

HSBC LIFE (SINGAPORE) PTE. LTD.
(Incorporated in Singapore. Registration No. 199903512M)

ANNUAL REPORT

For the financial year ended 31 December 2025

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HSBC LIFE (SINGAPORE) PTE. LTD.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2025

The directors present their statement to the member together with the audited financial statements of HSBC Life (Singapore) Pte. Ltd. (the "Company") for the financial year ended 31 December 2025.

In the opinion of the directors,

- (a) the financial statements of the Company as set out on pages 9 to 107 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2025 and the financial performance, changes in equity and cash flows of the Company for the financial year covered by the financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office during the financial year and up to the date of this statement are as follows:

Edward Charles Lawrence Moncreiffe (Chairman)
Bindra Harpreet Singh
Chia Kee Seng
Goh Geok Cheng
Ng Wai Kin
Nikzad Abbasabadi Babak
Yap Chee Meng (Retired on 30 June 2025)
Zhang Kai (Appointed on 1 July 2025)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed below.

HSBC LIFE (SINGAPORE) PTE. LTD.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2025

Directors' interests in shares or debentures

The sole member of the Company has consented to the directors' statement not containing the information set out in item 9 of the Twelfth Schedule to the Companies Act 1967 (the "Act") and, pursuant to the Companies (Relief for Company Directors under section 202(2)) Order 2024, the Company is relieved from disclosing the information. Full detailed information regarding directors' interests in shares or debentures of the Company or of related corporations, either at the beginning of the financial year, or at the end of the financial year, can be obtained at the registered office of the Company, at 10 Marina Boulevard, Marina Bay Financial Centre Tower 2, Level 48-01 Singapore 018983.

HSBC Holdings plc (the ultimate holding company) maintains Employee Share Plans schemes, under which eligible employees including directors of the Company were granted Share Options and Discretionary Awards of shares in HSBC Holdings plc. Details of Employee Plans can be found from the Annual Report of HSBC Holdings plc. which is publicly available on the website.

Except for the Employee Share Plans, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects were, or one whose object was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 26 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

HSBC LIFE (SINGAPORE) PTE. LTD.

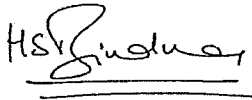
DIRECTORS' STATEMENT

For the financial year ended 31 December 2025

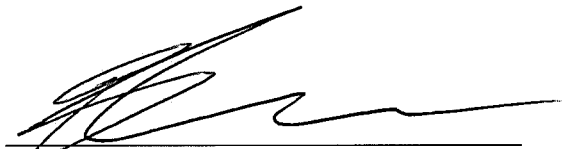
Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to be reappointed.

On behalf of the directors



Bindra Harpreet Singh
Director



Edward Charles Lawrence Moncreiffe
Chairman

30 March 2026

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF HSBC LIFE (SINGAPORE) PTE. LTD.**

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements of HSBC Life (Singapore) Pte. Ltd. ("the Company") are properly drawn up in accordance with the provisions of the Companies Act 1967 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2025 and of the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date.

What we have audited

The financial statements of the Company comprise:

- the statement of comprehensive income for the financial year ended 31 December 2025;
- the balance sheet as at 31 December 2025;
- the statement of changes in equity for the financial year then ended;
- the statement of cash flows for the financial year then ended; and
- the notes to the financial statements, including material accounting policy information.

Basis for Opinion

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

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

Independence

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code"), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in Singapore. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF HSBC LIFE (SINGAPORE) PTE. LTD. (continued)**

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF HSBC LIFE (SINGAPORE) PTE. LTD. (continued)**

Report on the Audit of the Financial Statements (continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 30 March 2026

HSBC LIFE (SINGAPORE) PTE. LTD.**STATEMENT OF COMPREHENSIVE INCOME***For the financial year ended 31 December 2025*

	Notes	2025 \$'000	2024 \$'000
Insurance revenue		678,395	535,737
Insurance service expenses		(424,837)	(428,286)
Net (expenses)/income for reinsurance contracts		(30,899)	5,415
Insurance service result	5	222,659	112,866
Interest revenue		273,530	267,017
Other investment gains		757,571	488,844
Net investment income	6	1,031,101	755,861
Net finance expenses from insurance contracts issued		(1,018,279)	(815,979)
Net finance (expenses)/income from reinsurance contracts held		(4,316)	70,127
Net insurance finance expenses	6	(1,022,595)	(745,852)
Other operating income		25,109	20,992
Other operating expenses	7	(138,631)	(135,496)
Profit before tax		117,643	8,371
Income tax expense	8	(1,047)	(754)
Profit for the year		116,596	7,617
Total comprehensive income for the year		116,596	7,617

The accompanying notes form an integral part of these financial statements.

HSBC LIFE (SINGAPORE) PTE. LTD.**BALANCE SHEET***As at 31 December 2025*

	Notes	31 December 2025 \$'000	31 December 2024 \$'000
ASSETS			
Intangible assets	9	148,852	134,227
Property and equipment	10	290	86
Insurance contract assets	17	32,459	30,250
Reinsurance contract assets	17	138,844	128,594
Financial assets			
- Loans and receivables	12	195,321	171,781
- Derivative financial instruments	13	93,645	42,708
- Financial assets, at fair value through profit or loss	14(a)	12,485,251	11,550,507
- Financial assets, at amortised cost	14(b)	14,355	15,325
Cash and cash equivalents	16	276,034	156,026
Total assets		13,385,051	12,229,504
LIABILITIES			
Insurance contract liabilities	17	12,267,993	11,176,612
Reinsurance contract liabilities	17	410,022	398,805
Borrowings	19	-	103
Financial liabilities			
- Derivative financial instruments	13	18,358	54,807
Amount due to related companies	15	7,533	31,165
Other payables and accruals	18	219,135	219,780
Income tax payable	8	1,323	2,104
Total liabilities		12,924,364	11,883,376
NET ASSETS		460,687	346,128
EQUITY			
Share capital	20	1,361,484	1,361,484
Accumulated losses		(341,859)	(458,455)
Other reserves	21	(558,938)	(556,901)
Total equity		460,687	346,128

The accompanying notes form an integral part of these financial statements.

HSBC LIFE (SINGAPORE) PTE. LTD.**STATEMENT OF CHANGES IN EQUITY***For the financial year ended 31 December 2025*

	Notes	Share capital \$'000	Accumulated losses \$'000	Other reserves \$'000	Total equity \$'000
2025					
Balance as at 1 January 2025		1,361,484	(458,455)	(556,901)	346,128
Profit for the year		-	116,596	-	116,596
Total comprehensive income for the year		-	116,596	-	116,596
Value of employee services	21	-	-	(2,037)	(2,037)
Total transactions with owners, recognised directly in equity		-	-	(2,037)	(2,037)
End of financial year		1,361,484	(341,859)	(558,938)	460,687
2024					
Balance as at 1 January 2024		1,361,484	(466,072)	(557,320)	338,092
Profit for the year		-	7,617	-	7,617
Total comprehensive income for the year		-	7,617	-	7,617
Value of employee services	21	-	-	419	419
Total transactions with owners, recognised directly in equity		-	-	419	419
End of financial year		1,361,484	(458,455)	(556,901)	346,128

The accompanying notes form an integral part of these financial statements.

HSBC LIFE (SINGAPORE) PTE. LTD.

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2025

	Notes	2025 \$'000	2024 \$'000
Cash flows from operating activities			
Profit before tax		117,643	8,371
<u>Adjustments for:</u>			
Net realised and unrealised gains on financial assets and liabilities at fair value through profit or loss	6	(721,055)	(456,522)
Interest and dividend income	6	(310,046)	(299,339)
Amortisation of intangible assets	9	28,418	18,404
Loss on disposals of intangible assets	9	-	944
Depreciation expense	10	17	86
Loss on disposals of property, plant and equipment		22	-
Interest expense on lease liabilities	11	-	7
Share-based compensation expense	21	(2,037)	419
Operating cash flow before working capital change		(887,038)	(727,630)
<u>Changes in:</u>			
Loans and receivables		(26,909)	109,608
Other payables and accruals		(645)	(97,477)
Net amount due from/to related companies		(23,632)	16,974
Insurance contract assets		(2,209)	26,042
Reinsurance contract assets		(10,250)	47,600
Insurance contract liabilities		1,091,381	744,166
Reinsurance contract liabilities		11,217	(123,532)
Purchases of financial assets		(3,737,937)	(2,847,062)
Proceeds from sale and maturity of financial assets		3,444,241	2,457,780
Cash outflow from operations		(141,781)	(393,531)
Interest and dividends received		307,006	297,328
Income tax paid	8	(1,828)	(1,210)
Net cash generated from /(used in) operating activities		163,397	(97,413)
Cash flows from investing activities			
Purchases of intangible assets	9	(43,043)	(65,124)
Purchases of property and equipment	10	(303)	(4)
Net cash used in investing activities		(43,346)	(65,128)
Cash flows from financing activities			
Principal payment of lease liabilities	19	(43)	(81)
Interest paid	19	-	(7)
Net cash used in financing activities		(43)	(88)
Net increase/(decrease) in cash and cash equivalents		120,008	(162,629)
Cash and cash equivalents at beginning of financial year		156,026	318,655
Cash and cash equivalents at end of financial year	16	276,034	156,026

The accompanying notes form an integral part of these financial statements.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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

1. General information

The Company is incorporated and domiciled in Singapore. The address of its registered office is 10 Marina Boulevard #48-01 Marina Bay Financial Centre Singapore 018983.

The Company is principally engaged in life and non-life insurance businesses in Singapore.

2. Material accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements have been presented in Singapore dollars and values have been rounded to the nearest thousand (\$'000) except when otherwise indicated.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

New Accounting Standards for 2025 and forthcoming requirements

On 1 January 2025, the Company adopted the new or amended FRS and Interpretations of FRS (“INT FRS”) that are mandatory for application for the financial year. Changes to the Company’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company’s accounting policies and had no material effect on the amounts reported for the current or prior financial years.

New or amended accounting Standards and Interpretations that are not mandatory for 31 December 2025 reporting period have not been early adopted by the Company. These are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions except for the following:

FRS 18 Presentation and Disclosure in Financial Statements

FRS 18 will replace FRS 1-1 Presentation of Financial Statements and applied for annual periods beginning on or after 1 January 2027. The new accounting standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is still in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Company’s statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as ‘other’.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

Exemption from preparing consolidated financial statements

The Company is exempted from preparing the consolidated financial statements as:

- the Company is a wholly owned subsidiary of HSBC Insurance (Asia-Pacific) Holdings Limited;
- the Company's debt or equity instruments are not traded in a public market;
- the Company did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- the ultimate parent of the Company, HSBC Holdings plc, produces consolidated financial statements available for public use at www.hsbc.com.

2.2 Insurance and reinsurance contracts

FRS 117 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM. The CSM represents the unearned profits that will be released and systematically recognised in insurance revenue as services are provided over the expected coverage period. Previously, the impact of the majority of assumption changes is recognised immediately in the statement of comprehensive income and variances between actual and expected cash flows are recognised in the period they arise.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in statement of comprehensive income. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

Contract classification

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Company to financial risk.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Company, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Company, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2.2 Insurance and reinsurance contracts (continued)

Contract classification (continued)

Contracts entered into by the Company with the legal form of insurance contracts which do not transfer significant insurance risk are classified as financial liabilities and are referred to as 'investment contracts'.

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Aggregation of insurance contracts

Individual insurance contracts that are managed together and subject to similar risks are identified as a portfolio. Contracts that are managed together usually belong to the same product group, and have similar characteristics such as being subject to a similar pricing framework or similar product management, and are issued by the same legal entity. If a contract is exposed to more than one risk, the dominant risk of the contract is used to assess whether the contract features similar risks.

Each portfolio is further separated by the contract's expected profitability. The portfolios are split by their profitability into: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and (iii) the remaining contracts. These profitability groups are then divided by issue date, with most contracts the Company issues after the transition date being grouped into calendar quarter cohorts. For multi-currency groups of contracts, the level of aggregation is separated by functional currency.

The measurement of the insurance contract liability is based on groups of insurance contracts as established at initial recognition, and will include fulfilment cash flows as well as the CSM representing the unearned profit. The Company has elected to update the estimates used in the measurement on a year-to-date basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

Fulfilment cash flows

The fulfilment cash flows comprise the following:

(i) Best estimates of future cash flows

These cash flows include amounts expected to be collected from premiums and payouts for claims, benefits and expenses, and are projected using a range of scenarios and assumptions in an unbiased way based on the Company's demographic and operating experience along with external mortality data where the Company's own experience data is not sufficiently large in size to be credible.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration paid or received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration involved is the fair value of the contracts at that date.

(ii) Adjustment for the time value of money (i.e. discounting) and financial risks associated with the future cash flows

The estimates of future cash flows are adjusted to reflect the time value of money and the financial risks to derive an expected present value. The Company generally makes use of stochastic modelling techniques in the estimation for products with options and guarantees.

A bottom-up approach is used to determine the discount rate to be applied to a given set of expected future cash flows. This is derived as the sum of the risk-free yield and an illiquidity premium. The risk-free yield is determined based on observable market data, where such markets are considered to be deep, liquid and transparent. When information is not available, management judgement is applied to determine the appropriate risk-free yield. Illiquidity premiums reflect the liquidity characteristics of the associated insurance contracts.

(iii) Risk adjustment for non-financial risk

The risk adjustment reflects the compensation required for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. It is calculated as a 75th percentile level of stress over a one-year period. The level of the stress is determined with reference to external regulatory stresses and internal economic capital stresses.

The Company does not disaggregate changes in the risk adjustment between insurance service result (comprising insurance revenue and insurance service expense) and insurance finance income or expenses. All changes are included in insurance service result.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

Measurement models

The variable fee approach ('VFA') measurement model is used for most of the contracts issued by the Company, which is mandatory upon meeting the following eligibility criteria at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder a substantial share of the fair value returns on the underlying items. The Company considers that a substantial share is a majority of returns; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. The Company considers that a substantial proportion is a majority proportion of change on a present value probability-weighted average of all scenarios.

The remaining contracts issued and the reinsurance contracts held are accounted for under the general measurement model ('GMM').

CSM and coverage units

The CSM represents the unearned profit and results in no income or expense at initial recognition when the group of contracts is profitable. The CSM is adjusted at each subsequent reporting period for changes in fulfilment cash flows relating to future service (e.g. changes in non-economic assumptions, including mortality and morbidity rates). For initial recognition of onerous groups of contracts and when groups of contracts become onerous subsequently, losses are recognised in insurance service expense immediately. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

For groups of contracts measured using the VFA, changes in the Company's share of the underlying items, and economic experience and economic assumption changes adjust the CSM, whereas these changes do not adjust the CSM under the GMM, but are recognised in statement of comprehensive income as they arise. However, under the risk mitigation option for VFA contracts, the changes in the fulfilment cash flows and the changes in the Company's share in the fair value return on underlying items that the instruments mitigate are not adjusted in CSM but recognised in statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

CSM and coverage units (continued)

The CSM is systematically recognised in insurance revenue to reflect the insurance contract services provided, based on the coverage units of the group of contracts. Coverage units are determined by the quantity of benefits and the expected coverage period of the contracts.

The Company identifies the quantity of the benefits provided as follows:

- For insurance coverage - based on the expected net policyholder insurance benefit at each period after allowance for decrements, where net policyholder insurance benefit refers to the amount of sum assured less the fund value or surrender value;
- For investment services (including both investment-return service and investment-related service), based on a constant measure basis which reflects the provision of access for the policyholder to the facility;
- For contracts that provide both insurance coverage and investment services, coverage units are weighted according to the expected present value of the future cash outflows for each service.

Onerous contracts

Losses on onerous contracts are taken to the statement of comprehensive income as incurred.

Experience variance and other

'Experience variance and other' or 'Expected incurred claims and other insurance service expenses' represents the expected expenses, claims and recovery of acquisition cash flows, which are reported as part of the insurance revenue. This is offset with the actual expenses and claims incurred in the period and amortisation of acquisition cash flows, which are reported as part of insurance service expense.

Insurance service result

Insurance revenue reflects the consideration to which the Company expects to be entitled in exchange for the provision of coverage and other insurance contract services (excluding any investment components). Insurance service expenses comprise the incurred claims and other incurred insurance service expenses (excluding any investment components), and losses on onerous groups of contracts and reversals of such losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

Insurance finance income and expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effects of the time value of money, financial risk and changes therein. For VFA contracts, changes in the fair value of underlying items (excluding additions and withdrawals) are recognised in insurance finance income or expenses.

Insurance finance income and expenses, are presented separately from insurance revenue and insurance service expenses. Income and expenses from reinsurance contracts other than insurance finance income and expenses are presented as a single net amount in statement of comprehensive income.

Reinsurance contracts

To measure a group of reinsurance contracts held, the Company applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the carrying amount for remaining coverage and the asset for incurred claims. The carrying amount for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date. The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in statement of comprehensive income. The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the reinsurer.

The CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance at initial recognition. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase by the Company, then the Company recognises the cost immediately in profit or loss as an expense.

The carrying amount of the CSM is then reassessed at each reporting date and the Company adjusts the CSM of the group to which a reinsurance contract held belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract held is entered into before or at the same time as the onerous underlying contracts are recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.3 Revenue recognition

(a) Insurance service revenue

Under FRS 117, insurance service revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included.

Note 2.2 details the profit recognition for groups of contracts measured using the VFA and GMM models.

(b) Investment income

Net investment income comprises interest income, dividend income, net gains/losses on the disposal of financial instruments, changes in the fair value of financial instruments at fair value through profit or loss, and impairment losses recognised on financial instruments.

Interest income from financial instruments is recognised using the effective interest rate method. Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be reliably measured.

2.4 Business combination under common control

Business combinations arising from transfers of interests from entities that are under the control of the same ultimate parent are accounted for at the date of the transfer of business. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the transferring entity with any gain/loss arising is recognised directly in other reserves in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.5 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contributions plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The Company's contributions to defined contribution plans are recognised as employee compensation expense when they are due.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(c) Share-based compensation

The Company's ultimate holding company grants share options to its employees, including the Company's employees. The fair value of share options granted is recognised as an employee expense, with a corresponding increase in capital reserve. The fair value is measured at grant date and spread over the vesting period during which the employees unconditionally become entitled to the share options.

The fair value is measured at grant date using a binomial lattice model methodology. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total expense is spread over the vesting period, taking into account the probability that the option will vest.

At each reporting date, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year under review. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest, with a corresponding adjustment to the capital reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.6 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Company establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.7 Property and equipment

(a) Measurement

Items of property and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The projected cost of dismantlement, removal or restoration is recognised as part of the cost of property and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring or using the asset.

(b) Depreciation

Work in progress assets are not depreciated. Depreciation on items of property and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Leasehold improvements	Term of the lease
Leasehold buildings	Term of the lease
Motor vehicle	Term of the lease
Furniture, fixtures and office equipment	3 to 5 years
Computers	3 to 10 years

The residual values, estimated useful lives and depreciation method of property and equipment are reviewed, and adjusted as appropriate prospectively, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to items of property and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in statement of comprehensive income when incurred.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.7 Property and equipment (continued)

(d) Disposal

On disposal of an item of property and equipment, the difference between the disposal proceeds and its carrying amount is recognised in statement of comprehensive income.

2.8 Intangible assets

(a) Goodwill on acquisition

Goodwill arose upon the acquisition of the Employee Benefits portfolio. The goodwill represents the excess of the consideration transferred over the fair value of the net identifiable assets acquired. Goodwill is measured at cost less accumulated impairment losses.

(b) Distribution channel

Distribution channel represents amounts paid to secure a distribution arrangement with SingPost which has a finite life expected to be not less than 10 years. It is measured at cost less accumulated amortisation and impairment. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life.

(c) Computer software

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred. Costs directly attributable to the internally developed computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Company has an intention and ability to complete and use the software and the costs can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the project.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 to 10 years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.9 Impairment of non-financial assets

Property and equipment

Items of property and equipment are tested for impairment whenever there is any indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount which is the higher of the fair value less cost to sell and the value-in-use is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-units ("CGU") to which the asset belongs.

If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

Items of property and equipment are assessed at the end of the reporting period whether there is any indication that an impairment recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated and may result in a reversal of impairment loss. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss of an asset is recognised in profit or loss.

Goodwill and intangible assets

The carrying amounts of the Company's goodwill and intangible assets that have indefinite useful lives or that are not available for use, are tested for impairment annually or whenever there is an indication of impairment. For intangible assets with finite lives, impairment charges will be recognised in profit or loss where evidence of such impairment is observed.

For the purpose of impairment testing, goodwill and intangible assets are allocated to each of the Company's CGUs expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill and intangible assets, exceeds the recoverable amount of the CGU.

The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

Goodwill and intangible assets (continued)

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill and intangible assets allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Impairment loss on goodwill and intangible assets is recognised as an expense. Impairment loss on goodwill is not reversed in subsequent periods, while impairment loss on intangible assets is reversed and recognised in profit or loss only to the extent that the carrying amount that would have been determined (net of amortisation) had no impairment loss been recognised in prior years.

The recoverable amounts are determined based on value-in-use calculations which are the discounted post-tax cash flow projections. The key assumptions used in the value-in-use calculation are as follows:

- a) Premium growth projections from management's expectations of market developments as well as the Company's strategic direction.
- b) SingPost profit margins have been projected based on actuarial assumptions reflecting the Company's experience.
- c) The discount rate used for assessment is 12.39% (2024: 10.30%).

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.10 Financial assets

(i) Classification and measurement

The Company classifies its financial assets into the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss (FVPL);

The classification of debt instruments depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

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

At subsequent measurement

a) *Debt instruments*

FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost is classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises.

b) *Equity investments*

The Company subsequently measures all its equity investments at their fair values. Equity instruments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise, except for those equity securities which are not held for trading.

Dividends from equity investments are recognised in profit or loss as "dividend income".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.10 Financial assets (continued)

(ii) Impairment

The Company assesses on forward looking basis the expected credit losses associated with its financial assets carried at amortised cost.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4.3 details how the Company determines whether there has been a significant increase in credit risk.

(iii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Company commits to purchase or sell the asset.

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

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2.11 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting loss or gain depends on whether the derivatives is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.12 Other payables

Other payables represent liabilities for goods and services provided to the Company prior to end of financial year and which are unpaid.

Other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

2.14 Leases

At the inception of the contract, the Company assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- **Right-of-use (“ROU”) assets**

The Company recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets (except for those which meets the definition of an investment property) are presented within “Property and equipment”.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.14 Leases (continued)

- Lease liabilities

The initial measurement of a lease liability is measured at the present value of the lease payments discounted using the interest rate implicit in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Company shall use its incremental borrowing rate. Lease liabilities are measured at amortised cost using the effective interest method. Lease liabilities shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Company's assessment of whether it will exercise an extension option; or
- There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liabilities are remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short-term and low-value leases

The Company has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

- Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Company shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provision comprise employee termination payments.

2.16 Borrowings

Borrowings are presented as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair values (net of transaction costs) and subsequently carried at amortised cost. Borrowing costs are recognised in profit or loss using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. Bank overdrafts are presented as borrowings on the balance sheet.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policies (continued)

2.18 Government grant

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions.

Government grants receivable are recognised as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate. Government grants relating to expenses are shown as offset against the related expenses. Government grants relating to assets are deducted against the carrying amount of the assets.

2.19 Dividends

Dividends to the Company's shareholder are recognised when the dividends are approved for payment.

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.21 Currency translation

The financial statements are presented in Singapore dollars, which is the functional currency of the Company. Transactions in a currency other than the Singapore dollar ("foreign currency") are translated into the Singapore dollar using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. **Material accounting policies** (continued)

2.22 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, 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.

In the Company's balance sheet, investments in subsidiaries are stated at fair value.

2.23 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Company invests in funds whose objectives range from achieving medium to long term capital growth. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives. The funds finance their operations by issuing redeemable shares/units which are puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets. The Company holds redeemable shares/units in each of these funds.

The change in fair value of the funds is included in the Company's statement of comprehensive income in "investment income/(loss)".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

3. Critical accounting estimates, assumptions and judgements

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

The Company makes estimates, assumptions and judgements in determining the reported amount of policy liabilities. These estimates, assumptions and judgements are best estimates of future experience, based on historical experience, trends and other factors.

3.1 Insurance and reinsurance contracts

(i) Estimates of future cash flows

As set out in note 2.2, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date in estimating future cash flows. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- recurring commissions payable on instalment premiums receivable within the contract boundary;
- costs that the Company will incur in providing investment services;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

3. Critical accounting estimates, assumptions and judgements (continued)

3.1 Insurance and reinsurance contracts (continued)

(i) Estimates of future cash flows (continued)

- costs that the Company will incur in performing investment activities to the extent that the Company performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs; and income tax and other costs specifically chargeable to the policyholders under the terms of the contracts

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than FRS 117. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. The Company generally allocates insurance acquisition cash flows to groups of contracts based on the total premiums for each group, claims handling costs based on the number of claims for each group, and maintenance and administration costs based on the number of in-force contracts within each group. Other costs are recognised in statement of comprehensive income as they are incurred.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

3. Critical accounting estimates, assumptions and judgements (continued)

3.1 Insurance and reinsurance contracts (continued)

(i) Estimates of future cash flows (continued)

Discount rate

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies.

	2025				
	1 year	5 years	10 years	15 years	20 years
All insurance contracts					
SGD	1.72%	2.20%	2.46%	2.54%	2.73%
USD	4.12%	4.37%	4.87%	5.34%	5.64%

	2024				
	1 year	5 years	10 years	15 years	20 years
All insurance contracts					
SGD	2.99%	3.02%	3.12%	3.16%	3.26%
USD	4.86%	5.09%	5.30%	5.52%	5.65%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

3. Critical accounting estimates, assumptions and judgements (continued)

3.1 Insurance and reinsurance contracts (continued)

(i) Estimates of future cash flows (continued)

Discount rate (continued)

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk free rates as adjusted for illiquidity.

When the present value of future cash flows is estimated by stochastic modelling, the cash flows are discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the Company would require for bearing non-financial risk, separately for the non-life and other contracts, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the Company, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique.

The risk adjustments for non-financial risk are determined using a confidence level technique. Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

Contract boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Company's substantive rights and obligations under the contract.

Judgements might be involved to determine when the Company is capable of repricing the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums and when premiums reflect risks beyond the coverage period. Where such features as options and guarantees are included in the insurance contracts, judgement may be required to assess the entity's practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

3. Critical accounting estimates, assumptions and judgements (continued)

3.1 Insurance and reinsurance contracts (continued)

(ii) Contractual service margin ("CSM")

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

(iii) Coverage unit

The number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period, are reviewed and updated at each reporting date. In determination of the coverage units, the type of service is identified based on the terms and features of the insurance contracts. Management then applied judgment in determining the appropriate coverage unit against the type of service identified.

For insurance contracts that provide both insurance coverage and investment services, the assessment of the quantity of benefits entails determining the relative weighting of the benefits provided to the policyholder by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits.

For contracts measured under VFA, or those measured under GMM which meets the criteria to be defined as including an investment return service, the coverage units reflect a weighted sum of insurance service profile (i.e. sums at risk scaled down by opening sum at risk) and the constant measure as set out for investment services with weighting of each profile based on relative present value outgo at the valuation date.

For contracts measured under GMM which does not meet the criteria for having an investment return service, the coverage unit reflects insurance service only. Where there is only insurance service and no non-distinct investment component, the coverage unit reflect a weighted sum of the amounts payable to the policyholder in each of the relevant insured events.

3.2 Income taxes

Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain. The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management

This section describes the Company's risk exposure, its concentration and the way the Company manages them.

4.1 Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares and retained earnings of the Company.

There were no changes in the Company's approach to capital management during the year.

All insurers and reinsurers that carry on insurance business in Singapore are registered with the MAS and are subject to the prudential standards which set out the basis for calculating the fund solvency requirements ("FSR") and capital adequacy requirement ("CAR") which is a minimal level of capital that must be held to meet policyholders' obligations. The FSR and CAR apply a risk-based approach to capital adequacy and is determined to be the sum of the aggregate of the total risk requirement of all insurance funds established and maintained by the insurer under the Insurance Act. It is the Company's policy to hold capital levels in excess of the minimum FSR and CAR and any capital add on prescribed by MAS.

The Company seeks to maintain a balance between achieving higher returns while maintaining a sound capital position.

The MAS pursuant to section 18 and 64(2) of the Insurance Act 1966 issued final regulations on 28 Feb 2020 making the new capital regime (RBC2) effective from 31 March 2020. The Company manages its capital based on the new capital regime.

4.2 Insurance risk management

The primary insurance activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to life, accident, health, financial or other perils that may arise from an insurable event. As such, the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Company also has exposure to market and credit risks through its insurance and investment activities.

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.2 Insurance risk management (continued)

The Company uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The Risk Management Committee reviews all risks in accordance with the Risk Management Framework (RMF) for HSBC Holdings plc and its subsidiaries, collectively as HSBC group, on a regular basis and reports these to the Board of Directors.

(a) Underwriting strategy

The Company's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The underwriting strategy is prepared as part of an annual business plan that sets out individual business to be written. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write in order to enforce appropriate risk selection within the portfolio.

(b) Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the Company.

Ceded reinsurance contains credit risk, and such reinsurance recoverables are reported after deductions for known insolvencies and uncollectible items. The Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Company complies with the HSBC Group's Policies and Procedures for acceptable reinsurance and monitors the reinsurance exposure based on the outlined framework. The Board of Directors reviews the Reinsurance Management Strategy on an annual basis.

(c) Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below.

The following gives an assessment of the Company's main products and the ways in which it manages the associated risks.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.2 Insurance risk management (continued)

(c) Terms and conditions of insurance contracts (continued)

- (i) Long-term non-unit linked insurance contracts and investment contracts – with discretionary participation features

Product features

The Company writes participating business, comprising insurance and savings products including whole life and endowment plans. These plans offer benefit payout upon death, surrender or policy maturity. The bonus payments are designed to distribute to policyholder, the income on assets in the with-profits fund based on a long-term rate of return. These contracts provide more capital security to policyholders than unit-linked contracts.

Management of risks

The Company has complete contractual discretion on the timing and quantum of bonuses declared. In practice the Company considers policyholders' reasonable expectations when setting bonus levels. The Company's reputation may be at risk should the policyholders' dividend payment drop significantly from their expectation. It is the Company's intention to maintain a smooth dividend scale based on long-term rate of return. Annual reviews are performed to confirm whether the current bonus scale is supportable taking into account the overall experience on investment, claims, operating expense and lapse rate.

Investment risks are managed through matching assets and liabilities. The investment strategy has to ensure sufficient investment return is available to fulfill future policyholders' expected payout. Mortality risks are managed through reinsurance and sound underwriting.

- (ii) Long-term insurance/investment contracts

Product features

The Company writes non-participating life insurance policies and investment contracts. These plans offer benefit payout upon death, surrender or policy maturity. Policyholders can also choose to protect themselves against morbidity risks such as health, disability, critical illness and personal accident.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.2 Insurance risk management (continued)

(c) Terms and conditions of insurance contracts (continued)

(ii) Long-term insurance/investment contracts (continued)

Management of risks

Investment risks are managed through matching assets and liabilities. The investment strategy has to ensure sufficient investment return is available to fulfill future policyholders' expected payout. Mortality and morbidity risks are managed through reinsurance and sound underwriting. The assumptions underlying the calculation of the liabilities under the contracts and adopted in product pricing are also reviewed regularly to ensure that they remain appropriate.

(iii) Long-term insurance contracts – unit-linked products

Product features

The Company writes unit-linked life insurance policies, which provide policyholders life insurance protection with direct investment in a variety of funds. Premiums received are invested into chosen funds after deduction of charges for the cost of mortality, morbidity and administration. Funds accumulated within the account will belong to the policyholder.

Management of risks

For unit-linked products, the market risk, defined as the risk of loss of fair value resulting from adverse fluctuations in interest and foreign currency exchange rates and equity prices of linked assets, is mostly borne by the policyholders. As a result, the Company is not directly exposed to movements in market values of the underlying assets, except the second order impact on investment management revenues, which is relatively insignificant. The investment market performance would also impact the timing and magnitude of funding into certain unit-linked products, which is monitored on an ongoing basis, in which the funding level is at all times above the policy surrender values. The Company assumes reputational risk, as policyholders may compare the performance of the Company's products against similar products in the market.

Mortality and morbidity risks are managed through reinsurance and sound underwriting. Claims and expenses are reviewed regularly to ensure current charges are sufficient to cover the costs.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.2 Insurance risk management (continued)

(c) Terms and conditions of insurance contracts (continued)

(iii) Long-term insurance contracts – unit-linked products (continued)

Management of risks (continued)

The assumptions underlying the calculation of the liabilities under the contracts and adopted in product pricing are also reviewed regularly to ensure that they remain appropriate.

(d) Concentrations of insurance risks

For an insurance company, concentration risk can arise when the Company holds large insurance positions in a specific geographical location, sector, product or individual counterparty. Though the Company's business focus is predominantly on risks originating from Singapore, this geographical concentration does not pose a significant risk to the Company given that Singapore has limited exposure to natural catastrophe. The Company also evaluates the concentration of exposures to individual and cumulative insurance risk and establishes appropriate risk limits and reinsurance policy to ensure that no significant concentrations to individual company or sector arise and reduce any such exposure to levels acceptable to the Company.

The following tables disclose the concentration of gross and net policy liabilities in relation to the type of insurance risk for general insurance activities accepted by the Company:

Policy liabilities	<u>Gross</u> \$'000	<u>Net</u> \$'000
2025		
Lines of business		
- Motor	43,219	6,867
- Accident and health	6,938	4,340
- Commercial lines	29,083	6,644
- Others	55	55
	79,295	17,906
2024		
Lines of business		
- Motor	58,850	9,806
- Accident and health	14,606	11,456
- Commercial lines	32,310	4,699
- Others	246	246
	106,012	26,207

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.2 Insurance risk management (continued)

(d) Concentrations of insurance risks (continued)

Claims development information for general insurance activities

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the claims development disclosure below.

Development and Movement of General Insurance liability for incurred claims

(Gross of Reinsurance) - \$000

	2020	2021	2022	2023	2024	2025	Total
End of accident year	168,472	180,879	147,719	79,022	39,269	14,710	
1 year later	161,225	170,862	139,077	75,920	26,128		
2 years later	151,245	170,416	138,766	80,221			
3 years later	147,061	166,976	136,617				
4 years later	154,477	165,845					
5 years later and beyond	155,543						
Estimate of Ultimate Claims	155,543	165,845	136,617	80,221	26,128	14,710	579,064
Cumulative Payments	146,394	155,047	125,813	65,389	25,785	12,862	531,290
Estimate of liability for incurred claims	9,149	10,798	10,804	14,832	343	1,848	47,774
Estimate of liability for incurred claims of Prior Accident Years							7,703
Effect of discounting							(839)
Effect of the risk adjustment margin for non-financial risk							8,553
Total Estimate of liability for incurred claims							63,191

Development and Movement of General Insurance liability for incurred claims

(Net of Reinsurance) - \$000

	2020	2021	2022	2023	2024	2025	Total
End of accident year	147,758	159,933	54,337	37,668	18,522	6,469	
1 year later	142,636	96,733	45,977	36,129	16,459		
2 years later	116,732	95,218	45,787	38,208			
3 years later	115,899	96,321	46,441				
4 years later	116,447	96,963					
5 years later and beyond	117,602						
Estimate of Ultimate Claims	117,602	96,963	46,441	38,208	16,459	6,469	322,142
Cumulative Payments	110,214	94,267	43,306	33,767	16,297	6,008	303,859
Estimate of liability for incurred claims	7,388	2,696	3,135	4,441	162	461	18,283
Estimate of liability for incurred claims of Prior Accident Years							1,733
Effect of discounting							(143)
Effect of the risk adjustment margin for non-financial risk							2,485
Total Estimate of liability for incurred claims							22,358

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.2 Insurance risk management (continued)

(d) Concentrations of insurance risks (continued)

Reinsurance strategy in managing concentrations

The Company cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, defined blocks of business, and on a co-insurance basis, yearly renewable term, excess or catastrophe excess basis. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Company's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount or sums surplus of deductibles on non-proportional reinsurance in the event the claim is paid. However, the Company remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

For long-term business, the level of reinsurance required is assessed by the use of specific modelling of the Company's exposure to life risks, and also to manage the retained risk profile against the approved Insurance Risk Mandate. The financial projections produced from these models are based on a number of possible scenarios providing a detailed analysis of the potential exposures.

When selecting a reinsurer, the Company considers their relative credit strength, assessed from public rating information and internal assessments, in accordance with prescribed HSBC Group's Policies and Procedures.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.2 Insurance risk management (continued)

(e) Sensitivity analysis

Changes in insurance risk variables mainly affect the CSM, profit or loss and equity as follows. The effects on profit or loss and equity are presented net of the related income tax.

CSM:

- Changes in fulfilment cash flows not relating to any loss components, other than those recognised as insurance finance income or expenses.

Profit or loss:

- Changes in fulfilment cash flows relating to loss components.

- Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in profit or loss.

Equity

- Changes in fulfilment cash flows that are recognised as insurance finance income

- The effect on profit or loss as above

The table below analyses how the CSM, profit or loss and equity would have increased (decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

	CSM		2025 Profit or loss after tax		Equity	
	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000
Life - Participating						
- Mortality and/or morbidity rates increased by 5%	(74,486)	(26,103)	(7,867)	(4,589)	(7,867)	(4,589)
- Mortality and/or morbidity rates decreased by 5%	73,942	23,337	6,622	3,920	6,622	3,920
- Expenses increased by 10%	(20,871)	(20,804)	(2,669)	(2,701)	(2,669)	(2,701)
- Expenses decreased by 10%	19,086	19,136	1,904	1,871	1,904	1,871
- Lapse rates increased by 10%	(59,566)	(42,518)	(2,576)	(1,434)	(2,576)	(1,434)
- Lapse rates decreased by 10%	63,262	45,935	1,644	515	1,644	515

4. Risk management (continued)

4.2 Insurance risk management (continued)

(e) Sensitivity analysis (continued)

	CSM		2025 Profit or loss after tax		Equity	
	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000
Other						
- Loss ratio increased by 10%	(542)	2,057	(4,478)	3,785	(4,478)	3,785
- Loss ratio decreased by 10%	760	(1,613)	6,031	(2,519)	6,031	(2,519)
- Mortality and/or morbidity rates increased by 5%	(20,380)	(8,140)	(3,826)	(1,924)	(3,826)	(1,924)
- Mortality and/or morbidity rates decreased by 5%	21,319	8,962	2,984	1,085	2,984	1,085
- Expenses increased by 10%	(8,074)	(8,148)	(2,194)	(2,182)	(2,194)	(2,182)
- Expenses decreased by 10%	8,073	8,054	2,193	2,132	2,193	2,132
- Lapse rates increased by 10%	(13,838)	(9,615)	(1,649)	(913)	(1,649)	(913)
- Lapse rates decreased by 10%	16,496	11,699	2,103	1,339	2,103	1,339

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2025

4. Risk management (continued)

4.2 Insurance risk management (continued)

(e) Sensitivity analysis (continued)

	CSM		2024 Profit or loss after tax		Equity	
	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000
Life - Participating						
- Mortality and/or morbidity rates increased by 5%	(68,887)	(19,589)	1,507	(5,695)	1,507	(5,695)
- Mortality and/or morbidity rates decreased by 5%	73,561	24,666	(1,613)	4,245	(1,613)	4,245
- Expenses increased by 10%	(15,863)	(15,845)	(1,398)	(1,403)	(1,398)	(1,403)
- Expenses decreased by 10%	15,841	15,823	1,366	1,371	1,366	1,371
- Lapse rates increased by 10%	(59,201)	(33,231)	2,376	(4,211)	2,376	(4,211)
- Lapse rates decreased by 10%	71,328	42,335	(2,296)	5,148	(2,296)	5,148

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.2 Insurance risk management (continued)

(e) Sensitivity analysis (continued)

	CSM		2024 Profit or loss after tax		Equity	
	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000
Other						
- Loss ratio increased by 10%	(4,387)	(4,199)	(2,846)	(1,494)	(2,846)	(1,494)
- Loss ratio decreased by 10%	3,918	3,659	2,374	1,093	2,374	1,093
- Mortality and/or morbidity rates increased by 5%	(22,798)	(10,940)	(2,796)	(1,767)	(2,796)	(1,767)
- Mortality and/or morbidity rates decreased by 5%	23,583	11,362	2,215	1,400	2,215	1,400
- Expenses increased by 10%	(2,913)	(2,831)	(930)	(1,007)	(930)	(1,007)
- Expenses decreased by 10%	2,909	2,826	936	1,014	936	1,014
- Lapse rates increased by 10%	4,611	7,389	(817)	(670)	(817)	(670)
- Lapse rates decreased by 10%	(6,931)	(10,096)	711	523	711	523

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management

(a) Investment risk

Investment philosophy

The core concepts of the Company's investment philosophy centre on the following principles:

- Insurance funds are segregated into distinct categories based on return or risk objectives and requirements such as time horizon, nature of liabilities.
- Return and risk objectives of the life insurance funds are determined in consultation with the Appointed Actuary, taking into account guaranteed returns and required returns, nature and duration of liabilities and tax considerations.
- Investment portfolios are constructed based on fund return objectives and the Company's risk appetite statements.
- Investment limits, including those stipulated by the MAS, Central Provident Fund ("CPF") and HSBC Group, are considered constraints and communicated to Fund Managers.
- Liquidity requirements that are known (maturity and coupon payments) are communicated to Fund Managers.
- The approved Market Risk and Credit Risk Mandates and Investment Policy will be provided to Fund Managers on an annual basis or communicated when changed.

The philosophy serves as guidelines for the investment decisions and activities of the Company. It ensures consistency in the investment practice of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(a) Investment risk (continued)

Investment objectives

The Participating Fund aims to achieve investment return that satisfies the implied guaranteed rate and the projected bonus level for policyholders and a reasonable return for shareholders.

The Non-participating Fund aims to achieve investment returns that satisfies the guaranteed rate and reasonable return for shareholders.

The General Insurance Fund aims to achieve a reasonable return for shareholders while meeting the short-term liquidity requirements.

The Shareholder's Fund aims to preserve the capital and achieve reasonable return for shareholders.

Investment processes

The Company aims to maximise the economic benefits from investment activities whilst ensuring investment risks are prudently managed. This will include the development of an investment process for strategic and tactical asset allocation, implementation and monitoring of investment risks and hedging strategies for the Insurance and Shareholder funds, manage all investment related risks, monitor investment performance, conduct fund manager search and evaluation, perform investment product due diligence, design and implement appropriate control measures to ensure compliance with risk limits, regulations and internal restrictions.

The Insurance and Shareholder funds of the Company are predominantly managed by HSBC Global Asset Management (Singapore) Private Limited ("AMSG"). AMSG is provided with the Investment Policy and Market & Credit Risk Mandates for the funds under their management and are required to apply reasonable level of diligence and prudence to manage the funds.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(a) Investment risk (continued)

Asset allocation by insurance funds:

	Participating <u>fund</u>	Non- participating <u>fund</u>	General Insurance <u>fund</u>
31 December 2025			
Asset class			
Bonds	67%	96%	75%
Growth assets (including equities and alternative investments)	32%	3%	20%
Cash	1%	1%	5%
<hr/>			
31 December 2024			
Asset class			
Bonds	69%	97%	55%
Growth assets (including equities and alternative investments)	30%	3%	43%
Cash	1%	0%	2%
<hr/>			

The Participating Fund is invested in both fixed income assets and growth assets; while Non-participating and General Insurance Funds are invested predominantly in fixed income assets. Investment-grade corporate bonds in the Insurance funds are mainly denominated in US Dollar and Singapore Dollar. Hedging is typically used in the fixed income portfolios to manage foreign exchange risk.

Growth assets exposures in the Participating Fund are acquired through Exchange-traded funds ("ETFs"), collective investment schemes and derivative instruments. Currency risk derived from investment in foreign growth assets is managed tactically.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(a) Investment risk (continued)

Underlying items

The following table sets out the composition and the fair value of underlying items of the Company's direct participating contracts at the reporting date.

\$'000	<u>2025</u>	<u>2024</u>
Financial assets		
Cash and cash equivalents	232,027	146,623
Financial assets, at fair value through profit or loss	12,257,734	11,346,705
Derivative financial instruments	79,735	38,232
Other receivables	163,807	91,347
	<u>12,733,303</u>	<u>11,622,907</u>

Asset-liability management

The Company actively manages its assets using an approach that balances quality, diversification, asset/liability matching, liquidity and investment return. The goal of the investment process is to optimise the investment income and risk-adjusted total return, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis. The Asset-Liability Management Committee reviews and approves target portfolios on a periodic basis, establishing investment guidelines and limits, and providing oversight of the asset/liability management process.

The Company establishes target asset portfolios for each insurance class of products, which represents the investment strategies used to profitably fund its liabilities within acceptable levels of risk. Many of these estimates are inherently subjective and could impact the Company's ability to achieve its asset/liability management goals and objectives.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(b) Market risk

Market risk arises when the market values of assets and liabilities do not move consistently as financial markets change. Changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

HSBC Group and the Asset and Liability Committee ("ALCO") actively manage risks through setting of investment policy and strategic asset allocation, approving risk measurement methodologies and annual limits in the market risk mandate. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Group's risk management principles and philosophies.

(i) Cash flows and fair value interest rate risk

The Company's exposure to market risk for changes in interest rate is concentrated in its investment portfolio and insurance liabilities. The Company monitors this exposure through periodic reviews of its asset and liability positions. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance liabilities, are modelled and reviewed regularly. The overall objective of these strategies is to limit the net changes in the value of assets and liabilities arising from interest rate movements. The Company is also exposed to reinvestment risk arising from the changes in future interest rates.

The VFA measurement model is used for most of the contracts issued by the Company, with changes in the fair value of underlying items (excluding additions and withdrawals) recognised in insurance finance income or expenses. The exposure to interest rate risk from the Company's financial assets is minimal.

Any changes in the interest rate would affect the CSM, profit or loss and equity. At the balance sheet date, if interest rates had been 100 basis points lower or higher with all other variables, including the tax rate, being held constant, the effect on profit or loss after tax on the non-participating fund, general insurance and the shareholder fund would have been:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(b) Market risk (continued)

(i) Cash flows and fair value interest rate risk (continued)

	CSM \$'000	2025 Profit or loss \$'000	Equity \$'000	CSM \$'000	2024 Profit or loss \$'000	Equity \$'000
Interest rate changes						
- decreased by 100 bps	(18,982)	(6,683)	(6,683)	(22,007)	(5,495)	(5,495)
- increased by 100 bps	(20,261)	(2,908)	(2,908)	(4,525)	(15,419)	(15,419)

The Company is subject to duration mismatch due to the longer policy liability duration than the available bond durations. The tables below show the interest-bearing financial assets and liabilities by ageing bucket:

\$'000	Fixed rates			Floating Over 5 years	Non-interest bearing	Total
	Less than 1 year	1 to 5 years	Over 5 years			
2025						
Financial assets						
Cash and cash equivalents	276,034	-	-	-	-	276,034
Financial assets, at fair value through profit and loss	315,756	366,337	5,285,243	45,047	6,472,868	12,485,251
Financial assets, at amortised cost	-	14,355	-	-	-	14,355
Loans and receivables*	181,938	-	-	-	-	181,938
Derivative financial instruments	29,057	36,032	28,556	-	-	93,645
	802,785	416,724	5,313,799	45,047	6,472,868	13,051,223
Financial liabilities						
Derivative financial instruments	833	3,491	14,034	-	-	18,358
Income tax payable	1,323	-	-	-	-	1,323
Amount due to related companies	7,533	-	-	-	-	7,533
Borrowings	-	-	-	-	-	-
Other payables and accruals	43,245	-	-	-	175,890	219,135
	52,934	3,491	14,034	-	175,890	246,349

* excluded prepayment

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(b) Market risk (continued)

(i) Cash flows and fair value interest rate risk (continued)

\$'000	Fixed rates			Floating Over 5 years	Non-interest bearing	Total
	Less than 1 year	1 to 5 years	Over 5 years			
2024						
Financial assets						
Cash and cash equivalents	156,026	-	-	-	-	156,026
Financial assets, at fair value through profit and loss	423,097	395,219	5,230,510	-	5,501,681	11,550,507
Financial assets, at amortised cost	429	14,896	-	-	-	15,325
Loans and receivables*	157,619	-	-	-	-	157,619
Derivative financial instruments	9,376	8,317	25,015	-	-	42,708
	<u>746,547</u>	<u>418,432</u>	<u>5,255,525</u>	-	<u>5,501,681</u>	<u>11,922,185</u>
Financial liabilities						
Derivative financial instruments	33,295	3,061	18,451	-	-	54,807
Income tax payable	2,104	-	-	-	-	2,104
Amount due to related companies	31,165	-	-	-	-	31,165
Borrowings	103	-	-	-	-	103
Other payables and accruals	8,432	-	-	-	211,348	219,780
	<u>75,099</u>	<u>3,061</u>	<u>18,451</u>	-	<u>211,348</u>	<u>307,959</u>

* excluded prepayment

The estimated maturity profile in respect of insurance contracts is disclosed in Note 4.3(d).

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(b) **Market risk** (continued)

(ii) **Equity price risk**

The Company's portfolio of marketable equity securities, which are carried at fair value, has exposure to price risk, defined as the potential loss in market value resulting from an adverse change in asset prices. The Company's objective is to earn competitive relative returns by investing in a diverse portfolio of high quality, liquid securities. Portfolio characteristics are analysed regularly where holdings are diversified across industries, and concentrations in any one company or industry are limited by parameters established by the HSBC Group.

There is no significant effect on profit or loss after tax arising from equity price risk as all the equities are held in the participating fund where the risks are borne by the policyholders.

If prices for equity securities listed in stock exchanges in Singapore and overseas had changed by 10% with all other variables, including the tax rate, being held constant, the effect on CSM and profit or loss after tax in 2025 would have been:

	2025			2024		
	CSM	Profit or loss after tax	Equity	CSM	Profit or loss after tax	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Quoted equity securities						
- increased by 10%	-	12,647	12,647	-	11,436	11,436
- decreased by 10%	-	(12,647)	(12,647)	-	(11,436)	(11,436)

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(b) Market risk (continued)

(iii) Foreign exchange risk

The Company is exposed to foreign currency exchange rate risks in respect of its asset holdings in foreign currency denominated investments and cash deposits and in respect of foreign currency denominated liabilities. In managing exchange rate risks, the Company enters into forward exchange contracts and currency swaps to hedge foreign currency risks.

The Company's foreign currency exchange position of financial assets and liabilities by major currencies are shown in the following tables:

\$'000	<u>EUR</u>	<u>USD</u>	<u>GBP</u>
2025			
Financial assets			
- Loans and receivables	15	180,453	2,224
- Derivative financial instruments	48	67,674	-
- Financial assets, at fair value through profit or loss	329,653	7,035,346	142,950
- Financial assets, at amortised cost	-	14,355	-
- Cash and cash equivalents	3,763	79,592	1,886
Total financial assets	333,479	7,377,420	147,060
Insurance contract assets	-	-	-
Reinsurance contracts assets	-	19,859	-
	333,479	7,397,279	147,060
Financial liabilities			
- Other payables and accruals	27,428	121,440	20,664
Total financial liabilities	27,428	121,440	20,664
Derivative financial instruments	150	4,822	-
Insurance contract liabilities	-	3,383,653	-
Reinsurance contract liabilities	-	143,688	-
	27,578	3,653,603	20,664
Net position	305,901	3,743,676	126,396
Less: Net currency forwards	(22,488)	(1,293,564)	-
Less: Net currency swaps	-	(272,772)	-
Currency exposures	283,413	2,177,340	126,396

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(b) Market risk (continued)

(iii) Foreign exchange risk (continued)

\$'000	EUR	USD	GBP
2024			
Financial assets			
- Loans and receivables	205	102,653	267
- Derivative financial instruments	378	149	-
- Financial assets, at fair value through profit or loss	388,628	6,883,968	131,455
- Financial assets, at amortised cost	-	15,325	-
- Cash and cash equivalents	1	61,754	163
Total financial assets	389,212	7,063,849	131,885
Insurance contract assets	-	-	-
Reinsurance contracts assets	-	21,706	-
	389,212	7,085,555	131,885
Financial liabilities			
- Other payables and accruals	18,407	484,333	4,388
Total financial liabilities	18,407	484,333	4,388
Insurance contract liabilities	-	3,567,519	-
Reinsurance contract liabilities	-	167,936	-
	18,407	4,219,788	4,388
Net position	370,805	2,865,767	127,497
Less: Net currency forwards	(31,090)	(1,130,976)	-
Less: Net currency swaps	378	(312,539)	-
Currency exposures	340,093	1,422,252	127,497

Certain EUR and GBP financial assets and liabilities are used to support USD denominated insurance liabilities. The VFA measurement model is used for most of the contracts issued by the Company, with changes in the foreign currency gain or losses of underlying items shared with policyholders, the exposure to foreign exchange risk from the Company's EUR and GBP financial assets and liabilities is minimal.

If the USD change against the SGD by 10% (2024: 10%) with all other variables, including the tax rate, being held constant, the effects on CSM, profit or loss and equity arising from the net financial asset/liability position will be as follows:

	CSM	2025 Profit or loss after tax	Equity	CSM	2024 Profit or loss after tax	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
USD against SGD						
- strengthened	39,046	3,136	3,136	20,705	905	905
- weakened	(39,046)	(3,136)	(3,136)	(20,705)	(905)	(905)

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and hence, arises primarily from the Company's investment securities.

The carrying amount of financial assets in the balance sheet represents the Company's respective maximum exposure to credit risk, before taking into account any collateral held.

The Company is not exposed to significant credit risk arising from financial assets and liabilities held in the investment linked funds as the risk is borne by the policyholders. For reinsurance receivables, the Company limits its credit risk exposure by contracting with reputable counterparties that have sound credit ratings above investment grade. At 31 December 2025, the maximum exposure to credit risk from insurance contracts assets are \$32.5 million (2024: \$30.3 million), which primarily relates to premiums receivable for services that the Company has already provided, and the maximum exposure to credit risk from reinsurance contracts assets are \$138.8 million (2024: \$128.6 million). As such corresponding financial assets and liabilities have been excluded from the disclosures below.

The following table sets out information about the credit quality of investments securities measured at FVTPL and amortised cost.

	AAA \$'000	AA- to AA+ \$'000	A- to A+ \$'000	BBB- to BBB+ \$'000	BB+ and below \$'000	Not rated \$'000	Total \$'000
2025							
Financial assets, at fair value through profit or loss	1,001,094	933,292	2,892,438	1,130,774	9,850	44,935	6,012,383
Financial assets, at amortised cost	-	-	-	-	-	14,355	14,355
Derivative financial instruments	-	-	93,645	-	-	-	93,645
	1,001,094	933,292	2,986,083	1,130,774	9,850	59,290	6,120,383
2024							
Financial assets, at fair value through profit or loss	812,104	796,893	2,749,320	865,937	-	824,732	6,048,986
Financial assets, at amortised cost	-	-	-	-	-	15,325	15,325
Derivative financial instruments	-	-	42,708	-	-	-	42,708
	812,104	796,893	2,792,028	865,937	-	840,057	6,107,019

* Based on public ratings assigned by external rating agencies including S&P, Fitch and Moody's

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(c) Credit risk (continued)

The Company uses the following categories of internal credit risk rating for financial assets which are subject to expected credit losses under the 3-stage general approach. These four categories reflect the respective credit risk and how the loss provision is determined for each of those categories.

Category of internal credit rating	Definition of category	Basis for recognition of expected credit losses
Performing	Borrower or issuer have a low risk of default and a strong capacity to meet contractual cash flows	12-month expected credit losses
Underperforming	Borrower or issuer for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and/or principal repayment are 30 days past due	Lifetime expected credit losses
Non-performing	Interest and/or principal payment are 90 days past due	Lifetime expected credit losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

Cash and investments

Cash and equivalents are placed with banks and financial institutions which are regulated. The Company's portfolio of fixed income securities is subject to credit risk, defined as potential loss in market value due to adverse changes in the borrower's ability to repay the debt. This risk is managed by investing in a diversified portfolio of securities, coupled with stringent review of credit risk up-front and regular reviews of credit developments by ALCO. The Company limits its credit risk exposure from fixed income securities by investing in more liquid securities and with counterparties that have sound credit ratings.

For investment in corporate bonds, financial loss may also materialise as a result of credit spread widening. When spreads widen between corporate bonds of different credit ratings, it implies that the market is factoring more risk of default on lower rated bonds. Credit spread widening will result in devaluation of the Company's bond portfolios. The Company limits its credit spread risk by adhering to parameters established by the HSBC Group. Group-wide credit risk managed by HSBC Group stipulates internal limits by issuer or counterparty and by credit rating. Approved limits in the Credit Risk Mandate are actively monitored to manage the credit and concentration risk.

Policy loans are fully collateralised against the cash value of the policies. Therefore, the Company has no material credit risk on policy loans.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(c) Credit risk (continued)

Insurance and other receivables

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of insurance receivables. This allowance comprises a specific loss component that relates to individually significant exposures.

The allowance account in respect of other receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible. At that point the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At the reporting date there were no significant concentrations of credit risk. There may be exposure to significant credit risk relating to the reinsurance solution upon the occurrence of a significant adverse event in the future, however, the likelihood of occurrence of this event is remote.

Impairment of financial assets

As at 31 December 2025 and 31 December 2024, the impairment of the financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

Credit quality analysis

The following table sets out information about the credit quality of investment securities measured at amortised cost.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(c) Credit risk (continued)

Credit quality analysis (continued)

Movement in credit loss allowance for financial assets are set out as follows:

	Financial assets at amortised	
	<u>cost</u> \$'000	<u>Total</u> \$'000
Balance as at 1 January 2025	152	152
Movement in allowance recognised in profit or loss during the year on:		
- Asset acquired/originated	-	-
- Reversal of unutilised amount	(80)	(80)
Balance as at 31 December 2025	72	72
Balance as at 1 January 2024	20	20
Movement in allowance recognised in profit or loss during the year on:		
- Asset acquired/originated	132	132
- Reversal of unutilised amount	-	-
	132	132
Balance as at 31 December 2024	152	152

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has to meet daily calls on its cash resources, notably from claims arising on its claims maturities and surrenders. Expected liquidity demands are managed through a combination of investment and asset-liability management practices, which are monitored on an ongoing basis.

The Company conducts asset-liabilities modelling to determine exposures to liquidity needs. The Asset Liability Management Committee has considered the nature of the liabilities in terms of their duration and has assessed that the current portfolio mix, combined with the participating nature of the insurance contract liabilities, has adequately mitigated the mismatching risk to an acceptable level.

The nature of insurance business is that the requirements of funding cannot be predicted with absolute certainty as the theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will be settled. The amounts and maturities in respect of insurance and investment contract with discretionary participation features provisions are thus based on the management's best estimate and past experience.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in insurance contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrender to changes in interest rates.

The tables below summarise the maturity profile of the Company's financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

The Company is not exposed to significant liquidity risk arising from financial assets and liabilities held in the investment linked funds as the risk is borne by the policyholders. As such corresponding financial assets and liabilities have been excluded from the disclosures below.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(d) Liquidity risk (continued)

	Less than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2025				
Other payables and accruals	219,135	-	-	219,135
Amount due to related companies	7,533	-	-	7,533
Derivative financial instruments	833	3,491	14,034	18,358
	<u>227,501</u>	<u>3,491</u>	<u>14,034</u>	<u>245,026</u>
2024				
Other payables and accruals	219,780	-	-	219,780
Amount due to related companies	31,165	-	-	31,165
Derivative financial instruments	33,295	3,061	18,451	54,807
	<u>284,240</u>	<u>3,061</u>	<u>18,451</u>	<u>305,752</u>

The following table provides a maturity analysis of the Company's insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur.

	Estimates of present value of future cash flows						Total \$'000
	Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000	4 to 5 years \$'000	Over 5 years \$'000	
2025							
Insurance contracts							
Liabilities – direct participating contracts*	(213,143)	(284,203)	(126,010)	(6,844)	97,643	10,902,538	10,369,981
Liabilities – other contracts	95,883	(8,055)	(8,243)	(20,595)	(21,077)	(18,586)	19,327
	<u>(117,260)</u>	<u>(292,258)</u>	<u>(134,253)</u>	<u>(27,439)</u>	<u>76,566</u>	<u>10,883,952</u>	<u>10,389,308</u>
Reinsurance contracts							
Liabilities	(78,817)	22,404	22,424	22,091	21,783	470,597	480,482
2024							
Insurance contracts							
Liabilities – direct participating contracts*	(37,710)	(242,794)	(203,486)	(215,365)	(136,846)	10,420,558	9,584,357
Liabilities – other contracts	208,663	6,402	(30,592)	(33,948)	(24,135)	50,115	176,505
	<u>170,953</u>	<u>(236,392)</u>	<u>(234,078)</u>	<u>(249,313)</u>	<u>(160,981)</u>	<u>10,470,673</u>	<u>9,760,862</u>
Reinsurance contracts							
Liabilities	(70,035)	(252)	18,709	19,407	19,769	520,961	508,559

* The insurance contracts balance excludes insurance acquisition cash flows assets and other pre-recognition cash flows.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(d) Liquidity risk (continued)

The amounts from insurance contract liabilities that are payable on demand are set out below.

	2025		2024	
	Amount payable on demand \$'000	Carrying value \$'000	Amount payable on demand \$'000	Carrying value \$'000
2025				
Direct participating contracts	11,055,872	11,965,809	10,410,880	10,801,871
Other contracts	60,577	269,725	74,738	344,491
	<u>11,116,449</u>	<u>12,235,534</u>	<u>10,485,618</u>	<u>11,146,362</u>

(e) Fair value measurements

The Company is not exposed to significant market risk arising from financial assets and liabilities held in the investment linked funds as the risk is borne by the policyholders. As such corresponding financial assets and liabilities have been excluded from the disclosures below.

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- quoted price in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- inputs for the asset or liability that are not based on observable market data (Level 3).

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(e) Fair value measurements (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
2025				
<i>Assets</i>				
Financial assets, at fair value through profit or loss	7,326,499	4,145,147	1,013,605	12,485,251
Derivative financial instruments	-	93,645	-	93,645
Total assets	7,326,499	4,238,792	1,013,605	12,578,896
<i>Liabilities</i>				
Derivative financial instruments	-	18,358	-	18,358
Total liabilities	-	18,358	-	18,358
2024				
<i>Assets</i>				
Financial assets, at fair value through profit or loss	5,729,662	4,895,965	924,880	11,550,507
Derivative financial instruments	-	42,708	-	42,708
Total assets	5,729,662	4,938,673	924,880	11,593,215
<i>Liabilities</i>				
Derivative financial instruments	-	54,807	-	54,807
Total liabilities	-	54,807	-	54,807

The Company has an established control framework with respect to the measurement of fair values. This includes an investment operations team who has an overall responsibility for all significant fair value measurements. This team is supported and receive expert guidance from the parent / group companies.

On receipt of a valuation from the fund managers, the investment operations team runs independent price verification for the securities for which market data is available. Any reasons for variances are investigated and addressed. For the securities where market inputs are unobservable and where derivation of fair value is more judgmental, for ascertaining the reasonableness, it relies on the advice and guidance from the parent / group companies who have established infrastructure & expertise to ascertain the same. In addition, all valuation matters are considered jointly by chief financial officer & chief investment officer and are deliberated, challenged & agreed at the Valuation Committee as part of formal governance process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(e) Fair value measurements (continued)

The valuation team regularly reviews significant unobservable inputs if applicable and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

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

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(e) Fair value measurements (continued)

A significant increase/(decrease) in net asset value would result in a higher/(lower) fair value measurement. The following table presents the movements in Level 3 instruments:

	2025	2024
	\$'000	\$'000
Beginning of financial year	924,880	669,101
Purchases, net of return on excess capital	253,509	208,541
Settlement on sales	(60,684)	-
Transfer out of level 3	(108,260)	-
Net gain recognised in profit or loss	4,160	47,238
End of financial year	<u>1,013,605</u>	<u>924,880</u>

The following table shows the valuation technique and input used in Level 3 fair value measurements.

Description	Fair Value at 31 December 2025	Valuation technique	Unobservable inputs	Reasonable possible shift +/-	Possible changes in valuation
	\$'000				\$'000
Private equity funds	\$573,996 (2024: \$445,952)	NAV - Adjusted	NAV and Fair Value Adjustments	+/- 5%	+/- \$28,700 (2024: +/- \$22,298)
Unquoted shares	\$21 (2024: \$11,845)	NAV - Adjusted	NAV and Fair Value Adjustments	+/- 5%	+/- \$1 (2024: +/- \$592)
Unquoted debt securities	\$439,588 (2024: \$467,083)	Discounted cash flow	Yield	+/- 5%	+/- \$21,979 (2024: +/- \$23,354)

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

4. Risk management (continued)

4.3 Financial risk management (continued)

(e) Fair value measurements (continued)

Financial instruments by category

The aggregate carrying amounts of financial assets and liabilities are as follows:

	2025
	\$'000
Financial assets	
Fair value through profit and loss	12,578,896
Amortised cost	14,355
Loans and other receivables	181,938
Cash and cash equivalents	276,034
Total	13,051,223
Financial liabilities	
Fair value through profit and loss	18,358
Borrowings	-
Amount due to related companies	7,533
Other payables and accruals	219,135
Total	245,026
	2024
	\$'000
Financial assets	
Fair value through profit and loss	11,593,215
Amortised cost	15,325
Loans and other receivables	157,619
Cash and cash equivalents	156,026
Total	11,922,185
Financial liabilities	
Fair value through profit and loss	54,807
Borrowings	103
Amount due to related companies	31,165
Other payables and accruals	219,780
Total	305,855

5. Insurance service result

	2025			2024		
	Life direct participating contracts \$'000	Other contracts \$'000	Total \$'000	Life direct participating contracts \$'000	Other contracts \$'000	Total \$'000
Insurance revenue						
Amounts relating to changes in liabilities for remaining coverage						
- CSM recognised for services provided	155,957	27,205	183,162	101,305	34,852	136,157
- Change in risk adjustment for non-financial risk for risk expired	9,634	8,960	18,594	18,414	7,992	26,406
- Expected incurred claims and other insurance service expenses	115,639	275,850	391,489	93,825	203,088	296,913
- Other	4,572	-	4,572	202	-	202
Recovery of insurance acquisition cash flows	49,366	31,212	80,578	37,397	38,662	76,059
Total insurance revenue	335,168	343,227	678,395	251,143	284,594	535,737
Insurance services expenses						
Incurred claims and other insurance services expenses	(94,618)	(252,262)	(346,880)	(92,202)	(280,249)	(372,451)
Losses and reversal of losses on onerous contracts	22,060	(14,864)	7,196	7,728	(10,765)	(3,037)
Amortisation of insurance acquisition cash flows	(49,366)	(31,212)	(80,578)	(37,397)	(38,662)	(76,059)
Adjustment to liabilities for incurred claims	-	(4,575)	(4,575)	-	23,261	23,261
Total insurance services expenses	(121,924)	(302,913)	(424,837)	(121,871)	(306,415)	(428,286)
Insurance service result before reinsurance contract held	213,244	40,314	253,558	129,272	(21,821)	107,451
Net (expenses)/income from reinsurance contracts held						
Allocation of reinsurance premiums	-	(155,000)	(155,000)	-	(90,584)	(90,584)
Amounts recoverable from reinsurers for incurred claims	-	124,101	124,101	-	97,534	97,534
Effects of change in non-performance risk reinsurance	-	-	-	-	(1,535)	(1,535)
Total net (expenses)/income for reinsurance contracts	-	(30,899)	(30,899)	-	5,415	5,415
Insurance service result	213,244	9,415	222,659	129,272	(16,406)	112,866

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

6. Net investment income and finance expenses

	2025			2024		
	Life direct participating \$'000	Other \$'000	Total \$'000	Life direct participating \$'000	Other \$'000	Total \$'000
Investment income						
Dividend income	36,074	442	36,516	31,395	927	32,322
Interest income						
- Debt securities	255,776	14,092	269,868	242,075	20,133	262,208
- Bank deposits	3,464	198	3,662	4,520	289	4,809
Net realised gains/(losses) on financial instruments at FVPL	220,524	(6,124)	214,400	106,422	(12,827)	93,595
Fair value gains on remeasurement of financial instruments at FVPL	492,120	14,535	506,655	359,678	3,249	362,927
Total investment income	1,007,958	23,143	1,031,101	744,090	11,771	755,861
Net finance expenses from insurance contracts						
Changes in fair value of underlying items of direct participating contracts	(1,005,701)	-	(1,005,701)	(743,464)	-	(743,464)
Effect of risk mitigation option	(6,933)	-	(6,933)	(70,298)	-	(70,298)
Interest accreted	-	(5,267)	(5,267)	-	(5,872)	(5,872)
Effect of changes in interest rates and other financial assumptions	-	(4,700)	(4,700)	-	(121)	(121)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	-	4,322	4,322	-	3,776	3,776
Total net finance expenses from insurance contracts	(1,012,634)	(5,645)	(1,018,279)	(813,762)	(2,217)	(815,979)
Net finance (expenses)/income from reinsurance contracts						
Interest accreted	-	(11,069)	(11,069)	-	(15,274)	(15,274)
Net finance income from reinsurance contracts	-	6,753	6,753	-	85,401	85,401
Total net finance (expenses)/income from reinsurance contracts	-	(4,316)	(4,316)	-	70,127	70,127

HSBC LIFE (SINGAPORE) PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2025***7. Expenses**

	2025 \$'000	2024 \$'000
Employee compensation:		
Wages and salaries	96,734	90,435
Employer's contribution to defined contribution plans	8,465	8,026
Other staff benefits	25,225	17,902
Share-based compensation	1,002	1,820
	<u>131,426</u>	<u>118,183</u>
Others:		
Claims and benefits	261,278	257,143
Fees and commissions	301,735	246,962
Losses and reversal of losses on onerous contracts	(7,196)	-
Management and service fees	44,649	19,337
Information technology and other project costs	46,419	76,563
Amortisation of intangible assets	28,418	18,404
Loss on disposals of intangible assets	-	944
Net foreign exchange loss/(gain)	4,324	(276)
Legal and professional fees	8,261	7,467
Rental and office related expenses	9,290	11,566
Depreciation	17	86
Other expenses	13,401	2,966
	<u>710,596</u>	<u>641,162</u>
Amounts attributed to insurance acquisition cash flows incurred during the year	(359,132)	(271,622)
Amortisation of insurance acquisition cash flows	80,578	76,059
	<u>563,468</u>	<u>563,782</u>
Represented by:		
Insurance service expenses	424,837	428,286
Other operating expenses	138,631	135,496
	<u>563,468</u>	<u>563,782</u>

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

8. Income taxes

(a) Income tax expense

	2025	2024
	\$'000	\$'000
Tax expense attributable to profit is made up of:		
- Current income tax	1,323	2,104
- Over provision in prior years	(276)	(1,350)
Tax charge	1,047	754

The tax expense on the loss differs from the amount that would arise using the Singapore standard rate of income tax as follows:

	2025	2024
	\$'000	\$'000
Profit before tax	117,643	8,371
Tax calculated at a tax rate of 17% (2024: 17%)	19,999	1,423
Effects of:		
- expenses not deductible for tax purposes	3,144	2,490
- income not subject to tax	(4,896)	(1,986)
- income taxed at different rates	(19)	(22)
- Par fund policyholder return tax	1,323	2,104
- utilisation of previously unrecognised deferred tax assets	(18,228)	(1,905)
- Over provision in prior years	(276)	(1,350)
Tax charge	1,047	754

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

8. Income taxes (continued)

(b) Movement in current income tax liabilities

	2025	2024
	\$'000	\$'000
Beginning of financial year	2,104	2,560
Income tax paid	(1,828)	(1,210)
Tax payable on profit for current year	1,323	2,104
Over provision in prior years	(276)	(1,350)
End of financial year	1,323	2,104

(c) Deferred income tax

The realisation of the future income tax benefits from tax losses carried forward is available for an unlimited future period (except for donations which is available for 5 years) subject to the conditions imposed by law including the retention of majority shareholders.

As at 31 December 2025, the Company has not recognised deferred tax assets of \$132.0 million (2024 \$160.4 million) in respect of this tax losses carried forward of \$776.5 million (2024 \$943.6 million), available to be set off against the Company's future taxable income. The 2024 balances included the tax losses carried forward at the time of acquisition in respect of the business transferred from HSBC Insurance (Singapore) Pte. Limited.

In addition to the above, there is also unrecognised deferred tax assets of \$22.6 million (2024: \$13.9 million) in respect of the other deductible temporary differences.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

8. Income taxes (continued)

(d) Organisation for Economic Cooperation and Development ('OECD')

In July 2023, legislation was substantively enacted in the UK, the jurisdiction of the Company's ultimate parent entity, HSBC Holdings plc, to introduce the 'Pillar Two' Global Minimum Tax model rules (the 'model rules') of the OECD under the Inclusive Framework on Base Erosion and Profit Shifting ('BEPS') and a Qualified Domestic Minimum top-up tax ('QDMTT'), with effect from 1 January 2024.

During 2025, Qualified Domestic Minimum top-up tax ('QDMTT') was enacted in a number of jurisdictions in which the HSBC Group operates under the same framework but with reference to the local tax authorities. Under these rules, a top-up tax liability arises where the effective tax rate of the HSBC Group's operations in a jurisdiction, calculated based on principles set out in the OECD's Pillar Two model rules, is below 15%. Any top-up tax arising in relation to jurisdictions in which a QDMTT applies will be payable to the tax authority in that jurisdiction. Where there is no QDMTT, the top-up tax is payable by HSBC Holdings plc, being the Company's ultimate parent, to the UK tax authority.

The Government of Singapore had enacted the Multinational Enterprise (Minimum Tax) Act. Under this Act, a QDMTT has been effective from 1 January 2025 and applies on a jurisdictional basis covering all HSBC entities in Singapore. However, there being no obligation under QDMTT being allocated to the Company on a standalone basis during the year.

The Company applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

9. Intangible assets

	<u>Goodwill</u> \$'000	<u>Distribution channel</u> \$'000	<u>Computer software</u> \$'000	<u>Work in progress</u> \$'000	<u>Total</u> \$'000
2025					
Costs					
Beginning of financial year	17,067	86,446	96,377	41,354	241,244
Transfers from work in progress	-	-	63,882	(63,882)	-
Additions	-	-	-	43,043	43,043
Disposals	-	-	-	-	-
End of financial year	<u>17,067</u>	<u>86,446</u>	<u>160,259</u>	<u>20,515</u>	<u>284,287</u>
Accumulated amortisation					
Beginning of financial year	-	57,599	22,682	-	80,281
Amortisation charge	-	3,835	24,583	-	28,418
Disposals	-	-	-	-	-
End of financial year	<u>-</u>	<u>61,434</u>	<u>47,265</u>	<u>-</u>	<u>108,699</u>
Accumulated impairment					
Beginning of financial year	17,067	9,669	-	-	26,736
Impairment charge	-	-	-	-	-
End of financial year	<u>17,067</u>	<u>9,669</u>	<u>-</u>	<u>-</u>	<u>26,736</u>
Net Book Value					
End of financial year	<u>-</u>	<u>15,343</u>	<u>112,994</u>	<u>20,515</u>	<u>148,852</u>
2024					
Costs					
Beginning of financial year	17,067	86,446	84,284	-	187,797
Transfers from work in progress	-	-	15,146	(15,146)	-
Additions	-	-	8,624	56,500	65,124
Disposals	-	-	(11,677)	-	(11,677)
End of financial year	<u>17,067</u>	<u>86,446</u>	<u>96,377</u>	<u>41,354</u>	<u>241,244</u>
Accumulated amortisation					
Beginning of financial year	-	53,764	18,846	-	72,610
Amortisation charge	-	3,835	14,569	-	18,404
Disposals	-	-	(10,733)	-	(10,733)
End of financial year	<u>-</u>	<u>57,599</u>	<u>22,682</u>	<u>-</u>	<u>80,281</u>
Accumulated impairment					
Beginning of financial year	17,067	9,669	-	-	26,736
Impairment charge	-	-	-	-	-
End of financial year	<u>17,067</u>	<u>9,669</u>	<u>-</u>	<u>-</u>	<u>26,736</u>
Net Book Value					
End of financial year	<u>-</u>	<u>19,178</u>	<u>73,695</u>	<u>41,354</u>	<u>134,227</u>

Of the total intangible assets, \$114.4 million (2024: \$115.8 million) is expected to be recovered more than 12 months after the reporting date and being non-current.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

10. Property and equipment

	<u>Furniture, fixtures and office equipment</u>	<u>Computers</u> \$'000	<u>Motor vehicle</u> \$'000	<u>Total</u> \$'000
2025				
Costs				
Beginning of financial year	-	4	348	352
Additions	303	-	-	303
Disposals	-	-	(348)	(348)
End of financial year	<u>303</u>	<u>4</u>	<u>-</u>	<u>307</u>
Accumulated depreciation				
Beginning of financial year	-	-	266	266
Depreciation charge	16	1	-	17
Disposals	-	-	(266)	(266)
End of financial year	<u>16</u>	<u>1</u>	<u>-</u>	<u>17</u>
Net Book Value				
End of financial year	<u>287</u>	<u>3</u>	<u>-</u>	<u>290</u>
2024				
Costs				
Beginning of financial year	-	-	348	348
Additions	-	4	-	4
Disposals	-	-	-	-
End of financial year	<u>-</u>	<u>4</u>	<u>348</u>	<u>352</u>
Accumulated depreciation				
Beginning of financial year	-	-	180	180
Depreciation charge	-	-	86	86
Disposals	-	-	-	-
End of financial year	<u>-</u>	<u>-</u>	<u>266</u>	<u>266</u>
Net Book Value				
End of financial year	<u>-</u>	<u>4</u>	<u>82</u>	<u>86</u>

Of the total property and equipment, \$0.4 million (2024: \$3.0 million) is expected to be recovered more than 12 months after the reporting date and being non-current.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

11. Leases

The Company as a lessee

Nature of the Company's leasing activities – Company as a lessee

Equipment and vehicles

The Company leases car for the senior management.

There are no externally imposed covenants on these lease arrangements.

ROU assets classified within Property and equipment

(a) Carrying amounts

	2025	2024
	\$'000	\$'000
Motor vehicles	-	82
	<u>-</u>	<u>82</u>

(b) Depreciation charge during the year

	2025	2024
	\$'000	\$'000
Motor vehicles	-	86
Total	<u>-</u>	<u>86</u>

(c) Interest expense

	2025	2024
	\$'000	\$'000
Interest expense on lease liabilities	<u>-</u>	<u>7</u>

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

11. Leases (continued)

The Company as a lessee (continued)

- (d) Total cash outflow for all leases that are capitalised as ROU assets in 2025 was \$Nil (2024: \$97,183).

12. Loans and other receivables

	2025	2024
	\$'000	\$'000
Loans to agents and brokers	467	-
Cash collaterals pledged	8,599	9,380
Investment receivables	102,893	86,416
Other deposits and sundry receivables	69,979	61,823
Prepayments	13,383	14,162
	195,321	171,781

Loans to agents and to brokers are unsecured, interest free and repayable in full within 12 months.

Cash collaterals pledged have a weighted average rate of 3.1% (2024: 1.5%) per annum and recoverable.

The carrying amounts of other receivables approximate their fair values and are predominantly in Singapore dollars and US dollars.

Loans and other receivables are current and recoverable within 12 months.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

13. Derivative financial instruments

	Contractual notional amount \$'000	Fair values	
		Assets \$'000	Liabilities \$'000
2025			
Forward contracts	1,953,459	25,361	(4,755)
Swaps	373,116	35,344	(13,281)
Bond futures	353,000	25,925	(105)
Options	90,504	7,015	(217)
Total		93,645	(18,358)
<i><u>Related parties</u></i>			
- Forward contracts	1,934,576	25,361	(4,755)
- Swaps	130,761	10,630	(7,052)
- Bond futures	228,000	21,363	-
Total		57,354	(11,807)
2024			
Forward contracts	2,085,897	13,454	(36,657)
Swaps	486,282	19,905	(17,241)
Bond futures	353,000	9,349	(909)
Total		42,708	(54,807)
<i><u>Related parties</u></i>			
- Forward contracts	2,067,693	12,285	(36,657)
- Swaps	144,811	5,755	(9,148)
- Bond futures	228,000	5,893	(107)
Total		23,933	(45,912)

The Company receives and pledges collateral in respect of derivative transactions. At 31 December 2025, the Company has a net received position for debt securities and cash collateral of \$54.3 million (2024 net received of \$3.0 million). The net position of pledged and received debt securities relating to related parties as at 31 December 2025 and 31 December 2024 was a net pledged of \$27.9 million and a net received of \$7.7 million respectively.

Of the total derivative financial assets, \$64.6 million (2024: \$33.3 million) is expected to be recovered more than 12 months after the reporting date and being non-current. Of the total derivative financial liabilities, \$17.5 million (2024: \$21.5 million) is expected to be settled more than 12 months after the reporting date and being non-current.

HSBC LIFE (SINGAPORE) PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2025*

14. (a) Financial assets, at fair value through profit or loss

	2025 \$'000	2024 \$'000
Current		
Debt securities	<u>315,756</u>	<u>423,504</u>
Non-current		
Debt securities	5,696,627	5,625,482
Equity securities	21	15,257
Private equity funds	573,996	445,965
Investment funds	<u>5,898,851</u>	<u>5,040,299</u>
	12,169,495	11,127,003
Total	<u>12,485,251</u>	<u>11,550,507</u>

Note: The debt securities as of 31 December 2025 include unquoted debt securities of \$439.6 million.

The Company obtained controls in an investment fund, in which it is exposed to, or has rights to, variable returns from its involvement with these investment funds and has the ability to affect those returns through its power over this investment fund.

As of 31 December 2024, the Company holds 77% at a carrying value of \$322.6 million in Nikko AM Shenton Thrift Fund (i.e. renamed as Amova Singapore Equity Fund during 2025), which was under the Company's control with its principal place of business in Singapore. As of 31 December 2025, the Company's holding in this investment fund has decreased to 68% at a carrying value of \$411.1 million and ceased to have control. The Company did not provide any non-contractual financial or other support to this investment fund and has no current intentions to provide financial or other support in the future.

(b) Financial assets, at amortised cost

	2025 \$'000	2024 \$'000
Non-current		
Debt securities, quoted	<u>14,355</u>	<u>15,325</u>

The investments in quoted debt securities have interest rates ranging from 8.010% to 9.240% (2024: 0.000% to 9.750%) per annum.

HSBC LIFE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

15. Amount due to related companies

	2025 \$'000	2024 \$'000
Amount due to related companies	<u>(7,533)</u>	<u>(31,165)</u>
	<u>(7,533)</u>	<u>(31,165)</u>

The amounts outstanding are current, unsecured, interest-free and will be settled in cash within 12 months. At the balance sheet date, the carrying amounts due to related companies approximate their fair values.

16. Cash and cash equivalents

	2025 \$'000	2024 \$'000
Short-term bank deposits	7,688	5,519
Cash at bank and on hand	<u>268,346</u>	<u>150,507</u>
	<u>276,034</u>	<u>156,026</u>

Short-term bank deposits bear interest rates of 2.32% (2024: 2.57%) per annum and have an average maturity of 2 days (2024: 2 days) from the end of the financial year.

Included in cash at bank and on hand are bank deposits amounting to \$43.2 million (2024: \$8.4 million) which are collateral held for derivative financial instrument arrangements of the Company.

Life insurance fund includes cash at bank and short-term bank deposits of the shareholders' fund amounting to \$13.8 million (2024: \$0.6 million).

Cash and cash equivalents are current.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

17. Insurance and reinsurance contract liabilities

	2025			2024		
	Life direct participating \$'000	Other \$'000	Total \$'000	Life direct participating \$'000	Other \$'000	Total \$'000
31 December 2025						
Insurance contracts						
Insurance contract liabilities	(11,983,324)	(284,669)	(12,267,993)	(10,818,333)	(358,279)	(11,176,612)
Insurance contract assets	17,515	14,944	32,459	16,462	13,788	30,250
	<u>(11,965,809)</u>	<u>(269,725)</u>	<u>(12,235,534)</u>	<u>(10,801,871)</u>	<u>(344,491)</u>	<u>(11,146,362)</u>
Reinsurance contracts held						
Reinsurance contract assets	-	138,844	138,844	-	128,594	128,594
Reinsurance contract liabilities	-	(410,022)	(410,022)	-	(398,805)	(398,805)
	<u>-</u>	<u>(271,178)</u>	<u>(271,178)</u>	<u>-</u>	<u>(270,211)</u>	<u>(270,211)</u>

The carrying amounts of insurance contract assets and insurance contract liabilities expected to be (recovered) settled more than 12 months after the reporting date as of 31 December 2025 are \$33.5 million and \$12,297.8 million respectively (2024: \$33.6 million and \$10,883.8 million respectively), while the carrying amounts of reinsurance contract assets and reinsurance contract liabilities expected to be (recovered) settled more than 12 months after the reporting date as of 31 December 2025 are \$57.1 million and \$341.6 million respectively (2024: \$66.4 million and \$468.2 million respectively).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

17. Insurance and reinsurance contract liabilities (continued)

- (a) Movements in insurance and reinsurance (continued)
 (i) Insurance contracts - Life direct participating

	2025				2024			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
	Excluding loss component \$'000	Loss component \$'000	Liabilities for incurred claims \$'000	Total \$'000	Excluding loss component \$'000	Loss component \$'000	Liabilities for incurred claims \$'000	Total \$'000
Opening assets	(16,740)	101	177	(16,462)	(40,289)	920	1,237	(38,132)
Opening liabilities	10,658,800	49,024	110,509	10,818,333	9,873,511	63,253	90,984	10,027,748
Net opening balance	10,642,060	49,125	110,686	10,801,871	9,833,222	64,173	92,221	9,989,616
Changes in the statement of comprehensive income								
Insurance revenue								
Contract under fair value approach	(92,214)	-	-	(92,214)	(99,832)	-	-	(99,832)
Other contracts	(242,954)	-	-	(242,954)	(151,311)	-	-	(151,311)
Total insurance revenue	(335,168)	-	-	(335,168)	(251,143)	-	-	(251,143)
Insurance service expenses								
Incurred claims and other insurance service expenses	-	(1,993)	96,611	94,618	-	(3,324)	95,526	92,202
Amortisation of insurance acquisition cash flows	49,366	-	-	49,366	37,397	-	-	37,397
Losses and reversal of losses on onerous contracts	-	(22,060)	-	(22,060)	-	(7,728)	-	(7,728)
Total insurance service expenses	49,366	(24,053)	96,611	121,924	37,397	(11,052)	95,526	121,871
Investment components	(1,106,423)	-	1,106,423	-	(984,636)	-	984,636	-
Insurance service result	(1,392,225)	(24,053)	1,203,034	(213,244)	(1,198,382)	(11,052)	1,080,162	(129,272)
Net finance expense from insurance contracts	1,012,634	-	-	1,012,634	813,762	-	-	813,762
Effect of movements in exchange rates and other movements	26,296	(214)	(1,333)	24,749	(26,838)	506	568	(25,764)
Total changes in the statement of comprehensive income	(353,295)	(24,267)	1,201,701	824,139	(411,458)	(10,546)	1,080,730	658,726

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

17. Insurance and reinsurance contract liabilities (continued)

(a) Movements in insurance and reinsurance (continued)

(i) Insurance contracts - Life direct participating (continued)

	2025				2024			
	Liabilities for remaining coverage			Total \$'000	Liabilities for remaining coverage			Total \$'000
	Excluding loss component \$'000	Loss component \$'000	Liabilities for incurred claims \$'000		Excluding loss component \$'000	Loss component \$'000	Liabilities for incurred claims \$'000	
Cash flows								
Premiums received	1,737,732	-	-	1,737,732	1,436,089	-	-	1,436,089
Claims and other insurance service expenses paid, including investment components	-	-	(1,126,466)	(1,126,466)	-	-	(1,062,265)	(1,062,265)
Insurance acquisition cash flows and other pre-recognition cashflows derecognised and other changes	(274,882)	-	-	(274,882)	(219,676)	-	-	(219,676)
Total cash flows	1,462,850	-	(1,126,466)	336,384	1,216,413	-	(1,062,265)	154,148
Others	7,976	(4,561)	-	3,415	3,883	(4,502)	-	(619)
Net closing balance	11,759,591	20,297	185,921	11,965,809	10,642,060	49,125	110,686	10,801,871
Closing assets	(18,666)	811	340	(17,515)	(16,740)	101	177	(16,462)
Closing liabilities	11,778,257	19,486	185,581	11,983,324	10,658,800	49,024	110,509	10,818,333
Net closing balance	11,759,591	20,297	185,921	11,965,809	10,642,060	49,125	110,686	10,801,871

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

17. Insurance and reinsurance contract liabilities (continued)

(a) Movements in insurance and reinsurance (continued)

(ii) Insurance contracts - Other

	2025				2024			
	Liabilities for remaining coverage			Total \$'000	Liabilities for remaining coverage			Total \$'000
	Excluding loss component \$'000	Loss component \$'000	Liabilities for incurred claims \$'000		Excluding loss component \$'000	Loss component \$'000	Liabilities for incurred claims \$'000	
Opening assets	(7,909)	-	(5,879)	(13,788)	(7,372)	(12,836)	2,048	(18,160)
Opening liabilities	160,092	26,200	171,987	358,279	188,616	38,248	177,834	404,698
Net opening balance	152,183	26,200	166,108	344,491	181,244	25,412	179,882	386,538
Changes in the statement of comprehensive income								
Insurance revenue								
Contract under fair value approach	(34,309)	-	-	(34,309)	(40,554)	-	-	(40,554)
Other contracts	(308,918)	-	-	(308,918)	(244,040)	-	-	(244,040)
Total insurance revenue	(343,227)	-	-	(343,227)	(284,594)	-	-	(284,594)
Insurance service expenses								
Incurred claims and other insurance service expenses	-	(9,110)	261,372	252,262	-	(9,219)	289,468	280,249
Amortisation of insurance acquisition cash flows	31,212	-	-	31,212	38,662	-	-	38,662
Losses and reversal of losses on onerous contracts	-	14,864	-	14,864	-	10,765	-	10,765
Adjustments to liabilities for incurred claims	-	-	4,575	4,575	-	-	(23,261)	(23,261)
Total insurance service expenses	31,212	5,754	265,947	302,913	38,662	1,546	266,207	306,415
Investment components	(27,120)	-	27,120	-	(13,849)	-	13,849	-
Insurance service result	(339,135)	5,754	293,067	(40,314)	(259,781)	1,546	280,056	21,821
Net finance expenses from insurance contracts	5,309	336	-	5,645	1,315	902	-	2,217
Total changes in the statement of comprehensive income	(333,826)	6,090	293,067	(34,669)	(258,466)	2,448	280,056	24,038

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

17. Insurance and reinsurance contract liabilities (continued)

(a) Movements in insurance and reinsurance (continued)

(ii) Insurance contracts - Other (continued)

	2025				2024			
	Liabilities for remaining coverage		Liabilities for incurred claims \$'000	Total \$'000	Liabilities for remaining coverage			Total \$'000
	Excluding loss component \$'000	Loss component \$'000			Excluding loss component \$'000	Loss component \$'000	Liabilities for incurred claims \$'000	
Cash flows								
Premiums received	350,154	-	-	350,154	309,848	-	-	309,848
Claims and other insurance service expenses paid, including investment components	-	-	(318,712)	(318,712)	-	-	(293,725)	(293,725)
Insurance acquisition cash flows and other pre-recognition cashflows derecognised and other changes	(41,010)	-	-	(41,010)	(73,298)	-	-	(73,298)
Total cash flows	309,144	-	(318,712)	(9,568)	236,550	-	(293,725)	(57,175)
Others	(30,278)	(2,380)	2,129	(30,529)	(7,145)	(1,660)	(105)	(8,910)
Net closing balance	97,223	29,910	142,592	269,725	152,183	26,200	166,108	344,491
Closing assets	(12,622)	1,871	(4,193)	(14,944)	(7,909)	-	(5,879)	(13,788)
Closing liabilities	109,845	28,039	146,785	284,669	160,092	26,200	171,987	358,279
Net closing balance	97,223	29,910	142,592	269,725	152,183	26,200	166,108	344,491

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

17. Insurance and reinsurance contract liabilities (continued)

(a) Movements in insurance and reinsurance (continued)

(iii) Reinsurance contracts held - Other

	2025				2024			
	Remaining coverage component			Total \$'000	Remaining coverage component			Total \$'000
	Excluding loss component \$'000	Loss component \$'000	Assets for incurred claims \$'000		Excluding loss component \$'000	Loss component \$'000	Assets for incurred claims \$'000	
Opening assets	19,167	19,218	90,209	128,594	54,467	11,876	109,851	176,194
Opening liabilities	(437,668)	76	38,787	(398,805)	(555,534)	1,860	31,337	(522,337)
Net opening balance	(418,501)	19,294	128,996	(270,211)	(501,067)	13,736	141,188	(346,143)
Changes in the statement of comprehensive income								
Allocation of reinsurance premiums paid	(155,000)	-	-	(155,000)	(90,584)	-	-	(90,584)
Recoveries of incurred claims and other insurance service expenses	-	-	115,621	115,621	-	-	125,658	125,658
Recoveries or reversals of recoveries of losses on onerous underlying contracts	(1,776)	330	-	(1,446)	(8,881)	5,555	-	(3,326)
Effect of changes in non-performance risk of reinsurers	-	-	-	-	(1,535)	-	-	(1,535)
Adjustments to assets for incurred claims	-	-	9,926	9,926	-	-	(24,798)	(24,798)
Net (expense)/income from reinsurance contracts held	(156,776)	330	125,547	(30,899)	(101,000)	5,555	100,860	5,415
Net (expense)/income from reinsurance contracts								
Net finance (expense)/income from reinsurance contracts	(4,316)	-	-	(4,316)	70,127	-	-	70,127
Effect of movements in exchange rates and other movements	7,766	-	1,282	9,048	(6,753)	3	334	(6,416)
Total changes in the statement of comprehensive income	(153,326)	330	126,829	(26,167)	(37,626)	5,558	101,194	69,126

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

17. Insurance and reinsurance contract liabilities (continued)

(a) Movements in insurance and reinsurance (continued)

(iii) Reinsurance contracts held – Other (continued)

	2025				2024			
	Remaining coverage component		Assets for incurred claims \$'000	Total \$'000	Remaining coverage component		Assets for incurred claims \$'000	Total \$'000
	Excluding loss component \$'000	Loss component \$'000			Excluding loss component \$'000	Loss component \$'000		
Cash flows								
Premiums paid net of ceding commissions and other directly attributable expenses paid	119,240	-	-	119,240	118,989	-	-	118,989
Claims and other recoverable received			(89,162)	(89,162)	-	-	(113,386)	(113,386)
Total cash flows	119,240	-	(89,162)	30,078	118,989	-	(113,386)	5,603
Others	(5,782)	-	904	(4,878)	1,203	-	-	1,203
Net closing balance	(458,369)	19,624	167,567	(271,178)	(418,501)	19,294	128,996	(270,211)
Closing assets	(35,247)	20,016	154,075	138,844	19,167	19,218	90,209	128,594
Closing liabilities	(423,122)	(392)	13,492	(410,022)	(437,668)	76	38,787	(398,805)
Net closing balance	(458,369)	19,624	167,567	(271,178)	(418,501)	19,294	128,996	(270,211)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2025

17. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts - Analysis by measurement component

(i) Insurance contracts - Life direct participating

	2025					2024				
	Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	CSM		Total \$'000	Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	CSM		Total \$'000
Contract under fair value approach \$'000			Other Contracts \$'000	Contract under fair value approach \$'000				Other Contracts \$'000		
Opening assets	(29,024)	1,416	3,847	7,299	(16,462)	(65,757)	2,123	7,208	18,294	(38,132)
Opening liabilities	9,563,580	135,514	622,185	497,054	10,818,333	8,949,713	217,434	600,153	260,448	10,027,748
Net opening balance	9,534,556	136,930	626,032	504,353	10,801,871	8,883,956	219,557	607,361	278,742	9,989,616
Changes in the statement of comprehensive income	-	-	-	-	-	-	-	-	-	-
Changes that relate to current services										
CSM recognised for services provided	-	-	(81,430)	(74,527)	(155,957)	-	-	(60,040)	(41,265)	(101,305)
Change in risk adjustment for non-financial risk for risk expired	-	(9,634)	-	-	(9,634)	-	(18,414)	-	-	(18,414)
Experience adjustments	(21,023)	-	-	-	(21,023)	(1,614)	-	-	-	(1,614)
Other movements recognised in insurance service result	-	-	(3,652)	(918)	(4,570)	-	-	(1,781)	1,570	(211)
Changes that relate to future services										
Contracts initially recognised in the year	(284,261)	13,104	-	272,557	1,400	(158,677)	11,812	-	147,984	1,119
Changes in estimates that adjust the CSM	(262,834)	9,975	149,314	103,545	-	(103,566)	(83,022)	81,272	105,316	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	(22,979)	(481)	-	-	(23,460)	(13,131)	4,284	-	-	(8,847)
Insurance service result	(591,097)	12,964	64,232	300,657	(213,244)	(276,988)	(85,340)	19,451	213,605	(129,272)
Net finance expense from insurance contracts	1,012,634	-	-	-	1,012,634	813,762	-	-	-	813,762
Effect of movements in exchange rates and other movements	38,352	(2,424)	-	(11,179)	24,749	(39,718)	1,471	-	12,483	(25,764)
Total changes in the statement of comprehensive income	459,889	10,540	64,232	289,478	824,139	497,056	(83,869)	19,451	226,088	658,726

17. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts - Analysis by measurement component (continued)

(i) Insurance contracts - Life direct participating (continued)

	2025					2024				
	Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	CSM		Total \$'000	Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	CSM		Total \$'000
Contract under fair value approach \$'000			Other Contracts \$'000	Contract under fair value approach \$'000				Other Contracts \$'000		
Cash flows										
Premiums received	1,737,732	-	-	-	1,737,732	1,436,089	-	-	-	1,436,089
Claims and other insurance service expenses paid, including investment components	(1,126,466)	-	-	-	(1,126,466)	(1,062,265)	-	-	-	(1,062,265)
Insurance acquisition cash flows and other pre-recognition cashflows derecognised and other changes	(274,882)	-	-	-	(274,882)	(219,676)	-	-	-	(219,676)
Total cash flows	336,384	-	-	-	336,384	154,148	-	-	-	154,148
Others	183	-	12,803	(9,571)	3,415	(604)	1,242	(780)	(477)	(619)
Net closing balance	10,331,012	147,470	703,067	784,260	11,965,809	9,534,556	136,930	626,032	504,353	10,801,871
Closing assets	(28,900)	2,238	3,103	6,044	(17,515)	(29,024)	1,416	3,847	7,299	(16,462)
Closing liabilities	10,359,912	145,232	699,964	778,216	11,983,324	9,563,580	135,514	622,185	497,054	10,818,333
Net closing balance	10,331,012	147,470	703,067	784,260	11,965,809	9,534,556	136,930	626,032	504,353	10,801,871

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2025

17. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts - Analysis by measurement component (continued)
(ii) Insurance contracts - Other

	2025					2024				
	CSM					CSM				
	Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	Contract under fair value approach \$'000	Other Contracts \$'000	Total \$'000	Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	Contract under fair value approach \$'000	Other Contracts \$'000	Total \$'000
Opening assets	(24,010)	564	6,717	2,941	(13,788)	(28,080)	(401)	7,098	3,223	(18,160)
Opening liabilities	176,505	35,492	86,264	60,018	358,279	233,754	36,146	99,322	35,476	404,698
Net opening balance	152,495	36,056	92,981	62,959	344,491	205,674	35,745	106,420	38,699	386,538
Changes in the statement of comprehensive income										
Changes that relate to current services										
CSM recognised for services provided	-	-	(8,296)	(18,909)	(27,205)	-	-	(10,944)	(23,908)	(34,852)
Change in risk adjustment for non-financial risk for risk expired	-	(8,960)	-	-	(8,960)	-	(7,992)	-	-	(7,992)
Experience adjustments	(23,588)	-	-	-	(23,588)	77,161	-	-	-	77,161
Changes that relate to future services										
Contracts initially recognised in the year	(21,627)	6,937	-	20,722	6,032	(49,634)	9,272	-	45,029	4,667
Changes in estimates that adjust the CSM	(98,196)	23,169	(35,462)	110,489	-	5,363	(1,465)	(5,080)	1,182	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	8,575	257	-	-	8,832	5,312	786	-	-	6,098
Changes that relate to past services										
Adjustments to liabilities for incurred claims	6,389	(1,814)	-	-	4,575	(23,125)	(136)	-	-	(23,261)
Insurance service result	(128,447)	19,589	(43,758)	112,302	(40,314)	15,077	465	(16,024)	22,303	21,821
Net finance expenses from insurance contracts	(723)	-	2,583	3,785	5,645	(2,336)	-	2,596	1,957	2,217
Total changes in the statement of comprehensive income	(129,170)	19,589	(41,175)	116,087	(34,669)	12,741	465	(13,428)	24,260	24,038

17. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts - Analysis by measurement component (continued)
(ii) Insurance contracts – Other (continued)

	2025 CSM					2024 CSM				
	Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	Contract under fair value approach \$'000	Other Contracts \$'000	Total \$'000	Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	Contract under fair value approach \$'000	Other Contracts \$'000	Total \$'000
Cash flows										
Premiums received	350,154	-	-	-	350,154	309,848	-	-	-	309,848
Claims and other insurance service expenses paid, including investment components	(318,712)	-	-	-	(318,712)	(293,725)	-	-	-	(293,725)
Insurance acquisition cash flows and other pre-recognition cashflows derecognised and other changes	(41,010)	-	-	-	(41,010)	(73,298)	-	-	-	(73,298)
Total cash flows	(9,568)	-	-	-	(9,568)	(57,175)	-	-	-	(57,175)
Others	(25,677)	-	(5,899)	1,047	(30,529)	(8,745)	(154)	(11)	-	(8,910)
Net closing balance	(11,920)	55,645	45,907	180,093	269,725	152,495	36,056	92,981	62,959	344,491
Closing assets	(31,247)	1,226	7,902	7,175	(14,944)	(24,010)	564	6,717	2,941	(13,788)
Closing liabilities	19,327	54,419	38,005	172,918	284,669	176,505	35,492	86,264	60,018	358,279
Net closing balance	(11,920)	55,645	45,907	180,093	269,725	152,495	36,056	92,981	62,959	344,491

17. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts - Analysis by measurement component (continued)
(iii) Reinsurance contracts - Other

	2025					2024				
	CSM					CSM				
	Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	Contract under fair value approach \$'000	Other Contracts \$'000	Total \$'000	Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	Contract under fair value approach \$'000	Other Contracts \$'000	Total \$'000
Opening assets	85,897	15,716	13,491	13,490	128,594	80,066	(77,318)	24,151	149,295	176,194
Opening liabilities	(508,559)	28,710	(3,557)	84,601	(398,805)	(541,734)	161,220	(16,493)	(125,330)	(522,337)
Net opening balance	(422,662)	44,426	9,934	98,091	(270,211)	(461,668)	83,902	7,658	23,965	(346,143)
Changes in the statement of comprehensive income										
Changes that relate to current services										
CSM recognised for services received	-	-	(947)	(16,686)	(17,633)	-	-	3,183	(19,258)	(16,075)
Change in risk adjustment for non-financial risk for risk expired	-	(3,588)	-	-	(3,588)	-	(1,790)	-	-	(1,790)
Experience adjustments	(21,375)	-	-	-	(21,375)	50,920	-	-	-	50,920
Changes that relate to future services										
Contracts initially recognised in the year	(23,375)	4,323	-	23,255	4,203	(16,951)	3,296	-	14,372	717
Changes in estimates that adjust the CSM	(11,654)	593	(1,134)	12,195	-	(26,687)	(47,290)	4,136	69,841	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	-	-	105	(2,269)	(2,164)	-	-	(4,904)	1,649	(3,255)
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-	(1,535)	-	-	-	(1,535)
Changes in estimates that do not adjust the contractual service margin	(262)	(6)	-	-	(268)	(4,960)	6,191	-	-	1,231
Changes that relate to past services										
Adjustments to assets for incurred claims	11,457	(1,531)	-	-	9,926	(25,176)	378	-	-	(24,798)
Net (expense)/income from reinsurance contracts held	(45,209)	(209)	(1,976)	16,495	(30,899)	(24,389)	(39,215)	2,415	66,604	5,415
Net finance (expense)/income from insurance contracts	(7,240)	-	168	2,756	(4,316)	69,255	-	164	708	70,127
Effect of movements in exchange rates and other movements	15,195	(555)	-	(5,592)	9,048	(9,220)	(261)	-	3,065	(6,416)
Total changes in the statement of comprehensive income	(37,254)	(764)	(1,808)	13,659	(26,167)	35,646	(39,476)	2,579	70,377	69,126

17. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts - Analysis by measurement component (continued)
(iii) Reinsurance contracts - Other (continued)

	2025					2024				
	CSM					CSM				
	Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	Contract under fair value approach \$'000	Other Contracts \$'000	Total \$'000	Estimates of present value of future cash flows \$'000	Risk adjustment for non-financial risk \$'000	Contract under fair value approach \$'000	Other Contracts \$'000	Total \$'000
Cash flows										
Premiums paid net of ceding commissions and other directly attributable expenses paid	119,240	-	-	-	119,240	118,989	-	-	-	118,989
Claims and other recoverable received	(89,162)	-	-	-	(89,162)	(113,386)	-	-	-	(113,386)
Total cash flows	30,078	-	-	-	30,078	5,603	-	-	-	5,603
Others	(5,345)	-	(2,900)	3,367	(4,878)	(2,243)	-	(303)	3,749	1,203
Net closing balance	(435,183)	43,662	5,226	115,117	(271,178)	(422,662)	44,426	9,934	98,091	(270,211)
Closing assets	45,299	22,540	30,577	40,428	138,844	85,897	15,716	13,491	13,490	128,594
Closing liabilities	(480,482)	21,122	(25,351)	74,689	(410,022)	(508,559)	28,710	(3,557)	84,601	(398,805)
Net closing balance	(435,183)	43,662	5,226	115,117	(271,178)	(422,662)	44,426	9,934	98,091	(270,211)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2025

17. Insurance and reinsurance contract liabilities (continued)

(c) Effect of contracts initially recognised in the year
i) Life direct participating

	2025				2024					
	Profitable contracts acquired	Profitable contracts issued	Onerous contracts acquired	Onerous contracts issued	Total	Profitable contracts acquired	Profitable contracts issued	Onerous contracts acquired	Onerous contracts issued	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Insurance contracts										
Estimates of present value of cash outflows	-	1,933,221	-	52,370	1,985,591	-	1,344,776	-	50,167	1,394,943
- Insurance acquisition cash flows and other pre-recognition cashflows derecognised and other changes	-	184,164	-	(741)	183,423	-	121,610	-	3,520	125,130
- Claims and other insurance service expenses payable	-	1,749,057	-	53,111	1,802,168	-	1,223,166	-	46,647	1,269,813
Estimates of present value of cash inflows	-	(2,218,871)	-	(50,981)	(2,269,852)	-	(1,504,578)	-	(49,042)	(1,553,620)
Risk adjustment for non-financial risk	-	13,093	-	11	13,104	-	11,818	-	(6)	11,812
CSM	-	272,557	-	-	272,557	-	147,984	-	-	147,984
Losses recognised on initial recognition	-	-	-	1,400	1,400	-	-	-	1,119	1,119

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2025

17. Insurance and reinsurance contract liabilities (continued)

(c) Effect of contracts initially recognised in the year (continued)
ii) Others

	Profitable contracts acquired \$'000	Profitable contracts issued \$'000	2025 Onerous contracts acquired \$'000	2025 Onerous contracts issued \$'000	Total \$'000	Profitable contracts acquired \$'000	Profitable contracts issued \$'000	2024 Onerous contracts acquired \$'000	Onerous contracts issued \$'000	Total \$'000
Insurance contracts										
Estimates of present value of cash outflows	-	187,427	-	86,190	273,617	-	219,902	-	36,861	256,763
- Insurance acquisition cash flows and other pre-recognition cashflows derecognised and other changes	-	23,520	-	17,243	40,763	-	35,498	-	13,908	49,406
- Claims and other insurance service expenses payable	-	163,907	-	68,947	232,854	-	184,404	-	22,953	207,357
Estimates of present value of cash inflows	-	(212,063)	-	(83,181)	(295,244)	-	(272,517)	-	(33,880)	(306,397)
Risk adjustment for non-financial risk	-	3,914	-	3,023	6,937	-	7,586	-	1,686	9,272
CSM	-	20,722	-	-	20,722	-	45,029	-	-	45,029
Losses recognised on initial recognition	-	-	-	6,032	6,032	-	-	-	4,667	4,667

17. Insurance and reinsurance contract liabilities (continued)

(c) Effect of contracts initially recognised in the year (continued)
(iii) Reinsurance contracts held – Other

	2025				Total	2024				Total
	Contracts acquired without loss-recovery component	Contracts initiated without loss-recovery component	Contracts acquired with loss-recovery component	Contracts initiated with loss-recovery component		Contracts acquired without loss-recovery component	Contracts initiated without loss-recovery component	Contracts acquired with loss-recovery component	Contracts initiated with loss-recovery component	
	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	
Reinsurance contracts held										
Estimates of present value of cash inflows	-	(59,410)	-	(54,458)	(113,868)	-	(68,453)	-	(5,976)	(74,429)
Estimates of present value of cash outflows	-	79,492	-	57,751	137,243	-	85,311	-	6,069	91,380
Risk adjustment for non-financial risk	-	(2,201)	-	(2,122)	(4,323)	-	(3,001)	-	(295)	(3,296)
CSM	-	(14,422)	-	(8,833)	(23,255)	-	(2,941)	-	(11,431)	(14,372)
Increase/(decrease) in reinsurance contract assets from contracts recognised during the year	-	3,459	-	(7,662)	(4,203)	-	10,916	-	(11,633)	(717)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2025

17. Insurance and reinsurance contract liabilities (continued)

(d) Analysis of the remaining contractual service margin

	Within 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	5-10 years \$'000	Over 10 years \$'000	Total \$'000
Insurance contracts								
Life direct participating	133,660	121,919	112,436	103,537	94,935	360,751	560,089	1,487,327
Others	22,032	17,998	16,204	14,626	13,283	51,206	90,651	226,000
Remaining contractual service margin on insurance contracts at 31 Dec 2025	155,692	139,917	128,640	118,163	108,218	411,957	650,740	1,713,327
Reinsurance contracts held								
Others	(19,048)	(13,607)	(11,895)	(10,187)	(8,580)	(23,494)	(33,532)	(120,343)
Remaining contractual service margin on reinsurance contracts at 31 Dec 2025	(19,048)	(13,607)	(11,895)	(10,187)	(8,580)	(23,494)	(33,532)	(120,343)
Insurance contracts								
Life direct participating	101,933	91,111	82,271	75,080	68,665	255,468	455,857	1,130,385
Others	25,006	14,622	12,631	11,190	9,947	35,599	46,945	155,940
Remaining contractual service margin on insurance contracts at 31 Dec 2024	126,939	105,733	94,902	86,270	78,612	291,067	502,802	1,286,325
Reinsurance contracts held								
Others	(913)	(11,560)	(11,244)	(10,477)	(9,588)	(33,049)	(31,194)	(108,025)
Remaining contractual service margin on reinsurance contracts at 31 Dec 2024	(913)	(11,560)	(11,244)	(10,477)	(9,588)	(33,049)	(31,194)	(108,025)

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18. Other payables and accrued expenses

	2025	2024
	\$'000	\$'000
Cash collaterals withheld	43,245	8,432
Investment payables	3,143	8,574
Accrued staff related costs	27,147	24,117
Accrued operating expenses	27,306	61,713
Accruals for distribution costs	49,971	63,183
Sundry creditors	1,443	11,546
Others	66,880	42,215
Total	219,135	219,780

The carrying amounts of other creditors and accruals approximate their fair values and are predominantly in Singapore dollars and US dollars.

The carrying amounts of other payables and accrued expenses are current and would be settled within 12 months.

19. Borrowings

	2025	2024
	\$'000	\$'000
<i>Current</i>		
Lease liabilities	-	103
<i>Non-current</i>		
Lease liabilities	-	-
Total borrowings	-	103

The borrowings amount has been fully settled as of 31 December 2025.

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19. Borrowings (continued)

Reconciliation of liabilities arising from financing activities

	1 January 2025 \$'000	Principal and interest payments \$'000	Non-cash changes				Foreign exchange movement \$'000	31 December 2025 \$'000
			Modification of lease liability \$'000	Interest expense \$'000	Addition - new leases \$'000	Disposals - leases \$'000		
Lease liabilities	103	(43)	-	-	-	(60)	-	-

	1 January 2024 \$'000	Principal and interest payments \$'000	Non-cash changes				Foreign exchange movement \$'000	31 December 2024 \$'000
			Modification of lease liability \$'000	Interest expense \$'000	Addition - new leases \$'000	Disposals - leases \$'000		
Lease liabilities	184	(88)	-	7	-	-	-	103

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20. Share capital

	Number of shares \$'000	Amount \$'000
2025		
Beginning and end of financial year	1,357,827	1,361,484
2024		
Beginning and end of financial year	1,357,827	1,361,484

The Company has one class of ordinary shares which carry no right to fixed income.

21. Other reserves

	2025 \$'000	2024 \$'000
Beginning of financial year	(556,901)	(557,320)
Value of employee services	(2,037)	419
End of financial year	(558,938)	(556,901)

Other reserves comprises of the cumulative value of employee services received for the issue of share options of the ultimate holding company, and the impact from business transfer of an insurance business from a fellow subsidiary, representing the excess of consideration determined on the valuation basis used in the MAS regulatory returns over the net asset value transferred determined on FRS.

Other reserve is non-distributable.

22. Share-based payments

The Company participates in various share option and share plans operated by HSBC whereby share options or shares of HSBC are granted to employees of the group. The Company recognises an expense in respect of these share options and share awards. The cost borne by the ultimate holding company in respect of share options is treated as a capital contribution and is recorded within "Other reserves". In respect of share awards, the Company recognises a liability to the ultimate holding company over the vesting period. This liability is measured at the fair value of the shares at each reporting date, with changes since the award dates adjusted through the capital contribution account within "Other reserves".

23. Commitments and contingent liability

(a) Unfunded capital commitments

Private equity funds contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	2025	2024
	\$'000	\$'000
Private equity funds - call on demand	228,620	250,481

(b) Litigation

The Company is involved in litigation arising in the ordinary course of its business. Taking into account legal advice received, the Board is of the opinion that no provisions is required in the financial statements.

24. Interests in structured entities

The Company invests in unconsolidated structured entities, these are investments in investment funds and private equity funds. These funds may utilise a variety of financial instruments in their trading strategies, including equity and debt securities as well as an array of derivative instruments. Several of these financial instruments contain varying degrees of off-balance sheet risks whereby changes in market values of the securities underlying the financial instruments may be in excess of the amounts recorded on each portfolio fund's balance sheet. However, the Company's risk with respect to such transactions is limited to its capital balance in each fund.

The Company's holding in a fund, as a percentage of the fund's total net asset value, will vary from time to time dependent on the volume of subscriptions and redemptions at the fund level. It is possible that the Company may, at any point in time, hold a majority of a fund's total units in issue.

The Company's maximum exposure to loss from its interests in funds is equal to the total fair value of its investments in the funds. Once the Company has disposed of its shares/units in a portfolio fund, the Company ceases to be exposed to any risk from that fund.

The following table summarises the carrying value of the assets recognised in the Company's financial statements relating to the interest in unconsolidated structured entities in its investment funds not under its control.

	2025	2024
	\$'000	\$'000
Financial assets, at fair value through profit or loss	6,276,884	5,163,633

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24. Interests in structured entities (continued)

The Company did not provide any non-contractual financial or other support to these investment funds in 2025 or 2024, and has no current intentions to provide financial or other support in the future.

25. Holding companies

The Company's immediate holding company is HSBC Insurance (Asia-Pacific) Holdings Limited, incorporated in Hong Kong, which is ultimately held by HSBC Holdings plc, incorporated in England.

Related parties in these financial statements refer to members of the HSBC group of companies.

26. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following related party transactions took place between the Companies and its fellow subsidiaries at terms agreed between the parties:

	2025	2024
	\$'000	\$'000
IT related cost payment	42,355	43,702
Payment of other expense recharges	43,638	39,887
Fund management fees	13,831	5,478
Commission paid	40,075	34,213
Commission received	9,935	12,687
Premium paid	65,056	57,243
Premium received	(21,729)	-
Claims recovered	45,321	30,299
Rental cost	10,589	11,566

Key management personnel compensation is as follows:

	2025	2024
	\$'000	\$'000
Salaries	6,035	5,299
Share-based payments	1,282	357
Directors' fees	477	368
	7,794	6,024

27. Post balance sheet event

With the geopolitical situation in Middle East, the surge in oil prices impose a downside risk to the global economy and financial market performance in 2026. The key variable is the persistence of the disruptions, and how sustained the oil price shock is, which remains difficult to predict.

Management will continue to monitor the impact arising from this event on the Company's business.

28. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of HSBC Life (Singapore) Pte. Ltd. on 30 March 2026.