Dah Sing Bank, Limited

Regulatory Disclosure Statement

For the interim period ended 30 June 2023
(Unaudited)

These disclosures are prepared under
the Banking (Disclosure) Rules

Dah Sing Bank, Limited
Regulatory Disclosure Statement for the interim period ended 30 June 2023
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Purpose and basis of preparation

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

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

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

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

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

<u>Template KM1: Key prudential ratios</u>

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

	HK$'000	**30 Jun 2023**	**31 Mar 2023**	**31 Dec 2022**	**30 Sep 2022**	**30 Jun 2022**
	Regulatory capital (amount)					
1	Common Equity Tier 1	26,907,744	26,746,144	26,267,794	24,206,459	24,272,749
2	Tier 1	28,075,554	27,913,954	27,435,604	25,105,046	25,171,336
3	Total capital	33,859,003	33,713,934	33,226,507	30,891,455	30,960,874
	RWA (amount)					
4	Total RWA	172,191,116	170,841,794	172,320,224	170,344,845	172,418,214
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET 1 ratio (%)	15.6%	15.7%	15.2%	14.2%	14.1%
6	Tier 1 ratio (%)	16.3%	16.3%	15.9%	14.7%	14.6%
7	Total capital ratio (%)	19.7%	19.7%	19.3%	18.1%	18.0%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical capital buffer requirement (%)	0.76%	0.78%	0.78%	0.78%	0.77%
10	Higher loss absorbency requirement (%) (applicable only to G-SIB or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirement (%)	3.26%	3.28%	3.28%	3.28%	3.27%
12	CET1 available after meeting the AI's minimum capital requirement (%)	10.30%	10.30%	9.90%	8.70%	8.6%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	256,677,860	255,661,852	258,844,090	258,696,541	260,054,249
14	LR (%)	10.9%	10.9%	10.6%	9.7%	9.7%
	Liquidity Maintenance Ratio ("LMR") – applicable to category 2 institution only					
17a	LMR (%)	64.5%	60.5%	57.3%	53.9%	46.5%
	Core Funding Ratio ("CFR") – applicable to category 2A institution only					
20a	CFR (%)	173.1%	164.3%	166.1%	161.9%	158.0%

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

Template OV1: Overview of RWA

The following table provides an overview of capital requirements in terms of a detailed breakdown of RWAs for various risks as at 30 June 2023 and 31 March 2023 respectively:

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 Jun 2023 (HK$'000)	31 Mar 2023 (HK$'000)	30 Jun 2023 (HK$'000)
1	Credit risk for non-securitization exposures	154,308,565	154,006,949	12,344,685
2	Of which STC approach	154,308,565	154,006,949	12,344,685
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	1,277,220	849,726	102,178
7	Of which SA-CCR approach	1,207,644	770,238	96,612
7a	Of which CEM	-	-	-
7b	Of which CEM (such a risk to CCPs which is not included in row 7a)	-	-	-
7c	Of which SA-CCR approach (such a risk to CCPs which is not included in row 7)	5,585	5,021	447
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	63,991	74,467	5,119
10	CVA risk	279,788	177,775	22,383
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	CIS exposures – LTA	-	-	-
13	CIS exposures – MBA	-	-	-
14	CIS exposures – FBA	-	-	-
14a	CIS exposures – combination of approaches	-	-	-
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk	2,271,900	1,887,088	181,752
21	Of which STM approach	2,271,900	1,887,088	181,752
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	-	-	-
24	Operational risk	11,384,375	11,250,988	910,750
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	3,085,575	3,085,575	246,846
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	(416,307)	(416,307)	(33,305)
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	(416,307)	(416,307)	(33,305)
27	Total	172,191,116	170,841,794	13,775,289

Part IIA. Composition of regulatory capital

Basis of consolidation

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

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

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

Part IIA. Composition of regulatory capital (Continued)

The following is a full list of the Bank's subsidiaries and the total amount of assets and equity of each of these subsidiaries as at 30 June 2023.

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

HK$'000			30 June 2023	
Name of subsidiary	Principal activity	Note	Total assets	Total equity
Included in the regulatory scope of consolidation				
Banco Comercial de Macau, S.A.	Banking		23,415,753	3,232,949
Dah Sing Bank (China) Limited	Banking		10,742,061	1,125,915
Dah Sing Properties Limited	Investment holding		-	(14,834)
DSB BCM (1) Limited	Investment holding		182,283	-
DSB BCM (2) Limited	Investment holding		182,283	-
OK Finance Limited	Money lending		813,964	211,054
Pacific Finance (Hong Kong) Limited	Inactive		474,424	473,910
Vanishing Border Investment Services Limited	Property investment		4,748	(1,438)
Dah Sing Insurance Brokers Limited	Insurance broking		19,619	6,578
Dah Sing Nominees Limited	Nominee services		100	100
Talent Union Holding Limited	Property investment		48,308	32,837
Excluded from the regulatory scope of consolidation				
Dah Sing Securities Limited	Securities dealing	(a)	367,535	307,953
Wise Measure Limited	Property investment	(b)	-	-
CWL Prosper Limited	Property investment	(b)	34	(93)
Reliable Associates Limited	Property investment	(b)	-	-
Dah Sing Computer Systems Limited	Inactive	(b)	-	-

Note:

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

In calculating the consolidated capital adequacy ratio as at 30 June 2023 under the Basel III basis, the portion of the aggregate significant investments in Common Equity Tier 1 capital instrument issued by financial sector entities not subject to regulatory consolidation and exceeded the 10% concessionary threshold was deducted from capital base. The amount within the 10% concessionary threshold was risk-weighted.

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

In calculating the consolidated capital adequacy ratio as at 30 June 2023 under the Basel III basis, the Bank risk-weighted the cost of investments in these subsidiaries and did not deduct the investment costs from its capital base on the basis that the total cost of investment does not exceed 15% of the Bank's capital base as at the immediately preceding calendar quarter-end date.

Part IIA. Composition of regulatory capital (Continued)

Template CC1: Composition of regulatory capital

The capital base used in the calculation of the above consolidated capital adequacy ratios and reported to the HKMA is analysed below. The capital base as at 30 June 2023 is calculated on Basel III basis in accordance with the Rules and transitional arrangement set out therein.

		(a) Amount (HK$'000)	(b) Cross-referenced to expanded Consolidated Statement of Financial Position in Template CC2
	CET1 capital: instruments and reserves		
1	Directly issued qualifying Common Equity Tier 1 capital instruments plus any related share premium	6,200,000	g
2	Retained earnings	21,848,128	h
3	Disclosed reserves	1,202,282	i
4	*Directly issued capital subject to phase-out arrangements from CET1 capital (only applicable to non-joint stock companies)*	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	**CET1 capital before regulatory deductions**	**29,250,410**	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liability)	713,451	b
9	Other intangible assets (net of associated deferred tax liability)	61,005	c
10	Deferred tax assets (net of associated deferred tax liabilities)	193,817	e(i) - e(ii)
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	

Part IIA. Composition of regulatory capital (Continued)

Template CC1: Composition of regulatory capital (Continued)

		(a)	(b)
		Amount (HK$'000)	Cross-referenced to expanded Consolidated Statement of Financial Position in Template CC2
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	1,374,393	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	756,921	d(i)+d(ii)
26b	Regulatory reserve for general banking risks	617,258	j
26c	Securitization exposures specified in a notice given by the Monetary Authority	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
26g	Debit valuation adjustments in respect of derivative contracts	214	-k
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	**Total regulatory deductions to CET1 capital**	**2,342,666**	
29	**CET1 capital**	**26,907,744**	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	1,167,810	
31	of which: classified as equity under applicable accounting standards	1,167,810	l
32	of which: classified as liabilities under applicable accounting standards	-	
33	*Capital instruments subject to phase out arrangements from AT1 capital*	-	

Part IIA. Composition of regulatory capital (Continued)

Template CC1: Composition of regulatory capital (Continued)

		(a) Amount (HK$'000)	(b) Cross-referenced to expanded Consolidated Statement of Financial Position in Template CC2
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*	-	
36	**AT1 capital before regulatory deductions**	**1,167,810**	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	**Total regulatory deductions to AT1 capital**	-	
44	**AT1 capital**	**1,167,810**	
45	**Tier 1 capital (Tier 1 = CET1 + AT1)**	**28,075,554**	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	4,091,161	f
47	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	*of which : capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,351,674	-a+j
51	**Tier 2 capital before regulatory deductions**	**5,442,835**	

Part IIA. Composition of regulatory capital (Continued)

Template CC1: Composition of regulatory capital (Continued)

		(a) Amount (HK$'000)	(b) Cross-referenced to expanded Consolidated Statement of Financial Position in Template CC2
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	(340,614)	
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	(340,614)	[d(i)+d(ii)] x45%
57	**Total regulatory deductions to Tier 2 capital**	**(340,614)**	
58	**Tier 2 capital**	**5,783,449**	
59	**Total regulatory capital (Total capital = Tier 1 + Tier 2)**	**33,859,003**	
60	**Total RWA**	**172,191,116**	
	Capital ratios (as a percentage of RWA)		
61	**CET1 capital ratio**	15.6%	
62	**Tier 1 capital ratio**	16.3%	
63	**Total capital ratio**	19.7%	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	3.3%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical buffer requirement	0.8%	
67	of which: higher loss absorbency requirement	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	10.3%	
	National minima (if different from Basel III minimum)		
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	2,991,055	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	1,234,230	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable

Part IIA. Composition of regulatory capital (Continued)

Template CC1: Composition of regulatory capital (Continued)

		(a)	(b)
		Amount (HK$'000)	Cross-referenced to expanded Consolidated Statement of Financial Position in Template CC2
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	1,351,674	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	1,351,674	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	Not applicable	Not applicable
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	Not applicable	Not applicable
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 capital instruments subject to phase out arrangements	Not applicable	Not applicable
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable	Not applicable
82	Current cap on AT1 capital instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on Tier 2 capital instruments subject to phase out arrangements	-	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	

Part IIA. Composition of regulatory capital (Continued)

Template CC1: Composition of regulatory capital (Continued)

Notes to the template

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

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

As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</td></tr>
<tr><td rowspan="2">10</td><td>Deferred tax assets net of deferred tax liabilities</td><td>193,817</td><td>-</td></tr>
<tr><td colspan="3"><u>Explanation</u>

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

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

Part IIA. Composition of regulatory capital (Continued)

<u>Template CC1: Composition of regulatory capital</u> (Continued)

Notes to the template (Continued)

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

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

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

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

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

Part IIA. Composition of regulatory capital (Continued)

Template CC1: Composition of regulatory capital (Continued)

Notes to the template (Continued)

<table>
<tr><th>Row No.</th><th>Description</th><th>Hong Kong basis (HK$'000)</th><th>Basel III basis (HK$'000)</th></tr>
<tr><td rowspan="2">39</td><td>Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</td><td>-</td><td>-</td></tr>
<tr><td colspan="3"><u>Explanation</u>

The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</td></tr>
<tr><td rowspan="2">54</td><td>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)</td><td>-</td><td>-</td></tr>
<tr><td colspan="3"><u>Explanation</u>

The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</td></tr>
</table>

Remarks:

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

Part IIA. Composition of regulatory capital (Continued)

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

	(a)	(b)	(c)
	Statement of Consolidated Financial Position as in published financial statements (HK$'000)	**Under regulatory scope of consolidation (HK$'000)**	**Reference**
Assets			
Cash and balances with banks	16,286,219	16,286,219	
Placements with banks maturing between one and twelve months	3,978,059	3,978,059	
Trading securities	141,141	141,141	
Financial assets at fair value through profit and loss	9,562	9,562	
Derivative financial instruments	4,290,911	4,290,911	
Advances and other accounts	146,299,492	146,232,462	
Financial assets at fair value through other comprehensive income	38,077,633	38,077,314	
Financial assets at amortised cost	35,309,015	35,309,015	
Investments in subsidiaries	-	1,354	
Investment in an associate	2,016,390	1,213,057	
Investments in jointly controlled entities	136,856	20,000	
Goodwill	713,451	713,451	b
Intangible assets	61,005	61,005	c
Investment properties	802,693	802,693	
of which: cumulative fair value gains arising from the revaluation of land and buildings		*523,821*	d(i)
Premises and other fixed assets	3,516,845	3,516,810	
of which: cumulative fair value gains arising from the revaluation of land and buildings		*233,100*	d(ii)
Deferred income tax assets	192,186	192,231	
of which: attributable to entities with net deferred income tax assets		*192,246*	e(i)
Total assets	251,831,458	250,845,284	

Part IIA. Composition of regulatory capital (Continued)

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

	(a)	(b)	(c)
	Statement of Consolidated Financial Position as in published financial statements (HK$'000)	Under regulatory scope of consolidation (HK$'000)	Reference
Liabilities			
Deposits from banks	1,571,096	1,571,096	
Derivative financial instruments	1,364,766	1,364,766	
of which: debit valuation adjustments		*(214)*	k
Trading liabilities	99,609	99,609	
Deposits from customers	202,489,325	202,787,807	
Certificates of deposit issued	2,688,932	2,688,932	
Subordinated notes	3,833,542	3,833,542	
of which: subordinated debt eligible for inclusion in regulatory capital		*4,091,161*	f
Other accounts and accruals	7,865,825	7,806,343	
Current income tax liabilities	245,549	235,252	
Deferred income tax liabilities	39,717	39,717	
of which: attributable to entities with net deferred income tax assets		*(1,571)*	e(ii)
Total liabilities	220,198,361	220,427,064	
Equity			
Share capital	6,200,000	6,200,000	g
Retained earnings	23,738,531	21,848,128	h
Other reserves	526,756	1,202,282	i
Shareholders' funds	30,465,287	29,250,410	
of which: regulatory reserve for general banking risks		*617,258*	j
of which: Stage 1 and 2 impairment provisions		*(734,416)*	a
Additional equity instruments	1,167,810	1,167,810	l
Total equity	31,633,097	30,418,220	

Part IIA. Composition of regulatory capital (Continued)

Table CCA: Main features of regulatory capital instruments

The major terms and conditions of the instruments included in the Bank's consolidated capital base as at 30 June 2023 are as follows. Full terms and conditions are published in the Bank's website of www.dahsing.com and is accessible at the following direct link:
http://www.dahsing.com/html/en/about_us/regulatory_disclosures.html

		(a)	(b)	(c)	(d)
	Component of capital included	Common Equity Tier 1 Capital	Tier 2 Capital	Tier 2 Capital	Additional Tier 1 Capital
1	Issuer		Dah Sing Bank, Limited		
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	XS1883996149	XS2393542548	Not applicable
3	Governing law(s) of the instrument	Hong Kong law	English law, except that the provisions of the above notes relating to subordination shall be governed by the laws of Hong Kong.		Hong Kong law
	Regulatory treatment				
4	Transitional Basel III rules[1]	Common Equity Tier 1 Capital	Not applicable	Not applicable	Not applicable
5	Post-transitional Basel III rules[2]	Common Equity Tier 1 Capital	Tier 2 Capital	Tier 2 Capital	Additional Tier 1 Capital
6	Eligible at solo/ group/ solo and group	Solo and Group			
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Subordinated debt instrument	Subordinated debt instrument	Additional Tier 1 capital instruments
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	HK$6,200 million	HK$1,755 million	HK$2,336 million	HK$1,168million
9	Par value of instrument	HK$6,200 million	US$225,000,000	US$300,000,000	US$150,000,000
10	Accounting classification	Shareholders' equity	Liability at fair value hedge (for hedging interest rate risk)		Equity
11	Original date of issuance	Note (1)	15 Jan 2019	2 Nov 2021	8 Dec 2022
12	Perpetual or dated	Perpetual	Dated	Dated	Perpetual
13	Original maturity date	No maturity	15 Jan 2029	2 Nov 2031	No maturity
14	Issuer call subject to prior supervisory approval	Not applicable	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	No	First optional call date: 15 Jan 2024 The Bank may, subject to receiving the prior approval of the HKMA, redeem the Notes in whole but not in part, at par.	First optional call date: 2 Nov 2026 The Bank may, subject to receiving the prior approval of the HKMA, redeem the Notes in whole but not in part, at par.	First optional call date: 8 Dec 2027 The Bank may, subject to receiving the prior approval of the HKMA, redeem the ATI Capital Securities in whole but not in part, at par either on the optional redemption date or for taxation reasons on interest payment date.

Part IIA. Composition of regulatory capital (Continued)

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

		(a)	(b)	(c)	(d)
	Component of capital included	Common Equity Tier 1 Capital	Tier 2 Capital	Tier 2 Capital	Additional Tier 1 Capital
16	Subsequent call dates, if applicable	Not applicable	Any interest payment dates after the first call date	Any interest payment dates after the first call date	Not applicable
	Coupons/ dividends				
17	Fixed or floating dividend/ coupon	Not applicable	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Not applicable	5% p.a.-Fixed rate for the period from 15 Jan 2019 to 14 Jan 2024. From 15 Jan 2024 to 14 Jan 2029, fixed interest rate will be reset based on prevailing 5-year U.S. Treasury Rate on the calculation business day preceding 15 Jan 2024 plus 255 basis points.	3% p.a.-Fixed rate for the period from 2 Nov 2021 to 1 Nov 2026. From 2 Nov 2026 to 1 Nov 2031, fixed interest rate will be reset based on prevailing 5-year U.S. Treasury Rate on the calculation business day preceding 2 Nov 2026 plus 195 basis points.	11.5% p.a.-Fixed rate for the period from 8 Dec 2022 to 7 Dec 2027. From 8 Dec 2027 onwards, fixed distribution rate will be reset based on prevailing 5-year U.S. Treasury Rate on the calculation business day preceding the reset date on every 5 years plus 788 basis points.
19	Existence of a dividend stopper	Not applicable	No		Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory		Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative			
23	Convertible or non-convertible	Non-convertible			
24	If convertible, conversion trigger (s)	Not applicable			
25	If convertible, fully or partially	Not applicable			
26	If convertible, conversion rate	Not applicable			
27	If convertible, mandatory or optional conversion	Not applicable			
28	If convertible, specify instrument type convertible into	Not applicable			
29	If convertible, specify issuer of instrument it converts into	Not applicable			
30	Write-down feature	No	Yes		

Dah Sing Bank, Limited
Regulatory Disclosure Statement for the interim period ended 30 June 2023

Part IIA. Composition of regulatory capital (Continued)

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

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

Part IIA. Composition of regulatory capital (Continued)

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

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

Part IIA. Composition of regulatory capital (Continued)

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

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

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

Part IIA. Composition of regulatory capital (Continued)

Note:

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

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

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

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

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

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

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

Part IIB. Macroprudential supervisory measures

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

The following table set out the consolidated Countercyclical Capital Buffer Ratio of the Bank and the geographical breakdown of risk-weighted amounts in relation to private sector credit exposures as at 30 June 2023:

		(a)	(b)	(c)	(d)
	Geographical breakdown by Jurisdiction (J)	**Applicable JCCyB ratio in effect (%)**	**Total RWA used in computation of CCyB ratio (HK$'000)**	**AI-specific CCyB ratio (%)**	**CCyB amount (HK$'000)**
1	Hong Kong SAR	1%	101,894,275		
2	Australia	1%	25,522		
3	France	0.5%	1		
4	Germany	0.75%	11		
5	Luxembourg	0.5%	26,256		
6	Norway	2.5%	14		
7	Sweden	2%	9		
8	United Kingdom	1%	428,700		
	Sum		102,374,788		
	Total (including jurisdictions with zero JCCyB ratio)		135,519,828	0.755%	1,023,616

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

Part IIC. Leverage Ratio

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

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

The reconciliation between the leverage exposure measure and the consolidated assets per the published financial statements of the Bank as at 30 June 2023 is set out below.

		(a)
	Item	**Amount (HK$'000)**
1	Total consolidated assets as per published financial statements	251,831,458
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(986,174)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting standard but excluded from the leverage ratio exposure measure.	-
3a	Adjustments for eligible cash pooling transactions	-
4	Adjustments for derivative contracts	(1,649,162)
5	Adjustment for SFTs (i.e. repos and similar secured lending)	10,282
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	9,885,982
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(1,221,943)
7	Other adjustments	(1,192,583)
8	**Leverage ratio exposure measure**	**256,677,860**

Part IIC. Leverage Ratio (Continued)

<u>Template LR2: Leverage ratio</u>

The detailed composition of the Bank's consolidated leverage ratio as at 30 June 2023 and 31 March 2023 is set out below:

		(a) 30 Jun 2023 (HK$'000)	(b) 31 Mar 2023 (HK$'000)
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	246,582,988	246,274,907
2	Less: Asset amounts deducted in determining Tier 1 capital	(2,342,452)	(2,338,060)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	244,240,536	243,936,847
Exposures arising from derivative exposures			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/ or with all derivative contracts)	603,115	324,151
5	Add-on amounts for PFE associated with all derivative contracts	2,038,634	1,393,745
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit-related derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	-	-
11	Total exposures arising from derivative contracts	2,641,749	1,717,896
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	1,121,254	1,136,499
13	Less: Netted amount of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	10,282	14,124
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	1,131,536	1,150,623
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	68,299,718	71,459,972
18	Less: Adjustments for conversion to credit equivalent amounts	(58,413,736)	(60,812,270)
19	Off-balance sheet items	9,885,982	10,647,702
Capital and total exposures			
20	Tier 1 capital	28,075,554	27,913,954
20a	Total exposures before adjustments for specific and collective provisions	257,899,803	257,453,068
20b	Adjustments for specific and collective provisions	(1,221,943)	(1,791,216)
21	Total exposures after adjustments for specific and collective provisions	256,677,860	255,661,852
Leverage ratio			
22	**Leverage ratio**	**10.9%**	**10.9%**

Part III. Credit risk for non-securitization exposures

Template CR1: Credit quality of exposures

The table below provides an overview of the credit quality of on- and off-balance sheet exposures as at 30 June 2023. Loans are generally referred to loans and advances, trade bills and amount due from banks.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of			Of which ECL accounting provisions for credit losses on STC approach exposures			
		Defaulted exposures (HK$'000)	Non-defaulted exposures (HK$'000)	Allowances / impairments (HK$'000)	Allocated in regulatory category of specific provisions (HK$'000)	Allocated in regulatory category of collective provisions (HK$'000)	Of which ECL accounting provisions for credit losses on IRB approach exposures (HK$'000)	Net values (HK$'000)
1	Loans	2,268,710	158,333,379	1,087,022	477,863	609,159	-	159,515,067
2	Debt securities	-	73,390,977	46,224	-	46,224	-	73,344,753
3	Off-balance sheet exposures*	-	68,299,718	72,074	-	72,074	-	68,227,644
4	**Total**	**2,268,710**	**300,024,074**	**1,205,320**	**477,863**	**727,457**	**-**	**301,087,464**

*Of which, undrawn commitments with an original maturity of within 1 year and over 1 year are HK$1,191,479,000 and HK$3,126,962,000 respectively as at 30 June 2023.

The increase in defaulted exposures as compared to the position as at 31 December 2022 was mainly arising from the deterioration of credit conditions and credit quality of borrowers engaging in real estate related businesses in Mainland China during the period.

The decrease in specific provisions as compared to the position as at 31 December 2022 was mainly arising from write-off of certain defaulted exposures of which the borrowers engaging in real estate related businesses in Mainland China during the period.

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

Template CR2: Changes in defaulted loans and debt securities

The table below provides information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and reductions in the defaulted exposures due to write-offs as at 30 June 2023 respectively:

		(a)
		Amount (HK$'000)
1	**Defaulted loans and debt securities at end of the previous reporting period (31 December 2022)**	**2,057,856**
2	Loans and debt securities that have defaulted since the last reporting period	1,192,847
3	Returned to non-defaulted status	(98,195)
4	Amounts written off	(585,969)
5	Other changes (mainly being settlement, repayments and effect of foreign exchange rate changes)	(297,829)
6	**Defaulted loans and debt securities at end of the current reporting period (30 June 2023)**	**2,268,710**

The increase in defaulted exposures as compared to the position as at 31 December 2022 was mainly arising from the deterioration of credit conditions and credit quality of borrowers engaging in real estate related businesses in Mainland China during the period.

The increase in write-off as compared to last period was mainly arising from write-off of certain defaulted exposures of which the borrowers engaging in real estate related businesses in Mainland China during the period.

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

Template CR3: Overview of recognized credit risk mitigation

The following table presents the extent of credit risk exposures covered by different types of recognized CRM as at 30 June 2023:

		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount (HK$'000)	Exposures to be secured (Note) (HK$'000)	Exposures secured by recognized collateral (HK$'000)	Exposures secured by recognized guarantees (HK$'000)	Exposures secured by recognized credit derivative contracts (HK$'000)
1	Loans	153,377,861	6,137,206	4,415,415	1,721,791	-
2	Debt securities	73,344,753	-	-	-	-
3	**Total**	**226,722,614**	**6,137,206**	**4,415,415**	**1,721,791**	-
4	Of which defaulted	784,194	1,126,790	1,118,239	8,551	-

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

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

The increase in secured exposures as compared with the position as at 31 December 2022 was caused by the increase in loans secured by pledged deposits and defaulted loans secured by real properties.

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

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

The following table illustrates the effect of any recognized CRM (including recognized collateral under both comprehensive and simple approaches) on the calculation of credit risk capital requirements under STC approach as at 30 June 2023:

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		**Exposures post-CCF and post-CRM**		**RWA and RWA density**	
	Exposure classes	On-balance sheet amount (HK$'000)	Off-balance sheet amount (HK$'000)	On-balance sheet amount (HK$'000)	Off-balance sheet amount (HK$'000)	RWA (HK$'000)	RWA density (%)
1	Sovereign exposures	11,787,413	-	12,374,750	62	29,240	0%
2	PSE exposures	3,168,992	876,788	3,764,000	125,000	777,800	20%
2a	Of which: domestic PSEs	3,168,992	876,788	3,764,000	125,000	777,800	20%
2b	Of which: foreign PSEs	-	-	-	-	-	-
3	Multilateral development bank exposures	3,954	-	3,954	-	-	0%
4	Bank exposures	40,228,505	441,450	39,998,041	407,847	13,397,819	33%
5	Securities firm exposures	1,673,381	1,726,818	1,673,381	-	836,690	50%
6	Corporate exposures	106,561,712	18,938,409	104,492,420	1,833,925	92,227,884	87%
7	CIS exposures	32,297	-	32,297	-	57,598	178%
8	Cash items	785,077	-	3,769,394	1,225,327	404,875	8%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-
10	Regulatory retail exposures	17,693,597	42,802,815	17,396,149	40,517	13,077,499	75%
11	Residential mortgage loans	45,850,612	175,659	45,255,343	34,547	18,618,139	41%
12	Other exposures which are not past due exposures	13,068,690	3,337,779	12,094,501	65,000	12,735,836	105%
13	Past due exposures	1,932,440	-	1,932,440	-	2,145,185	111%
14	Significant exposures to commercial entities	-	-	-	-	-	-
15	**Total**	**242,786,670**	**68,299,718**	**242,786,670**	**3,732,225**	**154,308,565**	**63%**

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

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

The following table presents a breakdown of credit risk exposures under STC approach by asset classes and by risk weights as at 30 June 2023:

	(HK$'000)	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	Exposure class / Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	12,228,611	-	146,201	-	-	-	-	-	-	-	12,374,812
2	PSE exposures	-	-	3,889,000	-	-	-	-	-	-	-	3,889,000
2a	Of which: domestic PSEs	-	-	3,889,000	-	-	-	-	-	-	-	3,889,000
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	3,954	-	-	-	-	-	-	-	-	-	3,954
4	Bank exposures	-	-	21,906,822	-	17,224,432	-	114,108	-	-	1,160,526	40,405,888
5	Securities firm exposures	-	-	-	-	1,673,381	-	-	-	-	-	1,673,381
6	Corporate exposures	-	-	5,142,775	-	20,921,215	-	79,309,623	952,732	-	-	106,326,345
7	CIS exposures	-	-	-	-	-	-	-	-	-	32,297	32,297
8	Cash items	2,970,344	-	2,024,377	-	-	-	-	-	-	-	4,994,721
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	-
10	Regulatory retail exposures	-	-	-	-	-	17,436,666	-	-	-	-	17,436,666
11	Residential mortgage loans	-	-	-	34,750,044	7,542,899	1,251,092	1,745,855	-	-	-	45,289,890
12	Other exposures which are not past due exposures	-	-	-	-	-	-	12,103,381	-	-	56,120	12,159,501
13	Past due exposures	4,714	-	3,837	-	-	15,857	1,459,046	448,986	-	-	1,932,440
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
15	**Total**	**15,207,623**	**-**	**33,113,012**	**34,750,044**	**47,361,927**	**18,703,615**	**94,732,013**	**1,401,718**	**-**	**1,248,943**	**246,518,895**

Increase in interbank placement in the first half of 2023 resulted in the increase in exposures with other risk weight.

Part IV. Counterparty Credit risk

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

The following table presents a comprehensive breakdown of counterparty default risk exposures (other than those to CCPs), RWAs, and, where applicable, main parameters under the approaches used to calculate default risk exposures in respect of derivative contracts and SFTs as at 30 June 2023:

		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC) (HK$'000)	PFE (HK$'000)	Effective EPE (HK$'000)	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM (HK$'000)	RWA (HK$'000)
1	SA-CCR approach (for derivative contracts)	354,048	1,175,470		1.4	2,141,326	1,207,644
2	IMM (CCR) approach			-	-	-	-
3	Simple approach (for SFTs)					1,121,254	63,991
4	Comprehensive approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	**Total**						**1,271,635**

The increase in default risk exposure after CRM and RWA were mainly attributable to the increase in notional amount of derivative contracts.

Part IV. Counterparty Credit risk (Continued)

Template CCR2: CVA capital charge

The following table presents information on portfolios subject to the CVA capital charge and the CVA calculations based on standardized CVA method and advanced CVA method as at 30 June 2023:

		(a)	(b)
		EAD post CRM (HK$'000)	RWA (HK$'000)
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	2,141,327	279,788
4	**Total**	**2,141,327**	**279,788**

The increase in CVA capital charge was mainly attributable to the increase in notional amount of derivative contracts.

Part IV. Counterparty Credit risk (Continued)

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

The following table presents a breakdown of default risk exposures as at 30 June 2023, other than those to CCPs, in respect of derivative contracts and SFTs that are subject to the STC approach, by asset classes and risk-weights, irrespective of the approach used to determine the amount of default risk exposures:

		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
	Exposure class / Risk Weight	0% (HK$'000)	10% (HK$'000)	20% (HK$'000)	35% (HK$'000)	50% (HK$'000)	75% (HK$'000)	100% (HK$'000)	150% (HK$'000)	250% (HK$'000)	Others (HK$'000)	Total default risk exposure after CRM (HK$'000)
1	Sovereign exposures	477	-	-	-	-	-	-	-	-	-	477
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	-
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	-
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	311,246	-	977,792	-	-	-	-	151,160	1,440,198
5	Securities firm exposures	-	-	-	-	11,091	-	-	-	-	-	11,091
6	Corporate exposures	-	-	-	-	130,981	-	463,912	-	-	-	594,893
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	-
8	Regulatory retail exposures	-	-	-	-	-	154,314	-	-	-	-	154,314
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	-
10	Other exposures which are not past due exposures	1,029,593	-	-	-	-	-	32,014	-	-	-	1,061,607
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	-
12	**Total**	**1,030,070**	**-**	**311,246**	**-**	**1,119,864**	**154,314**	**495,926**	**-**	**-**	**151,160**	**3,262,580**

Default risk exposure at risk weight of 0% mainly represents the cash collateral received. The decrease in balance as compared to the position as at 31 December 2022 was attributable to the decrease in cash received from counterparties being reported as CRM.

The increase of default risk exposure after CRM in the risk-weight categories other than 0% was mainly attributable to the increase in notional amount of derivative contracts.

Part IV. Counterparty Credit risk (Continued)

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

The following table presents a breakdown of all types of collateral posted or recognized collateral received to support or reduce the exposures to counterparty default risk exposures as at 30 June 2023 in respect of derivative contracts or SFTs entered into, including contracts or transactions cleared through a CCP:

	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs[1]	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received (HK$'000)	Fair value of posted collateral (HK$'000)
	Segregated (HK$'000)	Unsegregated (HK$'000)	Segregated (HK$'000)	Unsegregated (HK$'000)		
Cash - domestic currency[2]	121,181	-	-	-	300,000	-
Cash - other currencies	2,664,999	313,316	1,154,971	195,871	734,999	-
Corporate bonds	-	-	-	-	-	739,398
Other sovereign debt	-	-	-	-	-	300,477
Total	**2,786,180**	**313,316**	**1,154,971**	**195,871**	**1,034,999**	**1,039,875**

As compared to the position as at 31 December 2022, the changes in segregated collateral received or posted for derivative contracts were resulted from the changes in variation margin received from or posted to CCP for mark-to-market gain or loss on derivative contracts. Similarly, the changes in unsegregated collateral received or posted were due to the change in variation margin received from or posted to counterparties under Credit Support Annex arrangement for derivative trading.

The decrease in value of collateral received and posted under SFTs was brought about by the decrease in outstanding repo transactions.

[1] For "SFTs" reported in columns (e) and (f), the collateral used is defined as referring to both legs of the transaction. For example, an AI transfers securities to a third party, which in turn posts collateral to the AI. The AI should report both legs of the transaction in the template; on one hand the collateral received is reported in column (e), on the other hand the collateral posted by the AI is reported in column (f).
[2] "Domestic currency" refers to the AI's reporting currency (not the currency / currencies in which the derivative contract or SFT is denominated).

Template CCR6: Credit-related derivatives contracts

The following table presents the amount of credit-related derivative contracts as at 30 June 2023, broken down into credit protection bought and credit protection sold:

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

<u>Template CCR8: Exposures to CCPs</u>

The following table presents a comprehensive breakdown of exposures to both qualifying and non-qualifying CCPs and the respective RWAs, covering all types of credit risk exposures (including default risk exposures to the CCPs, credit risk exposures arising from initial margins posted, and default fund contributions made, to the CCPs) as at 30 June 2023:

		(a)	(b)
		Exposure after CRM (HK$'000)	RWA (HK$'000)
1	**Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)**		**5,585**
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	279,264	5,585
3	(i) OTC derivative transactions	279,264	5,585
4	(ii) Exchange-traded derivative contracts	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets subject to valid cross-product netting agreements	-	-
7	Segregated initial margin	-	
8	Unsegregated initial margin	-	-
9	Funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	**Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)**		-
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13	(i) OTC derivative transactions	-	-
14	(ii) Exchange-traded derivative contracts	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets subject to valid cross-product netting agreements	-	-
17	Segregated initial margin	-	
18	Unsegregated initial margin	-	-
19	Funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Increase in exposure after CRM and RWA were attributable to MTM gain and increase in potential future exposure.

Part V. Market risk

Template MR1: Market risk under STM approach

The table below provides the components of the market risk capital requirements calculated using the STM approach exposures as at 30 June 2023:

		(a)
		RWA (HK$'000)
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	585,263
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	1,119,412
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	567,225
7	Other approach	-
8	Securitization exposures	-
9	**Total**	**2,271,900**

The increase in interest rate exposures as compared to the position as at 31 December 2022 was attributable to increase in outstanding foreign currency swap contracts. Taking further trading position in currency options also caused the increase in option exposures under market risk.

Abbreviations

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

Abbreviations (Continued)

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