Dah Sing Bank, Limited

Regulatory Disclosure Statement

For the year ended 31 December 2024
(Unaudited)

These disclosures are prepared under
the Banking (Disclosure) Rules

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Purpose and basis of preparation

The information contained in this Regulatory Disclosure Statement (the "Statement") is for Dah Sing Bank, Limited (the "Bank") and its subsidiaries (together the "Group") to comply with the Banking (Disclosure) Rules ("BDR") (Cap. 155M) and does not constitute statutory financial statements.

These banking disclosures are governed by the Bank's disclosure policy, which has been approved by the Board. The disclosure policy sets out the governance, control and assurance requirements for publication of the document. While the Statement is not required to be subject to external audit, it has been reviewed and verified within the Bank in accordance with the Group's governance processes over financial reporting and policies on disclosures.

According to the BDR, disclosure of comparative information is not required unless otherwise specified in the standard disclosure templates.

Except where indicated otherwise, the financial information contained in this Statement has been prepared on the basis of regulatory scope of consolidation specified by the Hong Kong Monetary Authority ("HKMA") to the Bank. The subsidiaries of the Bank which are excluded from the regulatory scope of consolidation are set out in "Basis of consolidation" section under Part IIA below.

Part I. Key prudential ratios, overview of risk management and RWA

Template KM1: Key prudential ratios

The key prudential ratios and the comparative figures as at each reporting date are set out as below.

	HK$'000	**31 Dec 2024**	**30 Sep 2024**	**30 Jun 2024**	**31 Mar 2024**	**31 Dec 2023**
	Regulatory capital (amount)					
1	Common Equity Tier 1	29,308,556	29,584,093	29,314,612	29,360,171	28,724,071
2	Tier 1	30,476,366	30,751,903	30,482,422	30,527,981	29,891,881
3	Total capital	36,375,426	36,690,985	36,449,460	36,474,891	37,616,512
	RWA (amount)					
4	Total RWA	173,541,504	175,028,871	175,365,965	175,043,606	177,145,675
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET 1 ratio (%)	16.9%	16.9%	16.7%	16.8%	16.2%
6	Tier 1 ratio (%)	17.6%	17.6%	17.4%	17.4%	16.9%
7	Total capital ratio (%)	21.0%	21.0%	20.8%	20.8%	21.2%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical capital buffer requirement (%)	0.38%	0.74%	0.74%	0.72%	0.74%
10	Higher loss absorbency requirement (%) (applicable only to G-SIB or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirement (%)	2.88%	3.24%	3.24%	3.22%	3.24%
12	CET1 available after meeting the AI's minimum capital requirement (%)	11.60%	11.60%	11.40%	11.40%	10.90%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	262,372,824	268,673,788	268,331,456	264,381,243	267,092,802
14	LR (%)	11.6%	11.4%	11.4%	11.5%	11.2%
	Liquidity Maintenance Ratio ("LMR") – applicable to category 2 institution only					
17a	LMR (%)	63.1%	64.3%	65.8%	63.6%	67.3%
	Core Funding Ratio ("CFR") – applicable to category 2A institution only					
20a	CFR (%)	185.8%	181.5%	175.5%	169.8%	167.1%

The decrease in countercyclical capital buffer requirement for the position as at 31 December 2024 was mainly due to the adjustment of applicable jurisdictional countercyclical capital buffer ratio for Hong Kong from 1% to 0.5% since October 2024.

Part I. Key prudential ratios, overview of risk management and RWA (Continued)

Table OVA: Overview of risk management

Our Risk Management Framework

The Group has put in place an effective risk management framework that is developed taking into account its business profile and regulatory requirements. This framework is subject to proper oversight by the Board and the Risk Management and Compliance Committee ("RMCC") under the authority delegated by the Board. The framework ensures the Group has a consistent approach to monitor, manage and mitigate the risks arising from its activities.

Risk Governance

The Board is responsible for the overall oversight of the Group's risk management development and control. It determines the optimal risk appetite having considered the Group's capital, risk and strategy. It establishes and monitors the Group's risk appetite to ensure the Group is able to achieve sustainable growth within its risk tolerance level. As a board-level committee, RMCC stands at the highest level of the Group's risk governance structure and is ultimately accountable to the Board. It is delegated the responsibilities to promote sound risk governance and a strong risk management culture and provide guidance and oversight on the development of risk management strategies as well as the risk tolerance and risk appetite of the Group, taking into consideration advancement in risk management practices in the market and regulatory changes. Where necessary, any critical issues related to risk management and compliance will be properly discussed in the Board.

As for the routine risk management responsibilities, they are delegated to the relevant Management level committees, functional departments and division heads and the Group has emphasised that all employees have a role to play in risk management. In addition, effective communication between the functional departments and RMCC is enabled by a proper reporting and escalation mechanism.

Risk Appetite

To enhance the framework and risk management standards, Risk Strategy framework that covers the Group's Risk Appetite Statements ("RAS") that are reviewed annually by the Board and RMCC is established. The Risk Strategy sets out the core values and high level risk management direction of the Group, taking into account of the overall business strategy and direction, under which a robust Risk Appetite Framework is established to guide the strategic planning process and strengthen the risk-return management. The Group intends to maintain a proper risk profile when conducting its business strategy with high regard to the need to comply with the applicable regulatory requirements. Against this background, the Group strives to maintain a robust risk appetite framework complemented with the Risk Tolerance to guide the strategic planning process, strengthen the risk-return management as well as ensuring the Group's risk profile remains in line with the risk appetite.

Risk Management and Internal Control Functions

Through the various Management level committees including Group Credit Committee ("GCC"), Credit Management Committee ("CMC"), Treasury & Investment Risk Committee ("TIRC"), Asset and Liability Management Committee ("ALCO") and Operational Risk and Internal Control Committee ("ORICC"), and with overall coordination by the Group Risk Division ("GRD"), the RMCC regularly reviews the Group's risk management framework and ensures that all important risk-related tasks are performed according to established policies with appropriate resources. In addition, Internal Audit also plays an important role in the framework as it represents the third line of defence and performs independent review of the risk management and the control environment.

Risk Culture

The Group is committed to fostering strong risk culture by clearly delineating the risk ownership and accountability and enhancing awareness by all staff. Moreover, all staff members are required to strictly observe the requirements set out in the Code of Conduct. This is facilitated by an intranet where staff members can access the policies and procedures of the Group. The staff members of the Group are also required to take refresher courses to keep update with the latest internal and regulatory requirements relating to risk management.

Part I. Key prudential ratios, overview of risk management and RWA (Continued)

Table OVA: Overview of risk management (Continued)

Risk Information Reporting

In order to provide the Board and Senior Management with a clear view of the Group's exposures to different risk types, comprehensive information is reported to the Board, the RMCC and respective committees regularly for review and discussion. The information packages cover a wide range of different risk information that is relevant to the Group's business strategy, risk and return balance and market outlook.

Risk Measurement Systems

The Group's risk measurement systems are designed to support the business decisions and risk control and monitoring. Riding on the risk measurement systems, the Group can ensure that the magnitude of risk is within the tolerance level.

a) Credit risk measurement system

With regard to credit risk, the Group has established policies, procedures and rating systems to identify, measure, monitor and report on credit risk. Comprehensive guidelines for management of credit risk have also been laid down in the respective policies and manual. These documents are subject to regular review and enhancement to cater for market changes, statutory requirements, and best practices in risk management processes.

The Group's credit risk management for the major types of products is set out in Note 3.2 of the Group's Annual Report 2024 published in the Bank's website at www.dahsing.com and is accessible at the following direct link: http://www.dahsing.com/html/en/about_us/financial.html

b) Market risk measurement system

Market risk exposure for different types of transactions is managed within various risk limits and guidelines approved by the Board, the RMCC and the TIRC under the authority delegated from the Board. Risk limits are set at the portfolio level as well as by products and by different types of risks. The risk limits comprise a combination of notional, stop-loss, sensitivity and value-at-risk ("VaR") controls. All trading positions are subject to daily mark-to-market valuation. The Risk Management and Control Department ("RMCD") within the GRD, as an independent risk management and control unit, identifies, measures, monitors and controls the risk exposures against approved limits and initiates specific actions to ensure positions are managed within an acceptable level. Any exceptions have to be reviewed and sanctioned by the appropriate level of management of TIRC, RMCC or the Board as stipulated in the relevant policies and procedures.

The Group's market risk management including various measurement techniques is set out in Note 3.3 of the Group's Annual Report 2024 published in the Bank's website at www.dahsing.com and is accessible at the following direct link: http://www.dahsing.com/html/en/about_us/financial.html

c) Operational risk measurement system

The Group manages its operational risk through a set of operational risk policies, risk tool-kits, operational risk incident reporting and tracking system, control self-assessment and key risk indicator tools. The Operational Risk and Internal Control Committee ("ORICC") oversees the operational risk management and internal control matters of the Group. Together with a well-established internal control system, operational risk can be adequately identified, assessed, monitored and mitigated. In addition, to minimize the impact on the Group's business in the event of system failure or disasters, back-up sites and operation recovery policies and plans have been established and tested for all critical business and operations functions.

Part I. Key prudential ratios, overview of risk management and RWA (Continued)

Table OVA: Overview of risk management (Continued)

Stress Testing

The Group regularly performs stress tests on the key risks relating to its businesses based on a robust framework. The Group has adopted various stress testing methodologies and techniques such as scenario analysis, sensitivity analysis and reverse stress testing to assess the potential impact of stressed business conditions on the Group's financial positions, in particular, capital adequacy, profitability, and liquidity. The escalation process and the potential courses of management action are also properly documented in the relevant policies and procedures.

Part I. Key prudential ratios, overview of risk management and RWA (Continued)

Template OV1: Overview of RWA

The following table provides an overview of capital requirements in terms of a detailed breakdown of RWAs for various risks as at 31 December 2024 and 30 September 2024 respectively:

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31 Dec 2024 (HK$'000)	30 Sep 2024 (HK$'000)	31 Dec 2024 (HK$'000)
1	Credit risk for non-securitization exposures	150,774,665	154,003,052	12,061,973
2	Of which STC approach	150,774,665	154,003,052	12,061,973
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	2,251,992	2,386,323	180,159
7	Of which SA-CCR approach	2,178,264	2,329,135	174,261
7a	Of which SA-CCR approach (such a risk to CCPs which is not included in row 7)	3,439	4,862	275
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	70,289	52,326	5,623
10	CVA risk	537,025	543,013	42,962
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	CIS exposures – LTA	-	-	-
13	CIS exposures – MBA	-	-	-
14	CIS exposures – FBA	-	-	-
14a	CIS exposures – combination of approaches	-	-	-
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	4,550,863	3,133,438	364,069
21	Of which STM approach	4,550,863	3,133,438	364,069
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	-	-	-
24	Operational risk	12,752,450	12,307,975	1,020,196
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	3,085,575	3,085,575	246,846
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	(411,066)	(430,505)	(32,885)
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	(411,066)	(430,505)	(32,885)
27	Total	173,541,504	175,028,871	13,883,320

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Part II. Linkages between financial statements and regulatory disclosures

Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

The following table shows the differences between the carrying values as reported in the Group's financial statements as at 31 December 2024 following the scope of accounting consolidation and the carrying values under the scope of regulatory consolidation, with a breakdown into regulatory risk categories of every item of the assets and liabilities reported in financial statements based on the scope of accounting consolidation.

HK$'000	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with banks	14,131,725	14,131,725	14,131,725	38,990	-	-	-
Placements with banks maturing between one and twelve months	5,409,555	5,409,555	5,409,555	-	-	-	-
Trading securities	2,006,353	2,006,353	-	300,751	-	2,006,353	-
Financial assets at fair value through profit or loss	4,272	4,272	4,272	-	-	-	-
Derivative financial instruments	4,083,731	4,083,731	-	4,083,731	-	4,083,731	-
Advances and other accounts	143,050,781	143,056,021	141,259,850	1,796,171	-	-	-
Financial assets at fair value through other comprehensive income	44,808,705	44,808,410	44,808,410	187,217	-	-	-
Financial assets at amortised cost	35,522,368	35,522,368	35,522,368	256,923	-	-	-
Investments in subsidiaries	-	1,362	1,362	-	-	-	-
Investments in an associate	2,532,810	1,213,057	1,213,057	-	-	-	-

Part II. Linkages between financial statements and regulatory disclosures (Continued)

Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (Continued)

HK$'000	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
Investments in jointly controlled entities	138,097	20,000	20,000	-	-	-	-
Goodwill	713,451	713,451	-	-	-	-	713,451
Intangible assets	61,005	61,005	-	-	-	-	61,005
Premises and other fixed assets	3,816,078	3,816,049	3,816,049	-	-	-	-
Investment properties	708,023	638,023	638,023	-	-	-	-
Current income tax assets	662	662	662	-	-	-	-
Deferred income tax assets	159,481	159,481	-	-	-	-	159,481
Total assets	**257,147,097**	**255,645,525**	**246,825,333**	**6,663,783**	**-**	**6,090,084**	**933,937**
Liabilities							
Deposits from banks	1,936,236	1,936,236	-	360,314	-	-	1,575,922
Derivative financial instruments	1,839,915	1,839,915	-	1,839,915	-	1,839,915	-
Trading liabilities	498,069	498,069	-	-	-	498,069	-
Deposits from customers	201,710,974	202,028,405	-	-	-	-	202,028,405
Certificates of deposit issued	4,294,996	4,294,996	-	-	-	-	4,294,996
Subordinated notes	4,146,914	4,146,914	-	-	-	-	4,146,914
Other accounts and accruals	7,847,404	7,788,639	-	2,803,710	-	-	4,984,929
Current income tax liabilities	343,745	318,247	-	-	-	-	318,247
Deferred income tax liabilities	91,821	91,742	-	-	-	-	91,742
Total liabilities	**222,710,074**	**222,943,163**	**-**	**5,003,939**	**-**	**2,337,984**	**217,441,155**

Remarks:
1. As the SFTs create both on-balance and off-balance exposures which are subject to both credit risk and counterparty credit risk frameworks, the amount shown in column (b) does not equal to the sum of the amounts shown in column (c) and (d).
2. As the assets / liabilities arising from derivative contracts under the trading book are marked to market and subject to the risk that the counterparty may default its contractual obligations, the assets / liabilities are subject to both the market risk capital charge and the counterparty credit risk capital charge. Therefore, the amount shown in column (b) does not equal to the sum of the amounts shown in columns (d) and (f).

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Part II. Linkages between financial statements and regulatory disclosures (Continued)

Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The following table shows the main sources of differences between the carrying values in financial statements as at 31 December 2024 and the exposure amounts used for the calculation of regulatory capital in respect of the assets and liabilities based on the scope of regulatory consolidation:

		(a)	(b)	(c)	(d)	(e)
			Items subject to:			
	HK$'000	Total	credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**254,711,588**	**246,825,333**	**-**	**6,663,783**	**6,090,084**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	5,502,008	-	-	5,003,939	2,337,984
3	Total net amount under regulatory scope of consolidation	249,209,580	246,825,333	-	1,659,844	3,752,100
4	Off-balance sheet amounts	64,232,964	2,717,530	-	-	-
5	Differences due to consideration of provisions	707,039	707,039	-	-	-
6	Differences due to specific regulatory adjustments and other differences	773,815	(278,315)	-	1,052,130	-
7	Differences due to potential exposure for counterparty credit risk	2,460,490	-	-	2,460,490	-
8	**Exposure amounts considered for regulatory purposes**	**317,383,888**	**249,971,587**	**-**	**5,172,464**	**3,752,100**

Part II. Linkages between financial statements and regulatory disclosures (Continued)

Table LIA: Explanations of differences between accounting and regulatory exposure amounts

(1) Template LI1

The regulatory scope of consolidation is different from the consolidation basis for financial reporting purpose. The details of the subsidiaries which are excluded from the regulatory scope of consolidation are specified in “Basis of consolidation” section under Part IIA below. This difference in scope of consolidation results in the differences between the amounts reported in columns (a) and (b).

(2) Template LI2

The differences between accounting values and amounts considered for regulatory purposes are mainly attributable to the difference in the reporting treatment for impairment allowances and off-balance sheet exposures for accounting and regulatory reporting purposes.

- The on-balance sheet exposure presented represents the carrying value after netting the impairment allowances, whereas for regulatory reporting, the exposure amount reported represents the carrying value after netting Stage 3 impairment allowances, but before deducting Stage 1 and Stage 2 impairment allowances. Details of staging is set out in Note 3.2.2 of the Group‘s Annual Report 2024 published in the Bank’s website at www.dahsing.com and is accessible at the following direct link: http://www.dahsing.com/html/en/about_us/financial.html

- For regulatory reporting purposes, counterparty credit risk exposures consist of both the current exposures, and the potential exposures which are derived by applying the CCF to the notional amount of the contracts. The notional amount of the contracts is the amount of an off-balance sheet item adopted for financial reporting.

(3) Systems and controls to ensure that the valuation estimates are prudent and reliable

Fair values are subject to a control framework that the Board is held responsible for ensuring proper valuation governance and control processes of the Group. It delegates the responsibility for overseeing the valuation process for financial instruments to the TIRC. Valuation is performed independently by RMCD and where appropriate, by independent and professionally qualified valuers and the valuation results are periodically verified to ensure the integrity of the fair value measurement process.

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using a valuation technique.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency. A quoted price in an active market provides the most reliable evidence of fair value and shall be used whenever available. The circumstances that give rise to valuation adjustments include:

- Bid ask adjustment: If a financial asset or a financial liability has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances is used by the Group.
- Credit valuation adjustment: Credit valuation adjustment is considered for both positive exposure and negative exposure on derivatives, which is the price of the default risk with a particular counterparty.

Where observable market quotation of financial instruments is not directly available, the Group estimates the fair value of such financial instruments by using appropriate valuation techniques that are widely recognised including present value techniques and standard option pricing models. In applying valuation techniques for these financial instruments, the Group maximises the use of relevant observable inputs (for examples, interest rates, foreign exchange rates, volatilities, credit spreads) and minimises the use of unobservable inputs. For example, the fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows, the fair value of foreign exchange forward contracts is generally based on current forward rates and the fair value of option contracts is derived using appropriate pricing models, such as Black-Scholes model.

Price data and parameters used in the measurement process are reviewed carefully and adjusted, if necessary, to take consideration of the current market developments.

Part II. Linkages between financial statements and regulatory disclosures (Continued)

Template LIA: Explanations of differences between accounting and regulatory exposure amounts (Continued)

(3) Systems and controls to ensure that the valuation estimates are prudent and reliable (Continued)

The Group measures fair values using the following hierarchy that reflects the significance of the observable and unobservable inputs used in the fair value measurement:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes equity securities and derivatives that are listed on exchanges.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts.

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity and debt securities with significant unobservable components.

Part II. Linkages between financial statements and regulatory disclosures (Continued)

Template PV1: Prudent valuation adjustments

The breakdown of constituent elements of valuation adjustment is set out as below.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
1	Close-out uncertainty, of which:	-	-	-	-	-	-	-	-
2	*Mid-market value*	-	-	-	-	-	-	-	-
3	*Close-out costs*	-	-	-	-	-	-	-	-
4	*Concentration*	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risks	-	-	-	-	-	-	-	-
8	Investing and funding costs						-	-	-
9	Unearned credit spreads						-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other adjustments	-	-	-	-	-	-	-	-
12	**Total adjustments**	-	-	-	-	-	-	-	-

Prudent valuation adjustments ("PVA") are made for financial instruments accounted for at fair value for the purpose of determining capital requirements, regardless of whether they are booked in the trading book or banking book and whether they are marked-to-market or marked-to-model. The Group applies prudence and makes appropriate adjustments to address valuation uncertainties arising from the following factors: close-out uncertainty, unearned credit spreads, and other factors where appropriate.

Part IIA. Composition of regulatory capital

Basis of consolidation

The capital adequacy ratios as set out in Template KM1 represent the consolidated ratios of the Bank computed on Basel III basis in accordance with the Banking (Capital) Rules (the "Rules") and the transitional arrangement set out therein.

In the calculation of the consolidated capital adequacy ratios, the Bank and those subsidiaries consolidated in the calculation have adopted the standardised (credit risk) approach for the calculation of the risk-weighted amount for credit risk. The Bank and its subsidiaries have adopted the basic indicator approach for the calculation of the risk-weighted amount for operational risk, and the standardised (market risk) approach for the calculation of the risk-weighted amount for market risk.

Only the Bank is subject to the minimum capital adequacy requirement under the Hong Kong Banking Ordinance. Banco Comercial de Macau, S.A. ("BCM") is subject to Macau banking regulations and Dah Sing Bank (China) Limited ("DSB China") is subject to China banking regulations.

The following is a full list of the Bank's subsidiaries and the total amount of assets and equity of each of these subsidiaries as at as at 31 December 2024.

For financial reporting purposes, all the subsidiaries have been consolidated in the financial disclosure statement. The subsidiaries which are excluded from the regulatory scope of consolidation are specified with explanatory notes provided below.

HK$'000			31 December 2024	
Name of subsidiary	Principal activity	Note	Total assets	Total equity
Included in the regulatory scope of consolidation				
Banco Comercial de Macau, S.A.	Banking		25,886,076	3,724,239
Dah Sing Bank (China) Limited	Banking		9,980,594	973,785
Dah Sing Properties Limited	Investment holding		-	(14,834)
DSB BCM (1) Limited	Investment holding		182,283	-
DSB BCM (2) Limited	Investment holding		182,283	-
OK Finance Limited	Money lending		717,252	217,415
Pacific Finance (Hong Kong) Limited	Inactive		502,936	502,422
Vanishing Border Investment Services Limited	Property investment		3,767	(2,387)
Dah Sing Insurance Brokers Limited	Insurance broking		19,541	8,187
Dah Sing Nominees Limited	Nominee services		100	100
Talent Union Holding Limited	Property investment		44,154	29,646
Fortune Land Corporation Limited	Property investment		181,060	180,824
Excluded from the regulatory scope of consolidation				
Dah Sing Securities Limited	Securities dealing	(a)	388,799	329,202
Wise Measure Limited	Property investment	(b)	71,870	(7,124)
CWL Prosper Limited	Property investment	(b)	34	(93)
Reliable Associates Limited	Property investment	(b)	-	-

Part IIA. Composition of regulatory capital (Continued)

Basis of consolidation (Continued)

Note:

(a) Subsidiaries within the category of "financial sector entities" as defined by the Rules.

In calculating the consolidated capital adequacy ratio as at 31 December 2024 under the Basel III basis, the portion of the aggregate significant investments in Common Equity Tier 1 capital instrument issued by financial sector entities not subject to regulatory consolidation and exceeded the 10% concessionary threshold was deducted from capital base. The amount within the 10% concessionary threshold was risk-weighted.

(b) Subsidiaries engaged in property investment or are inactive.

In calculating the consolidated capital adequacy ratio as at 31 December 2024 under the Basel III basis, the Bank risk-weighted the cost of investments in these subsidiaries and did not deduct the investment costs from its capital base on the basis that the total cost of investment does not exceed 15% of the Bank's capital base as at the immediately preceding calendar quarter-end date.

Part IIA. Composition of regulatory capital (Continued)

Template CC1: Composition of regulatory capital

The capital base used in the calculation of the above consolidated capital adequacy ratios and reported to the HKMA is analysed below. The capital base as at 31 December 2024 is calculated on Basel III basis in accordance with the Rules and transitional arrangement set out therein.

		(a)	(b)
		Amount (HK$'000)	Cross-referenced to expanded Consolidated Statement of Financial Position in Template CC2
	CET1 capital: instruments and reserves		
1	Directly issued qualifying Common Equity Tier 1 capital instruments plus any related share premium	6,200,000	g
2	Retained earnings	22,929,098	h
3	Disclosed reserves	2,405,454	i
4	*Directly issued capital subject to phase-out arrangements from CET1 capital (only applicable to non-joint stock companies)*	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	**CET1 capital before regulatory deductions**	**31,534,552**	
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liability)	713,451	b
9	Other intangible assets (net of associated deferred tax liability)	61,005	c
10	Deferred tax assets (net of associated deferred tax liabilities)	159,481	e(i) - e(ii)
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	

Part IIA. Composition of regulatory capital (Continued)

Template CC1: Composition of regulatory capital (Continued)

		(a)	(b)
		Amount (HK$'000)	Cross-referenced to expanded Consolidated Statement of Financial Position in Template CC2
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	1,292,059	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	747,392	d(i)+d(ii)
26b	Regulatory reserve for general banking risks	544,500	j
26c	Securitization exposures specified in a notice given by the Monetary Authority	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
26g	Debit valuation adjustments in respect of derivative contracts	167	-k
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	**Total regulatory deductions to CET1 capital**	**2,225,996**	
29	**CET1 capital**	**29,308,556**	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	1,167,810	
31	of which: classified as equity under applicable accounting standards	1,167,810	l
32	of which: classified as liabilities under applicable accounting standards	-	
33	*Capital instruments subject to phase out arrangements from AT1 capital*	-	

Part IIA. Composition of regulatory capital (Continued)

Template CC1: Composition of regulatory capital (Continued)

		(a)	(b)
		Amount (HK$'000)	Cross-referenced to expanded Consolidated Statement of Financial Position in Template CC2
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*	-	
36	**AT1 capital before regulatory deductions**	**1,167,810**	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	**Total regulatory deductions to AT1 capital**	-	
44	**AT1 capital**	**1,167,810**	
45	**Tier 1 capital (Tier 1 = CET1 + AT1)**	**30,476,366**	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	4,244,930	f
47	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	*of which : capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,317,804	-a+j
51	**Tier 2 capital before regulatory deductions**	**5,562,734**	

Part IIA. Composition of regulatory capital (Continued)

Template CC1: Composition of regulatory capital (Continued)

		(a)	(b)
		Amount (HK$'000)	Cross-referenced to expanded Consolidated Statement of Financial Position in Template CC2
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	(336,326)	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	(336,326)	[d(i)+d(ii)] x45%
57	**Total regulatory deductions to Tier 2 capital**	**(336,326)**	
58	**Tier 2 capital**	**5,899,060**	
59	**Total regulatory capital (Total capital = Tier 1 + Tier 2)**	**36,375,426**	
60	**Total RWA**	**173,541,504**	
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio**	16.9%	
62	**Tier 1 capital ratio**	17.6%	
63	**Total capital ratio**	21.0%	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	2.9%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical buffer requirement	0.4%	
67	of which: higher loss absorbency requirement	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	11.6%	
	National minima (if different from Basel III minimum)		
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	3,279,707	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	1,234,230	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable

Part IIA. Composition of regulatory capital (Continued)

Template CC1: Composition of regulatory capital (Continued)

		(a)	(b)
		Amount (HK$'000)	Cross-referenced to expanded Consolidated Statement of Financial Position in Template CC2
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	1,317,804	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	1,317,804	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	Not applicable	Not applicable
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	Not applicable	Not applicable
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	Not applicable
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	Not applicable
82	Current cap on AT1 capital instruments subject to phase-out arrangements	-	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on Tier 2 capital instruments subject to phase-out arrangements	-	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	

Part IIA. Composition of regulatory capital (Continued)

Template CC1: Composition of regulatory capital (Continued)

Notes to the template

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

<table>
<tr><th>Row No.</th><th>Description</th><th>Hong Kong basis (HK$'000)</th><th>Basel III basis (HK$'000)</th></tr>
<tr><td rowspan="2">9</td><td>Other intangible assets (net of associated deferred tax liability)</td><td>61,005</td><td>61,005</td></tr>
<tr><td colspan="3"><u>Explanation</u>

As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</td></tr>
<tr><td rowspan="2">10</td><td>Deferred tax assets net of deferred tax liabilities</td><td>159,481</td><td>-</td></tr>
<tr><td colspan="3"><u>Explanation</u>

As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III.

The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.</td></tr>
</table>

Part IIA. Composition of regulatory capital (Continued)

Template CC1: Composition of regulatory capital (Continued)

Notes to the template (Continued)

<table>
<tr><th>Row No.</th><th>Description</th><th>Hong Kong basis (HK$'000)</th><th>Basel III basis (HK$'000)</th></tr>
<tr><td rowspan="2">18</td><td>Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</td><td>-</td><td>-</td></tr>
<tr><td colspan="3"><u>Explanation</u>

For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business.

Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</td></tr>
<tr><td rowspan="2">19</td><td>Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</td><td>-</td><td>-</td></tr>
<tr><td colspan="3"><u>Explanation</u>

For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business.

Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</td></tr>
</table>

Part IIA. Composition of regulatory capital (Continued)

Template CC1: Composition of regulatory capital (Continued)

Notes to the template (Continued)

Row No.	Description	Hong Kong basis (HK$'000)	Basel III basis (HK$'000)
39	**Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
54	**Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)**	-	-
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

Remarks:

The amount of the 10% thresholds mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.

Part IIA. Composition of regulatory capital (Continued)

Template CC2: Reconciliation of regulatory capital to statement of financial position

	(a)	(b)	(c)
	Statement of Consolidated Financial Position as in published financial statements (HK$'000)	**Under regulatory scope of consolidation (HK$'000)**	**Reference**
Assets			
Cash and balances with banks	14,131,725	14,131,725	
Placements with banks maturing between one and twelve months	5,409,555	5,409,555	
Trading securities	2,006,353	2,006,353	
Financial assets at fair value through profit or loss	4,272	4,272	
Derivative financial instruments	4,083,731	4,083,731	
Advances and other accounts	143,050,781	143,056,021	
Financial assets at fair value through other comprehensive income	44,808,705	44,808,410	
Financial assets at amortised cost	35,522,368	35,522,368	
Investments in subsidiaries	-	1,362	
Investments in an associate	2,532,810	1,213,057	
Investments in jointly controlled entities	138,097	20,000	
Goodwill	713,451	713,451	b
Intangible assets	61,005	61,005	c
Investment properties	708,023	638,023	
of which: cumulative fair value gains arising from the revaluation of land and buildings		*468,758*	d(i)
Premises and other fixed assets	3,816,078	3,816,049	
of which: cumulative fair value gains arising from the revaluation of land and buildings		*278,634*	d(ii)
Current income tax assets	662	662	
Deferred income tax assets	159,481	159,481	
of which: attributable to entities with net deferred income tax assets		*159,481*	e(i)
Total assets	257,147,097	255,645,525	

Part IIA. Composition of regulatory capital (Continued)

Template CC2: Reconciliation of regulatory capital to statement of financial position (Continued)

	(a)	(b)	(c)
	Statement of Consolidated Financial Position as in published financial statements (HK$'000)	**Under regulatory scope of consolidation (HK$'000)**	**Reference**
Liabilities			
Deposits from banks	1,936,236	1,936,236	
Derivative financial instruments	1,839,915	1,839,915	
of which: debit valuation adjustments		*(167)*	k
Trading liabilities	498,069	498,069	
Deposits from customers	201,710,974	202,028,405	
Certificates of deposit issued	4,294,996	4,294,996	
Subordinated notes	4,146,914	4,146,914	
of which: subordinated debt eligible for inclusion in regulatory capital	-	*4,244,930*	f
Other accounts and accruals	7,847,404	7,788,639	
Current income tax liabilities	343,745	318,247	
Deferred income tax liabilities	91,821	91,742	
of which: attributable to entities with net deferred income tax assets	-	-	e(ii)
Total liabilities	222,710,074	222,943,163	
Equity			
Share capital	6,200,000	6,200,000	g
Retained earnings	25,135,746	22,929,098	h
Other reserves	1,933,467	2,405,454	i
Shareholders' funds	33,269,213	31,534,552	
of which: regulatory reserve for general banking risks	-	*544,500*	j
of which: Stage 1 and 2 credit loss allowance	-	*(773,304)*	a
Additional equity instruments	1,167,810	1,167,810	l
Total equity	34,437,023	32,702,362	

Part IIA. Composition of regulatory capital (Continued)

Table CCA: Main features of regulatory capital instruments

The major terms and conditions of the instruments included in the Bank's consolidated capital base as at 31 December 2024 are as follows. Full terms and conditions are published in the Bank's website of www.dahsing.com and is accessible at the following direct link:
http://www.dahsing.com/html/en/about_us/regulatory_disclosures.html

		(a)	(b)	(c)	(d)
	Component of capital included	Common Equity Tier 1 Capital	Tier 2 Capital	Tier 2 Capital	Additional Tier 1 Capital
1	Issuer		Dah Sing Bank, Limited		
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	XS2393542548	XS2701169901	Not applicable
3	Governing law(s) of the instrument	Hong Kong law	English law, except that the provisions of the above notes relating to subordination shall be governed by the laws of Hong Kong.		Hong Kong law
	Regulatory treatment				
4	Transitional Basel III rules[1]	Common Equity Tier 1 Capital	Not applicable	Not applicable	Not applicable
5	Post-transitional Basel III rules[2]	Common Equity Tier 1 Capital	Tier 2 Capital	Tier 2 Capital	Additional Tier 1 Capital
6	Eligible at solo/ group/ solo and group		Solo and Group		
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Subordinated debt instrument	Subordinated debt instrument	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	HK$6,200 million	HK$2,315 million	HK$1,930 million	HK$1,168million
9	Par value of instrument	HK$6,200 million	US$300,000,000	US$250,000,000	US$150,000,000
10	Accounting classification	Shareholders' equity	Liability at fair value hedge (for hedge interest risk)		Equity
11	Original date of issuance	Note (1)	2 Nov 2021	15 Nov 2023	8 Dec 2022
12	Perpetual or dated	Perpetual	Dated	Dated	Perpetual
13	Original maturity date	No maturity	2 Nov 2031	15 Nov 2033	No maturity
14	Issuer call subject to prior supervisory approval	Not applicable	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	No	First optional call date: 2 Nov 2026 The Bank may, subject to receiving the prior approval of the HKMA, redeem the Notes in whole but not in part, at par.	First optional call date: 15 Nov 2028 The Bank may, subject to receiving the prior approval of the HKMA, redeem the Notes in whole but not in part, at par.	First optional call date: 8 Dec 2027 The Bank may, subject to receiving the prior approval of the HKMA, redeem the ATI Capital Securities in whole but not in part, at par either on the optional redemption date or for taxation reasons on interest payment date.

Part IIA. Composition of regulatory capital (Continued)

Table CCA: Main features of regulatory capital instruments (Continued)

		(a)	(b)	(c)	(d)
	Component of capital included	Common Equity Tier 1 Capital	Tier 2 Capital	Tier 2 Capital	Additional Tier 1 Capital
16	Subsequent call dates, if applicable	Not applicable	Any interest payment dates after the first call date	Any interest payment dates after the first call date	Not applicable
	Coupons/ dividends				
17	Fixed or floating dividend/ coupon	Not applicable	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Not applicable	3% p.a.-Fixed rate for the period from 2 Nov 2021 to 1 Nov 2026. From 2 Nov 2026 to 1 Nov 2031, fixed interest rate will be reset based on prevailing 5-year U.S. Treasury Rate on the calculation business day preceding 2 Nov 2026 plus 195 basis points.	7.375% p.a.-Fixed rate for the period from 15 Nov 2023 to 14 Nov 2028. From 15 Nov 2028 to 14 Nov 2033, fixed interest rate will be reset based on prevailing 5-year U.S. Treasury Rate on the calculation business day preceding 15 Nov 2033 plus 295 basis points.	11.5% p.a.-Fixed rate for the period from 8 Dec 2022 to 7 Dec 2027. From 8 Dec 2027 onwards, fixed distribution rate will be reset based on prevailing 5-year U.S. Treasury Rate on the calculation business day preceding the reset date on every 5 years plus 788 basis points.
19	Existence of a dividend stopper	Not applicable	No		Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory		Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative		Non-cumulative		
23	Convertible or non-convertible		Non-convertible		
24	If convertible, conversion trigger (s)		Not applicable		
25	If convertible, fully or partially		Not applicable		
26	If convertible, conversion rate		Not applicable		
27	If convertible, mandatory or optional conversion		Not applicable		
28	If convertible, specify instrument type convertible into		Not applicable		
29	If convertible, specify issuer of instrument it converts into		Not applicable		
30	Write-down feature	No	Yes		

Part IIA. Composition of regulatory capital (Continued)

Table CCA: Main features of regulatory capital instruments (Continued)

		(a)	(b)	(c)	(d)
	Component of capital included	Common Equity Tier 1 Capital	Tier 2 Capital	Tier 2 Capital	Additional Tier 1 Capital
31	If write-down, write-down trigger(s)	Not applicable	If a Non-Viability Event occurs and is continuing, the Bank shall, upon the provision of a Non-Viability Event notice, irrevocably (without the need for the consent of the holders of the Dated Subordinated Notes) reduce the then prevailing principal amount and cancel any accrued but unpaid interest of each Dated Subordinated Note (in each case in whole or in part) by an amount equal to the Non-Viability Event write-off amount per Dated Subordinated Note. "Non-Viability Event" means the earlier of: (a) the HKMA notifying the Bank in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and (b) the HKMA notifying the Bank in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable.	If a Non-Viability Event occurs and is continuing, the Bank shall, upon the provision of a Non-Viability Event notice, irrevocably (without the need for the consent of the holders of the Dated Subordinated Notes) reduce the then prevailing principal amount and cancel any accrued but unpaid interest of each Dated Subordinated Note (in each case in whole or in part) by an amount equal to the Non-Viability Event write-off amount per Dated Subordinated Note. "Non-Viability Event" means the earlier of: (a) the HKMA notifying the Bank in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and (b) the HKMA notifying the Bank in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable.	If a Non-Viability Event occurs and is continuing, the Bank shall, upon the provision of a Non-Viability Event notice, irrevocably (without the need for the consent of the holders of the AT1 Capital Securities) reduce the then principal amount of, and cancel any accrued but unpaid distribution of each AT1 Capital Security (in each case in whole or in part) by an amount equal to the Non-Viability Event write-off amount per AT1 Capital Security. "Non-Viability Event" means the earlier of: (a) the HKMA notifying the Bank in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and (b) the HKMA notifying the Bank in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable.

Part IIA. Composition of regulatory capital (Continued)

<u>Table CCA: Main features of regulatory capital instruments</u> (Continued)

		(a)	(b)	(c)	(d)
	Component of capital included	Common Equity Tier 1 Capital	Tier 2 Capital	Tier 2 Capital	Additional Tier 1 Capital
32	If write-down, full or partial	Not applicable	Full or partial	Full or partial	Full or partial
33	If write-down, permanent or temporary	Not applicable	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism		Not applicable		
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	The rights of holders will, in the event of the winding up of the Bank, be subordinated in right of payment to the claims of preference shareholders.	The rights of the holders will, in the event of the winding up of the Bank, rank (a) subordinate and junior in right of payment to, and to all claims of: (A) all unsubordinated creditors of the Bank (including its depositors); and (B) all other Subordinated Creditors of the Bank whose claims are stated to rank senior to the Dated Subordinated Notes or rank senior to the Dated Subordinated Notes by operation of law or contract; (b) pari passu in right of payment to and of all claims of Parity Obligations; and (c) senior in right of payment to and of: (A) all claims of Junior Obligations; and (B) creditors in respect of Tier 1 capital instruments of the Bank.	The rights of the holders will, in the event of the winding up of the Bank, rank (a) subordinate and junior in right of payment to, and to all claims of: (A) all unsubordinated creditors of the Bank (including its depositors); and (B) all other Subordinated Creditors of the Bank whose claims are stated to rank senior to the Dated Subordinated Notes or rank senior to the Dated Subordinated Notes by operation of law or contract; (b) pari passu in right of payment to and of all claims of Parity Obligations; and (c) senior in right of payment to and of: (A) all claims of Junior Obligations; and (B) creditors in respect of Tier 1 capital instruments of the Bank.	The rights of holders will, in the event of the winding up of the Bank, be subordinated in right of payment to the claims of Tier 2 Capital.

Part IIA. Composition of regulatory capital (Continued)

Table CCA: Main features of regulatory capital instruments (Continued)

		(a)	(c)	(d)	(e)
	Component of capital included	Common Equity Tier 1 Capital	Tier 2 Capital	Tier 2 Capital	Additional Tier 1 Capital
35			"Parity Obligation" means any instrument or other obligation issued, entered into, or guaranteed by the Bank that constitutes or qualifies as a Tier 2 capital instrument under applicable capital regulations or that ranks or is expressed to rank pari passu with the Dated Subordinated Notes by operation of law or contract. "Junior Obligation" means the Shares, and any other class of the Bank's share capital and any instrument or other obligation issued or guaranteed by the Bank that ranks or is expressed to rank junior to the Dated Subordinated Notes by operation of law or contract.	"Parity Obligation" means any instrument or other obligation issued, entered into, or guaranteed by the Bank that constitutes or qualifies as a Tier 2 capital instrument under applicable capital regulations or that ranks or is expressed to rank pari passu with the Dated Subordinated Notes by operation of law or contract. "Junior Obligation" means the Shares, and any other class of the Bank's share capital and any instrument or other obligation issued or guaranteed by the Bank that ranks or is expressed to rank junior to the Dated Subordinated Notes by operation of law or contract.	
36	Non-compliant transitioned features	No	No		
37	If yes, specify the non-compliant features	Not applicable	Not applicable		

Remarks:
1 Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules
2 Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

Part IIA. Composition of regulatory capital (Continued)

Note:

(1) The original dates of issuance of the Bank's Common Equity Tier 1 capital are as follows:

Date of issue	Ordinary shares issued HK$'000
Before year 2010	3,600,000
31 May 2011	1,000,000
18 December 2012	400,000
30 May 2014	1,200,000
	6,200,000

(2) Under the Financial Institutions (Resolution) Ordinance (the "Ordinance"), each holder and the agents of the Dated Subordinated Notes and the AT1 Capital Securities shall be subject, and shall be deemed to agree and acknowledge that they are each subject to the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong resolution authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:

- the reduction or cancellation of all or a part of the principal amount of, or interest on, the Dated Subordinated Notes and the AT1 Capital Securities;

- the conversion of all or a part of the principal amount of, or interest on, the Dated Subordinated Notes and the AT1 Capital Securities into shares or other securities or other obligations of the issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Dated Subordinated Notes and the AT1 Capital Securities; and

- the amendment or alteration of the maturity of the Dated Subordinated Notes or amendment or alteration of the amount of interest payable on the Dated Subordinated Notes and dividend payable on the AT1 Capital Securities, or the date on which interest and dividend become payable, including by suspending payment for a temporary period, or any other amendment or alteration of these conditions.

"Hong Kong Bail-in Power" means any power which may exist from time to time under the Ordinance, or any other laws, regulations, rules or requirements relating to the resolution of financial institutions incorporated in or authorised, designated, recognised or licensed to conduct regulated financial activities in Hong Kong in effect and applicable in Hong Kong to the issuer or other members of the Group.

Part IIB. Macroprudential supervisory measures

Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer

The following table sets out the consolidated Countercyclical Capital Buffer Ratio of the Bank and the geographical breakdown of risk-weighted amounts in relation to private sector credit exposures as at 31 December 2024:

		(a)	(b)	(c)	(d)
	Geographical breakdown by Jurisdiction (J)	**Applicable JCCyB ratio in effect (%)**	**Total RWA used in computation of CCyB ratio (HK$'000)**	**AI-specific CCyB ratio (%)**	**CCyB amount (HK$'000)**
1	Hong Kong SAR	0.5%	93,587,901		
2	Australia	1%	511,216		
3	Belgium	1%	28,061		
4	Germany	0.75%	12		
5	Ireland	1.5%	51,815		
6	Luxembourg	0.5%	24,735		
6	Norway	2.5%	12		
7	South Korea	1%	1,252,834		
8	United Kingdom	2%	431,301		
	Sum		95,887,887		
	Total (including jurisdictions with zero JCCyB ratio)		130,402,166	0.380%	495,388

The CCyB amount is the Group's total RWA multiplied by the Group specific CCyB ratio.

Part IIC. Leverage ratio

The following tables set out the composition of the consolidated leverage ratio of the Bank and provide reconciliation between the leverage ratio exposure measure and the consolidated assets of the published financial statements of the Bank.

Template LR1: Summary comparison of accounting assets against leverage ratio exposure measure

The reconciliation between the leverage ratio exposure measure and the consolidated assets per the published financial statements of the Bank as at 31 December 2024 is set out below.

		(a)
	Item	**Amount (HK$'000)**
1	Total consolidated assets as per published financial statements	257,147,097
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(1,501,572)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting standard but excluded from the leverage ratio exposure measure.	-
3a	Adjustments for eligible cash pooling transactions	-
4	Adjustments for derivative contracts	490,010
5	Adjustment for SFTs (i.e. repos and similar secured lending)	18,099
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	8,511,284
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(1,658,846)
7	Other adjustments	(633,248)
8	**Leverage ratio exposure measure**	**262,372,824**

Part IIC. Leverage ratio (Continued)

Template LR2: Leverage ratio

The detailed composition of the Bank's consolidated leverage ratio as at 31 December 2024 and 30 September 2024 is set out below:

		(a)	(b)
		31 Dec 2024 (HK$'000)	**30 Sep 2024 (HK$'000)**
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	252,323,767	258,169,365
2	Less: Asset amounts deducted in determining Tier 1 capital	(2,225,829)	(2,224,130)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	250,097,938	255,945,235
Exposures arising from derivative exposures			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/ or with all derivative contracts)	897,171	975,408
5	Add-on amounts for PFE associated with all derivative contracts	3,676,570	3,470,447
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	-	-
11	Total exposures arising from derivative contracts	4,573,741	4,445,855
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	830,608	1,088,762
13	Less: Netted amount of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	18,099	32,565
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	848,707	1,121,327
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	64,232,964	65,774,222
18	Less: Adjustments for conversion to credit equivalent amounts	(55,721,680)	(57,021,270)
19	Off-balance sheet items	8,511,284	8,752,952
Capital and total exposures			
20	Tier 1 capital	30,476,366	30,751,903
20a	Total exposures before adjustments for specific and collective provisions	264,031,670	270,265,369
20b	Adjustments for specific and collective provisions	(1,658,846)	(1,591,581)
21	Total exposures after adjustments for specific and collective provisions	262,372,824	268,673,788
Leverage ratio			
22	**Leverage ratio**	**11.6%**	**11.4%**

Part IID. Liquidity

Table LIQA: Liquidity risk management

Liquidity risk is the risk that the Group is unable to fund increases in assets or meet its payment obligations associated with its financial liabilities when they fall due without incurring unacceptable loss.

The Group manages its liquidity on a prudent basis with the objective to comply with the statutory standards, including Liquidity Maintenance Ratio ("LMR") and Core Funding Ratio ("CFR"), and to ensure that there is an adequate liquidity and funding capacity to meet normal business operations and to withstand severe liquidity stresses.

The Group is required to maintain the LMR not less than 25% and the CFR not less than 75%. The following table displays the two ratios at consolidated level:

	31 December 2024
LMR	64.12%
CFR	185.21%

Liquidity risk management is governed by the policy and framework approved by the Board, which delegates to the Group's ALCO to oversee liquidity risk management. ALCO regularly reviews the Group's loan and deposit mix and changes, funding requirements and projections, and monitors a set of liquidity risk metrics, including the LMR, CFR and maturity mismatch on an ongoing basis. Treasury and Global Markets Division is responsible for the day-to-day management of funding and liquidity position while Group Risk Division is responsible for the measurement and monitoring of liquidity risk exposures on a daily and monthly basis, and also conducting liquidity analysis and stress testing. Financial Control Division handles regulatory reporting in relation to liquidity risk, and coordinates the regular forecast of loans and deposits, and LMR, budget and analysis relating to liquidity and funding management. To ensure that the Group complies with the regulatory standards, internal limits and triggers are set with the reference of the Group's risk tolerance. The analysis on the latest liquidity risk profile and any material changes on the risk metrics are provided to the Board, RMCC and ALCO regularly.

The Group places considerable importance to establish a diversified and stable funding. While customer deposits form the primary portion of the Group's funding, certificates of deposit and medium term notes are issued at opportune time in order to lengthen the funding maturity and optimise asset and liability maturities. Short-term interbank deposits are taken on a limited basis with the aim of maintaining the presence in the market and the Group is a net lender to the interbank market. The table below shows the Group's concentration of major sources of funding as at 31 December 2024.

	As percentage of total major sources of funding
Deposits from retail customers	62.07%
Deposits from corporate customers	34.72%
Funding provided from banks and other financial institutions	1.10%
Certificates of deposit	2.11%
Total	100.0%

Part IID. Liquidity (Continued)

Table LIQA: Liquidity risk management (Continued)

Stress testing is used to assess the Group's ability to meet its funding needs, taking into account both on- and off-balance sheet transactions as well as contingent exposures under adverse conditions. The liquidity stress testing exercise covers 3 major types of stress scenarios, including an institution-specific crisis, a general market crisis and a crisis involving a combination of both. Each scenario is designed with its own characteristics with minimum stress period as defined in accordance with the HKMA's Supervisory Policy Manual LM-2 "Sound Systems and Controls for Liquidity Risk Management".

The stress testing is integrated into the Group's overall liquidity risk management process. The stress testing results are adequately monitored to ensure that the Group maintains a sufficient size of liquid assets and other short-term assets, including the marketable securities to meet its funding needs. Internal limits are set on the stress testing results to enable the Group to identify any vulnerability to any products, activities and business strategies and to consider any possible need for remedial or mitigating actions.

The Group maintains a Contingency Funding Plan ("CFP") that sets out its strategies and arrangements for addressing emergency situations. It contains a set of procedures and action plans to deal with liquidity stress events, with clearly established lines of responsibility and invocation and escalation procedures. In order to help identify emerging risk at an early stage and assess whether a potential liquidity problem is developing, a set of early warning indicators is monitored regularly. These indicators include qualitative and quantitative factors and involve the Group's internal indicators as well as market indicators. In case an emerging liquidity crisis is identified, ALCO will instruct necessary pre-emptive or remedial actions, including the execution of the CFP. An annual drill test is conducted to ensure the effectiveness and operational feasibility of the CFP. The CFP is reviewed at least annually to accommodate any changes in business environment and to address any problems or weaknesses that are identified in the drill test.

Intra-group funding transactions are carried out at arm's length. Subsidiaries are required to observe their regulatory requirements in their own jurisdictions and manage and meet their funding needs without assuming any contingent support from other Group's entities. As at 31 December 2024, subsidiaries in other jurisdictions did not have any major funding needs that required the support of the Group for them to carry out their own business.

Other liquidity risk metrics adopted by the Group for managing the liquidity position include, but not limited to, the maturity mismatch ratio, loan-to-deposit ratio, funding concentration ratio and swapped fund ratio. As at 31 December 2024, the loan-to-deposit ratio of the Group was 67.2%.

Part IID. Liquidity (Continued)

Table LIQA: Liquidity risk management (Continued)

The table below analyses the Group's on- and off-balance sheet items based on the remaining maturity and the resultant liquidity gaps as at 31 December 2024.

(HK$ million)	Next day	Within 1 month	> 1 month up to 3 months	> 3 months up to 1 year	> 1 year up to 5 years	Over 5 years	Undated or overdue
Currency notes and coins	813	-	-	-	-	-	-
Due from central banks	603	-	-	-	-	-	734
Due from banks and other financial institutions	6,152	6,261	3,949	1,561	-	-	12
Debt securities, prescribed instruments and structured financial instruments held	77,652	750	226	862	1,667	139	-
Acceptances and bills of exchange held	21	494	867	75	-	-	19
Loans and advances to non-bank customers	1,679	15,648	9,120	22,524	42,902	41,815	5,011
Other assets	60,476	142,339	117,778	115,684	7,691	626	10,056
Total on-balance sheet assets	**147,396**	**165,492**	**131,940**	**140,706**	**52,260**	**42,580**	**15,832**
Total off-balance sheet claims	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits from customers	72,358	33,865	70,705	23,575	2,759	-	-
Due to central banks	-	262	-	-	-	-	-
Due to banks and other financial institutions	627	1,599	62	21	-	-	-
Debt securities, prescribed instruments and structured financial instruments issued and outstanding	-	1,727	162	2,546	-	-	-
Other liabilities and capital	63,125	142,233	118,155	115,574	11,596	395	32,728
Total on-balance sheet liabilities	**136,110**	**179,686**	**189,084**	**141,176**	**14,355**	**395**	**32,728**
Off-balance sheet obligations	**1,648**	**9,671**	**-**	**-**	**-**	**-**	**-**
Contractual maturity mismatch	**9,638**	**(23,865)**	**(57,144)**	**(1,010)**	**37,905**	**42,185**	**-**
Cumulative contractual maturity mismatch	**9,638**	**(14,227)**	**(71,371)**	**(72,381)**	**(34,476)**	**7,709**	**-**

Part III. Credit risk for non-securitization exposures

Table CRA: General information about credit risk

Risk management objectives and policies for credit risk

The Group's main credit risk is that borrowers or counterparties may default on their payment obligations due to the Group. These obligations arise from the Group's lending and investment activities, and trading of financial instruments (including derivatives).

Business units originating credit are the primary owners of credit risk and the first line of defence. They are responsible for the identification and assessment of credit risk to conform to the approved credit risk appetite and policies. Credit units specializing in different business areas, as part of GRD, are the second line of defence responsible for approving credit, managing credit risk and formulating credit policy and internal control frameworks. All credit units report to Group Chief Credit Officer who in turn reports to Group Chief Risk Officer & Group Head of Risk Management. Group Chief Credit Officer oversees all credit related activities of the Group whereas Group Chief Risk Officer & Group Head of Risk Management oversees all risk taking activities of the Group.

The Group has a GCC for approving major credit exposures. CMC and TIRC, which are chaired by the Chief Executive and the Group Chief Risk Officer & Group Head of Risk Management respectively with certain Executive Directors and senior business and credit officers as members, are the committees responsible for approval of credit policy and portfolio monitoring of the loan and treasury businesses respectively. Reports on credit risk exposures, including asset quality, loan impairment charges, larger and higher risk exposures, are prepared by credit function for regular review by these management-level committees. Summary of similar information is also regularly submitted to RMCC for review. RMCC is a board-level committee.

Credit risk measurement, underwriting, approval and monitoring requirements are detailed in credit policies which are regularly updated to reflect the changes in credit risk appetite, business strategy, market conditions and regulatory requirements. The Group manages all types of credit risk on a prudent basis. Credits are extended within the parameters set out in the credit policies and are approved by different levels of management based upon established guidelines and delegated authorities. Credit exposures, limits and asset quality are regularly monitored and controlled by management, credit committees and GRD. The Group's internal auditors, as a third line of defence, also conduct regular reviews and audits to ensure compliance with credit policies and procedures, and regulatory guidelines. The Group's legal and compliance functions work closely with credit units to ensure that all credit underwriting activities are in compliance with the legal and regulatory requirements.

Part III. Credit risk for non-securitization exposures (Continued)

Template CR1: Credit quality of exposures

The table below provides an overview of the credit quality of on- and off-balance sheet exposures as at 31 December 2024. Loans are generally referred to loans and advances, trade bills and amount due from banks.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of			Of which ECL accounting provisions for credit losses on STC approach exposures			
		Defaulted exposures (HK$'000)	Non-defaulted exposures (HK$'000)	Allowances / impairments (HK$'000)	Allocated in regulatory category of specific provisions (HK$'000)	Allocated in regulatory category of collective provisions (HK$'000)	Of which ECL accounting provisions for credit losses on IRB approach exposures (HK$'000)	Net values (HK$'000)
1	Loans	4,340,694	152,732,233	1,543,199	875,139	668,060	-	155,529,728
2	Debt securities	7,697	79,544,540	32,775	-	32,775	-	79,519,462
3	Off-balance sheet exposures*	-	64,232,964	66,265	-	66,265	-	64,166,699
4	**Total**	**4,348,391**	**296,509,737**	**1,642,239**	**875,139**	**767,100**	**-**	**299,215,889**

*Of which: undrawn commitments with an original maturity of within 1 year and over 1 year are HK$1,398,846,000 and HK$3,801,659,000 respectively as at 31 December 2024.

Part III. Credit risk for non-securitization exposures (Continued)

Template CR2: Changes in defaulted loans and debt securities

The table below provides information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and reductions in the defaulted exposures due to write-offs as at 31 December 2024 respectively:

		(a)
		Amount (HK$'000)
1	**Defaulted loans and debt securities at end of the previous reporting period (30 June 2024)**	**3,036,367**
2	Loans and debt securities that have defaulted since the last reporting period	2,656,962
3	Returned to non-defaulted status	(52,464)
4	Amounts written off	(713,981)
5	Other changes (mainly being settlement, repayments and effect of foreign exchange rate changes)	(578,493)
6	**Defaulted loans and debt securities at end of the current reporting period (31 December 2024)**	**4,348,391**

The increase in defaulted assets was mainly driven by the credit quality deterioration of Hong Kong commercial real estate borrowers in the second half of 2024.

Part III. Credit risk for non-securitization exposures (Continued)

Table CRB: Additional disclosure related to credit quality of exposures

(1) Methods adopted for determining impairments and the Group's definition of a restructured exposure

The Group defines a financial instrument as in default, which is aligned with the definition of credit impaired (referred to as 'Stage 3 financial assets'), when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- the borrower is bankrupt;
- it is reported as substandard, doubtful or loss according to the loan classification of the HKMA. The decision to classify the loans is based on the borrower's repayment ability and likelihood of individual counterparties being default; and
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired.

The method adopted by the Group for determining impairments are set out in Note 3.2.2.3 of the Group's Annual Report 2024 published in the Bank's website at www.dahsing.com and is accessible at the following direct link: http://www.dahsing.com/html/en/about_us/financial.html

Restructured exposures refer to loans and other assets that have been restructured and renegotiated between the Group and the borrower because of a deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms, either of interest or of repayment period, are 'non-commercial' to the Group.

Part III. Credit risk for non-securitization exposures (Continued)

Table CRB: Additional disclosure related to credit quality of exposures (Continued)

(2) Breakdown of Credit Risk Exposures by Industry

The following table illustrates the breakdown of credit risk exposures by industry as at 31 December 2024:

	HK$'000
Property development and investment	58,145,805
Financial concerns	62,270,272
Wholesale and retail trade	7,767,864
Others	67,117,434
Individuals	105,556,753
Total	**300,858,128**

(3) Breakdown of Credit Risk Exposures by Geographical Areas

The following table illustrates the breakdown of credit risk exposures by geographical areas as at 31 December 2024:

	HK$'000
Hong Kong	196,383,656
Mainland China	39,600,295
Others	64,874,177
Total	**300,858,128**

(4) Breakdown of Credit Risk Exposures by Residual Maturity

The following table illustrates the breakdown of credit risk exposures by residual maturity as at 31 December 2024:

	HK$'000
No later than 1 year	159,480,301
1-5 years	92,540,194
Over 5 years	48,837,633
Total	**300,858,128**

Part III. Credit risk for non-securitization exposures (Continued)

Table CRB: Additional disclosure related to credit quality of exposures (Continued)

(5) Impaired Exposures of Credit Risk Exposures

The following table illustrates the impaired exposures of credit risk exposures as at 31 December 2024:

	Impaired Exposures HK$'000	Stage 3 Impairment Allowances HK$'000	Write-offs HK$'000
Loans	4,437,683	872,989	1,432,519
Debt securities	-	-	-
Off-balance sheet items	1,643	-	-
Total	**4,439,326**	**872,989**	**1,432,519**

	Impaired loans and advances HK$'000	Stage 3 Impairment Allowances HK$'000	Advances written off during the period HK$'000
Property development and investment	2,660,473	327,376	847,037
Wholesale and retail trade	349,509	118,117	35,586
Manufacturing	172,941	28,145	29,905
Others	549,231	133,007	40,587
Individuals	705,529	266,344	479,404
Total	**4,437,683**	**872,989**	**1,432,519**

	Impaired loans and advances HK$'000
Hong Kong	4,018,261
Mainland China	221,449
Others	197,973
Total	**4,437,683**

Aging Analysis of Accounting Past Due Exposures

The following table illustrates the aging analysis of accounting past due exposures as at 31 December 2024:

HK$'000	Loans		Debt securities
	Loans and Advances	Trade bills and interbank placement	
Six months or less but over three months	2,104,322	-	-
One year or less but over six months	778,884	-	-
Over one year	926,024	-	-
Total	**3,809,230**	**-**	**-**

Breakdown of Restructured Exposures

The following table illustrates the breakdown of restructured exposures as at 31 December 2024:

	HK$'000
Restructured exposures, impaired	360,912

Part III. Credit risk for non-securitization exposures (Continued)

Table CRC: Qualitative disclosures related to credit risk mitigation

Policies and processes relating to the use of credit risk mitigation

For loans and advances, the Group has guidelines on the acceptability of specific classes of collateral for securing loans and advances and the lending ratio of different collateral types. The extent of collateral coverage over the loans and advances depends on the types of customers and product offered.

The principal collateral types are:

- Mortgages over properties;
- Charge over deposits;
- Charges over financial instruments such as debt securities and equities;
- Standby letter of credit issued by financial institutions; and
- Charge over accounts receivable.

In addition to tangible collateral, where necessary, the Group also takes guarantees as credit risk mitigant. Besides, in order to minimise credit loss, the Group will, where possible, seek additional collateral from the borrower as soon as impairment indicators are noticed on relevant individual loans and advances.

Collateral agreements and guarantees, once executed, are kept in safe custody. Collaterals are subject to regular revaluation and close monitoring. The frequency of collateral revaluation of different classes of collateral and concentration limit of major types of collateral are incorporated in the credit policy and guidelines. The frequency of collateral revaluation depends on the collateral type and market practice. For marketable securities, they are marked-to-market on a daily basis. For property collateral, the revaluation is conducted by independent appraiser on a periodic basis or based on property price index. The Group does not apply netting for credit risk exposures relating to general banking facilities.

For derivatives, repurchase agreements (“repo”) and other repo-style transactions with financial market counterparties, collateral arrangements are typically covered under market-standard documentation, such as International Swaps & Derivatives Association (“ISDA”) Agreements and Master Repurchase Agreements. In the event of a default, the credit risk exposure is reduced by master-netting arrangements under a netting-eligible jurisdiction.

Collateral held against derivatives is generally cash in US dollar. Reverse repo transactions are generally limited to dealing with large institutions with reasonably good credit standing. The Group takes haircuts against the underlying collaterals of these transactions that are commensurate with collateral quality to ensure credit risks are adequately mitigated.

Part III. Credit risk for non-securitization exposures (Continued)

Template CR3: Overview of recognized credit risk mitigation

The following table presents the extent of credit risk exposures covered by different types of recognized CRM as at 31 December 2024:

		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount (HK$'000)	Exposures to be secured (Note) (HK$'000)	Exposures secured by recognized collateral (HK$'000)	Exposures secured by recognized guarantees (HK$'000)	Exposures secured by recognized credit derivative contracts (HK$'000)
1	Loans	147,020,731	8,508,997	6,411,059	2,097,938	-
2	Debt securities	79,519,462	-	-	-	-
3	**Total**	**226,540,193**	**8,508,997**	**6,411,059**	**2,097,938**	**-**
4	Of which defaulted	943,363	2,619,725	2,487,195	132,530	-

Note: Amounts reported under column (b1) represent exposures which have at least one recognized CRM (collateral, financial guarantees, or credit derivative contracts) associated with them.

The allocation of the carrying amount of multi-secured exposures to different forms of recognized CRM in columns (b), (d) and (f) is made by order of priority, starting with the form of recognized CRM expected to be called first in the event of loss, and within the limits of the carrying amount of the secured exposures.

Part III. Credit risk for non-securitization exposures (Continued)

Table CRD: Qualitative disclosures on use of ECAI ratings under STC approach

Process adopted for using ECAI ratings and the extent to which the ratings are used for RWA calculation

S&P Global Ratings, Moody's Investors Services and Fitch Ratings are the external credit assessment institutions ("ECAIs") that the Group uses for the assessment of its credit risk exposures to banks, sovereigns, public sector entities, and collective investment schemes as well as securitisation exposures and exposures to rated corporates. There has been no change in this regard during the reporting period.

The process it uses to map ECAI issuer ratings to exposures booked in its banking book follows the process prescribed in Part 4 of the Banking (Capital) Rules. For an exposure which does not have an ECAI issue specific rating and the obligor of which has an ECAI issuer rating but does not have a long-term ECAI issue specific rating assigned to a debt obligation issued or undertaken by the obligor, the Group would use the ECAI issuer rating in risk-weighting the exposure, provided that the exposure is unsecured and not subordinated to the obligor.

Part III. Credit risk for non-securitization exposures (Continued)

Template CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach

The following table illustrates the effect of any recognized CRM (including recognized collateral under both comprehensive and simple approaches) on the calculation of credit risk capital requirements under STC approach as at 31 December 2024:

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		**Exposures post-CCF and post-CRM**		**RWA and RWA density**	
	Exposure classes	On-balance sheet amount (HK$'000)	Off-balance sheet amount (HK$'000)	On-balance sheet amount (HK$'000)	Off-balance sheet amount (HK$'000)	RWA (HK$'000)	RWA density (%)
1	Sovereign exposures	12,865,411	-	13,741,139	-	16,498	0%
2	PSE exposures	5,197,445	935,458	5,868,312	157,143	1,015,064	17%
2a	Of which: domestic PSEs	4,247,311	935,458	4,918,178	157,143	1,015,064	20%
2b	Of which: foreign PSEs	950,134	-	950,134	-	-	0%
3	Multilateral development bank exposures	770,788	-	770,788	-	-	0%
4	Bank exposures	43,130,829	31,340	42,886,758	15,174	14,874,479	35%
5	Securities firm exposures	1,523,851	2,270,744	1,509,836	-	754,918	50%
6	Corporate exposures	101,418,259	18,206,051	99,358,243	2,167,944	84,501,189	83%
7	CIS exposures	29,606	-	29,606	-	49,116	166%
8	Cash items	852,068	-	4,445,460	242,359	442,025	9%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-
10	Regulatory retail exposures	17,485,765	38,634,239	17,116,523	35,533	12,864,041	75%
11	Residential mortgage loans	44,213,998	231,799	43,556,811	36,679	18,671,197	43%
12	Other exposures which are not past due exposures	14,963,048	3,923,333	13,167,592	62,698	13,813,349	104%
13	Past due exposures	3,568,759	-	3,568,759	-	3,772,789	106%
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	**Total**	**246,019,827**	**64,232,964**	**246,019,827**	**2,717,530**	**150,774,665**	**61%**

Part III. Credit risk for non-securitization exposures (Continued)

Template CR5: Credit risk exposures by asset classes and by risk weights – for STC approach

The following table presents a breakdown of credit risk exposures under STC approach by asset classes and by risk weights as at 31 December 2024:

	(HK$'000)	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	Exposure class / Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	13,658,651	-	82,488	-	-	-	-	-	-	-	13,741,139
2	PSE exposures	950,134	-	5,075,321	-	-	-	-	-	-	-	6,025,455
2a	Of which: domestic PSEs	-	-	5,075,321	-	-	-	-	-	-	-	5,075,321
2b	Of which: foreign PSEs	950,134	-	-	-	-	-	-	-	-	-	950,134
3	Multilateral development bank exposures	770,788	-	-	-	-	-	-	-	-	-	770,788
4	Bank exposures	-	-	21,880,529	-	20,954,110	-	5,992	-	-	61,301	42,901,932
5	Securities firm exposures	-	-	-	-	1,509,836	-	-	-	-	-	1,509,836
6	Corporate exposures	-	-	6,091,977	-	24,327,032	-	71,082,979	24,199	-	-	101,526,187
7	CIS exposures	-	-	-	-	-	-	-	-	-	29,606	29,606
8	Cash items	2,477,697	-	2,210,122	-	-	-	-	-	-	-	4,687,819
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	17,152,056	-	-	-	-	17,152,056
11	Residential mortgage loans	-	-	-	31,677,729	7,577,149	2,172,779	2,165,833	-	-	-	43,593,490
12	Other exposures which are not past due exposures	-	-	-	-	-	-	13,169,866	-	-	60,424	13,230,290
13	Past due exposures	121,529	-	11,218	-	10,264	4,574	2,739,558	681,616	-	-	3,568,759
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	**Total**	**17,978,799**	-	**35,351,655**	**31,677,729**	**54,378,391**	**19,329,409**	**89,164,228**	**705,815**	-	**151,331**	**248,737,357**

Decrease in interbank placement in the second half of 2024 resulted in the decrease in exposures with other risk weight.

Part IV. Counterparty credit risk

Table CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

Risk management objectives and policies related to counterparty credit risk

Counterparty Credit Risk is defined as the risk that a counterparty defaults before the final settlement of the cash flows of derivatives or securities financing transactions.

The Group exercises strict control limits in tenor and outstanding amounts on net open positions arising from derivative transactions, repo-style transactions and credit derivative contracts booked in its banking book or trading book. The credit risk exposures associated with these contracts are predominantly their fair values (i.e. the positive marked-to-market values favourable to the Group). These credit risk exposures, together with potential exposures from market movements, are managed as part of the overall lending limits allowed to counterparties and are used to calculate the Group's regulatory capital under the CEM. Collateral or other security is generally not obtained for such credit risk exposures except cash margin transfer to cover credit risk exposure arising from OTC derivative or repo-style transactions under credit support arrangement with counterparties. Collateral may however be required on a case-by-case basis if the counterparty is a customer of the Group's Commercial Banking business.

Credit limits and exposures to counterparties are subject to the Group's overarching credit risk management framework. The Group has in place a set of policies to effectively manage such counterparty credit risk. Counterparties (including CCPs) are assessed individually using assigned credit risk ratings or ECAIs ratings. After the credit exposures are assessed, credit limits are proposed by the business unit, and are approved by the credit risk function after an independent credit assessment.

Settlement risk arises in situations where a payment in cash or a delivery of securities or equities is made in expectation of a corresponding receipt in cash, securities or equities. To mitigate settlement risk, daily settlement limits are established for individual counterparty on the aggregate of all settlements on a day. The Group will also enter into netting arrangements and make settlement on the basis of delivery against payment as appropriate.

The Group actively monitors the exposure to counterparties in OTC derivative trades to protect the balance sheet in the event of a counterparty default. Counterparty risk exposures that may be adversely affected by market risk events are identified, reviewed and acted upon by management, and highlighted to the appropriate risk committees.

The Group has in place the policies and procedures to control and monitor both general and specific wrong-way risk, including requiring prior approval before entering into prescribed wrong-way risk deals.

Under the terms of the current collateral obligations of the Group with respect to derivative contracts, collateral movements are not linked with the credit ratings of the Group.

Part IV. Counterparty credit risk (Continued)

Template CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

The following table presents a comprehensive breakdown of counterparty default risk exposures (other than those to CCPs), RWAs, and, where applicable, main parameters under the approaches used to calculate default risk exposures in respect of derivative contracts and SFTs as at 31 December 2024:

		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC) (HK$'000)	PFE (HK$'000)	Effective EPE (HK$'000)	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM (HK$'000)	RWA (HK$'000)
1	SA-CCR approach (for derivative contracts)	639,825	2,338,664		1.4	4,169,884	2,178,264
2	IMM (CCR) approach			-	-	-	-
3	Simple approach (for SFTs)					830,608	70,289
4	Comprehensive approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	**Total**						**2,248,553**

Part IV. Counterparty credit risk (Continued)

Template CCR2: CVA capital charge

The following table presents information on portfolios subject to the CVA capital charge and the CVA calculations based on standardized CVA method and advanced CVA method as at 31 December 2024:

		(a)	(b)
		EAD post CRM (HK$'000)	RWA (HK$'000)
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	4,169,886	537,025
4	**Total**	**4,169,886**	**537,025**

Part IV. Counterparty credit risk (Continued)

<u>Template CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach</u>

The following table presents a breakdown of default risk exposures as at 31 December 2024, other than those to CCPs, in respect of derivative contracts and SFTs that are subject to the STC approach, by asset classes and risk-weights, irrespective of the approach used to determine the amount of default risk exposures:

		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
	Risk Weight / Exposure class	0% (HK$'000)	10% (HK$'000)	20% (HK$'000)	35% (HK$'000)	50% (HK$'000)	75% (HK$'000)	100% (HK$'000)	150% (HK$'000)	250% (HK$'000)	Others (HK$'000)	Total default risk exposure after CRM (HK$'000)
1	Sovereign exposures	751	-	-	-	-	-	-	-	-	-	751
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	647,190	-	2,143,486	-	-	-	-	324,002	3,114,678
5	Securities firm exposures	-	-	-	-	164,199	-	-	-	-	-	164,199
6	Corporate exposures	-	-	-	-	-	-	466,591	-	-	-	466,591
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	419,766	-	-	-	-	419,766
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	731,651	-	-	-	-	-	102,856	-	-	-	834,507
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	**Total**	**732,402**	-	**647,190**	-	**2,307,685**	**419,766**	**569,447**	-	-	**324,002**	**5,000,492**

Default risk exposure at risk weight of 0% mainly represents the cash collateral received. The increase in balance as compared to the position as at 30 June 2024 was attributable to the increase in cash received from counterparties being reported as CRM.

The increase of total default risk exposure after CRM was mainly attributable to the increase in repo transactions.

Part IV. Counterparty credit risk (Continued)

Template CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

The following table presents a breakdown of all types of collateral posted or recognized collateral received to support or reduce the exposures to counterparty default risk exposures as at 31 December 2024 in respect of derivative contracts or SFTs entered into, including contracts or transactions cleared through a CCP:

	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs[1]	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated (HK$'000)	Unsegregated (HK$'000)	Segregated (HK$'000)	Unsegregated (HK$'000)	(HK$'000)	(HK$'000)
Cash - domestic currency[2]	58,773	-	-	-	300,000	-
Cash - other currencies	2,115,737	257,491	859,700	319,826	432,140	-
Corporate bonds	-	-	-	-	-	448,999
Other sovereign debt	-	-	-	-	-	300,751
Total	**2,174,510**	**257,491**	**859,700**	**319,826**	**732,140**	**749,750**

The increase in unsegregated collateral posted for derivative contracts as compared to 30 June 2024 were due to the change in variation margin posted to counterparties under Credit Support Annex arrangement for derivatives trading.

1 For "SFTs" reported in columns (e) and (f), the collateral used is defined as referring to both legs of the transaction. For example, an AI transfers securities to a third party, which in turn posts collateral to the AI. The AI should report both legs of the transaction in the template; on one hand the collateral received is reported in column (e), on the other hand the collateral posted by the AI is reported in column (f).

2 "Domestic currency" refers to the AI's reporting currency (not the currency / currencies in which the derivative contract or SFT is denominated).

Part IV. Counterparty credit risk (Continued)

Template CCR6: Credit-related derivatives contracts

The following table presents the amount of credit-related derivative contracts as at 31 December 2024, broken down into credit protection bought and credit protection sold:

	(a)	(b)
	Protection bought (HK$'000)	Protection sold (HK$'000)
Notional amounts		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit-related options	-	-
Other credit-related derivative contracts	-	-
Total notional amounts	-	-
Fair values		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

Part IV. Counterparty credit risk (Continued)

Template CCR8: Exposures to CCPs

The following table presents a comprehensive breakdown of exposures to both qualifying and non-qualifying CCPs and the respective RWAs, covering all types of credit risk exposures (including default risk exposures to the CCPs, credit risk exposures arising from initial margins posted, and default fund contributions made, to the CCPs) as at 31 December 2024:

		(a)	(b)
		Exposure after CRM (HK$'000)	RWA (HK$'000)
1	**Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)**		**3,439**
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	171,973	3,439
3	(i) OTC derivative transactions	171,973	3,439
4	(ii) Exchange-traded derivative contracts	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets subject to valid cross-product netting agreements	-	-
7	Segregated initial margin	-	
8	Unsegregated initial margin	-	-
9	Funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	**Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)**		-
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13	(i) OTC derivative transactions	-	-
14	(ii) Exchange-traded derivative contracts	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets subject to valid cross-product netting agreements	-	-
17	Segregated initial margin	-	
18	Unsegregated initial margin	-	-
19	Funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Decrease in exposure after CRM was attributable to decrease in net MTM gain and potential future exposure.

Part V. Market risk

Table MRA: Qualitative disclosures related to market risk

Risk management objectives and policies for market risk

The Group has established risk governance framework to oversee and manage market risk associated with its trading positions in foreign exchange, debt securities, equity securities and derivatives. Market risk exposures are managed within various risk limits and guidelines approved by the Board, RMCC or TIRC under the authority delegated from the Board. Risk limits and management action triggers are set with reference to the nature and volume of transactions and risk appetite of the Group.

The Group has formulated market risk management policies to identify, measure, monitor and control market risk exposures. RMCD, as an independent risk management and control unit, monitors market risk exposures against approved limits on a daily basis. Any exceptions have to be reviewed and sanctioned by the appropriate level of management of TIRC, RMCC or the Board as stipulated in the relevant policies. Risk reports are prepared for different level of governance on a regular basis.

BCM and DSB China run their treasury functions locally under their own set of limits and policies and within the overall market risk controls set by the Group. TIRC, assisted by RMCD, oversees the market risk arising from the treasury operations of BCM and DSB China.

Risk appetite has been defined to govern the Group’s trading activities. Hedging is allowed and monitored within market risk management framework. The Group measures and analyses market risk using various techniques and multiple systems commonly used in the industry and controls market risk exposures within established risk limits, which are set at the portfolio level as well as by products and by risk factors, and comprise a combination of notional, stop-loss, sensitivity and value-at-risk controls. The Group also performs stress testing on its trading positions regularly to gauge the potential impact that could arise in extreme market conditions.

Part V. Market risk (Continued)

Template MR1: Market risk under STM approach

The table below provides the components of the market risk capital requirements calculated using the STM approach exposures as at 31 December 2024:

		(a)
		RWA (HK$'000)
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	3,309,163
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	919,875
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	321,825
7	Other approach	-
8	Securitization exposures	-
9	**Total**	**4,550,863**

The increase in market risk RWA was the net effect of the increase in market risk of interest rate exposures, foreign exchange exposures and decrease in option exposures of USD/CNY option position. The increase in interest rate exposures was mainly caused by the increase in net risk-weighted positions of USD and HKD interest rate derivative contracts while the increase in foreign exchange exposures was caused by the increase in net USD position.

Part VI. Interest rate risk in banking book

Table IRRBBA: Interest rate risk in banking book – risk management objectives and policies

Interest rate risk means the risk to the Group's financial condition resulting from adverse movements in interest rates. It primarily results from the mismatches in the repricing of interest-bearing assets, liabilities, and off-balance sheet items in the banking book.

The framework adopted by the Group to measure interest rate risk exposures arising from its banking book positions is consistent with the guidelines set out by the HKMA in its Supervisory Policy Manual on Interest Rate Risk in the Banking Book ("IRRBB"). From an earnings perspective, interest rate risk is the risk that the net income arising from future cash flows of a financial instrument will undergo adverse impact because of changes in market interest rates. From an economic value perspective, interest rate risk is the risk that the economic value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on interest rate risk from both perspectives in the banking book. As such, the interest margins or net interest income and the economic value of the capital may increase or decrease as a result of such changes or in the event that unexpected movements arise.

The Board and the ALCO set limits on the level of net interest income ("NII") and economic value of equity ("EVE") impacts under the HKMA's standardized interest rate shock scenarios and monitor the interest rate impacts through scenario analysis and stress testing at least on a quarterly basis. Risk reports are compiled and monitored on a regular basis by the RMCD. The Internal Audit Department ("IAD") regularly reviews the methodologies and assumptions used.

The Group conducts stress testing which includes the six HKMA standardized interest rate shock scenarios and internal hypothetical scenarios. The internal scenarios are made reference to historical data and reviewed regularly. Both the changes in EVE and NII are measured and assessed.

Derivatives like interest rate swaps are used to manage IRRBB exposure. Hedging is entered either against individual transactions or on portfolio basis. Hedge accounting treatment under the Hong Kong Financial Reporting Standard is applied to minimize fluctuation of profit and loss arising from mark-to-market of the hedging derivatives.

The Group applies the following key assumptions required by the HKMA's Supervisory Policy Manual IR-1:

1. Non-maturity deposits ("NMD")

   NMD refers to deposits which can be withdrawn at any time without notice, such as current and savings deposits. The Group slots NMDs to the earliest date on which their interest rates can be adjusted (i.e. next business day).

2. Retail fixed rate loans and deposits subject to prepayment and early redemption risks

   The customers may prepay the fixed rate loans on an earlier date than the contractual maturity, if the full economic cost cannot be charged. Term deposits subject to early redemption risk are term deposits that can be withdrawn early at the discretion of the customer, if the penalty cannot compensate for the loss of interest.

   The average historical prepayment rate and early withdrawal rate of the loans and deposits are applied to assess the impact on NII and EVE.

3. Drawdown of fixed rate loan commitment

   This refers to loan commitments that allow customers to draw down a loan at a fixed rate within a future period.

   The average drawdown rate of the loan commitment is applied to assess the impact on NII and EVE.

4. Treatment of commercial margin and spread

Part VI. Interest rate risk in banking book (Continued)

Table IRRBBA: Interest rate risk in banking book – risk management objectives and policies (Continued)

The commercial margin and spread have been excluded in the projection of cash flow and discounting for measuring EVE.

5. Aggregation method across currencies

For measuring impact on EVE, only negative impacts in significant currencies are aggregated. Significant currencies are defined as those account for 5% or more of the Group's total on-balance sheet interest rate-sensitive assets or liabilities, whichever is the larger, in all currencies. The total position in non-reported currencies could not exceed 10% of positions in all currencies.

Template IRRBB1: Quantitative information on interest rate risk in banking book

The method and assumptions used in the sensitivity analysis below follow the HKMA's revised framework for interest rate risk in the banking book. The scenarios are applied to IRRBB exposures in each currency for which the Group has material positions.

		Favorable/(unfavorable) impact on EVE (HK$ million)		**Favorable/(unfavorable) impact on NII (HK$ million)**	
	Period	**31 December 2024**	**31 December 2023**	**31 December 2024**	**31 December 2023**
1	Parallel up	(981)	(812)	171	262
2	Parallel down	(97)	(105)	(178)	(272)
3	Steepener	(18)	(33)		
4	Flattener	(360)	(319)		
5	Short rate up	(712)	(613)		
6	Short rate down	(60)	(61)		
7	**Maximum**	(981)	(812)	(178)	(272)
	Period	**31 December 2024**		**31 December 2023**	
8	**Tier 1 capital**	30,476		29,892	

As at 31 December 2024, the parallel up shock scenario and the parallel down shock scenario would have the most adverse impact on the economic value of equity and earnings respectively, but are insignificant as compared to the Tier 1 Capital.

The worst scenario for change in the net interest income over the next twelve months is "Parallel Down". The major contributor to the sensitivity is Hong Kong Dollars.

Part VII. Remuneration

Table REMA: Remuneration policy

(a) Remuneration Principles

The Group adopts the following remuneration principles:

- Pay for performance is the guiding principle to reward individual performance and contribution, which are measured through the performance management process.
- The remuneration structure is based on various factors such as business needs, culture, strategy, objectives, risk appetite and control environment, market situations and the principles set out in relevant legal and regulatory requirements applicable to employees' remuneration.
- The Group's Remuneration Policy ("RP") is to align with the Group's risk management framework, and to support the achievement of long-term financial soundness of the Bank and its subsidiaries.
- Variable remuneration is designed to align employees' incentive awards with their performance and contributions in the long term, and the time horizons of risk where appropriate.
- Generally, the proportion of variable remuneration to total remuneration increases in line with the seniority and responsibilities of an employee.
- The appropriate proportion of variable remuneration to be deferred depends on a number of factors, including an employee's seniority, roles, responsibilities and activities within the Group, the time horizons of the risks incurred by the employee's activities and the overall level of their variable remuneration both in absolute terms and as a proportion of his/ her fixed pay.
- Decision of individual remuneration package will depend on market pay levels, individual performance and contribution, principles set out in the RP, and performance and affordability of the Group, and consideration of regulatory guidelines.

The Group's total remuneration strategy is to position itself at market median to upper quartile level, and offers to its employees remuneration packages, which normally consist of guaranteed cash and variable remuneration largely in the form of discretionary performance incentive bonus, that as a whole will properly reward individual performance and are competitive relative to market pay levels.

(b) Governance of the Remuneration System

(i) Oversight by the Bank's Board of Directors and the Nomination & Remuneration Committee

The Bank's Board of Directors approves the RP and assumes the ultimate responsibility for overseeing the formulation, implementation and update of the RP. The Board of the Bank has in place the Nomination and Remuneration Committee ("NRC"), which is a committee of the Board of DSB having oversight responsibilities and authority on remuneration system and practices over the Bank. Members of the DSB NRC are appointed by the DSB Board. The majority of the members of NRC are independent non-executive directors of the Bank. The committee is responsible, among other things, for the review and endorsement of the nomination and remuneration of directors and senior management. The Board delegates the following responsibilities and authorities to the NRC:

- Assists the Board in discharging its responsibility for the design and operation of the Bank's remuneration system;

Part VII. Remuneration (Continued)

Table REMA: Remuneration policy (Continued)

(b) Governance of the Remuneration System (Continued)

(i) Oversight by the Bank's Board of Directors and the Nomination & Remuneration Committee (Continued)

- Reviews, and makes recommendations to the Board in respect of the Bank's remuneration policy and practices and ensures that these are determined based on appropriate factors such as the Bank's business needs, culture, strategy, objectives, risk appetite and control environment, market situations and also the principles set out in relevant legal and regulatory requirements applicable to employees' remuneration;

- Reviews and endorses the specific remuneration packages of members of senior management and key personnel (with effective from 1 January 2025) of the Bank;

- Evaluates any practices or recommendation by which remuneration is paid for potential future revenues or benefits whose timing and likelihood remain uncertain; and

- Ensures that regular review of the Bank's remuneration system and its operation is sustained.

The DSB NRC held three meetings in 2024.

In 2024, the DSB NRC reviewed and endorsed the DSB Remuneration Policy including updating the identification of key personnel with effect from 2025.

In 2024, the Bank had made reference to the market pay levels and ranges provided by external consultants for salary adjustment decisions. No advice in respect of remuneration system and/or process was sought from external consultants.

(ii) Review of the Remuneration System

Internal Audit Division ("IAD") of the Bank is responsible to conduct internal monitoring of the remuneration system and its operation to ensure compliance with the RP. As required by the Bank's remuneration framework, a review, at least on an annual basis, of the Bank's remuneration system and its operation, which includes an assessment of consistency with the "Guideline on a Sound Remuneration System" issued by the HKMA, is conducted independently of the management and the result is submitted to the NRC and to the HKMA if required. The independent review can be conducted by an external party, or by the Bank's internal audit or compliance functions, or a combination of these parties as directed by the NRC. The NRC will report any material issues in relation to the Bank's remuneration system or practices to the Board of the Bank.

IAD conducted the review in the second quarter of 2024 and noted that the Bank's remuneration system was in compliance with the RP and consistent with the HKMA's guideline in this connection.

The annual fees for the chairman and each member of NRC for 2024 are HK$110,000 and HK$60,000 respectively.

Part VII. Remuneration (Continued)

Table REMA: Remuneration policy (Continued)

(b) Governance of the Remuneration System (Continued)

(iii) Roles of the Risk Control Functions

Group Risk, Group Compliance, Financial Control and Group Legal functions are involved in the process of design and implementation of the RP. They will play a continuing role in the operation of the remuneration system in relation to matters such as risk measures and risk judgements. They will also be consulted by the NRC, where appropriate and independent of business divisions, on their view and advice as to how compensation relates to risk at various levels within the Bank or specific business division, including the proper alignment of risk and reward, and the time horizon on risk and performance measurement, changes in the risk profile of the Bank in general, or of a particular business division or major business strategy, and the considerations as regards remuneration to properly align with risks taken, with the need to balance the time horizon for longer term business performance and risk realisation.

Financial Control Division is responsible for the proper disclosure according to the requirements of the Banking (Disclosure) Rule ("BDR") while Human Resources Division ("HRD") is responsible for the proper disclosure of the Bank's remuneration system and practices, and specific features relating to actual remuneration to comply with the HKMA remuneration guideline as well as the requirements on Remuneration of the BDR. Most of the heads of risk control functions have a functional reporting line to relevant board-level committees chaired by independent non-executive directors. All risk control functions specified above have direct and independent access to the NRC on matters relating to the Bank's remuneration system and practices. In addition, both Group Risk Division ("GRD") and Group Compliance Division have direct access to the Bank's board-level Risk Management and Compliance Committee ("RMCC").

The Bank's banking and financial services business model is a risk underwriting and risk management business. With risk management as a key function and control process of the Bank, a key purpose of GRD is to assist the Bank to maximise the probability of achieving the Bank's long-term objectives while ensuring that the Bank, its business and risk control units, in pursuing various business strategies and managing risk taking activities, will have proper regard to short-term constraints, limits and regulatory guidelines, and with the general sense and appropriate process on striking a proper balance of risk and reward for the long-term success and soundness of the Bank.

(iv) Roles of the Human Resources Division

One of the key roles of HRD is to support the Bank to attract quality candidates and retain and engage existing employees. To achieve these objectives, HRD regularly reviews the Bank's human resources policies and employees' compensation and benefits with reference to market practices and pay levels to ensure competitiveness. HRD also provides support to the design and implementation of remuneration policy and measures to meet regulatory requirements and align with market practices.

(c) Application of the Bank's Remuneration Policy to the Staff of the Bank

The RP is established to provide the key remuneration principles and practices covering all employees of the Bank, and the key risk management requirements relating to remuneration, performance and risk control. Specific regards are on the remuneration and the roles of the following personnel:

(i) Senior Management refers to those senior executives who are responsible for overseeing the development and execution of the Bank-wide strategies, business plan or activities, or the heads of the Bank's main business lines, support divisions and banking subsidiaries. These mainly include the Chairman, Vice Chairmen, Chief Executive and Executive Directors of the Bank, Chief Executives of the banking subsidiaries, as well as head positions of the Bank's major business lines or support divisions. The total number of individuals classified under this category is 16.

Part VII. Remuneration (Continued)

Table REMA: Remuneration policy (Continued)

(c) Application of the Bank's Remuneration Policy to the Staff of the Bank (Continued)

(ii) "Key Personnel", i.e. individual employees whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Bank. During 2024, the Bank did not have any employees classified as Key Personnel under its existing remuneration system.

(iii) Groups of employees whose activities in the aggregate may expose the Bank to material amounts of risk, and who are subject to the same or similar incentive arrangements (including employees who are incentivised to meet certain quotas or targets by payment of meaningful amount of variable remuneration). During 2024, the Bank did not have any employees classified in this category under its existing remuneration system.

(iv) Employees within risk control functions (including group risk, group compliance, internal audit, financial control and group legal).

Remuneration of all employees in risk control functions is independent of the performance of the business units which they exercise control or oversight. Generally, the remuneration of these employees is determined by their respective Divisions, and Top Management will be involved in the determination of remuneration of the respective senior personnel. Management of business units are not allowed to determine the remuneration of employees in the risk control functions.

(d) Structure of Remuneration

(i) Components

The structure of remuneration is generally composed of the following components:

- Fixed remuneration including basic salary, allowances, retirement benefits, and
- Variable incentives-based remuneration including discretionary performance incentive bonus, incentive payment based on business and sales performance, long term incentive and performance-based variable salary ("performance salary"), and compliance & risk performance payment, where appropriate.

In determining an appropriate balance between fixed and variable remuneration, the Bank takes into consideration the seniority, roles, responsibilities and activities of its employees, the need to promote appropriate behaviour amongst employees that supports the Bank's risk management framework and long-term financial soundness, as well as market pay practices. The proportion of variable remuneration to total remuneration generally increases in line with the seniority, responsibilities and performance of an employee.

For Senior Management, a fair to substantial proportion of the remuneration is paid in the form of variable remuneration, which is mainly granted in the form of performance incentive bonus and shares. Starting from 2010 performance year, a portion of the bonus is deferred in the form of deferred bonus and subject to vesting over a period of at least three years. Starting from 2022 performance year, a portion of the deferred bonus is awarded in the form of shares and subject to vesting over a period of at least three years. This practice is to achieve an effective alignment of incentive awards with the time horizons of risks.

DSBG, the Bank's holding company, and DSFH, the Group's ultimate holding company, have established executive share option schemes and share award schemes under which, and subject to proper approval process and vesting conditions, share options and share award can be granted to senior executives and other employees of the Bank. The costs of the share options and share award granted are borne by the Bank. Starting from 2022 performance year, share award is granted to reward their performance and contribution, as a means to retain relevant senior executives or employees, as well as to motivate and incentivise in furtherance of the long-term business objectives of the Group.

Part VII. Remuneration (Continued)

Table REMA: Remuneration policy (Continued)

(d) Structure of Remuneration (Continued)

(ii) Criteria Used for Performance Measurement and Risk Adjustment

The Group's performance is evaluated based on the achievement against a set of pre-determined business or financial targets that are of broader and higher level nature, such as profitability target, and supervisory rating assigned by the HKMA, which were set at the beginning of the performance year. The performance of a division in a year is determined by the Chief Executive based on the actual performance and achievement against a set of pre-determined objectives or targets of the division for the year set at the beginning of the year, contributions to the Group and other factors considered relevant for assessing performance. For business divisions, the pre-determined targets normally include return on allocated capital and business growth targets. Individual employees' performance measures include job/ financial (e.g. job requirements, key performance indicators including fulfilment of department and job objectives, service pledges, personal effectiveness, etc.) and non-financial factors (e.g. adherence to the Group's culture and values, conduct and ethical behavioural standards, internal control, security control and risk management policies, compliance with legal and regulatory requirements, results of internal audit reviews, customer satisfactions, misconduct, involvement in ESG and climate-related risk management, etc.).

Within the risk-based remuneration framework operated by the Group, GRD performs assessment of the Group's risk profile which takes into account major risks such as credit risk, market and interest rate risk, liquidity risk, operational risk and internal control, reputation risk, AML risk and climate-related risk. In aligning the remuneration of employees with the performance of the business units or support functions to which they belong and the risks taken on by the Group, both quantitative and qualitative risk-adjusted measures are adopted by the Group. Examples of the quantitative risk-adjusted measures applied include risk-adjusted return on capital and liquidity costs.

GRD has the responsibilities of managing different types of risk and maintaining a sound risk management system to enable the Group to achieve its objectives, which include achieving proper risk and return balance for the Group and its major lines of business. The Group Chief Risk Officer and Group Head of Risk Management reports to the Chief Executive of the Bank, has access to the Executive Committee and reports functionally to the board-level RMCC chaired by an Independent Non-Executive Director.

Based on the Group's performance against the pre-determined targets set at the beginning of the year, long-term performance and affordability of the Group as well as other relevant internal and external factors, the Chief Executive proposes a preliminary amount of total performance bonus for the year and allocation considerations.

Part VII. Remuneration (Continued)

Table REMA: Remuneration policy (Continued)

(d) Structure of Remuneration (Continued)

(ii) Criteria Used for Performance Measurement and Risk Adjustment (Continued)

GRD provides an annual report to the NRC, or on a more frequent basis as appropriate, on the risk management performance of the Group and for the purpose of remuneration review. The GRD report will normally include but is not limited to the following:

- any significant changes in the risk profile of the Group during the year;
- any significant improvement or deterioration in the system of internal controls;
- any significant deterioration or concerns about the external economic environment that could have potential adverse impact to the Group's businesses and financial performance;
- any significant risk concerns raised by regulatory authorities;
- any events that caused significant damage to the reputation of the Group; and
- specific business or risk actions taken to help mitigate risk or improve revenue (risk adjusted or justified), or actions which are considered to have contributed to the long-term success or values of the Group.

On the basis of its review, the Group Chief Risk Officer and Group Head of Risk Management can provide comment or recommendation to NRC if any specific factor or adjustment needs to be considered in determining the performance bonus pool for the year based on the qualitative measures as listed above. The Chairman of the Group, in consultation with the NRC if necessary, has the discretion and flexibility to withhold all or part of the provisionally accrued bonus amount when circumstances warrant.

The approved performance bonus pool for the performance year is allocated to divisions based on the relative contribution of different divisions, their staff profile as well as consideration of applicable factors, including any input from the risk control functions, and assessment of risk and return of the key businesses. Once the respective performance bonus pool of a division has been determined, the division head will decide the bonus payments for individual employees taking into consideration their individual performance and contribution, internal relativity, the prevailing bonus distribution guideline and available budget.

(iii) Deferral Policy and Vesting Criteria

The proportion of variable remuneration to be deferred in the forms of cash bonus and share award varies from one employee to another and depends on a series of factors including the employee's seniority, his or her roles, responsibilities and activities within the Group, the time horizons of the risks incurred by such activities and the overall level of the employee's variable remuneration both in absolute terms and as a proportion of his or her fixed pay.

Part VII. Remuneration (Continued)

Table REMA: Remuneration policy (Continued)

(d) Structure of Remuneration (Continued)

(iii) Deferral Policy and Vesting Criteria (Continued)

Starting from 2010 performance year, a minimum vesting period for any deferred variable remuneration for the Bank's Senior Management is adopted so that the deferred remuneration will only be vested and released to the awardees with due consideration of fulfilling vesting conditions. These pre-defined vesting conditions, depending on the level of the seniority of the Senior Management and key roles assumed by each, normally include factors such as the nature of the business outcomes and risk arising from the activities undertaken by relevant Senior Management in the past, the timeframe during which the risks from these activities are likely to be realised, and the assessment from risk control functions on the Bank's internal control, risk management and compliance performance. The deferred bonus vests gradually over a span of years on a pro-rata basis without acceleration, subject to fulfilment and validation of the pre-defined performance conditions. For the deferred bonus under the 2024 performance incentive bonus to be awarded to Senior Management in March 2025, the maximum deferment period is no less than three years from March 2025.

A "malus" of the unvested deferred variable remuneration and "claw-back" of paid variable remuneration mechanism may be applied if (i) the vesting conditions are not fulfilled; (ii) performance measurement was based on data which is later proven to have been manifestly misstated or based on erroneous assumptions; (iii) fraud or other malfeasance on the part of the individual employee; or (iv) major violations by the employee of internal control policies or legal requirements.

Departure of employees will not trigger early payout of deferred remuneration that is still within the deferment period other than in exceptional cases, such as on compassionate grounds.

Part VII. Remuneration (Continued)

Template REM1: Remuneration awarded during financial year

2024
(HK$'000)

			(a)	(b)
Remuneration amount and quantitative information			Senior management	Key personnel
1	Fixed remuneration	Number of employees	16	-
2		**Total fixed remuneration**	**76,034**	-
3		Of which: cash-based	76,034	-
4		Of which: deferred	-	-
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	-	-
8		Of which: deferred	-	-
9	Variable remuneration	Number of employees	16	-
10		**Total variable remuneration**	**71,357**	-
11		Of which: cash-based	50,041	-
12		Of which: deferred	12,845	-
13		Of which: shares or other share-linked instruments	21,316	-
14		Of which: deferred	19,782	-
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	**Total remuneration**		**147,391**	-

Part VII. Remuneration (Continued)

Template REM2: Special payments

2024
(HK$'000)

		(a)	(b)	(c)	(d)	(e)	(f)
Special payments		Guaranteed bonuses		Sign-on awards		Severance payments	
		Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
1	Senior management	-	-	1	550	-	-
2	Key personnel	-	-	-	-	-	-

Part VII. Remuneration (Continued)

Template REM3: Deferred remuneration

2024
(HK$'000)

		(a)	(b)	(c)	(d)	(e)
Deferred and retained remuneration		Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
1	Senior management	**100,339**	**100,339**	**-**	**-**	**23,606**
2	Cash	47,247	47,247	-	-	16,371
3	Shares	53,092	53,092	-	-	7,235
4	Cash-linked instruments	-	-	-	-	-
5	Other	-	-	-	-	-
6	Key personnel	-	-	-	-	-
7	Cash	-	-	-	-	-
8	Shares	-	-	-	-	-
9	Cash-linked instruments	-	-	-	-	-
10	Other	-	-	-	-	-
11	**Total**	**100,339**	**100,339**	**-**	**-**	**23,606**

Part VIII. Corporation governance

The Board of Directors and the Management of Dah Sing Bank, Limited (the "Bank" or the "Group") are committed to maintaining a high standard of corporate governance practices and devote considerable effort to identify and formalize best practices. We believe that sound and effective corporate governance practices are essential for delivering sustainable value, enhancing a culture of business integrity and maintaining investors' confidence. Good corporate governance promotes and safeguards the interests of shareholders and other stakeholders including customers and employees, thereby enhancing the credibility and reputation of the Bank.

The Bank abides strictly by the relevant laws and regulations in Hong Kong, and observes the rules and guidelines issued by regulatory authorities including the Hong Kong Monetary Authority ("HKMA"). It has complied with the requirements set out in the Supervisory Policy Manual module CG-1 entitled "Corporate Governance of Locally Incorporated Authorised Institutions" ("CG-1") and CG-5 entitled "Guideline on a Sound Remuneration System" ("CG-5"), Guidance on Empowerment of Independent Non-Executive Directors and the circulars on Bank Culture Reform issued by the HKMA in all material aspects.

Corporate governance principles and practices

The Bank has in place a corporate governance framework which identifies all the key participants of the Group and the ways which they relate to each other and their roles in the application of effective governance policies and processes.

The Bank has adopted a set of Board Governance Policy and Procedures ("BGPP") since 2013. The BGPP of the Bank is subject to regular review and update to ensure compliance with the latest regulatory requirements.

The BGPP has been developed in pursuance of the requirements of the CG-1, which has laid down the governance framework and structures of the Bank covering the responsibilities of the board, the organization and functioning of the board, board committees, appointment of directors and succession, board qualification and training, delegation of authority and oversight of senior management, evaluation of the board and individual directors, governance in group structure, controls on structures established on behalf of customers, risk management, and legal obligations of directors.

The supervision of the management and direction of the business and affairs of the Bank shall be vested in the Board, who, in addition to the powers and authorities set out in the Bank's constitutional documents expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Bank. In discharging its responsibilities, the Board shall take into account the legitimate interests of shareholders, depositors and other relevant stakeholders.

Board of directors

The Board of the Bank has the ultimate responsibility for the supervision, leadership, operations and financial soundness of the Bank. In discharging its responsibilities, the Board actively engages in the affairs of the Bank and is cognizant of material changes in the Bank's business and the external environment in which the Bank operates. The Board acts honestly and in good faith in the interest of the Bank, and on an informed and prudent basis, having regard to the legitimate interests of shareholders, depositors and other relevant stakeholders.

As at the date of this Statement, the Board comprises fifhteen members, of whom eight are Executive Directors and seven are Independent Non-Executive Directors. Members of the Board are as follows:

Executive Directors ("ED")

David Shou-Yeh Wong - Chairman
Hon-Hing Wong (Derek Wong) - Vice Chairman
Harold Tsu-Hing Wong - Vice Chairman, Managing Director and Chief Executive
Gary Pak-Ling Wang - Deputy Chief Executive
Nicholas John Mayhew - Deputy Chief Executive
Phoebe Mei-Chun Wong - Deputy Chief Executive
Barbara Yuen-Lai Ma - Alternate Chief Executive
Cliff Wai-Kin Chan - Alternate Chief Executive

Part VIII. Corporation governance (Continued)

Board of directors (Continued)

Independent Non-Executive Directors ("INED")
Robert Tsai-To Sze
Blair Chilton Pickerell
Paul Michael Kennedy
Paul Franz Winkelmann
David Wai-Hung Tam
Nancy Ha-Fong Chan (appointed with effect from 1 January 2024)
Kin-Sang Cheung (Alex Cheung) (appointed with effect from 1 January 2024)
Seng-Lee Chan (retired with effect from 1 January 2024)

The biographical information of the Directors is disclosed in the "Directors' and Senior Management's Profile" of this Annual Report.

The Board possesses appropriate experience, competencies and personal qualities, including professionalism and integrity, to discharge its responsibilities adequately and effectively. In addition, the Board collectively has adequate knowledge and expertise relevant to each of the material business activities that the Bank pursues and the associated risks in order to ensure effective governance and oversight.

According to the Terms of Reference of the Board, the key responsibilities of the Board include:

- setting and overseeing the objectives and strategies of the Group
- approving annual budget and business plan, and monitoring performance and execution of plan
- overseeing the development and implementation of Environment, Social and Governance and climate related strategies
- establishing and overseeing risk governance
- appointment and oversight of senior management, and ensuring competent management is in place
- setting corporate values and standards
- overseeing the remuneration policy
- ensuring a suitable and transparent corporate structure
- ensuring effective audit function and internal control
- ensuring an appropriate level of effectiveness in respect of the structure, operation and risk management of the Bank
- matters involving conflict of interest of substantial shareholder or any Director
- material acquisition or disposal of assets (not in the ordinary business or operation of the Bank), investments and business reorganization
- material capital projects with long-term commitments
- delegation of authority to Board level Committees or individual Directors (for approving specific transactions)
- delegation to Senior Management the authority and responsibility to manage the regular businesses and affairs of the Bank and its subsidiaries consistent with the objectives and strategies of the Bank, and within the risk framework and limits approved by the Board
- appointment of Directors and Senior Management
- actively engaging in succession plans for the chief executive and other key senior executives as appropriate

Board meetings are held at least four times a year. In addition, special Board meetings are held when necessary. Dates of regular Board and Board Committee meetings are scheduled in the prior year to provide sufficient notice to give all Directors an opportunity to attend. For special Board meetings, reasonable notice is given. Board agenda is approved following consultation with the Directors and Senior Management. All Board meetings involve the active participation, either in person or through other electronic means of communication, of Directors. The Board held four regular meetings in 2024.

Part VIII. Corporation governance (Continued)

Board and specialized committees

The Board has delegated its authority to various committees to deal with specific matters under written terms of reference, which set out in detail their respective authorities and responsibilities. The Audit Committee, Nomination and Remuneration Committee, and Risk Management and Compliance Committee were established under the authority of the Board. The composition and terms of reference of these committees are reviewed and updated regularly to ensure that they remain appropriate and in line with the regulatory requirements, the Group's business and changes in governance practices. All Board Committees adopt the same governance processes as the Board as far as practicable and report to the Board on their decisions or recommendations after each meeting.

Apart from regular meetings of the Audit Committee, Nomination and Remuneration Committee, and Risk Management and Compliance Committee, INEDs meet separately, without the presence of other EDs or management, with the internal and external audit, compliance and risk management functions, at least once a year.

(i) Audit Committee

The Audit Committee ("AC") has the authority to review all matters related to financial statements and disclosure, audit work performed by internal and external auditors, internal control systems, risk management system and compliance for the whole Group. The AC reports to the Board following each AC meeting, drawing the Board's attention to significant issues or matters of which the Board should be aware, identifying any matters in respect of which it considers that action or improvement is needed, and making relevant recommendations.

The AC meets at least four times a year with the presence of the Bank's executives including the Chief Executive, Deputy Chief Executive, Group Chief Financial Officer, Group Financial Controller, Group Chief Risk Officer and Group Head of Risk Management, Group Chief Credit Officer, Group Head of Internal Audit, and representatives from the Bank's external auditor. Special meetings of the AC are held when necessary.

As at the date of this Statement, the AC comprises four members and all the members are INEDs. The members of the AC are Messrs. Paul Franz Winkelmann (Chairman), Robert Tsai-To Sze, Blair Chilton Pickerell and Nancy Ha-Fong Chan. The AC held four meetings in 2024. The AC was established with written terms of reference and its major roles and functions are as follows:

- To ensure the objectivity and credibility of financial reporting
- To review the internal control system and compliance with regulatory requirements
- To make recommendation to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor
- To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards
- To approve the appointment, resignation or dismissal of the head of internal audit
- To approve audit plans
- To review the effectiveness of the internal audit function
- To review findings and reports of the internal and external auditors
- To review and monitor the integrity of the Bank's annual and interim financial statements, including significant financial reporting judgments used in producing the financial statements
- To review the Bank's internal controls and reports its major findings and comments to the Board

(ii) Nomination and Remuneration Committee

The Nomination and Remuneration Committee ("NRC") is responsible for overseeing the remuneration matters of the Bank, and also to review and endorse the nomination of candidates for appointment as Non-Executive Directors (including INEDs), Executive Directors and Senior Management, prior to the approval by the Board of the Bank. The NRC reports to the Board regularly on its findings, decisions and recommendations.

The NRC meets at least twice a year and at such other times as the NRC deems appropriate.

Part VIII. Corporation governance (Continued)

(ii) Nomination and Remuneration Committee (Continued)

As at the date of this Statement, the NRC comprises three members, majority of whom are INEDs and is chaired by an INED. The members of the NRC are Messrs. Robert Tsai-To Sze (Chairman) and,David Wai-Hung Tam who are INEDs of the Bank and Mr. Gary Pak-Ling Wang, who is an ED and the Deputy Chief Executive of the Bank. The NRC held three meetings in 2024.

The NRC was established with written terms of reference and its major roles and functions are as follows:

- To review and endorse the nomination of directors and senior management
- To assist the Board in discharging its responsibility for the design and operation of the Bank's remuneration system
- To review and make recommendation to the Board in respect of the Bank's remuneration policy and practices
- To review and endorse the specific remuneration packages of directors and senior management
- To ensure that regular review of the Bank's remuneration system and its operation is conducted
- To review the structure, size, composition and diversity of the Board and also its committees at least annually and make recommendations on any proposed changes to the Board
- To regularly review the efficiency and effectiveness of the functioning of the Board and also its committees, particularly in respect of the composition of Board and committee members
- To advise and assist the Board in discharging its culture reform and related responsibilities

(iii) Risk Management and Compliance Committee

The Risk Management and Compliance Committee ("RMCC") is to provide guidance and oversight on the Bank's risk management strategy and development, review risk management issues and the resolution thereof, review risk management policies and major risk limits prior to the approval by the Board, and review major regulatory compliance issues and development, and exercise oversight on the compliance function and activities of the Bank. It has the authority to conduct any enquiry and review on matters related to risk management and compliance with risk policy and regulatory requirements. The RMCC reports to the Board regularly, drawing the Board's attention to significant issues or matters of which the Board should be aware, identifying any matters in respect of which it considers that action or improvement is needed, and making relevant recommendations.

The RMCC meets at least four times a year with the Bank's executives including the Chief Executive, Deputy Chief Executives, Group Chief Risk Officer and Group Head of Risk Management, Group Head of Compliance, Group Head of AML and Financial Crime Risk, and Group Chief Operating Officer and Group Head of Information Technology. Special meetings of the RMCC are held when necessary.

As at the date of this Statement, the RMCC comprises four members, majority of whom are INEDs and is chaired by an INED. The members of the RMCC are Messrs. Blair Chilton Pickerell (Chairman), Paul Franz Winkelmann and Kin-Sang Cheung (Alex Cheung), who are INEDs of the Bank and Mr. Harold Tsu-Hing Wong, who is and ED and the Chief Executive of the Bank. The RMCC held four meetings in 2024.

The RMCC was established with written terms of reference and its major roles and functions are as follows:

- To assist the Board in reviewing all major risk management policies and risk limits, including capital management policy and capital plan, as well as the recovery plan
- To assist the Board in reviewing all major compliance and legal issues, including those relating to anti-money laundering
- To assist the Board in overseeing the implementation of the stress-testing programme, reviewing the stress-testing results, including the stress test against capital plan and ensuring that suitable actions are taken to mitigate potential risks where necessary
- To monitor and ensure that major risk management policies and risk limits of the Bank and its subsidiaries comply with relevant regulatory requirements, and follow up on non-compliance issues and their resolutions
- To provide periodic update to the Board on its work, finding and recommendations

Part VIII. Corporation governance (Continued)

(iii) Risk Management and Compliance Committee (Continued)

- To review any risk and/or compliance issues raised by the HKMA which are considered significant by the Group Chief Risk Officer and Group Head of Risk Management, Group Head of Compliance, Group Head of AML and Financial Crime Risk, Group Chief Operating Officer and Group Head of Information Technology or Group Head of Internal Audit
- To oversee the resourcing for the risk management and compliance functions of the Bank, including anti-money laundering and counter-terrorist financing
- To interact with the AC to ensure consistency and compatibility in actions and minimize any potential gaps in risk management oversight
- To promote sound risk governance and a strong risk management culture and provide guidance and oversight on the development of risk management strategies as well as the risk tolerance and risk appetite of the Bank

Risk Appetite Framework

The Bank's risk appetite is defined as the level of risk the Bank is willing to take, having regard to its resources and financial capacity, strategic objectives and regulatory constraints (e.g. capital and liquidity requirements), with the expectation that the risk taken or to be pursued is sufficiently compensated or at acceptable return with reasonable confidence level. Against this background, the risk appetite framework is comprised of a Risk Appetite Statement ("RAS") and a set of risk tolerance is established. The RAS covers five key dimensions of the risks and returns of the Bank, namely the target returns to shareholders, earnings volatility, solvency, liquidity and others while more granular risk types including credit risk, market risk, liquidity risk, interest rate risk and other less quantifiable risks (e.g. operational risk, reputation risk, strategic risk, technology risk, cyber risk, legal risk and conduct risk, etc.) are controlled under different risk limits and risk mitigation measures that constitute the risk tolerance of the Bank.

The RAS is a high level statement which sets out the risk-return requirements as well as the risk taking capacity of the Bank, taking into account its financial and capital strength and covers a wide range of metrics including return on average shareholders' funds, liquidity maintenance ratio, core funding ratio, leverage ratio and measures of impact on profitability and capital adequacy ratio under selected stress scenarios, etc. Moreover, to ensure that the Bank's operations and risk taking activities are in line with the RAS, the Bank has adopted a set of risk tolerance levels to govern and control specific categories of risk, which is made up of major quantitative risk limits as well as some qualitative measures.

As for the process of risk appetite setting, the Board determines the optimal risk appetite having regard to the Bank's capital, risk profile and strategy. In addition, the Board is responsible for overseeing the development and monitoring of the Bank's risk appetite to ensure that the Bank is able to achieve sustainable growth in pursuing its business strategy, operating within its tolerance levels. The RAS is designed to be consistent with the Bank's business strategy, risk and return balance and market outlook, for the medium to longer term and it is not intended to be changed frequently, unless there are significant changes in the Bank's strategy and operating environment. Furthermore, during the annual and other ad hoc reviews of the RAS framework, risk scenarios covering different courses of development of the global economies including highly stressed scenarios are developed for the purpose of conducting the firm-wide stress test. The results together with regulatory developments will be taken as one of the key considerations in the review of risk appetite.

Compliance with the RAS and risk tolerance is monitored and reported to the Board and the RMCC respectively on a quarterly basis to ensure that the businesses of the Bank are conducted within the requirements of the risk appetite framework. Moreover, the risk appetite framework and major risk appetite limits are subject to the review by the RMCC and the Board on an annual basis, when the annual budget and medium term plan of the Bank are reviewed and approved, or new business and risk strategies are to be approved.

Part VIII. Corporation governance (Continued)

Recruitment and Selection of Members of the Board

The Bank uses a formal, considered and transparent procedure for the appointment of new Directors. The proposed appointment will first be reviewed by the NRC, taking into account the balance of skills, knowledge and experience on the Board. Upon recommendation of the NRC, the proposed appointment will then be reviewed and, if thought fit, approved by the Board after due deliberation.

In accordance with the requirement under the Banking Ordinance, approval from the HKMA will need to be sought prior to the appointment of any person as a Director of the Bank.

The Bank issues appointment letters to each of the INEDs, setting out the terms and conditions of their appointments. For proposed appointment as INEDs of the Bank, the factors as laid down in the HKMA's Guidance on Empowerment of INEDs will be considered to assess the independence of a proposed INED of the Bank. The same factors will be revisited to reassess the independence of any INED who has served the Board of the Bank for more than 9 years, where applicable.

The Bank has in place a Board Appointment and Succession Policy. The Board or NRC should satisfy itself that the candidate nominated for appointment is a fit and proper person for appointment, taking into account the following features and attributes of the candidate:

- age
- gender diversity
- education background and professional qualification
- experience, especially working and commercial experience
- stature and reputation in the community
- capability
- professional and/ or business management skills
- track record
- independence of mind (particularly in the case of non-executive directors and INEDs)
- any financial or other interest in the business of the Bank
- other directorship
- intellectual strength
- fitness and propriety

Candidates as proposed Board members should not have any conflict of interest that may impede their ability to perform their duties independently and objectively or subject them to undue influence from:

- personal, professional or other economic relationships with other members of the board or management (or with other entities within the group)
- other persons including shareholders
- relationship arising from or connected to past or present positions held

A Board director candidate has to confirm that there is no conflict of interest prior to his/her appointment, apart from clearance under the relevant regulatory requirements relating to connected lending.

Part VIII. Corporation governance (Continued)

Remuneration Information

Remuneration information in line with the requirements set out in CG-5 is disclosed in Part VII of this disclosure statement.

Major Share Ownership and Voting Rights and Related-party Transactions

The Bank is a wholly owned subsidiary of Dah Sing Banking Group Limited. The ultimate holding company of the Bank is Dah Sing Financial Holdings Limited. Both Dah Sing Banking Group Limited and Dah Sing Financial Holdings Limited are listed companies in Hong Kong.

The Bank's related party transactions are set out in Note 42 to the Group's Annual Report 2024 published in the Bank's website at www.dahsing.com and is accessible at the following direct link: http://www.dahsing.com/html/en/about_us/financial.html.

Others

During the year ended 31 December 2024, the Bank did not engage in any material and complex or non-transparent structure that is difficult for supervisors and stakeholders of the Bank to reasonably assess the risks to which it is exposed.

Abbreviations

A	
AI	Authorised institution
AMA	Advanced measurement approach
ASA	Alternative standardised approach
AT1	Additional Tier 1
B	
BIA	Basic indicator approach
BSC	Basic approach
C	
CCF	Credit conversion factor
CCP	Central counterparty
CCR	Counterparty credit risk
CCyB	Countercyclical capital buffer
CET1	Common Equity Tier 1
CIS	Collective investment scheme
CRM	Credit risk mitigation
CVA	Credit valuation adjustment
D	
D-SIBs	Domestic systemically important banks
E	
EAD	Exposure at default
F	
FBA	Fall-back approach
G	
G-SIBs	Global systemically important banks
H	
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China
I	
IMM	Internal models approach
IMM(CCR)	Internal models (counterparty credit risk) approach
IRB	Internal ratings-based approach
IRB(S)	Internal ratings-based (securitisation) approach
J	
JCCyB	Jurisdiction countercyclical capital buffer
L	
LAC	Loss-absorbing capacity
LTA	Look through approach
M	
MBA	Mandate-based approach
N	
N/A	Not applicable
O	
OTC	Over-the-counter
P	
PFE	Potential future exposure
PSE	Public sector entity
R	
RC	Replacement cost
RW	Risk-weight
RWA	Risk-weighted asset/risk-weighted amount

Abbreviations (Continued)

S	
SA-CCR	Standardised approach for counterparty credit risk
SFT	Securities financing transaction
STC	Standardised (credit risk) approach
STC(S)	Standardised (securitisation) approach
STM	Standardised (market risk) approach
STO	Standardised (operational risk) approach
V	
VaR	Value at risk