

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 2019

DBS BANK (HONG KONG) LIMITED
REGULATORY DISCLOSURES

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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.

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 30 September 2019	As at 30 June 2019	As at 31 March 2019	As at 31 December 2018	As at 30 September 2018
	Regulatory Capital (amount)					
1	Common Equity Tier 1 (CET1)	37,267	38,338	36,870	35,414	35,914
2	Tier 1	38,667	39,738	38,270	36,814	37,314
3	Total Capital	43,193	44,245	42,800	41,348	41,857
	RWA (amount)					
4	Total RWA	229,643	232,278	229,711	233,890	232,706
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	16.2	16.5	16.1	15.1	15.4
6	Tier 1 ratio (%)	16.8	17.1	16.7	15.7	16.0
7	Total Capital ratio (%)	18.8	19.0	18.6	17.7	18.0
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500	2.500	2.500	1.875	1.875
9	Countercyclical capital buffer requirement (%)	2.216	2.215	2.205	1.647	1.636
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 (%)	4.716	4.715	4.705	3.522	3.511
12	CET1 available after meeting the AI’s minimum capital requirements (%)	10.8	11.0	10.6	9.7	10.0

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2 KEY PRUDENTIAL RATIOS (continued)

In HK\$ millions		As at 30 September 2019	As at 30 June 2019	As at 31 March 2019	As at 31 December 2018	As at 30 September 2018
	Basel III Leverage ratio					
13	Total Leverage ratio (LR) exposure measure	478,772	477,309	465,040	467,500	457,327
14	LR (%)	8.1	8.3	8.2	7.9	8.2
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	40,260	36,032	34,697	36,290	34,893
16	Total net cash outflows	24,103	22,694	22,684	23,425	24,501
17	LCR (%)	167.3	158.8	153.3	155.0	142.3
	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	304,297	300,180	300,654	297,606	294,054
19	Total required stable funding	260,167	262,198	252,410	250,568	244,932
20	NSFR (%)	117.0	114.5	119.1	118.8	120.1
	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 ^{1/}
		As at 30 September 2019	As at 30 June 2019	As at 30 September 2019
1	Credit risk for non-securitization exposures	197,568	200,686	16,628
2	Of which STC approach	26,165	25,304	2,093
2a	Of which BSC approach	—	—	—
3	Of which foundation IRB approach	166,575	169,073	14,126
4	Of which supervisory slotting criteria approach	4,828	6,309	409
5	Of which advanced IRB approach	—	—	—
6	Counterparty default risk and default fund contributions	1,021	1,003	84
7	Of which SA-CCR	NA	NA	NA

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3 OVERVIEW OF RISK-WEIGHTED ASSETS (continued)

In HK\$ millions		RWA		Minimum capital requirements ^{1/}
		As at 30 September 2019	As at 30 June 2019	As at 30 September 2019
7a	<i>Of which CEM</i>	1,021	1,003	84
8	<i>Of which IMM(CCR) approach</i>	–	–	–
9	<i>Of which others</i>	–	–	–
10	CVA Risk	643	643	52
11	Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12	Collective investment scheme (“CIS”) exposures – LTA	NA	NA	NA
13	CIS exposures – MBA	NA	NA	NA
14	CIS exposures – FBA	NA	NA	NA
14a	CIS exposures – combination of approaches	NA	NA	NA
15	Settlement Risk	–	–	–
16	Securitization exposures in banking book	–	–	–
17	<i>Of which SEC – IRBA</i>	–	–	–
18	<i>Of which SEC – ERBA (including IAA)</i>	–	–	–
19	<i>Of which SEC – SA</i>	–	–	–
19a	<i>Of which SEC – FBA</i>	–	–	–
20	Market risk	1,244	1,137	99
21	<i>Of which STM approach</i>	1,244	1,137	99
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	18,741	18,140	1,499
24a	Sovereign concentration risk	–	NA	–
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>	–	–	–

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3 OVERVIEW OF RISK-WEIGHTED ASSETS (continued)

In HK\$ millions		RWA		Minimum capital requirements ^{1/}
		As at 30 September 2019	As at 30 June 2019	As at 30 September 2019
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	219,330	221,722	18,371

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

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 2019	175,382
Asset size	(1,526)
Asset quality	(2,465)
Model updates	–
Methodology and policy	–
Acquisitions and disposals	–
Foreign exchange movements	12
Others	–
As at 30 September 2019	171,403

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5 LEVERAGE RATIO

In HK\$ millions		As at 30 September 2019	As at 30 June 2019
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	458,355	455,472
2	Less: Asset amounts deducted in determining Tier 1 capital	(1,030)	(1,138)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	457,325	454,334
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)	313	264
5	Add-on amounts for PFE associated with all derivative contracts	1,937	2,001
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit derivative contracts	–	–
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	–	–
11	Total exposures arising from derivative contracts	2,250	2,265
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	180,313	184,460
18	Less: Adjustments for conversion to credit equivalent amounts	(158,407)	(161,121)
19	Off-balance sheet items	21,906	23,339
Capital and total exposures			
20	Tier 1 capital	38,667	39,738
20a	Total exposures before adjustments for specific and collective provisions	481,481	479,938
20b	Adjustments for specific and collective provisions	(2,709)	(2,629)
21	Total exposures after adjustments for specific and collective provisions	478,772	477,309
Leverage ratio			
22	Leverage ratio (%)	8.1	8.3

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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.

Table: Average LCR for the quarter ended 30 September 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 30 September 2019: (77)		In HK\$ millions	
Basis of disclosure: unconsolidated		Unweighted value (average)	Weighted value (average)
A. HQLA			
1	Total HQLA		40,260
B. Cash Outflows			
2	Retail deposits and small business funding, of which:	207,063	16,178
3	<i>Stable retail deposits and stable small business funding</i>	11,447	343
4	<i>Less stable retail deposits and less stable small business funding</i>	121,087	12,109
4a	<i>Retail term deposits and small business term funding</i>	74,529	3,726
5	Unsecured wholesale funding (other than small business funding), debt securities and prescribed instruments issued by the AI, of which:	139,716	72,769
6	<i>Operational deposits</i>	14,451	3,096
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	124,399	68,807
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	866	866
9	Secured funding transactions (including securities swap transactions)		–
10	Additional requirements, of which:	14,081	2,712

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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 September 2019: (77)		In HK\$ millions	
Basis of disclosure: unconsolidated		Unweighted value (average)	Weighted value (average)
11	Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements	1,449	1,449
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)	12,632	1,263
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,854	2,854
15	Other contingent funding obligations (whether contractual or non-contractual)	145,557	512
16	Total Cash Outflows		95,025
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	119,283	72,597
19	Other cash inflows	3,409	3,209
20	Total Cash Inflows	122,692	75,806
D. Liquidity Coverage Ratio		Adjusted value	
21	Total HQLA		40,260
22	Total Net Cash Outflows		24,103
23	LCR (%)		167.3

The Bank has maintained a healthy liquidity position in the third quarter of 2019, with LCR being well above regulatory requirement. Quarter-on-quarter, more HQLA were warehoused attributed to deposit growth, which had led to the 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 balances with central banks. This is supplemented by covered bonds issued by reputable financial institutions.

(ii) Concentration of funding sources

The Bank strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. Customer deposits form a sound funding base and serve as the main source of funding for the Bank. It is complemented by a well-diversified book of wholesale funding, including but not limited to interbank money market borrowing and the issuance of certificates of deposit. For more information on the Bank’s funding strategy, please refer to section 20.1.3 of annual regulatory disclosure for the year ended 31 December 2018.

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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.

DBS BANK (HONG KONG) LIMITED**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 Method
IMM (CCR)	Internal Models Method (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
NA	Not Applicable
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)