Goldman Sachs Asia Bank Limited, a restricted licence bank

Unaudited Disclosure Statement

For the quarterly reporting period ended 31 March 2018

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Contents Pages

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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 31 March 2018. The disclosure statement is not required to be, and has not been, audited by an independent auditor.

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 capital ratios disclosures

(a) Capital adequacy 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 capital base for each of the capital adequacy ratios and the RWAs are set out below:

US$ ’000	31 March 2018
CET1 capital	$ 112,985
Tier 1 capital	112,985
Total capital	112,985
Total RWAs	$ 54,772
CET1 ratio	206.28%
Tier 1 capital ratio	206.28%
Total capital ratio	206.28%

3 Key capital ratios disclosures (continued)

(b) Leverage ratio

The leverage ratio is calculated in accordance with the relevant provisions of the BCR. It 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 Tier 1 capital and the total exposures are set out below:

US$ ’000	31 March 2018
Tier 1 capital	$ 112,985
Total exposures	$ 126,512
Leverage ratio	89.31%

4 Overview of RWA

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

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

4 Overview of RWA (continued)

Template OV1: Overview of RWA

		RWA		Minimum capital requirements (Note (i))	
		31 March 2018	31 December 2017	31 March 2018	
		US$ '000	US$ '000	US$ '000	Note
1	Credit risk for non-securitization exposures	33,890	37,952	2,711	(ii)
2	Of which STC approach	33,890	37,952	2,711	
2a	Of which BSC approach	-	-	-	
3	Of which IRB approach	-	-	-	
4	Counterparty credit risk	1,848	1,950	148	
5	Of which SA-CCR	-	-	-	
5a	Of which CEM	1,848	1,950	148	
6	Of which IMM(CCR) approach	-	-	-	
7	Equity exposures in banking book under the market-based approach	-	-	-	
8	CIS exposures – LTA	-	-	-	
9	CIS exposures – MBA	-	-	-	
10	CIS exposures – FBA	-	-	-	
11	Settlement risk	-	-	-	
12	Securitization exposures in banking book	-	-	-	
13	Of which IRB(S) approach – ratings-based method	-	-	-	
14	Of which IRB(S) approach – supervisory formula method	-	-	-	
15	Of which STC(S) approach	-	-	-	
16	Market risk	48	44	4	
17	Of which STM approach	48	44	4	
18	Of which IMM approach	-	-	-	
19	Operational risk	18,986	16,323	1,519	(iii)
20	Of which BIA approach	18,986	16,323	1,519	
21	Of which STO approach	-	-	-	
21a	Of which ASA approach	-	-	-	
22	Of which AMA approach	N/A	N/A	N/A	
23	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-	
24	Capital floor adjustment	-	-	-	
24a	Deduction to RWA	-	-	-	
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-	
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-	
25	Total	54,772	56,269	4,382	

N/A: Not applicable in the case of Hong Kong

(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) The decrease in RWAs for credit risk for non-securitization exposures from the previous reporting period is mainly due to the decrease in trade and other receivables.

(iii) The increase in RWAs for operational risk from the previous reporting period is mainly due to an increase in service fee income.