

Goldman Sachs Asia Bank Limited, a restricted licence bank

Unaudited Disclosure Statement

For the quarterly reporting period ended 30 September 2018

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The disclosure statement is prepared to comply with the relevant provisions of the Banking (Disclosure) Rules made under section 60A of the Banking Ordinance for the quarterly reporting period ended 30 September 2018. The disclosure statement is not required to be, and has not been, audited by our independent auditors.

1 General information

Goldman Sachs Asia Bank Limited (the “Company”) is a restricted licence bank under the Banking Ordinance in Hong Kong. It is also a registered institution under the Hong Kong Securities and Futures Ordinance.

The Company has been established to provide the clients of The Goldman Sachs Group, Inc. and/or its consolidated subsidiaries (together, the “Firm”) in the Asia excluding Japan region with the opportunity to transact business with a bank counterparty located in Asia. Its principal activities are to engage in deposit-taking and over-the-counter derivatives. These activities are conducted in cooperation with the affiliated companies within the Firm, which give rise to service fee income and expense.

2 Capital framework

The Company is regulated by the Hong Kong Monetary Authority (the “HKMA”) and as such is subject to minimum capital requirements. The Company computes capital ratios in accordance with the Banking (Capital) Rules (the “BCR”) of the Banking Ordinance.

3 Key prudential ratios

The capital adequacy ratios are measures of regulatory capital to risk-weighted amounts (“RWAs”). Risk-weighted amounts represent the sum of the Company’s exposure to credit risk, market risk and operational risk calculated in accordance with the relevant provisions of the BCR.

The Common Equity Tier 1 (“CET1”) ratio is defined as CET1 divided by RWAs. The Tier 1 capital ratio is defined as Tier 1 capital divided by RWAs. The total capital ratio is defined as total capital divided by RWAs.

The leverage ratio (“LR”) is defined as Tier 1 capital to a measure of total exposures, defined as the sum of on-balance sheet exposures (after certain Tier 1 capital deductions), certain derivative exposures, securities financing transaction exposures and other off-balance sheet exposures.

The liquidity maintenance ratio (“LMR”) is calculated as the arithmetic mean of the average LMRs of the three calendar months within the quarter. The average LMR of each calendar month is the figure reported in MA(BS)1E Return of Liquidity Position submitted to the HKMA.

The Company is a category 2 institution (not designated as a category 2A institution) under the Banking (Liquidity) Rules. Accordingly, the liquidity coverage ratio, net stable funding ratio and core funding ratio are not applicable.

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3 Key prudential ratios (continued)

Using the standard templates as specified by the HKMA, the details of the Company's key prudential ratios and an explanation of material changes in the ratios during quarterly reporting periods are set out below.

Template KM1: Key prudential ratios

		30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2017
	Regulatory capital (US\$ '000)					
1	Common Equity Tier 1 (CET1)	113,753	113,572	112,985	112,780	112,940
2	Tier 1	113,753	113,572	112,985	112,780	112,940
3	Total capital	113,753	113,572	112,985	112,780	112,940
	RWA (US\$ '000)					
4	Total RWA	71,664	70,795	54,772	56,269	63,168
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	158.73%	160.42%	206.28%	200.43%	178.79%
6	Tier 1 ratio (%)	158.73%	160.42%	206.28%	200.43%	178.79%
7	Total capital ratio (%)	158.73%	160.42%	206.28%	200.43%	178.79%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	1.875%	1.875%	1.875%	1.250%	1.250%
9	Countercyclical capital buffer requirement (%)	1.856%	1.729%	1.662%	1.018%	1.070%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0%	0%	0%	0%	0%
11	Total AI-specific CET1 buffer requirements (%)	3.731%	3.604%	3.537%	2.268%	2.320%
12	CET1 available after meeting the AI's minimum capital requirements (%)	150.73%	152.42%	198.28%	192.43%	170.79%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure (US\$ '000)	130,303	137,679	126,512	132,433	133,332
14	LR (%)	87.30%	82.49%	89.31%	85.16%	84.71%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	-	-	-	-	-
16	Total net cash outflows	-	-	-	-	-
17	LCR (%)	-	-	-	-	-
	Applicable to category 2 institution only:					
17a	LMR (%)	160.00%	160.00%	160.00%	160.00%	160.01%
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
18	Total available stable funding	-	-	-	-	-
19	Total required stable funding	-	-	-	-	-
20	NSFR (%)	-	-	-	-	-
	Applicable to category 2A institution only:					
20a	CFR (%)	-	-	-	-	-

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4 Overview of RWA

The Company uses the Standardized (Credit Risk) Approach (“STC”), the Standardized (Market Risk) Approach (“STM”) and the Basic Indicator Approach (“BIA”), as set out in the BCR, to calculate its credit risk, market risk and operational risk respectively.

Using the standard template as specified by the HKMA, the detailed breakdown of the Company’s RWAs and an explanation of material changes in the RWAs during the quarterly reporting periods are set out below.

Template OV1: Overview of RWA

		RWA		Minimum capital requirements (Note (i))	Note
		30 September 2018	30 June 2018	30 September 2018	
		US\$ '000	US\$ '000	US\$ '000	
1	Credit risk for non-securitization exposures	47,157	47,571	3,773	
2	Of which STC approach	47,157	47,571	3,773	
2a	Of which BSC approach	-	-	-	
3	Of which foundation IRB approach	-	-	-	
4	Of which supervisory slotting criteria approach	-	-	-	
5	Of which advanced IRB approach	-	-	-	
6	Counterparty default risk and default fund contributions	751	840	60	
7	Of which SA-CCR	Not applicable	Not applicable	Not applicable	(ii)
7a	Of which CEM	751	840	60	
8	Of which IMM(CCR) approach	-	-	-	
9	Of which others	-	-	-	
10	CVA risk	203	204	16	
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-	
12	Collective investment scheme (“CIS”) exposures – LTA	Not applicable	Not applicable	Not applicable	(ii)
13	CIS exposures – MBA	Not applicable	Not applicable	Not applicable	(ii)
14	CIS exposures – FBA	Not applicable	Not applicable	Not applicable	(ii)
14a	CIS exposures – combination of approaches	Not applicable	Not applicable	Not applicable	(ii)
15	Settlement risk	-	-	-	
16	Securitization exposures in banking book	-	-	-	
17	Of which SEC-IRBA	-	-	-	
18	Of which SEC-ERBA	-	-	-	
19	Of which SEC-SA	-	-	-	
19a	Of which SEC-FBA	-	-	-	
20	Market risk	36	43	3	
21	Of which STM approach	36	43	3	
22	Of which IMM approach	-	-	-	
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	Not applicable	Not applicable	Not applicable	(ii)
24	Operational risk	23,517	22,137	1,881	(iii)
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-	
26	Capital floor adjustment	-	-	-	
26a	Deduction to RWA	-	-	-	
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-	
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-	
27	Total	71,664	70,795	5,733	

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4 Overview of RWA (continued)

Template OV1: Overview of RWA (continued)

- (i) The minimum capital requirements are determined by multiplying the Company's RWAs derived from the relevant calculation approach by 8%, not the Company's actual regulatory capital.
- (ii) These items will be applicable only after their respective policy frameworks take effect. Until then, "Not applicable" should be reported in the rows.
- (iii) The increase in RWAs for operational risk from the previous reporting period is due to an increase in the arithmetic mean of the aggregate capital charge for the last 3 years, mainly driven by service fee income.

5 Leverage ratio

Template LR2: Leverage ratio

		US\$ '000 equivalent	
		30 September 2018	30 June 2018
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	129,935	132,007
2	Less: Asset amounts deducted in determining Tier 1 capital	(862)	(739)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	129,073	131,268
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)	471	5,736
5	Add-on amounts for PFE associated with all derivative contracts	759	675
6	Gross-up for derivatives collateral provided 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	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	Total exposures arising from derivative contracts	1,230	6,411
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	-	-

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5 Leverage ratio (continued)

Template LR2: Leverage ratio (continued)

		US\$ '000 equivalent	
		30 September 2018	30 June 2018
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	-	-
18	Less: Adjustments for conversion to credit equivalent amounts	-	-
19	Off-balance sheet items	-	-
Capital and total exposures			
20	Tier 1 capital	113,753	113,572
20a	Total exposures before adjustments for specific and collective provisions	130,303	137,679
20b	Adjustments for specific and collective provisions	-	-
21	Total exposures after adjustments for specific and collective provisions	130,303	137,679
Leverage ratio			
22	Leverage ratio	87.30%	82.49%