Pillar 3 and Liquidity Coverage Ratio ("LCR") Disclosures

Third Quarter 2018

DBS Group Holdings Ltd
Incorporated in the Republic of Singapore
Company Registration Number: 199901152M

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARIES

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PART A : PILLAR 3 DISCLOSURES (FOR DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARIES)

1 INTRODUCTION

This part contains Pillar 3 disclosures of DBS Group Holdings Ltd and its Subsidiaries (Group) and is made pursuant to the Monetary Authority of Singapore Notice to Banks No. 637 “Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore" (MAS Notice 637).

The Group views the Basel framework as part of continuing efforts to strengthen its risk management culture and ensure that the Group pursues business growth across segments and markets with the appropriate risk management discipline, practices and processes in place.

For the purpose of calculating its risk-weighted assets, the Group applies the Foundation Internal Ratings-Based Approach to certain wholesale credit exposures, the Advanced Internal Ratings-Based Approach to certain retail credit exposures and the Standardised Approach to all other credit exposures. The Group applies the respective Standardised Approaches for operational and market risks.

The numbers in this document are presented in Singapore dollars and rounded to the nearest million, unless otherwise stated.

2 SCOPE OF CONSOLIDATION

The Group's capital requirements are based on the principles of consolidation adopted in the preparation of its financial statements. The Group’s regulatory scope of consolidation is identical to its accounting scope of consolidation. Please refer to the financial statements in the latest available annual report for the principles of consolidation.

3 OVERVIEW OF KEY PRUDENTIAL REGULATORY METRICS

The following table provides an overview of key prudential regulatory metrics for the Group (except Liquidity Coverage Ratio and Net Stable Funding Ratio which are for Bank Group[(1)]).

		a	b	c	d	e
$'m		**30 Sep 18**	**30 Jun 18**	**31 Mar 18**	**31 Dec 17**	**30 Sep 17**
Available capital (amounts)						
1	CET1 capital	39,091	39,615	41,154	41,170	40,157
2	Tier 1 capital	42,508	42,035	44,135	43,425	42,445
3	Total capital	47,762	47,262	46,700	45,598	44,592
Risk-weighted assets (amounts)						
4	Total RWA	294,767	291,819	294,672	287,589	286,422
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	13.3	13.6	14.0	14.3	14.0
6	Tier 1 ratio (%)	14.4	14.4	15.0	15.1	14.8
7	Total capital ratio (%)	16.2	16.2	15.8	15.9	15.6
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	1.875	1.875	1.875	1.25	1.25
9	Countercyclical buffer requirement (%)	0.3	0.3	0.3	0.2	0.2
10	Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row10)	2.2	2.2	2.2	1.5	1.5
12	CET1 available after meeting the Reporting Bank's minimum capital requirements (%)	6.2	6.2	5.8	5.9	5.6
Leverage Ratio						
13	Total Leverage Ratio exposure measure	601,427	596,256	584,176	570,983	563,771
14	Leverage Ratio (%) (row 2 / row 13)	7.1	7.0	7.6	7.6	7.5
Liquidity Coverage Ratio [(2)]						
15	Total High Quality Liquid Assets	80,409	78,849	75,820	73,722	73,272
16	Total net cash outflow	61,036	58,437	61,114	56,656	52,540
17	Liquidity Coverage Ratio (%)	132	135	125	131	141
Net Stable Funding Ratio						
18	Total available stable funding	326,415	323,268	314,438	NA	NA
19	Total required stable funding	298,980	294,549	286,779	NA	NA
20	Net Stable Funding Ratio (%)	109	110	110	NA	NA

NA: Not applicable

(1) As explained in Part B on page B-1

(2) Calculated based on average for the quarter.

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

4 CAPITAL ADEQUACY

4.1 Capital Resources and Capital Adequacy Ratios

$m	30 Sep 2018	30 Jun 2018
Share capital	11,205	11,205
Disclosed reserves and others	33,354	33,918
Total regulatory adjustments to Common Equity Tier 1 capital	(5,468)	(5,508)
Common Equity Tier 1 capital	39,091	39,615
Additional Tier 1 capital instruments	3,417	2,420
Tier 1 capital	42,508	42,035
Total allowances eligible as Tier 2 capital	1,606	1,558
Tier 2 capital instruments	3,648	3,669
Total capital	47,762	47,262
Risk-Weighted Assets (RWA)		
Credit RWA	243,779	238,403
Market RWA	30,313	33,122
Operational RWA	20,675	20,294
Total RWA	294,767	291,819
Capital Adequacy Ratio (CAR) (%)		
Common Equity Tier 1	13.3	13.6
Tier 1	14.4	14.4
Total	16.2	16.2
Minimum CAR including Buffer Requirements (%)[1]		
Common Equity Tier 1	8.7	8.7
Effective Tier 1	10.2	10.2
Effective Total	12.2	12.2
Of which: Buffer Requirements (%)		
Capital Conservation Buffer	1.875	1.875
Countercyclical Buffer	0.3	0.3

Notes:

1 Includes minimum Common Equity Tier 1, Tier 1 and Total CAR of 6.5%, 8.0% and 10.0% respectively.

The Common Equity Tier 1 ratio declined 0.3 percentage points from the previous quarter to 13.3% due to the interim dividend payout.

4.2 Capital Adequacy of Significant Banking Subsidiaries

The capital adequacy ratios of each banking subsidiary are calculated in accordance with the regulatory requirements applicable in the respective jurisdictions, using the approaches available under those requirements. DBS Bank (Hong Kong) Limited and DBS Bank (China) Limited are deemed to be significant banking subsidiaries for the purposes of Pillar 3 disclosures under MAS Notice 637 paragraph 11.3.19.

	30 Sep 18			
	Total risk-weighted assets ($m)	CAR (%)		
		Common Equity Tier 1	Tier 1	Total
DBS Bank (Hong Kong) Limited	40,658	15.4	16.0	18.0
DBS Bank (China) Limited	17,872	12.2	12.2	15.3

5 LEVERAGE RATIO

The following tables provide the breakdown of the Group's leverage ratio regulatory elements and a reconciliation of the Group's balance sheet assets with the leverage ratio exposure measure.

Leverage Ratio Common Disclosure Template

	Item	Amount[1] ($m) 30 Sep 2018	30 Jun 2018
	Exposure measures of on-balance sheet items		
1	On-balance sheet items (excluding derivative transactions and SFTs, but including on-balance sheet collateral for derivative transactions or SFTs)	512,169	510,956
2	Asset amounts deducted in determining Tier 1 capital	(5,544)	(5,589)
3	**Total exposure measures of on-balance sheet items** (excluding derivative transactions and SFTs)	**506,625**	**505,367**
	Derivative exposure measures		
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	9,529	8,442
5	Potential future exposure associated with all derivative transactions	16,141	16,446
6	Gross-up for derivative collaterals provided where deducted from the balance sheet assets in accordance with the Accounting Standards	-	-
7	Deductions of receivables for the cash portion of variation margins provided in derivative transactions	-	-
8	CCP leg of trade exposures excluded	-	-
9	Adjusted effective notional amount of written credit derivatives	2,748	2,884
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	**Total derivative exposure measures**	**28,418**	**27,772**
	SFT exposure measures		
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	10,631	10,725
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	133	90
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	**Total SFT exposure measures**	**10,764**	**10,815**
	Exposure measures of off-balance sheet items		
17	Off-balance sheet items at notional amount	294,190	281,062
18	Adjustments for calculation of exposure measures of off-balance sheet items	(238,570)	(228,760)
19	**Total exposure measures of off-balance sheet items**	**55,620**	**52,302**
	Capital and Total exposures		
20	Tier 1 capital	42,508	42,035
21	Total exposures	601,427	596,256
	Leverage Ratio		
22	**Leverage Ratio**	**7.1%**	**7.0%**

[1] Leverage ratio is computed using quarter-end balances.

The Group’s leverage ratio as at September 2018 increased by 0.1 percentage point to 7.1% as compared to the previous quarter due to increase in Tier 1 Capital. The ratio is well above the 3% minimum ratio set by Monetary Authority of Singapore effective 1 January 2018.

Leverage Ratio Summary Comparison Table

	Item	30 Sep 2018 Amount[1] ($m)
1	Total consolidated assets as per published financial statements	541,524
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet in accordance with the Accounting Standards but excluded from the calculation of the exposure measure	-
4	Adjustment for derivative transactions	9,658
5	Adjustment for SFTs	133
6	Adjustment for off-balance sheet items	55,620
7	Other adjustments	(5,508)
8	**Exposure measure**	**601,427**

(1) Leverage ratio is computed using quarter-end balances.

6 OVERVIEW OF RISK-WEIGHTED ASSETS

The following table sets out the Group's RWA and capital requirements.

$m		a	b	c
		RWA		Minimum capital requirements[(1)]
		30 Sep 2018	30 Jun 2018	30 Sep 2018
1	**Credit risk (excluding CCR)**	226,334	221,670	22,634
2	*of which: SA(CR) and SA(EQ)*	*39,126*	*39,335*	*3,913*
3	*of which: IRBA and IRBA(EQ) for equity exposures under the PD/LGD method*	*187,208*	*182,335*	*18,721*
4	**CCR**	15,570	15,026	1,557
5	*of which: Current Exposure Method*	*7,472*	*7,378*	*747*
6	*of which: CCR Internal Models Method*	-	-	-
7	IRBA(EQ) for equity exposures under the simple risk weight method or the IMM	-	-	-
8	Equity investments in funds – look-through approach	135	145	13
9	Equity investments in funds – mandate-based approach	26	22	3
10	Equity investments in funds – fall-back approach	#	#	#
10a	Equity investment in funds – partial use of an approach	-	-	-
11	**Unsettled transactions**	157	34	16
12	**Securitisation exposures in banking book**	830	774	83
13	*of which: SEC-IRBA*	-	-	-
14	*of which: SEC-ERBA, including IAA*	*715*	*659*	*72*
15	*of which: SEC-SA*	-	-	-
16	**Market risk**	30,313	33,122	3,031
17	*of which: SA(MR)*	*30,313*	*33,122*	*3,031*
18	*of which: IMA*	-	-	-
19	**Operational risk**	20,675	20,294	2,067
20	*of which: BIA*	-	-	-
21	*of which: SA(OR)*	*20,675*	*20,294*	*2,067*
22	*of which: AMA*	-	-	-
23	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	727	732	73
24	**Floor adjustment**	-	-	-
25	**Total**	294,767	291,819	29,477

\# Numbers below 0.5.

(1) Minimum capital requirements in this column correspond to 10% of the RWA in column "(a)" which is 2.0 percentage points higher than the Basel Committee’s requirement.

Total risk-weighted assets increased due to higher credit risk-weighted assets arising mainly from loan growth. This was partially offset by decline in market risk-weighted assets resulting mainly from lower interest rate risk.

7 CREDIT RISK

7.1 IRBA - RWA Flow Statement for Credit Risk Exposures

The following table explains the change in the Group's credit RWA under IRBA for the quarter.

$'m		30 Sep 2018 a RWA amounts
1	**RWA as at end of previous quarter**	**182,335**
2	Asset size	4,557
3	Asset quality [(1)]	803
4	Model updates	-
5	Methodology and Policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(487)
8	Other	-
9	**RWA as at end of quarter**	**187,208**

[(1)] This represents movement in RWA resulting from factors (other than exposure movements) such as changes in portfolio mix, tenor, credit risk mitigation, etc.

The increase in credit risk-weighted assets was mainly due to the loan growth.

8 COUNTERPARTY CREDIT RISK ("CCR")

8.1 RWA Flow Statements under the CCR Internal Models Method

This disclosure is not applicable as the Group has not adopted the CCR Internal Models method.

9 MARKET RISK

9.1 RWA Flow Statements of Market Risk Exposures under IMA

This disclosure is not applicable as the Group has not adopted IMA to measure its regulatory capital requirements for market risk.

PART B: LIQUIDITY COVERAGE RATIO ("LCR") DISCLOSURES (FOR DBS BANK GROUP)

The following disclosures for the DBS Bank Group[(1)] are made pursuant to the Monetary Authority of Singapore ("MAS") Notice to Banks No. 651 "Liquidity Coverage Ratio ("LCR") Disclosure" ("Notice 651").

DBS Bank Group ("Group") has been subjected to the Basel III Liquidity Coverage Ratio ("LCR") standards from 1 January 2015, pursuant to MAS Notice 649. At the all-currency level, the Group is required to maintain daily LCR above an initial 60%, with a 10 percentage point step-up each year to 100% on 1 January 2019. The all-currency LCR minimum for 2018 is 90%. The Group is also required to maintain daily Singapore dollar ("SGD") LCR above 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. Notice 649 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 amount" column of the tables below.

The Group 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.

[(1)] Pursuant to Sections 36 and 38 of the Banking Act, and as outlined in MAS Notice 649, DBS Bank complies with the LCR requirements on a consolidated ("DBS Bank Group") level, which includes the assets and liabilities of its banking subsidiaries

1.1 Average All-Currency LCR for the Quarter ended 30 September 2018

(Number of data points: 92)

$m		30 Sep 2018 UNWEIGHTED[1]	30 Sep 2018 WEIGHTED VALUE
HIGH-QUALITY LIQUID ASSETS			
1	**Total high-quality liquid assets (HQLA)**		**80,409**
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customers, of which**	**198,344**	**16,542**
3	Stable deposits	64,902	3,198
4	Less stable deposits	133,442	13,344
5	**Unsecured wholesale funding, of which**	**145,236**	**77,862**
6	Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	24,675	5,926
7	Non-operational deposits (all counterparties)	114,103	65,478
8	Unsecured debt	6,458	6,458
9	**Secured wholesale funding**		**1,026**
10	**Additional requirements, of which**	**54,047**	**11,222**
11	Outflows related to derivatives exposures and other collateral requirements	11,353	6,234
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	42,694	4,988
14	**Other contractual funding obligations**	**2,416**	**2,390**
15	**Other contingent funding obligations**	**23,399**	**702**
16	**TOTAL CASH OUTFLOWS**		**109,744**
CASH INFLOWS			
17	**Secured lending (e.g. reverse repos)**	**3,528**	**335**
18	**Inflows from fully performing exposures**	**69,259**	**43,959**
19	**Other cash inflows**	**7,529**	**4,414**
20	**TOTAL CASH INFLOWS**	**80,316**	**48,708**
		TOTAL ADJUSTED VALUE	
21	**TOTAL HQLA**		**80,409**
22	**TOTAL NET CASH OUTFLOWS**		**61,036**
23	**LIQUIDITY COVERAGE RATIO (%)[2]**		**132%**

[1] The unweighted amounts refer to cash flows due or callable within 30 days, with the exception of items in rows 13 and 15 which reflect the full notional balances.

[2] The LCR is computed as an average of observations of LCR during the quarter. This may not be equal to an LCR computed with the average values of HQLA and net cash outflows disclosed in the table.

1.2 Average SGD LCR for the Quarter ended 30 September 2018
(Number of data points: 92)

$m		30 Sep 2018 UNWEIGHTED[(1)]	30 Sep 2018 WEIGHTED VALUE
HIGH-QUALITY LIQUID ASSETS			
1	**Total high-quality liquid assets (HQLA)**		**34,104**
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customers, of which**	**130,675**	**10,587**
3	Stable deposits	49,609	2,480
4	Less stable deposits	81,066	8,107
5	**Unsecured wholesale funding, of which**	**24,681**	**10,195**
6	Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	11,162	2,688
7	Non-operational deposits (all counterparties)	13,400	7,388
8	Unsecured debt	119	119
9	**Secured wholesale funding**		**0**
10	**Additional requirements, of which**	**19,879**	**7,473**
11	Outflows related to derivatives exposures and other collateral requirements	6,614	6,451
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	13,265	1,022
14	**Other contractual funding obligations**	**613**	**613**
15	**Other contingent funding obligations**	**3,232**	**97**
16	**TOTAL CASH OUTFLOWS**		**28,965**
CASH INFLOWS			
17	**Secured lending (e.g. reverse repos)**	**411**	**1**
18	**Inflows from fully performing exposures**	**13,096**	**7,749**
19	**Other cash inflows**	**18,909**	**18,638**
20	**TOTAL CASH INFLOWS**	**32,416**	**26,388**
		TOTAL ADJUSTED VALUE	
21	**TOTAL HQLA**		**34,104**
22	**TOTAL NET CASH OUTFLOWS[(1)]**		**7,241**
23	**LIQUIDITY COVERAGE RATIO (%)[(2)]**		**472%**

[(1)] Total net cash outflows does not equal to the total cash outflows minus total cash inflows as the cap on inflows is binding. Cash inflows may be netted against cash outflows up to an aggregate cap of 75% of total cash outflows.
[(2)] The LCR is computed as an average of observations of LCR during the quarter. This may not be equal to an LCR computed with the average values of HQLA and net cash outflows disclosed in the table.

1.3 Liquidity Coverage Ratio

In the third quarter of 2018, the average all-currency and SGD LCRs were 132% and 472% respectively. Compared to the second quarter, the average all-currency LCR reduced from 135% while the average SGD LCR increased from 426%. The LCR remains well above the regulatory minimum requirements of 90% and 100% for all-currency and SGD respectively. DBS maintains a healthy liquidity position by keeping a stable balance sheet structure that is supported by a diversified funding base.

Compared to the last quarter:

1. All-currency LCR reduced mainly due to increase in cash outflows from wholesale non-operational deposits and reduced inflows from maturing loans.
2. SGD LCR increased mainly due to a reduction in cash outflows from maturing derivative positions.

The Group's LCR is sensitive to (i) balance sheet movements resulting from commercial loan/deposit activities and wholesale inter-bank lending/ borrowing; and (ii) movements due to positions falling into or out of the LCR 30-day tenor, such as loan rollovers. LCR is also sensitive to movements in HQLA, driven primarily by changes in balances with central banks and collaterals from secured lending and borrowing transactions.

a) Composition of High Quality Liquid Assets ("HQLA")

DBS holds a pool of unencumbered HQLA that are 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, which comprises cash, balances with central banks and highly rated bonds issued by governments or supranational entities. These may be included, without haircuts or limitations in quantum, in the total pool of HQLA.

DBS' HQLA include Singapore government securities and local government/central bank securities held at the Group's overseas branches and subsidiaries. This is supplemented by bonds issued by highly rated corporate issuers (including public sector entities), as well as covered bonds issued by reputable financial institutions.

b) Concentration of Funding Sources

DBS strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. DBS' funding strategy is anchored on strengthening the core deposit franchise as the foundation of the Group's long-term funding advantage. Please refer to the Risk management disclosures in the latest available annual report for more information on the Group's funding strategy.

c) Derivative Exposures and Potential Collateral Calls

DBS actively manages its over-the-counter ("OTC") and exchange-traded financial derivative exposures arising from market making, trading activities, and its commercial business (including structuring and packaging products for investors and clients). Derivative exposures are mainly from, but not limited to, interest rate swaps and futures, foreign exchange forwards and swaps, and currency swaps. These derivative positions are marked-to-market daily, affecting the collateral amounts posted to and received from interbank counterparties and/or exchanges. Cash flows resulting from potential changes in collateral amounts posted/received are incorporated into LCR net cash outflows.

1.3 Liquidity Coverage Ratio (continued)

d) Currency Mismatch

As part of the Group's funding strategy, DBS makes use of the swap markets to support funding needs across currencies. The Group's stable funding base of customer deposits is predominantly denominated in the local currency of its key operating locations. The Group's core SGD deposit funding provides surplus funds that are swapped into other currencies to support loan demand. Matching the deposit funding currency, the main portion of the Group's liquid assets is denominated in SGD and the local currencies of key operating locations.

e) Centralization of Liquidity Management

In managing funding needs across locations, overseas branches and subsidiaries are encouraged but not required to centralise majority of their borrowing and deployment of funds with Head Office, taking into account the relevant regulatory restrictions while maintaining a commensurate level of presence and participation in the local funding markets.

In managing the Group's pool of liquid assets, the Group is able to monetize liquid assets to meet liquidity shortfalls under times of stress.

Please refer to the latest available annual report for more information on the Group's liquidity risk management.

PART C: ABBREVIATIONS

Abbreviations	Brief Description
AMA	Advanced Measurement Approach
BIA	Basic Indicator Approach
CAR	Capital Adequacy Ratio
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CET1	Common Equity Tier 1
D-SIB	Domestic Systemically Important Banks
G-SIB	Global Systemically Important Banks
HQLA	High Quality Liquid Assets
IAA	Internal Assessment Approach
IMA	Internal Models Approach
IMM	Internal Models Method
IRBA	Internal Ratings-Based Approach
IRBA(EQ)	Internal Ratings-Based Approach for Equity Exposures
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MAS	Monetary Authority of Singapore
OTC	Over-the-counter
PD	Probability of Default
RWA	Risk-weighted Assets
SA(CR)	Standardised Approach to Credit Risk
SA(EQ)	Standardised Approach for Equity Exposures
SA(MR)	Standardised Approach to Market Risk
SA(OR)	Standardised Approach to Operational Risk
SEC-ERBA	Securitisation External Ratings-based Approach
SEC-IRBA	Securitisation Internal Ratings-Based Approach
SEC-SA	Securitisation Standardised Approach

PART C: ABBREVIATIONS (continued)

Abbreviations	Brief Description
SFTs	Security Financing Transactions
SGD	Singapore Dollars