



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 2020

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 (“the Group”) and is prepared in accordance with the Banking (Disclosure) Rules and disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”).

Basis of preparation

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

For the purposes of calculating the risk-weighted assets (“RWA”), the Bank uses the Internal Ratings-Based (“IRB”) approach for the 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 | 63 | 62 |
| Hang Lung Bank (Nominee) Limited | Inactive | – | – |
| DBS Kwong On (Nominees) Limited | Inactive | – | – |
| Overseas Trust Bank Nominees Limited | Inactive | – | – |
| Ting Hong Nominees Limited | Provision of nominee, trustee and agency services | – | – |
| DBS Trustee (Hong Kong) Limited | Inactive | 5 | 5 |
| DBS COMPASS Limited | Inactive | 1 | 1 |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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3 KEY PRUDENTIAL RATIOS

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

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

| In HK\$ millions | | As at 30 June 2020 | As at 31 March 2020 | As at 31 December 2019 | As at 30 September 2019 | As at 30 June 2019 |
|------------------|---|--------------------------|---------------------------|------------------------------|-------------------------------|--------------------------|
| | Regulatory Capital (amount) | | | | | |
| 1 | Common Equity Tier 1 (CET1) | 39,458 | 38,335 | 36,514 | 37,267 | 38,338 |
| 2 | Tier 1 | 40,858 | 39,735 | 37,914 | 38,667 | 39,738 |
| 3 | Total Capital | 45,284 | 44,175 | 42,435 | 43,193 | 44,245 |
| | RWA (amount) | | | | | |
| 4 | Total RWA | 222,905 | 226,184 | 230,076 | 229,643 | 232,278 |
| | Risk-based regulatory capital ratios (as a percentage of RWA) | | | | | |
| 5 | CET1 ratio (%) | 17.7 | 16.9 | 15.9 | 16.2 | 16.5 |
| 6 | Tier 1 ratio (%) | 18.3 | 17.6 | 16.5 | 16.8 | 17.1 |
| 7 | Total Capital ratio (%) | 20.3 | 19.5 | 18.4 | 18.8 | 19.0 |
| | Additional CET1 buffer requirements (as a percentage of RWA) | | | | | |
| 8 | Capital conservation buffer requirement (%) | 2.500 | 2.500 | 2.500 | 2.500 | 2.500 |
| 9 | Countercyclical capital buffer requirement (%) | 0.852 | 0.874 | 1.787 | 2.216 | 2.215 |
| 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 (%) | 3.352 | 3.374 | 4.287 | 4.716 | 4.715 |
| 12 | CET1 available after meeting the AI's minimum capital requirements (%) | 12.3 | 11.5 | 10.4 | 10.8 | 11.0 |
| | Basel III Leverage ratio | | | | | |
| 13 | Total Leverage ratio (LR) exposure measure | 473,319 | 470,364 | 466,133 | 478,772 | 477,309 |
| 14 | LR (%) | 8.6 | 8.4 | 8.1 | 8.1 | 8.3 |
| | Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR) | | | | | |
| | Applicable to category 1 institution only: | | | | | |
| 15 | Total high quality liquid assets (HQLA) | 34,720 | 35,789 | 37,721 | 40,260 | 36,032 |
| 16 | Total net cash outflows | 23,246 | 24,588 | 24,381 | 24,103 | 22,694 |
| 17 | LCR (%) | 149.4 | 145.7 | 155.0 | 167.3 | 158.8 |
| | 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 | 293,840 | 298,945 | 302,421 | 304,297 | 300,180 |
| 19 | Total required stable funding | 255,745 | 258,493 | 263,984 | 260,167 | 262,198 |
| 20 | NSFR (%) | 114.9 | 115.6 | 114.6 | 117.0 | 114.5 |
| | Applicable to category 2A institution only: | | | | | |
| 20a | CFR (%) | NA | NA | NA | NA | NA |

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

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REGULATORY DISCLOSURES

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 2020 | As at 31 March 2020 | As at 30 June 2020 |
| 1 | Credit risk for non-securitization exposures | 188,470 | 192,418 | 15,923 |
| 2 | <i>Of which STC approach</i> | 12,403 | 22,118 | 992 |
| 2a | <i>Of which BSC approach</i> | – | – | – |
| 3 | <i>Of which foundation IRB approach</i> | 169,712 | 165,520 | 14,392 |
| 4 | <i>Of which supervisory slotting criteria approach</i> | 6,355 | 4,780 | 539 |
| 5 | <i>Of which advanced IRB approach</i> | – | – | – |
| 6 | Counterparty default risk and default fund contributions | 1,383 | 1,387 | 117 |
| 7 | <i>Of which SA-CCR</i> | NA | NA | NA |
| 7a | <i>Of which CEM</i> | 1,383 | 1,387 | 117 |
| 8 | <i>Of which IMM(CCR) approach</i> | – | – | – |
| 9 | <i>Of which others</i> | – | – | – |
| 10 | CVA Risk | 1,093 | 938 | 87 |
| 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 (including IAA)</i> | – | – | – |
| 19 | <i>Of which SEC – SA</i> | – | – | – |
| 19a | <i>Of which SEC – FBA</i> | – | – | – |
| 20 | Market risk | 1,165 | 1,223 | 93 |
| 21 | <i>Of which STM approach</i> | 1,165 | 1,223 | 93 |
| 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 |

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REGULATORY DISCLOSURES

4 OVERVIEW OF RISK-WEIGHTED ASSETS (continued)

| In HK\$ millions | | RWA | | Minimum capital requirements ¹¹ |
|------------------|---|-----------------------|------------------------|--|
| | | As at 30 June 2020 | As at 31 March 2020 | As at 30 June 2020 |
| 24 | Operational risk | 20,099 | 19,841 | 1,608 |
| 24a | Sovereign concentration risk | – | – | – |
| 25 | Amounts below the thresholds for deduction (subject to 250% RW) | 95 | 113 | 8 |
| 26 | Capital floor adjustment | – | – | – |
| 26a | Deduction to RWA | (44) | – | (4) |
| 26b | <i>Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital</i> | (44) | – | (4) |
| 26c | <i>Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital</i> | – | – | – |
| 27 | Total | 212,261 | 215,920 | 17,832 |

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

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF REGULATORY CAPITAL

5.1 Composition of Regulatory Capital

As at 30 June 2020

| | | Component of regulatory capital In HK\$ millions | Cross-referenced to Section 5.2 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 | (4) |
| 2 | Retained earnings | 29,490 | (6) |
| 3 | Disclosed reserves | 3,055 | (7) |
| 4 | <i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i> | NA | NA |
| 5 | Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group) | – | |
| 6 | CET1 capital before regulatory deductions | 40,140 | |
| CET1 capital: regulatory deductions | | | |
| 7 | Valuation adjustments | 1 | |
| 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) | 191 | (2) |
| 11 | Cash flow hedge reserve | 490 | (8) |
| 12 | Excess of total EL amount over total eligible provisions under the IRB approach | – | |
| 13 | Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions | – | |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities | – | |
| 15 | Defined benefit pension fund net assets (net of associated deferred tax liabilities) | – | |
| 16 | Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet) | – | |
| 17 | Reciprocal cross-holdings in CET1 capital instruments | – | |
| 18 | Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | – | |
| 19 | Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | – | |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.1 Composition of Regulatory Capital (continued)

As at 30 June 2020

| | | Component of regulatory capital In HK\$ millions | Cross-referenced to Section 5.2 Source based on reference numbers of the balance sheet under the regulatory scope of consolidation |
|---------------------------------|---|---|--|
| 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 | – | |
| 26a | Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) | – | |
| 26b | Regulatory reserve for general banking risks | – | |
| 26c | Securitization exposures specified in a notice given by the MA | – | |
| 26d | Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings | – | |
| 26e | Capital shortfall of regulated non-bank subsidiaries | – | |
| 26f | Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base) | – | |
| 27 | Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions | – | |
| 28 | Total regulatory deductions to CET1 capital | 682 | |
| 29 | CET1 capital | 39,458 | |
| AT1 capital: instruments | | | |
| 30 | Qualifying AT1 capital instruments plus any related share premium | 1,400 | |
| 31 | of which: classified as equity under applicable accounting standards | 1,400 | (5) |
| 32 | of which: classified as liabilities under applicable accounting standards | – | |
| 33 | <i>Capital instruments subject to phase-out arrangements from AT1 capital</i> | – | |
| 34 | AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group) | – | |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.1 Composition of Regulatory Capital (continued)

As at 30 June 2020

| | | Component of regulatory capital In HK\$ millions | Cross-referenced to Section 5.2 Source based on reference numbers of the balance sheet under the regulatory scope of consolidation |
|----|--|---|--|
| 35 | of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements | – | |
| 36 | AT1 capital before regulatory deductions | 1,400 | |
| | AT1 capital: regulatory deductions | | |
| 37 | Investments in own AT1 capital instruments | – | |
| 38 | Reciprocal cross-holdings in AT1 capital instruments | – | |
| 39 | Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | – | |
| 40 | Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | – | |
| 41 | National specific regulatory adjustments applied to AT1 capital | – | |
| 42 | Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions | – | |
| 43 | Total regulatory deductions to AT1 capital | – | |
| 44 | AT1 capital | 1,400 | |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 40,858 | |
| | Tier 2 capital: instruments and provisions | | |
| 46 | Qualifying Tier 2 capital instruments plus any related share premium | 4,185 | (3) |
| 47 | <i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i> | – | |
| 48 | Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group) | – | |
| 49 | <i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i> | – | |
| 50 | Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital | 241 | (1) |
| 51 | Tier 2 capital before regulatory deductions | 4,426 | |
| | Tier 2 capital: regulatory deductions | | |
| 52 | Investments in own Tier 2 capital instruments | – | |
| 53 | Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities | – | |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.1 Composition of Regulatory Capital (continued)

As at 30 June 2020

| | | Component of regulatory capital In HK\$ millions | Cross-referenced to Section 5.2 Source based on reference numbers of the balance sheet under the regulatory scope of consolidation |
|--|--|---|---|
| 54 | Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold) | – | |
| 54a | Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as “section 2 institution” under §2(1) of Schedule 4F to BCR only) | – | |
| 55 | Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions) | – | |
| 55a | Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions) | – | |
| 56 | National specific regulatory adjustments applied to Tier 2 capital | – | |
| 56a | Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital | – | |
| 56b | Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR | – | |
| 57 | Total regulatory adjustments to Tier 2 capital | – | |
| 58 | Tier 2 capital (T2) | 4,426 | |
| 59 | Total regulatory capital (TC = T1 + T2) | 45,284 | |
| 60 | Total RWA | 222,905 | |
| Capital ratios (as a percentage of RWA) | | | |
| 61 | CET1 capital ratio | 17.7% | |
| 62 | Tier 1 capital ratio | 18.3% | |
| 63 | Total capital ratio | 20.3% | |
| 64 | Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements) | 3.352% | |
| 65 | of which: capital conservation buffer requirement | 2.5% | |
| 66 | of which: bank specific countercyclical capital buffer requirement | 0.852% | |
| 67 | of which: higher loss absorbency requirement | 0.0% | |

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5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.1 Composition of Regulatory Capital (continued)

As at 30 June 2020

| | | Component of regulatory capital In HK\$ millions | Cross-referenced to Section 5.2 Source based on reference numbers of the balance sheet under the regulatory scope of consolidation |
|--|---|---|---|
| 68 | CET1 (as a percentage of RWA) available after meeting minimum capital requirements | 12.3% | |
| National minima (if different from Basel 3 minimum) | | | |
| 69 | National CET1 minimum ratio | NA | NA |
| 70 | National Tier 1 minimum ratio | NA | NA |
| 71 | National Total capital minimum ratio | NA | NA |
| Amounts below the thresholds for deduction (before risk weighting) | | | |
| 72 | Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation | 1,278 | |
| 73 | Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | 38 | |
| 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) | 201 | |
| 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 | 157 | |
| 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) | 84 | |
| 79 | Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA | 1,128 | |
| 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 |

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REGULATORY DISCLOSURES

5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.1 Composition of Regulatory Capital (continued)

As at 30 June 2020

| | | Component of regulatory capital In HK\$ millions | Cross-referenced to Section 5.2 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) | 191 | – |
| 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 REGULATORY CAPITAL (continued)

5.2 Reconciliation of Regulatory Capital to Balance Sheet

| In HK\$ millions | Balance sheet as in published financial statements As at 30 June 2020 | Under regulatory scope of consolidation As at 30 June 2020 | Cross- referenced to the component of regulatory capital in Section 5.1 |
|--|---|---|---|
| Assets | | | |
| Cash and balances with central banks | 4,266 | 4,266 | |
| Government securities and treasury bills | 52,397 | 52,397 | |
| Due from banks | 203,961 | 203,961 | |
| Derivatives | 1,743 | 1,743 | |
| Bank and corporate securities | 10,759 | 10,759 | |
| Loans and advances to customers | 162,755 | 162,755 | |
| <i>of which: Allowances eligible for inclusion in Tier 2 capital</i> | | (241) | (1) |
| Other assets | 8,978 | 8,978 | |
| <i>of which: Deferred tax assets</i> | | 191 | (2) |
| Subsidiaries | – | 40 | |
| Properties and other fixed assets | 4,376 | 4,376 | |
| Goodwill | 168 | – | |
| Total assets | 449,403 | 449,275 | |
| Liabilities | | | |
| Due to banks | 7,153 | 7,153 | |
| Deposits and balances from customers | 352,086 | 352,096 | |
| Derivatives | 1,836 | 1,836 | |
| Certificates of deposit issued | 1,228 | 1,228 | |
| Other liabilities | 41,177 | 41,177 | |
| Amount due to subsidiaries | – | 60 | |
| Subordinated liability | 4,185 | 4,185 | (3) |
| Total liabilities | 407,665 | 407,735 | |
| Equity | | | |
| <i>Ordinary shares</i> | | 7,595 | (4) |
| <i>Preference shares</i> | | 1,400 | (5) |
| Share capital | 8,995 | 8,995 | |
| <i>Retained earnings</i> | | 29,490 | (6) |
| <i>Other reserves</i> | | 3,055 | (7) |
| <i>of which: Cash flow hedge reserves</i> | | 490 | (8) |
| Reserves | 32,743 | 32,545 | |
| Total equity | 41,738 | 41,540 | |
| Total liabilities and equity | 449,403 | 449,275 | |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.3 Main Features of Regulatory Capital Instruments

| | | CET 1 Capital Ordinary Shares | Additional Tier 1 Capital HK\$1.4b Preference Shares issued in October 2016 | Tier 2 Capital US\$540m Subordinated Loan issued in December 2017 |
|-----------------------------|--|----------------------------------|---|---|
| 1 | Issuer | DBS Bank (Hong Kong) Limited | DBS Bank (Hong Kong) Limited | DBS Bank (Hong Kong) Limited |
| 2 | Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) | NA | NA | NA |
| 3 | Governing law(s) of the instrument | Hong Kong law | Hong Kong Law | Hong Kong law |
| <i>Regulatory treatment</i> | | | | |
| 4 | Transitional Basel III rules | Common Equity Tier 1 | Additional Tier 1 | Tier 2 |
| 5 | Post-transitional Basel III rules | Common Equity Tier 1 | Additional Tier 1 | Tier 2 |
| 6 | Eligible at solo/group/group & solo | Solo | Solo | Solo |
| 7 | Instrument type | Ordinary Shares | Preference Shares | Subordinated loan |
| 8 | Amount recognized in regulatory capital (currency in millions, as of most recent reporting date) | HK\$7,595 million | HK\$1,400 million | HK\$4,185 million |
| 9 | Par value of instrument | NA | HK\$1,400 million | US\$540 million |
| 10 | Accounting classification | Shareholders' equity | Shareholders' equity | Liability – amortized cost |
| 11 | Original date of issuance | Various dates | 13 October 2016 | 13 December 2017 |
| 12 | Perpetual or dated | Perpetual | Perpetual | Dated |
| 13 | Original maturity date | No maturity | No maturity | 13 December 2027 |
| 14 | Issuer call subject to prior supervisory approval | No | Yes | Yes |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.3 Main Features of Regulatory Capital Instruments (continued)

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

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.3 Main Features of Regulatory Capital Instruments (continued)

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

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.3 Main Features of Regulatory Capital Instruments (continued)

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

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

5 COMPOSITION OF REGULATORY CAPITAL (continued)

5.3 Main Features of Regulatory Capital Instruments (continued)

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

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

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

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

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

6 COUNTERCYCLICAL CAPITAL BUFFER

6.1 Geographical Distribution of Credit Exposures used in Countercyclical Capital Buffer

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

| In HK\$ millions | | As at 30 June 2020 | | | |
|------------------|--|--------------------------------------|---------------------------------------|----------------------------|--------------|
| | Geographical breakdown by Jurisdiction (J) | Applicable JCCyB ratio in effect (%) | RWA used in computation of CCyB ratio | AI-specific CCyB ratio (%) | CCyB amount |
| 1 | Hong Kong SAR | 1.0 | 113,581 | | |
| | Sum | | 113,581 | | |
| | Total | | 133,303 | 0.852 | 1,899 |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

7 LEVERAGE RATIO

7.1 Summary Comparison of Accounting Assets Against Leverage Ratio Exposure Measure

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

In HK\$ millions

| | Item | Value under the LR framework As at 30 June 2020 |
|----|--|---|
| 1 | Total consolidated assets as per published financial statements | 449,403 |
| 2 | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | 38 |
| 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 | 1,110 |
| 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) | 25,232 |
| 6a | Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure | (179) |
| 7 | Other adjustments | (2,285) |
| 8 | Leverage ratio exposure measure | 473,319 |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

7 LEVERAGE RATIO (continued)

7.2 Leverage Ratio

| In HK\$ millions | | As at 30 June 2020 | As at 31 March 2020 |
|--|--|-----------------------|------------------------|
| On-balance sheet exposures | | | |
| 1 | On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral) | 449,277 | 449,416 |
| 2 | Less: Asset amounts deducted in determining Tier 1 capital | (682) | (927) |
| 3 | Total on-balance sheet exposures (excluding derivative contracts and SFTs) | 448,595 | 448,489 |
| 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) | 966 | 940 |
| 5 | Add-on amounts for PFE associated with all derivative contracts | 1,888 | 1,883 |
| 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 | – | – |
| 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 | 2,854 | 2,823 |
| Exposures arising from SFTs | | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions | – | 1,002 |
| 13 | Less: Netted amounts of cash payables and cash receivables of gross SFT assets | – | – |
| 14 | CCR exposure for SFT assets | – | 201 |
| 15 | Agent transaction exposures | – | – |
| 16 | Total exposures arising from SFTs | – | 1,203 |
| Other off-balance sheet exposures | | | |
| 17 | Off-balance sheet exposure at gross notional amount | 175,684 | 172,202 |
| 18 | Less: Adjustments for conversion to credit equivalent amounts | (150,452) | (151,344) |
| 19 | Off-balance sheet items | 25,232 | 20,858 |
| Capital and total exposures | | | |
| 20 | Tier 1 capital | 40,858 | 39,735 |
| 20a | Total exposures before adjustments for specific and collective provisions | 476,681 | 473,373 |
| 20b | Adjustments for specific and collective provisions | (3,362) | (3,009) |
| 21 | Total exposures after adjustments for specific and collective provisions | 473,319 | 470,364 |
| Leverage ratio | | | |
| 22 | Leverage ratio (%) | 8.6 | 8.4 |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

8 CREDIT RISK

8.1 Credit Quality of Assets

| In HK\$ millions | | As at 30 June 2020 | | | | | | |
|---------------------|-----------------------------|---|---|----------------------------|---|------------|--|--------------------|
| | | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| | | Gross carrying amount of | | Allowances/ Impairments | Of which ECL accounting provisions ¹ for credit losses on STC approach exposures | | Of which ECL accounting provisions for credit losses on IRB approach exposures | Net values (a+b-c) |
| Defaulted exposures | Non-defaulted exposures | Allocated in regulatory category of specific provisions | Allocated in regulatory category of collective provisions | | | | | |
| 1 | Loans | 2,673 | 371,853 | 3,150 | 163 | 136 | 2,851 | 371,376 |
| 2 | Debt securities | – | 40,651 | 1 | – | – | 1 | 40,650 |
| 3 | Off-balance sheet exposures | – | 16,800 | 46 | – | 1 | 45 | 16,754 |
| | Total | 2,673 | 429,304 | 3,197 | 163 | 137 | 2,897 | 428,780 |

¹ ECL accounting provisions classified as Stage 1 and Stage 2 are treated as collective provisions while those classified as Stage 3 are treated as specific provisions. Specific and collective provisions are ascribed to the identified standardized approach exposures.

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

- Subjective default: Borrower is considered to be unlikely to pay its credit obligations in full, without 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.

8.2 Changes in Stock of Defaulted Loans and Debt Securities

| In HK\$ millions | | Amount |
|------------------|---|--------------|
| 1 | As at 31 December 2019 | 2,395 |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 749 |
| 3 | Returned to non-defaulted status | (10) |
| 4 | Amounts written off | (240) |
| 5 | Other changes (note) | (221) |
| 6 | As at 30 June 2020 | 2,673 |

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

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

8 CREDIT RISK (continued)

8.3 Overview of Recognized Credit Risk Mitigation

| In HK\$ millions | | As at 30 June 2020 | | | | |
|------------------|--------------------|--------------------------------------|-------------------------|--|--|---|
| | | 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 | 291,608 | 79,768 | 66,811 | 6,185 | – |
| 2 | Debt securities | 40,650 | – | – | – | – |
| 3 | Total | 332,258 | 79,768 | 66,811 | 6,185 | – |
| 4 | Of which defaulted | 670 | 730 | 474 | 210 | – |

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

| In HK\$ millions | | As at 30 June 2020 | | | | | |
|------------------|--|-------------------------------|--------------------------|---------------------------------|--------------------------|---------------------|-----------------|
| | | Exposures pre-CCF and pre-CRM | | Exposures post-CCF and post-CRM | | RWA and RWA density | |
| | | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density (%) |
| 1 | Sovereign exposures | – | – | 106 | 1 | – | 0 |
| 2 | PSE exposures | 63 | – | 68 | – | 14 | 20 |
| 2a | Of which: domestic PSEs | 63 | – | 68 | – | 14 | 20 |
| 2b | Of which: foreign PSEs | – | – | – | – | – | – |
| 3 | Multilateral development bank exposures | 2,294 | – | 2,294 | – | – | 0 |
| 4 | Bank exposures | 51 | – | 68 | 1 | 18 | 26 |
| 5 | Securities firm exposures | 299 | 694 | 299 | – | 149 | 50 |
| 6 | Corporate exposures | 7,916 | 10,486 | 7,463 | 682 | 7,945 | 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 | 70 | 193 | 70 | – | 52 | 75 |
| 11 | Residential mortgage loans | 1,205 | – | 1,205 | – | 422 | 35 |
| 12 | Other exposures which are not past due exposures | 3,465 | 1,286 | 3,397 | 70 | 3,467 | 100 |

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 (continued)

| In HK\$ millions | | As at 30 June 2020 | | | | | |
|------------------|--|-------------------------------|--------------------------|---------------------------------|--------------------------|---------------------|-----------------|
| | | Exposures pre-CCF and pre-CRM | | Exposures post-CCF and post-CRM | | RWA and RWA density | |
| | Exposure classes | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density (%) |
| 13 | Past due exposures | 227 | – | 227 | – | 336 | 147 |
| 14 | Significant exposures to commercial entities | – | – | – | – | – | – |
| 15 | Total | 15,590 | 12,659 | 15,197 | 754 | 12,403 | 78 |

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 2020 | | | | | | | | | | |
|------------------|--|--------------------|----------|------------|--------------|------------|-----------|---------------|------------|----------|----------|--|
| | Risk Weight | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | 250% | Others | Total credit risk exposures amount (post CCF and post CRM) |
| | Exposure class | | | | | | | | | | | |
| 1 | Sovereign exposures | 107 | - | - | - | - | - | - | - | - | - | 107 |
| 2 | PSE exposures | - | - | 68 | - | - | - | - | - | - | - | 68 |
| 2a | Of which: domestic PSEs | - | - | 68 | - | - | - | - | - | - | - | 68 |
| 2b | Of which: foreign PSEs | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Multilateral development bank exposures | 2,294 | - | - | - | - | - | - | - | - | - | 2,294 |
| 4 | Bank exposures | - | - | 59 | - | 7 | - | 3 | - | - | - | 69 |
| 5 | Securities firm exposures | - | - | - | - | 299 | - | - | - | - | - | 299 |
| 6 | Corporate exposures | - | - | 250 | - | - | - | 7,895 | - | - | - | 8,145 |
| 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 | - | - | - | - | - | 70 | - | - | - | - | 70 |
| 11 | Residential mortgage loans | - | - | - | 1,205 | - | - | - | - | - | - | 1,205 |
| 12 | Other exposures which are not past due exposures | - | - | - | - | - | - | 3,467 | - | - | - | 3,467 |
| 13 | Past due exposures | - | - | - | - | - | - | 10 | 217 | - | - | 227 |
| 14 | Significant exposures to commercial entities | - | - | - | - | - | - | - | - | - | - | - |
| 15 | Total | 2,401 | - | 377 | 1,205 | 306 | 70 | 11,375 | 217 | - | - | 15,951 |

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

Foundation IRB Approach

| | As at 30 June 2020 | | | | | | | | | | | |
|--|---|--|-----------------|----------------------------------|----------------|--------------------|-----------------|--------------------------|----------------|-----------------|--------------|-------------------|
| | 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 | 34,087 | - | - | 35,612 | 0.01 | 9 | 45 | 2.5 | 2,816 | 8 | 47 | |
| 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 | 34,087 | - | - | 35,612 | 0.01 | 9 | 45 | 2.5 | 2,816 | 8 | 47 | 32 |
| Bank exposures | | | | | | | | | | | | |
| 0.00 to <0.15 | 217,970 | 3,992 | 98 | 222,599 | 0.04 | 71 | 45 | 2.5 | 54,117 | 24 | 43 | |
| 0.15 to <0.25 | 486 | - | - | 486 | 0.24 | 7 | 45 | 2.5 | 303 | 62 | 1 | |
| 0.25 to <0.50 | 1,032 | - | - | 1,032 | 0.38 | 5 | 45 | 2.5 | 831 | 80 | 2 | |
| 0.50 to <0.75 | 278 | - | - | 278 | 0.61 | 6 | 45 | 2.5 | 274 | 98 | 1 | |
| 0.75 to <2.50 | 300 | - | - | 300 | 1.15 | 9 | 45 | 2.5 | 335 | 112 | 2 | |
| 2.50 to <10.00 | 2 | - | - | 2 | 4.15 | 1 | 45 | 2.5 | 3 | 141 | - | |
| 10.00 to <100.00 | - | - | - | - | - | - | - | - | - | - | - | |
| 100.00 (Default) | - | - | - | - | - | - | - | - | - | - | - | |
| Sub-total | 220,068 | 3,992 | 98 | 224,697 | 0.05 | 99 | 45 | 2.5 | 55,863 | 25 | 49 | 634 |
| 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 | 20 | 47 | - | 20 | 0.56 | 4 | 38 | 2.5 | 10 | 52 | - | |
| 0.75 to <2.50 | 118 | 96 | - | 112 | 1.95 | 23 | 35 | 2.5 | 79 | 70 | 1 | |
| 2.50 to <10.00 | 87 | 40 | 1 | 82 | 4.82 | 19 | 37 | 2.5 | 75 | 91 | 1 | |
| 10.00 to <100.00 | - | - | - | - | - | - | - | - | - | - | - | |
| 100.00 (Default) | - | - | - | - | - | - | - | - | - | - | - | |
| Sub-total | 225 | 183 | - | 214 | 2.92 | 46 | 36 | 2.5 | 164 | 77 | 2 | 2 |
| Corporate exposures – other | | | | | | | | | | | | |
| 0.00 to <0.15 | 20,205 | 24,284 | - | 20,239 | 0.10 | 3,551 | 23 | 2.5 | 2,789 | 14 | 4 | |
| 0.15 to <0.25 | 7,797 | 5,082 | 18 | 8,732 | 0.22 | 14 | 43 | 2.5 | 3,840 | 44 | 8 | |
| 0.25 to <0.50 | 11,768 | 9,998 | 7 | 12,622 | 0.32 | 177 | 40 | 2.5 | 6,167 | 49 | 16 | |
| 0.50 to <0.75 | 5,192 | 6,788 | 7 | 5,758 | 0.63 | 442 | 34 | 2.5 | 3,288 | 57 | 12 | |
| 0.75 to <2.50 | 21,552 | 32,146 | 6 | 24,509 | 1.73 | 2,251 | 39 | 2.5 | 22,912 | 93 | 181 | |
| 2.50 to <10.00 | 25,419 | 10,577 | 3 | 22,580 | 4.46 | 2,307 | 37 | 2.5 | 26,670 | 118 | 374 | |
| 10.00 to <100.00 | 2,422 | 372 | 2 | 2,217 | 12.80 | 260 | 38 | 2.5 | 3,938 | 178 | 110 | |
| 100.00 (Default) | 2,099 | - | - | 1,890 | 100.00 | 280 | 43 | 2.5 | 3,526 | 187 | 955 | |
| Sub-total | 96,454 | 89,247 | 5 | 98,547 | 3.78 | 9,282 | 35 | 2.5 | 73,130 | 74 | 1,660 | 1,848 |
| Total (all portfolios) | 350,834 | 93,422 | 9 | 359,070 | 1.07 | 9,436 | 42 | 2.5 | 131,973 | 37 | 1,758 | 2,516 |

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)

Retail IRB Approach

| | As at 30 June 2020 | | | | | | | | | | | |
|--|---|--|-----------------|----------------------------------|----------------|--------------------|-----------------|--------------------------|---------------|-----------------|--------------|-------------------|
| | a | b | c | d | e | f | g | h | i | j | k | l |
| PD scale (%) | Original on-balance sheet gross exposure HK\$'M | Off-balance sheet exposures pre-CCF HK\$'M | Average CCF (%) | EAD post-CRM and post-CCF HK\$'M | Average PD (%) | Number of obligors | Average LGD (%) | Average maturity (years) | RWA HK\$'M | RWA density (%) | EL HK\$'M | Provisions HK\$'M |
| Residential mortgages exposures | | | | | | | | | | | | |
| 0.00 to <0.15 | - | - | - | - | - | - | - | - | - | - | - | - |
| 0.15 to <0.25 | 10,585 | - | - | 10,585 | 0.22 | 6,192 | 13 | - | 1,664 | 16 | 3 | - |
| 0.25 to <0.50 | 6,170 | - | - | 6,170 | 0.41 | 1,005 | 13 | - | 1,542 | 25 | 3 | - |
| 0.50 to <0.75 | 6,995 | - | - | 6,995 | 0.63 | 1,261 | 13 | - | 1,583 | 23 | 6 | - |
| 0.75 to <2.50 | 24 | - | - | 24 | 1.80 | 7 | 32 | - | 14 | 58 | - | - |
| 2.50 to <10.00 | 365 | - | - | 365 | 9.84 | 141 | 13 | - | 219 | 60 | 5 | - |
| 10.00 to <100.00 | 33 | - | - | 33 | 33.97 | 18 | 13 | - | 26 | 77 | 2 | - |
| 100.00 (Default) | 126 | - | - | 126 | 100.00 | 16 | 32 | - | 499 | 395 | - | - |
| Sub-total | 24,298 | - | - | 24,298 | 1.10 | 8,640 | 13 | - | 5,547 | 23 | 19 | 63 |
| Qualifying revolving retail exposures | | | | | | | | | | | | |
| 0.00 to <0.15 | - | - | - | - | - | - | - | - | - | - | - | - |
| 0.15 to <0.25 | 1,488 | 34,758 | 56 | 21,028 | 0.18 | 324,775 | 101 | - | 2,087 | 10 | 38 | - |
| 0.25 to <0.50 | 1,873 | 10,010 | 51 | 6,948 | 0.33 | 112,235 | 98 | - | 1,096 | 16 | 23 | - |
| 0.50 to <0.75 | - | - | - | - | - | - | - | - | - | - | - | - |
| 0.75 to <2.50 | 4,469 | 21,964 | 55 | 16,552 | 1.64 | 273,129 | 100 | - | 9,115 | 55 | 270 | - |
| 2.50 to <10.00 | 509 | 111 | 98 | 617 | 3.65 | 3,239 | 115 | - | 686 | 111 | 26 | - |
| 10.00 to <100.00 | 1,843 | 421 | 128 | 2,383 | 18.87 | 19,394 | 96 | - | 5,561 | 233 | 429 | - |
| 100.00 (Default) | 87 | - | - | 87 | 100.00 | 1,042 | 110 | - | 486 | 559 | 57 | - |
| Sub-total | 10,269 | 67,264 | 56 | 47,615 | 1.87 | 733,814 | 100 | - | 19,031 | 40 | 843 | 274 |
| Small business retail exposures | | | | | | | | | | | | |
| 0.00 to <0.15 | - | - | - | - | - | - | - | - | - | - | - | - |
| 0.15 to <0.25 | - | - | - | - | - | - | - | - | - | - | - | - |
| 0.25 to <0.50 | 2 | - | - | 2 | 0.29 | 3 | 6 | - | - | 3 | - | - |
| 0.50 to <0.75 | - | - | - | - | - | - | - | - | - | - | - | - |
| 0.75 to <2.50 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.50 to <10.00 | - | - | - | - | - | - | - | - | - | - | - | - |
| 10.00 to <100.00 | - | - | - | - | - | - | - | - | - | - | - | - |
| 100.00 (Default) | - | - | - | - | - | - | - | - | - | - | - | - |
| Sub-total | 2 | - | - | 2 | 0.29 | 3 | 6 | - | - | 3 | - | - |
| Other retail exposures to individuals | | | | | | | | | | | | |
| 0.00 to <0.15 | - | - | - | - | - | - | - | - | - | - | - | - |
| 0.15 to <0.25 | - | - | - | - | - | - | - | - | - | - | - | - |
| 0.25 to <0.50 | 1,916 | - | - | 1,916 | 0.29 | 2,370 | 15 | - | 153 | 8 | 1 | - |
| 0.50 to <0.75 | - | - | - | - | - | - | - | - | - | - | - | - |
| 0.75 to <2.50 | 2,574 | - | - | 2,574 | 1.68 | 9,139 | 72 | - | 2,336 | 91 | 35 | - |
| 2.50 to <10.00 | 2,613 | - | - | 2,613 | 5.66 | 6,581 | 58 | - | 2,330 | 89 | 99 | - |
| 10.00 to <100.00 | 936 | - | - | 936 | 25.44 | 1,634 | 50 | - | 1,045 | 112 | 114 | - |
| 100.00 (Default) | 51 | - | - | 51 | 100.00 | 212 | 75 | - | 194 | 381 | 31 | - |
| Sub-total | 8,090 | - | - | 8,090 | 6.00 | 19,936 | 52 | - | 6,058 | 75 | 280 | 100 |
| Total (all portfolios) | 42,659 | 67,264 | - | 80,005 | 2.06 | 762,393 | 69 | - | 30,636 | 38 | 1,142 | 437 |

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8 CREDIT RISK (continued)

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

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

| In HK\$ millions | | As at 30 June 2020 | |
|------------------|--|----------------------------|----------------|
| | | Pre-credit derivatives RWA | Actual RWA |
| 1 | Corporate – Specialized lending under supervisory slotting criteria approach (project finance) (“PF”) | 361 | 361 |
| 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”) | 5,994 | 5,994 |
| 5 | Corporate – Specialized lending (high-volatility commercial real estate) (“HVCRE”) | – | – |
| 6 | Corporate – Small-and-medium sized corporates | 164 | 164 |
| 7 | Corporate – Other corporates | 73,130 | 73,130 |
| 8 | Sovereigns | 2,788 | 2,788 |
| 9 | Sovereign foreign public sector entities | 28 | 28 |
| 10 | Multilateral development banks | – | – |
| 11 | Bank exposures – Banks | 55,863 | 55,863 |
| 12 | Bank exposures – Securities firms | – | – |
| 13 | Bank exposures – Public sector entities (excluding sovereign foreign public sector entities) | – | – |
| 14 | Retail – Small business retail exposures | – | – |
| 15 | Retail – Residential mortgages to individuals | 5,033 | 5,033 |
| 16 | Retail – Residential mortgages to property-holding shell companies | 514 | 514 |
| 17 | Retail – Qualifying revolving retail exposures (QRRE) | 19,031 | 19,031 |
| 18 | Retail – Other retail exposures to individuals | 6,058 | 6,058 |
| 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 | 7,103 | 7,103 |
| 28 | Total (under the IRB calculation approaches) | 176,067 | 176,067 |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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8 CREDIT RISK (continued)

8.8 RWA Flow Statements of Credit Risk Exposures under IRB Approach

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

| In HK\$ millions | RWA |
|----------------------------|---------|
| As at 31 March 2020 | 170,300 |
| Asset size | (1,100) |
| Asset quality | 1,336 |
| Model updates | 5,331 |
| Methodology and policy | – |
| Acquisitions and disposals | – |
| Foreign exchange movements | 200 |
| Others | – |
| As at 30 June 2020 | 176,067 |

Credit RWA under IRB approach increased mainly due to Wealth Management Model implementation in 2Q 2020 leading to credit RWA of the Wealth Management portfolio switched from Standardized approach to IRB approach.

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 2020 | | | | | | | | | |
|--------------------------|---------------------------------|----------------------------------|-----------------------------------|---------|------------|-----|----|-------|-------|-------|----------------------|
| 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 | 1 | – | 50 | – | – | – | 1 | 1 | 1 | – |
| Strong | Equal to or more than 2.5 years | 1,910 | 722 | 70 | 516 | – | – | 1,934 | 2,450 | 1,715 | 10 |
| Good ^A | Less than 2.5 years | 3,044 | 1,391 | 70 | – | – | – | 4,087 | 4,087 | 2,861 | 16 |
| Good | Equal to or more than 2.5 years | 1,328 | 205 | 90 | – | – | – | 1,329 | 1,329 | 1,196 | 10 |
| Satisfactory | | 459 | 21 | 115 | – | – | – | 459 | 459 | 528 | 13 |
| Weak | | 22 | – | 250 | – | – | – | 22 | 22 | 54 | 2 |
| Default | | 1 | – | 0 | – | – | – | 1 | 1 | – | 1 |
| Total | | | 6,765 | 2,339 | | 516 | – | – | 7,833 | 8,349 | 6,355 |

^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 2020 | | | | | |
|------------------|-----------------------------------|-----------------------|-------|---------------|---|---------------------------------|-------|
| | | 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) | 966 | 1,888 | | NA | 2,854 | 1,383 |
| 2 | IMM (CCR) approach | | | – | – | – | – |
| 3 | Simple Approach (for SFTs) | | | | | – | – |
| 4 | Comprehensive Approach (for SFTs) | | | | | – | – |
| 5 | VaR (for SFTs) | | | | | – | – |
| 6 | Total | | | | | | 1,383 |

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 2020 | |
|------------------|--|--------------------|-------|
| | | 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 | 2,517 | 1,093 |
| 4 | Total | 2,517 | 1,093 |

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9 COUNTERPARTY CREDIT RISK (continued)

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

| In HK\$ millions | | As at 30 June 2020 | | | | | | | | | | |
|------------------|--|--------------------|-----|-----|-----|-----|-----|------|------|------|--------|---------------------------------------|
| | 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 | - | - | - | - | 79 | - | 13 | - | - | - | 92 |
| 7 | CIS exposures | - | - | - | - | - | - | - | - | - | - | - |
| 8 | Regulatory retail exposures | - | - | - | - | - | - | - | - | - | - | - |
| 9 | Residential mortgage loans | - | - | - | - | - | - | - | - | - | - | - |
| 10 | Other exposures which are not past due exposures | - | - | - | - | - | - | - | - | - | - | - |
| 11 | Significant exposures to commercial entities | - | - | - | - | - | - | - | - | - | - | - |
| 12 | Total | - | - | - | - | 80 | - | 13 | - | - | - | 93 |

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9 COUNTERPARTY CREDIT RISK (continued)

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

Foundation IRB Approach

The following table sets out the parameters used for the calculation of the Bank's CCR capital requirements for 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 2020 | | | | | | |
|--|---------------------|----------------|--------------------|-----------------|--------------------------|--------------|-----------------|
| | 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 | 1,348 | 0.06 | 10 | 45 | 2.5 | 394 | 29 |
| 0.15 to <0.25 | 1 | 0.24 | 2 | 45 | 2.5 | – | 64 |
| 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 | 1,349 | 0.06 | 12 | 45 | 2.5 | 394 | 29 |
| Corporate exposures – small-and-medium sized corporates | | | | | | | |
| 0.00 to <0.15 | – | – | – | – | – | – | – |
| 0.15 to <0.25 | – | – | – | – | – | – | – |
| 0.25 to <0.50 | – | – | – | – | – | – | – |
| 0.50 to <0.75 | – | – | – | – | – | – | – |
| 0.75 to <2.50 | – | – | – | – | – | – | – |
| 2.50 to <10.00 | – | – | – | – | – | – | – |
| 10.00 to <100.00 | – | – | – | – | – | – | – |
| 100.00 (Default) | – | – | – | – | – | – | – |
| Sub-total | – | – | – | – | – | – | – |
| Corporate exposures – other | | | | | | | |
| 0.00 to <0.15 | – | – | – | – | – | – | – |
| 0.15 to <0.25 | 27 | 0.22 | 3 | 44 | 2.5 | 12 | 46 |
| 0.25 to <0.50 | 119 | 0.30 | 4 | 43 | 2.5 | 62 | 52 |
| 0.50 to <0.75 | 682 | 0.56 | 2 | 23 | 2.5 | 253 | 37 |
| 0.75 to <2.50 | 529 | 1.52 | 30 | 45 | 2.5 | 558 | 105 |
| 2.50 to <10.00 | 14 | 4.78 | 26 | 42 | 2.5 | 20 | 138 |
| 10.00 to <100.00 | – | 12.15 | 1 | 45 | 2.5 | – | 207 |
| 100.00 (Default) | – | – | – | – | – | – | – |
| Sub-total | 1,371 | 0.95 | 66 | 34 | 2.5 | 905 | 66 |
| Total (all portfolios) | 2,720 | 0.51 | 78 | 39 | 2.5 | 1,299 | 48 |

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9 COUNTERPARTY CREDIT RISK (continued)

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

| In HK\$ millions | As at 30 June 2020 | | | | | |
|--------------------------|--|--------------|---------------------------------|--------------|--|---------------------------------|
| | 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 | – | 539 | – | 11 | – | – |
| Total | – | 539 | – | 12 | – | – |

There is no outstanding securities financing transaction which creates exposures to counterparty credit risk as at 30 June 2020.

9.6 Credit-Related Derivatives Contracts

| In HK\$ millions | As at 30 June 2020 | |
|----------------------------------|--------------------|-----------------|
| | Protection bought | Protection sold |
| Notional amounts | | |
| Total return swaps | 4,940 | 4,956 |
| Total notional amounts | 4,940 | 4,956 |
| Fair values | | |
| Positive fair values (asset) | 3 | 4 |
| Negative fair values (liability) | (4) | (3) |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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10 MARKET RISK UNDER STANDARDIZED APPROACH

| In HK\$ millions | | As at 30 June 2020 RWA ¹ |
|------------------|---|--|
| | Outright product exposures | |
| 1 | Interest rate exposures (general and specific risk) | 541 |
| 2 | Equity exposures (general and specific risk) | – |
| 3 | Foreign exchange (including gold) exposures | 623 |
| 4 | Commodity exposures | – |
| | Option exposures | |
| 5 | Simplified approach | – |
| 6 | Delta-plus approach | 1 |
| 7 | Other approach | – |
| 8 | Securitization exposures | – |
| 9 | Total | 1,165 |

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

11 INTERNATIONAL CLAIMS

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

| In HK\$ millions | Banks | Official sector | Non-bank private sector | | Total |
|---|----------------|--------------------|---------------------------------------|---------------------------------|----------------|
| | | | Non-bank financial institutions | Non-financial private sector | |
| As at 30 June 2020 | | | | | |
| Developed countries | 9,145 | 13,727 | – | 2,187 | 25,059 |
| Offshore centres, of which | 201,845 | 576 | 46 | 40,192 | 242,659 |
| – Singapore | 200,444 | 4 | – | 1,071 | 201,519 |
| – Hong Kong | 1,395 | 572 | 46 | 35,408 | 37,421 |
| – Others | 6 | – | – | 3,713 | 3,719 |
| Developing Europe | 4 | – | – | 71 | 75 |
| Developing Latin America and Caribbean | 15 | – | – | 35 | 50 |
| Developing Africa and Middle East | 3 | – | – | 21 | 24 |
| Developing Asia-Pacific | 9,782 | 921 | 56 | 10,488 | 21,247 |
| International organisations | – | 2,295 | – | – | 2,295 |
| | <u>220,794</u> | <u>17,519</u> | <u>102</u> | <u>52,994</u> | <u>291,409</u> |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

11 INTERNATIONAL CLAIMS (continued)

| In HK\$ millions | Banks | Official sector | Non-bank private sector | | Total |
|--|----------------|-----------------|---------------------------------|------------------------------|----------------|
| | | | Non-bank financial institutions | Non-financial private sector | |
| As at 31 December 2019 | | | | | |
| Developed countries | 11,773 | 11,377 | – | 2,448 | 25,598 |
| Offshore centres, of which | 229,903 | 742 | 457 | 37,141 | 268,243 |
| – Singapore | 229,526 | 5 | – | 808 | 230,339 |
| – Hong Kong | 372 | 737 | 457 | 33,521 | 35,087 |
| – Others | 5 | – | – | 2,812 | 2,817 |
| Developing Europe | – | – | – | 162 | 162 |
| Developing Latin America and Caribbean | 19 | – | – | 31 | 50 |
| Developing Africa and Middle East | 3 | – | – | 29 | 32 |
| Developing Asia-Pacific | 9,718 | 950 | – | 9,345 | 20,013 |
| International organisations | – | 1,202 | – | – | 1,202 |
| | <u>251,416</u> | <u>14,271</u> | <u>457</u> | <u>49,156</u> | <u>315,300</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 2020 | | As at 31 December 2019 | |
|---|---------------------|-------------------------------|------------------------|-------------------------------|
| | 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 | 3,180 | 2,186 | 1,277 | 1,016 |
| – Property investment | 17,872 | 17,354 | 18,167 | 17,551 |
| – Financial concerns | 6,576 | 6,323 | 6,152 | 5,346 |
| – Stockbrokers | 290 | – | 290 | – |
| – Wholesale and retail trade | 14,726 | 10,928 | 15,359 | 10,792 |
| – Manufacturing | 10,134 | 6,810 | 10,233 | 6,911 |
| – Transport and transport equipment | 8,816 | 8,082 | 8,854 | 8,037 |
| – Recreational activities | 282 | 250 | 270 | 238 |
| – Information technology | 686 | 337 | 888 | 362 |
| – Others | 4,811 | 3,557 | 5,280 | 3,638 |
| 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 | 73 | 73 | 87 | 87 |
| – Loans for the purchase of other residential properties | 23,329 | 23,329 | 22,879 | 22,879 |
| – Credit card advances | 8,483 | – | 9,243 | – |
| – Others | 21,389 | 14,734 | 22,423 | 15,793 |
| | 120,647 | 93,963 | 121,402 | 92,650 |
| Trade finance (including trade bills) | 26,306 | 9,334 | 26,569 | 9,585 |
| Gross loans and advances for use outside Hong Kong | 18,951 | 3,823 | 9,860 | 2,277 |
| | <u>165,904</u> | <u>107,120</u> | <u>157,831</u> | <u>104,512</u> |

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

| In HK\$ millions | Impaired advances to customers | Specific allowances | General allowances |
|--|--------------------------------------|------------------------|-----------------------|
| As at 30 June 2020 | | | |
| Property investment | 89 | 3 | 306 |
| Loans for the purchase of other residential properties | 31 | – | 4 |
| Trade finance | 929 | 549 | 186 |
| Individuals – for other private purposes | 219 | 67 | 365 |
| As at 31 December 2019 | | | |
| Property investment | 72 | 2 | 320 |
| Loans for the purchase of other residential properties | 35 | – | 2 |
| Trade finance | 852 | 542 | 119 |
| Individuals – for other private purposes | 218 | 58 | 191 |

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 2020 | | | |
| Hong Kong | 123,200 | 17,457 | 140,657 |
| Mainland China | 8,390 | 7,308 | 15,698 |
| Others | 8,008 | 1,541 | 9,549 |
| | <u>139,598</u> | <u>26,306</u> | <u>165,904</u> |
| As at 31 December 2019 | | | |
| Hong Kong | 116,990 | 18,222 | 135,212 |
| Mainland China | 6,543 | 6,729 | 13,272 |
| Others | 7,729 | 1,618 | 9,347 |
| | <u>131,262</u> | <u>26,569</u> | <u>157,831</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, impairment allowances for loans and trade finance which accounted for 10% or more of the Bank's gross advances to customers:

| In HK\$ millions | Impaired advances to customers | Specific allowances | General allowances |
|---------------------------|--------------------------------------|------------------------|-----------------------|
| As at 30 June 2020 | | | |
| Hong Kong | 2,176 | 859 | 1,854 |
| As at 31 December 2019 | | | |
| Hong Kong | 1,874 | 860 | 1,375 |

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 2020 | | As at 31 December 2019 | |
|---|--------------------|-------------|------------------------|-------------|
| | 345 | 0.21 | 215 | 0.14 |
| | 377 | 0.23 | 329 | 0.21 |
| | 1,484 | 0.89 | 1,335 | 0.84 |
| | <u>2,206</u> | <u>1.33</u> | <u>1,879</u> | <u>1.19</u> |
| Specific allowances made in respect of the above overdue loans and advances | <u>1,133</u> | | <u>1,156</u> | |
| Current market value of collateral held against the covered portion of the above overdue loans and advances | <u>1,875</u> | | <u>1,128</u> | |
| Covered portion of the above overdue loans and advances | <u>742</u> | | <u>691</u> | |
| Uncovered portion of the above overdue loans and advances | <u>1,464</u> | | <u>1,188</u> | |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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13 OVERDUE AND RESCHEDULED ASSETS (continued)

13.2 Rescheduled advances

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

| In HK\$ millions | As at 30 June 2020 | | As at 31 December 2019 | |
|--------------------------------|--------------------|--|------------------------|--|
| | | % of gross loans and advances to customers | | % of gross loans and advances to customers |
| Rescheduled loans and advances | <u>225</u> | 0.14 | <u>248</u> | 0.16 |

13.3 Repossessed assets

As at 30 June 2020, repossessed assets of the Bank amounted to HK\$86 million (31 December 2019: HK\$78 million).

13.4 Overdue other assets

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

| In HK\$ millions | As at | As at |
|--|--------------|------------------|
| | 30 June 2020 | 31 December 2019 |
| Six months or less but over three months | – | – |
| One year or less but over six months | – | – |
| Over one year | <u>21</u> | <u>21</u> |
| | <u>21</u> | <u>21</u> |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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14 MAINLAND ACTIVITIES

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

As at 30 June 2020

| In HK\$ millions Types of Counterparties | On-balance sheet exposure | Off-balance sheet exposure | Total |
|---|---------------------------------|----------------------------------|----------------------|
| (a) Central government, central government-owned entities and their subsidiaries and joint ventures (“JVs”) | 4,923 | 52 | 4,975 |
| (b) Local governments, local government-owned entities and their subsidiaries and JVs | 933 | 955 | 1,888 |
| (c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 7,522 | 2,185 | 9,707 |
| (d) Other entities of central government not reported in part (a) above | 54 | 1 | 55 |
| (e) Other entities of local governments not reported in part (b) above | 196 | 149 | 345 |
| (f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 8,371 | 1,695 | 10,066 |
| (g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures | <u>10,158</u> | <u>4,189</u> | <u>14,347</u> |
| Total | <u><u>32,157</u></u> | <u><u>9,226</u></u> | <u><u>41,383</u></u> |
| Total assets after provision | <u><u>447,285</u></u> | | |
| On-balance sheet exposures as percentage of total assets | <u><u>7.19%</u></u> | | |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

14 MAINLAND ACTIVITIES (continued)

As at 31 December 2019

| 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”) | 2,058 | 193 | 2,251 |
| (b) Local governments, local government-owned entities and their subsidiaries and JVs | 259 | 634 | 893 |
| (c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 6,858 | 1,569 | 8,427 |
| (d) Other entities of central government not reported in part (a) above | 24 | 1 | 25 |
| (e) Other entities of local governments not reported in part (b) above | 200 | 111 | 311 |
| (f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 5,793 | 2,097 | 7,890 |
| (g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures | <u>8,999</u> | <u>3,083</u> | <u>12,082</u> |
| Total | <u>24,191</u> | <u>7,688</u> | <u>31,879</u> |
| Total assets after provision | <u>444,678</u> | | |
| On-balance sheet exposures as percentage of total assets | <u>5.44%</u> | | |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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15 FOREIGN EXCHANGE EXPOSURES

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

| In HK\$ millions | USD | CNY | CAD | AUD | JPY | GBP | MOP | Others | Total |
|---|--------------|------------|-----------|------------|------------|------------|-------------|-------------|--------------|
| As at 30 June 2020 | | | | | | | | | |
| Spot assets | 174,095 | 9,460 | 318 | 3,869 | 12,224 | 2,220 | 514 | 8,509 | 211,209 |
| Spot liabilities | (159,395) | (9,700) | (2,809) | (10,135) | (2,783) | (3,994) | (423) | (11,225) | (200,464) |
| Forward purchases | 38,753 | 4,717 | 2,756 | 7,969 | 1,950 | 2,808 | – | 6,780 | 65,733 |
| Forward sales | (52,190) | (4,458) | (204) | (1,641) | (11,177) | (1,042) | – | (4,110) | (74,822) |
| Net options position | – | – | – | – | – | – | – | – | – |
| Net long / (short) non-structural position | <u>1,263</u> | <u>19</u> | <u>61</u> | <u>62</u> | <u>214</u> | <u>(8)</u> | <u>91</u> | <u>(46)</u> | <u>1,656</u> |
| Net structural position | <u>–</u> | <u>165</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(19)</u> | <u>–</u> | <u>146</u> |
| As at 31 December 2019 | | | | | | | | | |
| Spot assets | 181,285 | 11,451 | 184 | 5,231 | 9,227 | 2,903 | 583 | 8,258 | 219,122 |
| Spot liabilities | (162,079) | (11,176) | (2,335) | (11,444) | (3,191) | (3,208) | (472) | (12,788) | (206,693) |
| Forward purchases | 44,803 | 5,145 | 2,444 | 7,600 | 1,199 | 1,518 | – | 7,199 | 69,908 |
| Forward sales | (63,324) | (5,404) | (243) | (1,334) | (7,046) | (1,217) | – | (2,662) | (81,230) |
| Net options position | <u>1</u> | <u>–</u> | <u>–</u> | <u>(1)</u> | <u>–</u> | <u>(1)</u> | <u>–</u> | <u>–</u> | <u>(1)</u> |
| Net long / (short) non-structural position | <u>686</u> | <u>16</u> | <u>50</u> | <u>52</u> | <u>189</u> | <u>(5)</u> | <u>111</u> | <u>7</u> | <u>1,106</u> |
| Net structural position | <u>–</u> | <u>168</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(39)</u> | <u>–</u> | <u>129</u> |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

16 LIQUIDITY

16.1 Liquidity Coverage Ratio

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

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

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

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

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

16 LIQUIDITY (continued)

16.1 Liquidity Coverage Ratio (continued)

Table: Average LCR for the quarter ended 30 June 2020

| Number of data points used in calculating the average value of the LCR and related components set out in this template for the quarter ending on 30 June 2020: (72) | | In HK\$ millions | |
|---|--|----------------------------|--------------------------|
| | | Unweighted value (average) | Weighted value (average) |
| Basis of disclosure: unconsolidated | | | |
| A. HQLA | | | |
| 1 | Total HQLA | | 34,720 |
| B. Cash Outflows | | | |
| 2 | Retail deposits and small business funding, of which: | 204,431 | 16,531 |
| 3 | <i>Stable retail deposits and stable small business funding</i> | 11,488 | 345 |
| 4 | <i>Less stable retail deposits and less stable small business funding</i> | 130,771 | 13,077 |
| 4a | <i>Retail term deposits and small business term funding</i> | 62,172 | 3,109 |
| 5 | Unsecured wholesale funding (other than small business funding), debt securities and prescribed instruments issued by the AI, of which: | 134,945 | 71,384 |
| 6 | <i>Operational deposits</i> | 14,042 | 3,082 |
| 7 | <i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i> | 120,529 | 67,928 |
| 8 | <i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i> | 374 | 374 |
| 9 | Secured funding transactions (including securities swap transactions) | | – |
| 10 | Additional requirements, of which: | 13,500 | 1,814 |
| 11 | <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i> | 516 | 516 |
| 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> | 12,984 | 1,298 |
| 14 | Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows | 1,923 | 1,923 |
| 15 | Other contingent funding obligations (whether contractual or non-contractual) | 146,018 | 538 |
| 16 | Total Cash Outflows | | 92,190 |
| 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 | 120,618 | 72,513 |
| 19 | Other cash inflows | 2,934 | 2,621 |
| 20 | Total Cash Inflows | 123,552 | 75,134 |
| D. Liquidity Coverage Ratio | | Adjusted value | |
| 21 | Total HQLA | | 34,720 |
| 22 | Total Net Cash Outflows | | 23,246 |
| 23 | LCR (%) | | 149.4 |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

16 LIQUIDITY (continued)

16.1 Liquidity Coverage Ratio (continued)

The Bank has maintained a healthy liquidity position in the second quarter of 2020, with LCR being well above regulatory requirement. Quarter-on-quarter, the net cash outflows decreased mainly attributed to less net wholesale funding maturing within 30 days, which had led to the increase of average LCR.

(i) Composition of High Quality Liquid Assets

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

(ii) Concentration of funding sources

The Bank strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. Customer deposits form a sound funding base and serve as the main source of funding for the Bank. It is complemented by a well-diversified book of wholesale funding, including but not limited to interbank money market borrowing and the issuance of certificates of deposit. For more information on the Bank's funding strategy, please refer to section 20.1.3 of annual regulatory disclosure for the year ended 31 December 2019.

(iii) Derivatives exposures

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

(iv) Currency mismatch

Customer deposit in Hong Kong, largely denominated in 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 honored under normal and adverse circumstances. The Bank centrally manages its liquidity position and provides funding support to its overseas branch for the lending growth.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

16 LIQUIDITY (continued)

16.2 Net Stable Funding Ratio

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

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

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

Table 1: NSFR for the quarter ended 30 June 2020

| In HK\$ millions | | (a) | (b) | (c) | (d) | (e) |
|---|---|---------------------------------------|-----------------------------------|-------------------------|-------------------|-----------------|
| Basis of disclosure: unconsolidated | | Unweighted value by residual maturity | | | | Weighted amount |
| | | No specified term to maturity | < 6 months or repayable on demand | 6 months to < 12 months | 12 months or more | |
| A. Available stable funding ("ASF") item | | | | | | |
| 1 | Capital: | 43,600 | – | – | 4,186 | 47,786 |
| 2 | <i>Regulatory capital</i> | 43,600 | – | – | 4,186 | 47,786 |
| 2a | <i>Minority interests not covered by row 2</i> | – | – | – | – | – |
| 3 | <i>Other capital instruments</i> | – | – | – | – | – |
| 4 | Retail deposits and small business funding: | – | 201,926 | 492 | 10 | 182,820 |
| 5 | <i>Stable deposits</i> | | 12,691 | 7 | – | 12,062 |
| 6 | <i>Less stable deposits</i> | | 189,235 | 485 | 10 | 170,758 |
| 7 | Wholesale funding: | – | 161,024 | 347 | 1,808 | 63,126 |
| 8 | <i>Operational deposits</i> | | 15,723 | – | – | 7,861 |
| 9 | <i>Other wholesale funding</i> | – | 145,301 | 347 | 1,808 | 55,265 |
| 10 | Liabilities with matching interdependent assets | – | – | – | – | – |
| 11 | Other liabilities: | 28,139 | 8,137 | 217 | 1 | 108 |
| 12 | <i>Net derivative liabilities</i> | 572 | | | | |
| 13 | <i>All other funding and liabilities not included in the above categories</i> | 27,567 | 8,137 | 217 | 1 | 108 |
| 14 | Total ASF | | | | | 293,840 |
| B. Required stable funding ("RSF") item | | | | | | |
| 15 | Total HQLA for NSFR purposes | 718 | 44,303 | 3,052 | 18,508 | 3,095 |
| 16 | Deposits held at other financial institutions for operational purposes | – | 664 | – | – | 332 |
| 17 | Performing loans and securities: | 16,026 | 145,529 | 23,715 | 186,448 | 243,857 |
| 18 | <i>Performing loans to financial institutions secured by Level 1 HQLA</i> | – | – | – | – | – |

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 2020 (continued)

| In HK\$ millions | | (a) | (b) | (c) | (d) | (e) |
|-------------------------------------|--|---------------------------------------|-----------------------------------|-------------------------|-------------------|-----------------|
| Basis of disclosure: unconsolidated | | Unweighted value by residual maturity | | | | Weighted amount |
| | | No specified term to maturity | < 6 months or repayable on demand | 6 months to < 12 months | 12 months or more | |
| 19 | <i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i> | 88 | 85,793 | 15,984 | 114,313 | 135,262 |
| 20 | <i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i> | 15,938 | 58,492 | 6,738 | 43,465 | 83,107 |
| 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> | – | 1,244 | 993 | 28,670 | 25,488 |
| 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> | – | – | – | – | – |
| 25 | Assets with matching interdependent liabilities | – | – | – | – | – |
| 26 | Other assets: | 9,426 | 4,863 | 14 | 2,118 | 7,735 |
| 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> | 4,809 | | | | 240 |
| 31 | <i>All other assets not included in the above categories</i> | 4,617 | 4,863 | 14 | 2,118 | 7,495 |
| 32 | Off-balance sheet items | | 170,417 | – | – | 726 |
| 33 | Total RSF | | | | | 255,745 |
| 34 | Net Stable Funding Ratio (%) | | | | | 114.9 |

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 2020

| In HK\$ millions | | (a) | (b) | (c) | (d) | (e) |
|---|--|---------------------------------------|-----------------------------------|-------------------------|-------------------|-----------------|
| Basis of disclosure: unconsolidated | | Unweighted value by residual maturity | | | | Weighted amount |
| | | No specified term to maturity | < 6 months or repayable on demand | 6 months to < 12 months | 12 months or more | |
| A. Available stable funding ("ASF") item | | | | | | |
| 1 | Capital: | 42,321 | – | – | 4,187 | 46,508 |
| 2 | <i>Regulatory capital</i> | 42,321 | – | – | 4,187 | 46,508 |
| 2a | <i>Minority interests not covered by row 2</i> | – | – | – | – | – |
| 3 | <i>Other capital instruments</i> | – | – | – | – | – |
| 4 | Retail deposits and small business funding: | – | 203,746 | 1,561 | 7 | 185,389 |
| 5 | <i>Stable deposits</i> | | 12,105 | – | – | 11,500 |
| 6 | <i>Less stable deposits</i> | | 191,641 | 1,561 | 7 | 173,889 |
| 7 | Wholesale funding: | – | 162,322 | 2,934 | 1,896 | 66,938 |
| 8 | <i>Operational deposits</i> | | 16,049 | – | – | 8,024 |
| 9 | <i>Other wholesale funding</i> | – | 146,273 | 2,934 | 1,896 | 58,914 |
| 10 | Liabilities with matching interdependent assets | – | – | – | – | – |
| 11 | Other liabilities: | 22,987 | 8,457 | 217 | 2 | 110 |
| 12 | <i>Net derivative liabilities</i> | 879 | | | | |
| 13 | <i>All other funding and liabilities not included in the above categories</i> | 22,108 | 8,457 | 217 | 2 | 110 |
| 14 | Total ASF | | | | | 298,945 |
| B. Required stable funding ("RSF") item | | | | | | |
| 15 | Total HQLA for NSFR purposes | 737 | 40,284 | 1,439 | 14,522 | 2,352 |
| 16 | Deposits held at other financial institutions for operational purposes | – | 359 | – | – | 179 |
| 17 | Performing loans and securities: | 16,467 | 162,131 | 17,680 | 186,287 | 245,957 |
| 18 | <i>Performing loans to financial institutions secured by Level 1 HQLA</i> | – | – | – | – | – |
| 19 | <i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i> | 83 | 100,408 | 11,468 | 125,607 | 146,485 |
| 20 | <i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i> | 16,384 | 60,473 | 5,207 | 32,093 | 74,045 |
| 21 | <i>With a risk-weight of less than or equal to 35% under the STC approach</i> | – | – | – | – | – |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

16 LIQUIDITY (continued)

16.2 Net Stable Funding Ratio (Continued)

Table 2: NSFR for the quarter ended 31 March 2020 (continued)

| In HK\$ millions | | (a) | (b) | (c) | (d) | (e) |
|-------------------------------------|--|---------------------------------------|-----------------------------------|-------------------------|-------------------|-----------------|
| Basis of disclosure: unconsolidated | | Unweighted value by residual maturity | | | | Weighted amount |
| | | No specified term to maturity | < 6 months or repayable on demand | 6 months to < 12 months | 12 months or more | |
| 22 | <i>Performing residential mortgages, of which:</i> | – | 1,250 | 1,005 | 28,585 | 25,425 |
| 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: | 8,362 | 5,865 | 18 | 2,078 | 9,423 |
| 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> | 2,275 | – | – | – | 114 |
| 31 | <i>All other assets not included in the above categories</i> | 6,087 | 5,865 | 18 | 2,078 | 9,309 |
| 32 | Off-balance sheet items | – | 169,649 | – | – | 582 |
| 33 | Total RSF | – | – | – | – | 258,493 |
| 34 | Net Stable Funding Ratio (%) | – | – | – | – | 115.6 |

The NSFR remained well above the regulatory requirement in the first half of 2020. Compared to previous quarter, the NSFR as of end 2Q 2020 reduced mainly due to decrease in customer 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 2020.

16.3 Approach to Liquidity Management

The Group's approach to liquidity risk management is based on the building blocks of governance by risk committees' oversight, policies that define overarching principles and specific risk methodologies, and standards that establish the detailed requirements. Processes and systems are in place to measure, limit and control exposures based on the risk methodologies defined. For more information on the Bank's approach to liquidity risk management, please refer to section 20.1 of annual regulatory disclosure for the year ended 31 December 2019.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

17 ABBREVIATIONS

| Abbreviations | Brief Description |
|----------------------|--|
| AI | Authorised Institutions |
| BCR | Banking (Capital) Rules |
| BLR | Banking (Liquidity) Rules |
| 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 |
| CF | Commodities Finance |
| CFR | Core Funding Ratio |
| CIS | Collective Investment Scheme |
| CRM | Credit Risk Mitigation |
| CVA | Credit Valuation Adjustment |
| D-SIB | Domestic Systemically Important Authorized Institution |
| DTAs | Deferred Tax Assets |
| EAD | Exposure At Default |
| EL | Expected Loss |
| EPE | Expected Positive Exposure |
| FBA | Fall-Back Approach |
| G-SIB | Global Systemically Important Authorized Institution |
| HKMA | Hong Kong Monetary Authority |
| HQLA | High Quality Liquid Assets |
| HVCRE | High-volatility Commercial Real Estate |
| IAA | Internal Assessment Approach |
| IMM | Internal Models Method |
| IMM (CCR) | Internal Models Method (Counterparty Credit Risk) |
| IPRE | Income-producing Real Estate |

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REGULATORY DISCLOSURES

17 ABBREVIATIONS (continued)

| Abbreviations | Brief Description |
|----------------------|--|
| IRB | Internal Ratings-Based |
| JCCyB | Jurisdictional Countercyclical Capital Buffer |
| LAC | Loss-absorbing Capacity |
| LCR | Liquidity Coverage Ratio |
| LGD | Loss Given Default |
| LMR | Liquidity Maintenance Ratio |
| LR | Leverage Ratio |
| LTA | Look Through Approach |
| MBA | Mandate-based Approach |
| MSRs | Mortgage Servicing Rights |
| NA | Not Applicable |
| NSFR | Net Stable Funding Ratio |
| OF | Object Finance |
| OTC | Over-the-Counter |
| PD | Probability of Default |
| PF | Project Finance |
| PFE | Potential Future Exposure |
| PSE | Public Sector Entity |
| PVA | Prudent Valuation Adjustments |
| RSF | Required Stable Funding |
| RWA | Risk Weighted Assets |
| SA-CCR | Standardized 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 |