

星展銀行（香港）有限公司  
**DBS BANK (HONG KONG) LIMITED**

(Incorporated in Hong Kong with limited liability)

**REGULATORY DISCLOSURE STATEMENTS**  
**For the quarter ended 31 March 2019**

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

## REGULATORY DISCLOSURES

### 1 INTRODUCTION

The information contained in this document is for DBS Bank (Hong Kong) Limited (“the Bank”) and is prepared in accordance with the Banking (Disclosure) Rules and disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”).

#### Basis of preparation

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

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

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

### 2 KEY PRUDENTIAL RATIOS

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

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

In HK\$ millions		As at 31 March 2019	As at 31 December 2018	As at 30 September 2018	As at 30 June 2018	As at 31 March 2018
	<b>Regulatory Capital (amount)</b>					
1	Common Equity Tier 1 (CET1)	36,870	35,414	35,914	36,914	35,689
2	Tier 1	38,270	36,814	37,314	38,314	37,089
3	Total Capital	42,800	41,348	41,857	42,868	41,634
	<b>RWA (amount)</b>					
4	Total RWA	229,711	233,890	232,706	227,512	220,447
	<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>					
5	CET1 ratio (%)	16.1	15.1	15.4	16.2	16.2
6	Tier 1 ratio (%)	16.7	15.7	16.0	16.8	16.8
7	Total Capital ratio (%)	18.6	17.7	18.0	18.8	18.9
	<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>					
8	Capital conservation buffer requirement (%)	2.500	1.875	1.875	1.875	1.875
9	Countercyclical capital buffer requirement (%)	2.205	1.647	1.636	1.663	1.698
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.0	0.0	0.0	0.0	0.0
11	Total AI-specific CET1 buffer requirements (%)	4.705	3.522	3.511	3.538	3.573
12	CET1 available after meeting the AI’s minimum capital requirements (%)	10.6	9.7	10.0	10.8	10.8
	<b>Basel III Leverage ratio</b>					
13	Total Leverage ratio (LR) exposure measure	465,040	467,500	457,327	452,385	436,827
14	LR (%)	8.2	7.9	8.2	8.5	8.5

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## REGULATORY DISCLOSURES

### 2 KEY PRUDENTIAL RATIOS (continued)

In HK\$ millions		As at 31 March 2019	As at 31 December 2018	As at 30 September 2018	As at 30 June 2018	As at 31 March 2018
	<b>Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)</b>					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	34,697	36,290	34,893	29,984	30,442
16	Total net cash outflows	22,684	23,425	24,501	22,308	22,928
17	LCR (%)	153.3	155.0	142.3	134.6	132.8
	Applicable to category 2 institution only:					
17a	LMR (%)	NA	NA	NA	NA	NA
	<b>Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)</b>					
	Applicable to category 1 institution only:					
18	Total available stable funding	300,654	297,606	294,054	284,039	276,179
19	Total required stable funding	252,410	250,568	244,932	235,112	207,568
20	NSFR (%)	119.1	118.8	120.1	120.8	133.1
	Applicable to category 2A institution only:					
20a	CFR (%)	NA	NA	NA	NA	NA

### 3 OVERVIEW OF RISK-WEIGHTED ASSETS

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

In HK\$ millions		RWA		Minimum capital requirements <sup>1/</sup>
		As at 31 March 2019	As at 31 December 2018	As at 31 March 2019
1	Credit risk for non-securitization exposures	198,781	203,473	16,740
2	<i>Of which STC approach</i>	24,381	25,606	1,951
2a	<i>Of which BSC approach</i>	–	–	–
3	<i>Of which foundation IRB approach</i>	167,029	169,810	14,164
4	<i>Of which supervisory slotting criteria approach</i>	7,371	8,057	625
5	<i>Of which advanced IRB approach</i>	–	–	–
6	Counterparty default risk and default fund contributions	925	840	77
7	<i>Of which SA-CCR</i>	NA	NA	NA
7a	<i>Of which CEM</i>	925	839	77
8	<i>Of which IMM(CCR) approach</i>	–	–	–
9	<i>Of which others</i>	–	1	–
10	CVA Risk	665	585	53

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### 3 OVERVIEW OF RISK-WEIGHTED ASSETS (continued)

In HK\$ millions		RWA		Minimum capital requirements <sup>1/</sup>
		As at 31 March 2019	As at 31 December 2018	As at 31 March 2019
11	Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12	Collective investment scheme ("CIS") exposures – LTA	NA	NA	NA
13	CIS exposures – MBA	NA	NA	NA
14	CIS exposures – FBA	NA	NA	NA
14a	CIS exposures – combination of approaches	NA	NA	NA
15	Settlement Risk	–	–	–
16	Securitization exposures in banking book	–	–	–
17	<i>Of which SEC – IRBA</i>	–	–	–
18	<i>Of which SEC – ERBA</i>	–	–	–
19	<i>Of which SEC – SA</i>	–	–	–
19a	<i>Of which SEC – FBA</i>	–	–	–
20	Market risk	1,256	1,320	100
21	<i>Of which STM approach</i>	1,256	1,320	100
22	<i>Of which IMM approach</i>	–	–	–
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	NA	NA	NA
24	Operational risk	17,474	16,859	1,398
25	Amounts below the thresholds for deduction (subject to 250% RW)	113	113	9
26	Capital floor adjustment	–	–	–
26a	Deduction to RWA			
26b	<i>Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital</i>	–	–	–
26c	<i>Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital</i>	–	–	–
27	Total	219,214	223,190	18,377

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

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## REGULATORY DISCLOSURES

### 4 RWA FLOW STATEMENT OF CREDIT RISK EXPOSURES UNDER IRB APPROACH

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

In HK\$ millions	RWA
<b>As at 31 December 2018</b>	177,867
Asset size <sup>1/</sup>	(3,714)
Asset quality	14
Model updates	—
Methodology and policy	—
Acquisitions and disposals	—
Foreign exchange movements	233
Others	—
<b>As at 31 March 2019</b>	174,400

<sup>1/</sup> It includes an increase of HK\$2.8 billion credit RWA as a result of the adoption of HKFRS 16 Leases from 1 January 2019.

### 5 LEVERAGE RATIO

In HK\$ millions		As at 31 March 2019	As at 31 December 2018
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	445,642	445,511
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,031)	(941)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	<b>444,611</b>	<b>444,570</b>
<b>Exposures arising from derivative contracts</b>			
4	Replacement cost associated with all derivative contracts (whether applicable net of eligible cash variation margin and/or with bilateral netting)	182	171
5	Add-on amounts for PFE associated with all derivative contracts	1,939	1,784
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	—	—
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	—	—
8	Less: Exempted CCP leg of client-cleared trade exposures	—	—
9	Adjusted effective notional amount of written credit derivative contracts	—	—
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	—	—
11	<b>Total exposures arising from derivative contracts</b>	<b>2,121</b>	<b>1,955</b>

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## REGULATORY DISCLOSURES

### 5 LEVERAGE RATIO (continued)

In HK\$ millions		As at 31 March 2019	As at 31 December 2018
<b>Exposures arising from SFTs</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	–	–
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	–	–
15	Agent transaction exposures	–	–
16	<b>Total exposures arising from SFTs</b>	<b>–</b>	<b>–</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	174,311	174,821
18	Less: Adjustments for conversion to credit equivalent amounts	(153,400)	(151,315)
19	<b>Off-balance sheet items</b>	<b>20,911</b>	<b>23,506</b>
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	<b>38,270</b>	<b>36,814</b>
20a	Total exposures before adjustments for specific and collective provisions	467,643	470,031
20b	Adjustments for specific and collective provisions	(2,603)	(2,531)
21	<b>Total exposures after adjustments for specific and collective provisions</b>	<b>465,040</b>	<b>467,500</b>
<b>Leverage ratio</b>			
22	<b>Leverage ratio (%)</b>	<b>8.2</b>	<b>7.9</b>

### 6 LIQUIDITY COVERAGE RATIO

The Bank complies with the minimum requirement of Liquidity Coverage Ratio (“LCR”) on a daily basis, in accordance with the Banking (Liquidity) Rules issued by the HKMA. From 2019 onwards, the Bank is required to maintain an LCR of not less than 100%.

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

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

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

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## REGULATORY DISCLOSURES

### 6 LIQUIDITY COVERAGE RATIO (continued)

Table: Average LCR for the quarter ended 31 March 2019

Number of data points used in calculating the average value of the LCR and related components set out in this template for the quarter ending on 31 Mar 2019: (74)		In HK\$ millions	
Basis of disclosure: unconsolidated		Unweighted value (average)	Weighted value (average)
<b>A. HQLA</b>			
1	Total HQLA		34,697
<b>B. Cash Outflows</b>			
2	Retail deposits and small business funding, of which:	206,050	16,152
3	<i>Stable retail deposits and stable small business funding</i>	12,909	387
4	<i>Less stable retail deposits and less stable small business funding</i>	122,174	12,217
4a	<i>Retail term deposits and small business term funding</i>	70,967	3,548
5	Unsecured wholesale funding (other than small business funding), debt securities and prescribed instruments issued by the AI, of which:	135,694	69,272
6	<i>Operational deposits</i>	13,421	2,834
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	121,436	65,601
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	837	837
9	Secured funding transactions (including securities swap transactions)		–
10	Additional requirements, of which:	13,591	2,413
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	1,186	1,186
12	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	–	–
13	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	12,405	1,227
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,219	2,219
15	Other contingent funding obligations (whether contractual or non-contractual)	150,576	453
16	<b>Total Cash Outflows</b>		90,509
<b>C. Cash Inflows</b>			
17	Secured lending transactions (including securities swap transactions)	–	–
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	120,384	73,047
19	Other cash inflows	2,847	2,546
20	<b>Total Cash Inflows</b>	123,231	75,593
<b>D. Liquidity Coverage Ratio</b>		<b>Adjusted value</b>	
21	<b>Total HQLA</b>		34,697
22	<b>Total Net Cash Outflows</b>		22,684
23	<b>LCR (%)</b>		153.3



## **DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES**

### **REGULATORY DISCLOSURES**

#### **6 LIQUIDITY COVERAGE RATIO (continued)**

The Bank has maintained a healthy liquidity position in the first quarter of 2019, with LCR being well above regulatory requirement. Quarter-on-quarter, less HQLA were warehoused which had led to the decrease of average LCR.

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

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

##### **(ii) Concentration of funding sources**

The Bank strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. Customer deposits form a sound funding base and serve as the main source of funding for the Bank. It is complemented by a well-diversified book of wholesale funding, including but not limited to interbank money market borrowing and the issuance of certificates of deposit.

##### **(iii) Derivatives exposures**

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

##### **(iv) Currency mismatch**

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

##### **(v) Centralisation of liquidity management**

The Bank seeks to manage its liquidity in a prudent manner to ensure that its liquidity obligations would always be honored under normal and adverse circumstances. The Bank centrally manages its liquidity position and provides funding support to its overseas branch for the lending growth.

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## REGULATORY DISCLOSURES

### 7 ABBREVIATIONS

Abbreviations	Brief Description
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CFR	Core Funding Ratio
CIS	Collective Investment Scheme
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Authorized Institution
FBA	Fall-Back Approach
G-SIB	Global Systemically Important Authorized Institution
IMM	Internal Models
IMM (CCR)	Internal Models (Counterparty Credit Risk)
IRB	Internal Ratings-Based
LCR	Liquidity Coverage Ratio
LMR	Liquidity Maintenance Ratio
LR	Leverage Ratio
LTA	Look Through Approach
MBA	Mandate-based Approach
NSFR	Net Stable Funding Ratio
OTC	Over-the-Counter
RWA	Risk Weighted Assets
SA-CCR	Standardized Approach (Counterparty Credit Risk)
SEC-IRBA	Securitization Internal Ratings-Based Approach
SEC-ERBA	Securitization External Ratings-Based Approach
SEC-SA	Securitization Standardized Approach
SEC-FBA	Securitization Fall-back Approach
SFT	Securities Financing Transaction
STC	Standardized (Credit Risk)
STM	Standardized (Market Risk)