



星展銀行（香港）有限公司
DBS BANK (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

REGULATORY DISCLOSURE STATEMENTS
For the six months ended 30 June 2021

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

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1 INTRODUCTION

The information contained in this document is for DBS Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (“the Group”) and is prepared in accordance with the Banking (Disclosure) Rules and disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”).

Basis of preparation

For regulatory reporting purposes, the Bank computes key regulatory ratios and disclosures on a combined basis including the Bank and its overseas branch, unless otherwise specified.

For the purposes of calculating the risk-weighted assets (“RWA”), the Bank uses the Internal Ratings-Based (“IRB”) approach for the majority of its credit risk exposures and the Standardized approach for those exempted from the IRB approach. The Bank uses the respective Standardized approaches for market risk and operational risk.

The numbers in this document are expressed in millions of Hong Kong dollars, unless otherwise stated.

2 SCOPE OF CONSOLIDATION

For regulatory reporting purposes, the Bank computes key regulatory ratios on a combined basis including the Bank and its overseas branch, unless otherwise specified. It is different from the basis of consolidation for accounting purposes.

The following entities are within the Group’s accounting scope of consolidation but excluded from the regulatory scope of consolidation.

Name of entity	Principal activities	Total Assets In HK\$ millions	Total Equity In HK\$ millions
Dao Heng Finance Limited	Inactive	63	62
Hang Lung Bank (Nominee) Limited	Inactive	–	–
DBS Kwong On (Nominees) Limited	Inactive	–	–
Overseas Trust Bank Nominees Limited	Inactive	–	–
Ting Hong Nominees Limited	Provision of nominee, trustee and agency services	–	–
DBS Trustee (Hong Kong) Limited	Inactive	5	5

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3 KEY PRUDENTIAL RATIOS

The following table provides an overview of the Bank's key prudential ratios which were calculated in accordance with the following Rules, where relevant, issued by the HKMA.

- Banking (Capital) Rules (“BCR”)
- Banking (Liquidity) Rules (“BLR”)

In HK\$ millions		As at 30 June 2021	As at 31 March 2021	As at 31 December 2020	As at 30 September 2020	As at 30 June 2020
Regulatory Capital (amount)						
1	Common Equity Tier 1 (CET1)	41,807	40,534	39,393	40,577	39,458
2	Tier 1	43,207	41,934	40,793	41,977	40,858
3	Total Capital	47,872	46,665	45,422	46,574	45,284
RWA (amount)						
4	Total RWA	247,236	245,419	249,312	233,842	222,905
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	16.9	16.5	15.8	17.4	17.7
6	Tier 1 ratio (%)	17.5	17.1	16.4	18.0	18.3
7	Total Capital ratio (%)	19.4	19.0	18.2	19.9	20.3
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.500	2.500	2.500	2.500	2.500
9	Countercyclical capital buffer requirement (%)	0.782	0.780	0.792	0.817	0.852
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.0	0.0	0.0	0.0	0.0
11	Total AI-specific CET1 buffer requirements (%)	3.282	3.280	3.292	3.317	3.352
12	CET1 available after meeting the AI's minimum capital requirements (%)	11.4	11.0	10.2	11.9	12.3
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	468,957	475,915	519,925	477,872	473,319
14	LR (%)	9.2	8.8	7.8	8.8	8.6
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15	Total high quality liquid assets (HQLA)	41,033	44,972	50,669	38,014	34,720
16	Total net cash outflows	28,295	29,418	36,640	25,023	23,246
17	LCR (%)	145.2	153.4	145.5	152.2	149.4
Applicable to category 2 institution only:						
17a	LMR (%)	NA	NA	NA	NA	NA
Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)						
Applicable to category 1 institution only:						
18	Total available stable funding	290,594	284,633	293,684	293,164	293,840
19	Total required stable funding	247,417	249,375	258,150	254,057	255,745
20	NSFR (%)	117.5	114.1	113.8	115.4	114.9
Applicable to category 2A institution only:						
20a	CFR (%)	NA	NA	NA	NA	NA

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4 OVERVIEW OF RISK-WEIGHTED ASSETS

The following table sets out the Bank's RWA and the corresponding minimum capital requirements by risk types.

The Bank adopts Standardized (Counterparty Credit Risk) ("SA-CCR") approach to calculate its counterparty default risk exposures for derivative contracts in accordance with the BCR which has been effective since 30 June 2021. Current Exposure Method ("CEM") was applied for the prior quarter disclosures.

In HK\$ millions		RWA		Minimum capital requirements ^{1/}
		As at 30 June 2021	As at 31 March 2021	As at 30 June 2021
1	Credit risk for non-securitization exposures	207,725	208,510	17,542
2	<i>Of which STC approach</i>	15,192	15,951	1,215
2a	<i>Of which BSC approach</i>	–	–	–
3	<i>Of which foundation IRB approach</i>	172,504	175,436	14,628
4	<i>Of which supervisory slotting criteria approach</i>	20,029	17,123	1,699
5	<i>Of which advanced IRB approach</i>	–	–	–
6	Counterparty default risk and default fund contributions	3,346	1,974	283
7	<i>Of which SA-CCR approach</i>	3,322	NA	281
7a	<i>Of which CEM</i>	NA	1,963	NA
8	<i>Of which IMM(CCR) approach</i>	–	–	–
9	<i>Of which others</i>	24	11	2
10	CVA Risk	2,415	1,173	193
11	Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12	Collective investment scheme ("CIS") exposures – LTA	NA	NA	NA
13	CIS exposures – MBA	NA	NA	NA
14	CIS exposures – FBA	NA	NA	NA
14a	CIS exposures – combination of approaches	NA	NA	NA
15	Settlement Risk	–	5	–
16	Securitization exposures in banking book	–	–	–
17	<i>Of which SEC – IRBA</i>	–	–	–
18	<i>Of which SEC – ERBA (including IAA)</i>	–	–	–
19	<i>Of which SEC – SA</i>	–	–	–
19a	<i>Of which SEC – FBA</i>	–	–	–
20	Market risk	1,213	1,227	97
21	<i>Of which STM approach</i>	1,213	1,227	97
22	<i>Of which IMM approach</i>	–	–	–

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4 OVERVIEW OF RISK-WEIGHTED ASSETS (continued)

In HK\$ millions		RWA		Minimum capital requirements ¹¹
		As at 30 June 2021	As at 31 March 2021	As at 30 June 2021
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	NA	NA	NA
24	Operational risk	20,751	20,816	1,660
24a	Sovereign concentration risk	–	–	–
25	Amounts below the thresholds for deduction (subject to 250% RW)	93	95	7
26	Capital floor adjustment	–	–	–
26a	Deduction to RWA	(55)	(49)	(4)
26b	<i>Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital</i>	(55)	(49)	(4)
26c	<i>Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital</i>	–	–	–
27	Total	235,488	233,751	19,778

¹¹ Minimum capital requirements correspond to 8% of the RWA, after applicable scaling factor of 1.06 for exposures measured under the IRB approach.

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5 COMPOSITION OF REGULATORY CAPITAL

5.1 Composition of Regulatory Capital

As at 30 June 2021		Component of Regulatory Capital In HK\$ millions	Cross Reference to Section 5.2 Reconciliation of Regulatory Capital to Balance Sheet
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	7,595	(4)
2	Retained earnings	32,149	(6)
3	Disclosed reserves	2,788	(7)
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	NA	NA
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	42,532	
CET1 capital: regulatory deductions			
7	Valuation adjustments	2	
8	Goodwill (net of associated deferred tax liabilities)	–	
9	Other intangible assets (net of associated deferred tax liabilities)	–	
10	Deferred tax assets (net of associated deferred tax liabilities)	308	(2)
11	Cash flow hedge reserve	415	(8)
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	–	
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)	NA	NA

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5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.1 Composition of Regulatory Capital (continued)

As at 30 June 2021		Component of Regulatory Capital In HK\$ millions	Cross Reference to Section 5.2 Reconciliation of Regulatory Capital to Balance Sheet
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	NA	NA
22	Amount exceeding the 15% threshold	NA	NA
23	of which: significant investments in the ordinary share of financial sector entities	NA	NA
24	of which: mortgage servicing rights	NA	NA
25	of which: deferred tax assets arising from temporary differences	NA	NA
26	National specific regulatory adjustments applied to CET1 capital	–	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	–	
26b	Regulatory reserve for general banking risks	–	
26c	Securitization exposures specified in a notice given by the MA	–	
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)	–	
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	725	
29	CET1 capital	41,807	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	1,400	
31	of which: classified as equity under applicable accounting standards	1,400	(5)
32	of which: classified as liabilities under applicable accounting standards	–	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	–	

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5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.1 Composition of Regulatory Capital (continued)

As at 30 June 2021		Component of Regulatory Capital In HK\$ millions	Cross Reference to Section 5.2 Reconciliation of Regulatory Capital to Balance Sheet
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	1,400	
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	1,400	
45	Tier 1 capital (T1 = CET1 + AT1)	43,207	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	4,193	(3)
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	–	
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	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	–	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	472	(1)
51	Tier 2 capital before regulatory deductions	4,665	
Tier 2 capital: regulatory deductions			

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5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.1 Composition of Regulatory Capital (continued)

As at 30 June 2021		Component of Regulatory Capital In HK\$ millions	Cross Reference to Section 5.2 Reconciliation of Regulatory Capital to Balance Sheet
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)	–	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	–	
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)	–	
55a	Significant LAC investments in non-capital LAC liabilities of 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	–	
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	–	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	–	
57	Total regulatory adjustments to Tier 2 capital	–	
58	Tier 2 capital (T2)	4,665	
59	Total regulatory capital (TC = T1 + T2)	47,872	
60	Total RWA	247,236	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	16.9%	
62	Tier 1 capital ratio	17.5%	
63	Total capital ratio	19.4%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.282%	
65	of which: capital conservation buffer requirement	2.5%	

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5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.1 Composition of Regulatory Capital (continued)

As at 30 June 2021		Component of Regulatory Capital In HK\$ millions	Cross Reference to Section 5.2 Reconciliation of Regulatory Capital to Balance Sheet
66	of which: bank specific countercyclical capital buffer requirement	0.782%	
67	of which: higher loss absorbency requirement	0.0%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	11.4%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	NA	NA
70	National Tier 1 minimum ratio	NA	NA
71	National Total capital minimum ratio	NA	NA
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	962	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	37	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	NA	NA
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	NA	NA
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)	247	
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	192	
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)	280	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	1,237	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			

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5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.1 Composition of Regulatory Capital (continued)

As at 30 June 2021		Component of Regulatory Capital In HK\$ millions	Cross Reference to Section 5.2 Reconciliation of Regulatory Capital to Balance Sheet
80	Current cap on CET1 capital instruments subject to phase-out arrangements	NA	NA
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	NA
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)	–	

Note 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 are disclosed below:

Row No.	Description	Hong Kong basis HK\$M	Basel III basis HK\$M
	Deferred tax assets (net of associated deferred tax liabilities)	308	–
10	<p><u>Explanation</u></p> <p>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.</p> <p>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 or other credit exposures to connected companies) under Basel III.</p>		

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5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.2 Reconciliation of Regulatory Capital to Balance Sheet

In HK\$ millions	Balance sheet as in published financial statements As at 30 June 2021	Under regulatory scope of consolidation As at 30 June 2021	Cross reference to Section 5.1 Composition of Regulatory Capital
Assets			
Cash and balances with central banks	3,558	3,558	
Government securities and treasury bills	33,287	33,287	
Due from banks	161,595	161,595	
Derivatives	1,443	1,443	
Bank and corporate securities	9,780	9,780	
Loans and advances to customers	220,369	220,369	
<i>of which: Allowances eligible for inclusion in Tier 2 capital</i>		(472)	(1)
Other assets	5,760	5,760	
<i>of which: Deferred tax assets</i>		308	(2)
Subsidiaries	–	39	
Properties and other fixed assets	4,143	4,143	
Goodwill	168	–	
Total assets	440,103	439,974	
Liabilities			
Due to banks	14,998	14,998	
Deposits and balances from customers	357,683	357,695	
Derivatives	1,619	1,619	
Certificates of deposit issued	130	130	
Other liabilities	17,349	17,348	
Amount due to subsidiaries	–	59	
Subordinated liability	4,193	4,193	(3)
Total liabilities	395,972	396,042	
Equity			
<i>Ordinary shares</i>		7,595	(4)
<i>Preference shares</i>		1,400	(5)
Share capital	8,995	8,995	
<i>Retained earnings</i>		32,149	(6)
<i>Other reserves</i>		2,788	(7)
<i>of which: Cash flow hedge reserves</i>		415	(8)
Reserves	35,136	34,937	
Total equity	44,131	43,932	
Total liabilities and equity	440,103	439,974	

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5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.3 Main Features of Regulatory Capital Instruments

		CET 1 Capital Ordinary Shares	Additional Tier 1 Capital HK\$1.4b Preference Shares issued in October 2016	Tier 2 Capital US\$540m Subordinated Loan issued in December 2017
1	Issuer	DBS Bank (Hong Kong) Limited	DBS Bank (Hong Kong) Limited	DBS Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA	NA
3	Governing law(s) of the instrument	Hong Kong law	Hong Kong Law	Hong Kong law
<i>Regulatory treatment</i>				
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2
6	Eligible at solo/group/group & solo	Solo	Solo	Solo
7	Instrument type	Ordinary Shares	Preference Shares	Subordinated loan
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	HK\$7,595 million	HK\$1,400 million	HK\$4,193 million
9	Par value of instrument	NA	HK\$1,400 million	US\$540 million
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability - amortized cost
11	Original date of issuance	Various dates	13 October 2016	13 December 2017
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	No maturity	No maturity	13 December 2027
14	Issuer call subject to prior supervisory approval	No	Yes	Yes

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5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.3 Main Features of Regulatory Capital Instruments (continued)

		CET 1 Capital Ordinary Shares	Additional Tier 1 Capital HK\$1.4b Preference Shares issued in October 2016	Tier 2 Capital US\$540m Subordinated Loan issued in December 2017
15	Optional call date, contingent call dates and redemption amount	NA	First optional call date: 13 October 2021 Contingent call dates: Change of Qualification Event, or Tax event Redemption amount: Liquidation Preference together with, subject to certain limitations and qualifications, accrued but unpaid Dividends	First optional call date: 13 December 2022 Contingent call dates: Change of Qualification Event or Tax Event Redemption amount: Principal amount together with accrued and unpaid interest
16	Subsequent call dates, if applicable	NA	Optional call dates – any date after 13 October 2021	Optional call dates – any date after 13 December 2022
<i>Coupons / dividends</i>				
17	Fixed or floating dividend/coupon	Discretionary dividend amount	Fixed	Floating
18	Coupon rate and any related index	NA	3.9% per annum	USD 3-month LIBOR plus 1.62% per annum
19	Existence of a dividend stopper	NA	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Mandatory
21	Existence of step-up or other incentive to redeem	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Convertible	Non-convertible

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.3 Main Features of Regulatory Capital Instruments (continued)

		CET 1 Capital Ordinary Shares	Additional Tier 1 Capital HK\$1.4b Preference Shares issued in October 2016	Tier 2 Capital US\$540m Subordinated Loan issued in December 2017
24	If convertible, conversion trigger(s)	NA	The Preference shares would be converted into ordinary shares of the Bank upon the occurrence of the trigger event. Trigger event is the earlier of: (i) The HKMA notifying the Bank in writing that it is of the opinion that a conversion is necessary, without which the Bank would become non-viable, or (ii) 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.	NA
25	If convertible, fully or partially	NA	Fully or partially	NA
26	If convertible, conversion rate	NA	Conversion price is the net tangible assets per ordinary share at the latest month end prior to conversion, floored at HK\$1 per ordinary share	NA
27	If convertible, mandatory or optional conversion	NA	Mandatory	NA
28	If convertible, specify instrument type convertible into	NA	Common Equity Tier 1	NA

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.3 Main Features of Regulatory Capital Instruments (continued)

		CET 1 Capital Ordinary Shares	Additional Tier 1 Capital HK\$1.4b Preference Shares issued in October 2016	Tier 2 Capital US\$540m Subordinated Loan issued in December 2017
29	If convertible, specify issuer of instrument it converts into	NA	DBS Bank (Hong Kong) Limited	NA
30	Write-down feature	No	No	Yes
31	If write-down, write-down trigger(s)	NA	NA	Trigger event is the earlier of: (i)The HKMA notifying the Bank in writing that it is of the opinion that a write-off is necessary, without which the Bank would become non-viable, or (ii)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.
32	If write-down, full or partial	NA	NA	Fully or Partially
33	If write-down, permanent or temporary	NA	NA	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA	NA

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.3 Main Features of Regulatory Capital Instruments (continued)

		CET 1 Capital Ordinary Shares	Additional Tier 1 Capital HK\$1.4b Preference Shares issued in October 2016	Tier 2 Capital US\$540m Subordinated Loan issued in December 2017
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Immediately subordinated to Additional Tier 1 capital instruments	Immediately subordinated to Tier 2 capital instruments	Immediately subordinated to senior creditors
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	NA	NA	NA

Terms and conditions – Ordinary Shares Terms and conditions – Preference Shares Terms and conditions – Subordinated Loan

<https://www.dbs.com/iwov-resources/pdf/hongkong/tnc-ordinary-shares.pdf>

<https://www.dbs.com/iwov-resources/pdf/hongkong/tnc-preference-shares.pdf>

<https://www.dbs.com/iwov-resources/pdf/hongkong/tnc-subordinated-loan-agreement.pdf>

6 COUNTERCYCLICAL CAPITAL BUFFER

6.1 Geographical Distribution of Credit Exposures used in Countercyclical Capital Buffer

The following table provides an overview of the geographical distribution of the RWA of private sector credit exposures relevant for the calculation of the Bank's Countercyclical Capital Buffer ("CCyB") ratio.

In HK\$ millions		As at 30 June 2021			
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio	AI-specific CCyB ratio (%)	CCyB amount
1	Hong Kong SAR	1.0	131,292		
	Sum		131,292		
	Total		167,932	0.782	1,933

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7 LEVERAGE RATIO

7.1 Summary Comparison of Accounting Assets Against Leverage Ratio Exposure Measure

The following tables provide a reconciliation of the Group's balance sheet assets with the leverage ratio exposure measure and the breakdown of the Bank's leverage ratio regulatory elements.

In HK\$ millions

	Item	Value under the LR framework As at 30 June 2021
1	Total consolidated assets as per published financial statements	440,103
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	37
2a	Adjustment for securitized 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 LR exposure measure	–
3a	Adjustments for eligible cash pooling transactions	–
4	Adjustments for derivative contracts	3,300
5	Adjustment for SFTs (i.e. repos and similar secured lending)	246
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	27,688
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(161)
7	Other adjustments	(2,256)
8	Leverage ratio exposure measure	468,957

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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7 LEVERAGE RATIO (continued)

7.2 Leverage Ratio

In HK\$ millions		As at 30 June 2021	As at 31 March 2021
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	429,185	436,997
2	Less: Asset amounts deducted in determining Tier 1 capital	(725)	(579)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	428,460	436,418
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (whether applicable net of eligible cash variation margin and/or with bilateral netting)	1,173	1,018
5	Add-on amounts for PFE associated with all derivative contracts	3,655	2,059
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	(84)	–
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	4,744	3,077
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	11,612	5,054
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	246	112
15	Agent transaction exposures	–	–
16	Total exposures arising from SFTs	11,858	5,166
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	191,184	199,344
18	Less: Adjustments for conversion to credit equivalent amounts	(163,496)	(164,226)
19	Off-balance sheet items	27,688	35,118
Capital and total exposures			
20	Tier 1 capital	43,207	41,934
20a	Total exposures before adjustments for specific and collective provisions	472,750	479,779
20b	Adjustments for specific and collective provisions	(3,793)	(3,864)
21	Total exposures after adjustments for specific and collective provisions	468,957	475,915
Leverage ratio			
22	Leverage ratio (%)	9.2	8.8

The Bank applies the modified SA-CCR approach to calculate the counterparty default risk exposures for Leverage Ratio purposes effective from 30 June 2021.

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8 CREDIT RISK

8.1 Credit Quality of Assets

In HK\$ millions		As at 30 June 2021						
		(a)	(b)	(c)	Of which ECL accounting provisions [#] for credit losses on STC approach exposures		(f)	(g)
		Gross carrying amount of		Allowances/Impairments	Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions	Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)
Defaulted exposures	Non-defaulted exposures							
1	Loans	2,672	387,028	3,622	131	233	3,258	386,078
2	Debt securities	–	37,201	2	–	1	1	37,199
3	Off-balance sheet exposures	–	29,046	56	–	1	55	28,990
	Total	2,672	453,275	3,680	131	235	3,314	452,267

[#] ECL accounting provisions for Stage 1 and Stage 2 exposures are treated as collective provisions while provision for Stage 3 exposures are treated as specific provisions. Specific and collective provisions are ascribed to the identified standardized approach exposures.

A default is considered to have occurred with regard to a particular borrower when either or both of the following events have taken place:

- Subjective default: Borrower is considered to be unlikely to pay its credit obligations in full, without the Bank taking action such as realising security (if held).
- Technical default: Borrower is more than 90 days past due on any credit obligation to the Bank.

Loans included balances with banks, loans and advances to customers, balances with central banks, and related accrued interest receivables.

Debt securities included non-trading government securities and treasury bills, banks and corporate securities, and related accrued interest receivables.

Off-balance sheet exposures included direct credit substitutes, transaction-related contingencies, trade-related contingencies and irrecoverable loans commitment.

8.2 Changes in Stock of Defaulted Loans and Debt Securities

In HK\$ millions		Amount
1	As at 31 December 2020	3,008
2	Loans and debt securities that have defaulted since the last reporting period	448
3	Returned to non-defaulted status	(17)
4	Amounts written off	(232)
5	Other changes (note)	(535)
6	As at 30 June 2021	2,672

Note: Other changes mainly related to settlement and repayments from customers.

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REGULATORY DISCLOSURES

8 CREDIT RISK (continued)

8.3 Overview of Recognized Credit Risk Mitigation

In HK\$ millions		As at 30 June 2021				
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	295,350	90,728	74,230	6,160	–
2	Debt securities	37,199	–	–	–	–
3	Total	332,549	90,728	74,230	6,160	–
4	Of which defaulted	503	824	438	329	–

8.4 Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation – STC approach

In HK\$ millions		As at 30 June 2021					
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density (%)
1	Sovereign exposures	45	–	773	–	–	0
2	PSE exposures	317	252	325	125	90	20
2a	Of which: domestic PSEs	317	252	325	125	90	20
2b	Of which: foreign PSEs	–	–	–	–	–	–
3	Multilateral development bank exposures	1,356	–	1,356	–	–	0
4	Bank exposures	56	–	65	1	37	56
5	Securities firm exposures	–	1,184	–	100	50	50
6	Corporate exposures	13,131	9,363	11,294	126	10,720	94
7	CIS exposures	–	–	–	–	–	–
8	Cash items	–	–	–	–	–	–
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	–	–	–	–	–	–
11	Residential mortgage loans	1,394	–	1,394	–	488	35
12	Other exposures which are not past due exposures	3,392	1,400	3,344	92	3,435	100

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8 CREDIT RISK (continued)

8.4 Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation – STC approach (continued)

In HK\$ millions		As at 30 June 2021					
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density (%)
13	Past due exposures	258	–	258	–	372	144
14	Significant exposures to commercial entities	–	–	–	–	–	–
15	Total	19,949	12,199	18,809	444	15,192	79

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8 CREDIT RISK (continued)

8.5 Credit Risk Exposures by Asset Classes and by Risk Weights – STC approach

In HK\$ millions		As at 30 June 2021										
Risk Weight	Exposure class	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
		1	Sovereign exposures	773	-	-	-	-	-	-	-	
2	PSE exposures	-	-	450	-	-	-	-	-	-	-	450
2a	Of which: domestic PSEs	-	-	450	-	-	-	-	-	-	-	450
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	1,356	-	-	-	-	-	-	-	-	-	1,356
4	Bank exposures	-	-	34	-	3	-	29	-	-	-	66
5	Securities firm exposures	-	-	-	-	100	-	-	-	-	-	100
6	Corporate exposures	-	-	-	-	1,401	-	10,019	-	-	-	11,420
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Cash items	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-
11	Residential mortgage loans	-	-	-	1,394	-	-	-	-	-	-	1,394
12	Other exposures which are not past due exposures	-	-	-	-	-	-	3,436	-	-	-	3,436
13	Past due exposures	1	-	10	-	-	-	1	246	-	-	258
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	Total	2,130	-	494	1,394	1,504	-	13,485	246	-	-	19,253

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8 CREDIT RISK (continued)

8.6 Credit Risk Exposures by Portfolio and PD ranges – for IRB approach

Foundation IRB Approach

	As at 30 June 2021											
	a	b	c	d	e	f	g	h	i	j	k	l
PD scale (%)	Original on-balance sheet gross exposure HK\$'M	Off-balance sheet exposures pre-CCF HK\$'M	Average CCF (%)	EAD post-CRM and post-CCF HK\$'M	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWA HK\$'M	RWA density (%)	EL HK\$'M	Provisions HK\$'M
Sovereign exposures												
0.00 to <0.15	31,596	-	-	33,098	0.01	7	45	2.5	2,086	6	1	
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	31,596	-	-	33,098	0.01	7	45	2.5	2,086	6	1	25
Bank exposures												
0.00 to <0.15	168,774	678	86	169,402	0.05	70	45	2.5	43,939	26	37	
0.15 to <0.25	377	-	-	377	0.24	7	45	2.5	239	63	-	
0.25 to <0.50	463	-	-	472	0.38	8	45	2.5	370	78	1	
0.50 to <0.75	80	-	-	80	0.61	1	45	2.5	79	99	-	
0.75 to <2.50	264	-	-	264	1.11	9	45	2.5	263	100	1	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	169,958	678	86	170,595	0.05	95	45	2.5	44,890	26	39	539
Corporate exposures - small-and-medium sized corporates												
0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to <0.75	1	3	-	1	0.56	2	35	2.5	-	45	-	
0.75 to <2.50	69	88	-	69	1.68	15	34	2.5	45	65	-	
2.50 to <10.00	23	20	-	17	4.63	8	37	2.5	16	96	-	
10.00 to <100.00	6	1	-	5	12.15	1	45	2.5	9	159	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	99	112	-	92	2.84	26	35	2.5	70	76	-	1
Corporate exposures - other												
0.00 to <0.15	38,207	36,591	7	40,622	0.09	4,999	29	2.5	6,083	15	8	
0.15 to <0.25	16,112	5,634	36	18,118	0.22	31	44	2.5	8,175	45	18	
0.25 to <0.50	20,805	8,855	14	22,050	0.32	216	41	2.5	11,171	51	29	
0.50 to <0.75	5,357	7,700	8	6,265	0.58	478	39	2.5	4,076	65	14	
0.75 to <2.50	20,341	31,826	7	23,409	1.69	2,188	39	2.5	21,704	93	153	
2.50 to <10.00	22,916	10,023	4	21,573	4.98	2,421	38	2.5	26,603	123	401	
10.00 to <100.00	5,491	942	2	4,932	14.43	603	38	2.5	8,946	181	269	
100.00 (Default)	2,198	4	50	1,872	100.00	247	43	2.5	2,891	154	978	
Sub-total	131,427	101,575	9	138,841	3.05	11,183	37	2.5	89,649	65	1,870	2,215
Total (all portfolios)	333,080	102,365	9	342,626	1.26	11,311	42	2.5	136,695	40	1,910	2,780

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8 CREDIT RISK (continued)

8.6 Credit Risk Exposures by Portfolio and PD ranges - for IRB approach (continued)

Retail IRB Approach

	As at 30 June 2021											
	a	b	c	d	e	f	g	h	i	j	k	l
PD scale (%)	Original on-balance sheet gross exposure HK\$'M	Off-balance sheet exposures pre-CCF HK\$'M	Average CCF (%)	EAD post-CRM and post-CCF HK\$'M	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWA HK\$'M	RWA density (%)	EL HK\$'M	Provisions HK\$'M
Residential mortgages exposures												
0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	-
0.15 to <0.25	9,499	-	-	9,499	0.22	5,446	13	-	1,553	16	3	-
0.25 to <0.50	6,927	-	-	6,927	0.41	1,184	13	-	1,732	25	4	-
0.50 to <0.75	9,039	-	-	9,039	0.63	1,531	13	-	2,151	24	7	-
0.75 to <2.50	14	-	-	14	1.80	4	32	-	8	58	-	-
2.50 to <10.00	268	-	-	268	9.84	119	13	-	161	60	3	-
10.00 to <100.00	15	-	-	15	33.97	11	13	-	11	77	1	-
100.00 (Default)	66	-	-	66	100.00	14	32	-	260	395	-	-
Sub-total	25,828	-	-	25,828	0.79	8,309	13	-	5,876	23	18	71
Qualifying revolving retail exposures												
0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	-
0.15 to <0.25	1,713	37,766	56	22,988	0.18	329,259	101	-	2,281	10	42	-
0.25 to <0.50	1,815	9,603	51	6,692	0.33	101,717	99	-	1,056	16	22	-
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
0.75 to <2.50	4,507	22,300	53	16,394	1.70	262,892	99	-	9,201	56	274	-
2.50 to <10.00	379	87	83	451	4.08	2,442	117	-	553	122	21	-
10.00 to <100.00	1,482	306	137	1,901	18.53	15,311	96	-	4,440	234	338	-
100.00 (Default)	77	-	-	77	100.00	971	112	-	504	656	46	-
Sub-total	9,973	70,062	55	48,503	1.63	712,592	100	-	18,035	37	743	262
Small business retail exposures												
0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	-
0.25 to <0.50	1	-	-	1	0.29	3	6	-	-	3	-	-
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	1	-	-	1	0.29	3	6	-	-	3	-	-
Other retail exposures to individuals												
0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	-
0.25 to <0.50	1,989	-	-	1,989	0.29	2,692	19	-	198	10	1	-
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
0.75 to <2.50	2,415	-	-	2,415	1.68	8,520	72	-	2,189	91	32	-
2.50 to <10.00	2,445	-	-	2,445	5.39	6,166	61	-	2,247	92	89	-
10.00 to <100.00	761	-	-	761	24.77	1,147	48	-	807	106	83	-
100.00 (Default)	26	-	-	26	100.00	136	78	-	119	456	13	-
Sub-total	7,636	-	-	7,636	5.14	18,661	52	-	5,560	73	218	80
Total (all portfolios)	43,438	70,062	55	81,968	1.69	739,565	68	-	29,471	36	979	413

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8 CREDIT RISK (continued)

8.7 Effects on RWA of Recognized Credit Derivative Contracts used as Recognized Credit Risk Mitigation – for IRB approach

The Bank does not have credit derivative contracts used as recognized credit risk mitigation.

In HK\$ millions		As at 30 June 2021	
		Pre-credit derivatives RWA	Actual RWA
1	Corporate – Specialized lending under supervisory slotting criteria approach (project finance)	359	359
2	Corporate – Specialized lending under supervisory slotting criteria approach (object finance)	–	–
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance)	–	–
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate)	19,670	19,670
5	Corporate – Specialized lending (high-volatility commercial real estate)	–	–
6	Corporate – Small-and-medium sized corporates	70	70
7	Corporate – Other corporates	89,649	89,649
8	Sovereigns	2,072	2,072
9	Sovereign foreign public sector entities	14	14
10	Multilateral development banks	–	–
11	Bank exposures – Banks	44,890	44,890
12	Bank exposures – Securities firms	–	–
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	–	–
14	Retail – Small business retail exposures	–	–
15	Retail – Residential mortgages to individuals	5,276	5,276
16	Retail – Residential mortgages to property-holding shell companies	600	600
17	Retail – Qualifying revolving retail exposures (QRRE)	18,035	18,035
18	Retail – Other retail exposures to individuals	5,560	5,560
19	Equity – Equity exposures under market-based approach (simple risk-weight method)	–	–
20	Equity – Equity exposures under market-based approach (internal models method)	–	–
21	Equity – Equity exposures under PD/LGD approach (publicly traded equity exposures held for long-term investment)	–	–
22	Equity – Equity exposures under PD/LGD approach (privately owned equity exposures held for long-term investment)	–	–
23	Equity – Equity exposures under PD/LGD approach (other publicly traded equity exposures)	–	–
24	Equity – Equity exposures under PD/LGD approach (other equity exposures)	–	–
25	Equity – Equity exposures associated with equity investments in funds (CIS exposures)	–	–
26	Other – Cash items	–	–
27	Other – Other items	6,338	6,338
28	Total (under the IRB calculation approaches)	192,533	192,533

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8 CREDIT RISK (continued)

8.8 RWA Flow Statements of Credit Risk Exposures under IRB Approach

The following table explains the change in credit RWA under IRB approach for the quarter.

In HK\$ millions	RWA
As at 31 March 2021	192,559
Asset size	1,270
Asset quality	(1,332)
Model updates	–
Methodology and policy	–
Acquisitions and disposals	–
Foreign exchange movements	36
Others	–
As at 30 June 2021	192,533

8.9 Specialized Lending Under Supervisory Slotting Criteria Approach – for IRB approach

Specialized lending under supervisory slotting criteria approach – other than HVCRE

In HK\$ millions		As at 30 June 2021									
Supervisory Rating Grade	Remaining Maturity	On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW (%)	EAD amount					RWA	Expected loss amount
					PF	OF	CF	IPRE	Total		
Strong ^A	Less than 2.5 years	4,172	939	50	–	–	–	4,875	4,875	2,438	–
Strong	Equal to or more than 2.5 years	7,396	1,877	70	513	–	–	8,278	8,791	6,153	35
Good ^A	Less than 2.5 years	3,201	743	70	–	–	–	3,757	3,757	2,630	15
Good	Equal to or more than 2.5 years	4,129	2,358	90	–	–	–	5,761	5,761	5,185	46
Satisfactory		2,632	640	115	–	–	–	3,097	3,097	3,561	87
Weak		25	–	250	–	–	–	25	25	62	1
Default		1	–	0	–	–	–	1	1	–	1
Total		21,556	6,557		513	–	–	25,794	26,307	20,029	185

^A Use of preferential risk-weights.

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9 COUNTERPARTY CREDIT RISK

9.1 Analysis of Counterparty Default Risk Exposures (Other than those to CCPs) by Approaches

In HK\$ millions		As at 30 June 2021					
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR approach (for derivative contracts)	795	2,234		1.4	4,241	3,322
2	IMM (CCR) approach			–	–	–	–
3	Simple approach (for SFTs)					–	–
4	Comprehensive approach (for SFTs)					11,670	23
5	VaR (for SFTs)					–	–
6	Total						3,345

The Bank applies SA-CCR approach to calculate its counterparty default risk exposures for derivative contracts in accordance with the BCR which has been effective since 30 June 2021.

9.2 CVA Capital Charge

In HK\$ millions		As at 30 June 2021	
		EAD post CRM	RWA
	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	4,123	2,415
4	Total	4,123	2,415

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9 COUNTERPARTY CREDIT RISK (continued)

9.3 Counterparty Default Risk Exposures (Other than those to CCPs) by Asset Classes and by Risk Weights – for STC approach

In HK\$ millions		As at 30 June 2021										
	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
	Exposure class											
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	-	-	34	-	-	-	-	-	34
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	122	-	3	-	-	-	125
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	-	-	-	-	-
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	-	-	-	-	156	-	3	-	-	-	159

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9 COUNTERPARTY CREDIT RISK (continued)

9.4 Counterparty Default Risk Exposures (Other than those to CCPs) by portfolio and PD range – for IRB approach

Foundation IRB Approach

The following table sets out the parameters used for the calculation of the Bank's CCR capital requirements for FIRB approach models. The Bank adopts FIRB approach for all of its IRB exposures which are subject to CCR capital requirements.

	As at 30 June 2021						
	a	b	c	d	e	f	g
PD scale (%)	EAD post-CRM HK\$'M	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (years)	RWA HK\$'M	RWA density (%)
Bank							
0.00 to <0.15	13,780	0.04	5	8	2.5	611	4
0.15 to <0.25	–	–	–	–	–	–	–
0.25 to <0.50	–	–	–	–	–	–	–
0.50 to <0.75	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	–	–	–
2.50 to <10.00	–	–	–	–	–	–	–
10.00 to <100.00	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	13,780	0.04	5	8	2.5	611	4
Corporate exposures – small-and-medium sized corporates							
0.00 to <0.15	–	–	–	–	–	–	–
0.15 to <0.25	–	–	–	–	–	–	–
0.25 to <0.50	–	–	–	–	–	–	–
0.50 to <0.75	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	–	–	–
2.50 to <10.00	–	–	–	–	–	–	–
10.00 to <100.00	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	–	–	–	–	–	–	–
Corporate exposures – other							
0.00 to <0.15	41	0.10	3	45	2.5	12	30
0.15 to <0.25	201	0.22	4	45	2.5	92	46
0.25 to <0.50	177	0.36	5	45	2.5	105	60
0.50 to <0.75	717	0.56	4	45	2.5	525	73
0.75 to <2.50	41	1.37	20	45	2.5	42	102
2.50 to <10.00	33	3.64	36	45	2.5	44	135
10.00 to <100.00	732	33.91	7	45	2.5	1,810	247
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	1,942	13.14	79	45	2.5	2,630	136
Total (all portfolios)	15,722	1.66	84	12	2.5	3,241	21

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9 COUNTERPARTY CREDIT RISK (continued)

9.5 Composition of Collateral for Counterparty Default Risk Exposures (including those for Contracts or Transactions Cleared through CCPs)

The following table provides a breakdown of all types of collateral posted or received by the Bank to support or reduce the CCR exposures related to derivative transactions or to Securities Financing Transactions (“SFTs”), including transactions cleared through a CCP.

In HK\$ millions	As at 30 June 2021					
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	–	–	–	1	–	–
Cash – other currencies	–	236	–	83	2,046	9,564
Other sovereign debt	–	–	–	–	9,378	2,106
Total	–	236	–	84	11,424	11,670

9.6 Credit-Related Derivatives Contracts

In HK\$ millions	As at 30 June 2021	
	Protection bought	Protection sold
Notional amounts		
Total return swaps	3,808	3,818
Total notional amounts	3,808	3,818
Fair values		
Positive fair values (asset)	16	7
Negative fair values (liability)	(7)	(16)

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9 COUNTERPARTY CREDIT RISK (continued)

9.7 Exposures to CCPs

In HK\$ millions		As at 30 June 2021	
		Exposure after CRM	RWA
1	Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)		1
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	–	–
3	(i) OTC derivative transactions	–	–
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	1	1
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	–	–

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10 MARKET RISK UNDER STANDARDIZED APPROACH

In HK\$ millions		As at 30 June 2021 RWA [#]
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	437
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures	774
4	Commodity exposures	–
	Option exposures	
5	Simplified approach	–
6	Delta-plus approach	2
7	Other approach	–
8	Securitization exposures	–
9	Total	1,213

[#] The RWA is derived by multiplying the capital requirements by 12.5.

11 INTERNATIONAL CLAIMS

Analysis of the Bank's international claims by location and by type of counterparty is as follows:

In HK\$ millions	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
As at 30 June 2021					
Developed countries	20,700	12,988	–	4,240	37,928
Offshore centres, of which	143,984	368	125	47,553	192,030
– Singapore	143,008	5	–	712	143,725
– Hong Kong	969	363	125	43,927	45,384
– Others	7	–	–	2,914	2,921
Developing Europe	–	–	–	30	30
Developing Latin America and Caribbean	6	–	–	5	11
Developing Africa and Middle East	14	–	–	41	55
Developing Asia-Pacific, of which	15,048	34	1,281	23,683	40,046
– China	13,950	34	1,281	22,043	37,308
– Others	1,098	–	–	1,640	2,738
International organisations	–	1,356	–	–	1,356
	179,752	14,746	1,406	75,552	271,456

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REGULATORY DISCLOSURES

11 INTERNATIONAL CLAIMS (continued)

In HK\$ millions	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
As at 31 December 2020					
Developed countries	16,335	13,724	–	3,812	33,871
Offshore centres, of which	194,210	571	62	43,071	237,914
– Singapore	193,519	4	–	1,086	194,609
– Hong Kong	684	567	62	39,116	40,429
– Others	7	–	–	2,869	2,876
Developing Europe	–	–	–	26	26
Developing Latin America and Caribbean	2	–	–	30	32
Developing Africa and Middle East	21	–	–	34	55
Developing Asia-Pacific	14,324	373	1,331	19,114	35,142
– China	13,853	373	1,330	17,680	33,236
– Others	471	–	1	1,434	1,906
International organisations	–	2,598	–	–	2,598
	<u>224,892</u>	<u>17,266</u>	<u>1,393</u>	<u>66,087</u>	<u>309,638</u>

The above analysis is disclosed on a net basis after taking into account the effect of any recognised risk transfer.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

12 LOANS AND ADVANCES TO CUSTOMERS

The Group employs a range of policies and practices to mitigate credit risk, one of which is the taking of collateral. The collateral includes cash, marketable securities, properties, trade receivables, inventory, equipment and other physical and financial collateral.

12.1 Loans and advances to customers by loan usage

The analysis of the Bank's gross advances to customers by loan usage and the corresponding balances covered by collateral are as follows:

In HK\$ millions	As at 30 June 2021		As at 31 December 2020	
	Outstanding balance	Balance covered by collateral	Outstanding balance	Balance covered by collateral
Gross loans and advances for use in Hong Kong				
Industrial, commercial and financial				
– Property development	13,213	9,533	9,934	7,202
– Property investment	25,324	23,658	17,568	17,115
– Financial concerns	9,125	8,103	8,425	6,346
– Stockbrokers	–	–	190	–
– Wholesale and retail trade	15,602	10,335	15,157	10,592
– Manufacturing	13,237	6,152	12,922	6,599
– Transport and transport equipment	12,220	7,774	10,917	7,842
– Recreational activities	278	254	294	266
– Information technology	2,957	258	2,756	373
– Others	9,118	5,260	6,996	4,532
Individuals				
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	52	52	62	62
– Loans for the purchase of other residential properties	24,712	24,712	24,329	24,329
– Credit card advances	8,457	–	8,205	–
– Others	26,663	20,240	22,525	16,227
	160,958	116,331	140,280	101,485
Trade finance (including trade bills)	31,242	8,280	29,319	7,885
Gross loans and advances for use outside Hong Kong	31,789	2,347	28,025	3,234
	223,989	126,958	197,624	112,604

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12 LOANS AND ADVANCES TO CUSTOMERS (continued)

12.1 Loans and advances to customers by loan usage (continued)

Analysis of impaired advances, impairment allowances for the individual loan usage category which accounted for 10% or more of the Bank's advances to customers:

In HK\$ millions	Impaired advances to customers	Specific allowances	General allowances
As at 30 June 2021			
Property investment	112	9	306
Loans for the purchase of other residential properties	34	–	6
Trade finance	1,125	692	273
Individuals – for other private purposes	232	57	455
Loans for use outside Hong Kong	56	49	64
As at 31 December 2020			
Property investment	88	11	249
Loans for the purchase of other residential properties	89	–	4
Trade finance	1,234	655	281
Individuals – for other private purposes	228	60	497
Loans for use outside Hong Kong	38	28	71

12.2 Loans and advances to customers by geographical area

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

In HK\$ millions	Loans	Trade finance (including trade bills)	Total
As at 30 June 2021			
Hong Kong	164,754	17,358	182,112
Mainland China	20,887	9,843	30,730
Others	7,106	4,041	11,147
	192,747	31,242	223,989
As at 31 December 2020			
Hong Kong	144,124	17,900	162,024
Mainland China	17,028	8,799	25,827
Others	7,153	2,620	9,773
	168,305	29,319	197,624

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12 LOANS AND ADVANCES TO CUSTOMERS (continued)

12.2 Loans and advances to customers by geographical area (continued)

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

In HK\$ millions	Impaired advances to customers	Specific allowances	General allowances
As at 30 June 2021			
Hong Kong	2,172	917	2,235
Mainland China	334	285	8
As at 31 December 2020			
Hong Kong	2,498	920	2,202
Mainland China	335	282	9

13 OVERDUE AND RESCHEDULED ASSETS

13.1 Overdue loans and advances to customers

The overdue loans and advances of the Bank are analysed as follows:

In HK\$ millions	As at 30 June 2021		As at 31 December 2020	
	%	%	%	%
	of gross loans and advances to customers	of gross loans and advances to customers	of gross loans and advances to customers	of gross loans and advances to customers
Six months or less but over three months	242	0.11	151	0.08
One year or less but over six months	496	0.22	279	0.14
Over one year	1,479	0.66	1,606	0.81
	2,217	0.99	2,036	1.03
Specific allowances made in respect of the above overdue loans and advances	1,233		1,088	
Current market value of collateral held against the covered portion of the above overdue loans and advances	1,273		1,379	
Covered portion of the above overdue loans and advances	924		978	
Uncovered portion of the above overdue loans and advances	1,293		1,058	

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13 OVERDUE AND RESCHEDULED ASSETS (continued)

13.2 Rescheduled advances

The rescheduled loans and advances of the Bank (excluding those which have been overdue for over three months and reported in section 13.1 above) are analysed as follows:

In HK\$ millions	As at 30 June 2021		As at 31 December 2020	
		% of gross loans and advances to customers		% of gross loans and advances to customers
Rescheduled loans and advances	<u>227</u>	0.10	<u>286</u>	0.14

13.3 Repossessed assets

The Bank does not have repossessed assets as at 30 June 2021 (31 December 2020: Nil).

13.4 Overdue other assets

The overdue other assets of the Bank are analysed as follows:

In HK\$ millions	As at	As at
	30 June 2021	31 December 2020
Six months or less but over three months	–	–
One year or less but over six months	–	–
Over one year	<u>8</u>	<u>28</u>
	<u>8</u>	<u>28</u>

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14 MAINLAND ACTIVITIES

The table below summarises the non-bank Mainland China exposure of the Bank (excluding its Macau Branch), categorised by types of counterparties:

As at 30 June 2021

In HK\$ millions Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
(a) Central government, central government-owned entities and their subsidiaries and joint ventures (“JVs”)	12,462	409	12,871
(b) Local governments, local government-owned entities and their subsidiaries and JVs	8,883	1,059	9,942
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	14,855	2,379	17,234
(d) Other entities of central government not reported in part (a) above	2,651	–	2,651
(e) Other entities of local governments not reported in part (b) above	36	8	44
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	8,777	2,877	11,654
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	<u>12,147</u>	<u>6,513</u>	<u>18,660</u>
Total	<u>59,811</u>	<u>13,245</u>	<u>73,056</u>
Total assets after provision	<u>438,438</u>		
On-balance sheet exposures as percentage of total assets	<u>13.64%</u>		

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14 MAINLAND ACTIVITIES (continued)

As at 31 December 2020

In HK\$ millions Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
(a) Central government, central government-owned entities and their subsidiaries and joint ventures (“JVs”)	9,779	315	10,094
(b) Local governments, local government-owned entities and their subsidiaries and JVs	8,241	427	8,668
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	10,170	1,828	11,998
(d) Other entities of central government not reported in part (a) above	2,460	3	2,463
(e) Other entities of local governments not reported in part (b) above	313	144	457
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	10,259	3,474	13,733
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	<u>12,022</u>	<u>5,753</u>	<u>17,775</u>
Total	<u>53,244</u>	<u>11,944</u>	<u>65,188</u>
Total assets after provision	<u>482,102</u>		
On-balance sheet exposures as percentage of total assets	<u>11.04%</u>		

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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15 FOREIGN EXCHANGE EXPOSURES

The table below summarises the Bank's net non-structural and net structural foreign currency positions which are prepared in accordance with the HKMA return of "Foreign Currency Position". The net options position is calculated on the basis of the delta-weighted position of foreign exchange option contracts. Structural foreign exchange positions of the Bank are arising from capital investments outside Hong Kong, mainly in Chinese Renminbi and Macau Pataca.

In HK\$ millions	USD	CNY	CAD	AUD	JPY	GBP	MOP	Others	Total
As at 30 June 2021									
Spot assets	169,494	8,875	471	3,565	12,807	3,007	512	13,579	212,310
Spot liabilities	(176,504)	(16,623)	(2,496)	(9,425)	(3,362)	(4,570)	(425)	(12,853)	(226,258)
Forward purchases	45,225	11,536	2,016	6,304	850	2,520	–	3,463	71,914
Forward sales	(39,072)	(3,751)	(6)	(389)	(9,957)	(954)	–	(4,186)	(58,315)
Net options position	–	–	–	–	–	–	–	–	–
Net long/(short) non-structural position	(857)	37	(15)	55	338	3	87	3	(349)
Net structural position	–	232	–	–	–	–	(13)	–	219
As at 31 December 2020									
Spot assets	183,031	15,629	369	4,005	11,817	3,311	614	11,748	230,524
Spot liabilities	(183,462)	(15,303)	(2,783)	(10,420)	(2,972)	(4,097)	(518)	(13,199)	(232,754)
Forward purchases	48,986	3,379	2,526	7,111	1,933	2,335	–	6,199	72,469
Forward sales	(47,407)	(3,695)	(47)	(624)	(10,427)	(1,557)	–	(4,760)	(68,517)
Net options position	–	–	–	–	–	–	–	–	–
Net long/(short) non-structural position	1,148	10	65	72	351	(8)	96	(12)	1,722
Net structural position	–	229	–	–	–	–	(16)	–	213

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

16 LIQUIDITY

16.1 Liquidity Coverage Ratio

The Bank complies with the minimum requirement of Liquidity Coverage Ratio (“LCR”) on a daily basis, in accordance with the Banking (Liquidity) Rules issued by the HKMA. The Bank is required to maintain an LCR of not less than 100%.

LCR aims to ensure that a bank has an adequate stock of unencumbered High Quality Liquid Assets (“HQLA”) to meet its liquidity needs for a 30-calendar day liquidity stress scenario. Banking (Liquidity) Rules stipulates the range of liquid assets that qualify as HQLA, as well as the applicable haircuts for each category. Net cash outflows are computed using the standardized 30-day cash flow rates defined in the same notice. The amounts after the application of haircuts or 30-day cash flow rates are reflected in the “Weighted value” column of the tables below.

The Bank seeks to ensure that its LCR remains above the specified regulatory minimum requirements. This is achieved by:

1. Establishing internal early warning triggers and thresholds based on observed movements in LCR over time;
2. Monitoring and managing the LCR closely to ensure it stays within established boundaries; and
3. Strategically managing the liquidity risk arising from the balance sheet structure.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

16 LIQUIDITY (continued)

16.1 Liquidity Coverage Ratio (continued)

Table: Average LCR for the quarter ended 30 June 2021

Number of data points used in calculating the average value of the LCR and related components set out in this template for the quarter ending on 30 June 2021: (71)		In HK\$ millions	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: unconsolidated			
A. HQLA			
1	Total HQLA		41,033
B. Cash Outflows			
2	Retail deposits and small business funding, of which:	189,702	16,815
3	<i>Stable retail deposits and stable small business funding</i>	12,830	385
4	<i>Less stable retail deposits and less stable small business funding</i>	151,743	15,174
4a	<i>Retail term deposits and small business term funding</i>	25,129	1,256
5	Unsecured wholesale funding (other than small business funding), debt securities and prescribed instruments issued by the AI, of which:	159,313	87,330
6	<i>Operational deposits</i>	16,362	3,591
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	142,866	83,654
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	85	85
9	Secured funding transactions (including securities swap transactions)		–
10	Additional requirements, of which:	23,704	2,842
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	458	458
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	–	–
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	23,246	2,384
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,838	1,838
15	Other contingent funding obligations (whether contractual or non-contractual)	165,968	746
16	Total Cash Outflows		109,571
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	3,775	–
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	136,575	79,233
19	Other cash inflows	4,196	3,701
20	Total Cash Inflows	144,546	82,934
D. Liquidity Coverage Ratio		Adjusted value	
21	Total HQLA		41,033
22	Total Net Cash Outflows		28,295
23	LCR (%)		145.2

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

16 LIQUIDITY (continued)

16.1 Liquidity Coverage Ratio (continued)

The Bank has maintained a healthy liquidity position in the second quarter of 2021, with LCR being well above regulatory requirement. Quarter-on-quarter, the Bank reduced holding of HQLA which had led to the decrease of average LCR.

(i) Composition of High Quality Liquid Assets

The Bank holds a pool of unencumbered HQLAs that is readily available to meet cash flow obligations under stress scenarios, as defined in the LCR rules. These liquid assets consist predominantly of Level 1 HQLA, including mainly Hong Kong exchange fund bills and notes, other government debt securities and balances with central banks. This is supplemented by covered bonds issued by reputable financial institutions.

(ii) Concentration of funding sources

The Bank strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. Customer deposits form a sound funding base and serve as the main source of funding for the Bank. It is complemented by a well-diversified book of wholesale funding, including but not limited to interbank money market borrowing and the issuance of certificates of deposit. For more information on the Bank's funding strategy, please refer to section 20.1.3 of annual regulatory disclosure for the year ended 31 December 2020.

(iii) Derivatives exposures

The Bank actively manages its over-the-counter ("OTC") and exchange-traded derivative contracts, which comprise mainly of currency, interest rate and bond futures, foreign exchange forwards, interest rate and cross currency swaps, and foreign exchange options. Collaterals may be required to be posted to counterparties and/or the exchanges, depending on the daily mark-to-market of these derivative positions. The Bank's largest counterparty for OTC derivatives is its parent company.

(iv) Currency mismatch

Customer deposit in Hong Kong, largely denominated in Hong Kong Dollar ("HKD") and United States Dollar ("USD"), is a major funding source for the Bank. The Bank make appropriate use of swap markets for the deployment of surplus funds to meet customer demand for loans.

(v) Centralisation of liquidity management

The Bank seeks to manage its liquidity in a prudent manner to ensure that its liquidity obligations would always be honored under normal and adverse circumstances. The Bank centrally manages its liquidity position and provides funding support to its overseas branch for the lending growth.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

16 LIQUIDITY (continued)

16.2 Net Stable Funding Ratio

The bank maintains a healthy liquidity position by keeping a stable balance sheet structure that is supported by a diversified funding base. The NSFR remains well above the regulatory minimum requirement of 100%.

The bank seeks to ensure that its NSFR remains above the specified regulatory minimum requirements, which is achieved by:

1. Monitoring the NSFR closely against an internal early warning trigger; and
2. Managing and developing strategies to build a diversified funding base with access to funding sources across retail and wholesale channels.

Table 1: NSFR for the quarter ended 30 June 2021

In HK\$ millions		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: unconsolidated		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
A. Available stable funding ("ASF") item						
1	Capital:	46,371	–	–	4,193	50,564
2	<i>Regulatory capital</i>	46,371	–	–	4,193	50,564
2a	<i>Minority interests not covered by row 2</i>	–	–	–	–	–
3	<i>Other capital instruments</i>	–	–	–	–	–
4	Retail deposits and small business funding:	–	189,428	984	5	172,035
5	<i>Stable deposits</i>		13,161	16	–	12,519
6	<i>Less stable deposits</i>		176,267	968	5	159,516
7	Wholesale funding:	–	182,354	1,829	1,859	67,995
8	<i>Operational deposits</i>		17,065	–	–	8,533
9	<i>Other wholesale funding</i>	–	165,289	1,829	1,859	59,462
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	14,126	682	–	–	–
12	<i>Net derivative liabilities</i>	680				
13	<i>All other funding and liabilities not included in the above categories</i>	13,446	682	–	–	–
14	Total ASF					290,594
15	Total HQLA for NSFR purposes	567	25,209	780	18,484	3,174
16	Deposits held at other financial institutions for operational purposes	–	365	–	–	182
17	Performing loans and securities:	15,240	177,169	20,129	171,898	233,151
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	–	9,564	–	–	956

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES
REGULATORY DISCLOSURES
16 LIQUIDITY (continued)
16.2 Net Stable Funding Ratio (continued)

Table 1: NSFR for the quarter ended 30 June 2021 (continued)

In HK\$ millions		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: unconsolidated		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	121	87,870	8,919	66,644	84,405
20	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	15,119	78,484	10,210	75,389	121,279
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
22	<i>Performing residential mortgages, of which:</i>	–	1,251	1,000	29,053	25,821
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	–	–	812	690
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	8,388	1,955	17	2,030	9,730
27	<i>Physical traded commodities, including gold</i>	–				–
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	–				–
29	<i>Net derivative assets</i>	–				–
30	<i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	1,470				73
31	<i>All other assets not included in the above categories</i>	6,918	1,955	17	2,030	9,657
32	Off-balance sheet items		189,324	–	–	1,180
33	Total RSF					247,417
34	Net Stable Funding Ratio (%)					117.5

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES
REGULATORY DISCLOSURES
16 LIQUIDITY (continued)
16.2 Net Stable Funding Ratio (continued)

Table 2: NSFR for the quarter ended 31 March 2021

In HK\$ millions		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: unconsolidated		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
A. Available stable funding ("ASF") item						
1	Capital:	44,992	–	–	4,198	49,190
2	<i>Regulatory capital</i>	44,992	–	–	4,198	49,190
2a	<i>Minority interests not covered by row 2</i>	–	–	–	–	–
3	<i>Other capital instruments</i>	–	–	–	–	–
4	Retail deposits and small business funding:	–	188,895	779	5	171,373
5	<i>Stable deposits</i>		13,207	7	–	12,554
6	<i>Less stable deposits</i>		175,688	772	5	158,819
7	Wholesale funding:		193,307	311	1,901	64,070
8	<i>Operational deposits</i>		16,200	–	–	8,100
9	<i>Other wholesale funding</i>		177,107	311	1,901	55,970
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	15,701	699	–	–	–
12	<i>Net derivative liabilities</i>	803				
13	<i>All other funding and liabilities not included in the above categories</i>	14,898	699	–	–	–
14	Total ASF					284,633
B. Required stable funding ("RSF") item						
15	Total HQLA for NSFR purposes	580	27,998	2,077	19,603	3,363
16	Deposits held at other financial institutions for operational purposes	–	507	–	–	254
17	Performing loans and securities:	15,206	172,809	27,118	172,834	234,542
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	–	3,042	–	–	304
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	85	100,240	17,272	73,559	97,315
20	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	15,121	68,273	8,844	69,136	110,177
21	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

16 LIQUIDITY (continued)

16.2 Net Stable Funding Ratio (continued)

Table 2: NSFR for the quarter ended 31 March 2021 (continued)

In HK\$ millions		(a)	(b)	(c)	(d)	(e)
Basis of disclosure: unconsolidated		Unweighted value by residual maturity				Weighted amount
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
22	<i>Performing residential mortgages, of which:</i>	–	1,254	1,002	29,443	26,155
23	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	–	–	696	591
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	8,571	2,688	4	2,065	10,094
27	<i>Physical traded commodities, including gold</i>	–	–	–	–	–
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	–	–	–	–	–
29	<i>Net derivative assets</i>	–	–	–	–	–
30	<i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	1,743	–	–	–	87
31	<i>All other assets not included in the above categories</i>	6,828	2,688	4	2,065	10,007
32	Off-balance sheet items	–	189,387	–	–	1,122
33	Total RSF	–	–	–	–	249,375
34	Net Stable Funding Ratio (%)	–	–	–	–	114.1

The NSFR remained well above the regulatory requirement in the first half of 2021. Compared to previous quarter, the NSFR as of end 2Q 2021 increased mainly due to increase in corporate deposits.

The NSFR is sensitive to (i) balance sheet movements resulting from commercial loan and deposit activities, and (ii) movements due to positions falling into the NSFR 1-year tenor, such as when the residual maturity of capital fall within the 1-year tenor.

There are no interdependent assets and liabilities as of end 1Q and 2Q 2021.

16.3 Approach to Liquidity Management

The Group's approach to liquidity risk management is based on the building blocks of governance by risk committees' oversight, policies that define overarching principles and specific risk methodologies, and standards that establish the detailed requirements. Processes and systems are in place to measure, limit and control exposures based on the risk methodologies defined. For more information on the Bank's approach to liquidity risk management, please refer to section 20.1 of annual regulatory disclosure for the year ended 31 December 2020.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

17 ABBREVIATIONS

Abbreviations	Brief Description
AI	Authorised Institutions
ASF	Available Stable Funding
AT1	Additional Tier 1
BCR	Banking (Capital) Rules
BLR	Banking (Liquidity) Rules
BSC	Basic Approach
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CF	Commodities Finance
CFR	Core Funding Ratio
CIS	Collective Investment Scheme
CRM	Credit Risk Mitigation
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Authorized Institution
DTAs	Deferred Tax Assets
EAD	Exposure At Default
ECL	Expected Credit Loss
EL	Expected Loss
EPE	Expected Positive Exposure
FBA	Fall-Back Approach
G-SIB	Global Systemically Important Authorized Institution
HKMA	Hong Kong Monetary Authority
HQLA	High Quality Liquid Assets
HVCRE	High-volatility Commercial Real Estate
IAA	Internal Assessment Approach
IMM	Internal Models Method
IMM (CCR)	Internal Models Method (Counterparty Credit Risk)
IPRE	Income-producing Real Estate

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

17 ABBREVIATIONS (continued)

Abbreviations	Brief Description
IRB	Internal Ratings-Based
JCCyB	Jurisdictional Countercyclical Capital Buffer
LAC	Loss-absorbing Capacity
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LMR	Liquidity Maintenance Ratio
LR	Leverage Ratio
LTA	Look Through Approach
MBA	Mandate-based Approach
MSRs	Mortgage Servicing Rights
NA	Not Applicable
NSFR	Net Stable Funding Ratio
OF	Object Finance
OTC	Over-the-Counter
PD	Probability of Default
PF	Project Finance
PFE	Potential Future Exposure
PSE	Public Sector Entity
PVA	Prudent Valuation Adjustments
RSF	Required Stable Funding
RWA	Risk Weighted Assets
SA-CCR	Standardized (Counterparty Credit Risk)
SEC-IRBA	Securitization Internal Ratings-Based Approach
SEC-ERBA	Securitization External Ratings-Based Approach
SEC-SA	Securitization Standardized Approach
SEC-FBA	Securitization Fall-back Approach
SFT	Securities Financing Transaction
SRW	Supervisory Risk Weights
STC	Standardized (Credit Risk)
STM	Standardized (Market Risk)
VaR	Value-at-risk