		
(3)	Capital charge for Operational Risk	17,752		

HSBC Bank (Mauritius) Limited

Management discussion and analysis (continued)

Basel III Disclosures (continued)

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 35 of the financial statements.



Sandeep Uppal
Chairman



Hajrah Sakauloo
*Chief Executive Officer &
Head of Banking*



Yousuf M Syed
Director

Date: 13 March 2026

HSBC Bank (Mauritius) Limited

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.

During the year under review, the Board 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 Board’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:

HSBC Bank (Mauritius) Limited

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 Board 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.

The Board 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.

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle One - Governance Structure

1.1 Shareholding structure

The Bank is incorporated in Mauritius as a subsidiary of HBAP, a company incorporated in Hong Kong. HSBC Holdings plc, a company incorporated in the United Kingdom, is the ultimate parent company. As at 31 December 2025, the Bank's issued capital was USD 72,956,783, solely held by The Hongkong and Shanghai Banking Corporation Limited.

1.2 Responsibilities of the Board

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 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.

The Board 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.

The Board 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.

The Board 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 Board is responsible for the preparation and fair presentation of the financial statements as described in Section 6.1.

The Board'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.

The Board 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.

1.3 Board and its Committees Terms of Reference

In line with the Code and the *Guideline on Corporate Governance* issued by the Bank of Mauritius, the composition, frequency of meetings and the responsibilities of the Board are set out in the Board Terms of Reference which was initially approved and adopted by the Board at its meeting held on 8 November 2018 and subsequently reviewed on an annual basis, last review being done on 7 November 2025.

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle One - Governance Structure (continued)

1.3 Board and its Committees Terms of Reference (continued)

Similarly, responsibilities delegated to each Board Committee are embodied in respective Terms of Reference ("ToRs"). All the ToRs are reviewed annually, as and when any amendments are required to align with the core terms of reference of the group from time to time.

The role of the Board is to provide entrepreneurial leadership of the Bank within a framework of prudent and effective controls which enables risks to be monitored, evaluated and managed. The Board is collectively responsible for the long-term success of the Bank and the delivery of sustainable value to shareholders. It sets the strategy and risk appetite for the Bank and approves capital and operating plans presented by management for the achievement of the strategic objectives it has set.

The Board is ultimately responsible for the operational and the financial soundness of the Bank. In discharging its responsibilities, the Board takes into account the legitimate interests of shareholders, depositors and other relevant stakeholders. Directors act bona fide in the interest of the Bank, and on an informed and prudent basis, in accordance with the applicable laws, local regulations and supervisory standards.

The Board is of sufficient size to discharge its responsibilities and allow changes to the Board's composition to be managed without undue disruption. The Board believes that based on Bank's size and operations, it possesses the right balance of executive and non-executive directors. The composition of the Board for the year ended 2025 comprised of two executive directors and six non-executive directors, including the Chairman.

The Board has determined that each Director shall stand for re-election at each Annual Meeting or by means of ordinary shareholder resolution. Whenever a vacancy arose during the year, the Board also exercised its authority to fill the vacancy whilst ensuring that the composition of the Board is aligned to the Constitution and laws. In determining the re-election of Directors, the Board reviewed whether each Director remained qualified for his/her post.

The business and affairs of the Bank are managed by, or under the direction or supervision of the Board. In doing so, the Board exercises all the powers of the Bank, subject to any relevant laws and regulations and to its Constitution.

The Constitution of the Bank provides that the Board may appoint committees and may delegate all or any of their powers to any such committee and, from time to time, revoke any such delegation and discharge any such committee wholly or in part. In line with this, the Board has established the below committees:

- (1) Operating Committee ('OpCo') on 19 September 2025, under the individual accountability framework of the Chief Executive Officer and Head of Banking ('CEO'), to replace the Executive Committee ('EXCO') which was demised on 18 September 2025
- (2) Audit Committee
- (3) Risk Management Committee

The Board has approved the demise of the EXCO as its sub-committee and approved the setting up of the OpCo. The OpCo falls under the purview of the CEO and supports the CEO for any decision making for the Bank.

Except for the OpCo, the Chairs of each Committee report matters of significance to the Board after each meeting and the minutes of the meetings are made available to all Board members.

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Two - The Structure of the Board and its Committees

2.1 Board Composition

A summary of the Board Charter and the Terms of Reference of the Board and its Committees are given as below:

Board of Directors																									
Frequency of meetings	Quarterly																								
Composition	<table border="1"><tr><td>Philip Fellowes¹</td><td>Chairman of the Board and Non-Executive Director</td></tr><tr><td>Sandeep Uppal²</td><td>Chairman of the Board and Non Executive Director as from 19 September 2025</td></tr><tr><td>Gregory Lowden³</td><td>Managing Director</td></tr><tr><td>Hajrah Sakauloo</td><td>Executive Director</td></tr><tr><td>Rajiv Gopaul⁴</td><td>Executive Director</td></tr><tr><td>Yousuf M Syed⁵</td><td>Executive Director</td></tr><tr><td>Timothy Evans</td><td>Non-Executive Director</td></tr><tr><td>Priyadarshini Kini⁶</td><td>Non-Executive Director</td></tr><tr><td>Jonathon Lee</td><td>Non-Executive Director</td></tr><tr><td>Tamara Elizabeth Gurajena⁷</td><td>Non-Executive Director</td></tr><tr><td>Suresh Nagarajan⁸</td><td>Non- Executive Director</td></tr><tr><td>Amitabh Nevatia⁹</td><td>Non- Executive Director</td></tr></table>	Philip Fellowes ¹	Chairman of the Board and Non-Executive Director	Sandeep Uppal ²	Chairman of the Board and Non Executive Director as from 19 September 2025	Gregory Lowden ³	Managing Director	Hajrah Sakauloo	Executive Director	Rajiv Gopaul ⁴	Executive Director	Yousuf M Syed ⁵	Executive Director	Timothy Evans	Non-Executive Director	Priyadarshini Kini ⁶	Non-Executive Director	Jonathon Lee	Non-Executive Director	Tamara Elizabeth Gurajena ⁷	Non-Executive Director	Suresh Nagarajan ⁸	Non- Executive Director	Amitabh Nevatia ⁹	Non- Executive Director
Philip Fellowes ¹	Chairman of the Board and Non-Executive Director																								
Sandeep Uppal ²	Chairman of the Board and Non Executive Director as from 19 September 2025																								
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Rajiv Gopaul ⁴	Executive Director																								
Yousuf M Syed ⁵	Executive Director																								
Timothy Evans	Non-Executive Director																								
Priyadarshini Kini ⁶	Non-Executive Director																								
Jonathon Lee	Non-Executive Director																								
Tamara Elizabeth Gurajena ⁷	Non-Executive Director																								
Suresh Nagarajan ⁸	Non- Executive Director																								
Amitabh Nevatia ⁹	Non- Executive Director																								
Main Responsibilities	The key responsibilities of the Board include: (i) setting and overseeing the objectives of the Bank and the strategies for achieving those objectives; (ii) risk governance; (iii) appointment and oversight of senior management and Directors, as and when required; (iv) setting corporate values and standards; (v) ensuring a suitable and transparent corporate structure; (vi) ensuring effective audit functions; and (vii) ensuring an appropriate degree of transparency in respect of the structure, operation and risk management of the Bank, including setting policies and procedures for related party transactions and approving same.																								

¹ Philip Fellowes resigned as a Director on 19 September 2025

² Sandeep Uppal was appointed on 1 May 2025

³ Gregory Lowden resigned as Managing Director on 28 February 2025

⁴ Rajiv Gopaul resigned as a Director on 6 January 2025

⁵ Yousuf M Syed was appointed on 1 March 2025

⁶ Priya Kini resigned as a Director on 23 July 2025

⁷ Tamara E Gurajena was appointed on 5 June 2025

⁸ Suresh Nagarajan was appointed on 5 August 2025

⁹ Amitabh Nevatia was appointed on 12 September 2025

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Two - The Structure of the Board and its Committees (continued)

2.2 Audit Committee

Frequency of meetings	Quarterly	
Composition	Jonathon Lee Timothy Evans Priyadarshini Kini ¹ Amitabh Nevatia ²	Chairman of Audit Committee Member and Non-Executive Director Member and Non-Executive Director Member and Non-Executive Director
Main Responsibilities	<p>The key responsibilities of the Audit Committee include:</p> <ul style="list-style-type: none"> (i) reviewing the financial statements of the Bank before they are approved by the directors, to monitor the integrity of such statements; (ii) reviewing, evaluating and where necessary, approving, the Bank's financial and accounting policies and practices; (iii) reviewing the Bank's internal financial controls and its internal control and risk management systems; (iv) monitoring and reviewing the internal audit plan, the effectiveness of the internal audit function and co-ordination between the internal and external auditors, considering the major findings of internal investigations and management's response; (v) reviewing such transactions as could adversely affect the sound financial condition of the Bank as the auditors or any officers of the Bank may bring to the attention of the Committee; (vi) reviewing the terms of appointment, re-appointment or removal of the external auditors and approve the terms of engagement; and (vii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process. 	

¹ Priya Kini resigned as a Director on 23 July 2025

² Amitabh Nevatia was appointed on 12 September 2025

Key topics considered during the year

- Interim and audited financial statements with recommendations made to the Board.
- Reports from internal and external auditors and actions taken accordingly.
- Audit plan for external auditor.
- Audit fees for external auditor.
- Bi-annual certifications to the parent entity.

Statement on corporate governance practices (continued)

Principle Two - The Structure of the Board and its Committees (continued)

2.3 Risk Management Committee (RMC)

Frequency of meetings	Quarterly	
Composition	Priyadarshini Kini ¹ Suresh Nagarajan ² Gregory Lowden ³ Timothy Evans Jonathon Lee Philip Fellowes ⁴ Tamara Elizabeth Gurajena Hajrah Sakauloo	Chairperson of the RMC Chairman of the RMC from 5 August 2025 Member and Managing Director up to 28 February 2025 Member and Non-Executive Director Member and Non-Executive Director up to 1 March 2025 Member and Non-Executive Director from 1 March 2025 to 5 August 2025 Member and Non-Executive Director from 5 August 2025 Member and CEO from 1 March 2025
Main Responsibilities	The key responsibilities of the RMC include: <ul style="list-style-type: none"> (i) overseeing and advising the Board on all high-level risk related matters; (ii) identifying principal risks, including those relating to credit, market, liquidity, operational, compliance, and reputation of the Bank, and actions to mitigate the risks; (iii) advising the Board on risk appetite and tolerance in determining strategy. (iv) requiring regular risk management updates from management in the form of the Chief Risk & Compliance Officer (“CRCO”) report which enables the Committee to assess the risks, including financial crime risks, involved in the Bank’s business and how they are controlled and monitored by management; as well as giving clear, explicit and dedicated focus to current and forward-looking aspects of risk exposure which may require a complex assessment of the Bank’s vulnerability to hitherto unknown or unidentified risks; (v) reviewing the effectiveness of the Bank’s risk management framework and internal control systems; and (vi) seeking to embed and maintain throughout the Bank a supportive culture in relation to the management of risk and maintenance of internal controls alongside prescribed rules and procedures. 	

¹ Priya Kini resigned as a Director on 23 July 2025

² Suresh Nagarajan was appointed on 5 August 2025

³ Gregory Lowden resigned as Managing Director on 28 February 2025

⁴ Philip Fellowes resigned as a Director on 19 September 2025

2.4 Management Committees

The Bank is headed by its CEO and Head of Banking and is supported in the day to day running of the business by the OpCo members managing customer service and operations, business development and marketing.

Support functions including IT, Finance, Human Resources, Credit Administration, Financial Crime Risk and Risk Management are provided by The Hongkong and Shanghai Banking Corporation - Mauritius branch through a service level agreement.

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

- (1) OpCo
- (2) Assets and Liabilities Committee
- (3) Risk Management Meeting

The Terms of Reference and membership of these committees are disclosed on following pages.

Statement on corporate governance practices (continued)

Principle Two - The Structure of the Board and its Committees (continued)

2.5 Executive Committee, demised on 18 September 2025 and replaced by the Operating Committee

Frequency of meetings	At least 10 times yearly	
Composition	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
Purpose	<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 of the Board, 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>	

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 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

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Two - The Structure of the Board and its Committees (continued)

2.6 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 two banking entities locally.

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 – Member 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 & recommend the FRP and respective strategies, supported by appropriate stress testing analysis for Board approval; (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 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. 	

Statement on corporate governance practices (continued)

Principle Two - The Structure of the Board and its Committees (continued)

2.7 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 Sakauloo 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
Main Responsibilities	<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) resolve departmental inter-face issues such as transfer pricing and resource allocation; (iii) review overall sourcing and allocation of funding; (iv) be forward looking and determine the most likely banking environment for asset/liability forward planning and review contingency scenarios; (v) evaluate alternative rate, pricing and portfolio mix scenarios, review asset/liability distribution and maturities; (vi) to manage the balance sheet with a view to achieving efficient allocation and utilization of all resources; (vii) 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; (viii) 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; (ix) 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; (x) 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. 	

Statement on corporate governance practices (continued)

Principle Two - The Structure of the Board and its Committees (continued)

2.7 Asset and Liability Committee (continued)

Main Responsibilities (continued)	(xi) To 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.
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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

2.7 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 RMM and hence the CRCO are accountable to the Board. The RMM provides risk management reports to the Board through the CRCO in the format of the CRCO’s report which is presented to the quarterly RMC. The Chairman of the RMC in turn reports matters of significance to the Board.

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. <p><u>Business Performance and Priorities</u></p> <p>(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;</p> <p>(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;</p>	

Statement on corporate governance practices (continued)

Principle Two - The Structure of the Board and its Committees (continued)

2.7 Risk Management Meeting (RMM) (continued)

Main Responsibilities	<ul style="list-style-type: none"> (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; 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; (v) Receiving and reviewing reports and updates on the Bank's internal assessments and/or regulatory submissions, including but not limited to Stress Testing, the Internal Capital Adequacy Assessment Process ('ICAAP'), Internal Liquidity Adequacy Assessment Process ('ILAAP') and related management actions as required; (vi) 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; (vii) 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; (viii) Reviewing, discussing and addressing regulatory risks and issues, policy changes and resultant impact. Promote, monitor and assess the regulatory risk culture; (ix) Ensuring that risk management practices support desired conduct and culture outcomes; <p><u>Governance</u></p> <ul style="list-style-type: none"> (i) Considering the Bank's risk reports and taking action in relation to the issues raised therein as it considers appropriate; (ii) Any other matter within the remit of the CRCO that he/she may wish to bring to the RMM.
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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

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Two - The Structure of the Board and its Committees (continued)

2.8 Corporate Governance Committee

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

2.9 Remuneration Committee

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

Principle Three - Director Appointment Procedures

3.1 Appointment of Directors

The Board follows the HSBC Subsidiary Accountability Framework (SAF), for appointment of directors which is led by the Chairman of the Board. The Chairman reviews the structure, size and composition of the Board annually, or whenever appointments are considered, to ensure that the Board has a diverse mix of competencies, knowledge and experience, in order to enrich Board discussions and improve the quality of decision making. Directors are appointed by ordinary resolution by the shareholder or in line with the above SAF. There are no limits on the number of times a director may stand for re-election, subject to continued satisfactory performance.

3.2 Board Access to Information & Advice

Once appointed all directors have access to the advice and services of the Company Secretary, who is responsible for providing guidance to the directors on their duties, responsibilities and powers. They also have access to Senior Executives to obtain information on items to be discussed at Board Meetings or meetings of Board Committees or on any other area they consider to be appropriate.

The Board and its Committees also have the authority to secure the attendance at meetings of third parties with relevant experience and expertise as and when required.

3.3 Directors' Interests in Shares

None of the directors holds a direct interest in the Bank.

3.4 Independent Directors

Pursuant to section 18 (4) (b) of the Mauritian Banking Act 2004, a subsidiary of a foreign bank is required to have 40 per cent non-executive directors instead of 40 per cent independent directors. In line with this requirement and given that the Bank is wholly owned subsidiary of a foreign bank, it has appointed more than 40 percent of non-executive directors on its Board and no independent director.

The Board is of the opinion that the appointment of non-executive directors from other Group entities is sufficient to ensure independence.

Statement on corporate governance practices (continued)

Principle Three - Director Appointment Procedures (continued)

3.5 Evaluation of Board Performance

All the directors are employees of the Bank or the Group who are subjected to the Bank's rigorous objectives setting and performance evaluation in their roles as both employees and directors of the Bank. In reference to the year under review, the Board through the Company Secretary conducted the self-assessment of the effectiveness of the board and its committees. No issues in relation to the performance of the directors have come to light in reference to the year under review.

3.6 Succession Planning

Succession Planning and the development of management are part of the standard Group processes which are required by the Group and the shareholder, HBAP. To that effect, the SAF has been devised which ensures proper succession planning in the subsidiaries' Boards, including that of the Bank. The Board assumes the responsibility that the Bank has an effective management team and actively participates in the development of management and succession planning in line with this Group process.

3.7 Induction & Orientation Programme & Periodic Refresher Programme for Directors

It is crucial that new directors receive a proper induction when being appointed in office to ensure that they are familiarised, as soon as possible, with the Bank's operations, Senior Management, business environment and corporate strategy, as well as their fiduciary duties and responsibilities as directors. All the executive and non-executive directors and employees of the Bank are familiar with the Bank's business model and expectations of the Group. In-country director induction has been implemented through a Director Handbook and may include further learning about the business and meeting OpCo Members. The directors are briefed on their legal duties and roles and responsibilities and kept informed on the Bank's operations and business environment, so as to enable them to effectively contribute to strategic discussions and oversight.

3.8 Continuous Training & Development

Continuous training is essential to cope with the constant changes in the business environment. Whilst directors have a duty to keep up-to-date with industry, legal and regulatory developments, it is also the responsibility of the Board to provide adequate training and development programme to its directors.

All the directors are employees of the Bank and have attended mandatory trainings that are critical in their roles as both directors of the Bank and employee of the Group.

3.9 Common directors between the Bank and its sole shareholder

There are no common directors between the Bank and The Hongkong and Shanghai Banking Corporation Limited and none of the directors have any interest in the shareholding of the Bank.

Statement on corporate governance practices (continued)

Principle Four - Director Duties, Remuneration and Performance

4.1 Position Statement and Statement of Accountabilities

The Position Statement and Statement of Accountabilities which have been approved are reviewed, in case of any change, by the Board, provide a clear definition of the roles of the Chairperson of Board and its subcommittees, CEO and Company Secretary. The role of the Chairperson is distinct and separate from that of the CEO and Head of Banking and there is a clear division of responsibilities with the Chairperson leading the Board and the Chief Executive managing the Bank's day-to-day business operations.

The Position Statements and Statement of Accountabilities are published on the website of the Bank.

4.2 Role of Chairman

The role of the Chairman of the Bank is to provide leadership to the Board and to be responsible for the overall effective functioning of the Board. The Chairman possesses the requisite experience, competencies and personal qualities to fulfil these responsibilities. The Chairman is responsible for the development of strategy and the oversight of implementation of Board approved strategies and direction.

The Chairman ensures that decisions of the Board are taken on a sound and well-informed basis and in the best interest of the Bank. To this end, the Chairman, among other things:

- (i) sets the agenda for board meetings and ensures that all Directors are given an opportunity to include matters on the agenda;
- (ii) ensures that Directors receive accurate, timely and clear information for Board meetings;
- (iii) encourages and promotes open and critical discussion;
- (iv) ensures that any concerns and dissenting views are expressed and discussed within the decision making process;
- (v) participates in the selection of board members to ensure that the Board has an appropriate mix of competencies, experience skill and independence;
- (vi) encourages constructive relations and effective communication between the Board and management, and between the executive Directors and non-executive Directors; and
- (vii) ensures that directors, especially non-executive directors, have been granted access to independent professional advice at the Bank's expenses where they judge it necessary to discharge their responsibilities.

4.3 Role and Function of CEO

The CEO is responsible for:

- (i) developing and recommending to the board a long-term vision and strategy for the Bank that generates satisfactory levels of shareholder value and positive, reciprocal relations with relevant stakeholders;
- (ii) developing and recommending to the board annual business plans and budgets that the Bank's long-term strategy. In development of these plans, it is essential that the managing director ensures that a proper assessment of the risks under a variety of possible or likely scenarios is undertaken and presented to the Board or sub-committee;
- (iii) ensuring implementation of the strategy and policy as established by the Board;
- (iv) managing and day-to-day running of operations; and
- (v) actively participating in the Operating, RMM and Asset and Liability Committees.

4.4 Role of Company Secretary

The Company Secretary, who is appointed by the Board, provides guidance to the directors and ensures that the directors are aware of their duties and responsibilities. She facilitates the evaluation of the Board and the Board Committees effectiveness and is responsible for the training and induction of new directors.

The Company Secretary assists the Chairman in drafting an agenda for each meeting of the Board. Directors may propose any matters for inclusion in the agenda through the Chairman or the Company Secretary. Board papers and agenda are targeted for distribution to directors at least one week before the date of the meeting. Similar arrangements are in place for Board Committees.

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Four - Director Duties, Remuneration and Performance (continued)

4.5 Directors' Service Contracts

All executive directors are in non-fixed term contracts with the Bank.

4.6 Directors' Emoluments

The SAF policy does not allow both Executive and Non-Executive directors to receive a separate fee in their role as directors of subsidiary companies.

During the financial year 2025, the directors received emoluments, which includes salaries and other benefits, amounting to USD 222,991 (2024: USD 202,574). Other directors were not entitled to directors' fees and other remuneration during the year.

4.7 Job descriptions

The Board has approved the appropriate job descriptions of the key senior governance position and there were no changes to their roles compared to the previous year.

4.8 Statement of Remuneration Policy

The Board 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 of the Bank and individual employees and the assessment is tailored to both annual as well as long term objectives that have been agreed. The structure of remuneration is made up of fixed pay, benefits, annual incentive based on performance of the Bank and individual and the Group Performance Share Plan.

4.9 Conflict of Interest

Personal interests of a director or persons closely associated with the director must not take precedence over those of the Bank and the Shareholder. Directors should make the best effort to avoid conflicts of interests or situations which others may reasonably perceive to be conflicts of interests. The Board is satisfied that the Non-Executive Directors are free from any relationships or circumstances that are likely to affect their judgement.

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 directors and senior officers of the Bank, but to all employees who can influence any decision of the Bank.

4.10 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 Board, through the Risk Management Committee, receives a quarterly update from the CIO & CISO to ensure that those set policies implemented by management to manage associated risks, supported by appropriate structures, processes and resources.

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Four - Director Duties, Remuneration and Performance (continued)

4.10 Information Governance (continued)

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.

The Board maintains oversight on Information Technology expenditure through the OpCo. All key IT projects and expenditure are monitored and scrutinized by the Board.

4.11 Directors' Profile

Philip Fellowes – Chairman and Non-Executive Director (Non-resident) up to 19 September 2025

Mr. Fellowes is the Chief Commercial Officer and Alternate Chief Executive reporting to Co-Chief Executives of the Hong Kong and Shanghai Banking Corporation Limited, based in Hong Kong. He was a member of the Boards of HSBC banking subsidiaries in Indonesia, Vietnam, Australia and Mauritius.

Prior to HSBC, Mr. Fellowes was with the management consultancy Oliver Wyman where he served financial services clients across Europe, Middle East and Asia.

Mr. Fellowes is a Fellow and Chartered Director of the UK Institute of Directors, an Institute of International Finance Future Leader and a former member of the UK Board of Directors for the Society for Worldwide Interbank Financial Telecommunications (SWIFT). Mr. Fellowes graduated from the University of Oxford and has an Executive MBA from Columbia Business School New York, London Business School and Hong Kong University.

Directorships held in companies listed on Market of the Stock Exchange of Mauritius Ltd as at 31 December 2025: None

Sandeep Uppal – Chairman and Non-Executive Director (Non-resident)

Mr. Uppal is the CEO and Head of Banking of HSBC Philippines, which comprises of the foreign banking operations, and HSBC Investment and Insurance Brokerage, Philippines Inc.

Prior to this, he was the Global Co-Head of International Subsidiary Banking for HSBC Commercial Banking based in Hong Kong and was responsible for managing the Bank's Large Corporate and Mid-Market subsidiary clients across 54 markets. Over Mr. Uppal's 30 years of banking experience with HSBC, he has also held several senior management positions in Commercial Banking, Trade Services, Private Banking, Personal Banking and Strategic Planning. Mr. Uppal holds an MBA from XLRI, India and is an Economics graduate from Delhi University.

Directorships held in companies listed on Market of the Stock Exchange of Mauritius Ltd as at 31 December 2025: None

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Four - Director Duties, Remuneration and Performance (continued)

4.11 Directors' Profile (continued)

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

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.

Directorships held in companies listed on Market of the Stock Exchange of Mauritius Ltd as at 31 December 2025: None

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

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.

Directorships held in companies listed on Market of the Stock Exchange of Mauritius Ltd as at 31 December 2025: None

Timothy Evans - Non-Executive Director (Non-resident)

Mr. Evans is the CEO and Head of Banking at HSBC Viet Nam. Prior to his current role, he held various senior management positions with HSBC including Head of Commercial Banking, International Markets, Asia Pacific; Regional Head of Middle Market Enterprises (MME), Asia Pacific; Regional Head of Global Trade & Receivables Finance for Middle East & North Africa (MENA), and Chief Operating Officer for Commercial Banking in MENA. He also previously served as Chief Operating Officer at Wells Fargo HSBC Trade Bank, an equity joint venture between Wells Fargo and HSBC based in the United States, which was dedicated exclusively to the finance of international trade. Mr. Evans holds a BA in International Business from Loughborough University, UK, and an Executive MBA from INSEAD.

Directorships held in companies listed on Market of the Stock Exchange of Mauritius Ltd as at 31 December 2025: None

Priyadarshini Kini – Non-executive Director (Non-resident) – resigned as Director on 23 July 2025

Ms. Kini is the Head of Banking for International Markets Asia based in Singapore. She previously held the role of Managing Director and Country Head of Commercial Banking, Singapore and Managing Director and Head of Global Banking in HSBC Singapore. She joined HSBC in 2001 and has served in a number of roles spanning Corporate and Institutional Banking, Client Coverage and Risk Management in HSBC offices in Mumbai, London, Hong Kong and Singapore. Prior to joining HSBC, she has also worked at other financial institutions in Treasury and Capital Markets. Ms. Kini holds a Post-Graduate Degree in Management from the Indian Institute of Management, Ahmedabad

Directorships held in companies listed on Market of the Stock Exchange of Mauritius Ltd as at 31 December 2025: None

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Four - Director Duties, Remuneration and Performance (continued)

4.11 Directors' Profile (continued)

Jonathon Lee – Non-executive Director (Non-resident)

Mr. Lee is the Chief Financial Officer of the Hang Seng Bank Limited, based in Hong Kong. Prior to this, Mr. Lee was the Financial Controller for HSBC across Asia and Middle East, based in Hong Kong and has performed roles with responsibility for Financial Reporting and retail business finance teams across HSBC in Asia. Before joining HSBC, he worked in Hong Kong and the United Kingdom in audit, advisory and consulting roles across the banking, insurance and asset management industries.

Mr. Lee graduated from the University of Bath with a BSc. (Hons) Degree in Economics, and holds an Executive Masters in Business Administration jointly from the University of Edinburgh and École Nationale des Ponts et Chaussées, Paris. He is a Fellow member of the Institute of Chartered Accountants in England and Wales (ICAEW).

Directorships held in companies listed on Market of the Stock Exchange of Mauritius Ltd as at 31 December 2025: None

Suresh Nagarajan – Non-Executive Director (Non-resident)

Mr. Nagarajan is a banking executive with over 25 years of experience with proven track record of strategic leadership, organisational growth and governance. Occupying a key senior leadership role, he is currently serving as Managing Director and Chief Operating Officer at HSBC India.

He has held numerous senior roles within HSBC, which included, Head of Financial Crime Compliance, Head of Operations, Vice President Credit Services, SVP & Head of Credit Operations as well as other various key positions within HSBC India. Mr. Nagarajan is a Certified Associate of the Indian Institute of Bankers and is a holder of a Bachelor's of Science in Electronic from the Bangalore University.

Directorships held in companies listed on Market of the Stock Exchange of Mauritius Ltd as at 31 December 2025: None

Amitabh Nevatia – Non-Executive Director (Non-resident)

Mr. Nevatia has over 25 years of experience in Finance across India, UAE and USA in strategic planning, acquisition integration and financial management and analysis. He is currently the Chief Financial Officer at HSBC India.

Prior to his current role, he has held various senior roles within key HSBC entities, which included, Head of Asset Liability & Capital Management, Financial Controller/Head of Financial Control as well as other key positions within HSBC.

Mr. Nevatia is a Chartered Accountant from the Institute of Chartered Accountants of India and is a holder of a Bachelor of Commerce from St. Xavier's College, Kolkata, India.

Directorships held in companies listed on Market of the Stock Exchange of Mauritius Ltd as at 31 December 2025: None

Hajrah Sakauloo – Chief Executive Officer and Head of Banking and Executive Director 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.

Directorships held in companies listed on Market of the Stock Exchange of Mauritius Ltd as at 31 December 2025: None

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Four - Director Duties, Remuneration and Performance (continued)

4.11 Directors' Profile (continued)

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.

Directorships held in companies listed on Market of the Stock Exchange of Mauritius Ltd as at 31 December 2025: None

Tamara Elizabeth Gurajena - Non-Executive Director (Non-resident)

Ms. Gurajena is an HR leader with extensive experience in strategic people management and organisational development across the banking and financial services industry. Currently serving as Managing Director, Head of HR Asia International, and Regional Head, HR Consultancy A&ME at HSBC Hong Kong, she leads the People Plan for 10 international markets and oversees a team of HR consultants to drive strategic human capital initiatives.

She has held numerous senior roles within HSBC, progressively advancing in responsibilities. Her positions have included Regional Head of HR Consultancy, Senior HR Manager, and various leadership roles across Talent, Resourcing, Organizational Development, and Diversity & Inclusion. Her expertise spans strategy execution, organizational transformation, culture building, talent development, employee engagement, and compliance with complex legal and regulatory frameworks. Additionally, Ms. Gurajena has managed significant regional and global HR programs, aligning people strategies with business objectives and ensuring functional effectiveness. Prior to HSBC, she gained experience in HR and supply chain management in the pharmaceutical and retail industries.

Ms. Gurajena is a Chartered Member of the UK Chartered Institute of Personnel and Development, holds an MSc in Human Resource Management from the London School of Economics, and has further academic credentials from Warwick University and Oxford University.

Directorships held in companies listed on Market of the Stock Exchange of Mauritius Ltd as at 31 December 2025: None

4.12 Board and Committee Attendance in 2025

		Board	Audit	RMC
Number of meetings held		5	4	4
Directors:				
Philip Fellowes	Chairman – Non-Executive	4	-	1
Sandeep Uppal	Chairman – Non-Executive	2	-	-
Priyadarshini Kini	Non-Executive Director	2	2	2
Timothy Evans	Non-Executive Director	5	4	4
Jonathon Lee	Non-Executive Director	5	4	-
Hajrah Sakauloo	Executive Director	5	-	4
Yousuf Syed	Executive Director	4	-	-
Tamara Gurajena	Non-Executive Director	2	-	2
Amitabh Nevatia	Non-Executive Director	2	1	-
Suresh Nagarajan	Non-Executive Director	1	-	1

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Four - Director Duties, Remuneration and Performance (continued)

4.13 Operating Committee Core Member Profile

Hajrah Sakauloo – Chief Executive Officer & Head of Banking

Background has been provided in the Directors' Profile section.

Ashiti Prosand – Head of Legal and Company secretary

Ms. Prosand joined HSBC Mauritius in March 2019 as Head of Legal and Company Secretary. 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 Chartered Governance Institute (CGI), UK.

Yousuf M Syed– Chief Risk and Compliance Officer

Background has been provided in the Directors' Profile section

Vivekananda Caleemootoo - Head of Markets and Securities Services

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.

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

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.

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

Mrs. Saul-Hassam has been with Group for 20 years and was the Regional CMB Chief Administration Officer for ASP based in Hong Kong prior joining Mauritius as COO. Mrs. Saul-Hassam has got rich experience that in having undertaken a variety of transformation and leadership roles within Commercial Banking and Wealth & Personal Banking across country (UK and Indonesia), regional and global roles. Sarina graduated from the University of Manchester with a B.Sc. (Hons) Degree in Financial Services.

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

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

Statement on corporate governance practices (continued)

Principle Four - Director Duties, Remuneration and Performance (continued)

4.13 Operating Committee Core Member Profile (continued)

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

Mr. Monwar is a seasoned HR Professional with more than 16 years' experience across multinational organizations. Prior to HSBC, Masud 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 Ragu-Goorah – Head of People as from 3 November 2025

Mrs. Ragu-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.

4.14 Interests register

The Interests Register has been in place with effect from 1 January 2019, which is available to the shareholder.

Principle Five - Risk Governance and Internal Control

5.1 Risk Management

All Bank employees have a role to play in the management of risk, with the ultimate accountability residing with the Board 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'), applied throughout the Bank, defines the approach to managing risk that the Bank faces across its business and infrastructure team. The RMF helps the Bank manage risks in a way that supports the successful delivery of its strategy. It enables deliberate and responsible risk-taking that aligns with the Bank's strategic objectives, regulatory obligations, and capacity to mitigate and/or absorb risks. In doing so, it safeguards the financial and operational resilience of the Bank.

The risk management approach integrates the different RMF elements to form an enterprise-wide view of risk. This view reflects the relationship between the risks the Bank takes in delivering its strategy and the resources available to manage them, resulting in a net risk position. It enables the Bank to make considered, forward-looking decisions that align with its capacity and strategic objectives.

The Bank's risk culture sets the values, behaviours, and attitudes that shape risk awareness, decision-making, and accountability across the Bank. It is an extension of the Bank's organisational culture, guiding how the Bank identifies, assesses, escalates, mitigates, and learns from risks in line with its values: we value difference; we succeed together; we take responsibility; and we get it done.

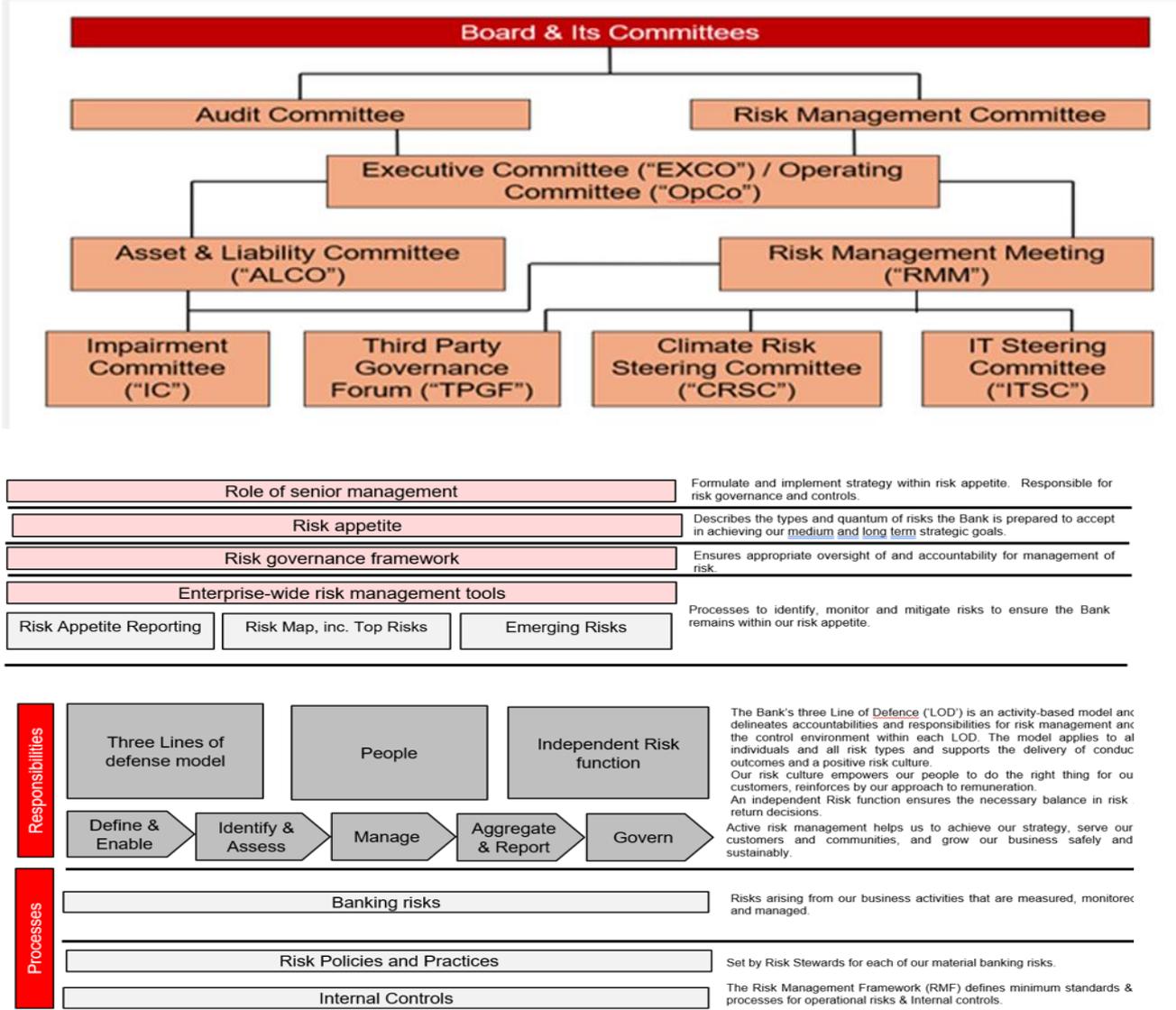
Risk culture is a practical expression of the RMF, embedding the Bank's shared behaviours and values into how it manages risks. A positive risk culture is one that enables and rewards informed risk-taking, helping the Bank's people take the right risks the right way. This ensures the risk management approach is not only structurally sound, but also value-aligned and culturally embedded.

Statement on corporate governance practices (continued)

Principle Five - Risk Governance and Internal Control

5.1 Risk Management (continued)

The following diagram and descriptions summarises 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.

5.2 Risk Governance

The Board has ultimate responsibility for the effective management of risk and approves the Bank’s risk appetite. It is advised by the Risk Management Committee.

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 to the Board through the CRCO Report to the Risk Management Committee. In turn, the Chair of the Committee reports such matters of significance to the Board, as appropriate. The minutes of the RMM and RMC are made available to all Board members.

Statement on corporate governance practices (continued)

5.2 Risk Governance (continued)

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 Risk Management Committee and, ultimately, the Board.

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 Board and Executive Management 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

Enterprise risk reporting provides a consolidated view of material risks across the Bank, assessed through the risk taxonomy and in relation to risk appetite. It enables decision-makers to monitor key exposures, identify emerging themes, and assess whether risks remain aligned with the Bank's strategic objectives:

- Risk Appetite: Risk appetite represents the level of risk the Bank is willing to take in pursuit of its strategy, based on its capacity to manage those risks. It defines not only what risks the Bank is comfortable taking, but also the risks it must not tolerate. Risk appetite reflects the intersection between strategic ambition and capacity and provides a shared reference point for non-executive directors and executive directors collectively shape, monitor, and challenge the Bank's risk-taking activities
- Risk Map: The Risk Map provides an integrated view of the Bank's position against Board-approved qualitative risk appetite statements, supported by relevant metrics. The Risk Map highlights areas requiring management attention and is informed by MI such as risk-type submissions, thematic reviews, control environment insights, and progress on remediation programmes. The Risk Map also reflects external developments and internal strategic shifts.

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Five - Risk Governance and Internal Control (continued)

5.4 Risk Processes and Tools (continued)

- 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 offers thematic and forward-looking analysis of emerging risks that could threaten the Bank's strategic or operational delivery. These risks are often complex, long-horizon and outside the Bank's direct control. Emerging Risk Reports support early warning and enable proactive risk management.

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

Details of risk management policies and controls relating to trading and non-trading activities are disclosed on pages 7 to 10 under the Management discussion and analysis section.

In additions to the above tolls, 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.

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Five - Risk Governance and Internal Control (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, 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 Board 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.

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.

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.

Principle Six - Reporting with Integrity

6.1 Statement of directors' responsibility

The Board 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 policy information 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 directors' responsibility for financial reporting at page 61 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 at page 1-21.

6.3 Safety & 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.
- Consulting representatives of his employees who sit on the Safety and Health Committee with a view to the making and maintenance of arrangements, which will enable the bank and his employees to cooperate effectively in promoting and developing measures to ensure the safety and health at work of the employees, and in checking the effectiveness of such measures.
- Conducting risk assessments to identify potential risks to employee's safety and health.
- Implementation of group workplace safety policy safety to minimize the risks to the health, safety and welfare of employees, contractors, customers or members of the public in or around HSBC premises, or through its operations.
- Maintain records of workplace accidents.

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Six - Reporting with Integrity (continued)

6.3 Safety & Health (continued)

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 board meeting on 07 November 2025 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.

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 34 of the financial statements.

6.5 Website

This annual report will be published on the Bank's website (<https://www.about.hsbc.co.mu/>).

Principle Seven - Audit

7.1 Internal audit

The Bank's Audit Committee assists the Board 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 and 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 2025 GIA annual plan was presented to the Audit Committee with regular updates being provided to the Board throughout the year.

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Seven – Audit (continued)

7.2 External auditors

With a view to ensuring the overall adequacy of the Bank's internal control framework, the Audit Committee evaluates the independence and effectiveness of the external auditor on an ongoing basis before making a recommendation to the Board on their appointment and retention. The proposal to re-appoint PricewaterhouseCoopers ("PwC") who were first appointed in 2015 as external auditor was approved by the Audit Committee and the Board during 2025. 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 Group policy together with the applicable local regulations to appoint external auditors.

The external auditor is invited to attend the Audit Committee where they are given the opportunity to present their audit plan, audit findings and any significant or material changes in accounting policies and principles. During the year the external auditor also had an opportunity to meet the Audit Committee in the absence of the Executive Directors.

The annual audit plan for 2025 has been presented to the Audit Committee on during the year and was approved by the same Committee.

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

	2025 USD'000	2024 USD'000	2023 USD'000
Audit fees for statutory audit and Internal Control review fees	93	83	82
Fees for other services (Note a)	23	14	14
	116	97	96

Note a: The Bank 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 dividend distribution and AML/CFT review.

Principle Eight - Relations with Shareholders and Other Key Stakeholders

8.1 Shareholder's meeting

There was no annual shareholder's meeting during the year 2025 and decisions that need to be taken by the shareholders at this meeting were taken through the shareholders' resolution dated 31 May 2025. An Annual Meeting will be conducted as and when necessary.

8.2 Shareholder feedback and concerns

The Bank is a wholly owned subsidiary of a foreign bank and the Shareholder has access to the Board to share feedback and concerns.

8.3 Shareholder's Calendar

Following the end of the financial year, the Annual Report is approved in February/March with any dividends declared usually paid in the second quarter of the financial year, subject to BoM approval.

8.4 Employee share plans

To help align the interests of employees with those of the shareholder, 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.

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Eight - Relations with Shareholders and Other Key Stakeholders (continued)

8.5 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 under certain circumstances, for example, on retirement. It may also be extended under certain conditions, for example upon the death of a participant, the executors of the latter's estate may exercise options up to six months beyond the normal exercise period.

There will be no further grants under the HSBC Holdings Savings-Related Share Option Plan International.

8.6 Dividend policy

The Group requires subsidiary companies to establish the levels of surplus capital based on local regulatory capital adequacy requirements and any surplus capital should be distributed to the entity parent company.

The Bank determines the optimal amount and composition of regulatory capital and working capital required, for compliance with local minimum capital requirements at all times and to support planned business growth. Surplus capital is distributed to the parent company as dividends.

During the year under review, dividend payment amounting to USD125m (2024: USD105m) was paid.

8.7 Material clauses to the Constitution

There are no clauses of the Constitution deemed material enough for special disclosure.

8.8 Shareholder's Agreement Affecting the Governance of the Bank by the Board

There is currently no shareholder's agreement affecting the governance of the Bank by the Board.

8.9 Third Party Management Agreement

No third-party management agreement presently exists.

8.10 Rights to Minority Shareholders

The Bank is a wholly owned subsidiary of a Foreign Bank and there are no minority interests.

8.11 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

The 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.

HSBC Bank (Mauritius) Limited

Statement on corporate governance practices (continued)

Principle Eight - Relations with Shareholders and Other Key Stakeholders (continued)

8.11 Information for Key Stakeholders (continued)

Customers (continued)

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 Board places a strong emphasis on conduct, requiring adherence to high behavioural standards and adhering to the HSBC Values.

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.

Statement on corporate governance practices (continued)

Principle Eight - Relations with Shareholders and Other Key Stakeholders (continued)

8.12 Sustainability, Corporate Social Responsibility and Donations

Committed to sustainable growth

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.

Nil provision was made for Statutory Charitable Giving in line with Income Tax regulations (2024: USD14,270)

There were no political donations made for the year 2025.



Sandeep Uppal
Chairman



Hajrah Sakauloo
*Chief Executive Officer &
Head of Banking*



Ashiti Prosand
Company Secretary

Date: 13 March 2026

HSBC Bank (Mauritius) Limited

Climate-related and environmental financial risks disclosures

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 International Financial Reporting Standards ("IFRS"), and support the efforts to harmonise the disclosures.

The Bank's governance on climate related matters

The Board 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 by delegation of the Bank's Board 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>.

HSBC Bank (Mauritius) Limited

Climate-related and environmental financial risks disclosures (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.

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 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.	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.	

HSBC Bank (Mauritius) Limited

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

Governance and Structure

The Board 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 provides senior management oversight of all risk activities relating to the Bank's approach to climate risk management.

The Bank's Risk Management Meeting ("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 continues to update and integrate climate risk into policies, processes and controls across many areas of the organisation.

HSBC Bank (Mauritius) Limited

Climate-related and environmental financial risks disclosures (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, contracting 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 risks disclosures (continued)

Embedding climate risk within existing risk taxonomy (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 Group'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.

HSBC Bank (Mauritius) Limited

Statement of compliance

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

Name of Public Interest Entity (the “PIE”): HSBC Bank (Mauritius) Limited

Reporting Period: 31 December 2025

We, the Directors of HSBC Bank (Mauritius) Limited, 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).



Sandeep Uppal
Chairman



Hajrah Sakauloo
*Chief Executive Officer &
Head of Banking*



Yousuf M Syed
Director

Date: 13 March 2026

HSBC Bank (Mauritius) Limited

Statement of directors' responsibility for financial reporting

The Bank's financial statements have been prepared by the directors, who are 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 judgement 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 Board of Directors, acting in part through the Audit Committee and Risk Management and Conduct Review Committee, which is comprised of non- executive directors, 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, who has full and free access to the Audit Committee, 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 and fairness of financial reporting and the adequacy of internal controls.



Sandeep Uppal
Chairman



Hajrah Sakuloo
*Chief Executive Officer &
Head of Banking*



Yousuf M Syed
Director

Date: 13 March 2026

HSBC Bank (Mauritius) Limited

Secretary's Certificate

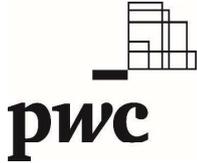
(Section 166(d) of the Companies Act 2001)

In accordance with section 166 (d) of the Mauritian Companies Act 2001 we certify that, to the best of our knowledge and belief, the Bank has filed with the Registrar of Companies, all such returns as are required of the Bank under the Mauritian Companies Act 2001.

A handwritten signature in blue ink, appearing to read 'Ashiti Prosand', is written above a solid horizontal line.

Ashiti Prosand
Company Secretary

Date: 13 March 2026



Independent Auditor's Report

To the Shareholder of
HSBC Bank (Mauritius) 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 HSBC Bank (Mauritius) Limited (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 HSBC Bank (Mauritius) Limited set out on pages 70 to 144 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

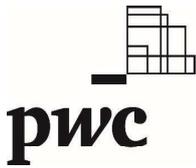
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

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

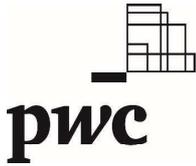
To the Shareholder of
HSBC Bank (Mauritius) Limited (Continued)

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 USD 339,000 (refer to note 35 (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 and Stage 2 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>



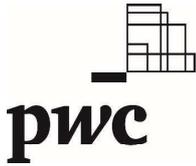
Independent Auditor’s Report

To the Shareholder of
HSBC Bank (Mauritius) 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 judgmental 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 judgmental 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 Shareholder of
HSBC Bank (Mauritius) Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Other Information

The directors are 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.

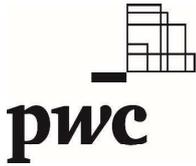
If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are 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 the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the financial reporting process.



Independent Auditor's Report

To the Shareholder of
HSBC Bank (Mauritius) Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

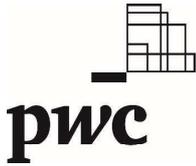
Auditor's Responsibilities for the Audit of the Financial Statements

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



Independent Auditor's Report

To the Shareholder of
HSBC Bank (Mauritius) 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, 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

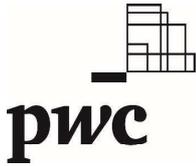
The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- (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.



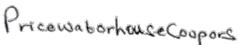
Independent Auditor's Report

To the Shareholder of
HSBC Bank (Mauritius) 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:

A123B1561E60462...
PricewaterhouseCoopers

13 March 2026

Signed by:

A123B1561E60462...
Shakil Maghun, licensed by FRC

HSBC Bank (Mauritius) Limited

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2025

	Notes	2025 USD'000	2024 USD'000	2023 USD'000
Interest income		113,343	169,025	185,752
Interest expense		(26,682)	(45,024)	(65,264)
Net interest income	8	86,661	124,001	120,488
Fee and commission income		6,465	6,626	6,598
Fee and commission expense		(1,197)	(931)	(1,361)
Net fee and commission income	9	5,268	5,695	5,237
Net trading income	10	2,280	2,114	2,209
		94,209	131,810	127,934
Other operating income	11	330	403	360
Total operating income		94,539	132,213	128,294
Net impairment (charge)/release on financial assets	12	(175)	395	754
Personnel expenses	13	(2,887)	(2,553)	(2,470)
Depreciation	23	(314)	(279)	(298)
Other expenses	14	(12,122)	(11,272)	(9,114)
Total expenses		(15,323)	(14,104)	(11,882)
Profit before income tax		79,041	118,504	117,166
Tax expense	15	(13,582)	(16,950)	(14,288)
Profit for the year		65,459	101,554	102,878
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of retirement benefits		1,317	160	111
Deferred tax on remeasurements of retirement benefits	24	(13)	32	(33)
		1,304	192	78
Items that may be reclassified to profit or loss				
Net change in fair value of financial assets at fair value through other comprehensive income		995	186	(240)
Deferred tax impact on change in fair value of financial assets at fair value through other comprehensive income		(169)	(25)	31
		826	161	(209)
Total other comprehensive income for the year		2,130	353	(131)
Total comprehensive income for the year		67,589	101,907	102,747

The notes on pages 74 to 144 form part of the financial statements.

HSBC Bank (Mauritius) Limited

Statement of financial position as at 31 December 2025

	Notes	2025 USD'000	2024 USD'000	2023 USD'000
Assets				
Cash and cash equivalents	16	694,250	819,788	1,243,288
Reverse repurchase agreement - non trading	17	-	201,742	188,646
Trading assets	18	2	2	260
Loans and advances to banks	19	221,084	352,916	237,160
Loans and advances to customers	20	372,774	592,255	906,833
Investment securities at FVOCI	21	987,903	762,577	633,953
Investment securities at amortised cost	21	1,099	3,185	170,074
Other assets	22	2,240	3,341	4,521
Property, plant and equipment	23	979	1,279	1,402
Deferred tax assets	24	-	171	198
Total assets		2,280,331	2,737,256	3,386,335
Liabilities				
Deposits from customers	25	1,974,835	2,347,401	2,639,336
Trading liabilities	18	4	64	7
Other borrowed funds	26	11,433	31,981	379,564
Current tax liabilities	15	1,242	6,563	11,316
Other liabilities	27	3,211	4,482	6,257
Deferred tax liabilities	24	273	-	-
Total liabilities		1,990,998	2,390,491	3,036,480
Shareholder's equity				
Stated capital	28	72,957	72,957	72,957
Retained earnings	29	137,150	192,461	193,671
Other reserves	29	79,226	81,347	83,227
Total equity attributable to equity holder		289,333	346,765	349,855
Total liabilities and shareholder's equity		2,280,331	2,737,256	3,386,335

Approved by the Board of Directors on 13 March 2026 and signed on its behalf by:



Sandeep Uppal
Chairman



Hajrah Sakauloo
Chief Executive Officer &
Head of Banking



Yousuf M Syed
Director

The notes on pages 74 to 144 form part of the financial statements.

HSBC Bank (Mauritius) Limited

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

	Stated capital	Retained earnings	Statutory reserve	General banking reserve	Share- based payment	Fair value reserve	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2023	72,957	154,124	72,957	16,928	83	61	317,110
Profit for the year	-	102,878	-	-	-	-	102,878
Other comprehensive income							
Net change in fair value of financial asset at FVOCI	-	-	-	-	-	(240)	(240)
Remeasurements of retirement benefits	-	111	-	-	-	-	111
Tax on other comprehensive income	-	(33)	-	-	-	31	(2)
Total other comprehensive income for the year	-	78	-	-	-	(209)	(131)
Total comprehensive income for the year	-	102,956	-	-	-	(209)	102,747
Transactions with owner of the Bank							
Dividends paid (note 29)	-	(70,000)	-	-	-	-	(70,000)
Share-based payment	-	-	-	-	(2)	-	(2)
Transactions with owner of the Bank	-	(70,000)	-	-	(2)	-	(70,002)
Transfer from general banking reserve	-	6,591	-	(6,591)	-	-	-
Balance at 31 December 2023	72,957	193,671	72,957	10,337	81	(148)	349,855
Profit for the year	-	101,554	-	-	-	-	101,554
Other comprehensive income							
Net change in fair value of financial asset at FVOCI	-	-	-	-	-	186	186
Remeasurements of retirement benefits	-	160	-	-	-	-	160
Tax on other comprehensive income	-	32	-	-	-	(25)	7
Total other comprehensive income for the year	-	192	-	-	-	161	353
Total comprehensive income for the year	-	101,746	-	-	-	161	101,907
Transactions with owner of the Bank							
Dividends paid (note 29)	-	(105,000)	-	-	-	-	(105,000)
Share-based payment	-	-	-	-	3	-	3
Transactions with owner of the Bank	-	(105,000)	-	-	3	-	(104,997)
Transfer from general banking reserve	-	2,044	-	(2,044)	-	-	-
Balance at 31 December 2024	72,957	192,461	72,957	8,293	84	13	346,765
Profit for the year	-	65,459	-	-	-	-	65,459
Other comprehensive income							
Net change in fair value of financial asset at FVOCI	-	-	-	-	-	995	995
Remeasurements of retirement benefits	-	1,317	-	-	-	-	1,317
Tax on other comprehensive income	-	(13)	-	-	-	(169)	(182)
Total other comprehensive income for the year	-	1,304	-	-	-	826	2,130
Total comprehensive income for the year	-	66,763	-	-	-	826	67,589
Transactions with owner of the Bank							
Dividends paid (note 29)	-	(125,000)	-	-	-	-	(125,000)
Share-based payment	-	-	-	-	(21)	-	(21)
Transactions with owner of the Bank	-	(125,000)	-	-	(21)	-	(125,021)
Transfer from general banking reserve	-	2,926	-	(2,926)	-	-	-
Balance at 31 December 2025	72,957	137,150	72,957	5,367	63	839	289,333

The notes on 74 to 144 form part of the financial statements.

HSBC Bank (Mauritius) Limited

Statement of cash flows

for the year ended 31 December 2025

	Notes	2025 USD'000	2024 USD'000	2023 USD'000
Cash flows from operating activities				
Profit before income tax		79,041	118,504	117,166
Adjustments for:				
Depreciation	23	314	279	298
Loss on sale of equipment		3	1	-
Gain on disposal of investment securities		-	(133)	-
Profit on modification of lease		-	(130)	-
Net impairment charge/(release) on financial assets	12	175	(395)	(754)
Net interest income	8	(86,661)	(124,001)	(120,488)
Unrealised exchange differences		40	285	(2,298)
		(7,088)	(5,590)	(6,076)
Change in:				
Other assets		(62)	14	43,874
Other liabilities		86	(1,535)	314
Trading assets	18	-	258	(259)
Trading liabilities	18	(60)	57	(85)
Loans and advances to banks		131,701	(115,043)	339,596
Loans and advances to customers		218,291	305,514	315,123
Deposits from customers		(370,463)	(289,402)	330,000
Other borrowed funds		(20,639)	(347,166)	(386,647)
		(48,234)	(452,893)	635,840
Interest received		186,578	147,442	147,938
Interest paid		(28,660)	(47,938)	(62,875)
Income tax paid	15	(18,640)	(21,669)	(5,947)
Net cash from/(used in) operating activities		91,044	(375,058)	714,956
Cash flows from investing activities				
Acquisition of property, plant and equipment		(50)	(89)	(559)
Proceeds from sale of property, plant and equipment		-	62	-
Purchase of investment securities		(1,537,077)	(1,621,071)	(3,254,771)
Proceed on maturity/disposal of investment securities		1,045,697	1,790,077	3,094,660
Net cash (used in)/from investing activities		(491,430)	168,979	(160,670)
Cash flows used in financing activities				
Principal elements of lease payments		(117)	(118)	(110)
Dividends paid	29	(125,000)	(105,000)	(70,000)
Net cash used in financing activities		(125,117)	(105,118)	(70,110)
Net change in cash and cash equivalents				
Cash and cash equivalents at 1 January		(525,503)	(311,197)	484,176
Exchange differences in respect of cash and cash equivalents		11	(213)	881
Cash and cash equivalents at 31 December	33	694,250	1,219,742	1,531,152

The notes on pages 74 to 144 form part of the financial statements.

HSBC Bank (Mauritius) Limited

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

HSBC Bank (Mauritius) Limited (the “Bank”) is a company incorporated on 27 April 2006 and domiciled in the Republic of Mauritius. It holds a banking license issued by the BoM on 8 June 2006. The Bank’s registered office is Level 5, Icon Ebene, Office 1(West Wing) Rue de l’Institut, Ebene, 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.

HSBC Bank (Mauritius) Limited

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 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 obligations.

(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.

(g) *Rounding of amounts*

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

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

2. Basis of preparation (continued)

(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 some specific disclosures into Resident and Non-Resident:

- Non-Resident means a person whose center 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.

Neither these guidelines nor IFRS Accounting Standards mandate the application of IFRS 8 'Operating segments' 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 United States dollar (USD), which is the Bank's functional 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 end of the reporting period 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 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.

(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.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(b) Interest (continued)

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, such as loan syndication) and when performance obligations have been fulfilled. 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, account servicing fee). 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.

(e) 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.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(e) *Income tax (continued)*

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.

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.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(f) *Financial assets and liabilities*

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 or minus, for an item not at fair value through profit or loss, transaction costs that are incremental and 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 fair value through other comprehensive income ('FVOCI'), as described in note 35(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.

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.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(f) Financial assets and liabilities (continued)

ii) Initial recognition and measurement (continued)

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.

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 35(b)(iii). Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

When debt securities are sold subject to a commitment to repurchase them at a predetermined price ('repos'), they remain on the balance sheet and a liability is recorded in respect of the consideration received. Securities purchased under commitments to resell ('reverse repos') are not recognised on the balance sheet and an asset is recorded in respect of the initial consideration paid. Non-trading repos and reverse repos are measured at amortised cost. The difference between the sale and repurchase price or between the purchase and resale price is treated as interest and recognised in net interest income over the life of the agreement.

Contracts that are economically equivalent to reverse repo or repo agreements (such as sales or purchases of debt securities entered into together with total return swaps with the same counterparty) are accounted for similarly to, and presented together with, reverse repo or repo agreements.

Fair values of repurchase and reverse repurchase agreements that are held on a non-trading basis provide approximate carrying amounts. This is due to the fact that balances are generally short dated.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

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

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

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.

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 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;

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(f) Financial assets and liabilities (continued)

iv) Classification and subsequent measurement of financial liabilities (continued)

- 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(p)).

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 Accounting Standards, 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.

(g) 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 35(b)(iii) provides more detail of how the expected credit loss allowance is measured.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(h) 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.

(i) 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.

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

(j) 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.

(k) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and 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. Items less than USD216 are not capitalised but expensed when incurred in the profit and loss. All items between USD216 and USD1,298 are capitalised with immediate depreciation.

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.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

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

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 period in which they are incurred.

iii) Depreciation

Depreciation is calculated to write off the cost of items of equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. The estimated useful lives of significant equipment are as follows:

Office furniture and equipment	– 2 years to 20 years
Computer and other IT equipment	– 3 years to 5 years

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

(l) *Deposits and other borrowed funds*

Deposits are the Bank's main 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.

(m) *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.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(n) 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 the 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.

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.

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.

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.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

(n) *Employee benefits (continued)*

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 "Share-based payment" reserve 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 'Share-based payment' 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 IAS37 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.

(o) *Stated capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) *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 and loan commitments

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.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

3. Summary of material accounting policies (continued)

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

ii) Financial guarantee contracts and loan commitments (continued)

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 35(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.

(q) *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.

4. Use of judgements and estimates

In preparing the financial statements, the directors have 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 in Note 3.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

4. Use of judgements and estimates (continued)

(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 end of the reporting period. 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 35(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, such as:

- 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.

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 35(b)(iii) and 35(b)(vi).

Retirement Benefit Obligations

The present value of the retirement 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 30.

HSBC Bank (Mauritius) Limited

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)

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. For further details, refer to Note 5.

5. Fair values of financial instruments

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*

Fair values of financial assets and liabilities are determined according to the following hierarchy:

Level 1 – valuation technique using quoted market price. These are financial instruments with quoted prices for identical instruments in active markets that the Bank can access at the measurement date.

Level 2 – valuation technique using observable inputs. These are financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 – valuation technique with significant unobservable inputs. These are financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

5. Fair values of financial instruments (continued)

(ii) Financial instruments measured at fair value - fair value hierarchy

The table below analyses financial instruments measured at fair value through profit and loss and through other comprehensive income at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised as follows:

	Valuation techniques			
	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	USD'000
At 31 December 2025				
Trading assets	-	2	-	2
Investment securities	984,366	3,537	-	987,903
Trading liabilities	-	4	-	4
At 31 December 2024				
Trading assets	-	2	-	2
Investment securities	759,100	3,477	-	762,577
Trading liabilities	-	64	-	64
At 31 December 2023				
Trading assets	-	260	-	260
Investment securities	630,253	3,700	-	633,953
Trading liabilities	-	7	-	7

There has been no transfer between the levels during the year (2024: Nil, 2023: Nil)

(iii) Financial instruments not measured at fair value

The following table sets out the 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	Fair value			
		Valuation techniques			
		Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total fair values
	USD'000	USD'000	USD'000	USD'000	
Assets and Liabilities at 31 December 2025					
Assets					
Loans and advances to banks	221,084	-	221,262	-	221,262
Loans and advances to customers	372,774	-	374,438	-	374,438
Other financial assets at amortised cost	1,099	-	1,140	-	1,140
Liabilities					
Deposits from customers	1,974,835	-	1,974,835	-	1,974,835
Other borrowed funds	11,433	-	11,733	-	11,733

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

5. Fair values of financial instruments (continued)

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

	Carrying Amount	Fair value				Total fair values
		Valuation techniques				
		Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3		
Assets and Liabilities at 31 December 2024	USD'000	USD'000	USD'000	USD'000	USD'000	
Assets						
Reverse repurchase agreement - non trading	201,742	-	201,842	-	201,842	
Loans and advances to banks	352,916	-	355,202	-	355,202	
Loans and advances to customers	592,255	-	596,092	-	596,092	
Other financial assets at amortised cost	3,185	-	3,239	-	3,239	
Liabilities						
Deposits from customers	2,347,401	-	2,347,401	-	2,347,401	
Other borrowed funds	31,981	-	32,004	-	32,004	

	Carrying Amount	Fair value				Total fair values
		Valuation techniques				
		Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3		
Assets and Liabilities at 31 December 2023	USD'000	USD'000	USD'000	USD'000	USD'000	
Assets						
Reverse repurchase agreement - non trading	188,646	-	188,812	-	188,812	
Loans and advances to banks	237,160	-	239,109	-	239,109	
Loans and advances to customers	906,833	-	914,286	-	914,286	
Other financial assets at amortised cost	170,074	131,398	36,666	-	168,064	
Liabilities						
Deposits from customers	2,639,336	-	2,639,336	-	2,639,336	
Other borrowed funds	379,564	-	381,552	-	381,552	

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 ▪ Short-term receivables 	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 in the following section.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

5. Fair values of financial instruments (continued)

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

Loans and advances to banks and customers and reverse repurchase agreement (non-trading)

The fair value of loans and advances and reverse repurchase agreements are 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 considers as being 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.

Loans and reverse repurchase agreements are grouped, as far as possible, into homogeneous groups and stratified by loans/reverse repurchase agreements 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 end of the reporting period and estimates of market participants' expectations of credit losses over the life of the loans, and the fair value effect of re-pricing between origination and the reporting date. The fair valuation of loans and advances to banks and customers and reverse repurchase agreement are based on indirect observable inputs and are therefore classified under Level 2.

Deposits from customers and other borrowed funds

For the purpose of estimating fair value, deposits by customer accounts and other borrowed funds 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 customer accounts are under the Level 2 valuation technique. The fair value of a deposit repayable on demand is approximated by its carrying value.

6. Classification of financial assets and financial liabilities

See accounting policies in Note 3 (f). The table below provides reconciliation between line items in the statement of financial position and categories of financial instruments.

	IFRS 9 Measurement Category	2025 USD'000	2024 USD'000	2023 USD'000
Assets				
Cash and cash equivalents	Amortised cost	694,250	819,788	1,243,288
Reverse repurchase agreement - non trading	Amortised cost	-	201,742	188,646
Trading assets	FVPL	2	2	260
Loans and advances to banks	Amortised cost	221,084	352,916	237,160
Loans and advances to customers	Amortised cost	372,774	592,255	906,833
Investment securities at FVOCI	FVOCI	987,903	762,577	633,953
Investment securities at amortised cost	Amortised cost	1,099	3,185	170,074
Other assets	Amortised cost	149	2,522	3,801
		2,277,261	2,734,987	3,384,015
Liabilities				
Deposits from customers	Amortised cost	1,974,835	2,347,401	2,639,336
Trading liabilities	FVPL	4	64	7
Other borrowed funds	Amortised cost	11,433	31,981	379,564
Other liabilities	Amortised cost	2,304	3,890	4,761
		1,988,576	2,383,336	3,023,668

HSBC Bank (Mauritius) Limited

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

7. Segmental reporting

The information on pages 93 and 94 is provided for in accordance with the BoM *Guideline on Public Disclosure of Information*.

Statement of financial position USD'000

ASSETS	Note	2025			2024			2023		
		Total	Resident	Non-Resident	Total	Resident	Non-Resident	Total	Resident	Non-Resident
Cash and cash equivalents	16	694,250	58,564	635,686	819,788	24,544	795,244	1,243,288	17,057	1,226,231
Reverse repurchase agreement - non trading	17	-	-	-	201,742	-	201,742	188,646	-	188,646
Trading assets	18	2	-	2	2	-	2	260	-	260
Loans and advances to banks	19	221,084	124,991	96,093	352,916	61,173	291,743	237,160	25,222	211,938
Loans and advances to customers	20	372,774	225,731	147,043	592,255	406,045	186,210	906,833	259,976	646,857
Investment securities at FVOCI	21	987,903	3,537	984,366	762,577	3,477	759,100	633,953	3,700	630,253
Investment securities at amortised cost	21	1,099	1,099	-	3,185	3,185	-	170,074	10,194	159,880
Other assets	22	2,240	2,069	171	3,341	1,151	2,190	4,521	2,075	2,446
Property, plant and equipment	23	979	979	-	1,279	1,279	-	1,402	1,402	-
Deferred tax assets	24	-	-	-	171	171	-	198	198	-
Total assets		2,280,331	416,970	1,863,361	2,737,256	501,025	2,236,231	3,386,335	319,824	3,066,511
LIABILITIES										
Deposits from customers	25	1,974,835	1,965,456	9,379	2,347,401	2,322,960	24,441	2,639,336	2,607,697	31,639
Trading liabilities	18	4	-	4	64	-	64	7	-	7
Other borrowed funds	26	11,433	11,433	-	31,981	31,981	-	379,564	17,625	361,939
Current tax liabilities	15	1,242	1,242	-	6,563	6,563	-	11,316	11,316	-
Other liabilities	27	3,211	1,977	1,234	4,482	1,358	3,124	6,257	2,624	3,633
Deferred tax liabilities	24	273	273	-	-	-	-	-	-	-
Total liabilities		1,990,998	1,980,381	10,617	2,390,491	2,362,862	27,629	3,036,480	2,639,262	397,218
Shareholder's equity										
Stated capital	28	72,957			72,957			72,957		
Retained earnings	29	137,150			192,461			193,671		
Other reserves	29	79,226			81,347			83,227		
Total equity attributable to equity holder		289,333			346,765			349,855		
Total liabilities and shareholder's funds		2,280,331			2,737,256			3,386,335		

HSBC Bank (Mauritius) Limited

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

7. Segmental reporting

Statement of operating income USD'000

Notes	2025			2024			2023		
	Total	Resident	Non-Resident	Total	Resident	Non-Resident	Total	Resident	Non-Resident
Interest income	113,343	12,051	101,292	169,025	19,156	149,869	185,752	20,445	165,307
Interest expense	(26,682)	(25,689)	(993)	(45,024)	(35,120)	(9,904)	(65,264)	(33,105)	(32,159)
Net interest income	86,661	(13,638)	100,299	124,001	(15,964)	139,965	120,488	(12,660)	133,148
Fee and commission income	6,465	6,064	401	6,626	6,207	419	6,598	6,252	346
Fee and commission expense	(1,197)	(1,197)	-	(931)	(41)	(890)	(1,361)	(57)	(1,304)
Net fee and commission income	5,268	4,867	401	5,695	6,166	(471)	5,237	6,195	(958)
Net trading income	2,280	4,755	(2,475)	2,114	3,176	(1,062)	2,209	4,300	(2,091)
Other operating income	330	330	-	403	270	133	360	360	-
	2,610	5,085	(2,475)	2,517	3,446	(929)	2,569	4,660	(2,091)
Operating income	94,539	(3,686)	98,225	132,213	(6,352)	138,565	128,294	(1,805)	130,099

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

8. Net interest income

	2025 USD'000	2024 USD'000	2023 USD'000
Interest income			
<i>Recognised on financial assets measured at amortised cost</i>			
Cash and cash equivalents	54,762	83,860	64,426
Loans and advances to banks	7,127	10,219	23,901
Loans and advances to customers	17,425	37,548	61,996
Investment securities	142	6,011	7,869
<i>Recognised on financial assets measured at FVOCI</i>			
Investment securities	33,887	31,387	27,560
Total interest income	113,343	169,025	185,752
Interest expense			
<i>Recognised on financial liabilities measured at amortised cost</i>			
Deposits from customers	(24,955)	(36,230)	(33,062)
Other borrowed funds	(1,693)	(8,758)	(32,163)
Interest expense under IFRS 16	(34)	(36)	(39)
Total interest expense	(26,682)	(45,024)	(65,264)
Net interest income	86,661	124,001	120,488

9. Net fee and commission income

	2025 USD'000	2024 USD'000	2023 USD'000
Fee and commission income			
Corporate banking related fees	4,516	4,541	4,151
Financial guarantee contracts	6	38	80
Global custody	1,709	1,423	1,948
Other	234	624	419
Total fee and commission income	6,465	6,626	6,598
Fee and commission expense			
Other	(1,197)	(931)	(1,361)
Total fee and commission expense	(1,197)	(931)	(1,361)
Net fee and commission income	5,268	5,695	5,237

Other fee and commission income consists of mainly commission received on remittances, global custody and service charges. Other fee and commission expense relate mainly to fees paid to other correspondent banks.

10. Net Trading income

	2025 USD'000	2024 USD'000	2023 USD'000
Foreign exchange	2,280	2,114	2,209

11. Other operating income

	2025 USD'000	2024 USD'000	2023 USD'000
Intercompany management fees	333	271	360
Gain on disposal of investment securities at FVOCI	-	133	-
Loss on sale of equipment	(3)	(1)	-
	330	403	360

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

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

	2025 USD'000	2024 USD'000	2023 USD'000
Release/(charge) for impairment losses for the year:			
Loans and advances to customers	(208)	402	192
Investment securities at FVOCI	-	(1)	201
Investment securities at amortised costs	2	6	41
Loans and advances to banks	53	(6)	338
Loan commitments and financial guarantees	(22)	(6)	(18)
	(175)	395	754

13. Personnel expenses

	Note	2025 USD'000	2024 USD'000	2023 USD'000
Wages and salaries		1,821	1,748	1,765
Compulsory social security obligations		205	125	163
Contributions to defined contribution plans	30	23	22	31
Contributions to defined benefit plans	30	70	11	95
Equity settled share-based payments		5	15	7
Reversal for termination benefits		-	-	(511)
Other personnel expenses		763	632	920
		2,887	2,553	2,470

14. Other expenses

	2025 USD'000	2024 USD'000	2023 USD'000
Premises and equipment	84	180	66
Administrative expenses	817	618	602
Intercompany IT charges	6,179	4,683	3,158
Intercompany regionally allocated costs	663	730	712
Intercompany management fees	4,001	4,654	4,068
Other intercompany expenses	377	406	493
Operating lease expense	1	1	15
	12,122	11,272	9,114

15. 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 2028, the effective tax rate for 2025 has been determined to be at 17% (2024: 14% and 2023: 12%).

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 Advanced Payment System ('APS') whereby it pays income tax on a quarterly basis.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

15. Income tax (continued)

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), 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.

	2025	2024	2023
	USD'000	USD'000	USD'000
<u>Income tax reconciliation</u>			
Income tax charge	13,319	16,916	14,070
Deferred tax charge	263	34	218
Total tax expense per statement of profit or loss and other comprehensive income	13,582	16,950	14,288
Reconciliation of effective tax rate			
Profit before income tax per statement of profit or loss and other comprehensive income.	79,041	118,504	117,166
Corporate tax	10,232	14,220	14,060
Fair share contribution	1,782	-	-
Income tax at effective tax rate (15%/14% /12%)	12,014	14,220	14,060
Tax effect of non-deductible expenses	11	4	4
Prior years over provision	(192)	(76)	(39)
Special levy on banks	41	157	225
Corporate Social Responsibility	7	29	26
Corporate Climate Levy	1,583	2,363	-
Under provision of deferred income tax in current year	137	232	12
Impact of change in deferred tax rate	(19)	21	-
	13,582	16,950	14,288
<u>Current tax liabilities</u>			
Current tax liabilities at 1 January	6,563	11,316	3,193
Income tax charge	13,319	16,916	14,070
Tax paid during the year	(18,640)	(21,669)	(5,947)
Current tax liabilities at 31 December	1,242	6,563	11,316

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

16. Cash and cash equivalents

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

Unrestricted balances with Central Bank include both interest and non-interest bearing balances over and above the minimum cash reserve requirements.

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.

	2025 USD'000	2024 USD'000	2023 USD'000
Bank			
Balances with banks in Mauritius or abroad	173,932	111,676	29,785
Balances with Central Bank	30,162	16,230	16,608
Money market placement	490,156	691,882	1,196,895
	<u>694,250</u>	<u>819,788</u>	<u>1,243,288</u>

17. Reverse repurchase agreement – non trading

	2025 USD'000	2024 USD'000	2023 USD'000
Reverse repos - Current	-	201,742	188,646

18. Trading assets and liabilities

	2025 USD'000	2024 USD'000	2023 USD'000
Trading assets			
Derivative assets	2	2	260
Current	<u>2</u>	<u>2</u>	<u>260</u>
Trading liabilities			
Derivative liabilities	4	64	7
Current	<u>4</u>	<u>64</u>	<u>7</u>

Trading assets and liabilities comprise of derivative foreign exchange contracts which are denominated mainly in EUR. The nominal amount is USD48.0m (2024: USD63.1m and 2023: USD111.6m).

HSBC Bank (Mauritius) Limited

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

19. Loans and advances to banks

	2025 USD'000	2024 USD'000	2023 USD'000
Loans and advances to banks			
In Mauritius	124,997	291,796	211,990
Outside Mauritius	96,098	61,184	25,228
	221,095	352,980	237,218
Less Stage 1 and 2 impairment	(11)	(64)	(58)
	221,084	352,916	237,160
<i>Remaining term to maturity</i>			
Up to 3 months	149,859	151,084	50,126
Over 3 months and up to 6 months	-	20,063	10,939
Over 6 months and up to 12 months	20,319	100,533	50,269
Over 12 months	50,917	81,300	125,884
	221,095	352,980	237,218
	170,178	271,680	111,334
Current	50,917	81,300	125,884
Non-Current	221,095	352,980	237,218

20. Loans and advances to customers

	2025 USD'000	2024 USD'000	2023 USD'000
Entities outside Mauritius	225,895	186,230	647,189
Entities in Mauritius	147,152	406,089	260,109
	373,047	592,319	907,298
Less Stage 1 and 2 impairment	(273)	(64)	(465)
	372,774	592,255	906,833
<i>Remaining term to maturity</i>			
Up to 3 months	161,451	395,522	419,817
Over 3 months and up to 6 months	39,042	451	58,368
Over 6 months and up to 12 months	93,801	38,970	85,392
Over 12 months	78,753	157,376	343,721
	373,047	592,319	907,298
	294,294	434,943	563,577
Current	78,753	157,376	343,721
Non-Current	373,047	592,319	907,298

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

20. Loans and advances to customers (continued)

Credit Concentration of risk by industry sectors:

	Total USD'000	Resident USD'000	Non- Resident USD'000
2025			
Other Non-Financial Corporations			
C - Manufacturing	53,937	-	53,937
D - Electricity, gas, steam and air conditioning supply	119	-	119
F - Construction	89,799	-	89,799
Financial and business services	3,297	-	3,297
Global Business Corporations (GBCs)	225,895	225,895	-
	373,047	225,895	147,152
2024			
Other Non-Financial Corporations			
C - Manufacturing	48,136	-	48,136
D - Electricity, gas, steam and air conditioning supply	768	-	768
F - Construction	96,954	-	96,954
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	541	-	541
H - Transportation and storage	3,009	-	3,009
J - Information and communication	35,108	-	35,108
Financial and business services	1,714	-	1,714
Global Business Corporations (GBCs)	406,089	406,089	-
	592,319	406,089	186,230
2023			
Other Non-Financial Corporations			
C - Manufacturing	111,493	-	111,493
D - Electricity, gas, steam and air conditioning supply	1,492	-	1,492
F - Construction	98,448	-	98,448
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	3,047	-	3,047
H - Transportation and storage	7,088	-	7,088
J - Information and communication	55,070	-	55,070
Financial and business services	376,965	6,414	370,551
Global Business Corporations (GBCs)	253,695	253,695	-
	907,298	260,109	647,189

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

21. Investment securities (continued)

	2025 USD'000	2024 USD'000	2023 USD'000
Investment securities at FVOCI	987,903	762,577	633,953
Investment securities at amortised cost	1,099	3,185	170,074
	989,002	765,762	804,027
Current	871,986	764,700	802,894
Non-Current	117,016	1,062	1,133
	989,002	765,762	804,027

Investments securities at FVOCI comprised US treasury bills and Government of Mauritius treasury bills that are held for regulatory and investment purposes. Investment securities at amortised costs comprise of USD1.1m (2024: USD3.2m; 2023: USD36.9m) of investment in corporate bonds and there were no US treasury bills as at 31 December 2025 (2024: USD nil; 2023: USD133.2m).

22. Other assets

	2025 USD'000	2024 USD'000	2023 USD'000
Mandatory balance with Central Bank (Note a)	-	332	1,433
Retirement benefit (funded) (Note b)	1,939	689	484
Receivable from Income Tax Department of India (Note c)	-	2,075	2,139
Others	301	245	465
At 31 December	2,240	3,341	4,521
Current	301	2,652	4,037
Non-Current	1,939	689	484
	2,240	3,341	4,521

Note a – 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. They meet the definition of cash and cash equivalents and the balance was not reclassified for 2024 and 2023 to cash and cash equivalents as it was not material.

Note b – The increase in retirement benefit (funded) was driven by higher return on plan assets and decrease in defined benefit obligations. Refer to Note 30.

Note c – The Income Tax department of India (ITA) has challenged the withholding tax exemptions under the Mauritius-India Tax Treaty and filed assessments, including making payments of Income Tax in good faith for all periods up to and including the year ended 31 March 2016. The Bank has appealed all these tax assessments issued by the ITA and to date has received 8 out of 8 favorable orders from the various appeal tribunals and commissioners for repayment of the Income Tax paid as required under the appeal process. During the year ended 31 December 2025, all the tax refunds were received from the ITA.

23. Property, plant and equipment

	2025 USD'000	2024 USD'000	2023 USD'000
Property, plant and equipment	479	646	816
Right-of-use assets	500	633	586
At 31 December	979	1,279	1,402

HSBC Bank (Mauritius) Limited

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

23. Property, plant and equipment (continued)

	Right-of- use assets (Land and Building) USD'000	Work in progress USD'000	Computer and other IT equipment USD'000	Office furniture and equipment USD'000	Total USD'000
Cost					
At 1 January 2023	418	716	77	135	1,346
Additions	311	-	52	196	559
Disposals	-	-	-	(63)	(63)
Transfer	-	(716)	-	716	-
At 31 December 2023	729	-	129	984	1,842
Additions	-	-	52	37	89
Modification	130	-	-	-	130
Disposals	-	-	(68)	(78)	(146)
At 31 December 2024	859	-	113	943	1,915
Additions	-	-	12	38	50
Modification	(33)	-	-	-	(33)
Disposals	-	-	(24)	(49)	(73)
At 31 December 2025	826	-	101	932	1,859
Accumulated depreciation:					
At 1 January 2023	47	-	56	102	205
Depreciation for the year	96	-	43	159	298
Disposals	-	-	-	(63)	(63)
At 31 December 2023	143	-	99	198	440
Depreciation for the year	83	-	12	184	279
Disposals	-	-	(63)	(20)	(83)
At 31 December 2024	226	-	48	362	636
Depreciation for the year	100	-	39	175	314
Disposals	-	-	(24)	(46)	(70)
At 31 December 2025	326	-	63	491	880
Net book value at 31 December 2025	500	-	38	441	979
Net book value at 31 December 2024	633	-	65	581	1,279
Net book value at 31 December 2023	586	-	30	786	1,402

HSBC Bank (Mauritius) Limited

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

24. Deferred Tax assets

	Pension obligation	Impairment allowances	Accelerated capital allowances	Lease	Fair value reserve	Provision for termination benefits	Total
USD'000							
At 1 January 2023	132	158	(4)	-	(14)	146	418
Credit/(Charged):							
to profit or loss	18	(90)	-	-	-	(146)	(218)
to other comprehensive income	(33)	-	-	-	31	-	(2)
At 31 December 2023	117	68	(4)	-	17	-	198
Credit/(Charged):							
to profit or loss	(45)	(36)	19	7	-	-	(55)
to other comprehensive income	83	-	-	-	(21)	-	62
Impact of change in deferred tax rate in profit or loss	32	(12)	1	-	-	-	21
Impact of change in deferred tax rate in other comprehensive income	(51)	-	-	-	(4)	-	(55)
At 31 December 2024	136	20	16	7	(8)	-	171
Credit/(Charged):							
to profit or loss	(319)	34	-	3	-	-	(282)
to other comprehensive income	(59)	-	-	-	(165)	-	(224)
Impact of change in deferred tax rate in profit or loss	2	8	6	3	-	-	19
Impact of change in deferred tax rate in other comprehensive income	46	-	-	-	(3)	-	43
At 31 December 2025	(194)	62	22	13	(176)	-	(273)

25. Deposits from customers

	2025		
	Total USD'000	Resident USD'000	Non-Resident USD'000
<u>Corporate Customers</u>			
Current account	1,292,428	1,283,049	9,379
Time deposits with remaining term to maturity:			
Up to 3 months	674,335	674,335	-
Over 3 months and up to 6 months	6,760	6,760	-
Over 6 months and up to 12 months	1,312	1,312	-
	1,974,835	1,965,456	9,379

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

28. Stated capital

	2025 USD'000	2024 USD'000	2023 USD'000
Authorised 100,000,000 ordinary shares	100,000	100,000	100,000
Stated Capital - 72,956,783 shares issued as par, fully paid	72,957	72,957	72,957

The Bank's issued stated capital was USD72,956,783 (2024 and 2023: USD72,956,783) with nominal value of USD1 per ordinary share, which is above the minimum capital requirement of MUR400m or equivalent in foreign currency in compliance with Section 20 of the Mauritian Banking Act 2004. The ordinary shareholder is entitled to vote on a poll at a meeting on any resolution, to participate in equal share in dividends and in the distribution of surplus assets of the Bank.

29. Reserves

	2025 USD'000	2024 USD'000	2023 USD'000
Other Reserves			
Statutory reserve	72,957	72,957	72,957
General banking reserve	5,367	8,293	10,337
Share based payment reserve	63	84	81
Fair value reserve	839	13	(148)
	79,226	81,347	83,227
Retained Earnings	137,150	192,461	193,671
	216,376	273,808	276,898

During the year, dividend amounting to USD125m or USD1.71 per share was declared and paid (2024: USD105m or USD1.44 per share; 2023: USD70m or USD0.96 per share). The dividend was paid out of retained earnings.

(a) Retained earnings

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

(b) Statutory reserve

The Bank's statutory reserve was at USD72,956,783 (2024 & 2023: USD72,956,783) 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.

(c) General banking reserve

This represents the amount set aside by the Bank as appropriation of earnings for unforeseeable risks and future credit losses. Effective from 30 September 2024, 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*.

For year ended 31 December 2025, the performing exposures were USD4,820,131, macroprudential provision were USD546,418 and there was no non-performing exposures, giving a total general banking reserve of USD5,366,549.

(d) Share-based payment reserve

The share-based payment reserve is used to record the amount relating to share awards and options granted to employees of the Group directly by HSBC Holdings plc. The Group operates all-employee share option plans under which options are granted over HSBC ordinary shares. Subject to leaver provisions, options are normally exercisable after three or five years.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

29. Reserves (continued)

(d) Share-based payment reserve (continued)

	USD'000
At 1 January 2023	83
Charge to profit or loss	(2)
At 31 December 2023	81
Credit to profit or loss	3
At 31 December 2024	84
Charge to profit or loss	(21)
At 31 December 2025	63

(e) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investment securities carried at fair value through other comprehensive income until the assets are derecognised.

30. Retirement benefits

(a) Defined benefit 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 Mauritian 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 Mauritian Private Pension Scheme Act 2012.

The assets of the plan are invested in the following two funds: The Hongkong and Shanghai Banking Corporation Limited Mauritius Superannuation Fund for Staff Officers, Clerical and Subordinate Staff ("SOCS") and The Hongkong and Shanghai Banking Corporation Limited Superannuation Fund for Resident Officers ("ROCS"). As the funds are 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 funds. 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 USD 729,396 (2024: USD133,784; 2023: USD508,098).

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.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

30. Retirement benefits (continued)

(a) Defined benefit plan (continued)

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.

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

The Fund is revalued tri-annually and the last valuation was conducted on 30 September 2023. Based on the last valuation report, the Bank made an employer contribution of USD0.1m to the pension scheme during the year 2025 (December 2024: USD0.1m).

The principal actuarial assumptions were:

		2025	2024	2023
		%	%	%
Discount rate:	ROCS Funded	5.7	5.1	4.8
	ROCS Unfunded	5.2	4.7	5.2
	SOCS Funded	5.6	5.1	4.7
	SOCS Unfunded	5.3	4.9	5.3
Future long-term salary increase		2.0	3.0	3.0/3.4
Future expected pension increase		2.0	3.0	3.2/3.75

The retirement benefit liabilities at 31 December 2025 are based on the report submitted by Swan Life Ltd, the Bank's independent qualified actuary.

	2025	2024	2023
	USD'000	USD'000	USD'000
Equities	2,615	2,355	2,261
Fixed interest	3,004	1,908	2,987
Foreign fixed income	629	140	138
Cash	280	1,212	492
Total market value of assets	6,528	5,615	5,878
Present value of plan liabilities	(4,589)	(4,926)	(5,394)
Net asset for retirement obligation recognised in statement of financial position	1,939	689	484

Expected contribution next year

The Bank is not expected to contribute to the pension schemes for the year ending 31 December 2026.

Maturity profile of the defined benefit obligations

The average remaining working life of the employees at 31 December 2025 is 11 years for ROCS Funded, 5 years for ROCS Unfunded, 12 years for SOCS Funded and 6 years for SOCS Unfunded.

	2025	2024	2023
	USD'000	USD'000	USD'000
i) Pension expense components for the year			
Current service cost	111	87	135
Past service cost	-	(50)	-
	111	37	135
Interest cost	254	266	307
Interest income	(295)	(292)	(347)
Net interest cost	(41)	(26)	(40)
Total amount recognised in profit or loss	70	11	95

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

30. Retirement benefits (continued)

(a) Defined benefit plan (continued)

	2025 USD'000	2024 USD'000	2023 USD'000
ii) Movement in asset recognised in statement of financial position			
At start of the year	689	484	635
Total amount recognised in profit or loss	(70)	(11)	(95)
Actuarial gains/(losses)	1,137	192	(52)
Employer's contributions	112	111	-
Exchange differences arising on translation	71	(87)	(4)
At end of the year	<u>1,939</u>	<u>689</u>	<u>484</u>
iii) Change in defined benefit obligation			
Present value of defined benefit obligation			
At start of the year	(4,926)	(5,394)	(5,064)
Current service cost	(111)	(87)	(135)
Effect of curtailments/settlements	-	50	-
Interest cost	(254)	(266)	(307)
Remeasurements gain/(loss) from change in financial assumptions	703	351	(213)
Benefits paid	89	85	285
Exchange differences arising on translation	(90)	335	40
Present value of defined benefit obligation at end of the year	<u>(4,589)</u>	<u>(4,926)</u>	<u>(5,394)</u>
iv) Change in plan assets			
Fair value of plan assets at start of the year	5,615	5,878	5,699
Interest income	295	292	347
Employer's contributions	112	111	-
Return on plan assets, excluding amounts included in interest income	434	(159)	161
Benefits paid	(89)	(85)	(285)
Exchange differences arising on translation	161	(422)	(44)
Fair value of plan assets at end of the year	<u>6,528</u>	<u>5,615</u>	<u>5,878</u>
v) Analysis of amount recognised in other comprehensive income			
Gains/(losses) on pension scheme assets	434	(159)	161
Experience gains on the liabilities	(502)	376	35
Changes in financial assumptions on the liabilities	1,205	(25)	(248)
Actuarial gain/(loss) recognised in other comprehensive income	<u>1,137</u>	<u>192</u>	<u>(52)</u>
vi) Net asset/(liability) relating to the funded plans			
Present value of funded obligations	(4,589)	(4,926)	(5,394)
Fair value of plan assets	6,528	5,615	5,878
Surplus of funded plans	<u>1,939</u>	<u>689</u>	<u>484</u>
vii) Cumulative actuarial gains/ (losses) recognised			
Cumulative actuarial gains / (losses) at start of year	(1,112)	(1,304)	(1,252)
Actuarial gains / (losses) recognised this year	1,137	192	(52)
Cumulative actuarial gains / (losses) at end of year	<u>25</u>	<u>(1,112)</u>	<u>(1,304)</u>

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

30. Retirement benefits (continued)

(a) Defined benefit plan (continued)

	2025 USD'000	2024 USD'000	2023 USD'000
viii) Sensitivity analysis			
Decrease in Defined Benefit Obligation due to 1% increase in discount rate	564	693	722
Increase in Defined Benefit Obligation due to 1% decrease in discount rate	698	877	994
Increase in Defined Benefit Obligation due to 1% increase in future long-term salary assumption	159	189	264
Decrease in Defined Benefit Obligation due to 1% decrease in future long-term salary assumption	151	177	246
Increase in Defined Benefit Obligation due to 1% increase in future long-term pension assumption	534	660	731
Decrease in Defined Benefit Obligation due to 1% decrease in future long-term pension assumption	445	543	600

The sensitivity analysis above has been determined based on sensibly possible changes of the discount rate, salary increase rate and long-term pension rate occurring at the end of the reporting period 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 expects to pay approximately USD38,940 as residual liability for the year ending 31 December 2026.

The principal actuarial assumptions were:

	2025 %	2024 %	2023 %
Discount rate	5.8	5.2	5.5
Future long-term salary increase	2.0	3.0	3.4
	2025 USD'000	2024 USD'000	2023 USD'000
i) Pension expense components for the year			
Current service cost	12	11	13
Net interest cost	11	11	18
Total amount recognised in profit or loss	23	22	31

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

30. Retirement benefits (continued)

(b) Severance allowance - Defined Contribution Plan employees (continued)

ii) Movement in liability recognised in statement of financial position			
At start of the year	(201)	(214)	(267)
Current service cost	(12)	(11)	(13)
Interest cost	(11)	(11)	(18)
Actuarial gains	97	18	82
Exchange differences arising on translation	(8)	17	2
At end of the year	(135)	(201)	(214)
iii) Change in defined benefit obligation			
Present value of defined contribution obligation			
At start of the year	(201)	(214)	(267)
Current service cost	(12)	(11)	(13)
Interest cost	(11)	(11)	(18)
Remeasurements – loss from change in financial assumptions	97	18	82
Exchange differences arising on translation	(8)	17	2
Present value of defined benefit obligation at end of the year	(135)	(201)	(214)
iv) Analysis of amount recognised in other comprehensive income			
Experience (losses)/gain on the liabilities	(2)	11	60
Changes in financial assumptions on the liabilities	99	7	22
Actuarial gains recognised in other comprehensive income	97	18	82
v) Cumulative actuarial gains/ (losses) recognised			
Cumulative actuarial losses at start of year	(51)	(69)	(91)
Actuarial gains recognised this year	97	18	22
Cumulative actuarial gains / (losses) at end of year	46	(51)	(69)
vi) Sensitivity analysis			
	2025	2024	2023
	USD'000	USD'000	USD'000
Decrease in defined benefit obligation due to 1% increase in discount rate	44	68	70
Increase in defined benefit obligation due to 1% decrease in discount rate	57	56	57
Increase in defined benefit obligation due to 1% increase in future long-term salary assumption	59	69	71
Decrease in defined benefit obligation due to 1% decrease in future long-term salary assumption	46	58	59

31. Contingent liabilities

The Bank provides 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 period 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.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

31. Contingent liabilities (continued)

The contractual amounts of commitments and contingent liabilities are set out below.

	2025 USD'000	2024 USD'000	2023 USD'000
Guarantees on account of customers	4,336	68,213	82,057
Letters of credit and other obligations	496	475	1,998
	4,832	68,688	84,055

32. Commitments

	2025 USD'000	2024 USD'000	2023 USD'000
Loans and other facilities			
Undrawn credit facilities	373,129	565,602	395,001

33. Cash and cash equivalents analysis

Reconciliation of cash flow statement

	Note	2025 USD'000	2024 USD'000	2023 USD'000
Cash and cash equivalents	16	694,250	819,788	1,243,288
Investment securities less than three months		-	198,212	99,218
Reverse repurchase agreement - non trading	17	-	201,742	188,646
		694,250	1,219,742	1,531,152

34. Related party transactions

Key management personnel ("KMP")

The total remuneration of the senior officers of the Bank is disclosed below:

	Note	2025 USD'000	2024 USD'000	2023 USD'000
<i>Key management compensation</i>				
Salaries and short term employee benefits		768	748	812
Share based payments		7	-	-
Post-employment benefits		79	84	480
		854	832	1,292

No amount was paid during the year on retirement (2024: NIL; 2023: USD112k). There were no other transactions with KMP other than those mentioned in the above table.

The Bank has identified key management as being the senior officers communicated to the BoM and remunerated by the Bank.

The Bank is a wholly owned subsidiary of HBAP and has a related party relationship with it. The Bank has also a related party relationship with other Group's companies, including HSBC Bank plc.

The Bank has bank accounts (nostro) with the above-related parties and bank loans from other related parties. Interests, fees and commissions were paid and/or received in relation to these bank accounts.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

34. Related party transactions (continued)

The following table summarises the transactions during the year and the balances at year-end with related parties. Contributions to superannuation funds on behalf of employees have been disclosed under note 30.

USD'000

31 December 2025

	HBAP*	HSBC Bank Plc*	HSBC Holding Plc	HSBC Bank USA	Other related parties	Total
<i>Statement of financial position:</i>						
Assets						
Intercompany bank accounts	26,010	32,999	-	107,406	21	166,436
Intercompany money market placements	601,683	15,171	-	-	-	616,854
Liabilities						
Intercompany deposits	18	10,481	-	-	-	10,499
Intercompany bank accounts	11,433	-	-	-	-	11,433
Other liabilities	628	-	-	-	-	628
<i>Statement of profit or loss and other comprehensive income:</i>						
Other interest receivable	42,659	8,949	-	3,154	-	54,762
Other interest payable	1,693	346	-	-	-	2,039
Fee and commission receivable	2	-	-	1	-	3
Fee and commission payable	654	6	-	236	5	901
Other income	333	-	-	-	-	333
Other expenses	9,846	-	1,374	-	-	11,220
Dividends paid	125,000	-	-	-	-	125,000

USD'000

31 December 2024

<i>Statement of financial position:</i>						
Assets						
Intercompany bank accounts	69,953	27,016	97	25,004	21	122,091
Reverse repurchase agreement - non trading	201,742	-	-	-	-	201,742
Intercompany money market placements	685,312	12,045	-	-	(1)	697,356
Liabilities						
Intercompany deposits	68	10,108	-	-	-	10,176
Intercompany bank accounts	31,981	-	-	-	-	31,981
Other liabilities	2,054	-	-	-	-	2,054
<i>Statement of profit or loss and other comprehensive income:</i>						
Other interest income	59,366	1,401	7,290	6,685	9,118	83,860
Other interest expense	8,608	150	-	-	-	8,758
Fee and commissions income	1	-	-	173	-	174
Fee and commissions expense	531	15	3	338	6	893
Other income	271	-	-	-	-	271
Other expenses	9,241	-	1,232	-	-	10,473
Dividends paid	105,000	-	-	-	-	105,000

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

34. Related party transactions (continued)

USD'000	31 December 2023					Total
	HBAP*	HSBC Bank Plc*	HSBC Holding Plc	HSBC Bank USA	Other related parties	
<i>Statement of financial position:</i>						
Assets						
Intercompany bank accounts	48,841	13,158	111	-	905	63,015
Reverse repurchase agreement - non trading	188,646	-	-	-	-	188,646
Intercompany money market placements	1,021,870	46,374	-	-	914	1,069,158
Liabilities						
Intercompany deposits	111	11	-	-	-	122
Intercompany bank accounts	344,745	-	-	34,816	3	379,564
Other liabilities	1,986	-	-	-	-	1,986
<i>Statement of profit or loss and other comprehensive income:</i>						
Other interest income	48,781	10,452	7	5,186	-	64,426
Other interest expense	32,163	-	-	-	-	32,163
Fee and commissions income	1	-	-	-	-	1
Fee and commissions expense	993	12	2	291	7	1,305
Other income	360	-	-	-	-	360
Other expenses	7,399	-	1,022	-	-	8,421
Dividends paid	70,000	-	-	-	-	70,000

* HBAP and HSBC Bank Plc includes their international branches

None of the facilities granted to Group companies were non-performing as at 31 December 2025 (2024: Nil, 2023: Nil). Similar to the years ended 31 December 2024 and 31 December 2023, impairment allowance on the related party financial assets was assessed as immaterial as at 31 December 2025.

35. 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 risk)

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 35(b)(iii).

Risk management framework

The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the RMC which is responsible for developing and monitoring the Bank's risk management policies in specific areas. The RMC has both executive and/or non-executive members and report regularly to the Board on its activity.

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.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(a) Introduction and overview (continued)

Risk management framework (continued)

The Audit Committee of the Bank consists of three non-executive directors, excluding the Chairman of the Board. The Bank's Internal Auditors, GIA (Group Internal Auditors), report to the Audit Committee as well as to other Bank's senior management to consider and review the Bank's financial statements, the nature and scope of audit reviews, and the effectiveness of the systems of internal control and compliance. The Bank's external auditor, PricewaterhouseCoopers, reports to the shareholder.

The credit risk management framework of the Bank includes a RMM, which provides a holistic forum for oversight of the different aspects of risk management. The RMM at a minimum meets regularly 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 in corporate bonds. 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 corporate bonds 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 Group Chief Risk & Compliance Officer, has functional responsibility for the management of the HSBC Group'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, 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 the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit Committee. Each business unit has a Chief Risk & Compliance Officer / Chief Risk Officer who is responsible for the implementation of the 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.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management

(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 probability of default ('PD'), the attribution of the exposure at default ('EAD') and the loss given default ('LGD') values at facility level.

PD reflects the likelihood of obligor default within the next 12 months and is assigned to all corporate and other judgmentally assessed obligors, is 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 EAD and applied as a rating at facility level. The use of EAD and LGD ensures that the Bank complies with Group and local regulatory parameters to evaluate the severity of loss associated with judgmentally assessed credit exposures.

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. The five credit quality classifications defined below, each encompass a range of granular internal credit rating grades assigned to wholesale lending businesses and the external ratings attributed by external agencies to debt securities, as shown in the table below. The credit quality classifications for wholesale lending are unchanged and are based on internal credit risk ratings.

	Sovereign Debt securities and bills	Other Debt securities and bills	Wholesale lending	
	External credit rating		Internal credit rating	12-month Basel probability of default %
Credit quality classification				
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 and unrated	BB+ to B and 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

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit quality of financial instruments

	Gross carrying/nominal amount						
	Strong	Good	Satisfactory	Sub-standard	Total	Allowance for ECL	Net
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Loans and advances to customers at amortised cost	3,297	341,309	28,213	228	373,047	(273)	372,774
– corporate and commercial	-	201,979	6,164	228	208,371	(153)	208,218
– non-bank financial institutions	3,297	139,330	22,049	-	164,676	(120)	164,556
Loans and advances to banks at amortised cost	170,382	50,713	-	-	221,095	(11)	221,084
Other financial assets measured at amortised cost	664,237	30,162	1,099	-	695,498	-	695,498
– cash and cash equivalents	664,088	30,162	-	-	694,250	-	694,250
– reverse repurchase agreement - non trading	-	-	-	-	-	-	-
– accrued income and other assets	149	-	-	-	149	-	149
– other financial assets at amortised cost	-	-	1,099	-	1,099	-	1,099
Investment securities measured at FVOCI	987,907	-	-	-	987,907	(4)	987,903
Trading assets measured at FVPL	2	-	-	-	2	-	2
Total gross carrying amount on balance sheet	1,825,825	422,184	29,312	228	2,277,549	(288)	2,277,261
Loan and other credit related commitments	5,001	220,897	146,410	872	373,180	(51)	373,129
Financial guarantee and similar contracts	1,028	3,464	340	-	4,832	-	4,832
Total nominal amount off-balance sheet	6,029	224,361	146,750	872	378,012	(51)	377,961
At 31 December 2025	1,831,854	646,545	176,062	1,100	2,655,561	(339)	2,655,222

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit quality of financial instruments (continued)

2024	Gross carrying/nominal amount				Total USD'000	Allowance for ECL USD'000	Net USD'000
	Strong USD'000	Good USD'000	Satisfactory USD'000	Sub- standard USD'000			
Loans and advances to customers at amortised cost	2,038	514,338	75,177	766	592,319	(64)	592,255
– corporate and commercial	329	247,602	39,827	766	288,524	(61)	288,463
– non-bank financial institutions	1,709	266,736	35,350	-	303,795	(3)	303,792
Loans and advances to banks at amortised cost	347,980	5,000	-	-	352,980	(64)	352,916
Other financial assets measured at amortised cost	1,023,720	332	3,187	-	1,027,239	(2)	1,027,237
– cash and cash equivalents	819,788	-	-	-	819,788	-	819,788
– reverse repurchase agreement - non trading	201,742	-	-	-	201,742	-	201,742
– accrued income and other assets	2,190	332	-	-	2,522	-	2,522
– other financial assets at amortised cost	-	-	3,187	-	3,187	(2)	3,185
Investment securities measured at FVOCI	759,100	3,481	-	-	762,581	(4)	762,577
Total gross carrying amount on balance sheet	2,132,838	523,151	78,364	766	2,735,119	(134)	2,734,985
Loan and other credit related commitments	9,493	204,457	351,677	-	565,627	(25)	565,602
Financial guarantee and similar contracts	44,656	3,225	20,809	-	68,690	(2)	68,688
Total nominal amount off-balance sheet	54,149	207,682	372,486	-	634,317	(27)	634,290
At 31 December 2024	2,186,987	730,833	450,850	766	3,369,436	(161)	3,369,275

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit quality of financial instruments (continued)

2023

	Gross carrying/nominal amount						Net
	Strong	Good	Satisfactory	Sub-standard	Total	Allowance for ECL	
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Loans and advances to customers at amortised cost	9,124	623,231	273,457	1,486	907,298	(465)	906,833
– corporate and commercial	9,124	575,528	268,949	1,486	855,087	(381)	854,706
– non-bank financial institutions	-	47,703	4,508	-	52,211	(84)	52,127
Loans and advances to banks at amortised cost	193,648	25,548	18,022	-	237,218	(58)	237,160
Other financial assets measured at amortised cost	1,594,100	11,643	74	-	1,605,817	(8)	1,605,809
– cash and cash equivalents	1,243,288	-	-	-	1,243,288	-	1,243,288
– reverse repurchase agreement - non trading	188,646	-	-	-	188,646	-	188,646
– accrued income and other assets	2,294	1,433	74	-	3,801	-	3,801
– other financial assets at amortised cost	159,872	10,210	-	-	170,082	(8)	170,074
Investment securities measured at FVOCI	630,253	3,703	-	-	633,956	(3)	633,953
Total gross carrying amount on balance sheet	2,427,125	664,125	291,553	1,486	3,384,289	(534)	3,383,755
Loan and other credit related commitments	20,698	263,063	111,262	-	395,023	(22)	395,001
Financial guarantee and similar contracts	45,153	10,628	26,276	1,998	84,055	-	84,055
Total nominal amount off-balance sheet	65,851	273,691	137,538	1,998	479,078	(22)	479,056
At 31 December 2023	2,492,976	937,816	429,091	3,484	3,863,367	(556)	3,862,811

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit risk measurement and analysis

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.

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

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below.

Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

Quantitative criteria:

Exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2.

Wholesale

CRR at origination	Increase in lifetime PD at the end of the reporting period which is considered significant
CRR 0.1 – 1.2	15bps
CRR 2.1 – 3.3	30bps
Greater than CRR 3.3 and not impaired	2 times

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit risk measurement and analysis (continued)

Significant increase in credit risk (SICR) (continued)

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

Qualitative criteria:

For Wholesale and Treasury portfolios, if the borrower is classified as Watch or Worry and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans

The assessment of SICR incorporates forward-looking information (refer to note 35(b)(vi) for further information). In relation to Wholesale and Treasury financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the customer level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Credit Risk team.

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 the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(b) ***Credit risk (continued)***

(iii) Credit risk measurement and analysis (continued)

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.

Write-off policy

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no reasonable expectation 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. The Bank is complying with BoM *Guideline on Classification, Provisioning and Write-off of Credit Exposures*.

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 lien on Land & Buildings, deposit and securities 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.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

In general, the Bank calculates ECL using three main components, a probability of default ('PD'), a loss given default ('LGD'), and the exposure at default ('EAD'). The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis using the lifetime PD instead. 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 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.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit risk measurement and analysis (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

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:

- 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.

The Large Corporate ("LC") Model was implemented in Q2'2025 and is used for calculation of Expected Credit Losses for customers meeting the definition of "Large Corporate". The new LC model is calibrated on global LC default history (which could be different from local default experience but also expected to be more robust due to more defaults on average) and then individual portfolio risks are still reflected through Macro Economic Variables ("MEVs") and Customer Risk Ratings ("CRRs").

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.

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.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit risk measurement and analysis (continued)

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.

	Gross carrying/ nominal amount USD'000 2025	Allowance for ECL USD'000 2025	Gross carrying/ nominal amount USD'000 2024	Allowance for ECL USD'000 2024	Gross carrying/ nominal amount USD'000 2023	Allowance for ECL USD'000 2023
Loans and advances to customers at amortised cost:	373,047	(273)	592,319	(64)	907,298	(465)
- Corporate and Commercial	208,371	(153)	288,524	(61)	855,087	(381)
- Non-bank financial institutions	164,676	(120)	303,795	(3)	52,211	(84)
Loans and advances to banks at amortised cost:	221,095	(11)	352,980	(64)	237,218	(58)
Other financial assets at amortised costs:	695,498	-	1,027,239	(2)	1,605,817	(8)
- cash and cash equivalents	694,250	-	819,788	-	1,243,288	-
- reverse repurchase agreement - non trading	-	-	201,742	-	188,646	-
- accrued income and other assets	149	-	2,522	-	3,801	-
- other financial assets at amortised cost	1,099	-	3,187	(2)	170,082	(8)
Total gross carrying amount on balance sheet	1,289,640	(284)	1,972,538	(130)	2,750,333	(531)
Loan and other credit related commitments	373,180	(51)	565,627	(25)	395,023	(22)
Financial guarantee and similar contracts	4,832	-	68,690	(2)	84,055	-
Total nominal amount off-balance sheet	378,012	(51)	634,317	(27)	479,078	(22)
At 31 December	1,667,652	(335)	2,606,855	(157)	3,229,411	(553)
At 31 December Investment securities measured at FVOCI (Stage 1)	987,907	(4)	762,581	(4)	633,956	(3)

The following tables analyse loans by industry sector which represents the concentration of exposures in which credit risks are managed.

HSBC Bank (Mauritius) Limited

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

35. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(iii) Credit risk measurement and analysis (continued)

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	Total Gross carrying/ notional amount	Stage 1	Stage 2	Total Allowance/ provision for ECL	Stage 1	Stage 2	Total ECL coverage %
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000			
Loans and advances to customers at amortised cost:	275,575	97,472	373,047	(202)	(71)	(273)	0.1%	0.1%	0.1%
- Corporate and Commercial	110,899	97,472	208,371	(82)	(71)	(153)	0.1%	0.1%	0.1%
- Non-bank financial institutions	164,676	-	164,676	(120)	-	(120)	0.1%	0.0%	0.1%
Loans and advances to banks at amortised cost:	221,095	-	221,095	(11)	-	(11)	0.0%	0.0%	0.0%
Other financial assets measured at amortised cost	694,399	1,099	695,498	-	-	-	0.0%	0.0%	0.0%
Loan and other credit related commitments:	362,556	10,624	373,180	(50)	(1)	(51)	0.0%	0.0%	0.0%
- Corporate and Commercial	181,932	10,624	192,556	(27)	(1)	(28)	0.0%	0.0%	0.0%
- Financial	180,624	-	180,624	(23)	-	(23)	0.0%	0.0%	0.0%
Financial guarantee and similar contracts	4,493	339	4,832	-	-	-	0.0%	0.0%	0.0%
- Corporate and Commercial	3,449	339	3,788	-	-	-	0.0%	0.0%	0.0%
- Financial	1,044	-	1,044	-	-	-	0.0%	0.0%	0.0%
At 31 December	1,558,118	109,534	1,667,652	(263)	(72)	(335)	0.0%	0.1%	0.0%

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due ('DPD') and are transferred from stage 1 to stage 2. The disclosure below presents the ageing of stage 2 loans and advances to customers by those less than 30 and greater than 30 days past due and therefore presents those amounts classified as stage 2 due to ageing (30 days past due) and those identified at an earlier stage (less than 30 days past due).

Stage 2 days past due analysis for loans and advances to customers at 31 December 2025:

	Gross carry amount			Allowance for ECL			ECL coverage %		
	Stage 2	Of which : 1 to 29 DPD	Of which : 30 to > DPD	Stage 2	Of which : 1 to 29 DPD	Of which : 30 to > DPD	Stage 2	Of which : 1 to 29 DPD	Of which : 30 to > DPD
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	%	%	%
Loans and advances to customers at amortised cost:									
- Corporate and Commercial	97,472	-	97,472	(71)	-	(71)	0.1%	0.0%	0.1%
- Non-bank financial institutions	-	-	-	-	-	-	0.0%	0.0%	0.0%

HSBC Bank (Mauritius) Limited

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

35. Financial Risk Management (continued)

(b) **Credit risk (continued)**

(iii) Credit risk measurement and analysis (continued)

Summary of credit risk (continued)

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector (continued)

2024	Stage 1	Stage 2	Total Gross carrying/ notional amount	Stage 1	Stage 2	Total Allowance/ provision for ECL	Stage 1	Stage 2	Total ECL coverage %
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000			
Loans and advances to customers at amortised cost:	550,964	41,355	592,319	(52)	(12)	(64)	0.0%	0.0%	0.0%
- Corporate and Commercial	247,169	41,355	288,524	(49)	(12)	(61)	0.0%	0.0%	0.0%
- Non-bank financial institutions	303,795	-	303,795	(3)	-	(3)	0.0%	0.0%	0.0%
Loans and advances to banks at amortised cost:	347,980	5,000	352,980	(41)	(23)	(64)	0.0%	0.0%	0.0%
Other financial assets measured at amortised cost	1,026,088	1,151	1,027,239	(2)	-	(2)	0.0%	0.0%	0.0%
Loan and other credit related commitments:	497,121	68,506	565,627	(25)	-	(25)	0.0%	0.0%	0.0%
- Corporate and Commercial	386,098	68,506	454,604	(25)	-	(25)	0.0%	0.0%	0.0%
- Financial	111,023	-	111,023	-	-	-	0.0%	0.0%	0.0%
Financial guarantee and similar contracts	68,690	-	68,690	(2)	-	(2)	0.0%	0.0%	0.0%
- Corporate and Commercial	68,690	-	68,690	(2)	-	(2)	0.0%	0.0%	0.0%
- Financial	-	-	-	-	-	-	0.0%	0.0%	0.0%
At 31 December	2,490,843	116,012	2,606,855	(122)	(35)	(157)	0.0%	0.0%	0.0%

Stage 2 days past due analysis for loans and advances to customers at 31 December 2024:

	Gross carry amount			Allowance for ECL			ECL coverage %		
	Stage 2	Of which : 1 to 29 DPD	Of which : 30 to > DPD	Stage 2	Of which : 1 to 29 DPD	Of which : 30 to > DPD	Stage 2	Of which : 1 to 29 DPD	Of which : 30 to > DPD
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	%	%	%
Loans and advances to customers at amortised cost:	41,355	-	-	(12)	-	-	0.0%	0.0%	0.0%
- Corporate and Commercial	41,355	-	-	(12)	-	-	0.0%	0.0%	0.0%
- Non-bank financial institutions	-	-	-	-	-	-	0.0%	0.0%	0.0%
2023	Gross carrying/ notional amount			Allowance/ provision for ECL			ECL coverage %		
	Stage 1	Stage 2	Total Gross carrying/ notional amount	Stage 1	Stage 2	Total Allowance/ provision for ECL	Stage 1	Stage 2	Total ECL coverage %
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000			
Loans and advances to customers at amortised cost:	592,301	314,997	907,298	(70)	(395)	(465)	0.0%	0.0%	0.0%
- Corporate and Commercial	540,090	314,997	855,087	(56)	(325)	(381)	0.0%	0.0%	0.0%
- Non-bank financial institutions	52,211	-	52,211	(14)	(70)	(84)	0.0%	0.0%	0.0%
Loans and advances to banks at amortised cost:	237,218	-	237,218	(58)	-	(58)	0.0%	0.0%	0.0%
Other financial assets measured at amortised cost	1,597,586	8,231	1,605,817	(8)	-	(8)	0.0%	0.0%	0.0%
Loan and other credit related commitments:	395,023	-	395,023	(22)	-	(22)	0.0%	0.0%	0.0%
- Corporate and Commercial	252,758	-	252,758	(22)	-	(22)	0.0%	0.0%	0.0%
- Financial	142,265	-	142,265	-	-	-	0.0%	0.0%	0.0%
Financial guarantee and similar contracts	83,987	67	84,054	-	-	-	0.0%	0.0%	0.0%
- Corporate and Commercial	81,972	57	82,029	-	-	-	0.0%	0.0%	0.0%
- Financial	2,015	10	2,025	-	-	-	0.0%	0.0%	0.0%
At 31 December	2,906,115	323,295	3,229,410	(158)	(395)	(553)	0.0%	0.0%	0.0%

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit risk measurement and analysis (continued)

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector (continued)

Stage 2 days past due analysis for loans and advances to customers at 31 December 2023:

	Gross carry amount			Allowance for ECL			ECL coverage %		
	Stage 2	Of which : 1 to 29 DPD	Of which : 30 to > DPD	Stage 2	Of which : 1 to 29 DPD	Of which : 30 to > DPD	Stage 2	Of which : 1 to 29 DPD	Of which : 30 to > DPD
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	%	%	%
Loans and advances to customers at amortised cost:									
- Corporate and Commercial	314,997	-	-	(325)	-	-	0.0%	0.0%	0.0%
- Non-bank financial institutions	-	-	-	(70)	-	-	0.0%	0.0%	0.0%

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(f)(vi)).

2025

	Non-credit impaired				Total	
	Stage 1		Stage 2		Gross carrying/ nominal amount	Allowance for ECL
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL		
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
At 01 January 2025	2,490,843	(122)	116,012	(35)	2,606,855	(157)
Transfers of financial instruments:	(231,923)	41	231,923	(33)	-	8
- transfers from stage 1 to stage 2	(289,477)	105	289,477	(97)	-	8
- transfers from stage 2 to stage 1	57,554	(64)	(57,554)	64	-	-
Net remeasurement of ECL arising from transfer of stage	-	18	-	(75)	-	(57)
Net new and further lending/repayments	408,864	(88)	-	-	408,864	(88)
Changes in risk parameters - credit quality	(380,889)	(115)	(132,847)	65	(513,736)	(50)
Asset derecognised (including final repayment)	(728,777)	4	(105,554)	6	(834,331)	10
At 31 December 2025	1,558,118	(262)	109,534	(72)	1,667,652	(334)
ECL charge for the year	-	(140)	-	(37)	-	(177)
Total change in ECL for the year	-	-	-	-	-	(177)

HSBC Bank (Mauritius) Limited

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

35. Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit risk measurement and analysis (continued)

	Non-credit impaired					
	Stage 1		Stage 2		Total	
	Gross carrying/nominal amount USD'000	Allowance for ECL USD'000	Gross carrying/nominal amount USD'000	Allowance for ECL USD'000	Gross carrying/nominal amount USD'000	Allowance for ECL USD'000
At 01 January 2024	2,906,115	(158)	323,296	(395)	3,229,411	(553)
Transfers of financial instruments:	(63,732)	17	63,732	(14)	-	3
- transfers from stage 1 to stage 2	(99,249)	17	99,249	(14)	-	3
- transfers from stage 2 to stage 1	35,517	-	(35,517)	-	-	-
Net remeasurement of ECL arising from transfer of stage	-	-	-	(18)	-	(18)
Net new and further lending/repayments	320,853	(23)	-	-	320,853	(23)
Changes in risk parameters - credit quality	(236,087)	32	(224,670)	391	(460,757)	423
Asset derecognised (including final repayment)	(436,306)	9	(46,346)	1	(482,652)	10
At 31 December 2024	2,490,843	(123)	116,012	(35)	2,606,855	(158)
ECL release for the year	-	35	-	360	-	395
Total change in ECL for the year	-	-	-	-	-	395

	Non-credit impaired					
	Stage 1		Stage 2		Total	
	Gross carrying/nominal amount USD'000	Allowance for ECL USD'000	Gross carrying/nominal amount USD'000	Allowance for ECL USD'000	Gross carrying/nominal amount USD'000	Allowance for ECL USD'000
At 01 January 2024	3,249,509	(362)	127,608	(714)	3,377,117	(1,076)
Transfers of financial instruments:	3,177	(227)	(3,177)	227	-	-
- transfers from stage 1 to stage 2	(35,442)	-	35,442	-	-	-
- transfers from stage 2 to stage 1	38,619	(227)	(38,619)	227	-	-
Net remeasurement of ECL arising from	-	28	-	-	-	28
Net new and further lending/repayments	(49,396)	(52)	232,628	(104)	183,232	(156)
Changes in risk parameters - credit quality	-	373	-	195	-	568
Asset derecognised (including final repayment)	(297,175)	82	(33,763)	1	(330,938)	83
At 31 December 2024	2,906,115	(158)	323,296	(395)	3,229,411	(553)
ECL release for the year	-	204	-	319	-	523
Total change in ECL for the year	-	-	-	-	-	523

(iv) Credit exposure

Maximum exposure

Our 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 we would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments, it is generally the full amount of the committed facilities.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Credit exposure (continued)

	Note	2025 USD'000	2024 USD'000	2023 USD'000
Cash and cash equivalents	(A)	694,250	819,788	1,243,288
Trading assets	(B)	2	2	260
Loans and advances to banks	(C)	221,084	352,916	237,160
Loans and advances to customers	(C)	372,774	592,255	906,833
Reverse repurchase agreement - non trading	(D)	-	201,742	188,646
Investment securities	(E)	989,006	765,762	804,027
Other assets	(F)	149	2,522	3,801
Financial guarantees and other credit-related contingent liabilities	(G)	4,832	68,688	84,055
Loan and other credit-related commitments	(H)	373,129	565,602	395,001
		2,655,226	3,369,277	3,863,071

Total exposure to credit risk changed in 2025 with loans and advances being the largest element as compared to previous year where cash and cash equivalents were the largest.

(A) Cash and cash equivalents

The Bank held cash and cash equivalents of USD0.7bn at 31 December 2025 (2024: USD0.8bn, 2023: USD1.2bn) which represent its maximum credit exposure on these assets. The cash and cash equivalents are held mainly with Group's companies and BoM.

(B) Trading assets

The Bank held trading assets of USD2k as at 31 December 2025 (2024: USD2k, 2023: USD260k). An analysis of the credit quality of the maximum credit exposure is as follows:

	Note	2025 USD'000	2024 USD'000	2023 USD'000
Derivatives assets (Bank counterparties)	18	2	2	260

The derivative assets are held mainly with other Group's companies.

(C) Loans & advances neither past due nor impaired

The table below set out information about the credit quality of financial assets:

	Loans and advances to customers			Loans to banks		
	2025 USD'000	2024 USD'000	2023 USD'000	2025 USD'000	2024 USD'000	2023 USD'000
Neither past due nor impaired	373,047	592,319	907,298	221,095	352,980	237,218
Gross	373,047	592,319	907,298	221,095	352,980	237,218
Less: allowance for impairment	(273)	(64)	(465)	(11)	(64)	(58)
Net	372,774	592,255	906,833	221,084	352,916	237,160

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Credit exposure (continued)

(C) Loans & advances neither past due nor impaired (continued)

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.

Credit quality classification	IRB	Loans and advances to customers			Loans to banks		
		2025 USD'000	2024 USD'000	2023 USD'000	2025 USD'000	2024 USD'000	2023 USD'000
Strong	CRR 1	3,297	2,038	964	147,015	257,403	142,794
	CRR 2	-	-	8,160	23,367	90,513	50,796
Good	CRR 3	341,309	514,354	623,232	50,713	5,000	25,548
Satisfactory	CRR 4	27,884	45,171	237,493	-	-	-
	CRR 5	329	29,997	35,964	-	-	18,022
Sub - standard	CRR 6	228	-	11	-	-	-
	CRR 7	-	-	-	-	-	-
	CRR 8	-	759	1,474	-	-	-
Total		373,047	592,319	907,298	221,095	352,916	237,160

(D) Reverse repurchase agreement - non trading

Reverse repurchase agreement was nil as at 31 December 2025 (2024: USD201.7m, 2023: USD188.6m).

(E) Investment securities

Investment securities at FVOCI of USD987.9m (2024: USD762.6m, 2023: USD634.0m) represents investment in US Government Treasury Bills and Government of Mauritius Treasury Bills which are held for liquidity and investment purposes. Investment securities at amortised cost of USD1.1m (2024: USD3.2m, 2023: USD170.1m) represents investment in corporate bonds.

(F) Other assets

Other assets comprised mainly accrued income as at 31 December 2025.

(G) Financial guarantees

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.

(H) Loan commitments

As at 31 December 2025, the Bank held USD373.1m (2024: USD565.6m, 2023: USD395.0m) as undrawn credit facilities with corporate customers CRR 6 or below.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(b) Credit risk (continued)

(v) Concentration of exposure

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the end of the reporting period is shown below:

2025 (USD '000)		Sovereign	Corporate	Bank	Others	Total
Cash and cash equivalents	16	30,162	-	664,088	-	694,250
Trading assets	18	-	-	2	-	2
Loans and advances to banks	19	-	-	221,095	-	221,095
Loans and advances to customers	20	-	373,047	-	-	373,047
Investment securities	21	987,907	1,099	-	-	989,006
Other assets	22	-	-	-	149	149
As at 31 December 2025		1,018,069	374,146	885,185	149	2,277,549
Financial guarantees and other credit related contingencies	31	-	3,788	1,044	-	4,832
Undrawn Commitments	32	-	373,180	-	-	373,180
		-	376,968	1,044	-	378,012
2024 (USD '000)						
Cash and cash equivalents	16	16,230	-	803,558	-	819,788
Trading assets	18	-	-	2	-	2
Loans and advances to banks	19	-	-	352,980	-	352,980
Loans and advances to customers	20	-	592,319	-	-	592,319
Reverse repurchase agreement - non trading	17	-	-	201,742	-	201,742
Investment securities	21	762,579	3,185	-	-	765,764
Other assets	22	332	-	-	2,190	2,522
As at 31 December 2024		779,141	595,504	1,358,282	2,190	2,735,117
Financial guarantees and other credit related contingencies	31	-	67,526	1,164	-	68,690
Undrawn Commitments	32	-	454,604	111,023	-	565,627
		-	522,130	112,187	-	634,317
2023 (USD '000)						
Cash and cash equivalents	16	16,608	-	1,226,680	-	1,243,288
Trading assets	18	-	-	260	-	260
Loans and advances to banks	19	-	-	237,218	-	237,218
Loans and advances to customers	20	-	907,298	-	-	907,298
Reverse repurchase agreement - non trading	17	-	-	188,646	-	188,646
Investment securities	21	767,150	36,885	-	-	804,035
Other assets	22	1,433	-	-	2,368	3,801
As at 31 December 2024		785,191	944,183	1,652,804	2,368	3,384,546
Financial guarantees and other credit related contingencies	31	-	83,055	1,000	-	84,055
Undrawn Commitments	32	-	395,023	-	-	395,023
		-	478,078	1,000	-	479,078

*Inclusive of non-bank financial institutions

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(b) Credit risk (continued)

(v) Concentration of exposure (continued)

Concentration by location for loans and advances is measured based on the location of the borrower.

2025 (USD '000)		Notes	North America	Europe	India	Other Asia Pacific	Middle East and Africa	Others	Total
Cash and cash equivalents	16		113,081	33,510	74	487,556	60,015	14	694,250
Trading assets	18		-	-	-	2	-	-	2
Loans and advances to banks	19		-	15,112	-	80,987	124,996	-	221,095
Loans and advances to customers	20		-	18,503	89,799	8,783	225,896	30,066	373,047
Investment securities	21		984,366	-	-	-	4,640	-	989,006
Other assets	22		-	-	-	-	149	-	149
			1,097,447	67,125	89,873	577,328	415,696	30,080	2,277,549
Financial guarantees and other credit-related contingent liabilities	31		-	501	322	240	3,769	-	4,832
Loan commitments	32		-	4,132	-	-	349,048	20,000	373,180
			-	4,633	322	240	352,817	20,000	358,012
2024 (USD '000)									
Cash and cash equivalents	16		25,701	55,074	62	712,091	26,819	41	819,788
Trading assets	18		-	-	-	2	-	-	2
Loans and advances to banks	19		-	12,044	-	279,751	61,185	-	352,980
Loans and advances to customers	20		-	27,777	111,216	12,129	441,197	-	592,319
Reverse repurchase agreement - non trading	17		-	-	-	201,742	-	-	201,742
Investment securities	21		759,100	-	-	-	6,664	-	765,764
Other assets	22		-	-	2,075	-	447	-	2,522
			784,801	94,895	113,353	1,205,715	536,312	41	2,735,117
Financial guarantees and other credit-related contingent liabilities	31		-	250	947	64,071	3,422	-	68,690
Loan commitments	32		50,000	6,058	-	173,038	336,531	-	565,627
			50,000	6,308	947	237,109	339,953	-	634,317
2023 (USD '000)									
Cash and cash equivalents	16		4,280	12,744	57	1,204,877	21,330	-	1,243,288
Trading assets	18		-	260	-	-	-	-	260
Loans and advances to banks	19		-	-	-	211,154	25,154	910	237,218
Loans and advances to customers	20		-	52,104	309,870	230,146	315,178	-	907,298
Reverse repurchase agreement - non trading	17		-	-	-	188,646	-	-	188,646
Investment securities	21		790,141	-	-	-	13,894	-	804,035
Other assets	22		-	-	2,139	-	1,662	-	3,801
			794,421	65,108	312,066	1,834,823	377,218	910	3,384,546
Financial guarantees and other credit-related contingent liabilities	31		-	-	841	75,709	5,507	1,998	84,055
Loan commitments	32		-	10,168	21,088	158,335	205,432	-	395,023
			-	10,168	21,929	234,044	210,939	1,998	479,078

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(b) Credit risk (continued)

(vi) Measurement uncertainty and sensitivity analysis of ECL estimates

Methodology

At 31 December 2025, four economic scenarios were used to capture the latest economic expectations and to articulate management's view of the range of risks and potential outcomes. Scenarios are created using the latest economic forecasts and distributional estimates, each quarter.

Three scenarios, the Upside, Central and Downside are drawn from external consensus forecasts, market data and distributional estimates of the entire range of economic outcomes. Consensus and market estimates are then used as conditioning assumptions in a modelled expansion of other variables. The fourth scenario, Downside 2, represents management's view of severe downside risks.

The consensus Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting. The consensus outer scenarios represent short-term cyclical deviations from the Central scenario, where variable paths converge back to long-term trend expectations. They are calibrated to a 10% probability.

The Downside 2 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 variables move permanently away from past trends. It is calibrated to a 5% probability.

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.

Scenario weightings are calibrated to probabilities that are determined with reference to consensus forecast probability distributions. Management may then choose to vary weights if they assess that the calibration lags more recent events or does not reflect their view of the distribution of economic and geopolitical risk. Management's view of the scenarios and probability distribution takes into consideration the relationship of the consensus scenarios to both internal and external assessments of risk.

In the fourth quarter of 2025, forecast and distributional estimates were assessed to have incorporated available information around tariffs and policy uncertainties and no major events had occurred since scenario production that changed the outlook materially. Forecast dispersion, financial market volatility and other measures of uncertainty remained close to their long-term average.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(b) Credit risk (continued)

(vi) Measurement uncertainty and sensitivity analysis of ECL estimates (continued)

Critical accounting estimates and judgements

The calculation of ECL under IFRS 9 involved significant judgements, assumptions and estimates at 31 December 2025. These included:

- 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.

(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.

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(c) ***Liquidity risk (continued)***

(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.

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 388.7% (2024: 345.2%, 2023: 274.1%) against a set regulatory limit of 100% (2024 and 2023: 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 235.8% as at 31 December 2025 (2024: 203.3%) 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.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(c) **Liquidity risk (continued)**

(iii) Maturity analysis for financial assets and financial liabilities (continued)

		Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
2025	Note	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<i>Non-derivative liabilities</i>							
Deposits from customers	25	(1,784,731)	(184,566)	(8,193)	-	-	(1,977,490)
Other borrowed funds	26	-	(3,505)	(4,790)	(3,495)	-	(11,790)
Other liabilities		(1,755)	(27)	(126)	(401)	(196)	(2,505)
- Of which lease liabilities		(12)	(27)	(126)	(401)	(196)	(762)
		(1,786,486)	(188,098)	(13,109)	(3,896)	(196)	(1,991,785)
<i>Derivative liabilities</i>							
<i>Trading:</i>							
Outflow		(1,310)	-	-	-	-	(1,310)
Inflow		1,306	-	-	-	-	1,306
		(4)	-	-	-	-	(4)
Loan commitments		-	(85,743)	(287,386)	-	-	(373,129)
Financial guarantees and other credit related contingencies		(172)	(350)	(892)	(3,418)	-	(4,832)
<i>Non-derivative assets</i>							
Cash and cash equivalents	16	694,250	-	-	-	-	694,250
Loans and advances to banks	19	84,034	65,825	20,319	50,917	-	221,095
Loans and advances to customers	20	140,000	21,451	132,843	78,753	-	373,047
Investment securities	21	99,856	274,515	497,829	116,802	-	989,002
Other assets		149	-	-	-	-	149
		1,018,289	361,791	650,991	246,472	-	2,277,543
<i>Derivative assets</i>							
<i>Trading:</i>							
Outflow		(46,940)	-	-	-	-	(46,940)
Inflow		46,942	-	-	-	-	46,942
		2	-	-	-	-	2
Net liquidity gap		(768,371)	87,600	349,604	239,158	(196)	(92,205)

Other liabilities and other assets include only financial liabilities and financial assets respectively.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(c) Liquidity risk (continued)

(iii) Maturity analysis for financial assets and financial liabilities (continued)

		Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<u>2024</u>							
<i>Non-derivative liabilities</i>							
Deposits from customers	25	(2,019,011)	(246,470)	(85,052)	-	-	(2,350,533)
Other borrowed funds	26	(21,060)	(2,203)	(1,431)	(7,687)	-	(32,381)
Other liabilities		(3,027)	(24)	(94)	(462)	(283)	(3,890)
- Of which lease liabilities		(12)	(24)	(94)	(462)	(283)	(875)
		<u>(2,043,098)</u>	<u>(248,697)</u>	<u>(86,577)</u>	<u>(8,149)</u>	<u>(283)</u>	<u>(2,386,804)</u>
<i>Derivative liabilities</i>							
	18						
<i>Trading:</i>							
Outflow		(62,563)	-	(355)	-	-	(62,918)
Inflow		62,503	-	351	-	-	62,854
		<u>(60)</u>	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>(64)</u>
Loan commitments		<u>(71,941)</u>	<u>(81,525)</u>	<u>(412,161)</u>	<u>-</u>	<u>-</u>	<u>(565,627)</u>
Financial guarantees and other credit related contingencies		(43)	(542)	(65,238)	(2,867)	-	(68,690)
<i>Non-derivative assets</i>							
Cash and cash equivalents	16	819,788	-	-	-	-	819,788
Loans and advances to banks	19	-	151,084	120,595	81,301	-	352,980
Loans and advances to customers	20	278,852	119,201	39,421	154,845	-	592,319
Reverse repurchase agreement - non trading	17	201,742	-	-	-	-	201,742
Investment securities	21	-	398,647	366,055	1,062	-	765,764
Other assets		2,475	35	12	-	-	2,522
		<u>1,302,857</u>	<u>668,967</u>	<u>526,083</u>	<u>237,208</u>	<u>-</u>	<u>2,735,115</u>
<i>Derivative assets</i>							
	18						
<i>Trading:</i>							
Outflow		(199)	-	-	-	-	(199)
Inflow		201	-	-	-	-	201
		<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Net liquidity gap		<u>(812,283)</u>	<u>338,203</u>	<u>(37,897)</u>	<u>226,192</u>	<u>(283)</u>	<u>(286,068)</u>

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(c) *Liquidity risk (continued)*

(iii) Maturity analysis for financial assets and financial liabilities (continued)

		Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
2023							
<i>Non-derivative liabilities</i>							
Deposits from customers	25	(2,222,531)	(260,233)	(163,608)	-	-	(2,646,372)
Other borrowed funds	26	(39,825)	(2,349)	(36,154)	(303,168)	-	(381,496)
Other liabilities		(4,192)	(181)	(268)	(120)	-	(4,761)
- Of which lease liabilities		(45)	(181)	(268)	(120)	-	(614)
		<u>(2,266,548)</u>	<u>(262,763)</u>	<u>(200,030)</u>	<u>(303,288)</u>	<u>-</u>	<u>(3,032,629)</u>
<i>Derivative liabilities</i>							
	18						
<i>Trading:</i>							
Outflow		(438)	-	(360)	-	-	(798)
Inflow		434	-	357	-	-	791
		<u>(4)</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>(7)</u>
Loan commitments		-	(26,378)	(367,645)	(1,000)	-	(395,023)
Financial guarantees and other credit related contingencies		-	(2,083)	(1,049)	(80,224)	(699)	(84,055)
<i>Non-derivative assets</i>							
Cash and cash equivalents	16	1,243,288	-	-	-	-	1,243,288
Loans and advances to banks	18	74	50,052	61,207	125,885	-	237,218
Loans and advances to customers	19	205,724	214,092	143,762	343,720	-	907,298
Reverse repurchase agreement - non trading	17	188,646	-	-	-	-	188,646
Investment securities	20	-	413,435	389,466	1,134	-	804,035
Other assets		3,572	141	88	-	-	3,801
		<u>1,641,304</u>	<u>677,720</u>	<u>594,523</u>	<u>470,739</u>	<u>-</u>	<u>3,384,286</u>
<i>Derivative assets</i>							
	18						
<i>Trading:</i>							
Outflow		(110,530)	-	-	-	-	(110,530)
Inflow		110,790	-	-	-	-	110,790
		<u>260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260</u>
Net liquidity gap		<u>(624,988)</u>	<u>386,496</u>	<u>25,796</u>	<u>86,227</u>	<u>(699)</u>	<u>(127,168)</u>

(d) **Market risks**

Market risk is the risk that changes in market prices, such as interest rates, 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.

(i) Management of market risks

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are held by the Markets & Securities Services 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 Markets & Securities Services. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(d) *Market risks (continued)*

(i) Management of market risks (continued)

Overall authority for market risk is vested in RMM. The 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

There are a range of tools used to monitor and limit market risk exposures including sensitivity analysis, Value at Risk (“VaR”) and stress testing. The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) 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 one-day holding period. 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 CRCO and CEO. VaR limits are allocated to trading portfolios.

The Bank 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.

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.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. 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 at year end is as follows:

<i>In USD Million</i>	31-Dec	Average	Maximum	Minimum
2025				
Foreign currency risk	173	154	257	84
Interest rate risk (PVBP)	0.129	0.043	0.202	0.004
2024				
Foreign currency risk	200	176	346	90
Interest rate risk (PVBP)	0.103	0.059	0.302	0.018
2023				
Foreign currency risk	162	110	287	26
Interest rate risk (PVBP)	0.302	0.068	0.405	0.001

(iii) Exposure to interest rate 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 re-pricing bands. The ALCO is the monitoring body for compliance with these limits. Aggregate non-trading interest rate risk positions are managed by Market Treasury, which uses investment securities, loans and advances to banks, deposits from customers and other borrowed funds to manage the positions.

A summary of the Bank's interest rate gap position on non-trading portfolios is shown below.

	Notes	Carrying amount	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non-interest bearing
		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
2025								
Cash and cash equivalents	16	694,250	619,692	-	-	-	-	74,558
Loans and advances to banks	19	221,095	200,776	-	20,319	-	-	-
Loans and advances to customers	20	373,047	277,080	39,042	2,493	54,432	-	-
Investment securities	21	989,006	376,525	421,378	74,296	116,807	-	-
Other assets	22	149	-	-	-	-	-	149
		2,277,547	1,474,073	460,420	97,108	171,239	-	74,707
Deposits from customers	25	(1,974,835)	(1,966,763)	(6,760)	(1,312)	-	-	-
Other borrowed funds	26	(11,433)	(6,734)	(4,699)	-	-	-	-
Other liabilities	27	(2,304)	(35)	(36)	(36)	(351)	(99)	(1,747)
		(1,988,572)	(1,973,532)	(11,495)	(1,348)	(351)	(99)	(1,747)
Interest sensitivity gap		288,975	(499,459)	448,925	95,760	170,888	(99)	72,960

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(d) Market risks (continued)

(iii) Exposure to interest rate risks – non trading portfolios (continued)

	Notes	Carrying amount	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non-interest bearing
		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
2024								
Cash and cash equivalents	16	819,788	776,266	-	-	-	-	43,522
Loans and advances to banks	19	352,980	322,490	20,052	-	10,438	-	-
Loans and advances to customers	20	592,319	572,131	330	523	19,335	-	-
Reverse repurchase agreement - non trading	17	201,742	201,742	-	-	-	-	-
Investment securities	21	765,765	398,647	228,394	137,662	1,062	-	-
Other assets	22	2,522	-	-	-	-	-	2,522
		2,735,116	2,271,276	248,776	138,185	30,835	-	46,044
Deposits from customers	25	(2,347,401)	(2,263,551)	(74,978)	(8,872)	-	-	-
Other borrowed funds	26	(31,981)	(23,164)	(1,381)	-	(7,436)	-	-
Other liabilities	27	(3,890)	(32)	(25)	(51)	(384)	(175)	(3,223)
		(2,383,272)	(2,286,747)	(76,384)	(8,923)	(7,820)	(175)	(3,223)
Interest sensitivity gap		351,844	(15,471)	172,392	129,262	23,015	(175)	42,821
2023								
Cash and cash equivalents	16	1,243,288	1,166,564	-	-	-	-	76,724
Loans and advances to banks	19	237,218	50,125	187,093	-	-	-	-
Loans and advances to customers	20	907,298	555,066	231,251	76,957	44,024	-	-
Reverse repurchase agreement - non trading	17	188,646	188,646	-	-	-	-	-
Investment securities	21	804,035	413,282	361,384	28,236	1,133	-	-
Other assets	22	3,801	-	-	-	-	-	3,801
		3,384,286	2,373,683	779,728	105,193	45,157	-	80,525
Deposits from customers	25	(2,639,336)	(2,480,899)	(54,754)	(103,683)	-	-	-
Other borrowed funds	26	(379,564)	(7,262)	(26,732)	(9,077)	(301,674)	-	(34,819)
Other liabilities	27	(4,761)	(226)	(134)	(134)	(120)	-	(4,147)
		(3,023,661)	(2,488,387)	(81,620)	(112,894)	(301,794)	-	(38,966)
Interest sensitivity gap		360,625	(114,704)	698,108	(7,701)	(256,637)	-	41,559

(iv) Exposure to currency risks

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank's main operations are in US Dollar, Pound Sterling, Euro, Japanese Yen and Indian Rupee. As the currency in which the Bank presents its financial statements is the US Dollar, the Bank's financial statements are affected by movements in the exchange rates between these currencies and the US Dollar. The net open foreign exchange position was as follows:

	2025 USD'000	2024 USD'000	2023 USD'000
Pound Sterling	5	-	-
Euro	6	10	60
Japanese yen	7	10	-
Indian rupee	94	70	70
Other foreign currencies	65	90	30
	177	180	160

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(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:

- Tier 1 capital, which comprises of Common Equity Tier 1 (CET1)
- Tier 2 capital

For each of the two categories above, there is a single set of criteria described in the above-named 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 reserve.
- 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 adequacy position at 31 December 2025 was as follows:

USD'000	Reference	2025	2024	2023
Tier 1 capital				
CET1 capital				
Paid up capital	A	72,957	72,957	72,957
Other disclosed reserves	B	73,859	73,054	72,890
Retained earnings	C	137,150	192,461	193,671
CET1 before regulatory adjustments		283,966	338,472	339,518
Deferred tax assets	D	-	(171)	(198)
Defined benefit scheme assets	F	(1,939)	(689)	(484)
Total regulatory adjustments to CET1		(1,939)	(860)	(682)
Tier 1 capital (T1)		282,027	337,612	338,836
Tier 2 capital				
Eligible reserves	E	5,367	8,293	9,205
Tier 2 capital (T2)		5,367	8,293	9,205
Total capital (T1 + T2)		287,394	345,905	348,041

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(e) Capital management (continued)

Regulatory capital (continued)

USD'000	2025	2024	2023
Total on-balance sheet risk-weighted credit exposures	423,983	659,554	631,444
Total non-market-related off-balance sheet risk-weighted credit exposures	13,764	59,018	104,709
Total market-related off-balance sheet risk-weighted credit exposures	97	127	275
Risk weighted assets for operational risk	177,523	160,514	109,917
Aggregate net open foreign exchange position	177	177	163
Total risk weighted assets	615,544	879,390	846,508
Capital adequacy ratio (%)	46.7%	39.3%	41.1%

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 following table:

USD'000	Statement of financial position as in published financial statements	Capital Base under Basel III	Reference
Assets			
Cash and cash equivalents	694,250		
Trading assets	2		
Loans and advances to banks	221,084		
Loans and advances to customers	372,774		
Investment securities	989,002		
Property, plant and equipment	979		
Deferred tax assets	-	-	D
Other assets	2,240	1,939	F
Total assets	2,280,331		
Liabilities			
Deposits from customers	1,974,835		
Trading liabilities	4		
Other borrowed funds	11,433		
Current tax liabilities	1,242		
Other liabilities	3,211		
	273		
Total liabilities	1,990,998		
Shareholders' Equity			
Share capital and share premium	72,957		
of which amount eligible for CET1	72,957	72,957	A
Retained earnings	137,150	137,150	C
Other reserves	79,226		
of which Other disclosed reserve	73,859	73,859	B
of which General banking reserve	5,367	5,367	E
Total equity and liabilities	2,280,331		

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(e) Capital management (continued)

Regulatory capital (continued)

The amount of general banking reserves that qualify for inclusion within Tier 2 capital is subject to a maximum of 1.25% of credit risk weighted assets calculated under the standardised approach.

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 of 28 June 2021, banks are required to meet the following minimum capital requirements in relation to risk-weighted assets (RWAs):

- (a) 9.0% Common Equity Tier 1/RWAs;
- (b) 10.5% Tier 1 capital/RWAs, and
- (c) 12.5% total capital/RWAs.

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 shareholder's 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*	45.8	38.4	40.0
<i>Regulatory Limit - Minimum CET 1 CAR</i>	9.0	9.0	9.0
Tier 1 capital adequacy ratio	45.8	38.4	40.0
<i>Regulatory Limit - Minimum Tier 1 CAR</i>	10.5	10.5	10.5
Total capital adequacy ratio*	46.7	39.3	41.1
<i>Regulatory Limit - Minimum Total CAR</i>	12.5	12.5	12.5

The Bank is a wholly owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited and has an issued stated capital of USD72,956,783 as at 31 December 2025. The main features of the stated capital are that it is perpetual and there are no circumstances under which distributions are mandatory.

HSBC Bank (Mauritius) Limited

Notes to the financial statements

for the year ended 31 December 2025

35. Financial Risk Management (continued)

(e) *Capital management (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 Bank follows the standardised approach locally for the management of its regulatory capital. However, the Bank ultimately being part of the Group, it is subject to PRA requirements where the Group Internal Risk Based Approach (IRBA) is followed for internal capital management purposes. The amount of capital allocated to each operation or activity is based primarily upon the Group Internal Risk 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 the Board of Directors.

36. Subsequent event

The directors approved the payment of a final dividend of USD75m (USD1.03 per share) for the financial year 2025 on 13 March 2026 subject to regulatory approval.

The directors are 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.

Appendix - Additional cautionary statement regarding ESG data, metrics and forward-looking statements

The Annual Report and Accounts 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 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 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;

Appendix - Additional cautionary statement regarding ESG 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 group) 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 group'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.