

星展銀行（香港）有限公司
DBS BANK (HONG KONG) LIMITED
(Incorporated in Hong Kong with limited liability)

Annual Report 2025

DBS Bank (Hong Kong) Limited and its Subsidiaries

CONTENTS

	Page(s)
Report of the directors	1
Independent auditor's report	4
Consolidated income statement	6
Consolidated statement of comprehensive income	7
Consolidated statement of financial position	8
Consolidated statement of changes in equity	9
Consolidated cash flow statement	10
Notes to the consolidated financial statements	11
Corporate governance report (unaudited)	56

DBS Bank (Hong Kong) Limited and its Subsidiaries

REPORT OF THE DIRECTORS

The directors of DBS Bank (Hong Kong) Limited (the “Bank”) submit their report together with the audited consolidated financial statements of the Bank and its subsidiaries (together the “Group”) for the year ended 31 December 2025.

Principal activities

The principal activity of the Bank is the provision of banking and related financial services. The principal activity of the main operating subsidiary is shown in Note 21 of the consolidated financial statements.

Results and appropriations

The results of the Group for the year ended 31 December 2025 are set out in the consolidated income statement on page 6.

During the year, a final dividend of HK\$1,800 million (2024: Nil) in respect of previous year, interim dividends totalling HK\$5,500 million (2024: HK\$5,500 million) and a special dividend of HK\$4,000 million (2024: Nil) in respect of current year were paid to holder of ordinary shares. A distribution of HK\$40 million was paid to holder of Perpetual Capital Securities during 2025 (2024: HK\$40 million). Details are set out in Note 13 to the consolidated financial statements.

The directors recommend a final dividend of HK\$1,800 million for the year ended 31 December 2025.

Share capital

Details of the movements in the share capital during the year are set out in Note 27 to the consolidated financial statements. No debenture was issued by the Bank during the year.

Donations

Donations made by the Group during the year amounted to HK\$11,015,317 (2024: HK\$957,870).

Directors

The directors, including executive director (“ED”), non-executive directors (“NED”) and independent non-executive directors (“INED”) of the Bank during the year and up to the date of this report are:

SEAH Lim Huat, Peter (NED) – Chairman
Piyush GUPTA (NED) – Vice Chairman (retired on 21 March 2025)
TAN Su Shan (NED) – Vice Chairman (appointed on 31 July 2025)
J. E. Sebastian PAREDES MUIRRAGUI (ED) – Chief Executive
Nancy Sau Ling TSE (INED)
LIU Chee Ming (INED)
Edward Sung-Lai LAM (INED)
KUOK Khoon Hua (INED)

In accordance with the articles of association of the Bank, Ms. TAN Su Shan and Ms. Nancy Sau Ling TSE will retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors (continued)

During the year and up to the date of this report, Mr. J. E. Sebastian PAREDES MUIRRAGUI is also a director of the Bank's subsidiaries. Other directors of the Bank's subsidiaries during the year and up to the date of this report include Ms. WU Shu-yen Carol, Mr. CHAN Chi Yung, Mr. Alfian Michael SHARIFUDDIN and Ms. CHAN Nap Shan, Jacqueline.

Directors' material interests in significant transactions, arrangements and contracts

Save as disclosed in Notes 37(b) and 38 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Bank's business, to which the Bank or any of its holding companies or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Bank or an entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interest in shares

As at the end of the year or at any time during the year, the DBSH Share Plan (the "Share Plan") was the only arrangement that enabled a director of the Bank to acquire benefits by means of the acquisition of shares of DBS Group Holdings Ltd. ("DBSH"), or to be awarded shares of DBSH (or their equivalent cash value).

The Share Plan is granted to DBSH Group employees as determined by the Compensation and Management Development Committee ("CMDCC") of DBSH appointed to administer the Share Plan from time to time. Participants are awarded shares of DBSH, their equivalent cash value or a combination of both.

Awards consist of the main award and the retention award. The main award granted prior to February 2023 will vest 2 to 4 years after grant, i.e. 33% will vest 2 years after grant; another 33% will vest 3 years after grant and the remaining 34% plus the retention award will vest 4 years after grant. The main award granted from February 2023 will vest 1 to 4 years after grant, i.e. 25% will vest each year. The retention award will vest 4 years after grant. The fair value of the shares awarded is computed based on the market price of the ordinary shares at the time of the award.

During the year, the following directors were eligible to receive awards under the Share Plan as set out below:

- 1) A total of 12,849 share awards were granted to Mr. SEAH Lim Huat, Peter and 12,849 share awards were vested in him;
- 2) A total of 83,256 share awards were granted to Ms. TAN Su Shan and 132,185 share awards were vested in her;
- 3) A total of 50,935 share awards were granted to Mr. J. E. Sebastian PAREDES MUIRRAGUI and 102,254 share awards were vested in him;
- 4) A total of 198,358 share awards were granted to Mr. Piyush GUPTA, who retired on 21 March 2025, and 268,806 share awards were vested in him.

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

Permitted indemnity provisions

The articles of association of the Bank provide that every director of the Bank shall be entitled to be indemnified out of the assets of the Bank against all liabilities incurred by him/her as a director for the benefit of the Bank or in defending any proceedings in which judgement is given in his/her favour, or in which he/she is acquitted or in connection with relief granted to him/her by the court.

All directors of the Bank and its associated companies are covered by the Directors and Officers Liability Insurance Policy taken out by DBSH.

Management contracts

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

Auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

SEAH Lim Huat, Peter

Chairman

Hong Kong, 3 February 2026

DBS Bank (Hong Kong) Limited and its Subsidiaries

INDEPENDENT AUDITOR'S REPORT

To the Members of DBS Bank (Hong Kong) Limited

(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of DBS Bank (Hong Kong) Limited (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 6 to 55, comprise:

- the consolidated statement of financial position as at 31 December 2025;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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

Independence

We are independent of the 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.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises the information included in the report of the directors and corporate governance report, but does not include 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.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Bank 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.

Those charged with governance are responsible 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. We report our opinion 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 HKSA's 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 HKSA's, we exercise professional judgment 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.
- 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 consolidated 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 those charged with governance 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 TAM Man Kit, James (practising certificate number: P04873).

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 3 February 2026

DBS Bank (Hong Kong) Limited and its Subsidiaries

CONSOLIDATED INCOME STATEMENT

In HK\$ millions	Note	Year ended 31 December	
		2025	2024
Interest income		19,345	21,895
Interest expense		(8,617)	(11,023)
Net interest income	4	10,728	10,872
Net fee and commission income	5	5,251	4,265
Net trading income	6	1,577	1,560
Net income from investment securities	7	2	2
Other income	8	110	68
Total income		17,668	16,767
Total expenses	9	(6,947)	(6,753)
Profit before allowances for credit and other losses		10,721	10,014
Allowances for credit and other losses	10	(1,640)	(930)
Profit before income tax		9,081	9,084
Income tax expense	12	(1,333)	(1,467)
Profit attributable to shareholders		7,748	7,617

The notes on pages 11 to 55 form part of these consolidated financial statements.

DBS Bank (Hong Kong) Limited and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In HK\$ millions	Note	Year ended 31 December	
		2025	2024
Profit attributable to shareholders		7,748	7,617
Other comprehensive income:			
Items that may be reclassified subsequently to income statement:			
Gains/(losses) on debt instruments classified at fair value through other comprehensive income and others			
– Net valuation gains taken to equity	27(b)	413	271
– (Gains)/losses transferred to income statement	27(b)	(12)	35
– Deferred income tax debited to equity	27(b)	(59)	(50)
Cash flow hedge			
– Net valuation gains taken to equity	27(b)	1,470	120
– (Gains)/losses transferred to income statement	27(b)	(324)	759
– Deferred income tax debited to equity	27(b)	(190)	(145)
Items that will not be reclassified to income statement:			
Gains/(losses) on equity instruments classified at fair value through other comprehensive income			
– Net valuation gains taken to equity	27(b)	23	176
Other comprehensive income attributable to shareholders, net of tax		1,321	1,166
Total comprehensive income attributable to shareholders		9,069	8,783

The notes on pages 11 to 55 form part of these consolidated financial statements.

DBS Bank (Hong Kong) Limited and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In HK\$ millions	Note	As at 31 December	
		2025	2024
Assets			
Cash and balances with central banks	15	5,486	2,778
Government securities and treasury bills	16	95,402	78,469
Due from banks	17	108,436	86,094
Derivative assets	31	5,314	5,166
Bank and corporate securities	18	51,933	38,895
Loans and advances to customers	19	271,461	269,983
Other assets	20	6,809	5,505
Properties and other fixed assets	22	4,632	4,933
Total assets		549,473	491,823
Liabilities			
Due to banks		26,926	14,791
Deposits and balances from customers	23	450,381	405,134
Derivative liabilities	31	2,876	4,125
Other liabilities	24	18,255	15,473
Subordinated liability	26	2,335	2,329
Total liabilities		500,773	441,852
Equity			
Share capital	27(a)	8,995	8,995
Reserves	27(b)	37,305	39,576
Other equity instruments	28	2,400	1,400
Total equity		48,700	49,971
Total liabilities and equity		549,473	491,823

The notes on pages 11 to 55 form part of these consolidated financial statements.

SEAH Lim Huat, Peter
Chairman

J.E. Sebastian PAREDES MUIRRAGUI
Director

DBS Bank (Hong Kong) Limited and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In HK\$ millions	Note	Share capital	Other equity instruments	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2024		8,995	1,400	(15)	36,348	46,728
Total comprehensive income		–	–	1,166	7,617	8,783
Dividends	13	–	–	–	(5,540)	(5,540)
Balance as at 31 December 2024		8,995	1,400	1,151	38,425	49,971
Balance as at 1 January 2025		8,995	1,400	1,151	38,425	49,971
Issue of perpetual capital securities	28	–	1,000	–	–	1,000
Total comprehensive income		–	–	1,321	7,748	9,069
Dividends	13	–	–	–	(11,340)	(11,340)
Balance as at 31 December 2025		8,995	2,400	2,472	34,833	48,700

The notes on pages 11 to 55 form part of these consolidated financial statements.

DBS Bank (Hong Kong) Limited and its Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

In HK\$ millions	Note	Year ended 31 December	
		2025	2024
Cash flows from operating activities			
Profit before income tax		9,081	9,084
Adjustments for non-cash items:			
Allowances for credit and other losses		1,640	930
Write-off of properties and other fixed assets		–	51
Depreciation expenses		495	514
Advances and other assets written off		(721)	(514)
Recoveries of advances and other assets written off		67	62
Interest expense for subordinated liability		146	168
Interest expense on lease liabilities	30(a)	21	22
Profit before changes in operating assets and liabilities		10,729	10,317
Increase/(decrease) in:			
Due to banks		12,135	6,231
Deposits and balances from customers		45,247	14,535
Other liabilities and derivatives		3,051	1,102
Decrease/(increase) in:			
Due from banks		(12,266)	11,983
Government securities and treasury bills		(14,538)	(17,550)
Loans and advances to customers		(2,498)	(7,834)
Bank and corporate securities		(12,629)	(16,434)
Other assets and derivatives		(1,691)	983
Net cash generated from operating activities before income tax		27,540	3,333
Hong Kong profits tax paid		(1,527)	(1,218)
Overseas tax paid		(5)	(5)
Net cash generated from operating activities		26,008	2,110
Cash flows from investing activities			
Purchase of fixed assets		(135)	(1,766)
Net cash used in investing activities		(135)	(1,766)
Cash flows from financing activities			
Principal element of lease payment		(207)	(251)
Interest element of lease payment		(20)	(21)
Issue of perpetual capital securities		1,000	–
Dividends paid		(11,340)	(5,540)
Interest paid for subordinated liability		(148)	(169)
Net cash used in financing activities		(10,715)	(5,981)
Exchange differences		6	(14)
Net change in cash and cash equivalents		15,164	(5,651)
Cash and cash equivalents as at 1 January		82,216	87,867
Cash and cash equivalents as at 31 December	30(b)	97,380	82,216

The notes on pages 11 to 55 form part of these consolidated financial statements.

DBS Bank (Hong Kong) Limited and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2025

1 GENERAL INFORMATION

The principal activities of DBS Bank (Hong Kong) Limited (the "Bank") and its subsidiaries (together the "Group") are the provision of banking and related financial services. The Bank is a limited company incorporated and domiciled in Hong Kong. The address of its registered office is 11th Floor, The Center, 99 Queen's Road Central, Hong Kong.

The immediate holding company is DBS Diamond Holdings Ltd., which was incorporated in Bermuda. The ultimate holding company is DBS Group Holdings Ltd ("DBSH" or "DBS Group") which is listed, incorporated and domiciled in the Republic of Singapore. The address of its registered office is 12 Marina Boulevard, Marina Bay Financial Centre Tower 3, Singapore 018982.

The consolidated financial statements were approved for issue by the Board of Directors on 3 February 2026.

For regulatory reporting purposes, the Bank computes key regulatory ratios on a combined basis including the Bank and its overseas branch that is different from the basis of consolidation for accounting purposes. The basis is set out in the unaudited Regulatory Disclosure Statements. The disclosures of regulatory capital, liquidity and other disclosures are available in the section of Regulatory Disclosures on our website <https://www.dbs.com/hongkong/en/financials/financial-results.page>.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The following is a summary of the material accounting policies applied by the Group and, except where noted, are consistent with those applied in the previous financial year.

(a) Basis of preparation

The consolidated financial statements are prepared in accordance with HKFRS Accounting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance Cap 622.

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

The preparation of consolidated financial statements requires management to exercise judgement, use estimates and make assumptions in the application of policies and in reporting the amounts in the consolidated financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates. Critical accounting estimates and assumptions used that are significant to the consolidated financial statements, and areas involving a higher degree of judgement and complexity, are disclosed in Note 3.

(b) Adoption of new and amended accounting standards

The HKICPA has issued a number of new / amended standards that are effective for financial years beginning on or after 1 January 2025. The Group has made an assessment of these new / amended standards and considered that they either have no material impact on the Group's consolidated financial statements or are not relevant to the Group's operations.

New HKFRS and Interpretations effective for future periods

The new and amended accounting standards and amendments to accounting standards effective for future periods do not have a material impact on the Group's consolidated financial statements, except for HKFRS 18 Presentation and Disclosure in Financial Statements, where impact of adoption is being assessed.

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

HKFRS 18 will replace HKAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. HKFRS 18 carries forward many requirements from HKAS 1 unchanged but introduces newly defined subtotals to be presented in the Consolidated Income Statement, disclosure of management-defined performance measures and requirements for grouping of information.

General Accounting Policies

(c) Group accounting

Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date control is transferred to the Group to the date control ceases.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investment cost at Bank level

Investments in subsidiaries are stated at cost less accumulated impairment losses in the Bank's statement of financial position. On disposal of investments in subsidiaries and joint venture, the difference between the net proceeds and the carrying amounts of the investments is taken to the income statement.

(d) Foreign currency treatment**(i) Functional and presentation currency**

Items in the consolidated financial statements are measured using the functional currency of each entity in the Group, being the currency of the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in Hong Kong dollar, which is the functional currency of the Bank.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are measured using exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rate as at the end of the reporting period. Foreign exchange differences arising from this translation are generally recognised in the income statement as trading income. However, they are recognised in Other Comprehensive Income ("OCI") if the monetary liabilities are designated as hedging instruments in fair value hedges of equity instruments classified at fair value through OCI.

Non-monetary assets and liabilities measured at cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined, which is generally at the end of the reporting period.

Unrealised foreign exchange differences arising from non-monetary financial assets and liabilities classified as fair value through profit or loss ("FVPL") are recognised in the income statement as trading income. Non-monetary financial assets that are classified as fair value through other comprehensive income ("FVOCI") relates mainly to FVOCI equities. Foreign exchange differences on FVOCI equities are recognised in other comprehensive income. Refer to section 2(f) for more information on the accounting treatment.

(iii) Subsidiaries and branches

The results and financial positions of subsidiaries and branches whose functional currency is not Hong Kong dollars ("foreign operations") are translated into Hong Kong dollars in the following manner:

- Assets and liabilities are translated at the exchange rates as at the end of the reporting period;
- Income and expenses in the income statement are translated at exchange rates prevailing at each month-end, approximating the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income and accumulated under capital reserves in equity. When a foreign operation is disposed of, or when it is liquidated, such currency translation differences are recognised in the income statement as part of the gain or loss on disposal.

Income Statement**(e) Income recognition****(i) Interest income and interest expense**

Interest is accrued on all interest-bearing financial assets and financial liabilities, except for certain:

- FVPL liabilities where interest is recognised in "net trading income" to align with the nature of the income generated by the associated assets; and
- FVPL transactions where the economics are better reflected in "Net trading income"

Interest income and interest expense are recognised on a time-proportionate basis using the effective interest method. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts.

Net interest income includes interest income and interest expense of derivative instruments where:

- The derivative instruments have been used for hedge accounting purposes; or
- An accounting mismatch would otherwise arise from certain derivatives that have been used for economic hedges which are not subject to hedge accounting.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of products and services provided to its customers.

Fee and commission income are recognised when the Group has satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates agreed with customers, net of expected waivers based on historical experience. The Group generally satisfies its performance obligation and recognises the fee and commission income on the following basis:

- Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include underwriting fees, brokerage fees, bancassurance sales commission and variable service fees, and fees related to the completion of corporate finance transactions.
- For a service that is provided over a period of time, fee and commission income is generally recognised on equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services can be billed to customers in advance or periodically over time. Such fees include the income from issuance of financial guarantees and bancassurance fixed service fees.

The Group does not provide any significant credit terms to customers for the above products and services.

Fee and commission income are directly related expenses which typically include brokerage fees paid, card-related expenses and sales commissions.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established. This is generally the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities. Dividend income arising from financial assets classified as FVPL is recognised in "Net trading income", while those arising from FVOCI financial assets is recognised in "Net income from investment securities".

(iv) Rental income

Rental income from operating leases on properties is recognised on a straight-line basis over the lease term.

(v) Allowances for credit losses

Refer to Note 2(h) for the accounting policy on impairment of financial assets.

Statement of financial position**(f) Financial assets****Initial recognition**

Purchases and sales of all financial assets are recognised on the date that the Group enters into the contractual arrangements with counterparties. When the Group acts as a trustee or in a fiduciary capacity for assets it does not directly control or benefit from, the assets and the corresponding income belonging to a customer are excluded from the consolidated financial statements.

Financial assets are initially recognised at fair value, which is generally the transaction price.

Classification and subsequent measurement

HKFRS 9 categorises debt-like financial assets based on the business model within which the assets are managed, and whether the assets constitute a "basic lending arrangement" where their contractual cash flows represent solely payments of principal and interest ("SPPI"). Interest is defined as consideration for the time value of money, credit risk, other basic lending risks and may include a profit margin.

The classification of the financial assets and the associated accounting treatment is as follows:

- Debt instruments are measured at amortised cost when they are in a "hold to collect" ("HTC") business model and have contractual cash flows that are SPPI in nature. The objective of a HTC business model is to collect contractual principal and interest cash flows. Sales are incidental to the objective and expected to be either insignificant or infrequent.
- Debt instruments are measured at FVOCI when they are in a "hold to collect & sell" ("HTC & S") business model and have cash flows that are SPPI in nature. Both the collection of contractual cash flows and sales are integral to achieving the objective of the HTC & S business model.

Unrealised gains or losses on FVOCI debt instruments are recorded in other comprehensive income and accumulated in FVOCI reserves. When they are sold, the accumulated fair value adjustments in FVOCI are reclassified to the income statement as "Net income from investment securities".

- Debt instruments are measured at FVPL when:
 - (i) the assets are not SPPI in nature;
 - (ii) the assets are not part of a "HTC" or "HTC & S" business model; or
 - (iii) the assets are designated at FVPL to eliminate or significantly reduce the measurement or recognition inconsistencies that would otherwise arise from measuring assets or liabilities on different bases.

Realised and unrealised gains or losses on FVPL financial assets, except interest income, are taken to "Net trading income" in the income statement in the period they arise.

- Subsequent changes in fair value of non-trading equity instruments can be taken through profit or loss or other comprehensive income, as elected. The Group generally elects its non-trading equity instruments to be classified as FVOCI. Other than dividend income, gains and losses on FVOCI equity instruments are recorded in other comprehensive income and accumulated in FVOCI reserves, and not reclassified to profit or loss upon derecognition.
- Derivatives (including derivatives embedded in financial liabilities but separated for accounting purposes) are classified as held for trading unless they are designated as hedging instruments. Derivatives are classified as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives other than those designated as hedging instruments in cash flow hedges are included in "Net trading income".

Reclassification of financial assets

Reclassification of financial assets are prohibited unless the Group changes its business model for managing financial assets. In practice, this is expected to be infrequent.

Determination of fair value

The fair value of financial assets is the price that would be received if the asset is sold in an orderly transaction between market participants at the measurement date. Fair value is generally estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Where applicable, a valuation reserve or pricing adjustment is applied to arrive at the fair value. Significant judgement is required in estimating fair value. Refer to Note 29 or further details.

Offsetting

Financial assets and liabilities are presented net when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle them on a net basis, or realise the asset and settle the liability simultaneously.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when they have been transferred together with substantially all risks and rewards of ownership.

The Group enters into certain transactions where it transfers financial assets recognised on its statement of financial position but retains either all or a portion of the risks and rewards of the transferred financial assets. In such cases, the transferred financial assets are not derecognised from the statement of financial position. They also include certain transactions where control over the financial asset is retained, for example, by a simultaneous transaction (such as options) with the same counterparty to which the asset is transferred. In such cases, the Group continues to recognise the asset to the extent of its continuing involvement which is the extent to which it is exposed to changes in the value of the transferred asset. Please refer to Note 34 for disclosures on transfers of financial assets.

(g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including cash, balances with banks, placements with and advances to banks and short-term bills and notes classified as held for trading and FVOCI which are readily convertible into cash and which are subject to an insignificant risk of changes in value.

(h) Impairment

Expected Credit Loss ("ECL")

ECL are recognised for all financial assets held at amortised cost, debt instruments measured at FVOCI, guarantees and undrawn credit commitments. It represents the present value of expected cash shortfalls over the residual term of a financial asset, guarantee or undrawn commitment.

At initial recognition, allowance is required for ECL resulting from possible default events that may occur within the next 12 months ("12-month ECL"). In the event of a significant increase in credit risk, allowance is required for ECL resulting from possible default events over the expected life of the instrument ("lifetime ECL").

The ECL recognised follows the three-stage model: financial instruments where 12-month ECL is recognised are considered Stage 1; financial instruments which experience a significant increase in credit risk ("SICR") are in Stage 2; and financial instruments with objective evidence of default or are credit-impaired are in Stage 3.

Stage 1

Financial instruments are classified as Stage 1 at initial recognition and will remain under Stage 1 unless they experience a SICR or become credit-impaired. 12-month ECL is recognised for these instruments.

Stage 2

Financial instruments which experience a SICR subsequent to initial recognition, but are not yet credit-impaired, will migrate from Stage 1 to Stage 2. Lifetime ECL is recognised for these instruments.

SICR is assessed by comparing the risk of default at reporting date to the risk of default at origination using a range of qualitative and quantitative factors.

For wholesale exposures, a financial instrument is deemed to have experienced a significant increase in credit risk when:

- the observed change in its probability of default (“PD”), as observed by downgrades in the Group’s internal credit risk rating for this instrument between origination and reporting dates, is more than pre-specified thresholds; or
- it is placed on internal credit watchlists for closer scrutiny of developing credit issues.

For retail exposures, days past due is used, supplemented with a PD-based criterion. In any event, all retail and wholesale exposures that are more than 30 days past due are presumed to have experienced a significant increase in credit risk, unless assessed otherwise, and are classified as Stage 2.

Instruments in Stage 2 that no longer exhibit a significant increase in credit risk will be transferred back to Stage 1.

Stage 3

Financial instruments that become credit-impaired with evidence of default, i.e. non-performing assets, are transferred to Stage 3. Refer to Note 36 for the definition of non-performing assets.

Purchased or originated credit-impaired (“POCI”) is a subset of Stage 3, which represent financial instruments that are purchased or originated at a deep discount that reflects the incurred credit losses.

Lifetime ECL is recognised for these assets and are also known as specific allowances.

A Stage 3 exposure that is restructured can be upgraded to Stage 2 if there are reasonable grounds to conclude that the obligor is able to service future principal and interest payments in accordance with the restructured terms. Stage 3 financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of future recoveries.

Measurement of ECLs

ECL are unbiased and probability-weighted estimates of credit losses determined by evaluating a range of possible outcomes, considering past events, current conditions and assessments of future economic conditions at the reporting date. The ECL associated with a financial instrument is typically a product of its probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) discounted using the original effective interest rate to the reporting date.

- **PD** – Point-in-time (based on current conditions, adjusted to take into account estimates of future conditions that will impact PD) estimate of the likelihood of default.

- **LGD** – Estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including recoveries from collaterals.

- **EAD** – Estimate of the expected credit exposure at time of default, taking into account repayments of principal and interest as well as expected drawdowns on undrawn credit commitments and potential pay-outs on guarantees issued.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD, LGD and EAD. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

In most instances, expected remaining maturity is the same as the remaining contractual life which represents the maximum contractual period over which the Group is exposed to the credit risk of the borrower. However, for some revolving products (e.g. credit cards), the expected remaining maturity may exceed the contractual maturity. In such instances, behavioural expected remaining life will be used.

ECL Modelling – Point-in-Time and Forward-Looking Adjustments

The Group leverages the models and parameters implemented under the Basel Internal Ratings-Based (“IRB”) framework where possible, with appropriate modifications to meet HKFRS 9 requirements.

Other relevant historical information, such as loss experience or proxies will be utilised for portfolios without appropriate Basel models and parameters, with a view to maximise the use of available information that is reliable and supportable.

For the wholesale portfolios, credit risk cycle indices (“CCIs”) have been developed for the key industries and geographies. CCIs are summary measures that depict broad-based, sector-wide changes in credit risk, which are constructed by comparing the median expected default frequency of firms within each segment against a long-run average. Expected default frequency is in turn a market based point-in-time default risk measure, driven by the market value of firms’ assets, asset volatility and leverage. CCIs are then used as inputs to convert the generally more through-the-cycle PDs derived from Basel models/parameters into the point-in-time equivalents by adding the unaccounted portion of cyclical variations, as well as to incorporate forward-looking information. LGDs are determined using historical loss data, which are adjusted for both the latest and forecasted recovery experience.

The Group relies on a Monte Carlo simulation approach to consider over 100 probability-weighted forward-looking scenarios in estimating ECL. This involves simulations of alternative CCI scenarios to arrive at an unbiased ECL estimate that are meant to cover all possible good and bad scenarios based on known estimates.

The Group applies HKFRS 9 adjusted PD, LGD and EAD-based approaches for material unsecured retail and Wealth Management portfolios. For other retail portfolios, historical loss experience is used in conjunction with the forecast loss rates which take into account relevant macroeconomic variables, such as property-price and unemployment rates.

Expert credit judgement and post model adjustments

The measurement of ECLs requires the application of expert credit judgement. These include:

- assignment of credit risk ratings and determination of whether exposures should be placed on credit watchlists;
- assessment of whether a significant increase in credit risk has occurred;
- selecting and calibrating the ECL models such as CCIs;
- determining the expected remaining maturity of revolving products (e.g. overdrafts and credit cards);
- determination of the forecast loss rates; and
- application of additional modelled ECL where potential risks may not be captured in the underlying modelled ECL. Such top-down additional modelled ECL was quantified by means of applying conditional probabilities of more severe scenarios materialising arising from emerging risk themes and may be adjusted subject to Hong Kong specific conditions when appropriate.

As at 31 December 2025, additional modelled ECL was applied to account for the uncertain credit outlook and the emerging risk themes. In determining this additional modelled ECL, the DBS Group has considered a range of plausible outcomes under base and stress scenarios using a top-down approach. The DBS Group has assigned probabilities to the scenarios in-line with management's judgement of the likelihood of each scenario occurring in determining the additional modelled ECL. Hong Kong specific conditions have been considered in determining the final additional modelled ECL.

The base scenario assumes a steady US and Chinese economy growth. The stress scenario is a deep recession in 2026 with gradual recovery over 2027 and 2028. This includes a combination of negative GDP growth, declines in property prices and an increase in the unemployment rates.

Governance framework

The measurement of ECL is subject to a robust governance framework as described below.

- The DBS Group ECL Review Committee (Review Committee) is the overarching committee for ECL related matters and comprises senior management and representatives from functions across the Group. Significant changes to ECL models and methodologies and the application of thematic overlays are subject to the oversight and approval of the Review Committee.
- The Review Committee is supported by the DBS Group ECL Operating Committee (Operating Committee) which comprises cross functional representatives and subject matter experts. The Operating Committee recommends changes to ECL models, methodologies and thematic overlays to the Review Committee; provides oversight over system design, infrastructure and development; and establishes principles and significant policies pertaining to ECL. Group Credit Risk Models Committee oversees ECL models and credit risk models used by the Group.
- Hong Kong ECL Review Group, comprises Hong Kong senior management, coordinates closely with DBS Group ECL Review Committee to govern and manage local ECL related matters.
- ECL models are subject to independent validation by the Risk Management Group (RMG) as well as independent reviews by internal and external auditors. The validation and assurance processes cover the review of the underlying ECL methodology including its logic and conceptual soundness.

(i) Repurchase agreements

Repurchase agreements ("Repos") are arrangements where the Group sold the securities but subject to a commitment to repurchase or redeem the securities at a pre-determined price. The securities are retained on the balance sheet as Group retains substantially all the risks and rewards of ownership and these securities are disclosed within "securities pledged or transfers of financial assets" (note 34). The consideration received is recorded as financial liabilities in either "due to banks" or "deposits and balances from customers". Short-dated repos transacted as part of Markets Trading activities are measured at FVPL.

Reversed repurchase agreements ("Reverse repos") are arrangements where the Group purchased the securities but are subject to a commitment to resell or return the securities at a pre-determined price. The risks and rewards of ownership of the securities are not acquired by the Group and are reflected as collateral received and recorded off-balance sheet. The consideration paid is recorded as financial assets as "cash and balances with central banks", "due from banks" or "loans and advances to customers". Short-dated reverse repos transacted as part of Markets Trading activities are measured at FVPL.

(j) Goodwill

Goodwill arising from business combinations generally represents the excess of the acquisition cost over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed on acquisition date. Goodwill is stated at cost less impairment losses and it is tested at least annually for impairment.

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units ("CGU") or group of CGUs expected to benefit from the combination's synergies.

An impairment loss is recognised when the carrying amount of a CGU, or a group of CGUs, including the goodwill, exceeds the applicable recoverable amount. The recoverable amount of a CGU or CGU group is the higher of the CGU's or CGU group's fair value less cost to sell and its value-in-use. An impairment loss on goodwill is recognised in the income statement and cannot be reversed in subsequent periods.

(k) Properties and other fixed assets**Owned properties and other fixed assets**

Properties (including investment properties) and other fixed assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated using the straight-line method to write down the costs of the assets to their estimated residual values over the estimated useful lives of the assets. No depreciation is recognised when the residual value is higher than the carrying amount.

Generally, the useful lives are as follows:

Freehold land	Not depreciated
Land	Over the remaining lease period
Buildings	Over the remaining lease period of the land on which it is situated or 50 years, whichever is shorter
Leasehold improvements	Over the lease term of the leased properties or 5 years, whichever is shorter
Furniture, fixtures and equipment	3 – 8 years

An asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leased properties and other fixed assets

Lease liabilities are initially measured at the present value of lease payments to be made over the lease term at the lease commencement date. The associated right-of-use assets are measured at the amount equal to the lease liability.

Lease liabilities are subsequently measured at amortised cost using the effective interest method. The right-of-use assets are depreciated over the lease term on a straight line basis.

Extension options and termination options are included in the assessment of the lease term if the options are reasonably certain to be exercised or not exercised accordingly. If the Group changes its initial assessment, adjustments are made to the carrying amounts of the lease liabilities and right-of-use assets prospectively.

The recognition exceptions for short-term leases and leases of low-value assets are applied.

Refer to Note 22 for the details of owned and leased properties and other fixed assets and their movements during the year.

(l) Financial liabilities**Initial recognition, classification and subsequent measurement**

Financial liabilities are initially recognised at fair value. The Group generally classifies and measures its financial liabilities in accordance with the purpose for which the financial liabilities are incurred and managed. Accordingly:

- Financial liabilities are classified as financial liabilities at fair value through profit or loss if they are incurred for the purpose of repurchasing in the near term (held for trading), or on initial recognition part of a portfolio where there is a recent pattern of short-term profit taking. Held for trading liabilities include short positions in securities for the purpose of ongoing market making, or trading. Financial liabilities at the fair value through profit or loss can also be designated by management on initial recognition (designated at fair value through profit or loss) if doing so eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise, or if the financial liability contains an embedded derivative that would otherwise need to be separately recorded, or if a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis.

Realised or unrealised gains or losses on financial liabilities at fair value through profit or loss, except interest expense, are taken to "Net trading income" in the income statement in the period they arise.

In addition, the changes to the fair value of financial liabilities designated at fair value through profit or loss that are attributable to the Group's own credit risk are taken to retained earnings through other comprehensive income. These amounts are not transferred to the income statement even when realised.

- Derivative liabilities are treated consistently with derivative assets. Refer to Note 2(f) for the accounting policy on derivatives.

- Other financial liabilities are carried at amortised cost using the effective interest method. These comprise predominantly the Group's deposit portfolio under "Deposits and balances from customers" and "Due to banks" and "Other liabilities".

Refer to Note 14 for further details on the types of financial liabilities classified and measured as above.

Determination of fair value

The fair value of financial liabilities is the price that would be paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Refer also to Note 29 for further fair value measurement disclosures.

Derecognition

A financial liability is derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

(m) Loan commitments, letters of credit and financial guarantees

Loan Commitments

Loan commitments are not recognised on the balance sheet and are disclosed in Note 32. Upon a loan draw-down, the amount of the loan is generally recognised as "Loans and advances to customers" on the Group's balance sheet.

Letters of Credit

Letters of credit are not recognised on the balance sheet upon issuance, and the corresponding payables to the beneficiaries and receivables from the applicants are recognised on the balance sheet upon acceptance of the underlying documents.

Financial Guarantees

A financial guarantee is initially recognised in the consolidated financial statements at fair value on the date the guarantee is given. Financial guarantees are subsequently measured at the higher of:

- The amount of the ECL (Note 2(h)); and
- The unamortised portion of the fees that were received on initial recognition. The fee is recognised over time as income in accordance with the principles in Note 2(e).

Off-balance sheet credit exposures are managed for credit risk in the same manner as financial assets.

(n) Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;

- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(o) Share capital

Ordinary shares, and preference shares which do not result in the Group having a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavourable to the Group, are classified as equity. Incremental external costs directly attributable to the issuance of these instruments are accounted for as a deduction from equity.

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders at the Annual General Meeting.

Other Specific Topics

(p) Hedging and hedge accounting

As part of the overall risk management of the Group, derivatives and other instruments are used to manage exposures to interest rate and foreign currency risks, including exposures arising from forecast transactions.

Where hedge accounting is not applied, the derivatives are treated in the same way as derivatives held for trading purposes, i.e. realised and unrealised gains and losses are recognised in "Net trading income". The Group applies hedge accounting for economic hedge relationships that meet the hedge accounting criteria. To qualify for hedge accounting, at the inception of each hedging relationship, the Group designates and documents the relationship between the hedging instrument and the hedged item; the risk management objective for undertaking the hedge transaction; and the methods used to assess the effectiveness of the hedge. At inception and on an on-going basis, the Group also assesses and measures the effectiveness of the hedging relationship.

Where all relevant criteria are met, hedge accounting is applied to reduce the accounting mismatch between hedging instrument and the hedged item. The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and/or interest rate risk in fair value hedges or cash flow hedges as described below.

Fair value hedge

For a qualifying fair value hedge, the changes in the fair value of the hedging instruments are recorded in the income statement,

together with any changes in the fair value of the hedged item attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment on the hedged item is amortised using the effective interest rate method to the income statement over its remaining maturity.

However, where the hedged item is an equity instrument classified as FVOCI, changes in the fair value of the hedging instrument and the hedged item are both recorded in other comprehensive income and accumulated in FVOCI revaluation reserves. The amounts recorded in FVOCI revaluation reserves are not subsequently reclassified to the income statement.

Cash flow hedge

For qualifying cash flow hedges, the effective portion of changes in the fair value of hedging instruments is recognised in other comprehensive income and accumulated under the cash flow hedge reserve in equity. This amount is reclassified to the income statement in the periods when the hedged forecast cash flows affect the income statement. The ineffective portion of the gain or loss is recognised immediately in the income statement under "Net trading income".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve remains until the hedged forecast cash flows affect the income statement. When the hedged forecast cash flows are no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve is immediately reclassified from equity to the income statement.

Economic hedges which do not qualify for hedge accounting

Some derivatives may be transacted as economic hedges as part of the Group's risk management but do not qualify for hedge accounting under HKFRS 9. This includes swaps and other derivatives (e.g. futures and options) that the Group transacts to manage interest rate, foreign exchange and other risks. Such derivatives are treated in the same way as derivative held for trading purposes, i.e. realised and unrealised gains and losses are recognised in "Net trading income". In some cases, the hedged exposures are designated at fair value through profit or loss, thereby achieving some measure of offset in the income statement.

Please refer to Note 31 for disclosures on hedging derivatives.

(q) Employee benefits

Employee benefits, which include base pay, cash bonuses, share-based compensation, contribution to defined contribution plans and other staff related allowances, are recognised in the income statement when incurred. For defined contribution plans, contributions are made to publicly or privately administered funds on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations.

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

(r) Share-based compensation

Employee benefits also include share-based compensation, namely, the DBSH Share Plan and the DBSH Employee Share Purchase Plan ("the Plans") run by DBSH, the ultimate holding company of the Bank. The details of the Plans are described in Note 39.

These share-based compensation expenses, which are measured at their fair values at grant date, are cash-settled with DBSH, amortised and recognised in the income statement over the relevant vesting periods. Non-market vesting conditions are taken into account in determining the number of shares to be granted or number of options that are expected to become exercisable on vesting dates. The impact of subsequent revision of original estimates, if any, is recognised in the income statement.

(s) Current and deferred taxes

Current income tax for current and prior periods is recognised as the amount expected to be paid or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The Group considers uncertain tax positions generally at the level of the total tax liability to each tax authority for each period. The liability is determined based on the total amount of current tax expected to be paid, taking into account all tax uncertainties, using either an expected value approach or a single best estimate of the most likely outcome.

Tax assets and liabilities of the same type (current or deferred) are offset when a legal right of offset exists and settlement in this manner is intended. This applies generally when they arise from the same tax reporting group and relate to the same tax authority.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax assets recognised takes into account the likelihood the amount that can be used to offset payables taxes for future profits.

Deferred tax related to fair value re-measurement of FVOCI investments is recognised in other comprehensive income and accumulated in the FVOCI reserve.

3 CRITICAL ACCOUNTING ESTIMATES

The Group's accounting policies and use of estimates are integral to the reported results. Certain accounting estimates require management's judgement in determining the appropriate methodology for valuation of assets and liabilities. Procedures are in place to ensure that methodologies are reviewed and revised as appropriate. The Group believes its estimates for determining the valuation of its assets and liabilities are appropriate.

The following is a brief description of the Group's critical accounting estimates that involve management's valuation judgement.

(a) Impairment of financial assets

It is the Group's policy to recognise, through charges against profit, allowances in respect of estimated and inherent credit losses in its portfolio as described in Note 2(h).

ECLs are unbiased and probability-weighted amounts determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessments of future economic conditions, which will necessarily involve the use of judgement.

The Stage 1 and Stage 2 ECL allowances are determined after taking into account historical data and management's assessment of the current economic and credit environment, country and portfolio risks, as well as industry practices.

In estimating Stage 3 ECL allowances, the Group assesses the gap between borrowers' obligations to the Group and their repayment ability. The assessment takes into account various factors, including the economic or business outlook, the future profitability of the borrowers and the liquidation value of collateral. Such assessment requires considerable judgement.

(b) Fair value of financial instruments

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced or verified market parameters.

The fair value of financial instruments without an observable market price in a liquid market may be determined using valuation models. The choice of model requires significant judgement for complex products.

Policies and procedures have been established to facilitate the exercise of judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process.

Refer to Note 29 for details on valuation process and the fair value hierarchy of the Group's financial instruments measured at fair value.

(c) Income taxes

The Group recognises liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where uncertainty exists around the Group's tax position, appropriate provisions are provided based on the technical assessment of the case. Where the final tax outcome of these positions is different from the provision provided, the differences will impact the income tax and deferred tax balances in the period in which the final tax is determined. Note 25 provides details of the Group's deferred tax assets/liabilities.

4 NET INTEREST INCOME

In HK\$ millions	2025	2024
Cash and balances with central banks and		
Due from banks	3,960	4,802
Customer non-trade loans	10,684	12,544
Trade assets	486	624
Securities and others	4,215	3,925
Total interest income	19,345	21,895
Deposits and balances from customers	(8,329)	(10,247)
Interest expense on subordinated liability	(146)	(168)
Other interest expense	(142)	(608)
Total interest expense	(8,617)	(11,023)
Net interest income	10,728	10,872
Comprising:		
Interest income from financial assets at FVPL	265	328
Interest income from financial assets at FVOCI	2,586	2,751
Interest income from financial assets at amortised cost	16,494	18,816
Interest expense from financial liabilities at FVPL	(406)	(548)
Interest expense from financial liabilities not at FVPL ^(a)	(8,211)	(10,475)
Total	10,728	10,872

(a) Includes interest expense on lease liabilities of HK\$21 million (2024: HK\$22 million).

5 NET FEE AND COMMISSION INCOME

In HK\$ millions	2025	2024
Fee and commission income	6,027	5,000
Less: Fee and commission expense	(776)	(735)
Net fee and commission income	5,251	4,265
Comprising:		
– Wealth management	3,640	2,674
– Transaction services ^(a)	1,009	975
– Loan related	310	303
– Cards	292	313
Net fee and commission income	5,251	4,265

(a) Includes trade & remittances, guarantees, and deposit-related fees.

In HK\$ millions	2025	2024
Of which:		
Fee and commission income arising from:		
– Financial assets or financial liabilities not at FVPL	1,227	1,315
– Trust or other fiduciary activities	93	86
Fee and commission expense arising from:		
– Financial assets or financial liabilities not at FVPL	468	520
6 NET TRADING INCOME		
In HK\$ millions	2025	2024
Net trading income ^(a)		
– Foreign exchange	1,355	1,521
– Interest rates, equities and others	(23)	(91)
	1,332	1,430
Net gain from financial instruments designated at fair value	245	130
Total	1,577	1,560

(a) Includes income from financial assets that are mandatorily classified at FVPL.

7 NET INCOME FROM INVESTMENT SECURITIES

In HK\$ millions	2025	2024
Debt securities at:		
– FVOCI	(4)	(28)
– Amortised cost	(11)	12
Equity securities at FVOCI	17	18
Total	2	2
Of which dividend income from:		
– Unlisted investments	17	18
Total	17	18

8 OTHER INCOME

In HK\$ millions	2025	2024
Rental income	61	25
Others	49	43
Total	110	68

9 TOTAL EXPENSES

In HK\$ millions	2025	2024
Employee benefits		
– Salaries and other short term employee benefits	4,649	4,362
– Pensions	241	243
– Share-based compensation	104	94
Premises and equipment expenses excluding depreciation		
– Expenses relating to short-term leases and low-value assets	4	6
– Others	242	230
Depreciation expenses		
– Owned properties and other fixed assets	277	269
– Leased properties and other fixed assets	218	245
Auditor's remuneration	11	10
Computerisation expenses	307	407
Other operating expenses	894	887
Total	6,947	6,753

10 ALLOWANCES FOR CREDIT AND OTHER LOSSES

In HK\$ millions	2025	2024
Loans and advances to customers	1,659	894
Off-balance sheet credit exposures and others	(19)	36
Total	1,640	930

The following table outlines the changes in ECL allowances under HKFRS 9 in 2025 and 2024 which are attributed to the following:

- Transfers between stages.
- Net portfolio changes, which are determined on an obligor basis i.e. originations with new obligors net of derecognitions from former obligors.
- Remeasurements, which include the impact of changes in model, model inputs or assumptions, partial repayments, additional drawdowns on existing facilities and changes in ECL following a transfer between stages.

HK\$ millions	General allowances (Non-impaired) Stage 1	Stage 2	Specific allowances (Impaired) Stage 3 ^(b)	Total
2025				
Balance at 1 January	1,004	1,528	1,414	3,946
Changes in allowances recognised in opening balance that were transferred to/(from)	30	(554)	524	–
– Stage 1	(46)	30	16	–
– Stage 2	76	(584)	508	–
– Stage 3	–	–	–	–
Net portfolio changes	4	(65)	–	(61)
Remeasurements	(142)	516	1,327	1,701
Net write-offs ^(a)	–	–	(654)	(654)
Exchange and other movements	–	–	25	25
Balance at 31 December	896	1,425	2,636	4,957
Charge in the income statement	(108)	(103)	1,851	1,640
2024				
Balance at 1 January	1,314	873	1,247	3,434
Changes in allowances recognised in opening balance that were transferred to/(from)	17	(126)	109	–
– Stage 1	(57)	39	18	–
– Stage 2	74	(165)	91	–
– Stage 3	–	–	–	–
Net portfolio changes	(59)	(21)	–	(80)
Remeasurements	(268)	802	476	1,010
Net write-offs ^(a)	–	–	(452)	(452)
Exchange and other movements	–	–	34	34
Balance at 31 December	1,004	1,528	1,414	3,946
Charge in the income statement	(310)	655	585	930

(a) Write-offs are net of recoveries.

(b) Stage 3 specific allowances include HK\$406 million (31 December 2024: Nil) on originated credit-impaired loans and advances to customers.

The following table provides additional information on the financial instruments that are subject to loss allowances as at 31 December 2025 and 2024. FVPL assets and FVOCI equity instruments are not subject to loss allowances and therefore not reflected in the table.

In HK\$ millions	Gross carrying value ^(b)				ECL allowances balances			
	Stage 1	Stage 2	Stage 3 ^(c)	Total	Stage 1	Stage 2	Stage 3 ^(c)	Total
2025								
Assets								
Cash and balances with central banks	5,486	–	–	5,486	–	–	–	–
Government securities and treasury bills ^(a)	89,638	–	–	89,638	2	–	–	2
Due from banks	108,437	–	–	108,437	1	–	–	1
Bank and corporate securities ^(a)	34,616	–	–	34,616	6	–	–	6
Loans and advances to customers								
– Retail	60,471	1,762	694	62,927	387	264	172	823
– Wholesale	181,388	26,312	5,644	213,344	406	1,128	2,453	3,987
Other assets	2,847	34	11	2,892	2	–	11	13
Liabilities								
ECL on guarantees and other off-balance sheet exposures					92	33	–	125
Total					896	1,425	2,636	4,957
2024								
Assets								
Cash and balances with central banks	2,778	–	–	2,778	–	–	–	–
Government securities and treasury bills ^(a)	74,727	–	–	74,727	1	–	–	1
Due from banks	86,095	–	–	86,095	1	–	–	1
Bank and corporate securities ^(a)	31,898	–	–	31,898	7	–	–	7
Loans and advances to customers								
– Retail	60,141	1,744	606	62,491	429	269	155	853
– Wholesale	185,321	22,824	3,112	211,257	441	1,220	1,251	2,912
Other assets	607	12	8	627	2	2	8	12
Liabilities								
ECL on guarantees and other off-balance sheet exposures					123	37	–	160
Total					1,004	1,528	1,414	3,946

(a) Includes loss allowances of HK\$3 million for debt securities that are classified at FVOCI (2024: HK\$4 million)

(b) Balances exclude off-balance sheet exposures

(c) Stage 3 gross carrying value includes HK\$531 million (31 December 2024: HK\$1 million) originated credit-impaired loans and advances to customers, with ECL allowances of HK\$406 million (31 December 2024: Nil)

Sensitivity of ECL calculation to macroeconomic variables

The Group assessed ECL sensitivity for the wholesale and retail portfolios to changes in the allocation of exposures between Stages 1 and 2. ECL is estimated to reduce by HK\$1,093 million (2024: HK\$1,118 million) should all the exposures in Stage 2 return to Stage 1 and were assigned a lower 12-month ECL instead of lifetime ECL. The impact also reflects the higher PDs ascribed to Stage 2 exposures in addition to the recognition of lifetime instead of 12-month ECL.

As ECL estimation relies on multiple variables, no single analysis can fully demonstrate the sensitivity of the ECL to changes in macroeconomic variables.

11 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The aggregate amounts of emoluments paid or payable to directors of the Bank during the year are as follows:

In HK\$ millions	2025	2024
Fees ^(a)	5	5
Salaries, housing and other allowances and benefits ^(b)	35	33
Contributions paid under a retirement benefit scheme	1	1
	41	39

(a) The directors' fees, if any, are payable in 2026 to eligible persons who acted as directors of the Bank during the year ended 31 December 2025. Such fees are subject to the approval of the shareholders of the Bank.

(b) The amount includes cash bonus accrued during the year, to be paid in the following year. Such cash bonus is subject to the approval of DBSH's Board of Directors. The amount also includes the estimated money value of other perquisites.

During the year, no termination benefits were paid by the Bank to any of the Bank's directors.

During the year, the Bank did not incur any payment to third parties for making available directors' services.

(b) Directors' material interests in transactions, arrangements and contracts

Save as disclosed in Notes 37(b) and 38 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Bank's business, to which the Bank or any of its holding companies or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Bank or an entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

12 INCOME TAX EXPENSE

(a) Income tax expense in the consolidated income statement is comprised of:

In HK\$ millions	2025	2024
Hong Kong Profits Tax		
– Current year	1,411	1,480
– (Over)/under provision in prior years	(80)	43
Overseas tax		
– Current year	13	4
Current income tax	1,344	1,527
Deferred income tax (Note 25(b))		
– Current year	23	(60)
– Over provision in prior years	(34)	–
	(11)	(60)
Total	1,333	1,467

Hong Kong profits tax has been provided at 16.5% (2024: 16.5%) on the estimated assessable profits for the year. Taxation for an overseas branch is charged at the appropriate current rate of taxation ruling in the jurisdiction in which it operates.

(b) The deferred income tax debited to the consolidated income statement comprises the following temporary differences:

In HK\$ millions	2025	2024
Accelerated depreciation allowances	(15)	(3)
Allowances for credit losses	35	(58)
Share-based compensation	–	1
Provision for reinstatement cost	(31)	–
	(11)	(60)

(c) The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate of 16.5% (2024: 16.5%) is as follows:

In HK\$ millions	2025	2024
Profit before income tax	9,081	9,084
Tax calculated at tax rate of 16.5% (2024: 16.5%)	1,498	1,499
Effect of different tax rates in other jurisdictions	(2)	(2)
Income not subject to tax	(85)	(116)
Expenses not deductible for tax purposes	36	43
(Over)/under provision in prior years	(114)	43
Income tax expense	1,333	1,467

13 DIVIDENDS

(a) Ordinary shares

	2025		2024	
	Per share HK\$	HK\$ millions	Per share HK\$	HK\$ millions
In respect of previous year:				
Final dividend	0.257	1,800	–	–
In respect of current year:				
First interim dividend	0.357	2,500	0.357	2,500
Second interim dividend	0.429	3,000	0.429	3,000
Special dividend	0.571	4,000	–	–
	1.614	11,300	0.786	5,500

(b) Perpetual Capital Securities

Perpetual Capital Securities ("PCS") were issued in January 2022 and November 2025, distribution of HK\$40 million was paid to holder of PCS during the year (2024: HK\$40 million).

(c) Proposed final dividend

Proposed final dividend of HK\$1,800 million (2024: HK\$1,800 million) for holder of ordinary shares has not been recognised as a liability at the end of the reporting period.

14 CLASSIFICATION OF FINANCIAL INSTRUMENTS

In HK\$ millions	Mandatorily at FVPL ^(c)	FVPL designated	FVOCI-Debt	FVOCI-Equity	Amortised cost	Hedging derivatives	Total
2025							
Assets							
Cash and balances with central banks	–	–	–	–	5,486	–	5,486
Government securities and treasury bills	5,764	–	83,644	–	5,994	–	95,402
Due from banks	–	–	–	–	108,436	–	108,436
Derivative assets	4,014	–	–	–	–	1,300	5,314
Bank and corporate securities	17,322	–	6,155	564	27,892	–	51,933
Loans and advances to customers	–	–	–	–	271,461	–	271,461
Other financial assets	–	–	–	–	6,205	–	6,205
Total financial assets	27,100	–	89,799	564	425,474	1,300	544,237
Non-financial assets ^(a)							5,236
Total assets							549,473
Liabilities							
Due to banks	7,940	–	–	–	18,986	–	26,926
Deposits and balances from customers	–	9,307	–	–	441,074	–	450,381
Derivative liabilities	2,304	–	–	–	–	572	2,876
Other financial liabilities ^(b)	3,126	–	–	–	14,594	–	17,720
Subordinated liability	–	–	–	–	2,335	–	2,335
Total financial liabilities	13,370	9,307	–	–	476,989	572	500,238
Non-financial liabilities ^(b)							535
Total liabilities							500,773
2024							
Assets							
Cash and balances with central banks	–	–	–	–	2,778	–	2,778
Government securities and treasury bills	3,743	–	63,190	–	11,536	–	78,469
Due from banks	850	–	–	–	85,244	–	86,094
Derivative assets	3,111	–	–	–	–	2,055	5,166
Bank and corporate securities	7,000	–	15,913	541	15,441	–	38,895
Loans and advances to customers	274	–	–	–	269,709	–	269,983
Other financial assets	–	–	–	–	4,663	–	4,663
Total financial assets	14,978	–	79,103	541	389,371	2,055	486,048
Non-financial assets ^(a)							5,775
Total assets							491,823
Liabilities							
Due to banks	5,199	–	–	–	9,592	–	14,791
Deposits and balances from customers	–	4,955	–	–	400,179	–	405,134
Derivative liabilities	2,885	–	–	–	–	1,240	4,125
Other financial liabilities ^(b)	1,886	–	–	–	12,864	–	14,750
Subordinated liability	–	–	–	–	2,329	–	2,329
Total financial liabilities	9,970	4,955	–	–	424,964	1,240	441,129
Non-financial liabilities ^(b)							723
Total liabilities							441,852

(a) Includes goodwill, properties and other fixed assets, and deferred tax assets

(b) Includes current tax liabilities. Lease liabilities are included in other financial liabilities

(c) Includes assets and liabilities that are held for trading and debt-type financial assets that are not SPPI in nature

15 CASH AND BALANCES WITH CENTRAL BANKS

In HK\$ millions	2025	2024
Cash in hand	700	799
Balances with central banks	4,786	1,979
Total	5,486	2,778

16 GOVERNMENT SECURITIES AND TREASURY BILLS

In HK\$ millions	Mandatorily at FVPL	FVOCI	Amortised cost	Total
2025				
Treasury bills ^(a)	3,485	44,408	766	48,659
Other debt securities ^(b)	2,279	39,236	5,228	46,743
	5,764	83,644	5,994	95,402
Allowance for credit and other losses ^(c)	–	–	–	–
	5,764	83,644	5,994	95,402
Of which:				
– Listed in Hong Kong, at fair value	515	14	–	529
– Listed outside Hong Kong, at fair value	1,764	1,469	–	3,233
– Listed outside Hong Kong, at cost	–	–	3,019	3,019
– Unlisted, at fair value	3,485	82,161	–	85,646
– Unlisted, at cost	–	–	2,975	2,975
	5,764	83,644	5,994	95,402
Analysed by issuer as follows:				
– Sovereigns	5,764	83,644	5,994	95,402
Analysed by rating agency designation as follows:				
– AAA	–	–	–	–
– AA- to AA+	5,764	70,032	2,975	78,771
– A- to A+	–	13,612	3,019	16,631
	5,764	83,644	5,994	95,402

In HK\$ millions	Mandatorily at FVPL	FVOCI	Amortised cost	Total
2024				
Treasury bills ^(a)	2,189	31,857	650	34,696
Other debt securities ^(b)	1,554	31,333	10,887	43,774
	3,743	63,190	11,537	78,470
Allowance for credit and other losses	–	–	(1)	(1)
	3,743	63,190	11,536	78,469
Of which:				
– Listed in Hong Kong, at fair value	1,554	14	–	1,568
– Listed outside Hong Kong, at fair value	–	786	–	786
– Listed outside Hong Kong, at cost	–	–	7,955	7,955
– Unlisted, at fair value	2,189	62,390	–	64,579
– Unlisted, at cost	–	–	3,581	3,581
	3,743	63,190	11,536	78,469
Analysed by issuer as follows:				
– Sovereigns	3,743	63,190	11,536	78,469
Analysed by rating agency designation as follows:				
– AAA	–	–	–	–
– AA- to AA+	3,743	63,150	3,950	70,843
– A- to A+	–	40	7,586	7,626
	3,743	63,190	11,536	78,469

(a) Includes financial assets pledged or transferred of HK\$3,113 million (2024: HK\$1,777 million) (See Note 34)

(b) Includes financial assets pledged or transferred of HK\$7,907 million (2024: HK\$4,401 million) (See Note 34)

(c) ECL for FVOCI securities amounting to HK\$2 million (2024: Nil) are not shown in the table, as these securities are recorded at fair value

The ratings refer to Standard & Poor's ratings (or their equivalent) to the respective issues of the securities, while in the absence of such issue ratings, ratings designated for the issuers or location of incorporation of the issuers are reported.

As at 31 December 2025, the fair value of the above debt securities classified as amortised cost is HK\$5,841 million (2024: HK\$11,328 million).

As at 31 December 2025 and 2024, there were no impaired, overdue or rescheduled FVOCI and amortised cost financial assets.

17 DUE FROM BANKS

In HK\$ millions	2025	2024
Balances with banks	9,732	7,460
Placements with and advances to banks	98,705	78,635
Gross amount due from banks	108,437	86,095
Allowance for credit and other losses	(1)	(1)
Net amount due from banks	108,436	86,094

Due from banks Include reverse repurchase agreements of HK\$59,601 million (2024: HK\$43,196 million).

As at 31 December 2025 and 2024, there were no impaired, overdue or rescheduled placements with and advances to banks.

18 BANK AND CORPORATE SECURITIES

In HK\$ millions	Mandatorily at FVPL	FVOCI	Amortised cost	Total
2025				
Debt securities	17,322	6,155	27,897	51,374
Equity securities	–	564	–	564
	17,322	6,719	27,897	51,938
Allowance for credit and other losses ^(a)	–	–	(5)	(5)
	17,322	6,719	27,892	51,933

Of which:

Debt securities				
– Listed in Hong Kong, at fair value	790	1,220	–	2,010
– Listed in Hong Kong, at cost	–	–	2,851	2,851
– Listed outside Hong Kong, at fair value	10,119	3,954	–	14,073
– Listed outside Hong Kong, at cost	–	–	2,978	2,978
– Unlisted, at fair value	6,413	981	–	7,394
– Unlisted, at cost	–	–	22,063	22,063
	17,322	6,155	27,892	51,369

Equity securities				
– Unlisted, at fair value	–	564	–	564
	17,322	6,719	27,892	51,933

Analysed by issuer as follows:

– Public sector entities	–	1,217	16,913	18,130
– Banks	15,939	4,938	1,006	21,883
– Corporates	1,383	564	9,973	11,920
	17,322	6,719	27,892	51,933

Debt securities analysed by rating agency designation as follows:

– AAA	–	1,638	366	2,004
– AA- to AA+	856	1,996	640	3,492
– A- to A+	15,894	1,190	7,088	24,172
– BBB- to BBB+	572	998	994	2,564
– BB- to BB+	–	333	234	567
– Unrated	–	–	18,570	18,570
	17,322	6,155	27,892	51,369

In HK\$ millions	Mandatorily at FVPL	FVOCI	Amortised cost	Total
2024				
Debt securities ^(a)	7,000	15,913	15,444	38,357
Equity securities	–	541	–	541
	7,000	16,454	15,444	38,898
Allowance for credit and other losses	–	–	(3)	(3)
	7,000	16,454	15,441	38,895

Of which:

Debt securities				
– Listed in Hong Kong, at fair value	–	1,000	–	1,000
– Listed in Hong Kong, at cost	–	–	683	683
– Listed outside Hong Kong, at fair value	4,687	13,679	–	18,366
– Listed outside Hong Kong, at cost	–	–	5,625	5,625
– Unlisted, at fair value	2,313	1,234	–	3,547
– Unlisted, at cost	–	–	9,133	9,133
	7,000	15,913	15,441	38,354

Equity securities				
– Unlisted, at fair value	–	541	–	541
	7,000	16,454	15,441	38,895

Analysed by issuer as follows:

– Public sector entities	–	851	7,188	8,039
– Banks	6,630	15,062	1,313	23,005
– Corporates	370	541	6,940	7,851
	7,000	16,454	15,441	38,895

Debt securities analysed by rating agency designation as follows:

– AAA	–	6,938	–	6,938
– AA- to AA+	901	1,628	53	2,582
– A- to A+	5,463	4,228	5,355	15,046
– BBB- to BBB+	636	2,063	771	3,470
– BB- to BB+	–	1,056	–	1,056
– Unrated	–	–	9,262	9,262
	7,000	15,913	15,441	38,354

(a) ECL for FVOCI securities amounting to HK\$1 million (2024: HK\$4 million) are not shown in the table, as these securities are recorded at fair value

The ratings refer to Standard & Poor's ratings (or their equivalent) to the respective issues of the securities, while in the absence of such issue ratings, ratings designated for the issuers are reported.

As at 31 December 2025, the fair value of the above debt securities classified as amortised cost is HK\$27,957 million (2024: HK\$15,293 million).

As at 31 December 2025 and 2024, there were no impaired, overdue or rescheduled FVOCI and amortised cost financial assets.

19 LOANS AND ADVANCES TO CUSTOMERS

In HK\$ millions	2025	2024
Gross loans and advances to customers	276,271	273,748
Allowance for credit and other losses		
– Specific allowances	(2,625)	(1,406)
– General allowances	(2,185)	(2,359)
	271,461	269,983
Comprising:		
– Trade bills	2,507	5,543
– Loans	268,954	264,440
	271,461	269,983

Gross loans and advances to customers include reverse repurchase agreements of HK\$4,709 million (2024: HK\$274 million).

Loans and advances to customers include finance leases and hire purchase contracts receivables and are analysed as follows:

In HK\$ millions	2025	2024
Gross investments in finance leases and hire purchase contracts receivables:		
– Not later than one year	341	358
– Later than one year and not later than five years	1,419	1,505
– Later than five years	4,130	4,569
	5,890	6,432
Unearned future finance income	(996)	(1,164)
Net investments in finance leases and hire purchase contracts receivables	4,894	5,268
The net investments in finance leases and hire purchase contracts receivables are analysed as follows:		
– Not later than one year	235	239
– Later than one year and not later than five years	1,063	1,095
– Later than five years	3,596	3,934
	4,894	5,268

Gross investments in finance lease and unearned future finance income in 2025 and 2024 are undiscounted lease payments to be received including fixed and variable interest rate contracts.

The unguaranteed residual values included in the gross investments in finance leases and hire purchase contracts receivables as at 31 December 2025 and 2024 are not material.

The specific allowances for finance leases and hire purchase contracts receivables amounted to HK\$167 million as at 31 December 2025 (2024: HK\$94 million).

20 OTHER ASSETS

In HK\$ millions	2025	2024
Accrued interest receivables	1,586	1,387
Acceptances	1,295	619
Deferred tax assets (Note 25(b))	436	674
Goodwill	168	168
Others	3,337	2,669
	6,822	5,517
Allowance for credit and other losses	(13)	(12)
	6,809	5,505

21 PRINCIPAL SUBSIDIARY

The principal subsidiary of the Group, which is wholly and directly owned by the Bank, is listed below:

Name of company	Place of incorporation	Place of operation	Particulars of issued share capital	Principal activities
Ting Hong Nominees Limited	Hong Kong	Hong Kong	10,000 shares	Provision of nominee, trustee and agency services

22 PROPERTIES AND OTHER FIXED ASSETS

In HK\$ millions	2025	2024
Owned properties and other fixed assets (Note 22(a))	3,426	3,568
Leased properties and other fixed assets (Note 22(b))	1,206	1,365
Total	4,632	4,933

(a) Owned Properties and other fixed assets

In HK\$ millions	Freehold land and building	Land and buildings	Furniture, fixtures and equipment	Subtotal	Investment properties	Total
2025						
Cost						
As at 1 January 2025	23	2,332	3,074	5,429	1,445	6,874
Additions	–	1	134	135	–	135
Disposals/written off ^(a)	–	(1)	(67)	(68)	–	(68)
As at 31 December 2025	23	2,332	3,141	5,496	1,445	6,941
Accumulated depreciation and impairment						
As at 1 January 2025	17	984	2,284	3,285	21	3,306
Charge for the year (Note 9)	–	11	252	263	14	277
Disposals/written off ^(a)	–	(1)	(67)	(68)	–	(68)
As at 31 December 2025	17	994	2,469	3,480	35	3,515
Net book value						
As at 31 December 2025	6	1,338	672	2,016	1,410	3,426
2024						
Cost						
As at 1 January 2024	23	2,335	2,848	5,206	33	5,239
Additions	–	4	350	354	1,412	1,766
Disposals/written off ^(a)	–	(7)	(124)	(131)	–	(131)
As at 31 December 2024	23	2,332	3,074	5,429	1,445	6,874
Accumulated depreciation and impairment						
As at 1 January 2024	17	977	2,102	3,096	21	3,117
Charge for the year (Note 9)	–	14	255	269	–	269
Disposals/written off ^(a)	–	(7)	(73)	(80)	–	(80)
As at 31 December 2024	17	984	2,284	3,285	21	3,306
Net book value						
As at 31 December 2024	6	1,348	790	2,144	1,424	3,568

(a) There was no write off relating to equipment in 2025 (2024: HK\$51 million).

The total market value of all properties as at 31 December 2025 was HK\$6,246 million (2024: HK\$6,687 million), of which investment properties accounted for HK\$1,444 million (2024: HK\$1,520 million). The market values are determined using investment method or using a combination of comparable sales and investment methods. The properties are classified under Level 3 of the fair value hierarchy and the significant unobservable input used for valuation is market yield. For the year ended 31 December 2025, there were no transfers into or out of Level 3.

The net book values of land and buildings and investment properties held by the Group are as follows:

In HK\$ millions	2025		2024	
	Land and buildings	Investment properties	Land and buildings	Investment properties
Freeholds				
Held outside Hong Kong	6	–	6	–
Leaseholds				
Held in Hong Kong				
– Leases of over 50 years	126	1	127	1
– Leases of between 10 to 50 years	1,204	1,409	1,220	1,423
– Leases of less than 10 years	7	–	–	–
Held outside Hong Kong				
– Leases of between 10 to 50 years	1	–	1	–
	1,338	1,410	1,348	1,424

(b) Lease properties and other fixed assets

In HK\$ millions	Properties	Other fixed assets	Total
2025			
As at 1 January 2025	1,262	103	1,365
Additions of right-of-use assets during the year	2	–	2
Changes of lease term	57	–	57
Depreciation charge for the year	(199)	(19)	(218)
As at 31 December 2025	1,122	84	1,206
2024			
As at 1 January 2024	1,586	122	1,708
Additions of right-of-use assets during the year	7	–	7
Changes of lease term	(105)	–	(105)
Depreciation charge for the year	(226)	(19)	(245)
As at 31 December 2024	1,262	103	1,365

The Group's leases comprise primarily of office premises, branches and data centres. The leases of office premises are contracted for periods up to 5 years, whilst leases of other assets are up to 3 year. Some leases may also include renewal rights.

Lease payments are generally agreed upfront except for lease payments on certain significant leases of office premises and for renewal periods whereby the lease payments are subject to periodic adjustments based on prevailing market rates.

23 DEPOSITS AND BALANCES FROM CUSTOMERS

In HK\$ millions	2025	2024
Deposits from customers, at amortised cost	441,074	400,179
Structured investment deposits classified as financial liabilities designated at FVPL ^(a)	9,307	4,955
	450,381	405,134
Analysed by:		
– Demand deposits and current accounts	48,980	45,172
– Savings deposits	176,087	147,782
– Time, call and notice deposits	225,314	212,180
	450,381	405,134

(a) Changes in fair value arising from changes in credit risk are determined as the amount of change in their fair value that is not attributable to changes in market conditions that give rise to market risk. Changes in market conditions that give rise to market risk include changes in benchmark interest rate, foreign exchange rate or index of prices or rates. Changes in fair value arising from changes in credit risk are considered not significant. The carrying amount of the financial liabilities designated at fair value through profit or loss was HK\$14 million lower than the contractual amount at maturity as at 31 December 2025 (2024: HK\$20 million higher).

24 OTHER LIABILITIES

In HK\$ millions	2025	2024
Accrued interest payable	1,054	1,558
Acceptances	1,295	619
Current income tax liabilities (Note 25(a))	535	723
Payable in respect of short sale of securities	3,126	1,886
Lease liabilities ^(c)	1,295	1,442
Other liabilities and provisions ^{(a) (b)}	10,950	9,245
	18,255	15,473

(a) Includes income received in advance of HK\$988 million (2024: HK\$1,153 million) arising from the 16-year distribution agreement with Manulife to be amortised on a straight-line basis. HK\$165 million (2024: HK\$165 million) of the income received in advance was recognised as fee income during the year.

(b) Includes allowance for credit and other losses of HK\$125 million (2024: HK\$160 million).

(c) Total lease payments made during the year amounted to HK\$227 million (2024: HK\$272 million).

25 TAXATION

a. Current income tax liabilities

In HK\$ millions	2025	2024
Current income tax liabilities (Note 24)		
Hong Kong profits tax payable	511	707
Overseas tax payable	24	16
	535	723

b. Deferred income tax

In HK\$ millions	2025	2024
Included in "Other assets" (Note 20)		
– Deferred tax assets	436	674
	436	674

The movements on the net deferred tax assets and liabilities are as follows:

In HK\$ millions	2025	2024
As at 1 January	674	809
Deferred income tax credited to income statement (Note 12(a))	11	60
Deferred income tax debited to equity (Note 27(b))	(249)	(195)
As at 31 December	436	674

Deferred tax assets and liabilities are attributable to the following items:

In HK\$ millions	2025	2024
Deferred tax assets		
Impairment allowances	383	418
Share-based compensation	25	25
Accrued expenses	2	2
Provision for reinstatement cost	31	–
FVOCI financial assets	28	87
Cash flow hedges	57	247
	526	779
Deferred tax liabilities		
Accelerated depreciation allowances	(90)	(105)
	(90)	(105)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The deferred tax assets and liabilities are to be recovered and settled after one year and the following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

In HK\$ millions	2025	2024
Deferred tax assets	526	779
Deferred tax liabilities	(90)	(105)
Deferred tax assets included in "Other assets"	436	674

c. OECD Pillar Two model rules

DBS Group is within the scope of the Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules. Singapore, which is the jurisdiction of the Bank's ultimate parent entity, DBSH, has enacted Pillar Two legislation which came into effect from 1 January 2025. In Hong Kong, the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 ("the Ordinance") was enacted on 6 June 2025, the Income Inclusion Rule and Hong Kong minimum top-up tax ("HKMTT") came into effect from 1 January 2025. The exception to recognising and disclosing information about deferred tax assets and liabilities related to the Pillar Two income taxes is applied.

Under the Ordinance, the effective tax rate ("ETR") is assessed on a jurisdictional basis and top-up tax under HKMTT is payable if the ETR in Hong Kong is below 15%. The Group (excluding the Bank's overseas branch operating in Macau) and other DBS entities operating in Hong Kong have an estimated ETR in Hong Kong for the financial year 2025 which exceeds 15%.

26 SUBORDINATED LIABILITY

On 13 December 2022, the Bank issued a new subordinated loan (the "Loan") of US\$300 million to DBSH. Interest on the Loan is payable quarterly at USD 3-month Secured Overnight Financing Rate ("SOFR") plus 1.87% per annum. The Loan has a repayment date of 13 December 2032 and may be prepaid on 13 December 2027 or any date thereafter. The terms require the Loan to be written off if and when the Hong Kong Monetary Authority ("HKMA") notifies the Bank that a write-off, or a public sector injection of capital (or equivalent support), is necessary, without which the Bank would become non-viable. In addition, the lender of the Loan is subject to the exercise of the Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority. The Loan qualifies as Tier 2 capital of the Bank under the Banking (Capital) Rules and a Loss-absorbing Capacity ("LAC") debt instrument under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (the "LAC Rules").

27 CAPITAL AND RESERVES

a. Share capital

	2025		2024	
	Number of shares	HK\$ millions	Number of shares	HK\$ millions
Ordinary shares				
At 1 January and 31 December	7,000 million	8,995	7,000 million	8,995

b. Reserves

Group

In HK\$ millions	Capital reserves	FVOCI reserve	Cash flow hedge reserve	Property revaluation reserve	General reserve	Retained earnings	Total reserves
2025							
Balance as at 1 January 2025	12	(20)	(1,249)	9	2,399	38,425	39,576
Net valuation taken to equity	–	436	1,470	–	–	–	1,906
Transferred to income statement	–	(12)	(324)	–	–	–	(336)
Deferred income tax debited to equity (Note 25(b))	–	(59)	(190)	–	–	–	(249)
Profit attributable to shareholders	–	–	–	–	–	7,748	7,748
Dividends (Note 13)	–	–	–	–	–	(11,340)	(11,340)
Balance as at 31 December 2025	12	345	(293)	9	2,399	34,833	37,305
2024							
Balance as at 1 January 2024	12	(452)	(1,983)	9	2,399	36,348	36,333
Net valuation taken to equity	–	447	120	–	–	–	567
Transferred to income statement	–	35	759	–	–	–	794
Deferred income tax debited to equity (Note 25(b))	–	(50)	(145)	–	–	–	(195)
Profit attributable to shareholders	–	–	–	–	–	7,617	7,617
Dividends (Note 13)	–	–	–	–	–	(5,540)	(5,540)
Balance as at 31 December 2024	12	(20)	(1,249)	9	2,399	38,425	39,576

Bank

In HK\$ millions	FVOCI reserve	Cash flow hedge reserve	Property revaluation reserve	General reserve	Retained earnings	Total reserves
2025						
Balance as at 1 January 2025	(20)	(1,249)	9	2,285	38,347	39,372
Net valuation taken to equity	436	1,470	–	–	–	1,906
Transferred to income statement	(12)	(324)	–	–	–	(336)
Deferred income tax debited to equity (Note 25(b))	(59)	(190)	–	–	–	(249)
Profit attributable to shareholders	–	–	–	–	7,746	7,746
Dividends	–	–	–	–	(11,340)	(11,340)
Balance as at 31 December 2025	345	(293)	9	2,285	34,753	37,099
2024						
Balance as at 1 January 2024	(452)	(1,983)	9	2,285	36,272	36,131
Net valuation taken to equity	447	120	–	–	–	567
Transferred to income statement	35	759	–	–	–	794
Deferred income tax debited to equity (Note 25(b))	(50)	(145)	–	–	–	(195)
Profit attributable to shareholders	–	–	–	–	7,615	7,615
Dividends	–	–	–	–	(5,540)	(5,540)
Balance as at 31 December 2024	(20)	(1,249)	9	2,285	38,347	39,372

Property revaluation reserve represents the difference between the carrying amount and the fair value of the properties transferred as investment property at the date of changes.

General reserve is comprised of transfers from the previous years' retained earnings.

As at 31 December 2025, HK\$481 million was earmarked as the regulatory reserve from the retained earnings (2024: HK\$295 million). The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve are made directly through retained earnings and in consultation with the HKMA.

28 OTHER EQUITY INSTRUMENTS

On 13 January 2022, the Bank issued Perpetual Capital Securities ("PCS") of HK\$1,400 million to its parent holding company, DBSH. Distributions are payable annually at the rate of 2.86% per annum at the discretion of the Bank. This PCS are redeemable on 13 January 2027 or any date thereafter.

On 27 November 2025, the Bank issued PCS of HK\$1,000 million to its parent holding company, DBSH. Distributions are payable annually at the rate of 4.13% per annum at the discretion of the Bank. This PCS are redeemable on 27 November 2030 or any date thereafter.

The terms require all the above PCS to be written off if and when the HKMA notifies the Bank that a write-off, or a public sector injection of capital (or equivalent support), is necessary, without which the Bank would become non-viable. In addition, the holder of the PCS is subject to the exercise of the Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority. All PCS qualify as Additional Tier 1 capital of the Bank under the Banking (Capital) Rules and a LAC debt instrument under the LAC Rules.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

a. Valuation process

The valuation processes within the Group are governed by the Valuation Policy and Supporting Standards. These policy and standards apply to financial assets and liabilities where mark-to-market or model valuation is required. The overall framework is endorsed by Group Market and Liquidity Risk Committee and Risk Executive Committee before approval by the Board Risk Management Committee.

The Valuation Policy and Supporting Standards govern the revaluation of all financial assets and liabilities that are fair value measured, covering both market prices as well as model inputs. Financial assets and liabilities are marked directly using reliable and independent market prices or by using reliable and independent market parameters (as model inputs) in conjunction with a valuation model. Products with a liquid market or those traded via an exchange will fall under the former while most over-the-counter ("OTC") products will form the latter. Market parameters include interest rate yield curves, credit spreads, exchange prices, dividend yields, option volatilities and foreign exchange rates.

Valuation models go through an assurance process carried out by the Risk Management Group, independent of the model developers. This assurance process would review the underlying methodology including its logic and conceptual soundness together with the model inputs and outputs. Model assurances are conducted prior to implementation and subject to regular review or when there are significant changes arising from market or portfolio changes. Where necessary, the Group also imposes model reserves and other adjustments in determining fair value. Models are approved by the Group Market and Liquidity Risk Committee.

The majority of OTC derivatives are traded in active markets. Valuations are determined using generally accepted models (discounted cash flows, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlying instruments or market parameters.

A process of independent price verification ("IPV") is in place to establish the accuracy of the market parameters used when the marking is performed by the Front Office. The IPV process entails independent checks to compare traders' marks to independent sources such as broker/dealer sources or market consensus providers. The results of the IPV are reviewed by independent control functions on a monthly basis.

For illiquid financial instruments where mark-to-market is not possible, the Group will value these products using an approved valuation model. Prices and parameters used as inputs to the model or to any intermediate technique involving a transformation process must be derived using approved market reliable sources. Where possible, the inputs must be checked against multiple sources for reliability and accuracy. Reliance will be placed on the model assurance process established by Risk Management Group for assurance of valuation models as fit for purpose.

The Group uses various market-accepted benchmark interest rates such as SOFR and Swap Offer Rates to determine the fair value of the financial instruments.

Where unobservable inputs are used in these models resulting in Level 3 classification, valuation adjustments or reserves will be taken for the purpose of adjusting for uncertainty in valuations. Valuation adjustment or reserve methodologies are used to substantiate the unobservable inputs and attempt to quantify the level of uncertainty in valuations. Such methodologies are governed by the Valuation Policy and Supporting Standards and require approval by the Group Market and Liquidity Risk Committee.

The main valuation adjustments and reserves are described below:

Model and Parameter Uncertainty Adjustments

Valuation uncertainties may occur during fair value measurement either due to uncertainties in the required input parameters or uncertainties in the modelling methods used in the valuation process. In such situations, adjustments may be necessary to take these factors into account.

For example, where market data such as prices or rates for an instrument are no longer observable after an extended period of time, these inputs used to value the financial instruments may no longer be relevant in the current market conditions. In such situations, adjustments may be necessary to address the pricing uncertainty arising from the use of stale market data inputs.

Credit Valuation Adjustments

Credit valuation adjustments are taken to reflect the impact on fair value of counterparty credit risk. Credit valuation adjustments are based upon the creditworthiness of the counterparties, magnitude of the current or potential exposure on the underlying transactions, netting and collateral arrangements, and the maturity of the underlying transactions.

Day 1 Profit or Loss (P&L) Reserve

In situations where the market for an instrument is not active and its fair value is established using a valuation model based on significant unobservable market parameters, Day 1 P&L reserve is utilised to defer the P&L arising from the difference between the transaction price and the model value. A market parameter is defined as being significant when its impact on the Day 1 P&L is greater than an internally determined threshold. The Day 1 P&L reserve is released to profit or loss as the parameters become observable or the transaction closed out or amortised over the duration of the transaction. As at 31 December 2025, there was no Day 1 P&L reserve (2024: Nil).

Bid Offer Adjustments

The Group often holds, at varying points in time, both long or short positions in financial instruments which are valued using mid market levels. Bid offer adjustments are then made to account for close-out costs.

b. Fair value hierarchy

The fair value hierarchy accords the highest level to observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities and the lowest level to unobservable inputs. The fair value measurement of each financial instrument is categorised in accordance to the same level of the fair value hierarchy as the input with the lowest level that is significant to the entire measurement. If unobservable inputs are deemed as significant, the financial instrument will be categorised as Level 3.

Financial instruments that are valued using quoted prices in active markets are classified as Level 1 within the fair value hierarchy. These would include government and sovereign securities, listed equities and corporate debt securities which are actively traded. Derivatives contracts which are traded in an active exchange market are also classified as Level 1 of the valuation hierarchy.

Where fair value is determined using quoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group will determine the fair value based on valuation techniques that use market parameters as inputs including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include corporate debt securities, repurchase, reverse repurchase agreements and most of the Group's over-the-counter derivatives.

The Group classifies financial instruments as Level 3 when there is reliance on unobservable market parameters whether used directly to value a financial asset or liability, or used as inputs to a valuation model, attributing to a significant contribution to the instrument value. These would include all input parameters which are derived from historical data, for example, asset correlations or certain volatilities. Level 3 instruments also include unquoted equity securities which are measured based on the net asset value of the investments. In addition, Level 3 inputs include all stale quoted security prices and other approximations (e.g. bonds valued using credit default swap spreads).

The following tables present assets and liabilities measured at fair value, classified by level within the fair value hierarchy:

In HK\$ millions	Level 1	Level 2	Level 3	Total
2025				
Assets				
Financial assets at FVPL				
– Government securities and treasury bills	5,764	–	–	5,764
– Due from Banks	–	–	–	–
– Bank and corporate securities	2,095	15,227	–	17,322
– Loans and advances to customers	–	–	–	–
FVOCI financial assets				
– Government securities and treasury bills	83,644	–	–	83,644
– Bank and corporate securities	3,009	2,368	1,342	6,719
Derivatives	–	5,314	–	5,314
Liabilities				
Financial liabilities at FVPL				
– Payable in respect of short sale of securities	3,126	–	–	3,126
– Deposits and balances from customers	–	9,307	–	9,307
– Due to Banks	–	7,940	–	7,940
Derivatives	–	2,876	–	2,876
2024				
Assets				
Financial assets at FVPL				
– Government securities and treasury bills	3,743	–	–	3,743
– Due from Banks	–	850	–	850
– Bank and corporate securities	851	6,149	–	7,000
– Loans and advances to customers	–	274	–	274
FVOCI financial assets				
– Government securities and treasury bills	63,190	–	–	63,190
– Bank and corporate securities	8,164	6,973	1,317	16,454
Derivatives	–	5,166	–	5,166
Liabilities				
Financial liabilities at FVPL				
– Payable in respect of short sale of securities	1,886	–	–	1,886
– Deposits and balances from customers	–	4,955	–	4,955
– Due to Banks	–	5,199	–	5,199
Derivatives	–	4,125	–	4,125

During the year, there was no transfer of financial assets between fair value hierarchies (2024: HK\$776 million).

c. Fair value of financial assets and liabilities not carried at fair value

For financial assets and liabilities not carried at fair value in the consolidated financial statements, the Group has ascertained that their fair values were not materially different from their carrying amounts at year end as shown below. The bases of arriving at their fair values are as follows:

(i) Due from banks

The estimated fair value of placements with and advances to banks is based on the discounted cash flows using the prevailing money market interest rates for placements and advances with similar remaining maturity.

(ii) Loans and advances to customers

The fair value approximates their carrying amount as majority of the loans and advances to customers are on floating rate terms.

(iii) Bank and corporate securities

The fair values are determined based on independent market quotes, where available. Where market prices are not available, fair values are estimated using discounted cash flow method.

(iv) Due to banks and Deposits and balances from customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of deposits and other borrowings with fixed interest rates is based on discounted cash flows using prevailing interest rates with similar remaining maturity.

(v) Certificates of deposit issued

The estimated fair value of certificates of deposit issued is based on discounted cash flows using the prevailing money market interest rates with similar remaining maturity.

(vi) Subordinated liability

The fair value of subordinated liability approximates its carrying amount as it is on floating rate term and bears interest at prevailing.

30 NOTES TO CONSOLIDATED CASH FLOW STATEMENT**a. Analysis of changes in financing activities during the year****Lease liabilities**

In HK\$ millions	2025	2024
Balance as at 1 January	1,442	1,790
Interest element of lease liabilities	21	22
Cash outflow from financing activities	(227)	(272)
Net change due to addition and changes of lease term	59	(98)
Balance as at 31 December	1,295	1,442

b. Analysis of the balances of cash and cash equivalents

In HK\$ millions	2025	2024
Cash and balances with central banks	5,486	2,778
Due from banks		
– Balances with banks	9,732	7,460
– Placements with and advances to banks repayable with original maturity within three months	70,559	62,755
Bills and notes repayable with original maturity within three months	11,286	9,223
Securities repayable with maturity within three months	317	–
	97,380	82,216

31 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES**a. Derivatives**

The Group uses financial derivatives to hedge the positions of the Group. It also trades in financial instruments where it takes positions in traded and over-the-counter instruments, including derivatives, to take advantage of short term market movements in bond price, currency and interest rate. The Group places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

The following is a summary of each significant type of derivatives:

In HK\$ millions	Contract/ notional amount	Positive fair values	Negative fair values
2025			
Interest rate derivatives			
– Interest rate swaps	73,269	347	547
Sub-total	73,269	347	547
Foreign exchange (FX) derivatives			
– FX contracts	101,394	944	1,213
– Currency swaps	47,237	1,641	519
– Currency options	58,258	449	449
Sub-total	206,889	3,034	2,181
Equity derivative contracts	2,382	64	64
Credit derivative contracts	19,822	1,840	55
Commodity derivative contracts	201	29	29
Gross total derivatives	302,563	5,314	2,876
Included in the above are derivatives held for:			
Fair value hedges			
– Interest rate swaps	1,115	–	23
Sub-total	1,115	–	23
Cash flow hedges			
– Interest rate swaps	32,800	4	238
– FX contracts	6,642	8	144
– Currency swaps	27,173	1,288	167
Sub-total	66,615	1,300	549
Total derivatives held for hedging	67,730	1,300	572

In HK\$ millions	Contract/ notional amount	Positive fair values	Negative fair values
2024			
Interest rate derivatives			
– Interest rate swaps	103,531	598	1,768
Sub-total	103,531	598	1,768
Foreign exchange (FX) derivatives			
– FX contracts	120,037	1,737	1,328
– Currency swaps	28,655	2,137	306
– Currency options	44,002	538	538
Sub-total	192,694	4,412	2,172
Equity derivative contracts	4,294	144	144
Credit derivative contracts	5,477	–	29
Commodity derivative contracts	134	12	12
Gross total derivatives	306,130	5,166	4,125
Included in the above are derivatives held for:			
Fair value hedges			
– Interest rate swaps	765	4	6
Sub-total	765	4	6
Cash flow hedges			
– Interest rate swaps	30,300	–	1,213
– FX contracts	8,990	200	–
– Currency swaps	9,802	1,851	21
Sub-total	49,092	2,051	1,234
Total derivatives held for hedging			
	49,857	2,055	1,240

The amounts are shown on a gross basis and do not take into account the effect of bilateral netting arrangements. The contract or notional amounts of these instruments indicate the volume of transactions outstanding as at the end of the reporting period; they do not represent amounts at risk.

b. Hedging derivatives

The accounting treatment of the hedge derivative transactions varies according to the nature of the hedge and whether the hedge meets the specified criteria to qualify for hedge accounting. Derivatives transacted as economic hedges but do not qualify for hedge accounting are treated in the same way as derivative instruments held for trading purposes.

c. Hedge accounting

The Group enters into hedging transactions to manage exposures to interest rate and foreign currency risks. Hedge accounting is applied to minimise volatility in earnings arising from changes in interest rate and foreign exchange rates.

Refer to Note 36 for more information on market risk and the Group's risk management practices and Note 2(p) for the Group's accounting policy for hedge accounting.

Fair value hedge

In accordance with the risk management strategy in place, the Group enters into interest rate swaps to mitigate the risk of changes in interest rates on the fair value of the following:

- issued fixed rate debt; and
- a portion of purchased fixed rate bonds.

In such instances, the Group hedges the benchmark interest rate risk component which is an observable and reliably measurable component of interest rate risk. Specifically, the Group has designated fair value hedge relationships, for specified hedged items, to hedge against movements in the benchmark interest rate. This effectively results in the recognition of interest expense (for fixed rate liabilities), or interest income (for fixed rate assets) at floating rates.

The Group manages all other risks derived by these exposures, such as credit risk, but hedge accounting is not applied for those risks.

The Group assesses prospective hedge effectiveness by comparing the changes in fair value of the hedged item resulting from movements in the benchmark interest rate with the changes in fair value of the interest rate swaps used to hedge the exposure. The Group determines the hedge ratio by comparing the notional of the derivative with the principal of the debt issued or the bond asset purchased, or the loan granted.

For all interest rate swaps used for hedging purposes, critical terms match or nearly match those of the underlying hedged items.

The Group has identified the following possible sources of ineffectiveness:

- The use of derivatives as a protection against interest rate risks creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into derivatives with high credit quality counterparties; or
- Use of different discounting curves when measuring the fair value of the hedged items and hedging instruments. For derivatives the discounting curve used depends on the extent of collateralisation and the type of collateral used; or
- Difference in the timing of settlement of hedging instruments and hedged items.

No other significant sources of ineffectiveness were identified in these hedge relationships.

The following table sets out the maturity profile of the hedging instruments used in fair value hedges. The amounts shown in the table reflect the notional amounts of derivatives and the carrying amounts of loans and deposits (if any). Refer to Note 31(a) for the carrying values of the derivatives.

In HK\$ millions	Type of risk hedged	Less than 1 year	1 to 5 years	More than 5 years	Total
2025					
Derivatives (notional)					
Interest rate swaps	Interest rate	465	650	–	1,115
Total		465	650	–	1,115
2024					
Derivatives (notional)					
Interest rate swaps	Interest rate	–	765	–	765
Total		–	765	–	765

The table below provides information on hedged items relating to fair value hedges.

In HK\$ millions	Carrying amounts (including hedge adjustments)	Fair value hedge adjustments included in carrying amounts
2025		
Bank and corporate securities	1,126	–
2024		
Bank and corporate securities	762	–

For the year ended 31 December 2025, the net losses on hedging instruments used to calculate hedge effectiveness was HK\$14 million (2024: net gains of HK\$5 million). The net gains on hedged items attributable to the hedged risk amounted to HK\$15 million (2024: net losses of HK\$4 million). The ineffectiveness arising from these hedges for 2025 were insignificant and recorded in the income statement as “net trading income”.

Cash flow hedge

The Group is predominantly exposed to variability in future cash flows due to interest rate movements and foreign currency fluctuations against HKD from the following:

- assets subject to repricing, reinvestment or refinancing risk;
- forecasted interest earnings denominated in foreign currency;
- issued floating or fixed rate foreign currency debt; and
- floating or fixed rate foreign currency bonds.

In accordance with the Group risk management strategy the Group enters into interest rate swaps, forward contracts or cross currency swaps to protect against the variability of cash flows due to changes in interest rates and/or foreign currency exchange rates. In such instances, cash flow hedge relationships are designated. These are applied to specified hedged items or on portfolio basis.

The Group manages all other risks derived by these exposures, such as credit risk, but they do not apply hedge accounting for these risks.

The Group has identified the following possible sources of ineffectiveness in its cash flow hedge relationships:

- The use of derivatives as a protection against currency and interest rate risk creates an exposure to the derivative counterparty’s credit risk which is not offset by the hedged item. This risk is minimised by entering into derivatives with high credit quality counterparties;
- Difference in tenor of hedged items and hedging instruments;
- Difference in timing of settlement of the hedging instrument and hedged item.
- Designation of off-market hedging instruments.

The following table sets out the maturity profile of the hedging instruments used in cash flow hedges. The amounts shown in the table reflect the notional amounts of derivatives. Refer to Note 31(a) for the carrying values of the derivatives.

In HK\$ millions	Less than 1 year	1 to 5 years	More than 5 years	Total
2025				
Derivatives (notional)				
Interest rate swaps	32,800	–	–	32,800
FX contracts	5,571	1,071	–	6,642
Currency swaps	19,053	7,497	623	27,173
2024				
Derivatives (notional)				
Interest Rate Swaps	300	30,000	–	30,300
FX contracts	8,124	866	–	8,990
Currency swaps	6,683	262	2,857	9,802

The currency swaps have maturity dates that coincide within the expected occurrence of these transactions. The forecast transactions are expected to occur within seven years from the balance sheet date and are expected to affect income statements in the same period these cash flow occur.

The ineffectiveness arising from these hedges for 2025 and 2024 were insignificant.

Refer to Note 27 for information on the cash flow hedge reserve.

32 CONTINGENT LIABILITIES AND COMMITMENTS

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

In HK\$ millions	2025	2024
Direct credit substitutes	230	158
Transaction-related contingencies	3,900	5,005
Trade-related contingencies	5,121	5,027
Other commitments with an original maturity of not more than one year	3,183	11,240
Other commitments with an original maturity of more than one year	31,507	26,316
Other commitments which are unconditionally cancellable	214,693	198,681
	258,634	246,427
Credit risk-weighted amount	21,299	29,641

The information is prepared with reference to the Banking (Capital) Rules.

Other than the claims with provisions recognised in other liabilities, the Group is currently involved in a few claims related to its normal commercial activities. It is not probable that a significant liability would arise from these claims for the year ended 31 December 2025 and 2024.

33 CAPITAL COMMITMENTS

Capital commitments outstanding at the end of the reporting period but not yet incurred are as follows:

In HK\$ millions	2025	2024
Expenditure contracted but not provided for	33	11
Expenditure authorised but not contracted for	44	34
	77	45

34 SECURITIES PLEDGED OR TRANSFERS OF FINANCIAL ASSETS

The Group pledges or transfers financial assets to third parties or group companies in the ordinary course of business. Transferred assets continue to be recognised in the Group's consolidated financial statements when the Group retains substantially all their risks and rewards. Among these, as set out below, are securities pledged or transferred to secure the Group's short position in securities or pursuant to the repurchase or securities lending agreement.

Securities transferred under repurchase and securities lending arrangements are generally conducted under terms in line with normal market practice. The counterparty is typically allowed to sell or re-pledge the securities but has an obligation to return them at maturity. If the securities decrease in value, the Group may, in certain circumstances, be required to place additional collateral.

For repurchase agreements, the securities pledged or transferred continue to be recorded on the balance sheet while cash received in exchange is recorded as a financial liability. The Group also pledges assets to secure its short position in securities and to facilitate settlement operations. The fair value of the associated liabilities approximates their carrying amount of HK\$11,050 million (2024: HK\$6,227 million), which are recorded under "Due to banks" and "Other liabilities" on the balance sheet.

In HK\$ millions	2025	2024
Assets pledged or transferred		
– Government securities and treasury bills	11,020	6,178

The assets pledged as security included financial assets at fair value through profit or loss of HK\$3,134 million (2024: HK\$1,889 million).

There were no securities lending transactions outstanding as at 31 December 2025 and 2024.

35 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities are presented net when there is a legally enforceable right to set off the recognised amounts, and there is intention to settle them on a net basis or to realise the asset and settle the liability simultaneously. As at 31 December 2025, no financial assets and liabilities were offset on the statement of financial position (2024: Nil).

Financial assets and liabilities subject to netting agreements but not offset on the statement of financial position

The Group enters into master netting arrangements with counterparties where it is appropriate and feasible to do so to mitigate counterparty risk. The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. Master netting arrangements do not result in an offset of financial assets and liabilities on the statement of financial position, as the legal right to set off the transactions is conditional upon default.

These agreements include derivative master agreements (including the International Swaps and Derivatives Association (ISDA) Master Agreement), global master repurchase agreements and global securities lending agreements. The collaterals received and pledged under these agreements are generally conducted under terms that are in accordance with normal market practice. The agreements may allow rehypothecation of collateral received and there may be ongoing margin requirements to mitigate counterparty risk.

The disclosures set out in the tables below pertain to financial assets and liabilities that are not offset in the Group's statement of financial position but are subject to master netting arrangements or similar agreements that covers similar financial instruments. The disclosures enable the understanding of both the gross and net amounts, as well as provide additional information on how such credit risk is mitigated.

In HK\$ millions	Related amounts not offset on statement of financial position			
	Carrying amounts on statement of financial position	Financial instruments (including non-cash collateral) ^(a)	Cash collateral received / pledged	Net amounts ^(b)
Types of financial assets/liabilities	(A)	(B)	(C)	(D)= (A)-(B)-(C)
2025				
Financial assets				
Positive fair values for financial derivatives	5,314	2,457	–	2,857
Reverse repurchase agreements	64,310	64,224	11	75
Total	69,624	66,681	11	2,932
Financial liabilities				
Negative fair values for financial derivatives	2,876	2,457	–	419
Repurchase agreements	7,940	7,940	–	–
Payable in respect of short sale of securities	3,126	3,126	–	–
Total	13,942	13,523	–	419
2024				
Financial assets				
Positive fair values for financial derivatives	5,166	2,499	1,719	948
Reverse repurchase agreements	43,470	43,405	13	52
Total	48,636	45,904	1,732	1,000
Financial liabilities				
Negative fair values for financial derivatives	4,125	2,499	–	1,626
Repurchase agreements	5,199	5,199	–	–
Payable in respect of short sale of securities	1,886	1,886	–	–
Total	11,210	9,584	–	1,626

(a) Amounts under "Financial instruments (including non-cash collateral)" represent the amounts of financial liabilities/assets position and other non-cash collateral that are subject to netting agreement or similar arrangements, capped at the carrying amount of the financial instruments.

(b) Net amounts represent

- Financial instruments that are not subject to netting agreement or similar arrangements; or
- Financial assets/liabilities that are subject to netting agreement or similar arrangements but the Group's counterparty does not have equivalent financial liabilities/assets position with the Group to offset upon default.

36 RISK MANAGEMENT

Risk governance

Under the risk management approach, the Board of Directors, through the Board Risk Management Committee (BRMC), sets risk appetite, oversees the establishment of enterprise-wide risk management policies and processes, and establishes risk appetite limits to guide the risk-taking of the Group.

(a) Credit risk

Credit risk arises from the Group's daily activities in various businesses. These activities include lending to retail, corporate and institutional customers. It includes both the risk of lending, as well as pre-settlement and settlement risk of foreign exchange, derivatives and securities.

Credit Risk Management

The Group's approach to credit risk management comprises the following building blocks:

- **Policies**

The dimensions of credit risk and the scope of its application are defined in DBSH's Credit Risk Management Policy. Senior management sets the overall direction and policy for managing credit risk at the enterprise level.

DBSH's Core Credit Risk Policies (CCRPs) established for Consumer Banking/Wealth Management and Institutional Banking set forth the principles by which the Group conducts its credit risk management and control activities. These policies, supplemented by a number of operational standards and guides, ensure consistency in identifying, assessing, underwriting, measuring, reporting and controlling credit risk across DBS, and provide guidance in the formulation of business-specific and/or location-specific credit risk policies and standards.

The operational standards and guides are established to provide greater details on the implementation of the credit principles within DBSH's CCRPs and are adapted to reflect different credit environments and portfolio risk profiles.

- **Risk Methodologies**

Credit risk is managed by thoroughly understanding the Group's wholesale customers – the businesses they are in, as well as the economies in which they operate. It is also managed through statistical models and data analytics for retail customers.

The assignment of credit risk ratings and setting of lending limits are integral parts of DBS' credit risk management process, and we use an array of rating models for the Group's wholesale and retail portfolios. Most of these models are built internally by using the Group's loss data.

Wholesale borrowers are assessed individually and further reviewed and evaluated by experienced credit risk managers who consider the relevant credit risk factors in the final determination of the borrower's risk. For some portfolios within the SME

segment, DBS also uses a programme-based approach to achieve a balanced management of risks and rewards. Retail exposures are assessed using credit score models, credit bureau records, as well as internally and externally available customer behaviour records supplemented by our Risk Acceptance Criteria (RAC). Credit applications are proposed by the business units and applications outside the RAC are independently assessed by the credit risk managers.

Pre-settlement credit risk for traded products arising from a counterparty potentially defaulting on its obligations is quantified by evaluation of the marked-to-market value plus potential future exposure. This is included within the Group's overall credit limits to counterparties for internal risk management.

The Group actively monitors and manages its exposure to counterparties for over-the-counter (OTC) derivative trades to protect its balance sheet in the event of a counterparty default. DBSH has processes in place to guide the handling of specific wrong-way risk transactions.

- **Concentration Risk Management**

The Group's risk management processes aim to ensure that an acceptable level of risk diversification is maintained across the Group on an ongoing basis. Limits are established and regularly monitored in respect of country exposures and major industry groups, as well as for single counterparty exposures.

- **Country Risk**

Country risk refers to the risk of loss due to events in a specific country (or a group of countries). This includes political, exchange rate, economic, sovereign and transfer risks. The Group manages country risk through the requirements of DBSH's CCRPs.

Transfer risk limits for individually reviewed countries are set based on country-specific strategic business considerations as well as the acceptable potential loss according to the Group's Risk Appetite.

- **Environmental, Social and Governance Risk**

DBSH considers environmental, social and governance (ESG) risk management as critical to ensure a sustainable lending and investment portfolio, with a primary focus on climate-related reputational and credit risks. The ESG governance has been anchored by DBSH's Board Sustainability Committee since 2022. The framework was supported by ESG Risk Assessment framework and Group Responsible Financing Standard which incorporate enhanced due diligence for higher risk transactions and align with international practices. The Hong Kong Climate Committee was established for overseeing the implementation of local climate-related supervisory policies and the local adoption of DBSH's Group Climate Council's initiatives as applicable. DBSH has further enhanced its ESG risk assessment process through sector-specific guidance for climate assessment and leveraged generative AI to summarise key ESG information and screen for negative ESG news. In 2025, DBSH continued to strengthen its

capabilities in assessing physical risk vulnerabilities and enhancing in-house Climate Scenario Analysis models to translate transition risks into key financial drivers.

- **Credit Stress Testing**

The Group engages in various types of credit stress tests which are either driven by regulators or internal requirements and management. Credit stress tests are performed at the total portfolio or sub-portfolio level and are generally conducted to assess the impact of changing economic conditions on asset quality, earnings performance, capital adequacy and liquidity.

- **Processes, Systems and Reports**

The end-to-end credit process is continually being reviewed and improved through various front-to-back initiatives involving business, operations, risk management and other key stakeholders.

Non-performing assets

The Group's credit facilities are classified as "Performing assets" or "Non-performing assets" in accordance with HKMA's loan classification framework.

Refer to Note 2(h) for the Group's accounting policies on the impairment of financial assets. In general, impairment allowance is made when there is objective evidence of impairment as a result of the occurrence of loss events that will have an impact on the estimated future cash flows.

When required, the Group will take possession of collateral and dispose of them as soon as practicable. Realised proceeds are used to reduce the outstanding indebtedness.

Credit Risk Mitigants

- **Collateral Received**

Where possible, the Group takes collateral as a secondary source of repayment. This includes, but is not limited to, cash, marketable securities, real estate, trade receivables, inventory, equipment, and other physical and/or financial collateral. The Group may also take fixed and floating charges on the assets of borrowers.

Policies are in place to determine the eligibility of collateral for credit risk mitigation. Collateral is generally diversified and periodic valuations of collateral are required.

For derivatives, repurchase agreements (repo) and other repo-style transactions with financial market counterparties, collateral arrangements are typically covered under market-standard documentation, such as International Swaps & Derivatives Association (ISDA) Agreements and Master Repurchase Agreements. The collateral exchanged mitigates marked-to-market changes at a re-margining frequency that the Group and

the counterparties have mutually agreed upon. This is governed by internal guidelines with respect to collateral eligibility. In the event of a default, the credit risk exposure is reduced by master-netting arrangements where the Group is allowed to offset what the Group owes a counterparty against what is due from that counterparty in a netting-eligible jurisdiction.

In times of difficulty, the Group will review the customer's specific situation and circumstances to assist them in restructuring their financial obligations.

Maximum exposure to credit risk

For on-balance sheet financial assets, the maximum exposure to credit risk for financial assets recognised on the statement of financial position is the carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the instrument is called upon. For undrawn facilities, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. Refer to Note 32 for the contractual amounts of each significant class of contingent liabilities and commitments.

The Group's exposures to credit risk, measured using the expected gross credit exposures that will arise upon a default of the end obligor are as shown in the unaudited disclosures required under the Banking (Disclosure) Rules.

Analysis of Collateral

Whilst the Group's maximum exposure to credit risk is the carrying amount of the assets or, in the case of off-balance sheet instruments, the amount guaranteed, committed, accepted or endorsed, the likely exposure may be lower due to offsetting collateral, credit guarantees and other actions taken to mitigate the Group's exposure.

The description of collateral for each class of financial asset is set out below:

Balances with central banks, government securities and treasury bills, due from banks and bank and corporate debt securities

Collateral is generally not sought for these assets.

Derivatives

The Group maintains collateral agreements and enters into master netting agreements with most of the counterparties for derivative transactions. The impact of netting arrangements recognised for the computation of capital adequacy ratio is shown in the unaudited disclosures required under the Banking (Disclosure) Rules.

Loans and advances to customers, contingent liabilities and commitments

Certain loans and advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties. Income-producing real estate, which is a sub-set of the Specialised Lending exposure, are fully secured by the underlying assets financed.

The extent to which credit exposures are covered by eligible collateral under the Banking (Capital) Rules, besides real estate, after the application of the requisite regulatory hair-cuts, is shown in the unaudited disclosures required under the Banking (Disclosure) Rules. The amount shown is a sub-set of the actual collateral arrangements entered by the Group as the Banking (Capital) Rules imposes strict legal and operational standards before collateral can be admitted as credit risk mitigants. As a result, certain collateral arrangements which do not meet its criteria will not be included. Certain collateral types which are not permitted as credit risk mitigants for credit exposures under the Standardised Approach are also excluded. There are five broad classifications that describe the credit quality of the Group's lending portfolio including "pass" and "special mention". These classifications each encompass a range of more granular, internal credit rating grades. This mapping reference is reviewed on a regular basis. Please refer to Note 2(h) for details on impairment. Analysis of allowances for credit and other losses as at 31 December 2025 and the movement during the year are disclosed in Note 10.

Loans and advances to customers by credit quality

In HK\$ millions	Total
2025	
Neither past due nor impaired	
– Pass	258,796
– Special Mention	9,830
Past due but not impaired ^(a)	1,307
Impaired	
– Substandard	873
– Doubtful	5,273
– Loss	192
	276,271
2024	
Neither past due nor impaired	
– Pass	257,681
– Special Mention	10,615
Past due but not impaired ^(a)	1,734
Impaired	
– Substandard	1,087
– Doubtful	2,416
– Loss	215
	273,748

(a) The majority of past due but not impaired assets are classified as "Pass" in 2025 and 2024.

Impaired loans and advances to customers are individually assessed customer advances with objective evidence of impairment.

(i) Analysis of loans and advances to customers that were neither past due nor impaired by reference to the loan gradings under the HKMA guidelines

In HK\$ millions	Pass	Special mention	Total
2025			
Manufacturing	27,630	384	28,014
Building and construction	56,076	6,813	62,889
Housing loans	20,389	60	20,449
General commerce	37,593	1,015	38,608
Transportation, storage and Communication	29,205	1,293	30,498
Financial institutions, investments and holding companies	18,937	7	18,944
Professionals and private individuals (except housing loans)	35,399	195	35,594
Others	33,567	63	33,630
	258,796	9,830	268,626
2024			
Manufacturing	28,820	316	29,136
Building and construction	69,752	9,006	78,758
Housing loans	22,899	92	22,991
General commerce	40,360	700	41,060
Transportation, storage and communication	27,098	351	27,449
Financial institutions, investments and holding companies	10,457	7	10,464
Professionals and private individuals (except housing loans)	32,578	99	32,677
Others	25,717	44	25,761
	257,681	10,615	268,296

(ii) Loans and advances to customers that were past due but not impaired

In HK\$ millions	Past due but not impaired				Total
	Less than 1 month	1-2 months	2-3 months	More than 3 months	
2025					
Manufacturing	1	2	–	–	3
Building and construction	121	1	3	–	125
Housing loans	379	27	8	–	414
General commerce	400	9	1	–	410
Transportation, storage and Communication	94	9	5	–	108
Professionals and private individuals (except housing loans)	196	30	1	–	227
Others	13	7	–	–	20
	1,204	85	18	–	1,307

In HK\$ millions	Past due but not impaired				Total
	Less than 1 month	1-2 months	2-3 months	More than 3 months	
2024					
Manufacturing	1	3	-	-	4
Building and construction	753	2	-	-	755
Housing loans	414	39	5	-	458
General commerce	79	10	-	9	98
Transportation, storage and communication	132	16	7	-	155
Professionals and private individuals (except housing loans)	209	43	6	-	258
Others	4	2	-	-	6
	1,592	115	18	9	1,734

Loans and advances to customers that were past due by more than 3 months represent individually insignificant advances which are subject to general allowances assessment.

(iii) Impaired loans and advances to customers

In HK\$ millions	2025	2024
Manufacturing	215	303
Building and construction	3,655	879
Housing loans	130	136
General commerce	1,381	1,538
Transportation, storage and communication	367	334
Professionals and private individuals (except housing loans)	545	456
Others	45	72
	6,338	3,718

	HK\$' millions	% of gross Loans and advances to customers
2025		
Gross impaired advances	6,338	2.29
Specific allowances	(2,625)	
	3,713	
Impaired advances covered by collateral	1,783	
2024		
Gross impaired advances	3,718	1.36
Specific allowances	(1,406)	
	2,312	
Impaired advances covered by collateral	1,978	

The specific allowances were made after taking into account the value of collateral in respect of the above advances.

Geographical concentration

The analysis of the Group's gross advances to customers by geographical area is based on the location of the counterparty after taking into account the transfer of risk. In general, transfer of risk applies if the claim is guaranteed by a party in a country which is different from that of the counterparty.

In HK\$ millions	Loans	Trade Finance (including trade bills)	Total
2025			
Hong Kong	210,223	8,127	218,350
Mainland China	32,094	8,500	40,594
Others	10,943	6,384	17,327
	253,260	23,011	276,271

2024			
Hong Kong	211,267	13,867	225,134
Mainland China	28,460	1,851	30,311
Others	11,476	6,827	18,303
	251,203	22,545	273,748

Analysis of impaired advances, impairment allowances for loans and trade finance which accounted for 10% or more of the Group's gross advances to customers:

In HK\$ millions	Impaired advances to customers	Specific allowances	General allowances
2025			
Hong Kong	5,800	2,397	2,057
Mainland China	294	214	2
2024			
Hong Kong	3,159	1,184	2,317
Mainland China	284	207	2

(b) Market risk

The Group's exposure to market risk is categorised into:

- Trading portfolios: Arising from positions taken for (i) market-making (ii) client-facilitation and (iii) benefiting from market opportunities.
- Non-trading portfolios: Arising from (i) positions taken to manage the interest rate risk of the Group's retail and commercial banking assets and liabilities (ii) debt securities comprising of investments held for yield and/or liquidity risk management (iii) strategic stakes in entities and (iv) structural foreign exchange risk arising mainly from the Group's strategic investments which are denominated in currencies other than Hong Kong dollar.

The Group uses a variety of financial derivatives such as swaps, forwards and futures, and options for trading and hedging against market movements.

Market Risk Management

The Group's approach to market risk management comprises the following building blocks:

- **Policies**

The Group Market Risk Management Policy sets out the Group's overall approach towards market risk management. The Policy is supported by standards and guides, which facilitates the identification, measurement, control, monitoring and reporting of market risk in a consistent manner within the Group. They also set out the overall approach, requirements and controls governing market risk stress testing across the Group.

The criteria for determining the positions to be included in the trading book are stipulated in the Trading Book Policy Statement.

- **Risk Methodologies**

The Group utilises Value-at-Risk (VaR), a statistical risk measure, to estimate the potential loss from market movements. This measure uses historical simulation based on data for the previous 12 months. It assumes that historical changes in market values reflect the distribution of potential outcomes in the immediate future.

The Group limits and monitors market risk exposures using Expected Shortfall (ES). ES is estimated by averaging the portfolio's potential losses beyond the 97.5% confidence interval, under normal market conditions and over a one-day holding period. ES is supplemented by other risk control metrics such as sensitivities to risk factors and loss triggers for management action.

The Group conducts backtesting to verify the predictiveness of the VaR model. Backtesting compares VaR calculated for positions at the close of each business day with the profit and loss (P&L) that arises from those positions on the following business day. The backtesting P&L excludes fees and commissions, revenues from intra-day trading, non-daily valuation adjustments and time effects.

For backtesting, VaR at the 99% confidence interval and over a one-day holding period is used. The Group adopts the standardised approach to compute market risk regulatory capital for the trading book positions. As such, VaR backtesting does not impact our regulatory capital for market risk.

There are limitations to VaR models; for example, past changes in market risk factors may not provide accurate predictions of future market movements, and the risk arising from adverse market related events may be understated.

To monitor our vulnerability to unexpected but plausible extreme market risk related events, multiple market risk stress tests are conducted regularly. These cover trading and non-trading portfolios and follow a combination of historical and hypothetical scenarios depicting risk-factor movement.

Interest Rate Risk in the Banking Book (IRRBB) arises from mismatches in the interest rate profiles of assets, liabilities and capital instruments. The Group identifies, measures and manages IRRBB from both economic value and earning perspectives using changes in Economic Value of Equity (EVE) and Net Interest Income (NII) variability as the respective key risk metrics. Estimating IRRBB requires the use of behavioural models and assumptions on certain parameters such as loan prepayment and the duration of non-maturity deposits. The Group measures IRRBB on a monthly basis.

- **Processes, Systems and Reports**

Robust internal control processes and systems have been designed and implemented to support the Group's approach for market risk management. These control processes and systems are reviewed regularly, which allows senior management to assess their effectiveness.

Business units are responsible for the day-to-day management of market risk arising from their operations, in accordance with established policies and processes. The RMG Market and Liquidity Risk unit – an independent risk management function that reports to the Senior Risk Executive – monitors, controls and analyses the Group's market risk regularly. Key market risk issues and material developments are regularly highlighted to senior management and Board-level committees. DBS Bank Ltd provides RMG Market and Liquidity Risk with model analytics, risk infrastructure and risk report production support.

Market Risk Metrics

The trading portfolio ES is tabulated below, showing the period-end, average, high and low ES.

In HK\$ millions	1 January 2025 to 31 December 2025			
	As at 31 December 2025	Average	High	Low
Total	3.8	4.0	9.7	2.4

In HK\$ millions	1 January 2024 to 31 December 2024			
	As at 31 December 2024	Average	High	Low
Total	3.1	5.6	11.1	2.4

Note: ES is computed in Singapore dollars and translated into Hong Kong dollars using the prevailing exchange rates on the reporting dates for presentation purposes.

Trading portfolios' average daily ES decreased by HK\$1.6 million, contributed largely by decrease in credit spread risk exposures and interest rate risk exposures.

Trading portfolio experienced 3 backtesting exceptions in 2025 which occurred in April and August respectively (2024: no backtesting exceptions). The backtesting exceptions were largely due to swings in HKD and USD interest rates and USD/HKD exchange rate.

The key market risk drivers of the Group's non-trading portfolios are HKD and USD interest rate exposures. The Net Interest Income (NII) of the Group is assessed under various rate scenarios to determine the impact of interest rate movements on future earnings. Simulating using a 100 basis points parallel upward or downward shift in yield curves on the Group's banking book exposures, NII is estimated to increase by HK\$983 million and decrease by HK\$1,049 million respectively.

Equity price risk arises from the Group's strategic investments which are overseen by the Hong Kong Management Committee. The Group's equity exposures booked in its banking book portfolio as at 31 December 2025 and 2024 were not material and were held for long term investment purpose. They were reported as bank and corporate securities in Note 18 to the consolidated financial statements and are subject to the accounting and valuation policies set out in Notes 2(f) and 2(h) to the consolidated financial statements.

(c) Liquidity risk

The Group's liquidity risk arises from its obligations to honour withdrawals of deposits, repayments of borrowed funds at maturity, and commitments to extend loans to our customers.

The Group seeks to manage its liquidity in a manner that ensures that its liquidity obligations would continue to be honoured under normal as well as adverse circumstances.

Liquidity Risk Management

In deploying the funds, the Group aims to predominantly fund its lending activities via customer deposits and borrowings. In the event where market conditions lead to insufficient or prohibitively expensive customer funding, flexibility is maintained to fund lending growth with duration matched wholesale funding. With increasing diversification of funding sources, optimising the mismatch in fund deployments against sources with respect to pricing, size, currency and tenor remains challenging. To this end, where practicable and transferable without loss in value, the Group makes appropriate use of swap markets for relevant currencies, commensurate with the liquidity of each, in the conversion and deployment of surplus funds.

The Assets and Liabilities Committee regularly reviews the composition and growth trajectories of the balance sheet and refine our funding strategy according to business momentum, competitive factors and prevailing market conditions.

Approach to Liquidity Risk Management

The Group's approach to liquidity risk management comprises the following building blocks:

• Policies

The Group Liquidity Risk Management Policy sets out the Group's overall approach towards liquidity risk management and describes the range of strategies employed by the Group to manage its liquidity. These strategies include maintaining an adequate counterbalancing capacity to address potential cash flow shortfalls and having diversified sources of liquidity. The Group's counterbalancing capacity includes liquid assets and the capacity to borrow from the money markets as well as forms of managerial interventions that improve liquidity. In the event of a potential or actual crisis, the Group has in place a set of liquidity contingency and recovery plans to ensure that we maintain adequate liquidity.

The Policy is supported by Standards that establish the detailed requirements for liquidity risk identification, measurement, reporting and control within the Group. The set of policies, standards and supporting guides communicate these baseline requirements to ensure consistent application throughout the Group.

• Risk Methodologies

The primary measure used to manage liquidity within the tolerance defined by the Board is the cash flow maturity mismatch analysis. This form of analysis is performed on a regular basis under normal and adverse scenarios. It assesses the adequacy of the counterbalancing capacity to fund or mitigate any cash flow shortfalls that may occur as forecasted in the cash flow movements across successive time bands. To ensure that liquidity is managed in line with the Risk Appetite, core parameters such as the types of scenarios and the corresponding survival periods are pre-specified for monitoring and control at the Group. Any occurrences of forecasted shortfalls that cannot be covered by the counterbalancing capacity will be escalated to the relevant committees for evaluation and action.

Liquidity risk testing is performed regularly using cash flow maturity mismatch analysis, and covers adverse scenarios including general market and idiosyncratic stress scenarios. Stress tests assess the Group's vulnerability when liability run-offs increase, asset rollovers increase and/or liquid assets buffer reduces. In addition, ad-hoc stress tests are performed as part of the Group's internal capital adequacy assessment process.

Liquidity risk control measures, such as liquidity-related ratios and balance sheet analysis are complementary tools to the cash flow maturity mismatch analysis, and they are performed regularly to obtain deeper insights and finer control over the liquidity profile across the Group. The liquidity risk control measures also include loan to deposit ratio, concentration measures on depositors and liquid assets, wholesale borrowing ratios and swapped funds positions.

• Processes, Systems and Reports

Robust internal control processes and systems support our overall approach for identifying, measuring, aggregating, controlling and monitoring liquidity risk across the Group. End-to-end liquidity risk processes are being continually reviewed and improved by various units to align with evolving regulatory requirements and industry best practices.

The RMG Market and Liquidity Risk unit is responsible for establishing the liquidity risk management frameworks, policies and standards. It performs independent review and day-to-day monitoring of liquidity risk profile and limits. Key liquidity risk issues and material developments are regularly highlighted to senior management and Board-level committees.

Liquidity Management and Funding Strategy

The Group strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. In particular, the Group has continuously made inroads in growing, deepening and diversifying its deposit base, spanning retail, wealth management, corporate and institutional customers across markets that it operates in. Supplementing the deposit base, the Group continues to maintain access to wholesale channels, to support the growth of its investor base, as well as to increase flexibility and manage funding cost in capitalising on business opportunities.

The Group also has a comprehensive Liquidity Contingency Plan, detailing the various channels available to the Group to raise funds under various liquidity stress scenarios and across multiple time horizons including intraday liquidity needs. This includes monitoring mechanisms to provide early warning of digitally accelerated deposit outflows given significant funding base from customer deposit, and mitigants to stem these outflows. Group-wide liquidity drills are carried out regularly to ensure the Group's preparedness to deal with any liquidity stress.

Liquidity Risk Metrics

The table below analyses assets and liabilities of the Group as at 31 December based on the remaining period as at the end of the reporting period to the contractual maturity dates:

In HK\$ millions	Repayable on demand	Less than 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	After 5 years	Undated	Total
2025								
Assets								
– Cash and balances with central banks	5,447	–	–	–	–	–	39	5,486
– Government securities and treasury bills, classified as								
– FVPL	–	1,917	1,146	719	113	1,869	–	5,764
– FVOCI	–	14,497	27,923	24,310	13,745	3,169	–	83,644
– Amortised cost	–	766	373	–	3,622	1,233	–	5,994
– Due from banks	9,732	68,962	1,596	26,628	1,518	–	–	108,436
– Bank and corporate securities								
– Debt securities classified as FVPL	–	311	7,093	5,344	4,574	–	–	17,322
– Debt securities classified as FVOCI	–	–	805	2,416	2,934	–	–	6,155
– Debt securities classified as amortised cost	–	223	–	2,146	9,110	16,413	–	27,892
– Equity securities	–	–	–	–	–	–	564	564
– Loans and advances to customers	4,212	91,994	29,886	58,301	60,133	23,222	3,713	271,461
– Others	303	7,685	1,209	1,185	251	1,137	4,985	16,755
Total assets	19,694	186,355	70,031	121,049	96,000	47,043	9,301	549,473
Liabilities								
– Due to banks	3,219	22,906	497	304	–	–	–	26,926
– Deposits and balances from customers	225,077	105,662	89,740	29,895	–	7	–	450,381
– Subordinated liability	–	–	–	–	2,335	–	–	2,335
– Lease liabilities	–	17	36	149	694	399	–	1,295
– Others	1,663	10,000	4,302	1,448	995	248	1,180	19,836
Total liabilities	229,959	138,585	94,575	31,796	4,024	654	1,180	500,773

In HK\$ millions	Repayable on demand	Less than 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	After 5 years	Undated	Total
2024								
Assets								
– Cash and balances with central banks	2,728	–	–	–	–	–	50	2,778
– Government securities and treasury bills, classified as								
– FVPL	–	499	1,470	1,182	130	462	–	3,743
– FVOCI	–	112	25,454	14,302	20,225	3,097	–	63,190
– Amortised cost	–	650	223	4,681	2,129	3,853	–	11,536
– Due from banks	7,460	55,140	7,614	6,006	9,874	–	–	86,094
– Bank and corporate securities								
– Debt securities classified as FVPL	–	106	4,440	532	1,167	755	–	7,000
– Debt securities classified as FVOCI	–	388	732	12,265	2,369	159	–	15,913
– Debt securities classified as amortised cost	–	53	213	3,479	4,353	7,343	–	15,441
– Equity securities	–	–	–	–	–	–	541	541
– Loans and advances to customers	4,912	75,704	31,128	51,951	77,808	26,167	2,313	269,983
– Others	237	7,684	852	358	385	1,234	4,854	15,604
Total assets	15,337	140,336	72,126	94,756	118,440	43,070	7,758	491,823
Liabilities								
– Due to banks	2,509	12,016	250	16	–	–	–	14,791
– Deposits and balances from customers	193,414	78,598	99,742	33,246	134	–	–	405,134
– Subordinated liability	–	–	–	–	2,329	–	–	2,329
– Lease liabilities	19	–	36	150	692	545	–	1,442
– Others	3,978	7,453	2,456	911	996	420	1,942	18,156
Total liabilities	199,920	98,067	102,484	34,323	4,151	965	1,942	441,852

The above tables indicate disclosure of contractual maturity of financial liabilities, which approximate the same analysis on an undiscounted basis as total future interest payments are not material relative to the principal amounts. Derivative assets and liabilities are included in “less than 1 month” bucket as they are mainly held for trading.

The table below shows the contractual undiscounted cash flows for derivatives, contingent liabilities and commitments.

In HK\$ millions	Repayable on demand	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	After 5 years	Total
2025						
Derivatives settled on a net basis	–	71	150	37	16	274
Derivatives settled on a gross basis						
– Inflow	–	122,725	33,620	17,869	631	174,845
– Outflow	–	(122,176)	(33,546)	(17,044)	(503)	(173,269)
Contingent liabilities and commitments						
– Contingent liabilities	–	9,251	–	–	–	9,251
– Commitments	69,329	180,054	–	–	–	249,383
	69,329	189,305	–	–	–	258,634

In HK\$ millions	Repayable on demand	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	After 5 years	Total
2024						
Derivatives settled on a net basis	–	(69)	(637)	(256)	34	(928)
Derivatives settled on a gross basis						
– Inflow	–	99,596	52,902	20,131	2,901	175,530
– Outflow	–	(99,560)	(50,712)	(19,964)	(2,240)	(172,476)
Contingent liabilities and commitments						
– Contingent liabilities	–	10,190	–	–	–	10,190
– Commitments	74,072	162,165	–	–	–	236,237
	74,072	172,355	–	–	–	246,427

The Group actively monitors and manages its liquidity profile based on the cash flow maturity mismatch analysis.

In forecasting the cash flow under the analysis, behavioural profiling is necessary in cases where a product has indeterminate maturity or the contractual maturity does not realistically reflect the expected cash flow. Two examples are maturity-indeterminate savings and current account deposits which are generally viewed as sources of stable funding for commercial banks. In fact, they consistently exhibit stability even under historic periods of stress.

A conservative view is adopted in the Group's behavioural profiling of assets, liabilities and off-balance sheet commitments that have exhibited cash flow patterns that differ significantly from the contractual maturity profile shown in this note.

The table below shows the Group's behavioural net and cumulative maturity mismatch between assets and liabilities over a three-month period in normal scenario without incorporating growth projections. The Group's liquidity is observed to remain adequate under the maturity mismatch analysis, amidst funding surplus from deposits growth was deployed to liquid assets.

In HK\$ millions ⁽ⁱ⁾	Less than 7 days	1 week to 1 month	1 to 3 months
2025			
Net liquidity mismatch	119,807	14,373	(16,539)
Cumulative mismatch	119,807	134,180	117,641
2024⁽ⁱⁱ⁾			
Net liquidity mismatch	43,352	1,947	4,869
Cumulative mismatch	43,352	45,299	50,168

(i) Positive indicates a position of liquidity surplus. Negative indicates a liquidity shortfall that has to be funded. The Group's liquidity is monitored on a cumulative mismatch basis.

(ii) As the behavioural assumptions used to determine the maturity mismatch between assets and liabilities are updated from time to time, the information presented above may not be directly comparable across past balance sheet dates.

(d) Operational risk

Operational risk is inherent in our business activities and may arise from inadequate or failed internal processes, people, systems, or from external events. The Group's objective is to keep operational risk at appropriate levels, taking into account the markets the Bank operates in, the characteristics of the businesses as well as our economic and regulatory environment.

Operational Risk Management

The Group's approach to operational risk management comprises the following building blocks:

• Policies

The Group Operational Risk Management ("ORM") Policy sets our overall approach for managing operational risk in a structured, systematic and consistent manner.

There are policies, standards, tools and programmes in place to govern ORM practices across the Group. These include corporate operational risk policies and standards that are owned by the respective corporate oversight and control functions. The key policies address risk areas relating to technology, compliance, fraud, money laundering, financing of terrorism and sanctions, new product and third-party arrangements.

• Risk Methodologies

The Group adopts the standardised approach to compute operational risk regulatory capital.

To manage and control operational risk, we use various tools including risk and control self-assessment, operational risk event management and key risk indicator monitoring.

The Group's Three Lines Model adopts one common risk taxonomy, and a consistent risk assessment approach to managing operational risk. Risk and control self-assessment is conducted by each business or support unit to identify key operational risk and assess the effectiveness of internal controls. When control issues are identified, the units develop action plans and track the resolution of the issues.

Operational risk events are classified in accordance with Basel standards. Such events, including any significant incidents that may impact the Group's reputation, must be reported based on certain established thresholds. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring in a forward-looking manner.

Additional methodologies are in place to address subject-specific risks, including, but not limited to, the following:

Compliance risk

Compliance risk refers to the risk of the Group not being able to successfully conduct our business because of any failure to comply with laws, regulatory requirements, industry codes or standards of business and professional conduct applicable to the financial sector.

This includes, in particular, laws and regulations applicable to the licensing and conducting of banking or other financial businesses, financial crime such as anti-money laundering ("AML") and countering the financing of terrorism ("CFT"), fraud (including digital payment scams) and bribery/corruption. We maintain a compliance programme designed to identify, assess, measure, mitigate and report on such risks through a combination of policy and relevant systems and controls.

To counter financial crime and sanctions risks, the Group established minimum standards for the Group's business and support units to manage the Group's actual and/or potential risk exposures. In addition, standards aimed to provide the end-to-end management for fraud and related issues at the unit and geographical levels, are implemented through a fraud management programme. Lastly, the Group implemented surveillance and compliance testing controls where necessary to obtain assurance that the control framework is operating effectively.

The Group also provides relevant training and implements assurance processes. We strongly believe in the need to promote a strong compliance culture as well, and this is developed through the leadership of our Board and senior management.

New product and third-party risks

Each new product or third-party arrangement is subject to a due diligence review and sign-off process, where relevant risks are identified and assessed. Changes to existing products or services and existing third-party arrangements and ecosystem partnerships are also subject to a similar process.

Data and Artificial Intelligence risk

The Group has an enterprise-wide approach to data and artificial intelligence (AI) risk, supported by established frameworks and processes. It continuously monitors and assesses the risks arising from the challenges presented by rapid AI advancements to enhance the Group's data and AI governance, ensure data quality, manage model risk, and apply ethical AI principles throughout the data and model lifecycle. This strategy aims to mitigate risks while harnessing the potential of data and AI responsibly.

Other mitigation programmes

A robust business continuity management programme is in place to ensure that critical banking services can continue in the event of unforeseen events or business disruptions. This includes a crisis management plan to enable quick response to manage incidents.

Exercises are conducted annually, simulating different scenarios to test business continuity plans and crisis management protocol. The effectiveness of these exercises, as well as the Group's business continuity readiness and its alignment to regulatory guideline are communicated and attested by senior management to the BRMC annually.

To mitigate losses from specific risk events which are unexpected and significant, the Group purchases group-wide insurance policies – under the Group Insurance Programme. These include policies relating to crime and professional indemnity, directors and officers liability, cyber risk, property damage and business interruption, general liability, and terrorism.

• Processes, Systems and Reports

Robust internal control processes and systems are integral to identifying, monitoring, managing and reporting operational risk.

All units are responsible for the day-to-day management of operational risk in their products, processes, systems and activities, in accordance with the various frameworks and policies. The RMG Operational Risk unit and other corporate oversight and control functions:

- Oversee and monitor the effectiveness of operational risk management;
- Assess key operational risk issues with the units; and
- Report and/or escalate key operational risks to risk committees with recommendations on appropriate risk mitigation strategies.

The Group has in place an integrated governance, risk and compliance system with aligned risk assessment methodology, common taxonomy, and unified process for the Three Lines Model. The Group has in place an operational risk landscape profile which provides the Board and senior management with an integrated view of the operational risk profile periodically, across key operational risk areas and business lines.

(e) Technology risk

Technology risk refers to the potential for financial losses, operational disruptions, and reputational damage arising from system failures or security breaches. These include cyber attacks, software or hardware failures and data leakage, which can affect business operations and tarnish DBS brand.

Technology Risk Management

The Group's approach to technology risk management comprises the following building blocks:

- **Policies**

The Group Technology Risk Management (TRM) Policy sets out the Group's overall approach for managing risks associated with the use of technology in a structured, and consistent manner.

Technology risk is managed through policies, standards, tools and control processes primarily owned by Group Technology and Risk Management Group. Areas covered by such policies, standards and processes include cybersecurity, technology resiliency, service and change management, incident response and crisis management, as well as third-party technology vendor management.

- **Risk Methodologies**

With technology risk being a subset of operational risks, regulatory capital is computed based on the standardised approach for operational risk.

The Group adopts a structured approach to managing technology risks, from risk identification (threats and vulnerabilities of the Group's technology assets), risk assessment (employing qualitative and quantitative methods), risk mitigation strategies and continuous monitoring and review.

Various tools and control processes employed include risk and control self-assessment (RCSA) with an enriched library for technology risks, and technology key risk indicators with various levels of escalation thresholds. The Group also has in place robust change management controls overseen by an architecture review committee. Incidents are proactively managed via continuous monitoring of early warning customer and system metrics, together with escalation protocols.

Cybersecurity risk remains a top priority for the Group. To ensure the Group is proactive in addressing cyber threats, the Group allocates significant resources towards enhancing the cyber hygiene and control environment to protect against the ever-evolving cyber threat landscape. The Group conducts regular assessments to validate the effectiveness of controls and to obtain assurance that the Group's control framework remains resilient.

Furthermore, the Group is dedicated to promoting a culture of technology and cybersecurity risk awareness. The Group believes that a strong security and resilience culture starts with its employees. As such, the Group provides relevant training and educational resources to empower its staff to recognise and respond to technology and cybersecurity risks effectively.

- **Processes, Systems and Reports**

Robust internal control processes and systems are integral to identifying, assessing, monitoring, managing and reporting technology risk.

In line with the Group's Three Lines Model, risk and control processes are owned and executed by units within Group Technology and other relevant first line business and support functions, with oversight and effective challenge by the Technology Risk unit within Risk Management Group.

The Group has in place an integrated governance, risk and compliance system with aligned risk assessment methodology, common taxonomy, and unified processes for the Three Lines Model. The Group has in place a technology risk landscape profile which provides the Board and senior management with an integrated view of the Group's technology risk profile periodically. This includes regular reports on adherence to its technology risk appetite as well as key incident highlights and mitigation strategies.

(f) Capital management

The Board of Directors (the "Board") is responsible for setting our capital management objective, which is to maintain a strong capital position consistent with requirements of the Hong Kong Monetary Authority ("HKMA") and the expectations of various stakeholders including customers, investors and rating agencies. The Board articulates this objective in the form of capital targets. This objective is pursued while delivering returns to shareholders and ensuring that adequate capital resources are available for business growth and adverse situations, taking into consideration our strategic plans and risk appetite.

The Banking Ordinance and the Banking (Capital) Rules set out the minimum capital adequacy ratios and leverage ratio for an authorised institution incorporated in Hong Kong and the methodology for calculating these ratios. The Bank is required to compute its capital adequacy ratios and leverage ratio on a combined basis that includes the Bank and its overseas branch.

The Basel III final reform package came into effect in Hong Kong on 1 January 2025. Consequently, the capital adequacy ratios and leverage ratio were computed in accordance with the new requirements. The Bank complied with the capital adequacy requirements of the HKMA throughout 2025 and 2024.

The Bank was classified by the HKMA as a material subsidiary of DBS resolution group and required to comply with internal loss-absorbing capacity requirements under the LAC Rules.

37 MATERIAL RELATED PARTY TRANSACTIONS**(a) Holding companies and fellow subsidiaries**

The Group's immediate holding company is DBS Diamond Holdings Ltd. and the ultimate holding company is DBSH. DBS Bank Ltd. is an intermediate holding company of the Group.

As part of the Group's normal course of business, it enters into various transactions with holding companies and fellow subsidiaries on normal commercial terms. These transactions include interbank placements, sales and purchase of loans and advances to customers, taking of deposits, financial derivatives, contingent liabilities and commitments.

The Group has policies on credit processing for its affiliates, as well as transactions with its affiliates and related parties. Affiliate-related transactions must be conducted on an arm's length basis using credit standards, terms and conditions that are comparable to similar transactions with non-affiliates.

During the financial year, the Group acquired a portfolio of loans and advances to customers of HK\$9.3 billion (2024: HK\$12.9 billion) and undrawn commitment of HK\$4.3 billion (2024: HK\$2 billion) from DBS Bank Ltd., HK Branch through direct purchase or funded risk participation. These transactions were conducted on an arm's length basis.

Information relating to income and expenses from these transactions during the year and balances outstanding as at 31 December are set out below:

(i) Income and expenses with holding companies and fellow subsidiaries

In HK\$ millions	DBS Group Holdings Ltd		DBS Bank Ltd		Fellow subsidiaries	
	2025	2024	2025	2024	2025	2024
Interest income	-	-	2,515	3,213	78	84
Interest expense	(146)	(168)	(231)	(330)	(12)	(11)
Net fee and commission income/(expense)	-	-	888	704	(36)	(19)
Net trading profit/(loss)	-	-	210	258	(175)	343
Other income	-	-	45	42	9	9
Total expenses (charged)/recovered	-	-	45	(6)	37	59

(ii) Balances with DBS Bank Ltd as at 31 December

In HK\$ millions	2025	2024
Assets		
Due from banks	80,865	78,116
Derivatives	4,643	2,323
Other assets	1,300	837
	86,808	81,276
Liabilities		
Due to banks	24,249	11,899
Derivatives	2,327	3,522
Other liabilities	436	415
	27,012	15,836

(iii) Contract/notional amounts of financial derivatives with DBS Bank Ltd and fellow subsidiaries as at 31 December

In HK\$ millions	2025	2024
FX derivatives	164,131	155,962
Interest rate derivatives	69,227	100,519
Equity derivative contracts	1,191	2,147
Credit derivative contracts	19,822	5,477
Commodity derivative contracts	127	67
	254,498	264,172

(iv) Contingent liabilities and commitments with DBS Bank Ltd and fellow subsidiaries

As at 31 December 2025, total contingent liabilities and commitments with DBS Bank Ltd and fellow subsidiaries amounted to HK\$868 million (2024: HK\$5,072 million).

(v) Balances with DBS Group Holdings Ltd as at 31 December

In HK\$ millions	2025	2024
Liabilities		
Subordinated liability	2,335	2,329
Other liabilities	11	25
	2,346	2,354

(vi) Balances with fellow subsidiaries as at 31 December

In HK\$ millions	2025	2024
Assets		
Due from banks	132	254
Bank and corporate securities	1,440	1,421
Loans and advances to customers	100	–
Derivatives	110	449
Other assets	325	282
	2,107	2,406
Liabilities		
Due to banks	119	115
Deposits and balances from customers	374	186
Derivatives	312	386
Other liabilities	264	150
	1,069	837

(b) Directors and key management personnel

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

For the year ended 31 December 2025 and 2024, the Group had banking and non-banking transactions with directors of the Bank and DBSH Group and key management personnel of the Bank and their close family members. These transactions, including the taking of deposit and extension of credit card and other loan facilities, were made in the ordinary course of business and on commercial terms, and were not material.

(ii) Compensation of directors and key management personnel

In HK\$ millions	2025	2024
Salaries, other short term employee benefits and directors' fee (Note)	105	95
Pension	3	3
Share-based compensation	28	28
	136	126

Note:

The directors' fees if any, are payable in 2026 to eligible persons who acted as directors of the Bank during the year ended 31 December 2025. Such fees are subject to the approval of the shareholders of the Bank.

The amount included cash bonus accrued during the year, to be paid in the following year. Such cash bonus is subject to the approval of DBSH's Board of Directors.

38 LOANS TO DIRECTORS AND ENTITIES CONNECTED WITH DIRECTORS

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

In HK\$ millions	2025	2024
Aggregate amount of relevant loans outstanding at 31 December	210	195
Maximum aggregate amount of relevant loans outstanding during the year	214	244

39 SHARE BASED COMPENSATION PLANS

As part of the Group's remuneration policy, the Group provides various share-based compensation plans to foster a culture that aligns employees' interests with shareholders', enable employees to share in the Bank's performance and enhance talent retention.

Main Scheme/Plan

DBSH Share Plan (Share Plan)

- The Share Plan is granted to Group employees as determined by the Committee appointed to administer the Share Plan from time to time.
- Participants are awarded shares of the Company or, at the Committee's discretion, their equivalent cash value or a combination.
- The share awards consist of main award and a retention award for employees on bonus/sales incentive plans. Dividends on unvested shares do not accrue to employees.
- The Directors reviewed and approved the proposed changes to the vesting schedule and retention awards on 5 December 2022. These would apply to shares granted from 2023 and there are no changes to the vesting schedule and retention awards for the shares that had been granted in earlier periods.
- For employees on bonus plan (including key employees who are also awarded shares as part of talent retention), the main award granted prior to February 2023 will vest 2 to 4 years after grant, i.e. 33% will vest 2 years after grant; another 33% will vest 3 years after grant and the remaining 34% plus the retention award will vest 4 years after grant. The main award granted from February 2023 will vest 1 to 4 years after grant i.e. 25% will vest each year. The retention award will vest 4 years after grant. For share awards granted from 2023, the retention award for employees on bonus plan was reduced from 20% to 15% following the changes in the vesting schedule.
- For employees on sales incentives plan, the main award will vest 1 to 3 years after grant; i.e. 33% will vest 1 year after grant, another 33% will vest 2 years after grant and the remaining 34% plus the retention award will vest 3 years after grant. The retention award remains unchanged at 15%.
- Special awards are granted as part of talent retention for selected individuals. There are no additional retention awards for such shares granted. Special awards granted prior to February 2023 will vest 2 to 4 years after grant, i.e. 33% will vest 2 years after grant; another 33% will vest 3 years after grant and the remaining 34% will vest 4 years after grant. Special awards granted from February 2023 will vest 1 to 3 years after grant i.e. 33% will vest 1 year after grant, another 33% will vest 2 years after grant and the remaining 34% will vest 3 years after grant.
- All DBSH Share Plan awards will lapse immediately upon termination of employment, except in the event of ill health, injury, disability, redundancy, retirement or death.
- The market price of shares on the grant date is used to estimate the fair value of the shares awarded.
- Vested and unvested shares are subject to clawback/malus. Conditions that trigger such clawback/malus are in the Corporate Governance section of the Annual Report.

- Shares are awarded to non-executive directors as part of director's remuneration. Details of these awards are disclosed in the Corporate Governance section of DBSH's Annual Report.

DBSH Employee Share Purchase Plan (ESPP)

- The ESPP was implemented in 2019. From 2025, all permanent employees who hold the rank of Executive Director or below are eligible to participate in the scheme.
- The ESPP is a share ownership plan for eligible employees to own DBSH shares through monthly contributions via deductions from payroll or designated bank accounts.
- Participants contribute up to 10% of monthly salary (minimum S\$50, capped at S\$1,000) and the Group will match 25% of the participant's contributions to buy DBSH ordinary shares for a period of 12 months during each plan year.
- The matching shares bought from the Group's contribution will vest 24 months after the last contribution month for each plan year.
- The matching shares will lapse immediately upon termination of employment, except in the event of ill health, injury, disability, redundancy, retirement or death.

The following table sets out the outstanding awards at the end of each reporting period and the movement during the year:

Number of shares	Share Plan	ESPP
At 1 January 2025	1,452,952	203,636
Granted	527,153	85,458
Transfer	(881)	343
Vested	(559,600)	(63,112)
Forfeited	(99,128)	(12,904)
At 31 December 2025	1,320,496	213,421
Weighted average fair value of the shares granted during the year ^(a)	SG\$37.88	SG\$39.28
At 1 January 2024	1,373,496	167,378
Granted	699,932	96,816
Transfer	4,805	29
Vested	(562,927)	(51,072)
Forfeited	(62,354)	(9,515)
At 31 December 2024	1,452,952	203,636
Weighted average fair value of the shares granted during the year ^(a)	SG\$24.98	SG\$30.59

Since the inception of the Share Plan, no awards have been cash-settled.

(a) The fair value of the shares granted in 2025 and 2024 includes an adjustment to exclude the present value of future expected dividends to be paid during the vesting period

40 BANK LEVEL STATEMENT OF FINANCIAL POSITION

In HK\$ millions	Note	As at 31 December	
		2025	2024
Assets			
Cash and balances with central banks		5,486	2,778
Government securities and treasury bills		95,402	78,469
Due from banks		108,436	86,094
Derivative assets		5,314	5,166
Bank and corporate securities		51,933	38,895
Loans and advances to customers		271,461	269,983
Other assets		6,654	5,337
Subsidiaries		53	61
Properties and other fixed assets		4,632	4,933
Total assets		549,371	491,716
Liabilities			
Due to banks		26,926	14,791
Deposits and balances from customers		450,425	405,171
Derivative liabilities		2,876	4,125
Other liabilities		18,255	15,473
Amounts due to subsidiaries		60	60
Subordinated liability		2,335	2,329
Total liabilities		500,877	441,949
Equity			
Share capital		8,995	8,995
Reserves	27(b)	37,099	39,372
Other equity instruments		2,400	1,400
Total equity		48,494	49,767
Total liabilities and equity		549,371	491,716

SEAH Lim Huat, Peter
Chairman

J.E. Sebastian PAREDES MUIRRAGUI
Director

DBS Bank (Hong Kong) Limited and its Subsidiaries

CORPORATE GOVERNANCE REPORT (unaudited)

The following information is disclosed as part of the accompanying information to the consolidated financial statements and does not form part of the audited consolidated financial statements.

1 BOARD AND BOARD COMMITTEES

DBS Bank (Hong Kong) Limited (the “Bank”) is fully committed to effective corporate governance in order to ensure its proper functioning and protect the interests of all the Bank’s stakeholders. The Bank is subject to, and during the year has complied, in all material aspects, with the guidelines set out in the HKMA Supervisory Policy Manual CG-1 Corporate Governance of Locally Incorporated Authorized Institutions (“SPM CG-1”).

The Board of Directors of the Bank (the “Board”) directs the Bank in the conduct of its affairs and ensures that corporate responsibility and ethical standards underpin the conduct of the Bank’s business. The Board provides sound leadership to the Management in setting the strategic vision, direction and long-term goals of the Bank as well as ensuring that adequate resources are available to meet these objectives and there is appropriate balance between promoting long-term growth and delivering short-term financial gains. The Board bears the ultimate responsibility for the Bank’s governance, strategy, risk management, financial performance and key personnel decisions.

To discharge its stewardship and responsibilities in specific areas, the Board may delegate authority to specialised Board committees to more efficiently and effectively contribute to the strategic and operational development of the Bank. The composition, roles and functions of the Board committees of the Bank are set out below.

(a) Board Audit Committee

The Board Audit Committee (the “BAC”) comprises four directors. All of the members of the BAC, including its Chairman, are non-executive directors (“NED”). A majority (three out of four) of the members of the BAC, including its Chairman, are independent non-executive directors (“INED”) of the Bank. All members of the BAC are highly experienced in financial and internal control management; most with expertise in audit practices, financial reporting and accounting. The BAC held four meetings during the year ended 31 December 2025.

BAC members as at 31 December 2025	
Mr. Edward Sung-Lai LAM (Chairman)	INED
Mr. SEAH Lim Huat, Peter	NED
Ms. Nancy Sau Ling TSE	INED
Mr. LIU Chee Ming	INED

The key responsibilities of the BAC include:

- monitoring the financial reporting process;
- reviewing the Bank’s financial statements prior to submission to the Board for approval;
- overseeing and interacting with the internal and external auditors;
- making recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- approving the appointment, removal and remuneration of the Head of Internal Audit;
- reviewing the adequacy and effectiveness of the internal audit function and processes;
- reviewing the independence and objectivity of the external auditor;
- approving the internal and external auditor’s audit plans and audit reports;
- ensuring that any observations of internal or external auditors regarding internal control weaknesses or deficiencies are promptly communicated to the BAC and rectified by Management of the Bank; and
- reviewing the adequacy and effectiveness of the Bank’s internal controls, such as financial, operational, compliance and information technology controls, as well as accounting policies and systems.

(b) Board Risk Management Committee

The Board Risk Management Committee (the “BRMC”) comprises five directors. All of the members of the BRMC, including its Chairman, are NED. A majority (three out of five) of the members of the BRMC, including its Chairman, are INED of the Bank. The BRMC members are appropriately qualified to discharge their responsibilities with extensive experience in risk management issues and practices. The BRMC held four meetings during the year ended 31 December 2025.

BRMC members as at 31 December 2025	
Ms. Nancy Sau Ling TSE (Chairman)	INED
Mr. SEAH Lim Huat, Peter	NED
Ms. TAN Su Shan	NED
Mr. LIU Chee Ming	INED
Mr. KUOK Khoon Hua	INED
Mr. Piyush GUPTA ceased to be a member of the BRMC with effect from 21 March 2025. Ms. TAN Su Shan became a member of the BRMC with effect from 31 July 2025, upon her appointment as director of the Bank on the same day.	

The BRMC has oversight of the Bank's risk governance, risk approaches and risk limits of the Bank to ensure that all risks are effectively managed within the Bank's overall risk governance framework. The BRMC also has oversight of the culture and behavioural standards that promote prudent risk taking and fair treatment of customers and ensure the effectiveness of initiatives designed to influence culture in alignment with the Bank's culture standards. In particular, the principal duties of the BRMC include:

- reviewing and recommending for the Board's approval the key risk policies and risk appetite statement setting out the Bank's risk strategies as well as specific risks relevant to the Bank, such as credit, market, liquidity, operational and reputational risks;
- approving the Bank's overall and specific risk governance frameworks, risk authority limits and major risk policies as delegated by the Board;
- approving risk exposures and profile against risk limits and risk strategy in accordance with approved risk appetite and/or guidelines;
- monitoring the quarterly portfolio reviews of total exposures as well as large exposures and asset quality;
- discussing large risk events and subsequent remedial action plans;
- monitoring market developments, such as macro-economic, credit, industry, country, technology, cyber security, climate risk, operational and resilience risks and stress tests related to these developments. Determine risk reporting requirements, having regard to regulatory guidance;
- approving and overseeing the development and implementation of climate risk strategy and operational resilience approach;
- overseeing the independence and adequacy of the risk management function;
- overseeing the implementation of plans to meet regulatory requirements relating to risk management;
- overseeing the Internal Capital Adequacy Assessment Process, including approving stress scenarios and commensurate results for capital, risk-weighted assets, profit and loss and liquidity;
- obtaining assurance on the sufficiency of the information systems, infrastructure, resources and systems for risk management;
- assessing the risks inherent in new products and services to be launched and approving the new product approval policy;
- reviewing and recommending the effectiveness of culture and behavioural standards to the Board; and
- approving the relevant statements and reports related to the risk culture.

The BRMC supervises the Bank's risk management and risk culture in accordance with the overall risk appetite established by the Board. This risk appetite framework guides Management in the pursuit of the Bank's strategy and business plans and is encapsulated in a formal risk appetite statement which considers capital adequacy, earnings volatility and the various risk types including but not limited to credit risk, country risk, market risk, liquidity risk, operational risk, reputational risk and technology risk. Risk appetite takes into account potential impact arising from stressed conditions and concentration risk. Portfolio risk limits for the quantifiable risk types are established through a top-down approach and operationalised through a formal framework. Other significant risk aspects are guided by qualitative expression of principles. The risk appetite framework is reviewed annually.

(c) Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee (the "BNRC") comprises three directors. All of the members of the BNRC, including its Chairman, are NED. A majority (two out of three) of the members of the BNRC, including its Chairman, are INED of the Bank. The BNRC members are appropriately qualified to discharge their responsibilities with relevant expertise and skills. The BNRC held one meeting during the year ended 31 December 2025.

BNRC members as at 31 December 2025	
Mr. LIU Chee Ming (Chairman)	INED
Mr. SEAH Lim Huat, Peter	NED
Ms. Nancy Sau Ling TSE	INED

The BNRC oversees the overall remuneration policy of the Bank. It also identifies and nominates suitable individuals to become directors and senior management of the Bank and make recommendations to the Board for their appointment, reappointment and succession planning; and conducts evaluation on members of the Board. The key responsibilities of the BNRC include:

- reviewing and approving the remuneration policy applicable to the employees of the Bank;
- approving the remuneration packages and any subsequent adjustments of senior management and other key personnel;
- identifying and selecting fit and proper qualified candidates for appointment to the Board and Board committees;
- reviewing the selection/nomination and recommendation of all appointments, and reasons for resignation or dismissal of senior management and/or CG-5 Senior Management positions;

- making recommendation to the Board on the selection of nominated candidates for directorships and senior management positions and on the re-appointment of directors or succession planning of directors, Chief Executive Officer and Alternate Chief Executive(s);
- assessing the performance and effectiveness of the Board, Board committees Chief Executive Officer, Alternate Chief Executive(s), Senior Risk Executive and Head of Audit;
- reviewing and approving the criteria for identification of CG-5 specified Senior Management and Key Personnel;
- overseeing the remuneration of CG-5 Senior Management and Key Personnel, and approving the remuneration packages and any subsequent adjustments of the same, except for the remuneration packages of the Chief Executive Officer and Alternate Chief Executive(s) which shall be approved by the Board;
- conducting a regular (at least annual) review of the remuneration system and ensuring that its operation is carried out independently of management;
- reviewing regularly the structure, size and composition (including skills, knowledge and experience of members) of the Board and Board committees;
- reviewing training and professional development programme for the Board and its directors;
- reviewing and approving the long-term upskill/reskill plan.

Selection criteria and nomination process for directors

Before a new director is appointed, suitable candidates are identified from various sources. Any candidates identified shall be referred to the BNRC for an initial assessment of their fit and properness for the office. The BNRC conducts an assessment to:

- review the candidate (including qualifications, attributes, capabilities, skills, past experience, ability to commit sufficient time and effort) to determine whether the candidate is fit and proper in accordance with SPM CG-1 issued by the HKMA;
- ascertain whether the candidate is independent from the Bank's substantial shareholder and/ or from management and business relationships with the Bank; and
- examine whether the candidate has any actual or potential conflicts of interest with the proposed director role at the Bank. This includes assessing the candidate's personal, professional or other economic relationships with members of the Board or Senior Management, or entities within the DBS Group, relationship arising from or connected to past or present positions held, familial relationships with businesses, and financial interests in competing entities.

The Chairman interviews the short-listed candidates. In consultation with the Chairman, the BNRC makes its recommendations to the Board. All Board appointments are based on merit, taking into account the contributions the candidates can bring to the Board to enhance its effectiveness.

Based on the recommendation of the BNRC, the Board shall approve the appointment of a new director. Upon the appointment of a new director, the BNRC will recommend to the Board his or her appointment to the appropriate Board committee(s) after matching the director's skillset to the needs of each Board committee.

2 SENIOR MANAGEMENT AND MANAGEMENT COMMITTEES

Senior Management of the Bank consists of a group of highly competent and experienced individuals responsible and accountable to the Board for the sound and prudent day-to-day management of the Bank in accordance with the business strategy, risk appetite and policies approved by the Board. Specialised Management committees are established to oversee and implement business strategies, risk management systems and internal controls. The roles, functions and composition of each of the key management committees are set out below.

(a) Hong Kong Management Committee

The Hong Kong Management Committee (the "HKMC") is responsible for formulating and implementing DBS Group's strategy for Hong Kong, as well as the financial and non-financial results of DBS Group's activities in this geographic segment. It provides leadership to the various business and support units in Hong Kong with a view to ensure sound and effective governance while achieving the targeted financial returns. Towards this end, the HKMC prioritises business development initiatives and support infrastructure projects necessary to underpin robust growth and allocates capital within the context of DBS Group's strategy. The HKMC is also responsible for ensuring that policies and practices are in place to maintain high standards of corporate governance, risk management and compliance in Hong Kong. Chaired by the Hong Kong Head of DBS, the HKMC comprises senior management staff in Hong Kong.

(b) Hong Kong Risk Executive Committee

The Hong Kong Risk Executive Committee provides oversight of all risk types (including those without an underlying risk committee oversight), interactions between risk types and cross-risk stress testing for major downside risk. It reviews, from a risk perspective, existing and new business proposals and establishes overall local risk architecture direction and determine reporting requirements in line with those established by DBS Group. It also monitors the Bank's risk profiles, as well as the market and regulatory developments; and oversees the establishment of risk controls and measurement tools, the non-financial compliance matters and financial crime related matters. The Hong Kong Risk Executive Committee comprises the CEO of the Bank, the Senior Risk Executive of Hong Kong and representatives from key business units and support units.

(c) Hong Kong Asset and Liabilities Committee

The Hong Kong Asset and Liability Committee oversees strategies to enhance the quality of net interest income, liquidity management and structural foreign exchange management for Hong Kong. The Hong Kong Asset and Liability Committee also oversees the capital management and planning process and review the Bank's capital position and adequacy. The Hong Kong Asset and Liability Committee comprises the CEO of the Bank and representatives from the relevant business units and support units.

(d) Hong Kong Credit Risk Committee

The Hong Kong Credit Risk Committee serves as an executive forum for discussions and decisions pertaining to credit risk and its management. It assesses credit risk taking, and reviews and monitors credit risk portfolio, special loan and asset review situations, credit systems, specific credit concentrations and trends, key policy deviations, macroeconomic trends with material impact to the Bank. The Hong Kong Credit Risk Committee exercises active oversight on credit risk related regulatory developments, the use of internal rating systems and ensure the continuing appropriateness of stress testing. The Hong Kong Credit Risk Committee comprises the Credit Head of the Bank and representatives from relevant business units, credit, risk management and other support units.

(e) Hong Kong Market and Liquidity Risk Committee

The Hong Kong Market and Liquidity Risk Committee provides comprehensive and bank-wide oversight of all market and liquidity risks and their management in trading and banking books. It serves as an executive forum for discussions and decisions on all aspects of market and liquidity risks and their management. It maintains oversight on effectiveness of market and liquidity risk management framework including policies, models, people, systems, processes, information and methodologies. It sets standards and provides necessary guidance on the establishment and maintenance of the bank-wide liquidity contingency plan. The Hong Kong Market and Liquidity Risk Committee comprises the Market & Liquidity Risk Head of the Bank and representatives from risk management and other relevant business units and support units.

(f) Hong Kong Operational and Technology Risk Committee

The Hong Kong Operational and Technology Risk Committee provides comprehensive location-wide oversight and direction relating to the management of operational and technology risk. It monitors and reviews the effectiveness of operational and technology risk management, policies, processes, methodologies and infrastructure. It performs top-down assessment and monitors critical operational and technology risk exposures and provides direction for resolution of critical operational and technology risk issues and monitors issue resolution. The Hong Kong Operational and Technology Risk Committee comprises the Head of Risk Management Group – Operational Risk, Technology Risk, and representatives from key business units and support units.

(g) Hong Kong Risk Culture and Conduct Committee

The Hong Kong Risk Culture and Conduct Committee (“HKRCCC”) provides location-wide oversight and direction relating to the management and implementation of the risk culture and conduct agenda. It oversees and monitors the culture and behavioural standards across the Bank and approves the culture enhancement initiatives and plans of the Bank. Chaired by the Hong Kong Head of DBS, the HKRCCC comprises heads of key business units and support units.

(h) Hong Kong Product Oversight Committee

The Hong Kong Product Oversight Committee provides country oversight over the risks associated with new products in Hong Kong. It provides holistic overview of such risks to ensure new products are offered in line with the Bank’s strategy and risk appetite, in the interest of protecting the Bank’s franchise. The Hong Kong Product Oversight Committee comprises the Senior Risk Executive of Hong Kong and representatives from key business units and support units.

3 DISCLOSURE ON REMUNERATION PURSUANT TO THE HKMA SUPERVISORY POLICY MANUAL CG-5 “GUIDELINE ON A SOUND REMUNERATION SYSTEM”**(a) Design and implementation of the remuneration system**

The Bank adopts the remuneration policy and practices formulated by DBSH. Please refer to the Annual Report of DBSH for major characteristics of the remuneration system.

(b) Aggregate quantitative information on remuneration for senior management and key personnel for the year ended 31 December 2025 are as follows:

Senior management is defined as those who are responsible for oversight of the Bank’s strategy or activities or those of the Bank’s material business lines. Key personnel is defined as individual employees whose duties or activities in the course of their employment involve the assumption of material risk or taking on of material exposures on behalf of the Bank.

Breakdown of remuneration awarded ⁽ⁱ⁾	2025	2024
Number of senior management	15	16
Number of key personnel	32	26
In HK\$ millions		
Fixed remuneration		
• Cash based (non-deferred)	131	114
Variable remuneration ⁽ⁱⁱ⁾		
• Cash based (non-deferred)	95	84
• Cash based (deferred)	19	17
• Share based (deferred)	62	55
	307	270
In HK\$ millions		
Breakdown of deferred remuneration	2025	2024
• Outstanding – unvested	221	180
• Awarded during the year	62	55
• Paid out during the year	64	44

(i) Remuneration figures for senior management and key personnel are aggregated due to data confidentiality.

(ii) Cash and share based variable remuneration are subject to the approval of the DBSH Board of Directors.

No senior management or key personnel has been awarded with new guaranteed bonus or severance payments in 2025 (2024: Nil).

In 2025, no sign-on award was paid to senior management or key personnel (2024: HK\$4.5 million).

4 INTERNAL AUDIT

Key responsibilities and processes

Internal Audit is independent of the activities it audits. Its objectives, scope of authority and responsibilities are defined in the Hong Kong Audit Charter, which is approved by the BAC. Head of Internal Audit reports functionally to the Head of Group Audit and the Chairperson of the BAC, as well as administratively to the CEO.

Internal Audit's responsibilities include:

- (i) Evaluating the reliability, adequacy and effectiveness of the Bank's system of internal controls, risk management, governance framework and processes;
- (ii) Providing an objective and independent assessment of the Bank's credit portfolio quality, the execution of approved credit portfolio quality, the execution of approved credit portfolio strategies and control standards relating to credit management processes;
- (iii) Reviewing whether the Bank complies with laws and regulations and adheres to established policies; and
- (iv) Reviewing whether management is taking appropriate steps to address control deficiencies.

Internal Audit adheres to the Bank's Code of Conduct and is guided by the Mission Statement in the Hong Kong Audit Charter. It adopts its practices and activities with the International Professional Practices Framework (IPPF), established by the Institute of Internal Auditors (IIA).

Internal Audit has unfettered access to the BAC, the Board and management, as well as the right to seek information and explanation. The Head of Internal Audit has a seat in HKMC and attends business reviews and strategic planning forums. Internal Audit adopts a risk-based approach in its auditing activities. An annual audit plan is developed using a structured risk and control assessment framework through which the inherent risk and control effectiveness of each auditable entity in the Bank is assessed. This risk assessment methodology and approach are aligned with that of the Bank, including the risk taxonomy. The

assessment also covers risks arising from new lines of business, new products, and emerging risks from the Bank's operating environment. Audit projects are planned based on the results of the assessment, with priority given to auditing higher risk areas and as required by regulators.

Audit reports containing identified issues and corrective action plans are reported to the BAC and senior management. Progress of the corrective action plans is monitored, and past due action plans are included in regular reports to the senior management and the BAC. In all routine audits, Internal Audit evaluates the control environment and management's control awareness which incorporates risk culture as guided by Financial Stability Board's Guidance on Sound Risk Culture.

Internal Audit apprises regulators and external auditors of all relevant audit matters. It works closely with external auditors to coordinate audit efforts.

Quality assurance and key developments

In line with leading practices, Group Audit has a quality assurance and improvement programme (QAIP) that covers its audit activity (including Hong Kong Internal Audit) and conforms to the International Standards for the Professional Practice of Internal Auditing.

As part of the 2025 QAIP, Group Audit continued its appointment of Ernst & Young (EY) to conduct the annual internal Quality Assurance Review, whereby it was assessed that Group Audit generally conforms to the International Standards for the Professional Practice of Internal Auditing promulgated by the IIA. Based on EY's Benchmarking assessment, Group Audit has widely integrated the use of data analytics and digital tools in its audit activities such as risk assessment, fieldwork and reporting. In EY's maturity model assessment, Group Audit was also rated the highest level for Purpose, People, Risk assessment and Planning, Reporting, Enablement and Innovation, and Impact, Influence and Involvement.

In 2025, Group Audit leveraged AI/Generative AI in the digital workbench and developed the Dynamic Risk Explainer, designed to identify and summarise key risk themes from risk events, audit and regulatory issues for effective assurance.

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