



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 30 September 2018

DBS BANK (HONG KONG) LIMITED

REGULATORY DISCLOSURES

CONTENTS

	Pages
1 INTRODUCTION	1
2 KEY PRUDENTIAL RATIOS	1
3 OVERVIEW OF RISK-WEIGHTED ASSETS	2
4 RWA FLOW STATEMENT OF CREDIT RISK EXPOSURES UNDER IRB APPROACH	4
5 LEVERAGE RATIO	5
6 LIQUIDITY COVERAGE RATIO	6

DBS BANK (HONG KONG) LIMITED

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.

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 30 September 2018	As at 30 June 2018	As at 31 March 2018	As at 31 December 2017	As at 30 September 2017
	Regulatory Capital (amount)					
1	Common Equity Tier 1 (CET1)	35,914	36,914	35,689	35,479	34,637
2	Tier 1	37,314	38,314	37,089	36,817	35,965
3	Total Capital	41,857	42,868	41,634	41,312	40,457
	RWA (amount)					
4	Total RWA	232,706	227,512	220,447	219,935	218,202
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	15.4	16.2	16.2	16.1	15.9
6	Tier 1 ratio (%)	16.0	16.8	16.8	16.7	16.5
7	Total Capital ratio (%)	18.0	18.8	18.9	18.8	18.5
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	1.875	1.875	1.875	1.250	1.250
9	Countercyclical capital buffer requirement (%)	1.636	1.663	1.698	1.144	1.136
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.0	0.0	0.0	0.0	0.0
11	Total AI-specific CET1 buffer requirements (%)	3.511	3.538	3.573	2.394	2.386
12	CET1 available after meeting the AI’s minimum capital requirements (%)	10.0	10.8	10.8	10.7	10.5
	Basel III Leverage ratio					
13	Total Leverage ratio (LR) exposure measure	457,327	452,385	436,827	412,783	417,413
14	LR (%)	8.2	8.5	8.5	8.9	8.6

DBS BANK (HONG KONG) LIMITED

REGULATORY DISCLOSURES

2 KEY PRUDENTIAL RATIOS (continued)

In HK\$ millions		As at 30 September 2018	As at 30 June 2018	As at 31 March 2018	As at 31 December 2017	As at 30 September 2017
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	34,893	29,984	30,442	28,693	28,650
16	Total net cash outflows	24,501	22,308	22,928	22,630	21,047
17	LCR (%)	142.3	134.6	132.8	126.8	136.4
	Applicable to category 2 institution only:					
17a	LMR (%)	NA	NA	NA	NA	NA
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	294,054	284,039	276,179	NA	NA
19	Total required stable funding	244,932	235,112	207,568	NA	NA
20	NSFR (%)	120.1	120.8	133.1	NA	NA
	Applicable to category 2A institution only:					
20a	CFR (%)	NA	NA	NA	NA	NA

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

3 OVERVIEW OF RISK-WEIGHTED ASSETS

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

In HK\$ millions		RWA		Minimum capital requirements ^{1/}
		As at 30 September 2018	As at 30 June 2018	As at 30 September 2018
1	Credit risk for non-securitization exposures	202,971	199,715	17,090
2	<i>Of which STC approach</i>	25,245	25,808	2,019
2a	<i>Of which BSC approach</i>	–	–	–
3	<i>Of which foundation IRB approach</i>	169,626	166,153	14,384
4	<i>Of which supervisory slotting criteria approach</i>	8,100	7,754	687
5	<i>Of which advanced IRB approach</i>	–	–	–

DBS BANK (HONG KONG) LIMITED

REGULATORY DISCLOSURES

3 OVERVIEW OF RISK-WEIGHTED ASSETS (continued)

In HK\$ millions		RWA		Minimum capital requirements ^{1/}
		As at 30 September 2018	As at 30 June 2018	As at 30 September 2018
6	Counterparty default risk and default fund contributions	847	508	70
7	<i>Of which SA-CCR</i>	NA	NA	NA
7a	<i>Of which CEM</i>	846	508	70
8	<i>Of which IMM(CCR) approach</i>	–	–	–
9	<i>Of which others</i>	1	–	–
10	CVA Risk	597	224	48
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	1,260	835	101
21	<i>Of which STM approach</i>	1,260	835	101
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	16,237	15,677	1,299
25	Amounts below the thresholds for deduction (subject to 250% RW)	114	114	9
26	Capital floor adjustment	–	–	–

DBS BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES

3 OVERVIEW OF RISK-WEIGHTED ASSETS (continued)

In HK\$ millions		RWA		Minimum capital requirements ^{1/}
		As at 30 September 2018	As at 30 June 2018	As at 30 September 2018
26a	Deduction to RWA	13	13	1
26b	<i>Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital</i>	–	–	–
26c	<i>Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital</i>	13	13	1
27	Total	222,013	217,060	18,616

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

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

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
As at 30 June 2018	173,907
Asset size	4,628
Asset quality	(417)
Model updates	–
Methodology and policy	–
Acquisitions and disposals	–
Foreign exchange movements	(392)
Others	–
As at 30 September 2018	177,726

The increase in credit RWA was in line with asset growth.

DBS BANK (HONG KONG) LIMITED

REGULATORY DISCLOSURES

5 LEVERAGE RATIO

In HK\$ millions		As at 30 September 2018	As at 30 June 2018
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	437,735	434,309
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,109)	(1,173)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	436,626	433,136
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (whether applicable net of eligible cash variation margin and/or with bilateral netting)	224	223
5	Add-on amounts for PFE associated with all derivative contracts	1,614	929
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit derivative contracts	–	–
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	–	–
11	Total exposures arising from derivative contracts	1,838	1,152
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	–	–
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	–	–
15	Agent transaction exposures	–	–
16	Total exposures arising from SFTs	–	–
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	171,977	169,588
18	Less: Adjustments for conversion to credit equivalent amounts	(150,745)	(149,174)
19	Off-balance sheet items	21,232	20,414
Capital and total exposures			
20	Tier 1 capital	37,314	38,314
20a	Total exposures before adjustments for specific and collective provisions	459,696	454,702
20b	Adjustments for specific and collective provisions	(2,369)	(2,317)
21	Total exposures after adjustments for specific and collective provisions	457,327	452,385
Leverage ratio			
22	Leverage ratio (%)	8.2	8.5

DBS BANK (HONG KONG) LIMITED

REGULATORY DISCLOSURES

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

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

Table: Average LCR for the quarter ended 30 September 2018

Number of data points used in calculating the average value of the LCR and related components set out in this template for the quarter ending on 30 Sep 2018: (77)		In HK\$ millions	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: unconsolidated			
A. HQLA			
1	Total HQLA		34,893
B. Cash Outflows			
2	Retail deposits and small business funding, of which:	200,647	15,708
3	<i>Stable retail deposits and stable small business funding</i>	13,451	404
4	<i>Less stable retail deposits and less stable small business funding</i>	118,879	11,888
4a	<i>Retail term deposits and small business term funding</i>	68,317	3,416
5	Unsecured wholesale funding (other than small business funding), debt securities and prescribed instruments issued by the AI, of which:	138,656	72,951
6	<i>Operational deposits</i>	14,002	2,998
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	123,671	68,970
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	983	983
9	Secured funding transactions (including securities swap transactions)		-
10	Additional requirements, of which:	14,824	4,011

DBS BANK (HONG KONG) LIMITED

REGULATORY DISCLOSURES

6 LIQUIDITY COVERAGE RATIO (Continued)

Number of data points used in calculating the average value of the LCR and related components set out in this template for the quarter ending on 30 Sep 2018: (77)		In HK\$ millions	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: unconsolidated			
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	2,810	2,810
12	Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions	–	–
13	Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)	12,014	1,201
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,625	1,625
15	Other contingent funding obligations (whether contractual or non-contractual)	146,767	440
16	Total Cash Outflows		94,735
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	–	–
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	120,756	73,362
19	Other cash inflows	2,418	2,193
20	Total Cash Inflows	123,174	75,555
D. Liquidity Coverage Ratio		Adjusted value	
21	Total HQLA		34,893
22	Total Net Cash Outflows		24,501
23	LCR (%)		142.3%

The Bank has maintained a healthy liquidity position in the third quarter of 2018, with LCR being well above regulatory requirement. Quarter-on-quarter, more liquid assets were warehoused with gathering of customer deposits, which had led to increase 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 balance with central banks. This is supplemented by covered bonds issued by reputable financial institutions.

(ii) Concentration of funding sources

The Bank strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. Customer deposits form a sound funding base and serve as the main source of funding for the Bank. It is complemented by a well-diversified book of wholesale funding, including but not limited to interbank money market borrowing and the issuance of certificates of deposit. For more information on the Bank’s funding strategy, please refer to Note 38 in the annual report for the year ended 31 December 2017.

DBS BANK (HONG KONG) LIMITED

REGULATORY DISCLOSURES

6 LIQUIDITY COVERAGE RATIO (continued)

(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.