



WELAB BANK LIMITED

ANNUAL REPORT 2025

WELAB BANK LIMITED

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Chinese translation

A Chinese translation of Annual Report is available upon request. The report is also available, in English and Chinese, on the Bank's website at www.welab.bank.

WELAB BANK LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Proven Growth & Strategic Investment for Scale

WeLab Bank continued to scale-up for the year of 2025, underpinned by strong business growth and improved financial performance. WeLab Bank delivered significant growth in revenue, margins and operating income, reflecting the increasing scalability of our operating model and broadening customer adoption.

2025 Growth & Scale Highlights:

- **Revenue Momentum:** Revenue⁽ⁱⁱ⁾ increased 35% year-on-year to HK\$942.1 million, approaching the HK\$1 billion mark for the first time.
- **Operating Income Expansion:** Operating income grew 63% year-on-year, supported by disciplined credit decisioning and funding optimization.
- **Margin Expansion:** Net interest income (NII) increased 36% year-on-year, with net interest margin (NIM) rising to 10.6% on improved funding mix and pricing discipline.

Profitability achieved in the first half of 2025 demonstrated WeLab Bank's core lending and deposit activities can generate stable and recurring operating returns. Building on this foundation, WeLab Bank made a strategic shift in the second half of the year to accelerate scale and long-term growth. We increased investment in expanding our product suite, strengthening AI and technology infrastructure, scaling wealth management and foreign currency offerings, and driving deeper customer acquisition.

These investments supported stronger second half performance, with loan growth more than four times that of the first half, alongside continued expansion in non-HKD deposits and a rising contribution from fee-generating businesses. WeLab Bank concluded the year with broad based momentum across the product lines and a strengthened platform for continued expansion.

Navigating Headwinds with Discipline

WeLab Bank operated against a mixed macro backdrop in 2025, with favorably stabilizing U.S. interest rates, yet locally Hong Kong's conditions deteriorated with unemployment rate further increased to 3.8%⁽ⁱⁱⁱ⁾, and experienced elevated bankruptcy activity. WeLab Bank was resilient amidst this backdrop, maintaining prudent credit discipline, with retail loan 30+ day delinquency rates remaining around twice as favorable as market averages^(iv). This supported WeLab Bank's ability to continue growing quality assets, with the loan book expanding by 8% during the year.

WeLab Bank continued to strengthen its balance sheet with total assets increased 14% year-on-year to HK\$9.49 billion, and total deposits rose 18% year-on-year to HK\$8.11 billion, supported by both HKD and foreign currency inflows. The Capital Adequacy Ratio improved to 20.3%, reflecting disciplined and efficient capital management.

Operating efficiency also improved, with adjusted operating expenses rising only 5%, reducing the cost-to-income ratio from 85% in 2024 to 66% in 2025. These outcomes demonstrate WeLab Bank's ability to manage costs effectively while continuing to invest in growth and capability enhancement.

Financials at a Glance

	2025	2024	YoY
	HK\$'000	HK\$'000	
Net interest income	889,477	652,848	36.2%
Revenue ⁽ⁱⁱ⁾	942,129	698,951	34.8%
Adjusted operating expenses ⁽ⁱ⁾	(619,711)	(590,963)	4.9%
Adjusted loss after income tax ⁽ⁱ⁾	(47,059)	(238,698)	(80.3%)
Total assets	9,486,504	8,291,353	14.4%
Gross loans and advances to customers	5,921,965	5,462,770	8.4%
Deposits from customers	8,107,898	6,867,048	18.1%

WELAB BANK LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Expansion of New Growth Engines

Lending remains WeLab Bank's core engine, with a quality-focused asset base that continues to underpin our earnings and balance-sheet stability. Building on this foundation, our next generation product engines are becoming increasingly important contributors to fee income diversification and funding resilience, complementing WeLab Bank's established lending business.

Wealth Management

Assets-under-management (AUM) increased 267% year-on-year, and mutual fund subscription volumes increased fivefold, supported by broader product availability and digital advisory tools.

Foreign Currency Services

WeLab Bank's foreign currency capabilities have increased in both breadth and depth during the year, launching 11 new currencies, foreign exchange (FX) and remittance services. USD deposits grew 9.6x and foreign currency balances have scaled rapidly, better serving our customers' appetite for foreign currency exposures as well as cross-border spending and transaction needs.

Global Wallet and Multi-Currency Debit Card

WeLab Bank became the first digital bank in Hong Kong to introduce a Multi-Currency Debit Card and Global Wallet, enabling customers to exchange and store up to 11 major currencies. Since the rollout of the WeLab Global Wallet Debit Card in early December, customer adoption has been very encouraging, with overseas spending showing a notable uplift following its launch.

Technology & AI: Advancing Our AI-First Advantage

On the back of WeLab Bank's strategic commitment to AI, including the establishment of an AI-first strategic partnership with Google, WeLab Bank continued to advance its technology capabilities in 2025. This partnership serves as a blueprint for advancing digital financial services, enabling WeLab Bank to accelerate AI adoption, co-develop use cases, introduce tools to enhance efficiency, deliver more personalized wealth management solutions, modernize marketing workflows, and gain early access to Google's latest AI technologies. It also supports WeLab Bank's efforts to continue shaping an AI-centric culture across the organization.

Key achievements include:

- Introduction of Hong Kong's first AI Loan Agents, enhancing straight-through lending processes through automated needs analysis, eligibility checks, document verification and follow-up actions.
- Expansion of the Google partnership, applying Gemini, VEO and Vertex AI to scale hyper-personalization and customer engagement, including production of Hong Kong's first AI-generated TV commercial.
- Deployment of an AI-powered FX rate comparison engine, providing customers with FX rates of different banks in real time, empowering smarter financial decisions by customers.
- Broader adoption of internal AI tools for workflow automation, underwriting assessment and productivity enhancement. Internal modeling indicates these initiatives are expected to contribute to efficiency improvements over time.

WELAB BANK LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Recognition & Momentum

WeLab Bank continued to receive industry recognition during the year. We were ranked among the World's Top 20 Digital Banks in the Euromoney MarketMap 2025 rankings. As the only digital bank from Hong Kong and one of five from Asia, this placement reflects our progress in digital capability development.

Moreover, we received accolades including Euromoney's Best Digital Bank for Consumers, and FinanceAsia's Best Digital Bank and Best Bank for Financial Inclusion, highlighting continued momentum in customer experience, innovation and accessibility.

Outlook: Scaling With Purpose, Powered by AI

WeLab Bank enters 2026 with strengthened fundamentals and increasing scale. WeLab Bank will continue to execute its strategy with discipline, focusing on sustainable growth and operational resilience in the year ahead.

Key areas of focus for the coming year include:

- **Product Development & Revenue Growth:** Expand our financial solutions to strengthen everyday-banking relevance and deepen customer relationships, while driving sustainable income through disciplined expansion and margin management. Fee income is expected to increase through continued momentum in wealth management and foreign currency offerings.
- **AI Acceleration:** Immerse AI into every dimension of business, including product delivery, operations, and customer experience. Not only to enhance productivity, but also a catalyst for future innovation beyond what is currently offered.
- **Balance Sheet Strength:** Maintain a diversified funding base and prudent credit growth in line with risk appetite, supported by strong capital and liquidity positions.

Notes:

- (i) *WeLab Bank presents adjusted figures as an additional financial measure which excludes the impact of non-cash share-based compensation expenses as it does not affect the net assets and liabilities or equity position of WeLab Bank. WeLab Bank believes that this financial measure provides more relevant information for understanding and evaluating its consolidated results of operations. These figures are not required by nor presented in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") but are presented to supplement the consolidated financial statements, which are presented in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").*
- (ii) *Revenue is defined as 'Operating income before change in allowances for expected credit losses'.*
- (iii) *Statistics extracted from Census & Statistics Department.*
- (iv) *Based on analysis of industry reports and proprietary insights.*

WELAB BANK LIMITED

DIRECTORS' REPORT

The directors are pleased to submit their annual report together with the audited consolidated financial statements of Welab Bank Limited (the "Bank") and its subsidiaries (together, the "Group") for the year ended 31 December 2025.

Principal activities and business review

The Group is principally engaged in the online consumer technology lending business by extending credit directly to borrowers through its direct-to-customer lending services and the provision of banking and related financial services as a digital bank in Hong Kong. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 1 to 3 of this Annual Report. That discussion forms part of this directors' report.

Results and appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 10.

The directors do not recommend any payment of dividend for the year (2024: Nil).

Share capital

Details of movement in share capital of the Group are set out in Note 24 to the consolidated financial statements.

Directors

(a) *Directors of the Bank*

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

Non-executive directors:

Chan Ka Keung Ceajer (*Chairman*)

Loong Pui Chi Simon

Leung Chun Man Ernest

Executive director:

Lee Ka Tat

Independent non-executive directors:

Roberts Donald Jeffrey

Chang Suk Ling Irene

Lee Kam Wing Bruno (Appointed on 11 June 2025)

There being no provision in the Bank's Articles of Association for retirement by rotation, all directors continue in office.

WELAB BANK LIMITED

DIRECTORS' REPORT (Continued)

(b) *Directors of the Bank's subsidiaries*

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

Lee Ka Tat
Lee Hin Wai (Resigned on 2 June 2025)

Directors' material interests

Save for the related party transactions as disclosed in Note 30 to the consolidated financial statements, no other transactions, arrangements and contracts of significance in relation to the Bank's business to which the Bank, its holding companies, its subsidiaries or its fellow subsidiaries was a party and in which a director of the Bank had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Under the equity incentive plan arranged by the ultimate holding company, Welab Holdings Limited, certain directors above have been granted share-based awards ("Awards") by Welab Holdings Limited for their services to the whole group of Welab Holdings Limited as follows:

Number of Awards				
Outstanding balance at 1 January 2025	Granted during the year	Exercised during the year	Canceled during the year	Outstanding balance at 31 December 2025
1,553,345	71,700	–	–	1,625,045

The Awards outstanding as at 31 December 2025 had a weighted average exercise price of US\$7.2 per share (2024: US\$7.5 per share).

Certain Awards included above were granted to the relevant directors in their capacity of providing services to the Bank with details as disclosed in Notes 9, 25 and 30 to the consolidated financial statements.

Equity-linked agreements

Save for the share-based compensation plan of the ultimate holding company as disclosed above with details set out in Note 25 to the consolidated financial statements, no equity-linked agreements were entered into by the Bank, its subsidiaries or its holding companies during the year or subsisted at the end of the year.

Permitted indemnity provisions

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

WELAB BANK LIMITED

DIRECTORS' REPORT (Continued)

Management contracts

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

Auditor

The consolidated financial statements have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment.



On behalf of the Board
Chan Ka Keung Ceajer
Chairman

Hong Kong, 24 April 2026



Independent auditor's report to the member of Welab Bank Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Welab Bank Limited (“the Bank”) and its subsidiaries (“the Group”) set out on pages 10 to 64, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”) as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor’s report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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



Independent auditor's report to the member of Welab Bank Limited (continued)

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the consolidated financial statements

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



Independent auditor's report to the member of Welab Bank Limited (continued)

(Incorporated in Hong Kong with limited liability)

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

- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

The engagement partner on the audit resulting in this independent auditor's report is McSheaffrey, Paul Kevin (practising certificate number: P05040).

Certified Public Accountants

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

24 APR 2026

WELAB BANK LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 HK\$'000	2024 HK\$'000
Interest income	5	1,102,717	1,044,003
Interest expense	5	(213,240)	(391,155)
Net interest income		<u>889,477</u>	<u>652,848</u>
Net fee and commission income	6	36,763	34,785
Other income		<u>15,889</u>	<u>11,318</u>
Operating income before change in allowance for expected credit losses		942,129	698,951
Change in allowances for expected credit losses	8	<u>(369,047)</u>	<u>(347,224)</u>
Operating income		573,082	351,727
Operating expenses	7	<u>(632,602)</u>	<u>(599,664)</u>
Operating loss		(59,520)	(247,937)
Finance costs on lease liabilities	29	<u>(3,370)</u>	<u>(1,127)</u>
Loss before income tax		(62,890)	(249,064)
Income tax	10	<u>2,940</u>	<u>1,665</u>
Loss after income tax		(59,950)	(247,399)
Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss</i>			
– Changes in the fair value of financial assets at fair value through other comprehensive income (“FVOCI”)		<u>1,295</u>	<u>324</u>
Other comprehensive income, net of tax		<u>1,295</u>	<u>324</u>
Total comprehensive income		<u>(58,655)</u>	<u>(247,075)</u>

The notes on pages 15 to 64 form part of these consolidated financial statements.


WELAB BANK LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2025**

	Note	2025 HK\$'000	2024 HK\$'000
Assets			
Balances with banks	11	615,003	444,547
Placements with banks	12	154,999	67,991
Financial investments	13	2,722,140	2,211,165
Loans and advances to customers	14	5,621,776	5,202,284
Amounts due from group companies	15	2,841	521
Property and equipment	17	1,480	2,344
Right-of-use assets	18	28,503	42,897
Intangible assets	19	53,756	63,593
Other assets	20	240,001	212,946
Deferred income tax assets	21	42,095	39,155
Tax recoverable		3,910	3,910
Total assets		9,486,504	8,291,353
Liabilities			
Deposits from customers	22	8,107,898	6,867,048
Lease liabilities		29,891	41,179
Other liabilities	23	290,352	348,435
Amounts due to group companies	15	15,796	6,360
Total liabilities		8,443,937	7,263,022
Equity			
Share capital	24	2,905,000	2,845,000
Reserves		(1,862,433)	(1,816,669)
Total equity		1,042,567	1,028,331
Total equity and liabilities		9,486,504	8,291,353



.....
Chan Ka Keung Ceajer
Chairman



.....
Lee Ka Tat
Director

The notes on pages 15 to 64 form part of these consolidated financial statements.

WELAB BANK LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Reserves					Total HK\$'000
	Share capital HK\$'000	Employee share-based payment reserve HK\$'000	FVOCI reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2024	2,070,000	313,684	–	310,000	(2,195,720)	497,964
Issuance of shares (Note 24)	775,000	–	–	–	–	775,000
Loss for the year	–	–	–	–	(247,399)	(247,399)
Recognition of equity-settled share-based payment (Note 25)	–	8,701	–	–	–	8,701
Forfeiture/lapse and expiry of share awards	–	(8,317)	–	–	8,317	–
Other comprehensive income	–	–	324	–	–	324
Acquisition of subsidiaries	–	–	–	(6,259)	–	(6,259)
At 31 December 2024	<u>2,845,000</u>	<u>314,068</u>	<u>324</u>	<u>303,741</u>	<u>(2,434,802)</u>	<u>1,028,331</u>
At 1 January 2025	2,845,000	314,068	324	303,741	(2,434,802)	1,028,331
Issuance of shares (Note 24)	60,000	–	–	–	–	60,000
Loss for the year	–	–	–	–	(59,950)	(59,950)
Recognition of equity-settled share-based payment (Note 25)	–	12,891	–	–	–	12,891
Forfeiture/lapse and expiry of share awards	–	(14,047)	–	–	14,047	–
Other comprehensive income	–	–	1,295	–	–	1,295
At 31 December 2025	<u>2,905,000</u>	<u>312,912</u>	<u>1,619</u>	<u>303,741</u>	<u>(2,480,705)</u>	<u>1,042,567</u>

The notes on pages 15 to 64 form part of these consolidated financial statements.

WELAB BANK LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 HK\$'000	2024 HK\$'000
Cash flows from operating activities:			
Loss before income tax		(62,890)	(249,064)
Adjustments:			
Depreciation on property and equipment	17	1,391	7,954
Depreciation and reassessment of right-of-use assets	18	14,394	14,817
Amortization of intangible assets	19	30,102	31,457
Loss on disposal of property and equipment		104	–
Finance cost on lease liabilities	29	3,370	1,127
Exchange differences, net		204	–
Non-cash share-based expenses	25	12,891	8,701
Change in allowances for expected credit losses	8	369,047	347,224
Changes in operating assets and liabilities			
Decrease/(increase) in placements with banks with original maturity beyond three months		36,000	(36,000)
Increase in loans and advances to customers		(788,922)	(303,898)
(Increase)/decrease in amounts due from group companies		(1,791)	108,421
(Increase)/decrease in other assets		(26,940)	33,127
Increase in deposits from customers		1,244,681	3,740,381
Decrease in loan payables		–	(3,170,468)
Decrease in borrowings		–	(208,508)
(Decrease)/increase in other liabilities		(57,832)	73,742
Increase/(decrease) in amounts due to group companies		9,436	(157,996)
Tax paid		–	(2,716)
Net cash generated from operating activities		<u>783,245</u>	<u>238,301</u>
Cash flows from investing activities:			
Cash consideration from acquisition of subsidiaries		–	(6,259)
Purchase of property and equipment	17	(1,160)	(542)
Purchase of intangible assets	19	(20,265)	(27,972)
(Purchase of)/proceeds from financial investments		(1,818,685)	991,339
Net cash (used in)/generated from investing activities		<u>(1,840,110)</u>	<u>956,566</u>

The notes on pages 15 to 64 form part of these consolidated financial statements.

WELAB BANK LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Note	2025 HK\$'000	2024 HK\$'000
Cash flows from financing activities:			
Principal element of lease payment	29	(11,288)	(23,225)
Interest element of lease payment	29	(3,370)	(1,127)
Proceeds from the issuance of shares	24	60,000	775,000
Decrease in amounts due to group companies		—	(41,854)
Net cash generated from financing activities		<u>45,342</u>	<u>708,794</u>
Net change in cash and cash equivalents		(1,011,523)	1,903,661
Cash and cash equivalent at the beginning of the year		2,681,819	778,158
Effect of foreign exchange rate changes on cash and cash equivalents, net		(1,348)	—
Cash and cash equivalents at the end of the year		<u><u>1,668,948</u></u>	<u><u>2,681,819</u></u>
Analysis of balances of cash and cash equivalents			
Balances with banks		615,100	444,642
Placement with banks with original maturity within three months		155,000	32,000
Financial investments with original maturity within three months		898,848	2,205,177
		<u><u>1,668,948</u></u>	<u><u>2,681,819</u></u>
Cash flows from operating activities include:			
Interest received		1,093,712	1,036,450
Interest paid		(221,472)	(370,551)

The notes on pages 15 to 64 form part of these consolidated financial statements.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Welab Bank Limited (the “Bank”) is a limited liability company incorporated in Hong Kong. The Bank together with its subsidiaries (collectively the “Group”) are principally engaged in the online consumer technology lending business by extending credit directly to borrowers through its direct-to-customer lending services and the provision of banking and related financial services as a digital bank in Hong Kong.

The Bank’s registered office is 23rd Floor, K11 Atelier King’s Road, 728 King’s Road, Quarry Bay, Hong Kong.

The immediate holding company of the Bank is Welab Capital Limited, which is incorporated in Hong Kong. The intermediate holding company of the Bank is Welab Venture Business Limited, which is incorporated in the Cayman Islands. The ultimate holding company of the Bank is Welab Holdings Limited, which is incorporated in the British Virgin Islands.

On 6 June 2024, Welab Holdings Limited group completed an internal group restructuring (“HK Segment Restructuring”). For more details, please refer to Note 2(a)(iii).

2 Summary of material accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

(i) *Compliance with HKFRS Accounting Standards and Companies Ordinance (“CO”)*

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements are presented in Hong Kong dollars and rounded to nearest thousand, unless otherwise stated.

(ii) *Historical cost convention*

The consolidated financial statements have been prepared on a historical cost convention, except for financial assets at FVOCI which have been measured at fair value.

The preparation of consolidated financial statements of the Group in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements of the Group are disclosed in Note 4.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Application of merger accounting

The Group previously applied Hong Kong Accounting Guideline 5 (Revised) “Merger Accounting for Common Control Combinations” issued by the HKICPA in accounting for the acquisition of Welab Crest Limited and its subsidiary (“Welab Crest Group”) on 6 June 2024, as both the Bank and Welab Crest Group were under the common control of Welab Holdings Limited. The Bank acquired 100% equity interests in Welab Crest Limited from Welab Holdings Limited for a cash consideration of HK\$6,259,000. The difference between consideration and nominal value of share capital of Welab Crest Limited was recognized in other reserve. Through this acquisition, the Bank indirectly gained full ownership of Welend Limited (“Welend”), which is wholly-owned by Welab Crest Limited.

As the Bank and Welab Crest Group were under the common control of Welab Holdings Limited before and after the above-mentioned acquisition, in accordance with the principles of merger accounting, the consolidated financial statements were presented as if the acquisition by the Bank had occurred from the date when Welab Crest Group first came under the control of Welab Holdings Limited.

The net assets of Welab Crest Group were recognized using the carrying amounts in the consolidated financial statements of the Group.

Intra-group balances, transactions and unrealized gains/losses on intra-group transactions were eliminated in full in preparing the consolidated financial statements.

No amount was recognized in respect of goodwill or the excess of the acquirers’ interest in the net fair value of acquirees’ identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of the acquisition under common control.

(iv) Amendments to standards adopted by the Group

The Group has applied *Lack of Exchangeability – Amendments to HKAS 21*, issued by the HKICPA to these consolidated financial statements for the current accounting period. The amendments do not have a material impact on these consolidated financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(a) Basis of preparation (Continued)

(v) *New standards, amendments and interpretations to standards not yet adopted by the Group*

A number of new standards, amendments and interpretations to standards that are relevant to the Group but not yet effective for the financial year beginning on 1 January 2025 and have not been early adopted by the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial Instruments: disclosures – Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027

The Group is in the process of assessing the impact of these new standards, amendments and interpretations to standards. The Group expects to adopt these new standards, amendments to standards, interpretations and accounting guideline when they become effective.

(b) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

A subsidiary is fully consolidated from the date on which the control is transferred to the Group. It is de-consolidated from the date that the control ceases.

All intra-group transactions, balances, and any unrealized income and expenses are eliminated in full on consolidation.

When necessary, accounting policies of the subsidiary have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(c) Business combination

(i) Common control combinations

Business combinations under common control are accounted for in accordance with the Hong Kong Accounting Guideline 5 (Revised) “Merger Accounting for Common Control Combinations”. In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognizes the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated financial statements of the controlling party or parties prior to the common control combination. If consolidated financial statements were not previously prepared by the controlling party or parties, the carrying amounts are included as if such consolidated financial statements had been prepared, including adjustments required for conforming the combined entity’s accounting policies and applying those policies to all periods presented. These carrying amounts are referred to below as existing book values from the controlling parties’ perspective. There is no recognition of any additional goodwill or excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination to the extent of the continuation of the controlling party or parties’ interests. Similarly, in accordance with HKFRS 10, the effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the combined entity.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(d) Income/expense recognition

(i) *Interest income and interest expenses*

Interest income and expense for all financial instruments are recognized in “Interest income” and “Interest expense” respectively in the profit or loss using the effective interest method.

(ii) *Fee and commission income*

Fee and commission income is recognized when the Group has satisfied its performance obligation in providing the promised products and services to the customers, and are recognized based on contractual rates agreed with customers net of expenses directly related to it. Such income excludes those that determine the effective interest rate.

(e) Employee benefits

(i) *Short-term employee benefits*

Salaries, annual bonuses, and the cost of non-monetary benefits are accrued in the year in which the associated service is rendered by employees.

(ii) *Pension obligations*

Contributions to Mandatory Provident Funds as required under the Mandatory Provident Fund Schemes Ordinance are recognized as an expense as they are incurred in the profit or loss.

(iii) *Annual leave*

Employee entitlement to annual leave is recognized when they are accrued to employees. A provision is made for the estimated liability for unused annual leave as a result of services rendered by employees up to the end of the reporting period.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(f) Share-based payments

Share-based compensation benefits are provided to employees via share-based compensation plan operated by the Group's ultimate holding company, Welab Holdings Limited. Information relating to the plan is set out in Note 25. The fair value of the employee services received in exchange for the grant of the equity instruments (share options or restricted share units) is recognized as an expense with a corresponding increase in equity, over the vesting period of the awards.

The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss and other comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, Welab Holdings Limited issues new ordinary shares to employees.

(g) Current and deferred tax

Current income 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 in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances 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.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(g) Current and deferred tax (Continued)

Deferred income tax

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(h) Financial assets

Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the profit or loss or other comprehensive income.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(h) Financial assets (Continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are recorded in the profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories that the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains or losses together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss and other comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the asset's cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains or losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.
- **Assets that do not meet the criteria for amortized cost or FVOCI** are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains or losses in the period in which it arises.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(i) Financial liabilities

All financial liabilities are initially measured at fair value, net of transaction costs incurred and subsequently measured at amortize cost.

(i) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(ii) *Derecognition*

A financial liability is derecognized from the consolidated statement of financial position when the obligation specified in the contract is discharged, canceled or expired.

(j) Impairment of financial assets

The Group applied the impairment requirements under HKFRS 9 Financial Instruments.

All financial assets, except for financial assets classified or designated as FVPL, are subject to impairment and recognition of expected credit losses ("ECL").

Under HKFRS 9, ECL will be assessed using an approach which classifies financial assets into three stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile. A financial asset is classified under:

- **Stage 1**, if it was not credit-impaired upon origination, and there has not been a significant increase in its credit risk. Stage 1 ECL are measured as the credit loss that is expected to result from a default occurring within the next 12 months;
- **Stage 2**, if it was not credit-impaired upon origination but has since experienced a significant increase in credit risk. Stage 2 ECL are measured as the lifetime expected credit loss from the expected remaining life of the financial instrument;
- **Stage 3**, if it has been credit-impaired with objective evidence of default. Stage 3 ECL are measured as the lifetime expected credit loss from the expected remaining life of the financial instrument.

The impairment requirements of HKFRS 9 are subject to management judgments, estimates and assumptions.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(k) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their costs or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Leasehold improvement: the shorter of the lease term of the leased properties or 5 years
- Furniture, fixtures and equipment: 3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

(l) Leases

The Group as a lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the Group under residual value guarantees
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(l) Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

If a readily observable amortizing loan rate is available (through recent financing or market data) which has a similar payment profile to the lease, then the Group uses that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(m) Intangible assets

Intangible assets that have an indefinite estimated useful life or are not yet ready for use are tested for impairment annually. Intangible assets that have a finite estimated useful life, are stated at cost less amortization and accumulated impairment losses and are amortized over their estimated useful lives. Estimated useful life is the lower of legal duration and expected economic life. Intangible assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. Management has exercised judgment in determining whether these costs fulfilled the recognition criteria and whether the platforms and systems could generate probable future economic benefits to the Group.

(i) *Software*

Software is recognized when it is separable or arises from contractual or other legal rights, and it is probable that future economic benefits will flow to the Group, the cost of which can be measured reliably.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use or sale;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use; or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and relevant overhead costs.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Purchased software products acquired by the Group are capitalized as intangible assets and are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses.

Costs associated with maintaining software programs are recognized as an expense as incurred.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(m) Intangible assets (Continued)

(ii) Research and development

Research expenditure and development expenditure that do not meet the criteria in (i) above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(iii) Amortization methods and periods

Intangible assets with finite useful life, are stated at cost less amortization and accumulated impairment losses and are amortized over their estimated useful lives. Estimated useful life is measured as the shorter of the period of the contractual or other legal rights and expected economic life. If the contractual or other legal rights are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal period(s) only if there is evidence to support renewal by the entity without significant cost.

The Group estimates the useful life of the intangible assets to be 2 to 10 years based on the expected technical obsolescence of such assets.

(n) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash, balances with banks, placements with banks and financial investments with original maturities of three months or less that are convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

(o) Other assets

Other assets represent rental and other deposits, prepayments and other receivables.

Other assets are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the other assets with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. The loss arising from impairment is recognized in the profit or loss.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(p) Provisions

Provisions are recognized when the Group 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 can be reliably estimated. Provisions are not recognized 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 recognized 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 management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount is recognized as interest expenses.

(q) Share 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.

(r) Functional currency and foreign currency translation

(i) *Functional and presentation currency*

Items included in the consolidated financial statements are measured using the primary economic environment in which the entity operates (the "functional currency"). The Group's consolidated financial statements are presented in thousands of units of Hong Kong dollars ("HK\$"), which is the Group's functional currency and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into Hong Kong dollars using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are generally recognized in the profit or loss.

Non-monetary items are measured at historical cost that are translated using the exchange rates at the initial transaction date. Translation differences on assets and liabilities are included in other comprehensive income or in profit or loss depending on where the gain or loss on the underlying item is recognized.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(s) Related parties

For the purpose of these consolidated financial statements, related parties of the Group are defined as below:

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

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management

The Board has the ultimate responsibility for the effective management of risk and approves and oversees the Group's overall risk management framework. The Board delegates its power to supervise the Group's major functional areas, including product risk management, compliance, treasury and financial control, operational resilience and business continuity and the risks associated with them to the Risk Committee, the Audit Committee, and the Executive Committee based on the respective terms of reference. The Risk Committee in particular has the authority and responsibility to oversee and guide the overall management of the collective set of different risks undertaken by the Group. The Chief Executive, Chief Risk Officer and senior management have the responsibility to ensure various risk limits are appropriately established according to the risk management strategies set by the Board, and to oversee the effectiveness of managing and controlling risk in the day-to-day management of the Group. At management level, Risk Management Committee ("RMC"), Asset and Liability Committee ("ALCO"), Credit Risk Management Committee ("CRMC") and Information Security Committee ("ISC") oversee the risk management of the various risk types.

Business units act as the first line of defense in risk management while other functional units, in particular, Risk, Legal & Compliance and Finance departments, which are independent from the business units, act as the second line of defense, and assist in managing different kinds of risks. Internal Audit Department acts as the third line of defense responsible for providing independent assurance through conducting internal audits, and reporting to the Audit Committee on the quality of risk controls and management, the adequacy and the compliance of internal policies and procedures.

(a) Financial risk factors

The Group is exposed to various kinds of financial risks including market risk, credit risk and liquidity risk. The Group's risk management objectives and policies seek to minimize the potential adverse effects on its financial performance.

Market risk

Market risk is the risk that interest rates, foreign exchange rates, equity or commodity prices will move relative to positions taken, resulting in profits or losses. In the ordinary course of business, the Group enters into various types of financial instruments, mainly foreign exchange and debt securities, that comprise transactions initiated for the Group's own account and customer needs. The Group's positions are managed under the limits and guidelines laid down in the market risk management policy and the policy on allocating transaction of financial instruments to the trading or non-trading portfolios as applicable. The Risk Department is responsible for monitoring the transactions to ensure the activities are within the relevant limits and guidelines.

For market risk measurement techniques, the measuring procedures and limit system used for market risk management have been approved by the Risk Committee. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress testing is tailored to the business and typically uses scenario analysis. The results of the stress tests are subject to the review by management, ALCO, the Risk Committee and the Board of Directors.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Market risk (Continued)

Foreign exchange risk

Foreign exchange risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The foreign exchange risk is monitored by the Risk Department, management and ALCO within position limits set in the foreign exchange risk management policy approved by the Risk Committee. The Board sets limits on the level of exposure by currency and in aggregate for overnight positions, which are monitored on a daily basis.

The Group mainly has most of its transactions settled in HK\$ and United States dollars ("US\$"). In respect of transactions settled in US\$, the Group did not have significant exposure to foreign exchange risk during the year as HK\$ is pegged against US\$.

Interest rate risk

Interest rate risk is referred to the risk to the Group's financial condition resulting from adverse movements in interest rates. This consists of repricing risk, basis risk, option risk and yield curve risk. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movement arises. The Group's interest rate risk exposure is mainly contributed by its non-trading portfolio.

The Group manages interest rate risks within the limits approved by the Board and Risk Committee and under the monitoring of ALCO. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly. For a prudent practice, additional limits on interest rate sensitivities (also known as PV01) are enforced on a daily basis.

The Group maintains structural interest rate positions on its non-trading portfolio. Interest rate risk arises primarily from the timing differences in the repricing of and the different bases of pricing interest-bearing assets, liabilities and off-balance-sheet positions. Interest rate risk is regularly monitored by regular sensitivity analysis of the net repricing gap and of different scenarios of pricing bases of assets and liabilities grouped with reference to their next contractual repricing date or maturity date.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Market risk (Continued)

Interest rate risk (Continued)

The Group measures interest rate risks on a regular basis according to corresponding policies. The key assumptions the Group uses in the measurements of the risk include:

- (i) for fixed rate items, the earliest interest repricing date is the maturity dates of the assets or liabilities concerned;
- (ii) for variable rate items, the earliest interest repricing date is the next repricing date of the assets or liabilities concerned;
- (iii) for managed rate items, the earliest interest repricing date is the next business day;
- (iv) a parallel shift in interest rate throughout the time spectrum; and
- (v) for deposits without a fixed maturity, the earliest interest repricing date is the next business day.

Sensitivity analysis

It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's net loss for the year ended 31 December 2025 by HK\$6,586,000 (2024: HK\$16,852,000).

Conversely, it is estimated that a general decrease of 100 basis points in interest rates, with all other variables held constant, would increase the Group's net loss for the year ended 31 December 2025 by HK\$3,519,000 (2024: HK\$14,055,000).

The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

Credit risk

(i) *Credit risk management*

The Group takes on exposure to credit risk, principally retail credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation, such as failing to repay a loan obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the reporting date.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to each counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved annually by the Board of Directors.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Credit risk (Continued)

(i) Credit risk management (Continued)

In respect of credit risk, the Group leverages on its proprietary credit risk management and fraud prevention system while it also has established comprehensive credit risk management processes which include credit origination, credit review, credit approval, disbursement, post-disbursement monitoring and collection.

In respect of the loans and advances to customers, the Group assesses the creditworthiness of its borrowers requesting credit. These assessments focus on the borrower's repayment history and/or their ability to repay based on their individual credit reports obtained from third parties. The Group writes off the relevant outstanding amount of loans when there is objective evidence, such as, prolonged period of delinquency, death or bankruptcy of the borrower, that the loans have become uncollectible.

The exposure to any one counterparty including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits. Actual exposures against limits are monitored regularly.

Exposure to credit risk is managed through regular analysis of the ability of counterparties to meet their obligations. The Group has in place effective monitoring and control systems to identify, monitor and address problem credits in an accurate and timely manner.

The Group's credit risk mainly arises from loans and advances to customers, financial investments, cash and cash equivalents and other receivables.

(ii) Expected credit loss measurement

The Group adopts a "three-stage" model in accordance with HKFRS 9 for impairment based on changes in credit quality since initial recognition (see Note 2(j)). ECL of financial instruments are measured by taking into consideration forward-looking information. Purchased or originated credit impaired financial assets are those financial assets that are credit-impaired at initial recognition. Their ECL are always measured on a lifetime basis (Stage 3).

The Group adopts the approach that utilizes the Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") to estimate ECL of financial instruments. Simplified alternatives are applied to portfolios that have difficulties in adopting this approach. Significant credit deterioration criteria have to be defined for assessing significant increases in credit risk, primarily based on the key requirements summarized below:

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations.
- An actual or expected significant change in the operating results of the corporate obligor.
- Significant increases in credit risk on other financial instruments of the same borrower.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Credit risk (Continued)

(ii) *Expected credit loss measurement (Continued)*

- Significant changes, such as reductions in financial support from a parent entity or other affiliate or an actual or expected significant change in the quality of credit enhancement, that are expected to reduce the borrower's economic incentive to make scheduled contractual payments.
- Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group.
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. A credit exposure is considered as experiencing significant increase in credit risk if there is significant downgrade in external credit rating or overdue of interest/principal payments. ECL is calculated as the discounted product of the PD, EAD and LGD, defined as follows:

- PD represents the likelihood of a counterparty defaulting on its financial obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

There have been no significant changes in estimation technique or significant assumptions made during the reporting period.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Credit risk (Continued)

(ii) *Expected credit loss measurement (Continued)*

Forward-looking information incorporated in the ECL models

The calculation of ECL incorporates forward-looking information by considering key economic variables identified by the Group that have an impact on credit risk and ECL for the Group's portfolios.

These economic variables and their associated impact on the PD, EAD and LGD vary by the type of financial instruments. Expert judgment has also been applied in this process.

In addition to the base economic scenario, the Group considers two other plausible scenarios along with the assigned weightings as probability of occurrence under the current economic environment. The scenarios and their corresponding weightings are determined by a combination of model-based analysis and expert judgment, taking into account the range of possible outcomes each chosen scenario is representative of. The probability weighted ECL is determined by applying each scenario on the financial instruments through running the relevant ECL models and multiplying the resulted ECL by the appropriate scenario weighting.

Expected credit loss allowance

The ECL allowance was recognized in the period after considering a variety of factors, as described below:

- Transfers between Stage 1, Stage 2 and Stage 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- Impact on the measurement of ECL due to changes in PD, EAD and LGD in the period, arising from regular refreshing of inputs to models;
- Impact 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
- Write-offs of allowances related to assets that were written off during the period.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Credit risk (Continued)

(ii) Expected credit loss measurement (Continued)

Write-offs policy

The Group assesses the creditworthiness of its borrowers requesting credit. These assessments focus on the borrower's repayment history and their ability to repay based on their individual credit reports obtained from third party. The Group writes off the relevant outstanding amount of loans when there is an objective evidence, such as, prolonged period of delinquency, death or bankruptcy of the borrower, that the loans have become uncollectible.

Analysis of expected credit loss allowance on financial instruments by stage:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
At 31 December 2025				
Balances with banks	97	—	—	97
Placements with banks	1	—	—	1
Financial investments	55	—	—	55
Loans and advances to customers	180,830	38,786	80,573	300,189
Other assets	3,340	2,056	—	5,396
Loan commitments	428	89	55	572
	<u>184,751</u>	<u>40,931</u>	<u>80,628</u>	<u>306,310</u>
At 31 December 2024				
Balances with banks	95	—	—	95
Placements with banks	9	—	—	9
Financial investments	31	—	—	31
Loans and advances to customers	180,647	27,069	52,770	260,486
Other assets	2,992	1,617	10	4,619
Loan commitments	530	—	—	530
	<u>184,304</u>	<u>28,686</u>	<u>52,780</u>	<u>265,770</u>

At 31 December 2025, the Group held collaterals with an estimated value of HK\$61,423,000 (2024: Nil) against loans and advances to customers and no other credit enhancements were in place for the above financial instruments (2024: Nil).

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. The Group's liquidity risk is monitored by different risk metrics, including liquidity maintenance ratio ("LMR") and maturity mismatch profile to ensure that both the funding liquidity and market liquidity are properly handled. An adequate stock of high quality liquid assets is maintained at all times, in order to enable the Group to meet deposit withdrawals, to repay interbank borrowings, and to make new loans and investments as and when required in a timely and cost effective manner under both normal business conditions and emergency situations.

The Group's risk appetite is the risk level that the Group is prepared to accept to achieve its strategic and business objectives. ALCO has been delegated by the Board to manage the Group's liquidity risk strategy, procedures and practices. ALCO membership consists of the Chief Executive, Alternate Chief Executives, Chief Risk Officer and senior management members. The risk appetite and related limits are reviewed and approved by the Board and Risk Committee at least annually in order to align with industry standards, market developments and business conditions of the Group.

An acceptable risk appetite is adopted in managing and controlling risks in a prudent manner to balance the risk and return that the Group is prepared to take. Various ratios and risk limits are set with reference to the legal and regulatory requirements to limit and control the risk exposure under an acceptable risk appetite level and commensurate with prudent liquidity risk management practices.

The Group's liquidity risk is monitored by the Risk Department, management and ALCO in accordance with the guidelines and procedures laid down in the liquidity risk management policy that has been reviewed and approved by the Board and ALCO periodically.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Liquidity risk (Continued)

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

	Repayable on demand HK\$'000	Up to 1 month HK\$'000	1 month to 3 months HK\$'000	3 months to 12 months HK\$'000	1 year to 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 31 December 2025							
Deposits from customers	705,875	1,122,273	2,879,965	3,527,179	3,910	-	8,239,202
Lease liabilities	-	1,629	3,257	11,400	16,339	-	32,625
Due to group companies	15,796	-	-	-	-	-	15,796
Other liabilities	106,230	-	-	-	-	572	106,802
Total financial liabilities	827,901	1,123,902	2,883,222	3,538,579	20,249	572	8,394,425
At 31 December 2024							
Deposits from customers	568,297	1,640,512	3,913,548	744,691	-	-	6,867,048
Lease liabilities	-	1,013	3,257	11,400	31,612	-	47,282
Due to group companies	4,862	1,498	-	-	-	-	6,360
Other liabilities	49,142	119,604	58,028	26,166	-	530	253,470
Total financial liabilities	622,301	1,762,627	3,974,833	782,257	31,612	530	7,174,160

(b) Operational risk

Operational risk is inherent in all business activities, arising from inadequate or failed internal processes or systems, human errors or misconduct, third-party deliverables, natural disasters or adverse external events. The management oversight of this risk is important to achieve the Group's objectives. The Group's operational risk management is embedded in our culture and decision-making processes through a systematic approach, where risk exposures are managed through a standard approach:

- (i) Identification and assessment
- (ii) Root cause analysis, mitigation tracking and on-going monitoring
- (iii) Monitoring against risk limits set in risk appetite
- (iv) Escalation to appropriate governance forums such as management level RMC and board level Risk Committee

Concurrently, operational risk is managed through formal policies and procedures, business practices, scenarios drill tests, and ongoing monitoring. An operational risk management function is responsible for maintaining these policies, procedures, practices and monitoring the Group's compliance with them.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(b) Operational risk (Continued)

Operational resilience, business continuity and disaster recovery planning are also critical to effective management of operational risks. Each business unit is required to develop, maintain and test these plans at least annually to ensure that recovery activities can support mission critical operations and functions, including technology, networks and datacenters while supporting customer applications and business operations.

(c) Fair value estimation

(i) Valuation process

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

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The fair values of other financial assets and liabilities are determined in accordance with generally accepted pricing models such as discounted cash flow analysis using observable and/or unobservable inputs.

In addition, for financial reporting purposes, fair value measurements are categorized into levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models such as discounted cash flow analysis using the observable and/or unobservable inputs.

As at 31 December 2025 and 31 December 2024, the Group's financial assets and liabilities are measured at amortized cost, except for financial assets at FVOCI which have been measured at fair value. Based on management's estimation, the carrying amounts of these financial assets and liabilities approximate their fair values.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(ii) Valuation of financial instruments carried at fair value

The following table provides an analysis of financial instruments carried at fair value:

	As at 31 December 2025			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets measured at FVOCI				
– Financial investments	2,466,759	–	–	2,466,759
	<u>2,466,759</u>	<u>–</u>	<u>–</u>	<u>2,466,759</u>
	As at 31 December 2024			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets measured at FVOCI				
– Financial investments	2,205,177	–	–	2,205,177
	<u>2,205,177</u>	<u>–</u>	<u>–</u>	<u>2,205,177</u>

(d) Capital management

The Group's capital management policies are to diversify its sources of capital, to allocate capital efficiently, guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses and to meet the expectations of key constituencies, including investors and regulators.

The Banking Ordinance and the Banking (Capital) Rules set out the current requirements relating to the minimum capital adequacy ratios and leverage ratio for an authorized institution incorporated in Hong Kong and the methodology for calculating these ratios.

The Group complied with the capital requirements imposed by the Hong Kong Monetary Authority throughout 2025 and 2024.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. The resulting accounting estimates will, by definition, seldom be equal to the related actual results.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 Critical accounting estimates and judgments (Continued)

(a) ECL allowances

The ECL allowances for financial instruments are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the existing market condition as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3(a).

(b) Share-based payment

Welab Holdings Limited, the ultimate holding company of the Group, granted share options and restricted share units to the employees of the Group as a common feature of employee remuneration. HKFRS 2 “Share-based Payment” requires recognition of an expense for those share options and restricted share units at the fair value on the grant date (equity-settled plans). For share options and restricted share units granted to employees, in many cases market prices are not available because the share options and restricted share units granted are subject to terms and conditions that do not apply to traded equity instruments. If this is the case, the Group estimates the fair value of the equity instruments granted using a valuation technique, which is consistent with generally accepted valuation methodologies.

(c) Current and deferred income tax

The Group is subject to income tax in Hong Kong. Significant judgment is required in determining the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the estimated amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

As at 31 December 2025, deferred income tax assets have been recognized for unused tax losses to the extent that the realization of the related tax benefits through future taxable profits is probable (Note 10). Details of the deferred income tax are disclosed in Note 21.

WELAB BANK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5 Interest income and expense**

	2025 HK\$'000	2024 HK\$'000
Interest income from:		
Loans and advances to customers	1,032,917	931,047
Balances and placements with banks	2,684	5,010
Financial investments	66,315	106,743
Others	801	1,203
	<u>1,102,717</u>	<u>1,044,003</u>
Interest income from financial assets not measured at FVPL	<u>1,102,717</u>	<u>1,044,003</u>
Interest expense on:		
Deposits from customers	(213,240)	(236,374)
Borrowings	–	(152,209)
Loan payables	–	(2,572)
	<u>(213,240)</u>	<u>(391,155)</u>
Interest expense from financial liabilities not measured at FVPL	<u>(213,240)</u>	<u>(391,155)</u>
Net interest income	<u><u>889,477</u></u>	<u><u>652,848</u></u>

6 Net fee and commission income

	2025 HK\$'000	2024 HK\$'000
Fee and commission income	45,967	42,893
Less: Fee and commission expense	(9,204)	(8,108)
	<u>36,763</u>	<u>34,785</u>
Net fee and commission income	<u><u>36,763</u></u>	<u><u>34,785</u></u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Operating expenses

	Note	2025 HK\$'000	2024 HK\$'000
Employee benefits			
– Salaries and other short-term employee benefits		216,757	216,909
– Pension		5,300	5,091
– Share-based compensation		12,891	8,701
Premises and equipment expenses excluding depreciation			
– Rental of other premises		230	186
– Others		4,044	4,948
Depreciation on property and equipment	17	1,391	7,954
Depreciation on right-of-use assets	18	14,394	14,065
Amortization of intangible assets	19	30,102	31,457
Loss on disposal of property and equipment		104	–
Auditor's remuneration			
– Statutory audit		2,921	2,768
– Other services		356	500
Software licensing and technology costs		130,889	126,375
Legal and professional fees		3,884	5,074
Other operating expenses		209,339	175,636
		<u>632,602</u>	<u>599,664</u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 Change in allowances for expected credit losses

	2025 HK\$'000	2024 HK\$'000
Loans and advances to customers	369,430	345,058
Balances with banks	2	42
Placements with banks	(8)	9
Financial investments	24	(23)
Loan commitments	42	363
Other assets	(443)	1,775
	<u>369,047</u>	<u>347,224</u>

9 Directors' emoluments

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

	2025 HK\$'000	2024 HK\$'000
Directors' fees	2,778	2,625
Salaries, bonus, allowances and benefits in kind	3,639	3,530
Pension	18	18
Share-based compensation	630	2,292
	<u>7,065</u>	<u>8,465</u>

During the year, no termination benefits were paid by the Group to any of the directors of the Bank and the Group did not incur any payment to third parties for making available directors' services.

There are no loans, quasi-loans and other dealing arrangements in favor of directors, controlled bodies corporate by and connected entities with such directors for the year.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Bank was a party and in which a director of the Bank had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Note: Certain share options and restricted share units were granted to the relevant directors in their capacity of providing services to the Group with details disclosed in Note 25 to the consolidated financial statements.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 Income tax

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

	2025 HK\$'000	2024 HK\$'000
Current income tax	–	8,501
Deferred income tax (Note 21)	(2,940)	(10,166)
Income tax credit	(2,940)	(1,665)

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2025 HK\$'000	2024 HK\$'000
Loss before income tax	(62,890)	(249,064)
Tax calculated at tax rate of 16.5%	(10,377)	(41,096)
Tax effect of income not subject to tax	(7,448)	(17,871)
Tax effect of non-deductible expenses	4,894	19,015
Tax effect of temporary difference not recognized	71	3,164
Tax effect of tax losses not recognized	9,915	35,123
Under provision in prior year	5	–
Income tax credit	(2,940)	(1,665)

11 Balances with banks

	2025 HK\$'000	2024 HK\$'000
Balances with central bank	302,805	367,513
Balances with banks	312,295	77,129
Less: ECL allowances	(97)	(95)
	615,003	444,547

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 Placements with banks

	2025 HK\$'000	2024 HK\$'000
Placements with banks with original maturity of three months or less when acquired	155,000	32,000
Placements with banks with an original maturity beyond three months but less than one year when acquired	–	36,000
Less: ECL allowances	<u>(1)</u>	<u>(9)</u>
	<u>154,999</u>	<u>67,991</u>

13 Financial investments

	2025 HK\$'000	2024 HK\$'000
At amortized cost		
Sovereign, bank and corporate debt securities	255,386	6,019
Less: ECL allowances	<u>(5)</u>	<u>(31)</u>
	<u>255,381</u>	<u>5,988</u>
At FVOCI		
Exchange fund bills and notes	1,826,027	2,143,116
Treasury bills	<u>640,732</u>	<u>62,061</u>
	<u>2,466,759</u>	<u>2,205,177</u>
At 31 December	<u>2,722,140</u>	<u>2,211,165</u>

Note: The financial investments with original maturity within three months amounting to HK\$898,848,000 (2024: HK\$2,205,177,000) as at 31 December 2025.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14 Loans and advances to customers

	2025 HK\$'000	2024 HK\$'000
Gross loans and advances to customers	5,921,965	5,462,770
Less: ECL allowances	<u>(300,189)</u>	<u>(260,486)</u>
	<u>5,621,776</u>	<u>5,202,284</u>

Gross loans and advances to customers before ECL allowances are analyzed by internal credit grade and stage classification as follows:

	2025			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross loans and advances to customers				
Pass	5,541,399	93,940	–	5,635,339
Special mention	95,106	37,105	–	132,211
Substandard or below	<u>–</u>	<u>–</u>	<u>154,415</u>	<u>154,415</u>
	<u>5,636,505</u>	<u>131,045</u>	<u>154,415</u>	<u>5,921,965</u>
	2024			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross loans and advances to customers				
Pass	5,306,530	14,093	–	5,320,623
Special mention	–	34,978	–	34,978
Substandard or below	<u>–</u>	<u>–</u>	<u>107,169</u>	<u>107,169</u>
	<u>5,306,530</u>	<u>49,071</u>	<u>107,169</u>	<u>5,462,770</u>

Reconciliation of ECL allowances and gross loans and advances to customers are as follows:

	2025			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
ECL allowances				
At 1 January 2025	180,647	27,069	52,770	260,486
Transfer to Stage 1	12,632	(2,319)	(10,313)	–
Transfer to Stage 2	(4,436)	4,446	(10)	–
Transfer to Stage 3	(19,111)	(18,947)	38,058	–
New loans originated/ derecognized and net remeasurement during the year	11,098	28,537	329,795	369,430
Write-offs	–	–	(358,842)	(358,842)
Recovery	<u>–</u>	<u>–</u>	<u>29,115</u>	<u>29,115</u>
At 31 December 2025	<u>180,830</u>	<u>38,786</u>	<u>80,573</u>	<u>300,189</u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14 Loans and advances to customers (Continued)

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross loans and advances to customers				
At 1 January 2025	5,306,530	49,071	107,169	5,462,770
Net change in exposures	329,975	81,974	406,088	818,037
Write-offs	–	–	(358,842)	(358,842)
At 31 December 2025	<u>5,636,505</u>	<u>131,045</u>	<u>154,415</u>	<u>5,921,965</u>
		2024		
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
ECL allowances				
At 1 January 2024	147,744	26,973	50,388	225,105
Transfer to Stage 1	1,361	(1,361)	–	–
Transfer to Stage 2	(19,520)	21,322	(1,802)	–
Transfer to Stage 3	(3,792)	(56,554)	60,346	–
New loans originated/ derecognized and net remeasurement during the year	54,854	36,689	253,515	345,058
Write-offs	–	–	(338,759)	(338,759)
Recovery	–	–	29,082	29,082
At 31 December 2024	<u>180,647</u>	<u>27,069</u>	<u>52,770</u>	<u>260,486</u>
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross loans and advances to customers				
At 1 January 2024	5,355,323	90,333	22,895	5,468,551
Net change in exposures	(48,793)	(41,262)	423,033	332,978
Write-offs	–	–	(338,759)	(338,759)
At 31 December 2024	<u>5,306,530</u>	<u>49,071</u>	<u>107,169</u>	<u>5,462,770</u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 Amounts due from/to group companies

	2025 HK\$'000	2024 HK\$'000
Amounts due from group companies		
Due from ultimate holding company ¹	2,617	427
Due from intermediate holding company ²	154	58
Due from immediate holding company ³	70	36
	<u>2,841</u>	<u>521</u>
Amounts due to group companies		
Due to ultimate holding company ⁴	816	925
Due to fellow subsidiaries ⁵	14,980	5,435
	<u>15,796</u>	<u>6,360</u>

Notes:

1. The amounts due from ultimate holding company are unsecured, interest free and have no fixed repayment terms.
2. The amounts due from intermediate holding company are unsecured, interest free and have no fixed repayment terms.
3. The amounts due from immediate holding company are unsecured, interest free and have no fixed repayment terms.
4. The amounts due to ultimate holding company are unsecured, interest free and have no fixed repayment terms.
5. The amounts due to fellow subsidiaries are unsecured, interest free and have no fixed repayment terms.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Particulars of subsidiaries

Particulars of the Group's subsidiaries as at 31 December 2025 are set out below:

Company Name	Place of incorporation	Issued capital	Interest held	Principal activities
<i>Directly owned:</i>				
Welab Crest Limited	British Virgin Islands	US\$13,648,670	100%	Investment holding
<i>Indirectly owned:</i>				
Welend Limited	Hong Kong	HK\$410,000,000	100%	Money lending

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Property and equipment

	2025			
	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
At 1 January 2025	21,897	29,526	1,653	53,076
Additions	–	1,160	–	1,160
Disposal	–	–	(1,653)	(1,653)
At 31 December 2025	<u>21,897</u>	<u>30,686</u>	<u>–</u>	<u>52,583</u>
Accumulated depreciation				
At 1 January 2025	(21,897)	(27,980)	(855)	(50,732)
Charge for the year	–	(1,226)	(165)	(1,391)
Disposal	–	–	1,020	1,020
At 31 December 2025	<u>(21,897)</u>	<u>(29,206)</u>	<u>–</u>	<u>(51,103)</u>
Net book value				
At 31 December 2025	<u>–</u>	<u>1,480</u>	<u>–</u>	<u>1,480</u>
	2024			
	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
At 1 January 2024	21,897	28,991	1,653	52,541
Additions	–	542	–	542
Write-off	–	(7)	–	(7)
At 31 December 2024	<u>21,897</u>	<u>29,526</u>	<u>1,653</u>	<u>53,076</u>
Accumulated depreciation				
At 1 January 2024	(17,588)	(24,673)	(524)	(42,785)
Charge for the year	(4,309)	(3,314)	(331)	(7,954)
Write-off	–	7	–	7
At 31 December 2024	<u>(21,897)</u>	<u>(27,980)</u>	<u>(855)</u>	<u>(50,732)</u>
Net book value				
At 31 December 2024	<u>–</u>	<u>1,546</u>	<u>798</u>	<u>2,344</u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Right-of-use assets

The Group has lease contracts for office premises with lease terms generally up to 4 years. Lease payments are agreed upfront except for renewal periods whereby the lease payments are subject to prevailing market rates. Extension options are currently not included in the lease term.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year.

	2025 HK\$'000	2024 HK\$'000
At 1 January	42,897	13,820
Additions	–	43,894
Depreciation	(14,394)	(14,065)
Reassessment	–	(752)
	<u>–</u>	<u>–</u>
At 31 December	<u>28,503</u>	<u>42,897</u>

19 Intangible assets

The Group recognizes intangible assets which include separately acquired software developed with external third parties and fellow subsidiaries.

	2025 HK\$'000	2024 HK\$'000
Cost		
At 1 January	163,081	136,882
Additions	20,265	27,972
Disposals	–	(1,773)
	<u>–</u>	<u>–</u>
At 31 December	<u>183,346</u>	<u>163,081</u>
Accumulated amortization		
At 1 January	99,488	69,804
Charge for the year		
– Amortization	30,102	31,457
Disposals	–	(1,773)
	<u>–</u>	<u>–</u>
At 31 December	<u>129,590</u>	<u>99,488</u>
Net book value		
At 31 December	<u>53,756</u>	<u>63,593</u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Other assets

	2025 HK\$'000	2024 HK\$'000
Prepayments	105,200	105,210
Rental and other deposits	26,836	26,791
Other receivables	107,965	80,945
	<u>240,001</u>	<u>212,946</u>

21 Deferred income tax

The movement of deferred income tax assets and liabilities, prior to offsetting of balances within the same tax jurisdiction during the year is as follows:

	Tax losses HK\$'000	Provision on loans and advances to customer HK\$'000	Decelerated tax depreciation HK\$'000	Total HK\$'000
At 1 January 2024	–	28,423	566	28,989
Credited/(charged) to consolidated statement of comprehensive income	<u>10,770</u>	<u>(1,025)</u>	<u>421</u>	<u>10,166</u>
At 31 December 2024 and 1 January 2025	10,770	27,398	987	39,155
(Charged)/credited to consolidated statement of comprehensive income	<u>(615)</u>	<u>3,402</u>	<u>153</u>	<u>2,940</u>
At 31 December 2025	<u>10,155</u>	<u>30,800</u>	<u>1,140</u>	<u>42,095</u>

Deferred income tax assets are recognized for tax losses carried forward and deductible temporary differences to the extent that the realization of the related tax benefit through the future taxable profit is probable. The Group has not recognized deferred income tax assets in respect of the estimated cumulative tax losses and other temporary differences of HK\$1,946,430,000 (2024: HK\$1,883,504,000) as there is no sufficient evidences that future taxable profits against which the estimated tax losses and other temporary differences can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

22 Deposits from customers

	2025 HK\$'000	2024 HK\$'000
Savings accounts	677,974	536,404
Time deposits	7,429,924	6,330,644
	<u>8,107,898</u>	<u>6,867,048</u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 Other liabilities

	2025 HK\$'000	2024 HK\$'000
Accruals	116,409	106,538
Interest payables	62,781	71,013
Advance receipts from customers	49,479	41,503
Expected credit loss provision on loan commitments	572	530
Others	61,111	128,851
	<u>290,352</u>	<u>348,435</u>

24 Share capital

	2025		2024	
	Number of shares	Share capital HK\$'000	Number of shares	Share capital HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January	2,845,000,001	2,845,000	2,070,000,001	2,070,000
Issuance of shares (Note)	<u>60,000,000</u>	<u>60,000</u>	<u>775,000,000</u>	<u>775,000</u>
At 31 December	<u>2,905,000,001</u>	<u>2,905,000</u>	<u>2,845,000,001</u>	<u>2,845,000</u>

Note: During the year ended 31 December 2025, a total of 60,000,000 (2024: 775,000,000) ordinary shares had been issued for a total consideration of HK\$60,000,000 (2024: HK\$775,000,000).

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

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 Share-based payments

Welab Holdings Limited, the ultimate holding company of the Bank, adopted the 2013 Welab Holdings Limited Equity Incentive Plan (the “2013 Plan”) on 29 May 2014. The 2013 Plan expired on 28 May 2024. Upon expiry of the 2013 Plan, no further share awards would be granted under the 2013 Plan, but the share awards granted prior to such expiry continued to be valid and exercisable in accordance with the provisions of the 2013 Plan and the grant agreements.

Welab Holdings Limited adopted the 2024 Welab Holdings Limited Equity Incentive Plan (the “2024 Plan”) on 4 January 2025. In respect of the 2024 Plan whereby the directors of Welab Holdings Limited were authorized, at their discretion, to grant share awards to qualifying participants to subscribe for ordinary shares of Welab Holdings Limited, subject to the terms and conditions stipulated therein and in the grant agreements.

Welab Holdings Limited granted its share options and restricted share units (“RSUs”) to the employees and non-employees of Welab Holdings Limited and other group companies.

(a) Share options

Options are generally vested to over a four years’ service period (the vesting period). The share options are exercisable starting from 23 April 2014.

For the year ended 31 December 2025, the Group recorded and recognized share-based compensation expenses of HK\$11,654,000 during the year (2024: HK\$7,231,000).

Movements in the number of share options granted to the directors and employees of the Group in respect of the services provided to the Group and their related weighted average exercise prices are as follows:

	2025		2024	
	Weighted average exercise price US\$	Number of options	Weighted average exercise price US\$	Number of options
Outstanding at 1 January	8.8	3,409,515	8.7	3,546,020
Granted during the year	12.0	28,000	12.0	4,000
Exercised during the year	12.0	(200)	4.1	(23,642)
Forfeited/lapsed and expired during the year	3.3	<u>(172,462)</u>	5.8	<u>(116,863)</u>
Outstanding at 31 December	9.2	<u>3,264,853</u>	8.8	<u>3,409,515</u>
Exercisable at 31 December	9.1	<u>3,231,976</u>	8.8	<u>3,308,541</u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 Share-based payments (Continued)

(a) Share options (Continued)

During the year ended 31 December 2025, 38,129 (2024: 49,748) share options were forfeited/lapsed as certain option holders ceased to render services to the Group for reasons other than death, ill-health or retirement.

The options outstanding at 31 December 2025 had a weighted average exercise price of US\$9.2 (2024: US\$8.8), and a weighted average remaining contractual life of 3.4 years (2024: 4.1 years).

The options outstanding as at 31 December 2025 and 2024 have the following expiry dates and exercise prices:

<i>Expiry date</i>	2025		2024	
	Weighted average exercise price US\$	Number of options	Weighted average exercise price US\$	Number of options
1st quarter 2025	–	–	1.25	202,700
2nd quarter 2025	–	–	1.25	3,000
3rd quarter 2025	–	–	1.25	101,168
4th quarter 2025	–	–	1.25	55,000
2nd quarter 2026	7.77	176,858	7.00	58,433
3rd quarter 2026	7.00	11,000	7.00	11,000
4th quarter 2026	11.47	69,716	7.00	1,500
1st quarter 2027	15.66	200,880	–	–
2nd quarter 2027	7.02	92,906	7.00	173,125
3rd quarter 2027	15.33	80,351	–	–
4th quarter 2027	7.00	38,000	7.00	63,625
1st quarter 2028	9.00	60,500	11.31	126,349
2nd quarter 2028	7.04	379,081	8.55	443,754
3rd quarter 2028	5.54	22,429	4.59	10,896
4th quarter 2028	–	–	9.00	5,000
1st quarter 2029	9.00	302,850	10.39	430,808
2nd quarter 2029	9.00	86,000	10.74	131,021
3rd quarter 2029	8.00	612,429	8.08	625,429
4th quarter 2029	7.37	82,611	7.37	82,611
1st quarter 2030	6.69	156,700	12.00	55,875
2nd quarter 2030	9.59	137,047	12.89	95,806
3rd quarter 2030	1.44	99,968	12.00	1,800
4th quarter 2030	5.80	52,000	12.52	29,250
1st quarter 2031	12.00	10,000	12.00	10,000
2nd quarter 2031	12.00	447,700	12.09	543,721
3rd quarter 2031	9.42	24,588	9.42	24,588
4th quarter 2031	12.00	2,000	12.00	2,917
1st quarter 2032	12.00	95,239	12.00	120,139
1st quarter 2035	12.00	8,000	–	–
3rd quarter 2035	12.00	12,000	–	–
4th quarter 2035	12.00	4,000	–	–
		3,264,853		3,409,515

The above options and related details do not include those options granted to the directors and employees of the Group in their capacity of rendering services to the ultimate holding company and its subsidiaries.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 Share-based payments (Continued)

(a) Share options (Continued)

Fair value of options and assumptions

As at 31 December 2025, the weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was US\$20.28 (2024: US\$20.84) per option. The significant inputs into the model were as follows:

	2025	2024
Weighted average share price at grant dates	US\$29.94	US\$29.94
Expected volatility	50%	50%
Expected dividend yield	0%	0%
Risk-free interest rate	3.85%	4.51%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of monthly share prices of the comparable companies over the expected option life. Expense recognized in the consolidated statement of profit or loss and other comprehensive income is disclosed in Note 7.

(b) RSUs

RSUs are rights to receive ordinary shares of the ultimate holding company and vested upon (i) the completion of specific service periods of generally one to four years and (ii) occurrence of an initial public offering or the public trading of the shares of the ultimate holding company on a recognized stock exchange or a change in the ownership of the ultimate holding company or a substantial portion of the assets of the ultimate holding company.

For the year ended 31 December 2025, the Group recorded share-based compensation expenses of HK\$1,237,000 (2024: HK\$1,470,000) relating to RSUs.

Movements in the number of RSUs granted to the directors and employees of the Group are as follows:

	2025 Number of RSUs	2024 Number of RSUs
Outstanding at the beginning of the year	256,513	152,150
Granted during the year	100,600	119,100
Forfeited/lapsed during the year	(83,988)	(14,737)
Outstanding at the end of the year	273,125	256,513

During the year ended 31 December 2025, 83,988 (2024: 14,737) RSUs were forfeited/lapsed as certain RSU holders ceased to render services to the Group for reasons other than death, ill-health or retirement.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 Share-based payments (Continued)

(b) RSUs (Continued)

The RSUs outstanding at 31 December 2025 and 2024 have the following expiry date:

Expiry date	2025	2024
	Number of RSUs	Number of RSUs
3rd quarter 2029	4,938	7,500
1st quarter 2030	110,887	132,813
1st quarter 2031	75,950	116,200
1st quarter 2032	81,350	—
	<u>273,125</u>	<u>256,513</u>

As at 31 December 2025, the weighted average fair value of RSUs granted during the year was US\$2.84 (2024: US\$2.84) per unit. The fair value of RSUs at grant date was determined by adjusting the share price, taking into the discount factor due to the lack of voting right and the probability of the liquidity events. The significant inputs into the model were as follows:

	2025	2024
Weighted average share price at grant dates	US\$29.94	US\$29.94
Discount factor	90.5%	90.5%

Expense recognized in the consolidated statement of profit or loss and other comprehensive income is disclosed in Note 7.

26 Capital commitments

Except for lease liabilities as separately disclosed, the Group did not have any significant capital commitments that were contracted for but not yet provided for in the consolidated statement of financial position at the end of the reporting period (2024: Nil).

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27 Business combination under common control

The Group adopted merger accounting for common control combination in respect of the acquisition of subsidiaries as mentioned in Note 2(a). The statements of adjustments for business combinations under common control, along with the effects of applying merger accounting on the Group's consolidated statement of financial position as of 31 December 2024 and the results for the year ended 31 December 2024 are summarized as follows:

	Welab Bank Limited HK\$'000	Welab Crest Group HK\$'000	Adjustments HK\$'000	Total HK\$'000
Year ended				
31 December 2024				
Net interest income	193,674	459,174	–	652,848
Loss before income tax	(370,282)	(61,838)	183,056	(249,064)
Income tax	–	1,665	–	1,665
Loss for the year	<u>(370,282)</u>	<u>(60,173)</u>	<u>183,056</u>	<u>(247,399)</u>
As at 31 December 2024				
Total assets	<u>8,018,673</u>	<u>3,829,608</u>	<u>(3,556,928)</u>	<u>8,291,353</u>
Total liabilities	<u>7,151,492</u>	<u>3,738,795</u>	<u>(3,627,265)</u>	<u>7,263,022</u>
Equity				
Share capital	2,845,000	106,460	(106,460)	2,845,000
Reserves	(1,977,819)	(15,647)	176,797	(1,816,669)
Total equity	<u>867,181</u>	<u>90,813</u>	<u>70,337</u>	<u>1,028,331</u>
Total equity and liabilities	<u>8,018,673</u>	<u>3,829,608</u>	<u>(3,556,928)</u>	<u>8,291,353</u>

28 Off-balance sheet exposures

The following is a summary of the contractual amounts of loan commitments:

	2025 HK\$'000	2024 HK\$'000
Loan commitments which are unconditionally cancelable	<u>328,470</u>	<u>457,855</u>

The loan commitments are unconditionally cancelable represent the undrawn portion of the revolving credit facilities granted to customers.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29 Note to statement of cash flows

Reconciliation of liabilities arising from financing activities

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

	Lease liabilities HK\$'000
As at 1 January 2024	20,510
Changes from financing cash flows:	
Principal portion of lease payment	(23,225)
Interest portion of lease payment	<u>(1,127)</u>
Total changes from lease payment	(3,842)
Other changes:	
Addition of the new lease contract	43,894
Interest expense of lease payment	<u>1,127</u>
As at 31 December 2024 and 1 January 2025	41,179
Changes from financing cash flows:	
Principal portion of lease payment	(11,288)
Interest portion of lease payment	<u>(3,370)</u>
Total changes from lease payment	26,521
Other changes:	
Interest expense of lease payment	<u>3,370</u>
As at 31 December 2025	<u><u>29,891</u></u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Related party transactions

Other than already disclosed in Note 9, the following material transactions were carried out between the Group and its related parties during the year. These related party transactions were carried out in the ordinary course of business and on commercial terms.

(a) Transactions with group companies

	2025 HK\$'000	2024 HK\$'000
For the year ended 31 December		
Interest income ¹	–	267
Staff costs recharge ²	189	391
Technology cost ³	38,227	33,838
Outsource fee ⁴	12,893	13,526
Service fee income ⁵	13,824	7,252
License fee ⁶	13,058	6,824

Notes:

1. The interest income was derived from an unsecured, interest-bearing facility provided to the ultimate holding company in 2023, which had a contractual maturity of one year. The facility was fully settled in 2024.
2. The Group received HK\$189,000 (2024: HK\$391,000) for staff costs recharge from group companies.
3. During the year, the Group's fellow subsidiaries provided services in connection with the Group's system development amounting to HK\$38,227,000 (2024: HK\$33,838,000), of which HK\$8,094,000 (2024: HK\$10,360,000) met the criteria for capitalization and was capitalized as intangible assets. The remaining costs comprised costs recognized as prepayments for technology costs of HK\$3,230,000 (2024: HK\$6,827,000) and costs charged to profit or loss of HK\$26,903,000 (2024: HK\$16,651,000).
4. During the year ended 31 December 2025 and 31 December 2024, the outsource fees paid to fellow subsidiaries were charged at a predetermined agreed fee.
5. During the year ended 31 December 2025 and 31 December 2024, the Group provided services to the ultimate holding company, which was charged at a predetermined agreed fee.
6. During the year ended 31 December 2025 and 31 December 2024, the ultimate holding company licensed intellectual property to the Group, which was charged at a predetermined agreed fee.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Related party transactions (Continued)

(b) Directors and key management personnel emoluments

Emoluments for directors and key management personnel, including amounts paid to the Group's directors as disclosed in Note 9 as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries, other short-term employee benefits and directors' fee	27,345	32,205
Pension	211	230
Share-based compensation	1,845	7,310
	<u>29,401</u>	<u>39,745</u>

(c) Transactions and balances with directors and key management personnel

For the year ended 31 December 2025 and 2024, the Group had banking transactions with directors and key management personnel of the Group and their close family members. These transactions mainly include taking of deposits, which are made in the ordinary course of business, on commercial terms and are not material.

WELAB BANK LIMITED

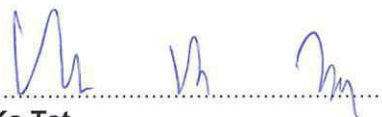
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 Company-level statement of financial position and reserve movement

	2025 HK\$'000	2024 HK\$'000
Assets		
Balances with banks	524,504	421,857
Placements with banks	154,999	67,991
Financial investments	2,722,140	2,211,165
Loans and advances to customers	1,593,026	1,572,247
Amounts due from group companies	3,887,029	3,442,147
Property and equipment	1,103	336
Right-of-use assets	17,734	26,743
Intangible assets	53,756	63,593
Other assets	251,405	212,594
	<u>9,205,696</u>	<u>8,018,673</u>
Total assets	<u>9,205,696</u>	<u>8,018,673</u>
Liabilities		
Deposits from customers	8,107,898	6,867,048
Lease liabilities	18,613	25,634
Other liabilities	189,205	252,784
Amounts due to group companies	54,679	6,026
	<u>8,370,395</u>	<u>7,151,492</u>
Total liabilities	<u>8,370,395</u>	<u>7,151,492</u>
Equity		
Share capital	2,905,000	2,845,000
Reserves	(2,069,699)	(1,977,819)
	<u>835,301</u>	<u>867,181</u>
Total equity	<u>835,301</u>	<u>867,181</u>
Total equity and liabilities	<u>9,205,696</u>	<u>8,018,673</u>

The statement of financial position of the Bank was approved by the Board of Directors on and were signed on its behalf:


 Chan Ka Keung Ceajer
 Chairman


 Lee Ka Tat
 Director

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 Company-level statement of financial position and reserve movement (Continued)

	Employee share-based payment reserve HK\$'000	FVOCI reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2024	13,429	–	(1,624,202)	(1,610,773)
Loss for the year	–	–	(370,282)	(370,282)
Recognition of equity-settled share-based payment	2,912	–	–	2,912
Forfeiture/lapse of share awards	(2,581)	–	2,581	–
Other comprehensive income	–	324	–	324
At 31 December 2024	<u>13,760</u>	<u>324</u>	<u>(1,991,903)</u>	<u>(1,977,819)</u>
At 1 January 2025	13,760	324	(1,991,903)	(1,977,819)
Loss for the year	–	–	(98,710)	(98,710)
Recognition of equity-settled share-based payment	5,535	–	–	5,535
Forfeiture/lapse of share awards	(2,038)	–	2,038	–
Other comprehensive income	–	1,295	–	1,295
At 31 December 2025	<u>17,257</u>	<u>1,619</u>	<u>(2,088,575)</u>	<u>(2,069,699)</u>

32 Approval of consolidated financial statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 24 April 2026.

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

CORPORATE GOVERNANCE REPORT

Welab Bank Limited (the “Bank”) and its subsidiaries (together, the “Group”) is committed to high standards of corporate governance and complies with the guidelines issued by the HKMA in the SPM Module CG-1 on “Corporate Governance of Locally Incorporated Authorized Institutions”. To accomplish this, the Bank exercises corporate governance through the following Committees.

1. Board of Directors

The Board of Directors of the Bank (the “Board”) is responsible for the overall management and affairs of the Bank and its wholly-owned subsidiaries and is primarily accountable to the shareholder(s) for the proper conduct of the business of the Group.

The Board held four scheduled meetings in 2025.

Prof. CHAN Ka Keung Ceajer
Chairman and Non-Executive Director

Prof. Chan was appointed as Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region from July 2007 to June 2017. Prior to that, he was Dean of Business and Management in the Hong Kong University of Science and Technology (“HKUST”). He is currently Adjunct Professor at HKUST Business School.

Prof. Chan received his bachelor’s degree in economics from Wesleyan University and his M.B.A. and Ph.D. in finance from the University of Chicago. He specialized in assets pricing, evaluation of trading strategies and market efficiency and has published numerous articles on these topics.

Prof. Chan is a director of One Country Two Systems Research Institute. In the past, he held a number of public service positions including Chairman of the Consumer Council, Director of the Hong Kong Futures Exchange, and Member of the Competition Committee, Commission on Strategic Development, Commission on Poverty, the Exchange Fund Advisory Committee, the Hang Seng Index Advisory Committee, and the Hong Kong Council for Academic Accreditation.

Mr. LOONG Pui Chi Simon
Non-Executive Director

Mr. Loong is the Founder and Group CEO of WeLab Group. Mr. Loong has over 25 years of fintech and banking experience. Prior to founding WeLab Group, Mr. Loong spent 15 years in the retail banking divisions of Citibank and Standard Chartered Bank. Mr. Loong has a master’s degree from Stanford Graduate School of Business and is a Fellow of Certified Public Accountant (Australia).

Mr. Loong is a pioneer in driving fintech development and financial inclusion in Asia. He is a strong believer and passionate about innovating the financial services industry with technology. He serves on key committees in both public and private sectors to drive the proliferation of the fintech ecosystem in Asia.

Mr. Loong has received multiple awards in recognition of his achievements including “CEO of the Year” by Capital CEO, “Innovation Leadership Achievement in Hong Kong” by The Asian Banker, “Asia’s Most Influential” by Tatler Asia, and “Vice-Chancellor’s Achievement Award” by University of Sydney. Mr. Loong has also been named as “one of the 20 people shaping Hong Kong’s future” in the next 20 years by leading Chinese media outlet, YiCai.

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

CORPORATE GOVERNANCE REPORT (Continued)

1. Board of Directors (Continued)

Mr. LEUNG Chun Man Ernest
Non-Executive Director

Mr. Leung is the President and Group Chief Operating Officer of WeLab Group. Mr. Leung has over 25 years of experience in the banking and finance industry. Prior to joining WeLab, Mr. Leung was the Singapore CEO and APAC COO at BNP Paribas Wealth Management. Mr. Leung previously held a number of leadership roles across key Asia markets with extensive experience ranging from corporate strategy, business creation and transformation, to chief executive and board responsibilities across consumer & private banking.

Mr. Leung is a director of Make-A-Wish Foundation of Hong Kong Limited and a member of New Business Committee of Financial Services Development Council. Mr. Leung holds a Bachelor of Commerce from the University of British Columbia, Canada.

Mr. LEE Ka Tat
Executive Director

Mr. Lee is the Chief Executive of the Bank. Guided by his vision of empowering customers to handle their financial needs with fintech, Mr. Lee was engaged in the formation of the Bank in 2018. Ever since, he has led the team to mark several important milestones, such as attaining the virtual bank license, establishing the mission and the positioning of the Bank, leading the overall business development and so forth, making the Bank a well-received digital bank in Hong Kong.

Mr. Lee has two decades of retail banking and fintech experience. Mr. Lee joined WeLab Group, the parent company of the Bank, back in 2013. He has assumed a number of roles in WeLab Group including General Manager and Head of Product and Risk Management of Welend Limited (“WeLend”), a direct online lending business under WeLab Group. Under his leadership, WeLend grew from a start-up to Hong Kong’s largest technology and AI powered pure online lending platform. Prior to joining WeLab Group, he held senior roles in leading international financial institutions, including HSBC and Standard Chartered Bank’s former consumer finance subsidiary, PrimeCredit.

Mr. Lee holds a Bachelor of Engineering (Computer Science) from Hong Kong University of Science and Technology.

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

CORPORATE GOVERNANCE REPORT (Continued)

1. Board of Directors (Continued)

Mr. ROBERTS Donald Jeffrey
Independent Non-Executive Director

Mr. Roberts is a veteran CFO with over 40 years' experience in a leading conglomerate, Hutchison Whampoa Limited, where he was Group Deputy CFO for 11 years. Mr. Roberts is currently an Independent Non-Executive Director of CK Asset Holdings Limited, CK Life Sciences Int'l., (Holdings) Inc., HK Electric Investments Limited and Queen's Road Capital Investment. He was previously a member of the Executive Committee of The Canadian Chamber of Commerce in Hong Kong and is currently Governor of the Chamber.

Mr. Roberts holds a Bachelor of Commerce degree. He is a Chartered Accountant with the Chartered Professional Accountants of Canada, Alberta and British Columbia, and also a Fellow of the HKICPA.

Ms. CHANG Suk Ling Irene
Independent Non-Executive Director

Ms. Chang (Mrs. Irene Chiu) has over 30 years of experience across different groups at Citibank until her retirement in 2019. Her last role was the Retail Credit Head for Citibank, a role she held from 2005 to 2019, covering Australia, Japan and Asia Pacific, with Europe added in the later years. She is a veteran in retail credit risk management and was responsible for independent risk oversight for Citi's retail credit portfolios across 20 countries. Ms. Chang has extensive "through-the-cycle" experience in managing retail credit portfolios, building de novo businesses and through "boom and bust, and to recovery".

Ms. Chang holds a Bachelor of Social Sciences degree from the University of Hong Kong.

Mr. LEE Kam Wing Bruno
Independent Non-Executive Director

Mr. Lee is a financial veteran with over 30 years of experience in the wealth and asset management industry in Asia regional markets. He has held multiple key regional management positions in various leading global financial groups, including HSBC, Fidelity and Manulife. After retiring from a full-time executive role since 2022, Mr. Lee is now serving as an external advisor / consultant for Bain & Company and Fitch Learning. He is also a lecturer on wealth management business courses in the Chinese University of Hong Kong Business School. On the media side, Mr. Lee is an author of two books on personal wealth management and career development, and a regular speaker on wealth management and career development topics. Apart from his business endeavors, Mr. Lee had served on many professional panels and committees in the financial sector, including the ex-chairman of the Hong Kong Investment Funds Association, ex-member of the Financial Services Advisory Committee of the Hong Kong Trade Development Council, and the Convenor of the Advisory Group on Financial Education for Working Adults and Seniors of the Investor and Financial Education Council.

Mr. Lee holds a Bachelor of Science (Honour) with Major in Economics from the University of Calgary in Canada, and a Master of Science with Major in Investment Management from the Hong Kong University of Science and Technology.

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

CORPORATE GOVERNANCE REPORT (Continued)

1. Board of Directors (Continued)

Changes in Directors and Information of Directors

Changes in Director of the Bank during the year are as follows:

(1) Mr. Lee Kam Wing Bruno was appointed as an independent non-executive Director on 11 June 2025.

Board Recruitment and Selection Process

If the Board determines that an additional or replacement director is required, the Nomination Committee will identify individuals suitably qualified to become members of the Board based on the selection criteria, including experience, knowledge, skills, track record, independence of mind (particularly in the case of non-executive directors and independent non-executive directors) and other relevant factors as may be determined by the Board, in addition to compliance with corporate governance standards set out in Supervisory Policy Manual CG-1 and the guidance on Empowerment of Independent Non-Executive Directors in the Banking Industry in Hong Kong issued by the HKMA. The candidate should not have any conflict of interest that may impede his/her ability to perform his/her duties independently and objectively or subject him/her to undue influence from personal, professional or other economic relationships with other members of the Board or management, other persons including shareholders, and relationship arising from or connected to past or present positions held. The candidate should be able to commit sufficient time, attention and effort to fulfill his responsibilities effectively, including attendance of meetings of the Board, especially where major issues are to be discussed.

Board Committees

The Board delegates the management and day-to-day running of the Group to the Chief Executive and the Alternate Chief Executives in accordance to the direction determined by the Board. Other matters which the Board considers suitable for delegation are contained in the terms of reference of its committees as follows:

a. Executive Committee

The Executive Committee provides leadership and ensures strong governance across all matters related to the Group. The committee is responsible for the day-to-day operations and administration of the Group within the framework of the Group's policies and act in accordance to the direction determined by the Board of Directors of the Bank to maximize and protect the value of the Group. The committee is chaired by the Chief Executive and its members include Chief Financial Officer, Chief Compliance Officer, Chief Risk Officer, Chief Technology Officer, Head of Operations and Head of Human Resources, while Head of Internal Audit and Head of Growth and Customer are the standing invitees.

The Executive Committee held eight scheduled meetings in 2025.

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

CORPORATE GOVERNANCE REPORT (Continued)

1. Board of Directors (Continued)

Board Committees (Continued)

b. Remuneration Committee

The Remuneration Committee is responsible to the Board for formulating remuneration policy and remuneration proposals of all staff, in particular, Directors, the Chief Executive, Alternate Chief Executives and senior management of the Bank and its wholly-owned subsidiaries and overseeing its implementation. The committee in determining the remuneration proposals shall ensure consistency with the Group's culture, long-term business and risk appetite, performance and control environment and relevant legal requirements and rules and guidance published by regulatory authorities. It consists of:

Mr. LEE Kam Wing Bruno (<i>Chairman</i>) (Appointed on 11 June 2025)	Independent Non-Executive Director
Ms. CHANG Suk Ling Irene	Independent Non-Executive Director
Mr. ROBERTS Donald Jeffrey	Independent Non-Executive Director
Mr. LEUNG Chun Man Ernest	Non-Executive Director

The Remuneration Committee held two scheduled meetings in 2025.

c. Nomination Committee

The Nomination Committee is responsible to the Board for leading the process for Board appointments and for identifying and nominating for the approval of the Board, candidates for the appointment to the Board. It also has responsibility of identifying individuals suitably qualified to become members of senior management and selecting, or making recommendations to the Board on the selection of, individuals nominated for senior management positions. It consists of:

Mr. LEE Kam Wing Bruno (<i>Chairman</i>) (Appointed on 11 June 2025)	Independent Non-Executive Director
Ms. CHANG Suk Ling Irene	Independent Non-Executive Director
Mr. ROBERTS Donald Jeffrey	Independent Non-Executive Director
Prof. CHAN Ka Keung Ceajer	Non-Executive Director
Mr. LOONG Pui Chi Simon	Non-Executive Director

The Nomination Committee held one scheduled and one ad-hoc meetings in 2025.

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

CORPORATE GOVERNANCE REPORT (Continued)

1. Board of Directors (Continued)

Board Committees (Continued)

d. Risk Committee

The Risk Committee is responsible for ensuring an appropriate risk management framework, overseeing and monitoring the various risks affecting the Bank and its wholly-owned subsidiaries. The committee reviews and supports the implementation of the risk management strategies, resilience framework, risk appetites and key risk management policies based on the guidelines and directives of the HKMA. The committee interacts regularly with and provides oversight of the Chief Risk Officer and also receives regular risk reports from the Chief Risk Officer and the risk management function of the Group. It consists of:

Ms. CHANG Suk Ling Irene (<i>Chairman</i>)	Independent Non-Executive Director
Mr. ROBERTS Donald Jeffrey	Independent Non-Executive Director
Mr. LEE Kam Wing Bruno (Appointed on 11 June 2025)	Independent Non-Executive Director
Prof. CHAN Ka Keung Ceajer	Non-Executive Director
Mr. LEUNG Chun Man Ernest	Non-Executive Director

The Risk Committee held four scheduled meetings in 2025.

e. Audit Committee

The Audit Committee is established to assist the Board of the Bank in ensuring the adequacy of the internal control systems and reinforcing the work of internal audit function and external auditors and in fulfilling its duties through a review and supervision of financial reporting of the Bank and its wholly-owned subsidiaries. It oversees the establishment of the Group's accounting policies and procedures, approves the internal and external audit plans, reviews reports and recommendations provided by the internal and external audit functions, and reports significant findings, if any to the Board in relation to any deficiencies in the Group's internal control system. It consists of:

Mr. ROBERTS Donald Jeffrey (Chairman)	Independent Non-Executive Director
Ms. CHANG Suk Ling Irene	Independent Non-Executive Director
Mr. LEUNG Chun Man Ernest	Non-Executive Director

The Audit Committee held four scheduled meetings in 2025.

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

CORPORATE GOVERNANCE REPORT (Continued)

1. Board of Directors (Continued)

Sub-committees of Risk Committee

a. Asset and Liability Committee

The Asset and Liability Committee is responsible for the effective management of the assets and liabilities of the Group, which includes overseeing the Group's operations relating to interest rate risk, liquidity risk, market risk and capital management. The members are appointed by the Chief Executive, and standing members comprise the Chief Executive, Chief Financial Officer, Chief Risk Officer, Head of Loans, Head of Deposit, Payment & Card, Head of ALCO Risk & Risk Analytics and Head of Financial Planning & Analysis and Treasury. Meetings are chaired by the Chief Financial and Operations Officer, or in his/her absence, the Chief Executive or his/her delegate.

b. Risk Management Committee

The Risk Management Committee is responsible for overseeing the effective management of operational risk, technology risk, reputational risk, regulatory risk, legal risk, climate risk and strategic risk arising from the Group's activities to ensure resilience of the organization. This committee also covers risks associated with non-compliance with external rules and regulations relating to Financial Crime (i.e. money laundering, terrorist financing, sanctions, fraud and bribery corruption). The members are appointed by the Chief Executive, including Alternate Chief Executives, Chief Risk Officer, Chief Compliance Officer, Chief Financial Officer, Chief Technology Officer, Chief Lending Officer, Head of Operations, Head of Loans, Head of Deposit, Payment & Card, Lead of Business Proposition, Head of Operational Risk, Head of Technology Risk, Head of Financial Crime Compliance, Head of Regulatory Compliance, Head of Wealth Management, Head of People & Culture and Head of Financial Planning & Analysis and Treasury. Meetings are chaired by the Chief Risk Officer, or in his/her absence, the Chief Executive or his/her delegate.

c. Credit Risk Management Committee

The Credit Risk Management Committee is responsible for overseeing the effective management of credit risk arising from the Group's activities. The members are appointed by the Chief Executive, including Alternate Chief Executives, Chief Risk Officer, Chief Compliance Officer, Chief Financial Officer, Head of Operations, Head of Credit Risk, Head of Loans, Head of Regulatory Compliance and Head of Financial Planning & Analysis and Treasury. Meetings are chaired by the Chief Risk Officer, or in his/her absence, the Chief Executive or his/her delegate.

d. Information Security Committee

The Information Security Committee is a senior management level committee responsible for ensuring an appropriate information security, cybersecurity risk management framework, overseeing and monitoring the information security risks affecting the Group. This committee reviews and oversees the implementation of the information security, cybersecurity risk management strategies and program, and key risk policies based on the guidelines and directives of the Hong Kong Monetary Authority and Securities and Futures Commission of Hong Kong. This committee interacts regularly with and also receives regular information security and cybersecurity risk reports from the Cybersecurity team and Technology Risk team of the Group. The members are appointed by the Risk Committee, including Chief Risk Officer, Chief Technology Officer, Head of Technology Risk and Director, Cyber Security. Meetings are co-chaired by the Chief Technology Officer and Head of Technology Risk/Senior Manager, Technology Risk or designated alternate.

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

CORPORATE GOVERNANCE REPORT (Continued)

2. Disclosure on Remuneration System

The Remuneration Committee is delegated by the Board of the Bank and is independent of management. The Remuneration Committee is responsible to review remuneration policies and practices on an annual basis or when necessary to ensure the remuneration policy is consistent with the principles set out under the HKMA Supervisory Policy Manual CG-1, CG-5 and other legal requirements. Two thirds of the Remuneration Committee are Independent Non-executive Director (“INED”).

Key Principles of Remuneration Policy

The remuneration policy and its implementation are subject to regular (at least annual) review by the Board of the Bank or the Remuneration Committee to ensure that the policy remains adequate and market competitive and that the operation of the remuneration system is consistent with the prevailing regulatory requirements and long-term interests of the Group. The policy applies to all staff members who are employed by the Group. The principles of the Policy are as follows:

- a. Reinforce a business culture based on the highest ethical standards;
- b. Manage risks to the Group by encouraging prudent decision-making and in line with the objectives, business strategies and long-term goals of the Group;
- c. Reflect regulatory guidance in compensation program;
- d. Attract and retain the best talent to lead the Group to success;
- e. Remunerate all staff members fairly and reasonably according to the individual level of competence and performance;
- f. Performance evaluation is based on the balance of financial and non-financial factors including effective risk and people management;
- g. Remuneration practices are set against comparable industry norms and to promote a “pay for performance” culture.

Structure of Remuneration

The Group’s remuneration structure shall promote behavior amongst staff members that supports the Group’s risk management framework and long-term financial soundness. The Group’s remuneration package consists of both fixed and variable (discretionary) compensation. Fixed remuneration refers to base salary (guaranteed) and allowance. Variable remuneration refers to variable bonus and shares or share-linked instruments such as share options or awards. An appropriate balance between fixed and variable remuneration will reflect the seniority, role and responsibilities of each staff member. The proportion of variable remuneration to total remuneration will increase in line with the seniority and job responsibilities of each staff member.

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

CORPORATE GOVERNANCE REPORT (Continued)

2. Disclosure on Remuneration System (Continued)

Senior Management & Key Personnel

Senior Management (including Chief Executive and Alternate Chief Executives) are responsible for oversight of the Group's strategy or activities or material business lines. Key Personnel are those reported under the HKMA as "Managers" whose action may have a material impact on the risk exposure of the Group.

Performance Measurement for Variable Remuneration

The award of variable remuneration shall depend on the fulfillment of budget income, peer group performance comparison and risk control factors. These criteria should include both financial, non-financial and risk factors. In allocating variable remuneration, the following factors should be taken into consideration:

- a. Overall performance of the Group;
- b. Performance of the relevant business units;
- c. Contribution of individual staff members to such performance; and
- d. Risk control functions' input on the performance of relevant business unit and its staff members

The total amount of variable remuneration may be reduced in the event of an actual or expected deterioration in the financial performance of the Group or staff misconduct (e.g. internal fraud, data leakage or damage to property etc.). The Chief Executive of the Bank has the authority to exercise discretion and flexibility to withhold all or part of the variable remuneration.

The remuneration of staff members in risk control functions should be determined in accordance with their performance objectives and should be independent of the performance of business units which they oversee.

Deferral Arrangement

A portion of variable remuneration may subject to deferral which will allow staff members' performance, including the associated risks, to be observed and validated over a period of time before payment is actually made and the adjustment of the amount to be paid will enable the remuneration ultimately received by staff members to more accurately reflect risk and risk outcomes.

3. Internal Audit

The Internal Audit function as the third line of defense is to provide independent and objective assurance to the Board and the Audit Committee on the quality and effectiveness of the Group's risk management, internal controls, governance framework and processes. Internal Audit function adopts a risk-based approach in its auditing activities. The internal auditors are responsible to and report to the Audit Committee.

4. Major Share Ownership and Voting Rights

The Bank is directly wholly owned by Welab Capital Limited and indirectly wholly owned by Welab Holdings Limited.