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

Third Quarter 2020

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

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.

		a	b	c	d	e
$'m		**30 Sep 20**	**30 Jun 20**	**31 Mar 20**	**31 Dec 19**	**30 Sep 19**
Available capital (amounts)						
1	CET1 capital	44,556	44,071	44,461	42,870	42,412
2	Tier 1 capital	48,530	48,051	48,442	45,460	45,011
3	Total capital	53,970	53,482	53,846	50,693	50,279
Risk-weighted assets (amounts)						
4	Total RWA	320,707	322,766	319,829	303,771	306,248
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	13.9	13.7	13.9	14.1	13.8
6	Tier 1 ratio (%)	15.1	14.9	15.1	15.0	14.7
7	Total capital ratio (%)	16.8	16.6	16.8	16.7	16.4
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5	2.5	2.5	2.5	2.5
9	Countercyclical buffer requirement (%)	0.1	0.1	0.1	0.3	0.4
10	Bank G-SIB and/or D-SIB additional requirements (%) [1]	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.6	2.6	2.6	2.8	2.9
12	CET1 available after meeting the Reporting Bank's minimum capital requirements (%)	6.8	6.6	6.8	6.7	6.4
Leverage Ratio						
13	Total Leverage Ratio exposure measure	704,203	708,838	706,922	646,317	646,452
14	Leverage Ratio (%) (row 2 / row 13)	6.9	6.8	6.9	7.0	7.0
Liquidity Coverage Ratio [2]						
15	Total High Quality Liquid Assets	107,208	107,638	92,485	91,922	91,967
16	Total net cash outflow	79,697	79,623	70,038	66,170	70,347
17	Liquidity Coverage Ratio (%)	135	135	133	139	131
Net Stable Funding Ratio [3]						
18	Total available stable funding	374,315	375,534	369,142	347,093	341,972
19	Total required stable funding	304,739	311,147	331,141	314,822	311,954
20	Net Stable Funding Ratio (%)	123	121	111	110	110

[1] Even though the Group is not a G-SIB, it is required under MAS Notice 637 to disclose the 12 G-SIB indicators. Please refer to https://www.dbs.com/investors/financials/quarterly-financials for the Group's G-SIB indicator disclosure.

[2] LCR is calculated based on average for the quarter. The LCR incorporates the assets and liabilities of the following entities:
- From 1 October 2019: DBS Bank Ltd., its banking subsidiaries and DBS Group Holdings Ltd;
- Till 30 September 2019: DBS Bank Ltd. and its banking subsidiaries

[3] The NSFR incorporates the assets and liabilities of the following entities:
- From 1 October 2019: DBS Group Holdings Ltd. and its subsidiaries;
- Till 30 September 2019: DBS Bank Ltd. and its subsidiaries

The Group's CET1 ratio increased during the quarter mainly driven by profit accretion and lower market and counterparty credit risk-weighted assets, partially offset by the second-quarter's dividend pay-out.

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

4 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 2020	30 Jun 2020
	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)	578,082	586,764
2	Asset amounts deducted in determining Tier 1 capital	(6,094)	(5,957)
3	**Total exposure measures of on-balance sheet items** (excluding derivative transactions and SFTs)	**571,988**	**580,807**
	Derivative exposure measures		
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	10,392	11,582
5	Potential future exposure associated with all derivative transactions	18,143	18,356
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	3,222	3,885
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	**Total derivative exposure measures**	**31,757**	**33,823**
	SFT exposure measures		
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	31,355	29,777
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	404	808
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	**Total SFT exposure measures**	**31,759**	**30,585**
	Exposure measures of off-balance sheet items		
17	Off-balance sheet items at notional amount	338,112	330,024
18	Adjustments for calculation of exposure measures of off-balance sheet items	(269,413)	(266,401)
19	**Total exposure measures of off-balance sheet items**	**68,699**	**63,623**
	Capital and Total exposures		
20	Tier 1 capital	48,530	48,051
21	Total exposures	704,203	708,838
	Leverage Ratio		
22	**Leverage Ratio**	**6.9%**	**6.8%**

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

Leverage ratio as at 30 September 2020 stood at 6.9%, well above the 3% minimum requirement.

Leverage Ratio Summary Comparison Table

	Item	30 Sep 2020 Amount[1] ($m)
1	Total consolidated assets as per published financial statements	638,131
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	3,037
5	Adjustment for SFTs	404
6	Adjustment for off-balance sheet items	68,699
7	Other adjustments	(6,068)
8	**Exposure measure**	**704,203**

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

5 OVERVIEW OF RISK-WEIGHTED ASSETS

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

		a	b	c
		RWA		Minimum capital requirements[1]
$m		30 Sep 2020	30 Jun 2020	30 Sep 2020
1	**Credit risk (excluding CCR)**	244,223	244,449	24,422
2	*of which: Standardised Approach*	*39,712*	*39,918*	*3,971*
3	*of which: F-IRBA*	*150,082*	*150,992*	*15,008*
4	*of which: supervisory slotting approach*	*44,375*	*43,269*	*4,438*
5	*of which: A-IRBA*	*10,054*	*10,270*	*1,005*
6	**CCR**	12,526	12,986	1,253
7	*of which: Current Exposure Method*	*9,309*	*9,568*	*931*
8	*of which: CCR Internal Models Method*	-	-	-
9	*of which: other CCR*	*2,115*	*2,374*	*212*
9a	*of which: CCP*	*1,102*	*1,044*	*110*
10	CVA	8,327	8,484	833
11	Equity exposures under the simple risk weight method	-	-	-
11a	Equity exposures under the IMM	-	-	-
12	Equity investments in funds – look-through approach	99	87	10
13	Equity investments in funds – mandate-based approach	22	16	2
14	Equity investments in funds – fall-back approach	#	#	#
14a	Equity investment in funds – partial use of an approach	-	-	-
15	**Unsettled transactions**	1	17	#
16	**Securitisation exposures in banking book**	753	740	75
17	*of which: SEC-IRBA*	-	-	-
18	*of which: SEC-ERBA, including IAA*	*753*	*740*	*75*
19	*of which: SEC-SA*	-	-	-
20	**Market risk**	30,160	31,652	3,016
21	*of which: SA(MR)*	*30,160*	*31,652*	*3,016*
22	*of which: IMA*	-	-	-
23	**Operational risk**	23,741	23,507	2,374
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	855	828	86
25	**Floor adjustment**	-	-	-
26	**Total**	320,707	322,766	32,071

\# 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.

Market and counterparty credit risk-weighted assets were lower as compared to the previous quarter due to reduction in trading positions and lower derivative exposures respectively.

6 CREDIT RISK

6.1 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.

		30 Sep 2020
		a
$'m		RWA amounts
1	**RWA as at end of previous quarter**	**204,531**
2	Asset size	(157)
3	Asset quality [(1)]	1,580
4	Model updates	-
5	Methodology and Policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(1,443)
8	Other	-
9	**RWA as at end of quarter**	**204,511**

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

Credit risk-weighted assets (under IRBA) remained flat during the quarter as changes in asset quality were offset by foreign exchange translation.

7 COUNTERPARTY CREDIT RISK ("CCR")

7.1 RWA Flow Statements under the CCR Internal Models Method

This disclosure is not applicable as the Group does not adopt the CCR Internal Models method.

8 MARKET RISK

8.1 RWA Flow Statements of Market Risk Exposures under IMA

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

PART B: LIQUIDITY COVERAGE RATIO ("LCR") DISCLOSURES

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

The Group is subject to the Basel III Liquidity Coverage Ratio ("LCR") standards pursuant to MAS Notice 649. As at 1 January 2019, the Group is required to maintain daily all-currency and Singapore dollar ("SGD") LCR above 100%.

The 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. MAS 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 in this part.

The Group seeks to ensure that its LCR remains above the specified regulatory minimum requirements. This is achieved by:

(i) Establishing internal early warning triggers and thresholds based on observed movements in LCR over time;

(ii) Monitoring and managing the LCR closely to ensure it stays within established boundaries; and

(iii) Strategically managing the liquidity risk arising from the balance sheet structure.

[1] The LCR incorporates the assets and liabilities of DBS Bank Ltd., its banking subsidiaries and DBS Group Holdings Ltd.

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1.1 Average All-Currency LCR for the Quarter ended 30 September 2020
(Number of data points: 92)

$m		30 Sep 2020	
		UNWEIGHTED[1]	**WEIGHTED VALUE**
HIGH-QUALITY LIQUID ASSETS			
1	**Total high-quality liquid assets (HQLA)[2]**		**107,765**
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customers, of which**	**233,798**	**19,273**
3	Stable deposits	81,249	4,018
4	Less stable deposits	152,549	15,255
5	**Unsecured wholesale funding, of which**	**170,348**	**88,928**
6	Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	37,429	9,026
7	Non-operational deposits (all counterparties)	126,107	73,090
8	Unsecured debt	6,812	6,812
9	**Secured wholesale funding**		**506**
10	**Additional requirements, of which**	**72,053**	**16,597**
11	Outflows related to derivatives exposures and other collateral requirements	17,668	9,791
12	Outflows related to loss of funding on debt products	291	291
13	Credit and liquidity facilities	54,094	6,515
14	**Other contractual funding obligations**	**2,076**	**2,038**
15	**Other contingent funding obligations**	**24,369**	**731**
16	**TOTAL CASH OUTFLOWS**		**128,073**
CASH INFLOWS			
17	**Secured lending (e.g. reverse repos)**	**14,613**	**779**
18	**Inflows from fully performing exposures**	**68,502**	**42,410**
19	**Other cash inflows**	**9,054**	**5,187**
20	**TOTAL CASH INFLOWS**	**92,169**	**48,376**
		TOTAL ADJUSTED VALUE	
21	**TOTAL HQLA[2]**		**107,208**
22	**TOTAL NET CASH OUTFLOWS**		**79,697**
23	**LIQUIDITY COVERAGE RATIO (%)[3]**		**135%**

[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] HQLA in row 1 and row 21 may not be equal as row 1 is before the application of caps on Level 2 liquid assets.

[3] 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 2020
(Number of data points: 92)

$m		30 Sep 2020 UNWEIGHTED[1]	30 Sep 2020 WEIGHTED VALUE
HIGH-QUALITY LIQUID ASSETS			
1	**Total high-quality liquid assets (HQLA)[2]**		**47,172**
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customers, of which**	**156,394**	**12,116**
3	Stable deposits	70,475	3,524
4	Less stable deposits	85,919	8,592
5	**Unsecured wholesale funding, of which**	**38,193**	**15,247**
6	Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	17,971	4,324
7	Non-operational deposits (all counterparties)	20,134	10,835
8	Unsecured debt	88	88
9	**Secured wholesale funding**		**-**
10	**Additional requirements, of which**	**28,361**	**12,369**
11	Outflows related to derivatives exposures and other collateral requirements	11,851	10,997
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	16,510	1,372
14	**Other contractual funding obligations**	**273**	**272**
15	**Other contingent funding obligations**	**3,911**	**117**
16	**TOTAL CASH OUTFLOWS**		**40,121**
CASH INFLOWS			
17	**Secured lending (e.g. reverse repos)**	**876**	**2**
18	**Inflows from fully performing exposures**	**8,369**	**4,318**
19	**Other cash inflows**	**26,535**	**26,301**
20	**TOTAL CASH INFLOWS**	**35,780**	**30,621**
		TOTAL ADJUSTED VALUE	
21	**TOTAL HQLA[2]**		**47,172**
22	**TOTAL NET CASH OUTFLOWS[3]**		**11,007**
23	**LIQUIDITY COVERAGE RATIO (%)[4]**		**434%**

[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] HQLA in row 1 and row 21 may not be equal as row 1 is before the application of caps on Level 2 liquid assets.

[3] Total net cash outflows may not be equal to the total cash outflows minus total cash inflows as the cap on inflows could be binding. Cash inflows may be netted against cash outflows up to an aggregate cap of 75% of total cash outflows.

[4] 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 2020, the average all-currency and SGD LCRs were 135% and 434% respectively. Compared to the previous quarter, all-currency LCR was unchanged while SGD LCR increased from 382%. The increase in SGD LCR was largely driven by an increase in inflows from derivatives.

The LCR remains above the regulatory minimum requirements of 100% for both all-currency and SGD. The Group maintains a healthy liquidity position by keeping a stable balance sheet structure that is supported by a diversified funding base.

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")

The Group 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.

The Group's HQLA include Singapore government securities and local government/central bank securities held at 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

The Group strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. The Group's funding strategy is anchored on strengthening the core deposit franchise as the foundation of its 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

The Group 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 its funding strategy, the Group makes use of the swap markets to support its 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. Matching its deposit currency mix, 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

Overseas branches and subsidiaries are encouraged but not required to centralise the majority of their borrowings and deployment of funds with Head Office. They will take into account any relevant regulatory restrictions while maintaining an adequate level of presence and participation in the local funding markets.

By managing the liquid assets as a pool, the Group expects to be 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
A-IRBA	Advanced Internal Ratings-Based Approach
CAR	Capital Adequacy Ratio
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CET1	Common Equity Tier 1
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Banks
F-IRBA	Foundation Internal Ratings-Based Approach
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
LCR	Liquidity Coverage Ratio
MAS	Monetary Authority of Singapore
NSFR	Net Stable Funding Ratio
OTC	Over-the-counter
RWA	Risk-Weighted Assets
SA(MR)	Standardised Approach for Market Risk
SEC-ERBA	Securitisation External Ratings-Based Approach
SEC-IRBA	Securitisation Internal Ratings-Based Approach
SEC-SA	Securitisation Standardised Approach
SFT	Securities or Commodities Financing Transaction
SGD	Singapore Dollar
US$	United States Dollar