Pillar 3 and Liquidity Coverage Ratio ("LCR") Disclosures

Third Quarter 2019

DBS Group Holdings Ltd
Incorporated in the Republic of Singapore
Company Registration Number: 199901152M

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARIES

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PART A : PILLAR 3 DISCLOSURES (FOR DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARIES)

1 INTRODUCTION

This part contains Pillar 3 disclosures of DBS Group Holdings Ltd and its Subsidiaries (Group) and is made pursuant to the Monetary Authority of Singapore Notice to Banks No. 637 “Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore" (MAS Notice 637).

The Group views the Basel framework as part of continuing efforts to strengthen its risk management culture and ensure that the Group pursues business growth across segments and markets with the appropriate risk management discipline, practices and processes in place.

For the purpose of calculating its risk-weighted assets, the Group applies the Foundation Internal Ratings-Based Approach to certain wholesale credit exposures, the Advanced Internal Ratings-Based Approach to certain retail credit exposures and the Standardised Approach to all other credit exposures. The Group applies the respective Standardised Approaches for operational and market risks.

The numbers in this document are presented in Singapore dollars and rounded to the nearest million, unless otherwise stated.

2 SCOPE OF CONSOLIDATION

The Group's capital requirements are based on the principles of consolidation adopted in the preparation of its financial statements. The Group’s regulatory scope of consolidation is identical to its accounting scope of consolidation. Please refer to the financial statements in the latest available annual report for the principles of consolidation.

3 OVERVIEW OF KEY PRUDENTIAL REGULATORY METRICS

The following table provides an overview of key prudential regulatory metrics for the Group (except Liquidity Coverage Ratio and Net Stable Funding Ratio which are for Bank Group(1)).

		a	b	c	d	e
$'m		**30 Sep 19**	**30 Jun 19**	**31 Mar 19**	**31 Dec 18**	**30 Sep 18**
Available capital (amounts)						
1	CET1 capital	42,412	41,172	41,865	40,241	39,091
2	Tier 1 capital	45,011	43,773	45,252	43,635	42,508
3	Total capital	50,279	49,037	50,482	48,868	47,762
Risk-weighted assets (amounts)						
4	Total RWA	306,248	302,445	296,961	289,636	294,767
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	13.8	13.6	14.1	13.9	13.3
6	Tier 1 ratio (%)	14.7	14.5	15.2	15.1	14.4
7	Total capital ratio (%)	16.4	16.2	17.0	16.9	16.2
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5	2.5	2.5	1.875	1.875
9	Countercyclical buffer requirement (%)	0.4	0.4	0.4	0.3	0.3
10	Bank G-SIB and/or D-SIB additional requirements (%) (2)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.9	2.9	2.9	2.2	2.2
12	CET1 available after meeting the Reporting Bank's minimum capital requirements (%)	6.4	6.2	7.0	6.9	6.2
Leverage Ratio						
13	Total Leverage Ratio exposure measure	646,452	631,550	621,115	610,957	601,427
14	Leverage Ratio (%) (row 2 / row 13)	7.0	6.9	7.3	7.1	7.1
Liquidity Coverage Ratio (3)						
15	Total High Quality Liquid Assets	91,967	92,057	89,712	85,944	80,409
16	Total net cash outflow	70,347	67,163	65,973	62,212	61,036
17	Liquidity Coverage Ratio (%)	131	137	137	138	132
Net Stable Funding Ratio						
18	Total available stable funding	341,972	335,717	334,116	330,573	326,415
19	Total required stable funding	311,954	308,767	301,839	304,180	298,980
20	Net Stable Funding Ratio (%)	110	109	111	109	109

(1) As explained in Part B on page B-1

(2) Even though the Group is not a G-SIB, it is required under MAS Notice 637 to disclose the 12 G-SIB indicators. Please refer to https://www.dbs.com/investors/financials/quarterly-financials for the Group's G-SIB indicator disclosure.

(3) Calculated based on average for the quarter.

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

4 CAPITAL ADEQUACY

4.1 Capital Resources and Capital Adequacy Ratios

$m	30 Sep 2019	30 Jun 2019
Share capital	11,205	11,205
Disclosed reserves and others	36,946	35,681
Total regulatory adjustments to Common Equity Tier 1 capital	(5,739)	(5,714)
Common Equity Tier 1 capital	42,412	41,172
Additional Tier 1 capital instruments	2,599	2,601
Tier 1 capital	45,011	43,773
Total allowances eligible as Tier 2 capital	1,663	1,661
Tier 2 capital instruments	3,605	3,603
Total capital	50,279	49,037
Risk-Weighted Assets (RWA)		
Credit RWA	253,931	249,693
Market RWA	29,960	30,895
Operational RWA	22,357	21,857
Total RWA	306,248	302,445
Capital Adequacy Ratio (CAR) (%)		
Common Equity Tier 1	13.8	13.6
Tier 1	14.7	14.5
Total	16.4	16.2
Minimum CAR including Buffer Requirements (%)[1]		
Common Equity Tier 1	9.4	9.4
Effective Tier 1	10.9	10.9
Effective Total	12.9	12.9
Of which: Buffer Requirements (%)		
Capital Conservation Buffer	2.5	2.5
Countercyclical Buffer	0.4	0.4

Notes:

1 Includes minimum Common Equity Tier 1, Tier 1 and Total CAR of 6.5%, 8.0% and 10.0% respectively.

Compared to the previous quarter, capital adequacy ratios improved with net profit accretion outpacing the impact of dividend payment and risk-weighted assets growth. Credit risk-weighted assets increased mainly due to foreign currency translation and exposure growth.

5 LEVERAGE RATIO

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

Leverage Ratio Common Disclosure Template

		Amount[1] ($m)	
	Item	**30 Sep 2019**	**30 Jun 2019**
	Exposure measures of on-balance sheet items		
1	On-balance sheet items (excluding derivative transactions and SFTs, but including on-balance sheet collateral for derivative transactions or SFTs)	545,331	530,364
2	Asset amounts deducted in determining Tier 1 capital	(5,763)	(5,749)
3	**Total exposure measures of on-balance sheet items** (excluding derivative transactions and SFTs)	**539,568**	**524,615**
	Derivative exposure measures		
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	9,581	7,570
5	Potential future exposure associated with all derivative transactions	18,038	16,914
6	Gross-up for derivative collaterals provided where deducted from the balance sheet assets in accordance with the Accounting Standards	-	-
7	Deductions of receivables for the cash portion of variation margins provided in derivative transactions	-	-
8	CCP leg of trade exposures excluded	-	-
9	Adjusted effective notional amount of written credit derivatives	3,864	3,402
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	**Total derivative exposure measures**	**31,483**	**27,886**
	SFT exposure measures		
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	13,318	19,433
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	136	120
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	**Total SFT exposure measures**	**13,454**	**19,553**
	Exposure measures of off-balance sheet items		
17	Off-balance sheet items at notional amount	323,612	313,020
18	Adjustments for calculation of exposure measures of off-balance sheet items	(261,665)	(253,524)
19	**Total exposure measures of off-balance sheet items**	**61,947**	**59,496**
	Capital and Total exposures		
20	Tier 1 capital	45,011	43,773
21	Total exposures	646,452	631,550
	Leverage Ratio		
22	**Leverage Ratio**	**7.0%**	**6.9%**

[1] Leverage ratio is computed using quarter-end balances.

The Group’s leverage ratio as at 30 September 2019 increased by 0.1 percentage point to 7.0% as compared to the previous quarter due to an increase in Tier 1 Capital, partially offset by an increase in total exposures. The ratio is well above the 3% minimum requirement.

Leverage Ratio Summary Comparison Table

	Item	30 Sep 2019 Amount[1] ($m)
1	Total consolidated assets as per published financial statements	580,714
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet in accordance with the Accounting Standards but excluded from the calculation of the exposure measure	-
4	Adjustment for derivative transactions	9,385
5	Adjustment for SFTs	136
6	Adjustment for off-balance sheet items	61,947
7	Other adjustments	(5,730)
8	**Exposure measure**	**646,452**

[1] Leverage ratio is computed using quarter-end balances.

6 OVERVIEW OF RISK-WEIGHTED ASSETS

The following table sets out the Group's RWA and capital requirements.

		a	b	c
		RWA		Minimum capital requirements[1]
$m		30 Sep 2019	30 Jun 2019	30 Sep 2019
1	**Credit risk (excluding CCR)**	234,821	231,472	23,481
2	*of which: Standardised Approach*	*43,285*	*41,956*	*4,328*
3	*of which: F-IRBA*	*141,613*	*139,455*	*14,161*
4	*of which: supervisory slotting approach*	*39,390*	*39,301*	*3,939*
5	*of which: A-IRBA*	*10,533*	*10,760*	*1,053*
6	**CCR**	10,258	9,875	1,026
7	*of which: Current Exposure Method*	*8,234*	*7,951*	*823*
8	*of which: CCR Internal Models Method*	-	-	-
9	*of which: other CCR*	*1,117*	*1,233*	*112*
9a	*of which: CCP*	*907*	*691*	*91*
10	CVA	6,930	6,411	693
11	Equity exposures under the simple risk weight method	-	-	-
11a	Equity exposures under the IMM	-	-	-
12	Equity investments in funds – look-through approach	100	112	10
13	Equity investments in funds – mandate-based approach	20	22	2
14	Equity investments in funds – fall-back approach	#	#	#
14a	Equity investment in funds – partial use of an approach	-	-	-
15	**Unsettled transactions**	60	92	6
16	**Securitisation exposures in banking book**	956	948	96
17	*of which: SEC-IRBA*	-	-	-
18	*of which: SEC-ERBA, including IAA*	*956*	*855*	*96*
19	*of which: SEC-SA*	-	-	-
20	**Market risk**	29,960	30,895	2,996
21	*of which: SA(MR)*	*29,960*	*30,895*	*2,996*
22	*of which: IMA*	-	-	-
23	**Operational risk**	22,357	21,857	2,236
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	786	761	79
25	**Floor adjustment**	-	-	-
26	**Total**	306,248	302,445	30,625

Numbers below 0.5.

[1] Minimum capital requirements in this column correspond to 10% of the RWA in column "(a)" which is 2.0 percentage points higher than the Basel Committee’s requirement.

Total risk-weighted assets increased in the third quarter of 2019 driven by the increase in credit risk-weighted assets arising mainly from foreign currency translation and exposure growth.

7 CREDIT RISK

7.1 IRBA - RWA Flow Statement for Credit Risk Exposures

The following table explains the change in the Group's credit RWA under IRBA for the quarter.

$'m		30 Sep 2019 a RWA amounts
1	**RWA as at end of previous quarter**	**189,516**
2	Asset size	2,002
3	Asset quality [(1)]	(1,719)
4	Model updates	-
5	Methodology and Policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	1,737
8	Other	-
9	**RWA as at end of quarter**	**191,536**

[(1)] This represents movement in RWA resulting from factors (other than exposure movements) such as changes in portfolio mix, tenor, credit risk mitigation, etc.

The increase in credit risk-weighted assets was mainly driven by foreign currency translation and exposure growth partially offset by better asset quality.

8 COUNTERPARTY CREDIT RISK ("CCR")

8.1 RWA Flow Statements under the CCR Internal Models Method

This disclosure is not applicable as the Group does not adopted the CCR Internal Models method.

9 MARKET RISK

9.1 RWA Flow Statements of Market Risk Exposures under IMA

This disclosure is not applicable as the Group has not adopted IMA to measure its regulatory capital requirements for market risk.

PART B: LIQUIDITY COVERAGE RATIO ("LCR") DISCLOSURES (FOR DBS BANK GROUP)

The following disclosures for the DBS Bank Group[1] are made pursuant to the Monetary Authority of Singapore ("MAS") Notice to Banks No. 651 "Liquidity Coverage Ratio ("LCR") Disclosure" ("MAS Notice 651").

DBS Bank Group ("DBS") is subject to the Basel III Liquidity Coverage Ratio ("LCR") standards pursuant to MAS Notice 649. As at 1 January 2019, DBS is required to maintain daily all-currency and Singapore dollar ("SGD") LCR above 100%.

The 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. MAS Notice 649 stipulates the range of liquid assets that qualify as HQLA, as well as the applicable haircuts for each category. Net cash outflows are computed using the standardized 30-day cash flow rates defined in the same notice. The amounts after the application of haircuts or 30-day cash flow rates are reflected in the "weighted amount" column of the tables in this part.

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

(i) Establishing internal early warning triggers and thresholds based on observed movements in LCR over time;

(ii) Monitoring and managing the LCR closely to ensure it stays within established boundaries; and

(iii) Strategically managing the liquidity risk arising from the balance sheet structure.

[1] Pursuant to Sections 36 and 38 of the Banking Act, and as outlined in MAS Notice 649, DBS Bank complies with the LCR requirements on a consolidated ("DBS Bank Group") level, which includes the assets and liabilities of its banking subsidiaries.

1.1 Average All-Currency LCR for the Quarter ended 30 September 2019

(Number of data points: 92)

$m		30 Sep 2019 UNWEIGHTED[1]	30 Sep 2019 WEIGHTED VALUE
HIGH-QUALITY LIQUID ASSETS			
1	**Total high-quality liquid assets (HQLA)**		**91,967**
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customers, of which**	**204,698**	**16,542**
3	Stable deposits	77,759	3,848
4	Less stable deposits	126,939	12,694
5	**Unsecured wholesale funding, of which**	**151,279**	**85,420**
6	Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	24,288	5,777
7	Non-operational deposits (all counterparties)	119,455	72,107
8	Unsecured debt	7,536	7,536
9	**Secured wholesale funding**		**483**
10	**Additional requirements, of which**	**59,616**	**11,987**
11	Outflows related to derivatives exposures and other collateral requirements	11,557	6,358
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	48,059	5,629
14	**Other contractual funding obligations**	**2,009**	**1,999**
15	**Other contingent funding obligations**	**25,454**	**764**
16	**TOTAL CASH OUTFLOWS**		**117,195**
CASH INFLOWS			
17	**Secured lending (e.g. reverse repos)**	**9,640**	**456**
18	**Inflows from fully performing exposures**	**74,843**	**42,223**
19	**Other cash inflows**	**7,580**	**4,169**
20	**TOTAL CASH INFLOWS**	**92,063**	**46,848**
		TOTAL ADJUSTED VALUE	
21	**TOTAL HQLA**		**91,967**
22	**TOTAL NET CASH OUTFLOWS**		**70,347**
23	**LIQUIDITY COVERAGE RATIO (%)[2]**		**131%**

[1] The unweighted amounts refer to cash flows due or callable within 30 days, with the exception of items in rows 13 and 15 which reflect the full notional balances.

[2] The LCR is computed as an average of observations of LCR during the quarter. This may not be equal to an LCR computed with the average values of HQLA and net cash outflows disclosed in the table.

1.2 Average SGD LCR for the Quarter ended 30 September 2019
(Number of data points: 92)

$m		30 Sep 2019 UNWEIGHTED[(1)]	30 Sep 2019 WEIGHTED VALUE
HIGH-QUALITY LIQUID ASSETS			
1	**Total high-quality liquid assets (HQLA)[(2)]**		**34,231**
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customers, of which**	**132,779**	**10,198**
3	Stable deposits	61,600	3,080
4	Less stable deposits	71,179	7,118
5	**Unsecured wholesale funding, of which**	**25,687**	**10,649**
6	Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	10,299	2,432
7	Non-operational deposits (all counterparties)	15,220	8,049
8	Unsecured debt	168	168
9	**Secured wholesale funding**		**-**
10	**Additional requirements, of which**	**23,837**	**11,060**
11	Outflows related to derivatives exposures and other collateral requirements	10,381	9,987
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	13,456	1,073
14	**Other contractual funding obligations**	**366**	**366**
15	**Other contingent funding obligations**	**3,476**	**104**
16	**TOTAL CASH OUTFLOWS**		**32,377**
CASH INFLOWS			
17	**Secured lending (e.g. reverse repos)**	**621**	**1**
18	**Inflows from fully performing exposures**	**12,952**	**7,630**
19	**Other cash inflows**	**12,119**	**11,973**
20	**TOTAL CASH INFLOWS**	**25,692**	**19,604**
		TOTAL ADJUSTED VALUE	
21	**TOTAL HQLA[(2)]**		**34,230**
22	**TOTAL NET CASH OUTFLOWS[(3)]**		**12,793**
23	**LIQUIDITY COVERAGE RATIO (%)[(4)]**		**281%**

[(1)] The unweighted amounts refer to cash flows due or callable within 30 days, with the exception of items in rows 13 and 15 which reflect the full notional balances.

[(2)] HQLA in row 1 and row 21 may not be equal as row 1 is before the application of caps on Level 2 liquid assets.

[(3)] Total net cash outflows does not equal to the total cash outflows minus total cash inflows as the cap on inflows is binding. Cash inflows may be netted against cash outflows up to an aggregate cap of 75% of total cash outflows.

[(4)] The LCR is computed as an average of observations of LCR during the quarter. This may not be equal to an LCR computed with the average values of HQLA and net cash outflows disclosed in the table.

1.3 Liquidity Coverage Ratio

In the third quarter of 2019, the average all-currency and SGD LCRs were 131% and 281% respectively. This was a reduction from last quarter's corresponding ratios of 137% and 372%:

(i) All-currency LCR reduced due to an increase in outflows from issued short term debt maturing within 30 days
(ii) SGD LCR reduced mainly due to an increase in net derivatives cash outflows within 30 days

The LCR remains above the regulatory minimum requirements of 100% for both all-currency and SGD. DBS maintains a healthy liquidity position by keeping a stable balance sheet structure that is supported by a diversified funding base.

DBS' LCR is sensitive to (i) balance sheet movements resulting from commercial loan/deposit activities and wholesale inter-bank lending/ borrowing; and (ii) movements due to positions falling into or out of the LCR 30-day tenor, such as loan rollovers. LCR is also sensitive to movements in HQLA, driven primarily by changes in balances with central banks and collaterals from secured lending and borrowing transactions.

a) Composition of High Quality Liquid Assets ("HQLA")

DBS holds a pool of unencumbered HQLA that are 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, which comprises cash, balances with central banks and highly rated bonds issued by governments or supranational entities. These may be included, without haircuts or limitations in quantum, in the total pool of HQLA.

DBS' HQLA include Singapore government securities and local government/central bank securities held at overseas branches and subsidiaries. This is supplemented by bonds issued by highly rated corporate issuers (including public sector entities), as well as covered bonds issued by reputable financial institutions.

b) Concentration of Funding Sources

DBS strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. DBS' funding strategy is anchored on strengthening the core deposit franchise as the foundation of its long-term funding advantage. Please refer to the risk management disclosures in the latest available annual report for more information on DBS' funding strategy.

c) Derivative Exposures and Potential Collateral Calls

DBS actively manages its over-the-counter ("OTC") and exchange-traded financial derivative exposures arising from market making, trading activities, and its commercial business (including structuring and packaging products for investors and clients). Derivative exposures are mainly from, but not limited to, interest rate swaps and futures, foreign exchange forwards and swaps, and currency swaps. These derivative positions are marked-to-market daily, affecting the collateral amounts posted to and received from interbank counterparties and/or exchanges. Cash flows resulting from potential changes in collateral amounts posted/received are incorporated into LCR net cash outflows.

1.3 Liquidity Coverage Ratio (continued)

d) Currency Mismatch

As part of its funding strategy, DBS makes use of the swap markets to support its funding needs across currencies. DBS' stable funding base of customer deposits is predominantly denominated in the local currency of its key operating locations. Matching its deposit currency mix, the main portion of DBS' liquid assets is denominated in SGD and the local currencies of key operating locations.

e) Centralization of Liquidity Management

In managing funding needs across locations, overseas branches and subsidiaries are encouraged but not required to centralise the majority of their borrowing and deployment of funds with Head Office, taking into account the relevant regulatory restrictions while maintaining a commensurate level of presence and participation in the local funding markets.

By managing the liquid assets as a pool, DBS expects to be able to monetize liquid assets to meet liquidity shortfalls under times of stress.

Please refer to the latest available annual report for more information on DBS' liquidity risk management.

PART C: ABBREVIATIONS

Abbreviations	Brief Description
A-IRBA	Advanced Internal Ratings-Based Approach
CAR	Capital Adequacy Ratio
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CET1	Common Equity Tier 1
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Banks
F-IRBA	Foundation Internal Ratings-Based Approach
G-SIB	Global Systemically Important Banks
HQLA	High Quality Liquid Assets
IAA	Internal Assessment Approach
IMA	Internal Models Approach
IMM	Internal Models Method
IRBA	Internal Ratings-Based Approach
LCR	Liquidity Coverage Ratio
MAS	Monetary Authority of Singapore
OTC	Over-the-counter
RWA	Risk-Weighted Assets
SA(MR)	Standardised Approach for Market Risk
SEC-ERBA	Securitisation External Ratings-Based Approach
SEC-IRBA	Securitisation Internal Ratings-Based Approach
SEC-SA	Securitisation Standardised Approach
SFT	Securities or Commodities Financing Transaction
SGD	Singapore Dollar