



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 2022

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 majority of its credit risk exposures and the Standardized approach for those exempted from the IRB approach. The Bank uses the respective Standardized approaches 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 2022	As at 30 June 2022	As at 31 March 2022	As at 31 December 2021	As at 30 September 2021
	Regulatory Capital (amount)					
1	Common Equity Tier 1 (CET1)	42,842	41,935	41,529	41,127	41,931
2	Tier 1	44,242	43,335	42,929	42,527	43,331
3	Total Capital	49,507	48,569	47,913	47,364	47,971
	RWA (amount)					
4	Total RWA	282,246	275,296	260,656	249,335	248,109
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	15.2	15.2	15.9	16.5	16.9
6	Tier 1 ratio (%)	15.7	15.7	16.5	17.1	17.5
7	Total Capital ratio (%)	17.5	17.6	18.4	19.0	19.3
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.5	2.5	2.5	2.5	2.5
9	Countercyclical capital buffer requirement (%)	0.714	0.721	0.728	0.749	0.758
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 (%)	3.214	3.221	3.228	3.249	3.258
12	CET1 available after meeting the AI’s minimum capital requirements (%)	9.5	9.6	10.4	11.0	11.3
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	516,070	523,184	510,332	480,340	476,829
14	LR (%)	8.6	8.3	8.4	8.9	9.1

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2 KEY PRUDENTIAL RATIOS (continued)

In HK\$ millions		As at 30 September 2022	As at 30 June 2022	As at 31 March 2022	As at 31 December 2021	As at 30 September 2021
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	89,827	80,187	65,236	48,224	47,335
16	Total net cash outflows	58,091	47,362	39,525	30,418	31,529
17	LCR (%)	155.5	171.0	165.7	158.9	150.7
	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	302,440	303,782	296,917	289,533	287,547
19	Total required stable funding	230,747	238,473	240,908	237,487	237,414
20	NSFR (%)	131.1	127.4	123.2	121.9	121.1
	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 ¹¹
		As at 30 September 2022	As at 30 June 2022	As at 30 September 2022
1	Credit risk for non-securitization exposures	214,480	213,878	18,135
2	<i>Of which STC approach</i>	11,098	11,109	888
2a	<i>Of which BSC approach</i>	–	–	–
3	<i>Of which foundation IRB approach</i>	178,128	179,069	15,105
4	<i>Of which supervisory slotting criteria approach</i>	25,254	23,700	2,142
5	<i>Of which advanced IRB approach</i>	–	–	–
6	Counterparty default risk and default fund contributions	2,496	2,175	211
7	<i>Of which SA-CCR approach</i>	2,421	2,125	205
7a	<i>Of which CEM</i>	NA	NA	NA
8	<i>Of which IMM(CCR) approach</i>	–	–	–
9	<i>Of which others</i>	75	50	6
10	CVA Risk	1,484	1,384	119
11	Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–

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3 OVERVIEW OF RISK-WEIGHTED ASSETS (continued)

In HK\$ millions		RWA		Minimum capital requirements ^{1/}
		As at 30 September 2022	As at 30 June 2022	As at 30 September 2022
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	–	7	–
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	1,052	1,049	84
21	<i>Of which STM approach</i>	1,052	1,049	84
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	20,008	19,845	1,601
24a	Sovereign concentration risk	–	–	–
25	Amounts below the thresholds for deduction (subject to 250% RW)	93	93	7
26	Capital floor adjustment	30,368	24,649	2,429
26a	Deduction to RWA	(78)	(72)	(6)
26b	<i>Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital</i>	(78)	(72)	(6)
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	269,903	263,008	22,580

^{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 risk-weighted assets increased in the quarter mainly driven by increase in loan balances along with application of capital floor.

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4 RWA FLOW STATEMENTS 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 2022	202,769
Asset size	(774)
Asset quality	1,862
Model updates	251
Methodology and policy	–
Acquisitions and disposals	–
Foreign exchange movements	(726)
Others	–
As at 30 September 2022	203,382

The Bank has adopted the enhanced PD model for large corporate portfolio under FIRB approach which increased RWA by HK\$251 million.

5 LEVERAGE RATIO

The following table provides the breakdown of the Bank's leverage ratio regulatory elements.

In HK\$ millions		As at 30 September 2022	As at 30 June 2022
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	450,517	459,705
2	Less: Asset amounts deducted in determining Tier 1 capital	2,158	1,425
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	452,675	461,130
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	2,378	1,928
5	Add-on amounts for PFE associated with all derivative contracts	3,456	3,505
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	(116)	(75)
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	5,718	5,358

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5 LEVERAGE RATIO (continued)

In HK\$ millions		As at 30 September 2022	As at 30 June 2022
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	27,452	29,126
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	181	104
15	Agent transaction exposures	–	–
16	Total exposures arising from SFTs	27,633	29,230
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	223,239	215,019
18	Less: Adjustments for conversion to credit equivalent amounts	(189,495)	(183,832)
19	Off-balance sheet items	33,744	31,187
Capital and total exposures			
20	Tier 1 capital	44,242	43,335
20a	Total exposures before adjustments for specific and collective provisions	519,770	526,905
20b	Adjustments for specific and collective provisions	(3,700)	(3,721)
21	Total exposures after adjustments for specific and collective provisions	516,070	523,184
Leverage ratio			
22	Leverage ratio (%)	8.6	8.3

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. 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.

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6 LIQUIDITY COVERAGE RATIO (continued)

Table: Average LCR for the quarter ended 30 September 2022

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 2022: (78)		In HK\$ millions	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: unconsolidated			
A. HQLA			
1	Total HQLA		89,827
B. Cash Outflows			
2	Retail deposits and small business funding, of which:	203,278	16,929
3	<i>Stable retail deposits and stable small business funding</i>	11,196	336
4	<i>Less stable retail deposits and less stable small business funding</i>	139,797	13,976
4a	<i>Retail term deposits and small business term funding</i>	52,285	2,617
5	Unsecured wholesale funding (other than small business funding), debt securities and prescribed instruments issued by the AI, of which:	163,851	90,873
6	<i>Operational deposits</i>	13,311	2,887
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	149,936	87,386
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	604	600
9	Secured funding transactions (including securities swap transactions)		–
10	Additional requirements, of which:	30,368	3,892
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	895	895
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>	29,473	2,997
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,864	1,864
15	Other contingent funding obligations (whether contractual or non-contractual)	180,134	587
16	Total Cash Outflows		114,145
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	22,923	125
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	132,402	54,140
19	Other cash inflows	1,949	1,789
20	Total Cash Inflows	157,274	56,054
D. Liquidity Coverage Ratio		Adjusted value	
21	Total HQLA		89,827
22	Total Net Cash Outflows		58,091
23	LCR (%)		155.5

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6 LIQUIDITY COVERAGE RATIO (continued)

The Bank has maintained a healthy liquidity position in the third quarter of 2022, with LCR being well above regulatory requirement. Quarter-on-quarter, the Bank placed the money market lending to longer tenor, which had led to the decrease of average LCR.

(i) Composition of High Quality Liquid Assets

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 2021.

(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 Hong Kong Dollar ("HKD") and United States Dollar ("USD"), is a major funding source for the Bank. The Bank make appropriate use of swap markets for the deployment of surplus funds 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.

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7 ABBREVIATIONS

Abbreviations	Brief Description
AI	Authorised Institutions
BCR	Banking (Capital) Rules
BLR	Banking (Liquidity) Rules
BSC	Basic Approach
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
HKMA	Hong Kong Monetary Authority
HQLA	High Quality Liquid Assets
IAA	Internal Assessment Approach
IMM	Internal Models Method
IMM (CCR)	Internal Models Method (Counterparty Credit Risk)
IRB	Internal Ratings-Based
JCCyB	Jurisdictional Countercyclical Capital Buffer
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
PFE	Potential Future Exposure
RWA	Risk Weighted Assets
SA-CCR	Standardized (Counterparty Credit Risk)

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7 ABBREVIATIONS (continued)

Abbreviations	Brief Description
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)