



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 2021

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 2021	As at 30 June 2021	As at 31 March 2021	As at 31 December 2020	As at 30 September 2020
	Regulatory Capital (amount)					
1	Common Equity Tier 1 (CET1)	41,931	41,807	40,534	39,393	40,577
2	Tier 1	43,331	43,207	41,934	40,793	41,977
3	Total Capital	47,971	47,872	46,665	45,422	46,574
	RWA (amount)					
4	Total RWA	248,109	247,236	245,419	249,312	233,842
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	16.9	16.9	16.5	15.8	17.4
6	Tier 1 ratio (%)	17.5	17.5	17.1	16.4	18.0
7	Total Capital ratio (%)	19.3	19.4	19.0	18.2	19.9
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500	2.500	2.500	2.500	2.500
9	Countercyclical capital buffer requirement (%)	0.758	0.782	0.780	0.792	0.817
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 (%)	3.258	3.282	3.280	3.292	3.317
12	CET1 available after meeting the AI’s minimum capital requirements (%)	11.3	11.4	11.0	10.2	11.9
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	476,829	468,957	475,915	519,925	477,872
14	LR (%)	9.1	9.2	8.8	7.8	8.8

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2 KEY PRUDENTIAL RATIOS (continued)

In HK\$ millions		As at 30 September 2021	As at 30 June 2021	As at 31 March 2021	As at 31 December 2020	As at 30 September 2020
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	47,335	41,033	44,972	50,669	38,014
16	Total net cash outflows	31,529	28,295	29,418	36,640	25,023
17	LCR (%)	150.7	145.2	153.4	145.5	152.2
	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	287,547	290,594	284,633	293,684	293,164
19	Total required stable funding	237,414	247,417	249,375	258,150	254,057
20	NSFR (%)	121.1	117.5	114.1	113.8	115.4
	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 2021	As at 30 June 2021	As at 30 September 2021
1	Credit risk for non-securitization exposures	209,434	207,725	17,680
2	<i>Of which STC approach</i>	16,682	15,192	1,335
2a	<i>Of which BSC approach</i>	–	–	–
3	<i>Of which foundation IRB approach</i>	172,175	172,504	14,600
4	<i>Of which supervisory slotting criteria approach</i>	20,577	20,029	1,745
5	<i>Of which advanced IRB approach</i>	–	–	–
6	Counterparty default risk and default fund contributions	2,757	3,346	234
7	<i>Of which SA-CCR approach</i>	2,728	3,322	231
7a	<i>Of which CEM</i>	NA	NA	NA
8	<i>Of which IMM(CCR) approach</i>	–	–	–
9	<i>Of which others</i>	29	24	3
10	CVA Risk	2,066	2,415	165
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 2021	As at 30 June 2021	As at 30 September 2021
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	1,445	1,213	116
21	<i>Of which STM approach</i>	1,445	1,213	116
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	20,638	20,751	1,651
24a	Sovereign concentration risk	–	–	–
25	Amounts below the thresholds for deduction (subject to 250% RW)	93	93	7
26	Capital floor adjustment	–	–	–
26a	Deduction to RWA	(50)	(55)	(4)
26b	<i>Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital</i>	(50)	(55)	(4)
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	236,383	235,488	19,849

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

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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 2021	192,533
Asset size	279
Asset quality	585
Model updates	(658)
Methodology and policy	–
Acquisitions and disposals	–
Foreign exchange movements	13
Others	–
As at 30 September 2021	192,752

The Bank has adopted the enhanced PD model for large corporate portfolio under FIRB approach which reduced RWA by HK\$0.7 billion.

5 LEVERAGE RATIO

In HK\$ millions		As at 30 September 2021	As at 30 June 2021
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	432,871	429,185
2	Less: Asset amounts deducted in determining Tier 1 capital	(493)	(725)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	432,378	428,460
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)	1,134	1,173
5	Add-on amounts for PFE associated with all derivative contracts	3,387	3,655
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	(94)	(84)
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	4,427	4,744

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5 LEVERAGE RATIO (continued)

In HK\$ millions		As at 30 September 2021	As at 30 June 2021
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	14,856	11,612
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	109	246
15	Agent transaction exposures	–	–
16	Total exposures arising from SFTs	14,965	11,858
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	199,668	191,184
18	Less: Adjustments for conversion to credit equivalent amounts	(170,863)	(163,496)
19	Off-balance sheet items	28,805	27,688
Capital and total exposures			
20	Tier 1 capital	43,331	43,207
20a	Total exposures before adjustments for specific and collective provisions	480,575	472,750
20b	Adjustments for specific and collective provisions	(3,746)	(3,793)
21	Total exposures after adjustments for specific and collective provisions	476,829	468,957
Leverage ratio			
22	Leverage ratio (%)	9.1	9.2

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 2021

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 2021: (77)		In HK\$ millions	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: unconsolidated			
A. HQLA			
1	Total HQLA		47,335
B. Cash Outflows			
2	Retail deposits and small business funding, of which:	186,778	16,644
3	<i>Stable retail deposits and stable small business funding</i>	12,655	380
4	<i>Less stable retail deposits and less stable small business funding</i>	151,148	15,115
4a	<i>Retail term deposits and small business term funding</i>	22,975	1,149
5	Unsecured wholesale funding (other than small business funding), debt securities and prescribed instruments issued by the AI, of which:	163,349	91,398
6	<i>Operational deposits</i>	16,473	3,618
7	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	146,575	87,479
8	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	301	301
9	Secured funding transactions (including securities swap transactions)		–
10	Additional requirements, of which:	24,634	3,677
11	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	1,283	1,283
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>	23,351	2,394
14	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,646	1,646
15	Other contingent funding obligations (whether contractual or non-contractual)	163,768	650
16	Total Cash Outflows		114,015
C. Cash Inflows			
17	Secured lending transactions (including securities swap transactions)	10,466	–
18	Secured and unsecured loans (other than secured lending transactions covered in Row 17) and operational deposits placed at other financial institutions	140,528	78,974
19	Other cash inflows	3,994	3,660
20	Total Cash Inflows	154,988	82,634
D. Liquidity Coverage Ratio		Adjusted value	
21	Total HQLA		47,335
22	Total Net Cash Outflows		31,529
23	LCR (%)		150.7

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6 LIQUIDITY COVERAGE RATIO (continued)

The Bank has maintained a healthy liquidity position in the third quarter of 2021, with LCR being well above regulatory requirement. Quarter-on-quarter, the Bank increased holding of HQLA which had led to the increase 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 2020.

(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 Approach (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)