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

First Quarter 2019

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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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		**31 Mar 19**	**31 Dec 18**	**30 Sep 18**	**30 Jun 18**	**31 Mar 18**
Available capital (amounts)						
1	CET1 capital	41,865	40,241	39,091	39,615	41,154
2	Tier 1 capital	45,252	43,635	42,508	42,035	44,135
3	Total capital	50,482	48,868	47,762	47,262	46,700
Risk-weighted assets (amounts)						
4	Total RWA	296,961	289,636	294,767	291,819	294,672
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	14.1	13.9	13.3	13.6	14.0
6	Tier 1 ratio (%)	15.2	15.1	14.4	14.4	15.0
7	Total capital ratio (%)	17.0	16.9	16.2	16.2	15.8
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5	1.875	1.875	1.875	1.875
9	Countercyclical buffer requirement (%)	0.4	0.3	0.3	0.3	0.3
10	Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.9	2.2	2.2	2.2	2.2
12	CET1 available after meeting the Reporting Bank's minimum capital requirements (%)	7.0	6.9	6.2	6.2	5.8
Leverage Ratio						
13	Total Leverage Ratio exposure measure	621,115	610,957	601,427	596,256	584,176
14	Leverage Ratio (%) (row 2 / row 13)	7.3	7.1	7.1	7.0	7.6
Liquidity Coverage Ratio [(2)]						
15	Total High Quality Liquid Assets	89,712	85,944	80,409	78,849	75,820
16	Total net cash outflow	65,973	62,212	61,036	58,437	61,114
17	Liquidity Coverage Ratio (%)	137	138	132	135	125
Net Stable Funding Ratio						
18	Total available stable funding	334,116	330,573	326,415	323,268	314,438
19	Total required stable funding	301,839	304,180	298,980	294,549	286,779
20	Net Stable Funding Ratio (%)	111	109	109	110	110

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	31 Mar 2019	31 Dec 2018
Share capital	11,205	11,205
Disclosed reserves and others	36,281	34,658
Total regulatory adjustments to Common Equity Tier 1 capital	(5,621)	(5,622)
Common Equity Tier 1 capital	41,865	40,241
Additional Tier 1 capital instruments[1]	3,387	3,394
Tier 1 capital	45,252	43,635
Total allowances eligible as Tier 2 capital	1,633	1,605
Tier 2 capital instruments[1]	3,597	3,628
Total capital	50,482	48,868
Risk-Weighted Assets (RWA)		
Credit RWA	246,950	242,526
Market RWA	28,610	26,170
Operational RWA	21,401	20,940
Total RWA	296,961	289,636
Capital Adequacy Ratio (CAR) (%)		
Common Equity Tier 1	14.1	13.9
Tier 1	15.2	15.1
Total	17.0	16.9
Minimum CAR including Buffer Requirements (%)[2]		
Common Equity Tier 1	9.4	8.7
Effective Tier 1	10.9	10.2
Effective Total	12.9	12.2
Of which: Buffer Requirements (%)		
Capital Conservation Buffer	2.5	1.875
Countercyclical Buffer	0.4	0.3

Notes:

1 As part of the Basel III transition arrangements, regulatory capital recognition of outstanding Additional Tier 1 and Tier 2 capital instruments that no longer meet the minimum criteria is gradually being phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition was capped at 90% in 2013, with this cap decreasing by 10 percentage points in each subsequent year. To the extent a capital instrument is redeemed or amortised after 1 January 2013, the nominal amount serving as the base is not reduced.

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

Compared with 31 December 2018, the Group's capital adequacy ratios were higher mainly due to profit accretion outpacing the growth in risk-weighted assets. During the quarter, total risk-weighted assets increased largely driven by increase in credit risk-weighted assets as a result of the adoption of SFRS(I) 16 Leases and asset growth.

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) 31 Mar 2019	31 Dec 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)	519,979	514,796
2	Asset amounts deducted in determining Tier 1 capital	(5,697)	(5,626)
3	**Total exposure measures of on-balance sheet items** (excluding derivative transactions and SFTs)	**514,282**	**509,170**
	Derivative exposure measures		
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	7,187	8,648
5	Potential future exposure associated with all derivative transactions	16,315	16,000
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	3,488	3,596
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	**Total derivative exposure measures**	**26,990**	**28,244**
	SFT exposure measures		
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	23,595	18,962
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	175	139
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	**Total SFT exposure measures**	**23,770**	**19,101**
	Exposure measures of off-balance sheet items		
17	Off-balance sheet items at notional amount	301,255	297,096
18	Adjustments for calculation of exposure measures of off-balance sheet items	(245,182)	(242,654)
19	**Total exposure measures of off-balance sheet items**	**56,073**	**54,442**
	Capital and Total exposures		
20	Tier 1 capital	45,252	43,635
21	Total exposures	621,115	610,957
	Leverage Ratio		
22	**Leverage Ratio**	**7.3%**	**7.1%**

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

The Group's leverage ratio as at 31 March 2019 increased by 0.2 percentage point to 7.3% as compared to the previous quarter due to an increase in Tier 1 Capital, partially offset by an increase in total exposures. The ratio is well above the 3% minimum requirement.

Leverage Ratio Summary Comparison Table

	Item	31 Mar 2019 Amount[1] ($m)
1	Total consolidated assets as per published financial statements	558,525
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	12,005
5	Adjustment for SFTs	175
6	Adjustment for off-balance sheet items	56,073
7	Other adjustments	(5,663)
8	**Exposure measure**	**621,115**

[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.

		a	b	c
		RWA		Minimum capital requirements[1]
$m		31 Mar 2019	31 Dec 2018	31 Mar 2019
1	**Credit risk (excluding CCR)**	229,502	225,220	22,951
2	*of which: Standardised Approach*	*40,313*	*38,466*	*4,031*
3	*of which: F-IRBA*	*138,476*	*135,906*	*13,848*
4	*of which: supervisory slotting approach*	*39,946*	*39,977*	*3,995*
5	*of which: A-IRBA*	*10,767*	*10,871*	*1,077*
6	**CCR**	9,632	9,205	963
7	*of which: Current Exposure Method*	*7,397*	*7,493*	*740*
8	*of which: CCR Internal Models Method*	-	-	-
9	*of which: other CCR*	*1,484*	*1,069*	*148*
9a	*of which: CCP*	*751*	*643*	*75*
10	CVA	6,084	6,352	608
11	Equity exposures under the simple risk weight method	-	-	-
11a	Equity exposures under the IMM	-	-	-
12	Equity investments in funds – look-through approach	121	123	12
13	Equity investments in funds – mandate-based approach	22	27	2
14	Equity investments in funds – fall-back approach	#	#	#
14a	Equity investment in funds – partial use of an approach	-	-	-
15	**Unsettled transactions**	72	42	7
16	**Securitisation exposures in banking book**	770	818	77
17	*of which: SEC-IRBA*	-	-	-
18	*of which: SEC-ERBA, including IAA*	*688*	*756*	*69*
19	*of which: SEC-SA*	-	-	-
20	**Market risk**	28,610	26,170	2,861
21	*of which: SA(MR)*	*28,610*	*26,170*	*2,861*
22	*of which: IMA*	-	-	-
23	**Operational risk**	21,401	20,940	2,140
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	747	739	75
25	**Floor adjustment**	-	-	-
26	**Total**	296,961	289,636	29,696

\# 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.

During the quarter, total risk-weighted assets increased largely driven by increase in credit risk-weighted assets as a result of the adoption of SFRS(I) 16 Leases and asset growth.

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		31 Mar 2019 a RWA amounts
1	**RWA as at end of previous quarter**	**186,754**
2	Asset size	2,899
3	Asset quality [(1)]	184
4	Model updates	-
5	Methodology and Policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(648)
8	Other	-
9	**RWA as at end of quarter**	**189,189**

[(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 largely driven by asset 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" ("MAS Notice 651").

DBS Bank Group ("DBS") 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, DBS 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. DBS 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. 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.

DBS 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] 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 31 March 2019

(Number of data points: 90)

$m		31 Mar 2019 UNWEIGHTED[1]	31 Mar 2019 WEIGHTED VALUE
HIGH-QUALITY LIQUID ASSETS			
1	**Total high-quality liquid assets (HQLA)**		**89,712**
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customers, of which**	**200,095**	**16,671**
3	Stable deposits	65,879	3,249
4	Less stable deposits	134,216	13,422
5	**Unsecured wholesale funding, of which**	**148,544**	**80,289**
6	Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	23,831	5,707
7	Non-operational deposits (all counterparties)	117,385	67,254
8	Unsecured debt	7,328	7,328
9	**Secured wholesale funding**		**1,274**
10	**Additional requirements, of which**	**52,176**	**10,946**
11	Outflows related to derivatives exposures and other collateral requirements	10,575	5,962
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	41,601	4,984
14	**Other contractual funding obligations**	**1,825**	**1,814**
15	**Other contingent funding obligations**	**22,885**	**686**
16	**TOTAL CASH OUTFLOWS**		**111,680**
CASH INFLOWS			
17	**Secured lending (e.g. reverse repos)**	**11,257**	**683**
18	**Inflows from fully performing exposures**	**69,651**	**41,577**
19	**Other cash inflows**	**6,980**	**3,447**
20	**TOTAL CASH INFLOWS**	**87,888**	**45,707**
		TOTAL ADJUSTED VALUE	
21	**TOTAL HQLA**		**89,712**
22	**TOTAL NET CASH OUTFLOWS**		**65,973**
23	**LIQUIDITY COVERAGE RATIO (%)[2]**		**137%**

[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 31 March 2019

(Number of data points: 90)

$m		31 Mar 2019 UNWEIGHTED	31 Mar 2019 WEIGHTED VALUE
HIGH-QUALITY LIQUID ASSETS			
1	**Total high-quality liquid assets (HQLA)**		**34,264**
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customers, of which**	**130,593**	**10,544**
3	Stable deposits	50,313	2,516
4	Less stable deposits	80,280	8,028
5	**Unsecured wholesale funding, of which**	**26,818**	**11,190**
6	Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	10,542	2,532
7	Non-operational deposits (all counterparties)	16,055	8,437
8	Unsecured debt	221	221
9	**Secured wholesale funding**		**-**
10	**Additional requirements, of which**	**20,617**	**9,685**
11	Outflows related to derivatives exposures and other collateral requirements	8,935	8,718
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	11,682	967
14	**Other contractual funding obligations**	**114**	**113**
15	**Other contingent funding obligations**	**3,108**	**93**
16	**TOTAL CASH OUTFLOWS**		**31,625**
CASH INFLOWS			
17	**Secured lending (e.g. reverse repos)**	**450**	**2**
18	**Inflows from fully performing exposures**	**13,812**	**8,111**
19	**Other cash inflows**	**13,817**	**13,678**
20	**TOTAL CASH INFLOWS**	**28,079**	**21,791**
		TOTAL ADJUSTED VALUE	
21	**TOTAL HQLA**		**34,264**
22	**TOTAL NET CASH OUTFLOWS**[1]		**9,936**
23	**LIQUIDITY COVERAGE RATIO (%)**[2]		**358%**

[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 first quarter of 2019, the average all-currency and SGD LCRs were 137% and 358% respectively. Compared to the previous quarter, average all-currency LCR decreased from 138% while SGD LCR decreased from 438%:

(i) All-currency LCR remains similar to last quarter as increase in outflows from maturing issued debt is offset by an increase in Level 1 and Level 2A HQLA holdings
(ii) SGD LCR decreased mainly due to increase in net cash outflows from maturing derivative transactions

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

DBS' 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 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 its long-term funding advantage. Please refer to the risk management disclosures in the latest available annual report for more information on DBS' 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 its funding strategy, DBS makes use of the swap markets to support funding needs across currencies. DBS' stable funding base of customer deposits is predominantly denominated in the local currency of its key operating locations. A 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 DBS' 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.

By managing the liquid assets as a pool, DBS 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 DBS' 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
OTC	Over-the-counter
RWA	Risk-Weighted Assets
SA(MR)	Standardised Approach to 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