

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 2018

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

CONTENTS

	Pages
1 INTRODUCTION	1
2 SCOPE OF CONSOLIDATION	1
3 KEY PRUDENTIAL RATIOS	2
4 OVERVIEW OF RISK-WEIGHTED ASSETS	3
5 COMPOSITION OF CAPITAL	5
5.1 Composition of Regulatory Capital	
5.2 Reconciliation of Regulatory Capital to Balance Sheet	
5.3 Main Features of Regulatory Capital Instruments	
6 COUNTERCYCLICAL CAPITAL BUFFER	16
6.1 Geographical Distribution of Credit Exposures used in Countercyclical Capital Buffer ("CCyB")	
7 LEVERAGE RATIO	17
7.1 Summary Comparison of Accounting Assets Against Leverage Ratio ("LR") Exposure Measure	
7.2 Leverage Ratio ("LR")	
8 CREDIT RISK	18
8.1 Credit Quality of Assets	
8.2 Changes in Stock of Defaulted Loans and Debt Securities	
8.3 Overview of Recognized Credit Risk Mitigation	
8.4 Credit Risk Exposures and Effects of Recognized Credit Risk Mitigation – STC approach	
8.5 Credit Risk Exposures by Asset Classes and by Risk Weights – STC approach	
8.6 Credit Risk Exposures by Portfolio and PD ranges – for IRB approach	
8.6.1 Foundation IRB Approach	
8.6.2 Retail IRB Approach	
8.7 Effects on RWA of Recognized Credit Derivative Contracts used as Recognized Credit Risk Mitigation – for IRB approach	
8.8 RWA flow Statements of Credit Risk Exposures under IRB Approach	
8.9 Specialized Lending Under Supervisory Slotting Criteria Approach – for IRB approach	
9 COUNTERPARTY CREDIT RISK	26
9.1 Analysis of Counterparty Default Risk Exposures (Other than those to CCPs) by Approaches	
9.2 CVA Capital Charge	
9.3 Counterparty Default Risk Exposures (Other than those to CCPs) by Assets Classes and by Risk Weights – for STC approach	
9.4 Counterparty Default Risk Exposures (Other than those to CCPs) by portfolio and PD range – for IRB approach	
9.4.1 Foundation IRB Approach	
9.5 Composition of Collateral for Counterparty Default Risk Exposures (including those for Contracts or Transactions Cleared through CCPs)	

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

	Pages
10 MARKET RISK UNDER STANDARDIZED APPROACH	29
11 INTERNATIONAL CLAIMS	30
12 LOANS AND ADVANCES TO CUSTOMERS	31
12.1 Loans and advances to customer by loan usage	
12.2 Loans and advances to customer by geographical area	
13 OVERDUE AND RESCHEDULED ASSETS	33
13.1 Overdue loans and advances to customers	
13.2 Rescheduled advances	
13.3 Repossessed assets	
13.4 Overdue other assets	
14 MAINLAND ACTIVITIES	35
15 CURRENCY CONCENTRATIONS	37
16 LIQUIDITY	38
16.1 Liquidity Coverage Ratio	
16.2 Net Stable Funding Ratio	
16.3 Approach to Liquidity Risk Management	
17 ABBREVIATIONS	47

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

1 INTRODUCTION

The information contained in this document for DBS Bank (Hong Kong) Limited (“the Bank”) and all its subsidiaries (“the Group”) 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 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 SCOPE OF CONSOLIDATION

Except where indicated otherwise, the financial information contained in this document has been prepared on a consolidated basis. For regulatory reporting purposes, the Bank computes key regulatory ratios on a combined basis including the Bank and its overseas branch that is different from the basis of consolidation for accounting purposes.

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

Name of entity	Principal activities	Total Assets In HK\$ millions	Total Equity In HK\$ millions
Dao Heng Finance Limited	Inactive	60	60
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

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

3 KEY PRUDENTIAL RATIOS

The following table provides an overview of the Bank's key prudential ratios.

In HK\$ millions		As at 30 June 2018	As at 31 March 2018	As at 31 December 2017	As at 30 September 2017	As at 30 June 2017
	Regulatory Capital (amount)					
1	Common Equity Tier 1 (CET1)	36,914	35,689	35,479	34,637	33,395
2	Tier 1	38,314	37,089	36,817	35,965	34,717
3	Total Capital	42,868	41,634	41,312	40,457	39,104
	RWA (amount)					
4	Total RWA	227,512	220,447	219,935	218,202	198,197
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	16.2	16.2	16.1	15.9	16.8
6	Tier 1 ratio (%)	16.8	16.8	16.7	16.5	17.5
7	Total Capital ratio (%)	18.8	18.9	18.8	18.5	19.7
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	1.875	1.875	1.250	1.250	1.250
9	Countercyclical capital buffer requirement (%)	1.663	1.698	1.144	1.136	1.151
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 (%)	3.538	3.573	2.394	2.386	2.401
12	CET1 available after meeting the AI's minimum capital requirements (%)	10.8	10.8	10.7	10.5	11.5
	Basel III Leverage ratio					
13	Total Leverage ratio (LR) exposure measure	452,385	436,827	412,783	417,413	369,796
14	LR (%)	8.5	8.5	8.9	8.6	9.4
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	29,984	30,442	28,693	28,650	27,631
16	Total net cash outflows	22,308	22,928	22,630	21,047	20,370
17	LCR (%)	134.6	132.8	126.8	136.4	135.8
	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	284,039	276,179	NA	NA	NA
19	Total required Stable funding	235,112	207,568	NA	NA	NA
20	NSFR (%)	120.8	133.1	NA	NA	NA
	Applicable to category 2A institution only:					
20a	CFR (%)	NA	NA	NA	NA	NA

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

3 KEY PRUDENTIAL RATIOS (continued)

The above key regulatory ratios were calculated in accordance with the following Rules, where relevant, issued by the HKMA.

- Banking (Capital) Rules (“BCR”)
- Leverage Ratio Framework
- Banking (Liquidity) Rules (“BLR”)

Commentaries for the quarter explaining significant changes in the above ratios, if any, have been included in subsequent sections of this document.

4 OVERVIEW OF RISK-WEIGHTED ASSETS

The following table sets out the Bank's risk-weighted assets (“RWA”) and the corresponding minimum capital requirements by risk types.

In HK\$ millions		RWA		Minimum capital requirements ^{1/}
		As at 30 June 2018	As at 31 March 2018	As at 30 June 2018
1	Credit risk for non-securitization exposures	199,715	193,031	16,812
2	<i>Of which STC approach</i>	25,808	24,807	2,065
2a	<i>Of which BSC approach</i>	–	–	–
3	<i>Of which foundation IRB approach</i>	166,153	161,336	14,090
4	<i>Of which supervisory slotting criteria approach</i>	7,754	6,888	657
5	<i>Of which advanced IRB approach</i>	–	–	–
6	Counterparty default risk and default fund contributions	508	508	42
7	<i>Of which SA-CCR</i>	NA	NA	NA
7a	<i>Of which CEM</i>	508	508	42
8	<i>Of which IMM(CCR) approach</i>	–	–	–
9	<i>Of which others</i>	–	–	–
10	CVA Risk	224	274	18
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	–	–	–
16	Securitization exposures in banking book	–	–	–
17	<i>Of which SEC – IRBA</i>	–	–	–
18	<i>Of which SEC – ERBA</i>	–	–	–

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES
REGULATORY DISCLOSURES

4 OVERVIEW OF RISK-WEIGHTED ASSETS (continued)

In HK\$ millions		RWA		Minimum capital requirements ^{1/}
		As at 30 June 2018	As at 31 March 2018	As at 30 June 2018
19	<i>Of which SEC – SA</i>	–	–	–
19a	<i>Of which SEC – FBA</i>	–	–	–
20	Market risk	835	956	67
21	<i>Of which STM approach</i>	835	956	67
22	<i>Of which IMM approach</i>	–	–	–
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	15,677	15,465	1,254
25	Amounts below the thresholds for deduction (subject to 250% RW)	114	114	9
26	Capital floor adjustment	–	–	–
26a	Deduction to RWA	13	13	1
26b	<i>Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital</i>	–	–	–
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>	13	13	1
27	Total	217,060	210,335	18,201

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

For the purposes of calculating the 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.

Total RWA increased mainly driven by an increase in credit RWA in line with asset growth.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF CAPITAL

5.1 Composition of Regulatory Capital

As at 30 June 2018

In HK\$ millions		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	7,595	(5)
2	Retained earnings	28,238	(7)
3	Disclosed reserves	2,254	(8)
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 adjustments	38,087	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	–	
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)	148	(3)
11	Cash flow hedge reserve	–	
12	Excess of total EL amount over total eligible provisions under the IRB approach	508	(2)
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 capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF CAPITAL (continued)

5.1 Composition of Regulatory Capital (continued)

As at 30 June 2018

In HK\$ millions		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
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 (net of associated deferred tax liabilities)	NA	NA
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	517	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	23	(11)
26b	Regulatory reserve for general banking risks	494	(9)
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	1,173	
29	CET1 capital	36,914	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	1,400	

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF CAPITAL (continued)

5.1 Composition of Regulatory Capital (continued)

As at 30 June 2018

In HK\$ millions		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
31	of which: classified as equity under applicable accounting standards	1,400	(6)
32	of which: classified as liabilities under applicable accounting standards	–	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	–	
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 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	–	
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)	38,314	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	4,238	(4)
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)	–	

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES
REGULATORY DISCLOSURES

5 COMPOSITION OF CAPITAL (continued)

5.1 Composition of Regulatory Capital (continued)

As at 30 June 2018

In HK\$ millions		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
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	306	(10)-(1)
51	Tier 2 capital before regulatory deductions	4,544	
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 (net of eligible short positions)	–	
56	National specific regulatory adjustments applied to Tier 2 capital	(10)	
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	(10)	(11) * 45%
57	Total regulatory adjustments to Tier 2 capital	(10)	
58	Tier 2 capital (T2)	4,554	
59	Total regulatory capital (TC = T1 + T2)	42,868	
60	Total RWA	227,512	
Capital ratios (as a percentage of RWA)			
61	CET1 capital ratio	16.2%	
62	Tier 1 capital ratio	16.8%	
63	Total capital ratio	18.8%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	3.538%	
65	of which: capital conservation buffer requirement	1.875%	
66	of which: bank specific countercyclical capital buffer requirement	1.663%	
67	of which: higher loss absorbency requirement	0.0%	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	10.8%	

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES
REGULATORY DISCLOSURES

5 COMPOSITION OF CAPITAL (continued)

5.1 Composition of Regulatory Capital (continued)

As at 30 June 2018

In HK\$ millions		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
	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 capital investments in CET1, AT1 and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	1,667	
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 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)	306	
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	327	
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)	–	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	1,108	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	NA	NA
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	NA	NA

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES
REGULATORY DISCLOSURES

5 COMPOSITION OF CAPITAL (continued)

5.1 Composition of Regulatory Capital (continued)

As at 30 June 2018

In HK\$ millions		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
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)	148	–
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. 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>		

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF CAPITAL (continued)

5.2 Reconciliation of Regulatory Capital to Balance Sheet

In HK\$ millions	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference numbers
	As at 30 June 2018	As at 30 June 2018	
Assets			
Cash and balances with central banks	2,816	2,816	
Government securities and treasury bills	37,419	37,419	
Due from banks	214,213	214,213	
Derivatives	769	769	
Bank and corporate securities	10,063	10,063	
Loans and advances to customers	160,700	160,700	
<i>of which: Collective provisions eligible for inclusion in Tier 2 capital</i>		(245)	(1)
<i>Excess of total expected loss amount over total eligible provision under the IRB approach</i>		508	(2)
Other assets	6,827	6,827	
<i>of which: Deferred tax assets</i>		148	(3)
Subsidiaries		49	
Properties and other fixed assets	1,952	1,952	
Goodwill and intangibles	168	–	
Total assets	434,927	434,808	
Liabilities			
Due to banks	12,094	12,094	
Deposits and balances from customers	345,556	345,566	
Derivatives	1,167	1,167	
Certificates of deposit issued	4,383	4,383	
Other liabilities	27,806	27,806	
Amount due to subsidiaries	–	67	
Subordinated liability	4,238	4,238	(4)
Total liabilities	395,244	395,321	
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>		28,238	(7)
<i>Other reserves</i>		2,254	(8)
Reserves	30,688	30,492	
<i>of which: Retained earnings earmarked as regulatory reserve</i>		494	(9)
<i>which includes regulatory reserve eligible for inclusion in Tier 2 Capital</i>		61	(10)
<i>of which: Fair value gains on revaluation of land and buildings</i>		23	(11)
Total equity	39,683	39,487	
Total liabilities and equity	434,927	434,808	

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF 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\$4,238 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	Since incorporation	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

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF 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	The Ordinary Shares receive distributable profits that have been declared as dividend	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

REGULATORY DISCLOSURES

5 COMPOSITION OF 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	<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>	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
REGULATORY DISCLOSURES

5 COMPOSITION OF 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	<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 write-off 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>
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 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 (“CCyB”)

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 CCyB ratio.

In HK\$ millions		As at 30 June 2018			
	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	1.875	126,744		
2	United Kingdom	0.5	536		
	Sum		127,280		
	Total		143,053	1.663	3,784

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES
REGULATORY DISCLOSURES

7 LEVERAGE RATIO

7.1 Summary Comparison of Accounting Assets Against Leverage Ratio (“LR”) Exposure Measure

In HK\$ millions

	Item	Value under the LR framework As at 30 June 2018
1	Total consolidated assets as per published financial statements	434,927
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 recognized on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	–
4	Adjustments for derivative contracts	383
5	Adjustment for SFTs (i.e. repos and similar secured lending)	–
6	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	20,414
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	(13)
7	Other adjustments	(3,371)
8	Leverage ratio exposure measure	452,385

7.2 Leverage Ratio (“LR”)

In HK\$ millions		As at 30 June 2018	As at 31 March 2018
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	434,309	419,987
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,173)	(1,332)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	433,136	418,655
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)	223	237
5	Add-on amounts for PFE associated with all derivative contracts	929	841
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–	–

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES
REGULATORY DISCLOSURES

7 LEVERAGE RATIO (continued)

7.2 Leverage Ratio ("LR") (continued)

In HK\$ millions		As at 30 June 2018	As at 31 March 2018
9	Adjusted effective notional amount of written credit derivative contracts	—	—
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	—	—
11	Total exposures arising from derivative contracts	1,152	1,078
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	—	—
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	—	—
14	CCR exposure for SFT assets	—	—
15	Agent transaction exposures	—	—
16	Total exposures arising from SFTs	—	—
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	169,588	161,555
18	Less: Adjustments for conversion to credit equivalent amounts	(149,174)	(142,272)
19	Off-balance sheet items	20,414	19,283
Capital and total exposures			
20	Tier 1 capital	38,314	37,089
20a	Total exposures before adjustments for specific and collective provisions	454,702	439,016
20b	Adjustments for specific and collective provisions	(2,317)	(2,189)
21	Total exposures after adjustments for specific and collective provisions	452,385	436,827
Leverage ratio			
22	Leverage ratio (%)	8.5	8.5

8 CREDIT RISK

8.1 Credit Quality of Assets

As at 30 June 2018	Gross carrying amount of		Allowances/ Impairments	Net values
In HK\$ millions	Defaulted exposures	Non-defaulted exposures		
Loans	2,344	377,789	(2,137)	377,996
Debt securities	—	27,450	(1)	27,449
Off-balance sheet exposures	—	12,528	(12)	12,516
Total	<u>2,344</u>	<u>417,767</u>	<u>(2,150)</u>	<u>417,961</u>

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

8 CREDIT RISK (continued)

8.1 Credit Quality of Assets (continued)

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

- a) 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).
- b) 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.

8.2 Changes in Stock of Defaulted Loans and Debt Securities

In HK\$ millions

As at 1 January 2018	2,820
Loans and debt securities that have defaulted since the last reporting period	276
Returned to non-defaulted status	(1)
Amounts written off	(199)
Other changes (note)	(552)
As at 30 June 2018	<u>2,344</u>

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

8.3 Overview of Recognized Credit Risk Mitigation

In HK\$ millions		As at 30 June 2018				
		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	295,472	82,524	66,455	8,437	—
2	Debt securities	27,449	—	—	—	—
3	Total	322,921	82,524	66,455	8,437	—
4	Of which defaulted	527	907	625	183	—

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

8 CREDIT RISK (continued)

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

In HK\$ millions		As at 30 June 2018					
		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 (%)
1	Sovereign exposures	–	–	–	–	–	–
2	PSE exposures	–	–	136	–	27	20
2a	Of which: domestic PSEs	–	–	136	–	27	20
2b	Of which: foreign PSEs	–	–	–	–	–	–
3	Multilateral development bank exposures	1,310	–	1,310	–	–	–
4	Bank exposures	129	–	147	–	85	57
5	Securities firm exposures	857	1,220	801	–	400	50
6	Corporate exposures	15,736	12,959	13,079	267	13,036	98
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	3,346	3,557	2,630	–	1,973	75
11	Residential mortgage loans	936	–	936	–	328	35
12	Other exposures which are not past due exposures	13,813	14,018	9,416	30	9,446	100
13	Past due exposures	355	–	355	–	513	144
14	Significant exposures to commercial entities	–	–	–	–	–	–
15	Total	36,482	31,754	28,810	297	25,808	89

The Bank adopts external ratings for credit exposures under the Standardized approach where relevant and only accepts ratings from Standard & Poor's Rating Services, Moody's Investors Services and Fitch Ratings. The Bank follows the processes prescribed in the BCR to map the ratings to the relevant risk weights across various asset classes under the Standardized approach.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

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 2018										
	Risk Weight											Total credit risk exposures amount (post CCF and post CRM)
	Exposure class	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	
1	Sovereign exposures	–	–	–	–	–	–	–	–	–	–	–
2	PSE exposures	–	–	136	–	–	–	–	–	–	–	136
2a	Of which: domestic PSEs	–	–	136	–	–	–	–	–	–	–	136
2b	Of which: foreign PSEs	–	–	–	–	–	–	–	–	–	–	–
3	Multilateral development bank exposures	1,310	–	–	–	–	–	–	–	–	–	1,310
4	Bank exposures	–	–	47	–	50	–	50	–	–	–	147
5	Securities firm exposures	–	–	–	–	801	–	–	–	–	–	801
6	Corporate exposures	–	–	95	–	469	–	12,782	–	–	–	13,346
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	–	–	–	–	–	2,630	–	–	–	–	2,630
11	Residential mortgage loans	–	–	–	936	–	–	–	–	–	–	936
12	Other exposures which are not past due exposures	–	–	–	–	–	–	9,446	–	–	–	9,446
13	Past due exposures	–	–	2	–	–	–	33	320	–	–	355
14	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
15	Total	1,310	–	280	936	1,320	2,630	22,311	320	–	–	29,107

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

8 CREDIT RISK (continued)

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

8.6.1 Foundation IRB Approach

	As at 30 June 2018											
	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	21,191	–	–	23,081	0.01	7	45	2.5	1,754	8	51	
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	21,191	–	–	23,081	0.01	7	45	2.5	1,754	8	51	16
Bank exposures												
0.00 to <0.15	229,603	9,126	75	236,411	0.04	67	45	2.5	58,064	25	47	
0.15 to <0.25	502	–	–	502	0.24	10	45	2.5	319	64	1	
0.25 to <0.50	272	16	26	276	0.38	12	45	2.5	213	77	–	
0.50 to <0.75	343	–	–	343	0.61	2	45	2.5	339	99	1	
0.75 to <2.50	780	–	–	780	1.34	15	45	2.5	983	126	5	
2.50 to <10.00	6	–	–	6	4.15	2	45	2.5	9	141	–	
10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	
Sub-total	231,506	9,142	74	238,318	0.05	108	45	2.5	59,927	25	54	536
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	2	5	–	2	0.56	2	35	2.5	1	45	–	
0.75 to <2.50	84	97	4	80	1.91	21	35	2.5	55	69	1	
2.50 to <10.00	123	17	–	116	7.23	24	38	2.5	127	110	3	
10.00 to <100.00	14	–	–	10	12.15	3	37	2.5	15	152	–	
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	
Sub-total	223	119	3	208	5.36	50	37	2.5	198	95	4	2
Corporate exposures – other												
0.00 to <0.15	212	9	1	214	0.05	3	45	2.5	42	20	–	
0.15 to <0.25	2,043	6,493	12	3,123	0.22	16	44	2.5	1,402	45	3	
0.25 to <0.50	4,908	3,488	3	4,979	0.31	59	39	2.5	2,346	47	6	
0.50 to <0.75	3,678	4,941	5	5,062	0.56	340	43	2.5	3,543	70	12	
0.75 to <2.50	27,676	31,396	4	29,405	1.72	2,414	38	2.5	26,790	91	191	
2.50 to <10.00	27,291	12,410	3	24,388	4.35	2,405	37	2.5	28,646	117	396	
10.00 to <100.00	1,980	245	4	1,646	12.15	195	37	2.5	2,817	171	74	
100.00 (Default)	2,064	–	50	1,883	100.00	243	42	2.5	4,018	213	843	
Sub-total	69,852	58,982	5	70,700	5.23	5,675	39	2.5	69,604	98	1,525	1,516
Total (all portfolios)	322,772	68,243	14	332,307	1.15	5,840	44	2.5	131,483	40	1,634	2,070

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

8 CREDIT RISK (continued)

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

8.6.2 Retail IRB Approach

	As at 30 June 2018											
	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	5,473	–	–	5,473	0.12	1,016	13		1,262	23	1	
0.15 to <0.25	14,680	–	–	14,680	0.22	8,369	13		2,202	15	4	
0.25 to <0.50	–	–	–	–	–	–	–		–	–	–	
0.50 to <0.75	2,352	–	–	2,352	0.63	588	13		353	15	2	
0.75 to <2.50	3	–	–	3	1.80	1	32		2	58	–	
2.50 to <10.00	475	–	–	475	9.84	207	13		285	60	6	
10.00 to <100.00	11	–	–	11	33.97	11	13		8	77	–	
100.00 (Default)	10	–	–	10	100.00	10	32		40	395	–	
Sub-total	23,004	–	–	23,004	0.50	10,202	13		4,152	18	13	37
Qualifying revolving retail exposures												
0.00 to <0.15	1,472	34,321	69	25,157	0.14	296,924	99		1,980	8	35	
0.15 to <0.25	2,152	12,536	70	10,964	0.20	148,928	96		1,141	10	21	
0.25 to <0.50	–	–	–	–	–	–	–		–	–	–	
0.50 to <0.75	–	222	168	372	0.50	1,200	87		72	19	2	
0.75 to <2.50	4,146	19,141	68	17,240	1.64	219,010	98		9,337	54	276	
2.50 to <10.00	654	1,125	93	1,703	4.97	18,477	103		2,074	122	85	
10.00 to <100.00	1,576	352	60	1,786	14.98	17,331	97		3,899	218	259	
100.00 (Default)	36	–	–	36	100.00	1,440	108		182	499	25	
Sub-total	10,036	67,697	70	57,258	1.28	703,310	98		18,685	33	703	192
Small business retail exposures												
0.00 to <0.15	–	–	–	–	–	–	–		–	–	–	
0.15 to <0.25	–	–	–	–	–	–	–		–	–	–	
0.25 to <0.50	5	–	–	5	0.29	5	6		–	7	–	
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	5	–	–	5	0.29	5	6		–	7	–	–
Other retail exposures to individuals												
0.00 to <0.15	–	–	–	–	–	–	–		–	–	–	
0.15 to <0.25	–	–	–	–	–	–	–		–	–	–	
0.25 to <0.50	4,084	–	–	4,084	0.29	1,023	6		299	7	1	
0.50 to <0.75	–	–	–	–	–	–	–		–	–	–	
0.75 to <2.50	1,133	–	–	1,133	1.33	5,386	50		726	64	9	
2.50 to <10.00	1,230	–	–	1,230	4.75	7,485	94		1,713	139	55	
10.00 to <100.00	2,229	–	–	2,229	20.25	8,706	104		5,063	227	463	
100.00 (Default)	25	–	–	25	100.00	196	112		197	777	13	
Sub-total	8,701	–	–	8,701	6.46	22,796	50		7,998	92	541	84
Total (all portfolios)	41,746	67,697	70	88,968	1.58	736,313	72		30,835	35	1,257	313

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

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 2018	
		Pre-credit derivatives RWA	Actual RWA
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”)	7,754	7,754
5	Corporate – Specialized lending (high-volatility commercial real estate) (“HVCRE”)	–	–
6	Corporate – Small-and-medium sized corporates	198	198
7	Corporate – Other corporates	69,604	69,604
8	Sovereigns	1,733	1,733
9	Sovereign foreign public sector entities	21	21
10	Multilateral development banks	–	–
11	Bank exposures – Banks	59,927	59,927
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	3,771	3,771
16	Retail – Residential mortgages to property-holding shell companies	381	381
17	Retail – Qualifying revolving retail exposures (QRRE)	18,685	18,685
18	Retail – Other retail exposures to individuals	7,998	7,998
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	3,835	3,835
28	Total (under the IRB calculation approaches)	173,907	173,907

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES
REGULATORY DISCLOSURES

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 2018	168,224
Asset size	8,640
Asset quality	(2,013)
Model updates	(489)
Methodology and policy	–
Acquisitions and disposals	–
Foreign exchange movements	(455)
Others	–
As at 30 June 2018	173,907

RWA of credit risk exposures under IRB approach increased mainly due to business organic growth.

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 2018									
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	284	–	50	–	–	–	284	284	142	–
Strong	Equal to or more than 2.5 years	237	550	70	–	–	–	649	649	455	3
Good ^A	Less than 2.5 years	2,467	847	70	–	–	–	3,102	3,102	2,171	12
Good	Equal to or more than 2.5 years	4,831	467	90	–	–	–	4,841	4,841	4,357	39
Satisfactory		423	30	115	–	–	–	423	423	486	12
Weak		57	–	250	–	–	–	57	57	143	4
Default		–	–	0	–	–	–	–	–	–	–
Total		8,299	1,894		–	–	–	9,356	9,356	7,754	70

^A Use of preferential risk-weights.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES
REGULATORY DISCLOSURES

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 2018					
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	CEM (for derivative contracts)	223	929		NA	1,152	508
2	IMM (CCR) approach			–	–	–	–
3	Simple Approach (for SFTs)					–	–
4	Comprehensive Approach (for SFTs)					–	–
5	VaR (for SFTs)					–	–
6	Total						508

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

9.2 CVA Capital Charge

In HK\$ millions		As at 30 June 2018	
		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	1,085	224
4	Total	1,085	224

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

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 2018										
	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	-	-	-	-	-	-	-	-	-	-	-
5	Securities firm exposures	-	-	-	-	1	-	-	-	-	-	1
6	Corporate exposures	-	-	-	-	17	-	25	-	-	-	42
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	-	-	-	-	-	-	174	-	-	-	174
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	Total	-	-	-	-	18	-	199	-	-	-	217

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

9 COUNTERPARTY CREDIT RISK (continued)

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

9.4.1 Foundation IRB Approach

The following table sets out the parameters used for the calculation of the Bank's 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 2018						
	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	624	0.05	10	45	2.5	164	26
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	624	0.05	10	45	2.5	164	26
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	–	8.34	–	43	2.5	–	130
10.00 to <100.00	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	–	8.34	–	43	2.5	–	130
Corporate exposures – other							
0.00 to <0.15	–	–	–	–	–	–	–
0.15 to <0.25	72	0.22	2	45	2.5	33	46
0.25 to <0.50	160	0.29	8	35	2.5	66	41
0.50 to <0.75	12	0.56	8	45	2.5	9	73
0.75 to <2.50	44	1.26	36	6	2.5	7	15
2.50 to <10.00	3	4.65	50	25	2.5	2	81
10.00 to <100.00	–	12.15	6	35	2.5	1	162
100.00 (Default)	–	100.00	3	38	2.5	–	474
Sub-total	291	0.50	113	33	2.5	118	40
Total (all portfolios)	915	0.19	123	41	2.5	282	31

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

9 COUNTERPARTY CREDIT RISK (continued)

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

In HK\$ millions	As at 30 June 2018					
	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	–	51	–	5	–	–
Total	–	51	–	6	–	–

There is no outstanding securities financing transaction which creates exposures to counterparty credit risk as at 30 June 2018.

10 MARKET RISK UNDER STANDARDIZED APPROACH

In HK\$ millions		As at 30 June 2018 RWA ⁽¹⁾
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	485
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures	344
4	Commodity exposures	–
	Option exposures	
5	Simplified approach	–
6	Delta-plus approach	6
7	Other approach	–
8	Securitization exposures	–
9	Total	835

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

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

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 2018					
Developed countries	10,490	5,442	393	1,299	17,624
Offshore centres, of which	207,842	488	198	36,003	244,531
– Singapore	207,665	4	–	806	208,475
– Hong Kong	171	484	198	32,859	33,712
– Others	6	–	–	2,338	2,344
Developing Europe	4	–	–	92	96
Developing Latin America and Caribbean	27	–	–	39	66
Developing Africa and Middle East	50	–	–	56	106
Developing Asia-Pacific	13,476	645	–	7,087	21,208
International organisations	–	1,310	–	–	1,310
	<u>231,889</u>	<u>7,885</u>	<u>591</u>	<u>44,576</u>	<u>284,941</u>
As at 31 December 2017					
Developed countries	12,028	5,396	110	1,268	18,802
Offshore centres, of which	194,187	460	261	34,269	229,177
– Singapore	193,733	5	–	781	194,519
– Hong Kong	449	454	261	29,777	30,941
– Others	5	1	–	3,711	3,717
Developing Europe	–	–	–	82	82
Developing Latin America and Caribbean	17	–	–	49	66
Developing Africa and Middle East	70	–	–	47	117
Developing Asia-Pacific	10,024	312	–	7,369	17,705
International organisations	–	1,961	–	–	1,961
	<u>216,326</u>	<u>8,129</u>	<u>371</u>	<u>43,084</u>	<u>267,910</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 2018		As at 31 December 2017	
	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	4,496	3,994	3,953	3,621
– Property investment	19,963	19,522	19,740	18,716
– Financial concerns	5,760	5,476	5,425	5,060
– Stockbrokers	851	58	830	54
– Wholesale and retail trade	14,270	10,837	13,014	9,999
– Manufacturing	9,824	7,566	10,522	7,371
– Transport and transport equipment	10,564	9,713	10,580	9,854
– Recreational activities	241	217	214	189
– Information technology	1,465	312	663	240
– Others	5,402	3,847	5,487	3,969
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	142	142	166	166
– Loans for the purchase of other residential properties	21,585	21,585	21,599	21,599
– Credit card advances	8,283	–	8,211	–
– Others	18,192	10,966	18,240	10,190
	121,038	94,235	118,644	91,028
Trade finance (including trade bills)	33,059	10,970	28,692	11,026
Gross loans and advances for use outside Hong Kong	8,738	2,612	7,493	2,496
	162,835	107,817	154,829	104,550

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

12 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

Analysis of impaired advances, specific and collective provisions 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 provision	Collective provision
As at 30 June 2018			
Property investment	103	5	228
Loans for the purchase of other residential properties	9	—	26
Trade finance	598	207	169
Individuals – for other private purposes	255	57	241
As at 31 December 2017			
Property investment	195	8	89
Loans for the purchase of other residential properties	8	—	—
Trade finance	760	197	149
Individuals – for other private purposes	—	—	171

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 2018			
Hong Kong	119,064	22,287	141,351
Mainland China	4,801	9,080	13,881
Others	5,911	1,692	7,603
	<u>129,776</u>	<u>33,059</u>	<u>162,835</u>
As at 31 December 2017			
Hong Kong	114,973	20,020	134,993
Mainland China	4,276	7,171	11,447
Others	6,864	1,525	8,389
	<u>126,113</u>	<u>28,716</u>	<u>154,829</u>

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

12 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

Analysis of impaired advances, specific and collective provision 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 provision	Collective provision
As at 30 June 2018			
Hong Kong	1,761	630	714
As at 31 December 2017			
Hong Kong	1,844	548	728

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 2018 % of gross loans and advances to customers		As at 31 December 2017 % of gross loans and advances to customers	
Six months or less but over three months	164	0.10	202	0.13
One year or less but over six months	217	0.13	249	0.16
Over one year	1,238	0.76	1,387	0.90
	<u>1,619</u>	<u>0.99</u>	<u>1,838</u>	<u>1.19</u>
Individual impairment allowances made in respect of the above overdue loans and advances	<u>743</u>		<u>743</u>	
Current market value of collateral held against the covered portion of the above overdue loans and advances	<u>1,187</u>		<u>1,379</u>	
Covered portion of the above overdue loans and advances	<u>737</u>		<u>925</u>	
Uncovered portion of the above overdue loans and advances	<u>882</u>		<u>913</u>	

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES
REGULATORY DISCLOSURES

13 OVERDUE AND RESCHEDULED ASSETS (continued)

13.2 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\$ millions	As at 30 June 2018		As at 31 December 2017	
		% of gross loans and advances to customers		% of gross loans and advances to customers
Rescheduled loans and advances	<u>370</u>	0.23	<u>451</u>	0.29

13.3 Repossessed assets

As at 30 June 2018, repossessed assets of the Bank amounted to HK\$134 million (31 December 2017: HK\$146 million).

13.4 Overdue other assets

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

In HK\$ millions	As at 30 June 2018	As at 31 December 2017
Six months or less but over three months	–	–
One year or less but over six months	–	1
Over one year	<u>188</u>	<u>242</u>
	<u>188</u>	<u>243</u>

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

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 2018

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")	1,342	244	1,586
(b) Local governments, local government-owned entities and their subsidiaries and JVs	427	134	561
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	7,993	1,161	9,154
(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	73	52	125
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	7,798	1,866	9,664
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7,868	1,934	9,802
Total	25,501	5,392	30,893
Total assets after provision	432,618		
On-balance sheet exposures as percentage of total assets	5.89%		

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

14 MAINLAND ACTIVITIES (continued)

As at 31 December 2017

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")	1,165	445	1,610
(b) Local governments, local government-owned entities and their subsidiaries and JVs	580	45	625
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	4,876	1,313	6,189
(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	74	52	126
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	5,843	1,609	7,452
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	6,403	3,243	9,646
Total	18,941	6,708	25,649
Total assets after provision	394,121		
On-balance sheet exposures as percentage of total assets	4.81%		

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

15 CURRENCY CONCENTRATIONS

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

In HK\$ millions	USD	CNY	EUR	CAD	AUD	JPY	GBP	NZD	SGD	MOP	Others	Total
As at 30 June 2018												
Hong Kong dollar equivalents												
Spot assets	169,592	12,120	1,999	475	3,856	2,517	2,765	216	1,560	575	1,105	196,780
Spot liabilities	(128,467)	(10,697)	(5,809)	(3,700)	(13,965)	(2,580)	(3,607)	(4,451)	(1,615)	(424)	(1,184)	(176,499)
Forward purchases	36,855	7,054	5,359	4,142	11,834	2,002	2,015	6,500	144	-	311	76,216
Forward sales	(78,234)	(8,482)	(1,465)	(970)	(1,670)	(1,898)	(1,188)	(2,281)	(83)	-	(221)	(96,492)
Net options position	3	-	(3)	-	-	-	-	-	-	-	-	-
Net long/(short) non-structural position	(251)	(5)	81	(53)	55	41	(15)	(16)	6	151	11	5
Net structural position	-	89	-	-	-	-	-	-	-	(86)	-	3
As at 31 December 2017												
Hong Kong dollar equivalents												
Spot assets	167,292	11,201	3,490	423	4,992	1,958	2,247	96	1,225	566	1,167	194,657
Spot liabilities	(131,611)	(10,682)	(4,697)	(2,471)	(12,140)	(2,097)	(2,680)	(3,008)	(1,352)	(534)	(1,220)	(172,492)
Forward purchases	38,028	7,316	5,143	2,799	7,629	736	1,377	3,017	158	-	105	66,308
Forward sales	(73,151)	(7,787)	(3,934)	(705)	(417)	(606)	(962)	(93)	(34)	-	(50)	(87,739)
Net options position	-	-	-	-	(1)	-	-	1	-	-	-	-
Net long/(short) non- structural position	558	48	2	46	63	(9)	(18)	13	(3)	32	2	734
Net structural position	-	29	-	-	-	-	-	-	-	(46)	-	(17)

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

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. In 2018, the Bank is required to maintain an LCR of not less than 90%, increasing by a further 10% to not less than 100% by January 2019.

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 amount” 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.

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

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES
REGULATORY DISCLOSURES

16 LIQUIDITY (continued)

16.1 LIQUIDITY COVERAGE RATIO (continued)

Table 1: Average LCR for the quarter ended 30 June 2018 (continued)

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 Jun 2018: (73)		Currency: (HK\$ million)	
Basis of disclosure: unconsolidated		Unweighted value (average)	Weighted value (average)
A. HQLA			
1	Total HQLA		29,984
B. CASH OUTFLOWS			
2	Retail deposits and small business funding, of which:	190,399	14,972
3	<i>Stable retail deposits and stable small business funding</i>	13,410	402
4	<i>Less stable retail deposits and less stable small business funding</i>	114,400	11,441
4a	<i>Retail term deposits and small business term funding</i>	62,589	3,129
5	Unsecured wholesale funding (other than small business funding), debt securities and prescribed instruments issued by the AI, of which:	131,069	68,424
6	<i>Operational deposits</i>	15,350	3,337
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	115,479	64,847
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	240	240
9	Secured funding transactions (including securities swap transactions)		–
10	Additional requirements, of which:	15,313	3,991
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	2,733	2,733
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>	12,580	1,258
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,425	1,425
15	Other contingent funding obligations (whether contractual or non-contractual)	143,333	421
16	TOTAL CASH OUTFLOWS		89,233
C. CASH INFLOWS			
17	Secured lending transactions (including securities swap transactions)	–	–
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	123,466	76,617
19	Other cash inflows	2,525	2,181
20	Total Cash Inflows	125,991	78,798
D. LIQUIDITY COVERAGE RATIO		ADJUSTED VALUE	
21	TOTAL HQLA		29,984
22	TOTAL NET CASH OUTFLOWS		22,308
23	LCR (%)		134.6%

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

16 LIQUIDITY (continued)

16.1 LIQUIDITY COVERAGE RATIO (Continued)

Table 2: Average LCR for the quarter ended 31 March 2018 (continued)

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 31 Mar 2018: (73)		Currency: (HK\$ million)	
Basis of disclosure: unconsolidated		Unweighted value (average)	Weighted value (average)
A. HQLA			
1	Total HQLA		30,442
B. CASH OUTFLOWS			
2	Retail deposits and small business funding, of which:	184,709	14,711
3	<i>Stable retail deposits and stable small business funding</i>	13,532	406
4	<i>Less stable retail deposits and less stable small business funding</i>	114,917	11,492
4a	<i>Retail term deposits and small business term funding</i>	56,260	2,813
5	Unsecured wholesale funding (other than small business funding), debt securities and prescribed instruments issued by the AI, of which:	134,595	70,460
6	<i>Operational deposits</i>	15,096	3,262
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	118,760	66,459
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	739	739
9	Secured funding transactions (including securities swap transactions)		–
10	Additional requirements, of which:	15,872	4,183
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	2,885	2,885
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>	12,987	1,298
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,947	1,947
15	Other contingent funding obligations (whether contractual or non-contractual)	144,438	412
16	TOTAL CASH OUTFLOWS		91,713
C. CASH INFLOWS			
17	Secured lending transactions (including securities swap transactions)	–	–
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	131,609	87,041
19	Other cash inflows	2,377	2,082
20	TOTAL CASH INFLOWS	133,986	89,123
D. LIQUIDITY COVERAGE RATIO		ADJUSTED VALUE	
21	TOTAL HQLA		30,442
22	TOTAL NET CASH OUTFLOWS		22,928
23	LCR (%)		132.8%

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. The LCR remained stable and well above the regulatory requirement in the first half of 2018. Quarter-on-quarter, the loan growth was mainly supported by retail deposits gathering. The impact to LCR from lower net outflow due to the drop in wholesale deposit was partially offset by the reduction in HQLA, which led to a slight increase in the average LCR.

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

The Bank holds a pool of unencumbered high quality 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, other government debt securities and balance 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 Note 38 in the annual report for the year ended 31 December 2017.

(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.

(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 honoured 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 2018

(HK\$ million)		(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:	40,731	–	–	4,238	44,968
2	Regulatory capital	40,731	–	–	4,238	44,968
2a	Minority interests not covered by row 2	–	–	–	–	–
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and small business funding:	–	186,884	6,135	39	174,480
5	Stable deposits		14,371	117	1	13,765
6	Less stable deposits		172,513	6,018	38	160,715
7	Wholesale funding:	–	161,153	2,939	1,224	63,472
8	Operational deposits		18,506	–	–	9,253
9	Other wholesale funding	–	142,647	2,939	1,224	54,219
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	25,734	4,968	–	1,119	1,119
12	Net derivative liabilities	495				
13	All other funding and liabilities not included in the above categories	25,239	4,968	–	1,119	1,119
14	Total ASF					284,039
B. Required stable funding (“RSF”) item						
15	Total HQLA for NSFR purposes	595	51,450	–	–	1,397
16	Deposits held at other financial institutions for operational purposes	–	45	–	–	23
17	Performing loans and securities:	16,928	186,437	17,019	163,469	226,241
18	Performing loans to financial institutions secured by Level 1 HQLA	–	–	–	–	–

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 2018 (Continued)

(HK\$ million)		(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	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	88	124,662	9,576	98,612	122,188
20	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:	16,840	60,260	6,361	36,850	78,948
21	With a risk-weight of less than or equal to 35% under the STC approach	–	–	–	–	–
22	Performing residential mortgages, of which:	–	1,515	1,082	28,005	25,103
23	With a risk-weight of less than or equal to 35% under the STC approach	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	2	2
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	6,895	4,128	–	–	6,864
27	Physical traded commodities, including gold	–				–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	–				–
29	Net derivative assets	–				–
30	Total derivative liabilities before deduction of variation margin posted	1,233				NA
31	All other assets not included in the above categories	5,662	4,128	–	–	6,864
32	Off-balance sheet items		158,577	–	–	587
33	Total RSF					235,112
34	Net Stable Funding Ratio (%)					120.8%

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 2018

(HK\$ million)		(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:	39,514	–	–	4,238	43,752
2	Regulatory capital	39,514	–	–	4,238	43,752
2a	Minority interests not covered by row 2	–	–	–	–	–
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and small business funding:	–	184,552	3,303	–	169,813
5	Stable deposits		14,836	55	–	14,146
6	Less stable deposits		169,716	3,248	–	155,667
7	Wholesale funding:	–	152,036	4,054	1,202	61,396
8	Operational deposits		14,476	–	–	7,238
9	Other wholesale funding	–	137,560	4,054	1,202	54,158
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	25,827	4,900	200	1,117	1,217
12	Net derivative liabilities	198				
13	All other funding and liabilities not included in the above categories	25,629	4,900	200	1,117	1,217
14	Total ASF					276,178
B. Required stable funding (“RSF”) item						
15	Total HQLA for NSFR purposes	624	54,966	–	–	1,464
16	Deposits held at other financial institutions for operational purposes	–	136	–	–	68
17	Performing loans and securities:	16,390	191,865	14,027	136,317	198,075
18	Performing loans to financial institutions secured by Level 1 HQLA	–	–	–	–	–
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	131,677	7,586	76,101	99,646
20	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:	16,390	58,617	5,323	32,446	73,480

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 2018 (Continued)

(HK\$ million)		(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	
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>	–	1,571	1,118	27,768	24,947
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>	–	–	–	2	2
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	7,224	5,156	2	2	7,294
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 deduction of variation margin posted</i>	871				NA
31	<i>All other assets not included in the above categories</i>	6,353	5,156	2	2	7,294
32	Off-balance sheet items		157,854	–	–	667
33	Total RSF					207,568
34	Net Stable Funding Ratio (%)					133.1%

The NSFR remained well above the regulatory requirement in the first half of 2018. Compared to previous quarter, the NSFR as of end 2Q 2018 decreased mainly due to increase in intragroup lending and customer loans, partly offset by the growth in both retail and wholesale 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 2018.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

16 LIQUIDITY (continued)

16.3 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 2017.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES
REGULATORY DISCLOSURES

17 ABBREVIATIONS

Abbreviations	Brief Description
ASF	Available Stable Funding
AT1	Additional Tier 1
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
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
EL	Expected Loss
EPE	Expected Positive Exposure
FBA	Fall-Back Approach
G-SIB	Global Systemically Important Authorized Institution
IMM	Internal Models
IMM (CCR)	Internal Models (Counterparty Credit Risk)
IRB	Internal Ratings-Based
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LMR	Liquidity Maintenance Ratio
LTA	Look Through Approach
MBA	Mandate-based Approach

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES
REGULATORY DISCLOSURES

17 ABBREVIATIONS (continued)

Abbreviations	Brief Description
MSRs	Mortgage Servicing Rights
NA	Not Applicable
NSFR	Net Stable Funding Ratio
PD	Probability of Default
PFE	Potential Future Exposure
PSE	Public Sector Entity
RSF	Required Stable Funding
SA-CCR	Standardized Approach (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