

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 2017

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

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DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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1 INTRODUCTION

The information contained in this document is for DBS Bank (Hong Kong) Limited (“the Bank”) and its subsidiaries (together “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 is required to compute its capital adequacy ratios and leverage ratio on a combined basis that includes the Bank and its overseas branch. The other financial information contained in this document is prepared based on consolidation basis that also includes its subsidiaries.

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

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

2 CAPITAL ADEQUACY

2.1 Capital Adequacy Ratios

The capital adequacy ratios were compiled in accordance with the Banking (Capital) Rules issued by the HKMA.

In HK\$ million	As at 30 June 2017	As at 31 March 2017	As at 31 December 2016
Capital			
Common Equity Tier 1	33,395	32,830	31,871
Tier 1	34,717	34,142	33,094
Total	39,104	38,487	37,353
Total RWA	198,197	198,787	204,232
Capital Adequacy Ratios			
Common Equity Tier 1	16.8%	16.5%	15.6%
Tier 1	17.5%	17.2%	16.2%
Total	19.7%	19.4%	18.3%

2.2 Capital Conservation Buffer Ratio

The capital conservation buffer ratio for calculating the Banks buffer level is 1.25% for 2017 (0.625% for 2016) in accordance with section 3M of the Banking (Capital) Rules.

2.3 Countercyclical Capital Buffer Ratio

The countercyclical capital buffer ratio was compiled in accordance with section 3O of the Banking (Capital) Rules.

	As at 30 June 2017	As at 31 December 2016
Countercyclical capital buffer ratio	1.2%	0.6%

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2 CAPITAL ADEQUACY (continued)

2.4 Geographical Distribution of RWA related to Credit Exposures used in the Countercyclical Capital Buffer Ratio

The table below sets out the geographical breakdown of the RWA of private sector credit exposures relevant for the computation of the countercyclical capital buffer.

Geographical breakdown of risk-weighted amounts in relation to private sector credit exposures

		As at 30 June 2017			
	Jurisdiction	Applicable JCCyB ratio in effect %	Total RWA used in computation of CCyB ratio HK\$'M	CCyB ratio %	CCyB amount HK\$'M
1	Hong Kong	1.25%	127,131		
2	Mainland China	0%	6,921		
3	Australia	0%	8		
4	Bangladesh	0%	5		
5	Brazil	0%	48		
6	Cambodia	0%	43		
7	Canada	0%	1		
8	Chinese Taipei	0%	526		
9	Czech Republic	0%	9		
10	Germany	0%	121		
11	India	0%	23		
12	Japan	0%	5		
13	Macau	0%	1,389		
14	Malaysia	0%	14		
15	Papua New Guinea	0%	6		
16	Paraguay	0%	1		
17	Philippines	0%	86		
18	Russia	0%	13		
19	Singapore	0%	1,578		
20	South Africa	0%	62		
21	Spain	0%	45		
22	United States	0%	75		
	Total		138,110	1.2%	1,589

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3 COMPOSITION OF CAPITAL

3.1 Financial Statements and Regulatory Scope of Consolidation

For regulatory reporting purposes, the Bank is required to compute its capital adequacy ratios and leverage ratio on a combined basis that includes the Bank and its overseas branch, while the preparation of its financial statements are based on consolidation basis that also includes its subsidiaries.

The following entities are within the Groups accounting scope of consolidation but are excluded from its regulatory scope of consolidation.

Name of entity	Principal activities	Total Assets In HK\$ million	Total Equity In HK\$ million
Dao Heng Finance Limited	Inactive	59	59
Hang Lung Bank (Nominee) Limited	Provision of nominee services	–	–
DBS Kwong On (Nominees) Limited	Provision of nominee services	–	–
Overseas Trust Bank Nominees Limited	Provision of nominee services	–	–
Ting Hong Nominees Limited	Provision of nominee, trustee and agency services	–	–
DBS Trustee (Hong Kong) Limited	Inactive	5	5
DBS Trustee H.K. (New Zealand) Limited	Provision of trustee and trust administration services	1	1
DBS COMPASS Limited	Inactive	8	8

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3 COMPOSITION OF CAPITAL (continued)

3.2 Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet

Table 1 : Reconciliation of Regulatory Scope Consolidated Balance Sheet to Capital Components

In HK\$ million	Balance sheet as per published financial statements	Under regulatory scope of consolidation	Cross reference to Table 2
	As at 30 June 2017	As at 30 June 2017	
Assets			
Cash and balances with central banks	1,135	1,135	
Government securities and treasury bills	33,274	33,274	
Due from banks	156,307	156,307	
Derivatives	1,051	1,051	
Bank and corporate securities	11,215	11,215	
Loans and advances to customers	142,593	142,593	
<i>of which: Collective impairment allowances eligible for inclusion in Tier 2 capital</i>		(155)	(1)
<i>Excess of total expected loss amount over total eligible provision under the IRB approach</i>		782	(2)
Other assets	4,809	4,809	
<i>of which: Deferred tax assets</i>		40	(3)
Subsidiaries		56	
Properties and other fixed assets	2,126	2,126	
Goodwill and intangible	172	–	
Total assets	352,682	352,566	
Liabilities			
Due to banks	11,426	11,426	
Deposits and balances from customers	271,665	271,682	
Derivatives	826	826	
Certificates of deposit issued	2,325	2,325	
Other liabilities	25,549	25,549	
Amount due to subsidiaries	–	67	
Subordinated liability	4,215	4,215	(4)
Total liabilities	316,006	316,090	
Equity			
<i>Ordinary shares</i>		7,595	(5)
<i>Preference shares</i>		1,400	(6)
Share capital	8,995	8,995	
<i>Retained earnings</i>		25,220	(7)
<i>Other reserves</i>		2,261	(8)
Reserves	27,681	27,481	
<i>of which: Retained earnings earmarked as regulatory reserve</i>		995	(9)
<i>which includes regulatory reserve eligible for inclusion in Tier 2</i>		86	(10)
<i>of which: Fair value gains on revaluation of land and buildings</i>		20	(11)
Total equity	36,676	36,476	
Total liabilities and equity	352,682	352,566	

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REGULATORY DISCLOSURES

3 COMPOSITION OF CAPITAL (continued)

3.2 Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

Table 2 : Capital Disclosures

	Component of regulatory capital reported by Bank HK\$'M	Amounts subject to Pre-Basel III Treatment HK\$'M	Cross reference to Table 1
Common Equity Tier 1 ("CET1") capital : Instruments and reserves			
1 Directly issued qualifying CET1 capital instruments plus any related share premium	7,595		(5)
2 Retained earnings	25,220		(7)
3 Disclosed reserves	2,261		(8)
4 Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)	NA		
Public sector capital injections grandfathered until 1 January 2018	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	35,076		
CET1 capital: regulatory deductions			
7 Valuation adjustments	–		
8 Goodwill (net of associated deferred tax liability)	–		
9 Other intangible assets (net of associated deferred tax liability)	–	–	
10 Deferred tax assets net of deferred tax liabilities	40		(3)
11 Cash flow hedge reserve	–		
12 Excess of total EL amount over total eligible provisions under the IRB approach	626	156	(2)-(12)-(13)
13 Gain-on-sale 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 capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	
19 Significant capital 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 (amount above 10% threshold)	NA		
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	NA		
22 Amount exceeding the 15% threshold	NA		
23 of which: significant investments in the common stock of financial sector entities	NA		
24 of which: mortgage servicing rights	NA		
25 of which: deferred tax assets arising from temporary differences	NA		
26 National specific regulatory adjustments applied to CET1 capital	1,015		
26a Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	20		(11)
26b Regulatory reserve for general banking risks	995		(9)

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REGULATORY DISCLOSURES

3 COMPOSITION OF CAPITAL (continued)

3.2 Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

Table 2 : Capital Disclosures (continued)

		Component of regulatory capital reported by Bank HK\$'M	Amounts subject to Pre-Basel III Treatment HK\$'M	Cross reference to Table 1
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	1,681		
29	CET1 capital	33,395		
	Additional Tier 1 ("AT1") capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	1,400		
31	<i>of which: classified as equity under applicable accounting standards</i>	1,400		(6)
32	<i>of which: classified as liabilities under applicable accounting standards</i>	–		
33	Capital instruments subject to phase out arrangements from AT1 capital	–		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	–		
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	–		
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 capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	
40	Significant capital 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	78		
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	78		
i	<i>of which: Excess of total EL amount over total eligible provisions under the IRB approach</i>	78		(12)
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	–		
43	Total regulatory deductions to AT1 capital	78		
44	AT1 capital	1,322		
45	Tier 1 capital (Tier 1 = CET1 + AT1)	34,717		
	Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	4,215		(4)
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	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	–		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	241		(10)-(1)

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

3 COMPOSITION OF CAPITAL (continued)

3.2 Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

Table 2 : Capital Disclosures (continued)

		Component of regulatory capital reported by Bank HK\$'M	Amounts subject to Pre-Basel III Treatment HK\$'M	Cross reference to Table 1
51	Tier 2 capital before regulatory deductions	4,456		
	Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	—	—	
53	Reciprocal cross-holdings in Tier 2 capital instruments	—	—	
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	—	—	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	—	—	
56	National specific regulatory adjustments applied to Tier 2 capital	69		
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	(9)		(11)*45%
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	78		
i	<i>of which: Excess of total EL amount over total eligible provisions under the IRB approach</i>	78		(13)
57	Total regulatory deductions to Tier 2 capital	69		
58	Tier 2 capital	4,387		
59	Total capital (Total capital = Tier 1 + Tier 2)	39,104		
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment	—		
i	<i>of which: Mortgage servicing rights</i>	—		
ii	<i>of which: Defined benefit pension fund net assets</i>	—		
iii	<i>of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments</i>	—		
iv	<i>of which: Capital investment in a connected company which is a commercial entity</i>	—		
v	<i>of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation</i>	—		
vi	<i>of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation</i>	—		
60	Total risk weighted assets	198,197		
	Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	16.8%		
62	Tier 1 capital ratio	17.5%		
63	Total capital ratio	19.7%		
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	6.9%		

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REGULATORY DISCLOSURES

3 COMPOSITION OF CAPITAL (continued)

3.2 Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

Table 2 : Capital Disclosures (continued)

		Component of regulatory capital reported by Bank HK\$'M	Amounts subject to Pre-Basel III Treatment HK\$'M	Cross reference to Table 1
65	<i>of which: capital conservation buffer requirement</i>	1.3%		
66	<i>of which: bank specific countercyclical buffer requirement</i>	1.2%		
67	<i>of which: G-SIB or D-SIB buffer requirement</i>	0.0%		
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	11.5%		
	National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	NA		
70	National Tier 1 minimum ratio	NA		
71	National Total capital minimum ratio	NA		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	1,540		
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	45		
74	Mortgage servicing rights (net of related tax liability)	NA		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	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 basic approach and the standardized (credit risk) approach (prior to application of cap)	293		
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	241		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	–		
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	978		
	Capital instruments subject to phase-out arrangements			
80	Current cap on CET1 capital instruments subject to phase out arrangements	NA		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	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)	–		

NA: not applicable

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

3 COMPOSITION OF CAPITAL (continued)

3.2 Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

Note to the template

Row No.	Description	Hong Kong basis	Basel III basis
	Deferred tax assets net of deferred tax liabilities	HK\$40m	nil
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), deferred tax assets (“DTAs”) that rely on future profitability of the bank to be realised are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition of 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 Mortgage Servicing Rights (“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.</p>		

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

3 COMPOSITION OF CAPITAL (continued)

3.3 Main Features of Capital Instruments

		CET 1 Capital Ordinary Shares	Additional Tier 1 Capital Preference Shares	Tier 2 Capital Subordinated Loan
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
	Regulatory treatment			
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 recognised in regulatory capital (currency in mil, as of most recent reporting date)	HK\$7,595 million	HK\$1,400 million	HK\$4,215 million
9	Par value of instrument	NA	HK\$1,400 million	US\$540 million
10	Accounting classification	Shareholders equity	Shareholders equity	Liability – amortised cost
11	Original date of issuance	Since incorporation	13 October 2016	12 December 2012
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	No maturity	No maturity	12 December 2022
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
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 2017 Contingent call dates: Change of Qualification 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 Interest Payment Date after 13 December 2017
	<i>Coupons / dividends</i>			
17	Fixed or floating dividend/coupon	Discretionary dividend amount	Fixed	Floating
18	Coupon rate and any related index	The Ordinary Shares receive distributable profits that have been declared as dividend	3.9% per annum	USD 3-month LIBOR plus 2.5% per annum

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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3 COMPOSITION OF CAPITAL (continued)

3.3 Main Features of Capital Instruments (continued)

		CET 1 Capital Ordinary Shares	Additional Tier 1 Capital Preference Shares	Tier 2 Capital Subordinated Loan
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	Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Convertible	Convertible
24	If convertible, conversion trigger(s)	NA	<p>The Preference shares would be converted into ordinary shares of the Bank upon the occurrence of the trigger event.</p> <p>Trigger event is the earlier of:</p> <p>(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</p> <p>(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.</p>	<p>The Subordinated Loan would be converted into ordinary shares of the Bank upon the occurrence of the trigger event.</p> <p>Trigger event is the earlier of :</p> <p>(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</p> <p>(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.</p>
25	If convertible, fully or partially	NA	Fully or partially	Fully
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	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
27	If convertible, mandatory or optional conversion	NA	Mandatory	Mandatory
28	If convertible, specify instrument type convertible into	NA	Common Equity Tier 1	Common Equity Tier 1

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

3 COMPOSITION OF CAPITAL (continued)

3.3 Main Features of Capital Instruments (continued)

		CET 1 Capital Ordinary Shares	Additional Tier 1 Capital Preference Shares	Tier 2 Capital Subordinated Loan
29	If convertible, specify issuer of instrument it converts into	NA	DBS Bank (Hong Kong) Limited	DBS Bank (Hong Kong) Limited
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	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 https://www.dbs.com/iwov-resources/pdf/hongkong/tnc-ordinary-shares.pdf	Terms and conditions – Preference Shares https://www.dbs.com/iwov-resources/pdf/hongkong/tnc-preference-shares.pdf	Terms and conditions – Subordinated Loan https://www.dbs.com/iwov-resources/pdf/hongkong/tnc-subordinated-loan.pdf

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4 LEVERAGE RATIO

4.1 Leverage Ratio

The leverage ratios were compiled in accordance with the Leverage Ratio Framework issued by the HKMA.

In HK\$ million	As at 30 June 2017	As at 31 March 2017	As at 31 December 2016
Capital and Total exposures			
Tier 1 capital	34,717	34,142	33,094
Total exposures	369,796	372,858	368,769
Leverage Ratio	9.4%	9.2%	9.0%

4.2 Components of Leverage Ratio

Common Disclosure Template

	Item	Leverage ratio framework As at 30 June 2017 HK\$'M
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	350,535
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts)	(1,681)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	348,854
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	319
5	Add-on amounts for PFE associated with all derivatives transactions	970
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions (reported as negative amounts)	–
8	Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts)	–
9	Adjusted effective notional amount of written credit derivatives	–
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts)	–
11	Total derivative exposures (sum of lines 4 to 10)	1,289
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	–
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts)	–
14	CCR exposure for SFT assets	–
15	Agent transaction exposures	–
16	Total securities financing transaction exposures (sum of lines 12 to 15)	–

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4 LEVERAGE RATIO (continued)

4.2 Components of Leverage Ratio (continued)

Common Disclosure Template (continued)

	Item	Leverage ratio framework As at 30 June 2017 HK\$'M
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	160,239
18	Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts)	(140,586)
19	Off-balance sheet items (sum of lines 17 and 18)	19,653
Capital and total exposures		
20	Tier 1 capital	34,717
21	Total exposures (sum of lines 3, 11, 16 and 19)	369,796
Leverage ratio		
22	Basel III leverage ratio	9.4%

Summary Comparison Table

	Item	Leverage ratio framework As at 30 June 2017 HK\$'M
1	Total consolidated assets as per published financial statements	352,682
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	45
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–
4	Adjustments for derivative financial instruments	237
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	–
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	19,653
7	Other adjustments	(2,821)
8	Leverage ratio exposure	369,796

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5 OVERVIEW OF RISK-WEIGHTED ASSETS

The following table sets out the RWA by risk types and the corresponding minimum capital requirements (i.e. 8% of RWA), as required by the HKMA.

		RWA In HK\$ million		Minimum capital requirements In HK\$ million
		As at 30 June 2017	As at 31 March 2017	As at 30 June 2017
1	Credit risk for non-securitization exposures	181,587	181,594	14,527
2	<i>Of which STC approach</i>	19,011	18,039	1,521
3	<i>Of which IRB approach</i>	162,576	163,555	13,006
4	Counterparty credit risk	907	1,165	73
5a	<i>Of which CEM</i>	579	793	46
16	Market risk	819	1,342	65
17	<i>Of which STM approach</i>	819	1,342	65
19	Operational risk	14,833	14,625	1,187
21	<i>Of which STO approach</i>	14,833	14,625	1,187
23	Amounts below the thresholds for deduction (subject to 250% RW)	114	114	9
24a	Deduction to RWA	63	53	5
24b	<i>Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital</i>	52	42	4
24c	<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>	11	11	1
25	Total	198,197	198,787	15,856

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6 CREDIT RISK

6.1 Credit Quality of Assets

As at 30 June 2017

HK\$ million	Gross carrying amounts of			
	Defaulted exposures	Non-defaulted exposures	Allowances/Impairments	Net values
Loans	3,659	298,274	(1,939)	299,994
Debt securities	–	26,646	–	26,646
Off-balance sheet exposures	–	14,050	–	14,050
Total	<u>3,659</u>	<u>338,970</u>	<u>(1,939)</u>	<u>340,690</u>

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 DBS taking action such as realising security (if held).
- Technical default: Borrower is more than 90 days past due on any credit obligation to DBS.

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.

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6 CREDIT RISK (continued)

6.2 Changes in Stock of Defaulted Loans and Debt Securities

HK\$ million	As at 30 June 2017
As at 1 January 2017	4,048
Loans and debt securities that have defaulted since the last reporting period	517
Returned to non-defaulted status	(5)
Amounts written off	(228)
Other changes (note)	(673)
As at 30 June 2017	3,659

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

6.3 Overview of Recognized Credit Risk Mitigation

		As at 30 June 2017				
	HK\$ million	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	228,410	71,584	64,123	7,461	–
2	Debt securities	26,646	–	–	–	–
3	Total	255,056	71,584	64,123	7,461	–
4	Of which defaulted	850	1,481	970	511	–

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6 CREDIT RISK (continued)

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

		As at 30 June 2017					
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount HK\$'M	Off-balance sheet amount HK\$'M	On-balance sheet amount HK\$'M	Off-balance sheet amount HK\$'M	RWA HK\$'M	RWA density (%)
1	Sovereign exposures	–	–	–	–	–	–
2	PSE exposures	–	–	183	–	37	20
2a	Of which: domestic PSEs	–	–	183	–	37	20
2b	Of which: foreign PSEs	–	–	–	–	–	–
3	Multilateral development bank exposures	–	–	–	–	–	–
4	Bank exposures	26	–	26	–	26	100
5	Securities firm exposures	–	–	–	–	–	–
6	Corporate exposures	13,198	8,504	11,308	364	11,672	100
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	1,350	2,725	848	1	636	75
11	Residential mortgage loans	–	–	–	–	–	–
12	Other exposures which are not past due exposures	9,138	11,020	6,099	91	6,190	100
13	Past due exposures	304	–	304	–	450	148
14	Significant exposures to commercial entities	–	–	–	–	–	–
15	Total	24,016	22,249	18,768	456	19,011	99

The risk-weighted amounts in the above table do not take into account the credit assessment ratings assigned by the External Credit Assessment Institutions.

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6 CREDIT RISK (continued)

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

		As at 30 June 2017										
	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM) HK\$'M
	Exposure class	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
1	Sovereign exposures	–	–	–	–	–	–	–	–	–	–	–
2	PSE exposures	–	–	183	–	–	–	–	–	–	–	183
2a	Of which: domestic PSEs	–	–	183	–	–	–	–	–	–	–	183
2b	Of which: foreign PSEs	–	–	–	–	–	–	–	–	–	–	–
3	Multilateral development bank exposures	–	–	–	–	–	–	–	–	–	–	–
4	Bank exposures	–	–	–	–	–	–	26	–	–	–	26
5	Securities firm exposures	–	–	–	–	–	–	–	–	–	–	–
6	Corporate exposures	–	–	–	–	–	–	11,672	–	–	–	11,672
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	–	–	–	–	–	849	–	–	–	–	849
11	Residential mortgage loans	–	–	–	–	–	–	–	–	–	–	–
12	Other exposures which are not past due exposures	–	–	–	–	–	–	6,190	–	–	–	6,190
13	Past due exposures	–	–	2	–	–	–	6	296	–	–	304
14	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
15	Total	–	–	185	–	–	849	17,894	296	–	–	19,224

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6 CREDIT RISK (continued)

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

6.6.1 Foundation IRB Approach

	As at 30 June 2017											
	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	18,504	–	–	20,414	0.01	14	45	2.5	2,462	12	62	
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	18,504	–	–	20,414	0.01	14	45	2.5	2,462	12	62	24
Bank exposures												
0.00 to <0.15	167,620	4,345	39	169,584	0.03	56	45	2.5	34,817	21	25	
0.15 to <0.25	1,082	–	–	1,082	0.22	17	45	2.5	666	61	1	
0.25 to <0.50	1,384	353	1	1,416	0.33	21	44	2.5	1,031	73	2	
0.50 to <0.75	195	270	–	195	0.56	6	45	2.5	180	92	1	
0.75 to <2.50	526	276	–	526	1.75	23	45	2.5	694	132	4	
2.50 to <10.00	10	75	–	10	2.60	6	29	2.5	8	81	–	
10.00 to <100.00	3	–	–	3	12.15	1	45	2.5	7	207	–	
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	
Sub-total	170,820	5,319	32	172,816	0.04	130	45	2.5	37,403	22	33	358
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	–	15	–	–	–	6	–	–	–	–	–	
0.75 to <2.50	97	93	–	85	1.69	31	37	2.5	60	70	–	
2.50 to <10.00	158	64	1	124	4.69	47	36	2.5	109	88	2	
10.00 to <100.00	15	–	–	15	12.15	4	37	2.5	19	131	1	
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	
Sub-total	270	172	1	224	4.03	88	36	2.5	188	84	3	2
Corporate exposures – other												
0.00 to <0.15	722	2,766	27	1,455	0.05	10	45	2.5	273	19	–	
0.15 to <0.25	1,284	5,612	10	1,833	0.22	18	39	2.5	743	41	2	
0.25 to <0.50	3,498	4,521	1	3,594	0.32	100	44	2.5	1,965	55	5	
0.50 to <0.75	1,786	7,424	5	2,787	0.56	349	40	2.5	1,833	66	6	
0.75 to <2.50	23,965	26,809	4	26,412	1.77	2,429	38	2.5	24,341	92	277	
2.50 to <10.00	28,337	14,805	3	25,706	4.84	2,564	37	2.5	30,670	119	488	
10.00 to <100.00	3,511	538	4	2,856	12.68	255	37	2.5	4,715	165	182	
100.00 (Default)	3,539	2	25	3,030	100.00	282	42	2.5	6,260	207	1,083	
Sub-total	66,642	62,477	5	67,673	7.59	6,007	38	2.5	70,800	105	2,043	2,012
Total (all portfolios)	256,236	67,968	7	261,127	2.00	6,239	43	2.5	110,853	42	2,141	2,396

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6 CREDIT RISK (continued)

6.6 Credit Risk Exposures by Portfolio and PD ranges – for IRB approach (continued)

6.6.2 Retail IRB Approach

	As at 30 June 2017											
	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	3,390	–	–	3,390	0.12	674	13		556	16	1	
0.15 to <0.25	16,169	–	–	16,169	0.22	9,137	13		2,425	15	5	
0.25 to <0.50	–	–	–	–	–	–	–		–	–	–	
0.50 to <0.75	3,495	–	–	3,495	0.63	1,056	13		524	15	3	
0.75 to <2.50	15	–	–	15	1.80	5	32		9	58	–	
2.50 to <10.00	384	–	–	384	9.84	205	13		231	60	5	
10.00 to <100.00	5	–	–	5	33.97	7	13		4	77	–	
100.00 (Default)	12	–	–	12	100.00	12	32		48	395	–	
Sub-total	23,470	–	–	23,470	0.48	11,096	13		3,797	16	14	36
Qualifying revolving retail exposures												
0.00 to <0.15	1,479	35,341	69	25,876	0.14	305,320	99		2,036	8	36	
0.15 to <0.25	2,268	11,931	67	10,260	0.21	139,078	96		1,084	11	21	
0.25 to <0.50	244	646	75	728	0.50	3,894	133		216	30	5	
0.50 to <0.75	–	–	–	–	–	–	–		–	–	–	
0.75 to <2.50	3,716	18,242	69	16,381	1.66	204,046	98		8,919	54	264	
2.50 to <10.00	591	669	94	1,219	4.62	12,646	104		1,424	117	57	
10.00 to <100.00	1,335	290	63	1,517	15.03	15,740	97		3,313	218	220	
100.00 (Default)	50	–	–	50	100.00	1,804	107		355	704	26	
Sub-total	9,683	67,119	69	56,031	1.19	682,528	98		17,347	31	629	193
Small business retail exposures												
0.00 to <0.15	–	–	–	–	–	–	–		–	–	–	
0.15 to <0.25	–	–	–	–	–	–	–		–	–	–	
0.25 to <0.50	6	–	–	6	0.29	6	6		1	9	–	
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	6	–	–	6	0.29	6	6		1	9	–	–
Other retail exposures to individuals												
0.00 to <0.15	–	–	–	–	–	–	–		–	–	–	
0.15 to <0.25	–	–	–	–	–	–	–		–	–	–	
0.25 to <0.50	4,588	–	–	4,588	0.29	1,132	6		407	9	1	
0.50 to <0.75	–	–	–	–	–	–	–		–	–	–	
0.75 to <2.50	677	–	–	677	1.46	5,108	72		615	91	8	
2.50 to <10.00	1,248	–	–	1,248	4.76	8,089	102		1,883	151	60	
10.00 to <100.00	2,903	–	–	2,903	20.65	11,447	108		6,883	237	644	
100.00 (Default)	50	–	–	50	100.00	303	108		386	766	24	
Sub-total	9,466	–	–	9,466	7.74	26,079	56		10,174	107	737	122
Total (all portfolios)	42,625	67,119	69	88,973	1.70	719,709	71		31,319	35	1,380	351

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6 CREDIT RISK (continued)

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

As at 30 June 2017, the Bank does not have any exposures having credit derivatives as credit risk mitigation.

		As at 30 June 2017	
		Pre-credit derivatives RWA HK\$'M	Actual RWA HK\$'M
1	Corporate – Specialized lending under supervisory slotting criteria approach (project finance) (“PF”)	–	–
2	Corporate – Specialized lending under supervisory slotting criteria approach (object finance) (“OF”)	–	–
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance) (“CF”)	–	–
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate) (“IPRE”)	7,327	7,327
5	Corporate – Specialized lending (high-volatility commercial real estate) (“HVCRE”)	–	–
6	Corporate – Small-and-medium sized corporates	188	188
7	Corporate – Other corporates	70,800	70,800
8	Sovereigns	2,271	2,271
9	Sovereign foreign public sector entities	53	53
10	Multilateral development banks	138	138
11	Bank exposures – Banks	36,860	36,860
12	Bank exposures – Securities firms	527	527
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)	16	16
14	Retail – Small business retail exposures	1	1
15	Retail – Residential mortgages to individuals	3,454	3,454
16	Retail – Residential mortgages to property-holding shell companies	343	343
17	Retail – Qualifying revolving retail exposures (QRRE)	17,347	17,347
18	Retail – Other retail exposures to individuals	10,174	10,174
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	3,875	3,875
28	Total (under the IRB calculation approaches)	153,374	153,374

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6 CREDIT RISK (continued)

6.8 RWA Flow Statements of Credit Risk Exposures under IRB Approach

The following table sets out the key drivers of RWA movements over the quarter.

	RWA HK\$'M
As at 31 March 2017	163,555
Asset size	(2,095)
Asset quality	974
Foreign exchange movements	142
As at 30 June 2017	162,576

RWA for credit exposures under IRB approach decreased mainly due to a decline in asset size, which was in turn driven by decline in balances with banks and debt securities.

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

Specialized lending under supervisory slotting criteria approach – other than HVCRE

		As at 30 June 2017									
Supervisory Rating Grade	Remaining Maturity	On-balance sheet exposure amount HK\$'M	Off-balance sheet exposure amount HK\$'M	SRW %	EAD amount					RWA HK\$'M	Expected loss amount HK\$'M
					PF HK\$'M	OF HK\$'M	CF HK\$'M	IPRE HK\$'M	Total HK\$'M		
Strong ^A	Less than 2.5 years	8	–	50	–	–	–	8	8	4	–
Strong	Equal to or more than 2.5 years	258	560	70	–	–	–	670	670	469	3
Good ^A	Less than 2.5 years	2,243	829	70	–	–	–	2,865	2,865	2,005	12
Good	Equal to or more than 2.5 years	3,372	1,180	90	–	–	–	3,908	3,908	3,517	31
Satisfactory		939	335	115	–	–	–	939	939	1,080	26
Weak		100	–	250	–	–	–	101	101	252	8
Default		–	–	0	–	–	–	–	–	–	–
Total		6,920	2,904		–	–	–	8,491	8,491	7,327	80

^A Use of preferential risk-weights.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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7 COUNTERPARTY CREDIT RISK ("CCR")

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

		As at 30 June 2017					
		Replacement cost (RC) HK\$'M	PFE HK\$'M	Effective EPE HK\$'M	Alpha (α) used for computing default risk exposure HK\$'M	Default risk exposure after CRM HK\$'M	RWA HK\$'M
1	CEM (for derivative contracts)	319	970		N/A	1,289	579
2	IMM (CCR) approach			–	–	–	–
3	Simple Approach (for SFTs)					–	–
4	Comprehensive Approach (for SFTs)					–	–
5	VaR (for SFTs)					–	–
6	Total						579

The current exposure method is used for calculating default risk exposures of derivative contracts.

7.2 CVA Capital Charge

		As at 30 June 2017	
		EAD post CRM HK\$'M	RWA HK\$'M
	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	1,199	328
4	Total	1,199	328

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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7 COUNTERPARTY CREDIT RISK (“CCR”) (continued)

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

		As at 30 June 2017										
	Risk Weight	0% HK\$'M	10% HK\$'M	20% HK\$'M	35% HK\$'M	50% HK\$'M	75% HK\$'M	100% HK\$'M	150% HK\$'M	250% HK\$'M	Others HK\$'M	Total default risk exposure after CRM HK\$'M
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	-	-	-	-	-	-	-	-	-	-	-
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	-
6	Corporate exposures	-	-	-	-	-	-	-	-	-	-	-
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	162	-	-	-	162
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	-	-	-	-	-	-	162	-	-	-	162

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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7 COUNTERPARTY CREDIT RISK (“CCR”) (continued)

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

7.4.1 Foundation IRB Approach

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

	As at 30 June 2017						
	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	611	0.03	10	45	2.5	123	20
0.15 to <0.25	40	0.22	1	45	2.5	24	62
0.25 to <0.50	2	0.28	1	45	2.5	1	70
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	653	0.04	12	45	2.5	148	23
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	–	1.29	1	45	2.5	–	81
2.50 to <10.00	–	6.52	3	38	2.5	–	103
10.00 to <100.00	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	–	3.53	4	42	2.5	–	90
Corporate exposures – other							
0.00 to <0.15	–	–	–	–	–	–	–
0.15 to <0.25	144	0.22	2	40	2.5	61	42
0.25 to <0.50	136	0.33	5	41	2.5	69	51
0.50 to <0.75	12	0.56	6	44	2.5	9	72
0.75 to <2.50	98	2.05	45	10	2.5	22	23
2.50 to <10.00	43	4.17	76	34	2.5	46	105
10.00 to <100.00	2	12.15	8	38	2.5	3	176
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	435	1.11	142	33	2.5	210	48
Total (all portfolios)	1,088	0.47	158	40	2.5	358	33

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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7 COUNTERPARTY CREDIT RISK ("CCR") (continued)

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

	As at 30 June 2017					
	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 HK\$'M	Unsegregated HK\$'M	Segregated HK\$'M	Unsegregated HK\$'M	received HK\$'M	collateral HK\$'M
Cash – other currencies	–	108	–	587	–	–

There is no outstanding securities financing transaction which creates exposures to counterparty credit risk as at 30 June 2017.

8 MARKET RISK UNDER STANDARDIZED APPROACH

In HK\$ million		As at 30 June 2017 RWA ⁽¹⁾
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	678
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures	139
4	Commodity exposures	–
	Option exposures	
5	Simplified approach	–
6	Delta-plus approach	2
7	Other approach	–
8	Securitization exposures	–
9	Total	819

⁽¹⁾ The RWA is derived by multiplying the capital requirements by 12.5

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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9 INTERNATIONAL CLAIMS

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

HK\$ million	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
As at 30 June 2017					
Developed countries	13,807	6,676	5	2,251	22,739
Offshore centres, of which	145,683	25	225	28,986	174,919
– Singapore	145,471	4	–	1,189	146,664
– Hong Kong	196	21	225	24,452	24,894
– Others	16	–	–	3,345	3,361
Developing Europe	–	–	–	165	165
Developing Latin America and Caribbean	15	–	–	453	468
Developing Africa and Middle East	31	–	–	366	397
Developing Asia-Pacific	10,147	567	16	7,725	18,455
International organisations	–	1,839	–	–	1,839
	169,683	9,107	246	39,946	218,982
As at 31 December 2016					
Developed countries	11,412	4,850	60	2,492	18,814
Offshore centres, of which	148,578	27	230	30,829	179,664
– Singapore	148,379	7	7	2,330	150,723
– Hong Kong	183	20	223	25,091	25,517
– Others	16	–	–	3,408	3,424
Developing Europe	–	–	–	190	190
Developing Latin America and Caribbean	24	–	–	484	508
Developing Africa and Middle East	7	–	–	398	405
Developing Asia-Pacific	9,159	382	71	8,234	17,846
International organisations	–	1,546	–	–	1,546
	169,180	6,805	361	42,627	218,973

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

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10 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.

10.1 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:

HK\$ million	As at 30 June 2017		As at 31 December 2016	
	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	3,802	3,557	3,296	3,221
– Property investment	20,311	19,953	21,827	21,001
– Financial concerns	4,208	3,954	3,524	3,248
– Stockbrokers	1,009	39	661	64
– Wholesale and retail trade	13,312	10,444	15,179	11,533
– Manufacturing	11,037	7,815	11,083	7,684
– Transport and transport equipment	10,436	9,761	10,598	9,850
– Recreational activities	208	184	178	156
– Information technology	676	134	538	146
– Others	5,082	3,778	4,972	3,477
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	191	191	220	220
– Loans for the purchase of other residential properties	21,141	21,141	21,828	21,828
– Credit card advances	7,926	–	8,516	–
– Others	13,559	7,239	12,898	5,925
	112,898	88,190	115,318	88,353
Trade finance (including trade bills)	25,019	10,296	26,425	11,765
Gross loans and advances for use outside Hong Kong	6,615	1,910	6,012	1,477
	144,532	100,396	147,755	101,595

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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10 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

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

In HK\$ million	Impaired advances to customers	Individual impairment allowances	Collective impairment allowances
As at 30 June 2017			
Property investment	231	9	89
Loans for the purchase of other residential properties	10	—	—
Trade finance	733	168	129
Wholesale and retail trade	677	370	80
As at 31 December 2016			
Property investment	253	15	90
Loans for the purchase of other residential properties	23	—	—
Trade finance	866	198	144
Wholesale and retail trade	836	390	85

10.2 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\$ million	Loans	Trade finance (including trade bills)	Total
As at 30 June 2017			
Hong Kong	107,468	18,188	125,656
Others	12,045	6,831	18,876
	<u>119,513</u>	<u>25,019</u>	<u>144,532</u>
As at 31 December 2016			
Hong Kong	110,301	20,753	131,054
Others	11,029	5,672	16,701
	<u>121,330</u>	<u>26,425</u>	<u>147,755</u>

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

10 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

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

In HK\$ million	Impaired advances to customers	Individual impairment allowances	Collective impairment allowances
As at 30 June 2017			
Hong Kong	1,810	470	668
As at 31 December 2016			
Hong Kong	2,296	542	689

11 OVERDUE AND RESCHEDULED ASSETS

11.1 Overdue loans and advances to customers

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

In HK\$ million	As at 30 June 2017		As at 31 December 2016	
		% of gross loans and advances to customers		% of gross loans and advances to customers
Six months or less but over three months	215	0.15	678	0.46
One year or less but over six months	613	0.42	687	0.47
Over one year	1,838	1.27	1,465	0.99
	<u>2,666</u>	<u>1.84</u>	<u>2,830</u>	<u>1.92</u>
Individual impairment allowances made in respect of the above overdue loans and advances	<u>1,101</u>		<u>1,121</u>	
Current market value of collateral held against the covered portion of the above overdue loans and advances	<u>1,572</u>		<u>1,990</u>	
Covered portion of the above overdue loans and advances	<u>1,004</u>		<u>1,256</u>	
Uncovered portion of the above overdue loans and advances	<u>1,662</u>		<u>1,574</u>	

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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11 OVERDUE AND RESCHEDULED ASSETS (continued)

11.2 Rescheduled advances

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

In HK\$ million	As at 30 June 2017		As at 31 December 2016	
		% of gross loans and advances to customers		% of gross loans and advances to customers
Rescheduled loans and advances	<u>495</u>	0.34	<u>466</u>	0.32

11.3 Repossessed assets

As at 30 June 2017, repossessed assets of the Bank amounted to HK\$131 million (31 December 2016: HK\$209 million).

11.4 Overdue other assets

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

In HK\$ million	As at 30 June 2017	As at 31 December 2016
Six months or less but over three months	1	8
One year or less but over six months	7	409
Over one year	<u>285</u>	<u>22</u>
	<u>293</u>	<u>439</u>

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

12 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 2017

In HK\$ million 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")	724	444	1,168
(b) Local governments, local government-owned entities and their subsidiaries and JVs	471	17	488
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3,789	1,249	5,038
(d) Other entities of central government not reported in part (a) above	–	1	1
(e) Other entities of local governments not reported in part (b) above	70	73	143
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	5,312	1,933	7,245
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	4,535	1,551	6,086
Total	14,901	5,268	20,169
Total assets after provision	349,992		
On-balance sheet exposures as percentage of total assets	4.26%		

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12 MAINLAND ACTIVITIES (continued)

As at 31 December 2016

In HK\$ million 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")	2,159	389	2,548
(b) Local governments, local government-owned entities and their subsidiaries and JVs	497	25	522
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3,950	1,326	5,276
(d) Other entities of central government not reported in part (a) above	–	1	1
(e) Other entities of local governments not reported in part (b) above	62	58	120
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	4,219	1,325	5,544
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	4,919	2,174	7,093
Total	15,806	5,298	21,104
Total assets after provision	346,046		
On-balance sheet exposures as percentage of total assets	4.57%		

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13 CURRENCY CONCENTRATIONS

The table below summarises the Group's assets and liabilities at carrying amounts, categorised by currency:

In HK\$ million	USD	CNY	CAD	AUD	Others	Total
As at 30 June 2017						
Hong Kong dollar equivalents						
Spot assets	131,631	9,199	481	4,263	9,482	155,056
Spot liabilities	(101,318)	(8,340)	(1,854)	(7,805)	(11,427)	(130,744)
Forward purchases	45,606	17,345	1,660	4,820	5,272	74,703
Forward sales	(75,388)	(18,296)	(221)	(1,221)	(3,324)	(98,450)
Net options position	–	–	–	1	–	1
Net long / (short) non-structural position	531	(92)	66	58	3	566
Net structural position	–	29	–	–	(52)	(23)
As at 31 December 2016						
Hong Kong dollar equivalents						
Spot assets	136,421	4,152	410	4,307	8,276	153,566
Spot liabilities	(103,596)	(8,185)	(1,905)	(8,242)	(11,398)	(133,326)
Forward purchases	55,722	27,609	1,571	4,609	5,863	95,374
Forward sales	(86,379)	(23,572)	(82)	(635)	(2,754)	(113,422)
Net options position	(1)	2	–	(1)	–	–
Net long / (short) non-structural position	2,167	6	(6)	38	(13)	2,192
Net structural position	–	28	–	–	(28)	–

Structural foreign exchange positions arising from capital investments outside Hong Kong, mainly in Chinese Renminbi and Macau Pataca.

The net options position is calculated based on the delta-weighted position as set out in the prudential return “Foreign Currency Position” issued by the HKMA.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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14 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. In 2017, the Bank is required to maintain an LCR of not less than 80%, increasing annually in steps of 10% to not less than 100% by January 2019.

	For the quarters ended	
	30 June 2017	31 March 2017
Average LCR for the period	<u>135.8%</u>	<u>133.2%</u>

	For the quarters ended	
	30 June 2016	31 March 2016
Average LCR for the period	<u>131.1%</u>	<u>136.9%</u>

Liquidity disclosures as required by section 30 and 30A of the Banking (Disclosure) Rules are available in the section of Regulatory Disclosures of our website www.dbs.com.hk.

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14 LIQUIDITY COVERAGE RATIO (continued)

Table 1: Average LCR for the quarter ended 30 June 2017

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 30 Jun 2017: (72)		Currency: (HK\$'M)	
Basis of disclosure: unconsolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS			
1	Total high quality liquid assets (HQLA)		27,631
B. CASH OUTFLOWS			
2	Retail deposits and small business funding, of which:	147,750	11,803
3	<i>Stable retail deposits and stable small business funding</i>	11,854	593
4	<i>Less stable retail deposits and less stable small business funding</i>	88,299	8,830
5	<i>Retail term deposits and small business term funding</i>	47,597	2,380
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	114,990	61,016
7	<i>Operational deposits</i>	16,263	3,625
8	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	98,722	57,386
9	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	5	5
10	Secured funding transactions (including securities swap transactions)		–
11	Additional requirements, of which:	16,852	5,200
12	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	3,906	3,906
13	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	–	–
14	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	12,946	1,294
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,854	1,854
16	Other contingent funding obligations (whether contractual or non-contractual)	149,399	463
17	TOTAL CASH OUTFLOWS		80,336
C. CASH INFLOWS			
18	Secured lending transactions (including securities swap transactions)	–	–
19	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	100,350	63,752
20	Other cash inflows	1,695	1,512
21	TOTAL CASH INFLOWS	102,045	65,264
D. LIQUIDITY COVERAGE RATIO		ADJUSTED VALUE	
22	TOTAL HQLA		27,631
23	TOTAL NET CASH OUTFLOWS		20,370
24	LCR (%)		135.8%

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14 LIQUIDITY COVERAGE RATIO (continued)

Table 2: Average LCR for the quarter ended 31 March 2017

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 31 Mar 2017: (74)		Currency: (HK\$'M)	
Basis of disclosure: unconsolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS			
1	Total high quality liquid assets (HQLA)		26,714
B. CASH OUTFLOWS			
2	Retail deposits and small business funding, of which:	145,328	11,626
3	<i>Stable retail deposits and stable small business funding</i>	11,279	564
4	<i>Less stable retail deposits and less stable small business funding</i>	87,197	8,719
5	<i>Retail term deposits and small business term funding</i>	46,852	2,343
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	112,747	60,635
7	<i>Operational deposits</i>	13,969	3,039
8	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	98,723	57,541
9	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	55	55
10	Secured funding transactions (including securities swap transactions)		–
11	Additional requirements, of which:	16,393	4,785
12	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	3,496	3,496
13	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	–	–
14	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	12,897	1,289
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,211	2,211
16	Other contingent funding obligations (whether contractual or non-contractual)	166,019	412
17	TOTAL CASH OUTFLOWS		79,669
C. CASH INFLOWS			
18	Secured lending transactions (including securities swap transactions)	–	–
19	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	98,041	61,918
20	Other cash inflows	2,563	2,393
21	TOTAL CASH INFLOWS	100,604	64,311
D. LIQUIDITY COVERAGE RATIO		ADJUSTED VALUE	
22	TOTAL HQLA		26,714
23	TOTAL NET CASH OUTFLOWS		20,072
24	LCR (%)		133.2%

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REGULATORY DISCLOSURES

14 LIQUIDITY COVERAGE RATIO (continued)

Table 3: Average LCR for the quarter ended 30 June 2016

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 30 Jun 2016: (74)		Currency: (HK\$'M)	
Basis of disclosure: unconsolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS			
1	Total high quality liquid assets (HQLA)		23,063
B. CASH OUTFLOWS			
2	Retail deposits and small business funding, of which:	134,232	10,594
3	<i>Stable retail deposits and stable small business funding</i>	10,721	536
4	<i>Less stable retail deposits and less stable small business funding</i>	77,648	7,765
5	<i>Retail term deposits and small business term funding</i>	45,863	2,293
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	97,413	49,889
7	<i>Operational deposits</i>	13,030	2,824
8	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	84,147	46,829
9	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	236	236
10	Secured funding transactions (including securities swap transactions)		1
11	Additional requirements, of which:	15,911	5,669
12	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	4,531	4,531
13	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	–	–
14	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	11,380	1,138
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,199	2,199
16	Other contingent funding obligations (whether contractual or non-contractual)	145,708	436
17	TOTAL CASH OUTFLOWS		68,788
C. CASH INFLOWS			
18	Secured lending transactions (including securities swap transactions)	–	–
19	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	84,329	50,144
20	Other cash inflows	4,640	4,471
21	TOTAL CASH INFLOWS	88,969	54,615
D. LIQUIDITY COVERAGE RATIO		ADJUSTED VALUE	
22	TOTAL HQLA		23,063
23	TOTAL NET CASH OUTFLOWS		17,646
24	LCR (%)		131.1%

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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14 LIQUIDITY COVERAGE RATIO (continued)

Table 4: Average LCR for the quarter ended 31 March 2016

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 31 Mar 2016: (72)		Currency: (HK\$'M)	
Basis of disclosure: unconsolidated		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS			
1	Total high quality liquid assets (HQLA)		24,061
B. CASH OUTFLOWS			
2	Retail deposits and small business funding, of which:	130,969	10,354
3	<i>Stable retail deposits and stable small business funding</i>	10,550	528
4	<i>Less stable retail deposits and less stable small business funding</i>	76,108	7,610
5	<i>Retail term deposits and small business term funding</i>	44,311	2,216
6	Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	100,179	50,078
7	<i>Operational deposits</i>	13,865	3,028
8	<i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	86,224	46,960
9	<i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	90	90
10	Secured funding transactions (including securities swap transactions)		–
11	Additional requirements, of which:	16,943	6,845
12	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	5,723	5,723
13	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	–	–
14	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	11,220	1,122
15	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,492	1,492
16	Other contingent funding obligations (whether contractual or non-contractual)	147,264	407
17	TOTAL CASH OUTFLOWS		69,176
C. CASH INFLOWS			
18	Secured lending transactions (including securities swap transactions)	–	–
19	Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	89,778	54,486
20	Other cash inflows	3,209	3,077
21	TOTAL CASH INFLOWS	92,987	57,563
D. LIQUIDITY COVERAGE RATIO		ADJUSTED VALUE	
22	TOTAL HQLA		24,061
23	TOTAL NET CASH OUTFLOWS		17,612
24	LCR (%)		136.9%

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

14 LIQUIDITY COVERAGE RATIO (continued)

The Bank has maintained a healthy liquidity position. The LCR remained stable and well above the regulatory requirement in the first half of 2017. Surplus funds from loans and deposits are deployed to money market lending and HQLA. The impact to LCR from increased inflow from money market lending and increased HQLA is partially offset by higher outflow due to deposit growth; leading to a slight increase in average LCR.

(i) Composition of High Quality Liquid Assets (“HQLA”)

The Bank holds a pool of high quality unencumbered liquid assets 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, as well as other government debt securities. This is supplemented by bonds issued by public sector entities in Hong Kong and highly rated corporate issuers, as well as 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 Note 38 in the annual report for the year ended 31 December 2016.

(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. Collateral 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 the Bank’s parent company.

(iv) Currency mismatch

Customer deposit in Hong Kong, largely denominated in HKD, is a major funding source for the Bank. The Bank swaps surplus HKD funding into United States Dollars (“USD”) and other foreign currencies to meet customer demand for loans.

The Bank covers its HKD mismatch by supplementing its holdings in high quality USD denominated HQLA. This is in line with the LCR alternative liquidity approach option elected by the HKMA. The Bank has continued to maintain its ratio of HKD Level 1 HQLA to HKD net cash outflows within 30 days well above the HKMA minimum requirement of 20%.

(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.

Approach to liquidity risk management

The Bank’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 Note 38 in the annual report for the year ended 31 December 2016.

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REGULATORY DISCLOSURES

15 ABBREVIATIONS

Abbreviations	Brief Description
AT1	Additional Tier 1
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CIS	Collective Investment Scheme
CRM	Credit Risk Mitigation
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Authorized Institution
EAD	Exposure At Default
EL	Expected Loss
EPE	Expected Positive Exposure
G-SIB	Global Systemically Important Authorized Institution
IMM (CCR)	Internal Models (Counterparty Credit Risk)
IRB	Internal Ratings-Based
LGD	Loss Given Default
PD	Probability of Default
PFE	Potential Future Exposure
PSE	Public Sector Entity
SACCR	Standardised Approach (Counterparty Credit Risk)
SFT	Securities Financing Transaction
SRW	Supervisory Risk Weights
STC	Standardized (Credit Risk)
STM	Standardized (Market Risk)
STO	Standardized (Operational Risk)
VaR	Value-at-risk