

星展銀行（香港）有限公司  
**DBS BANK (HONG KONG) LIMITED**

(Incorporated in Hong Kong with limited liability)

**GROUP INTERIM FINANCIAL DISCLOSURE STATEMENTS  
FOR THE SIX MONTHS ENDED  
30 JUNE 2013**

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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# **DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES**

## **REVIEW OF ACTIVITIES**

During the period, the Bank's profit attributable to shareholders increased by 24.3% from the same period last year to HK\$2,128 million.

Total income increased by 21.0% to HK\$4,409 million. Net interest income increased by 8.0% to HK\$2,197 million. Non-interest income increased by 37.5% to HK\$2,212 million. Total expenses increased by 11.8% to HK\$1,864 million. Staff costs rose by 9.2% and non-staff costs increased by 15.7%. Cost-to-income ratio improved to 42.3% compared to 45.7% in the first half of 2012. Allowances for credit and other losses increased from a write-back of HK\$12 million in the first half of 2012 to HK\$73 million provision made.

Advances to customers increased 9.7% from December 2012 to HK\$193 billion while customer deposits decreased 2.8% from December 2012 to HK\$206 billion. The loan-to-deposit ratio was 91.5% compared to 82.0% in December 2012.

The Bank's financial position remains strong. Capital adequacy ratio stood at a comfortable level of 14.9% as at 30 June 2013, compared to 16.7% as at 31 December 2012. Average liquidity ratio was 39.3% for the first half of 2013, compared to 40.5% for the first half of 2012.

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED CONSOLIDATED INCOME STATEMENT

		For the six months ended	
	Note	30 June 2013 HK\$'M	30 June 2012 HK\$'M
Interest income	3	<b>3,084</b>	3,191
Interest expense	4	<u>(887)</u>	<u>(1,156)</u>
Net interest income		<b>2,197</b>	2,035
Net fee and commission income	5	<b>810</b>	681
Net income from financial instruments at fair value through profit or loss	6	<b>1,075</b>	742
Net income from financial investments	7	<b>31</b>	96
Other income	8	<u><b>296</b></u>	<u>90</u>
Total income		<b>4,409</b>	3,644
Total expenses	9	<u><b>(1,864)</b></u>	<u>(1,667)</u>
Profit before allowances for credit and other losses		<b>2,545</b>	1,977
Allowances for credit and other losses	10	<u><b>(73)</b></u>	<u>12</u>
Profit after allowances for credit and other losses		<b>2,472</b>	1,989
Share of profit of a joint venture		<u><b>19</b></u>	<u>20</u>
Profit before income tax		<b>2,491</b>	2,009
Income tax expense	11	<u><b>(363)</b></u>	<u>(297)</u>
Profit attributable to shareholders		<u><b>2,128</b></u>	<u>1,712</u>
Dividend		<u><b>1,200</b></u>	<u>–</u>

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June 2013	30 June 2012
	HK\$'M	HK\$'M
<b>Profit attributable to shareholders</b>	<u>2,128</u>	<u>1,712</u>
<b>Other comprehensive income</b>		
Available-for-sale financial investments		
– Net valuation taken to equity	(48)	63
– Transferred to income statement	(14)	(83)
– Deferred income tax credited / (charged) to equity	<u>10</u>	<u>(6)</u>
<b>Other comprehensive income attributable to shareholders, net of tax</b>	<u>(52)</u>	<u>(26)</u>
<b>Total comprehensive income attributable to shareholders</b>	<u><u>2,076</u></u>	<u><u>1,686</u></u>

Items recorded in “Other comprehensive income” above will be reclassified subsequently to the income statement when specific conditions are met, e.g. when available-for-sale financial investments are disposed.

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2013 HK\$'M	As at 31 December 2012 HK\$'M
<b>Assets</b>			
Cash and balances with banks	12	3,065	7,318
Placements with and advances to banks	13	48,581	57,951
Trading securities		14,871	7,577
Positive fair values for derivative financial instruments		6,888	5,215
Advances to customers less impairment allowances	14	192,603	175,651
Financial investments	15	22,749	24,637
Other assets		4,697	4,154
Interest in a joint venture		349	330
Deferred tax assets		26	11
Properties and other fixed assets	16	2,571	2,668
– Investment properties		476	476
– Other properties and fixed assets		2,095	2,192
Total assets		<b>296,400</b>	<b>285,512</b>
<b>Liabilities</b>			
Deposits and balances from banks		14,364	9,356
Trading liabilities		13,469	6,450
Financial liabilities designated at fair value through profit or loss	17	4,116	1,779
Negative fair values for derivative financial instruments		7,259	5,109
Deposits from customers	18	206,452	212,333
Certificates of deposit issued	19	5,935	7,283
Other liabilities		7,473	7,217
Current income tax liabilities		511	143
Amount due to a joint venture		2,741	2,641
Subordinated liability	20	4,189	4,186
Total liabilities		<b>266,509</b>	<b>256,497</b>
<b>Equity</b>			
Share capital		7,000	7,000
Reserves		22,891	22,015
Total equity		<b>29,891</b>	<b>29,015</b>
Total liabilities and equity		<b>296,400</b>	<b>285,512</b>

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'M	Share premium HK\$'M	Capital reserve HK\$'M	Revaluation reserves HK\$'M	General reserve HK\$'M	Retained earnings HK\$'M	Total equity HK\$'M
Balance as at 1 January 2012	7,000	595	12	246	2,399	15,558	25,810
Total comprehensive income	—	—	—	(26)	—	1,712	1,686
Balance as at 30 June 2012	7,000	595	12	220	2,399	17,270	27,496
Total comprehensive income	—	—	—	4	—	1,515	1,519
Balance as at 31 December 2012	<u>7,000</u>	<u>595</u>	<u>12</u>	<u>224</u>	<u>2,399</u>	<u>18,785</u>	<u>29,015</u>
Balance as at 1 January 2013	<b>7,000</b>	<b>595</b>	<b>12</b>	<b>224</b>	<b>2,399</b>	<b>18,785</b>	<b>29,015</b>
Total comprehensive income	—	—	—	(52)	—	2,128	2,076
Dividend	—	—	—	—	—	(1,200)	(1,200)
Balance as at 30 June 2013	<u><b>7,000</b></u>	<u><b>595</b></u>	<u><b>12</b></u>	<u><b>172</b></u>	<u><b>2,399</b></u>	<u><b>19,713</b></u>	<u><b>29,891</b></u>

As at 30 June 2013, HK\$1,326 million (31 December 2012: HK\$1,295 million) was earmarked as the regulatory reserve from the retained earnings. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.

# **DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 Scope of consolidation**

The consolidated financial statements incorporate the financial statements of DBS Bank (Hong Kong) Limited (the “Bank”) and all its subsidiaries (the “Group”).

For regulatory reporting purposes, the Bank is required to compute its capital adequacy ratios on a combined basis that is different from the basis of consolidation for accounting purposes. The basis is set out in the unaudited supplementary information Note 2.

### **2 Accounting policies and effect on financial statements on adoption of HKFRS 11 Joint Arrangements**

Except as described below, the accounting policies applied in preparing this interim financial report are the same as those applied in preparing the financial statements for the year ended 31 December 2012 as disclosed in the Annual Report and Financial Statements for 2012.

HKFRS 11 applies to all parties to a joint arrangement including those who participate in, but do not have joint control of, a joint arrangement. The standard prescribes the accounting for joint operations and joint ventures in both consolidated and separate financial statements. Previously, the Group recognises its interest in jointly controlled entity using the proportionate consolidation method under HKAS 31 Interests in Joint Ventures. With the adoption of HKFRS 11, the interest in joint venture is accounted for under the equity method. The equity method has been applied retrospectively and the comparative figures have been restated, as summarised below. The retrospective application of HKFRS 11 has no impact to the Group’s retained earnings.



# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 Accounting policies and effect on financial statements on adoption of HKFRS 11 Joint Arrangements (continued)

	As previously reported HK\$'M	Adjustment HK\$'M	As restated HK\$'M
Consolidated income statement for the six months ended 30 June 2012			
Interest income	3,260	(69)	3,191
Interest expense	1,184	(28)	1,156
Net interest income	2,076	(41)	2,035
Net fee and commission income	693	(12)	681
Total income	3,697	(53)	3,644
Total expenses	1,688	(21)	1,667
Allowances for credit and other losses	4	8	12
Share of profit of a joint venture	–	20	20
Profit before income tax	2,013	(4)	2,009
Income tax expense	301	(4)	297
Consolidated balance sheet as at 31 December 2012			
Advances to customers less impairment allowances	175,625	26	175,651
Other assets	4,157	(3)	4,154
Interest in a joint venture	–	330	330
Deferred tax assets	14	(3)	11
Properties and other fixed assets	2,669	(1)	2,668
Other liabilities	8,188	(971)	7,217
Amount due to a joint venture	1,321	1,320	2,641

### 3 Interest income

Interest income recognised on financial assets that are not at fair value through profit or loss amounted to HK\$3,060 million (first half of 2012: HK\$3,154 million).

### 4 Interest expense

Interest expense recognised on financial liabilities that are not at fair value through profit or loss amounted to HK\$875 million (first half of 2012: HK\$1,144 million).

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5 Net fee and commission income

	<b>For the six months ended</b>	
	<b>30 June 2013</b>	30 June 2012
	<b>HK\$'M</b>	HK\$'M
Fee and commission income	<b>941</b>	787
Less: Fee and commission expense	<b>(131)</b>	(106)
	<hr/>	<hr/>
Net fee and commission income	<b>810</b>	681
	<hr/> <hr/>	<hr/> <hr/>
Comprising:		
– Wealth management	<b>308</b>	205
– Trade and remittances	<b>198</b>	185
– Loan-related	<b>122</b>	114
– Card	<b>106</b>	102
– Stock broking	<b>20</b>	17
– Deposit-related	<b>17</b>	11
– Guarantees	<b>6</b>	7
– Investment banking	<b>4</b>	2
– Others	<b>29</b>	38
	<hr/>	<hr/>
	<b>810</b>	681
	<hr/> <hr/>	<hr/> <hr/>
Of which:		
Fee and commission income arising from:		
– Financial assets or financial liabilities not at fair value through profit or loss	<b>343</b>	311
– Trust or other fiduciary activities	<b>9</b>	11
Fee and commission expense arising from:		
– Financial assets or financial liabilities not at fair value through profit or loss	<b>98</b>	84

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6 Net income from financial instruments at fair value through profit or loss

	For the six months ended	
	30 June 2013 HK\$'M	30 June 2012 HK\$'M
Net trading income		
– Foreign exchange	1,003	624
– Interest rates, equities and commodities	49	133
	<u>1,052</u>	<u>757</u>
Net gain / (loss) from financial instruments designated at fair value through profit or loss	23	(15)
	<u>1,075</u>	<u>742</u>

### 7 Net income from financial investments

	For the six months ended	
	30 June 2013 HK\$'M	30 June 2012 HK\$'M
Debt securities		
– Available-for-sale	14	81
– Loans and receivables	–	3
Equity securities	17	12
	<u>31</u>	<u>96</u>
Of which dividend income from:		
– Listed investments	1	1
– Unlisted investments	12	11
	<u>13</u>	<u>12</u>

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8 Other income

	For the six months ended	
	30 June 2013 HK\$'M	30 June 2012 HK\$'M
Net gain on disposal of properties and other fixed assets	275	61
Others	21	29
	<u>296</u>	<u>90</u>

### 9 Total expenses

	For the six months ended	
	30 June 2013 HK\$'M	30 June 2012 HK\$'M
Employee benefits		
– Salaries and other short term employee benefits	1,008	917
– Pensions	57	58
– Share based payments	16	15
Premises and equipment expenses excluding depreciation		
– Rental of premises	108	98
– Others	124	117
Depreciation	111	97
Auditor's remuneration	5	5
Computerisation expenses	159	123
Other operating expenses	276	237
	<u>1,864</u>	<u>1,667</u>

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10 Allowances for credit and other losses

	<b>For the six months ended</b>	
	<b>30 June 2013</b>	30 June 2012
	HK\$'M	HK\$'M
Individual impairment allowances on advances to customers	<b>33</b>	(5)
Collective impairment allowances on advances to customers	<b>40</b>	(3)
Allowances for other credit related losses	–	(4)
	<u><b>73</b></u>	<u>(12)</u>
Individual impairment allowances on advances to customers		
– New allowances	<b>128</b>	101
– Releases	<b>(83)</b>	(102)
– Recoveries	<b>(12)</b>	(4)
	<u><b>33</b></u>	<u>(5)</u>
Collective impairment allowances on advances to customers		
– New allowances	<b>119</b>	106
– Releases	<b>(69)</b>	(98)
– Recoveries	<b>(10)</b>	(11)
	<u><b>40</b></u>	<u>(3)</u>
Allowances for other credit related losses		
– Releases	–	(4)
	<u><b>–</b></u>	<u>(4)</u>

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 11 Income tax expense

	For the six months ended	
	30 June 2013	30 June 2012
	HK\$'M	HK\$'M
Hong Kong profits tax	356	285
Overseas tax	4	3
	<hr/>	<hr/>
Current income tax	360	288
Deferred income tax	3	9
	<hr/>	<hr/>
	<b>363</b>	<b>297</b>
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at 16.5% (first half of 2012: 16.5%) on the estimated assessable profits for the period. Taxation for overseas subsidiaries and branch are charged at the appropriate current rates of taxation ruling in the countries in which they operate.

### 12 Cash and balances with banks

	As at	As at
	30 June	31 December
	2013	2012
	HK\$'M	HK\$'M
Cash in hand	381	381
Balances with central banks	405	3,712
Balances with banks	2,279	3,225
	<hr/>	<hr/>
	<b>3,065</b>	<b>7,318</b>
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# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 13 Placements with and advances to banks

	<b>As at 30 June 2013 HK\$'M</b>	As at 31 December 2012 HK\$'M
Remaining maturity		
– Within one month	<b>19,467</b>	22,277
– One year or less but over one month	<b>28,978</b>	35,515
– Over one year	<b>136</b>	159
	<b><u>48,581</u></b>	<b><u>57,951</u></b>

As at 30 June 2013, there were no impaired, overdue or rescheduled placements with and advances to banks (31 December 2012: Nil).

### 14 Advances to customers less impairment allowances

	<b>As at 30 June 2013 HK\$'M</b>	As at 31 December 2012 HK\$'M
Gross advances to customers	<b>194,071</b>	177,152
Less: Impairment allowances		
– Individually assessed	<b>(862)</b>	(899)
– Collectively assessed	<b>(606)</b>	(602)
	<b><u>192,603</u></b>	<b><u>175,651</u></b>
Comprising:		
– Trade bills	<b>45,118</b>	28,250
– Loans	<b>147,485</b>	147,401
	<b><u>192,603</u></b>	<b><u>175,651</u></b>

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14 Advances to customers less impairment allowances (continued)

#### Impaired advances

	As at 30 June 2013		As at 31 December 2012	
	HK\$'M	% of gross advances to customers	HK\$'M	% of gross advances to customers
Gross impaired advances	1,417	0.73	1,379	0.78
Individual impairment allowances	<u>(862)</u>		<u>(899)</u>	
	<u>555</u>		<u>480</u>	
Impaired advances covered by collateral	<u>541</u>		<u>472</u>	

Impaired advances to customers are individually assessed customer advances with objective evidence of impairment.

The individual impairment allowances were made after taking into account the value of collateral in respect of the above advances.

### 15 Financial investments

	As at 30 June 2013 HK\$'M	As at 31 December 2012 HK\$'M
Available-for-sale	22,420	24,068
Loans and receivables	<u>329</u>	<u>569</u>
	<u>22,749</u>	<u>24,637</u>

As at 30 June 2013, there were no impaired, overdue or rescheduled financial investments (31 December 2012: Nil).



# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16 Properties and other fixed assets

	Freehold land and building HK\$'M	Land and buildings HK\$'M	Furniture, fixtures and equipment HK\$'M	Subtotal HK\$'M	Investment properties HK\$'M	Total HK\$'M
Cost or valuation						
As at 1 January 2013						
– as previously reported	23	2,636	1,184	3,843	476	4,319
– on adoption of HKFRS 11	–	–	(36)	(36)	–	(36)
– as restated	23	2,636	1,148	3,807	476	4,283
Additions	–	7	53	60	–	60
Disposals	–	(75)	(35)	(110)	–	(110)
As at 30 June 2013	23	2,568	1,166	3,757	476	4,233
Accumulated depreciation and impairment						
As at 1 January 2013						
– as previously reported	17	797	836	1,650	–	1,650
– on adoption of HKFRS 11	–	–	(35)	(35)	–	(35)
– as restated	17	797	801	1,615	–	1,615
Charge for the period	–	28	83	111	–	111
Disposals	–	(30)	(34)	(64)	–	(64)
As at 30 June 2013	17	795	850	1,662	–	1,662
Net book value						
As at 30 June 2013	6	1,773	316	2,095	476	2,571
The analysis of cost or valuation of the above assets as at 30 June 2013 is as follows:						
At cost	23	2,568	1,166	3,757	–	3,757
At valuation	–	–	–	–	476	476
	23	2,568	1,166	3,757	476	4,233

The fair value of the investment properties has been determined based on valuations performed by A.G. Wilkinson & Associates as at 31 December 2012. The fair value represents the estimated amount at which the asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16 Properties and other fixed assets (continued)

	Freehold land and building HK\$'M	Land and buildings HK\$'M	Furniture, fixtures and equipment HK\$'M	Subtotal HK\$'M	Investment properties HK\$'M	Total HK\$'M
Cost or valuation						
As at 1 January 2012						
– as previously reported	23	2,707	1,030	3,760	407	4,167
– on adoption of HKFRS 11	–	–	(36)	(36)	–	(36)
– as restated	23	2,707	994	3,724	407	4,131
Additions	–	10	174	184	–	184
Disposals	–	(81)	(20)	(101)	–	(101)
Fair value adjustment	–	–	–	–	69	69
As at 31 December 2012	23	2,636	1,148	3,807	476	4,283
Accumulated depreciation and impairment						
As at 1 January 2012						
– as previously reported	17	788	709	1,514	–	1,514
– on adoption of HKFRS 11	–	–	(34)	(34)	–	(34)
– as restated	17	788	675	1,480	–	1,480
Charge for the year						
– as previously reported	–	55	146	201	–	201
– on adoption of HKFRS 11	–	–	(1)	(1)	–	(1)
– as restated	–	55	145	200	–	200
Disposals	–	(46)	(19)	(65)	–	(65)
As at 31 December 2012	17	797	801	1,615	–	1,615
Net book value						
As at 31 December 2012	6	1,839	347	2,192	476	2,668
The analysis of cost or valuation of the above assets as at 31 December 2012 is as follows:						
At cost	23	2,636	1,148	3,807	–	3,807
At valuation	–	–	–	–	476	476
	23	2,636	1,148	3,807	476	4,283

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17 Financial liabilities designated at fair value through profit or loss

	<b>As at 30 June 2013 HK\$'M</b>	As at 31 December 2012 HK\$'M
Structured investment deposits (Note 18)	4,116	1,771
Certificates of deposit issued (Note 19)	—	8
	<u>4,116</u>	<u>1,779</u>

### 18 Deposits from customers

	<b>As at 30 June 2013 HK\$'M</b>	As at 31 December 2012 HK\$'M
Deposits from customers		
– As stated in the balance sheet	206,452	212,333
– Structured investment deposits reported as financial liabilities designated at fair value through profit or loss (Note 17)	4,116	1,771
	<u>210,568</u>	<u>214,104</u>
Analysed by:		
– Demand deposits and current accounts	21,766	20,912
– Savings deposits	64,250	69,485
– Time, call and notice deposits	124,552	123,707
	<u>210,568</u>	<u>214,104</u>

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19 Certificates of deposit issued

	<b>As at 30 June 2013 HK\$'M</b>	As at 31 December 2012 HK\$'M
Certificates of deposit issued		
– At amortised cost	<b>2,607</b>	3,803
– Adjusted for fair value changes under fair value hedge	<b>3,328</b>	3,480
	<hr/>	<hr/>
As stated in the balance sheet	<b>5,935</b>	7,283
Reported as financial liabilities designated at fair value through profit or loss (Note 17)	–	8
	<hr/>	<hr/>
	<b>5,935</b>	7,291
	<hr/> <hr/>	<hr/> <hr/>

### 20 Subordinated liability

The subordinated loan with principal amount of US\$540,000,000 was obtained from its intermediate holding company, DBS Bank Ltd. on 12 December 2012. The subordinated loan is Basel III-compliant and qualifies as Tier 2 capital for the purpose of computing the Bank's capital adequacy ratios. The relevant terms and conditions of the subordinated loan are described in the unaudited supplementary information Note 2(c).

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 21 Derivative financial instruments

The following is a summary of each significant type of derivative financial instruments:

**As at 30 June 2013**

<b>Derivatives held for trading</b>	<b>Contract/ notional amount HK\$'M</b>	<b>Credit risk- weighted amount HK\$'M</b>	<b>Positive fair value HK\$'M</b>	<b>Negative fair value HK\$'M</b>
Foreign exchange derivatives				
– Forwards	228,512	3,327	2,209	2,058
– Swaps	163,160	503	770	1,293
– Options purchased	181,040	8,846	3,154	84
– Options written	180,629	–	84	3,193
	<u>753,341</u>	<u>12,676</u>	<u>6,217</u>	<u>6,628</u>
Interest rate derivatives				
– Futures	70	1	1	–
– Swaps	33,570	384	483	480
– Options purchased	1,463	–	5	–
– Options written	1,463	–	–	5
	<u>36,566</u>	<u>385</u>	<u>489</u>	<u>485</u>
Equity derivatives	<u>546</u>	<u>8</u>	<u>11</u>	<u>11</u>
Commodity derivatives	<u>445</u>	<u>27</u>	<u>4</u>	<u>4</u>
Total derivatives held for trading	<u><u>790,898</u></u>	<u><u>13,096</u></u>	<u><u>6,721</u></u>	<u><u>7,128</u></u>
<b>Derivatives designated and qualified as fair value hedges</b>				
Interest rate derivatives				
– Swaps	<u>5,131</u>	<u>64</u>	<u>225</u>	<u>166</u>

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 21 Derivative financial instruments (continued)

As at 31 December 2012

Derivatives held for trading	Contract/ notional amount HK\$'M	Credit risk- weighted amount HK\$'M	Positive fair value HK\$'M	Negative fair value HK\$'M
Foreign exchange derivatives				
– Forwards	204,548	3,102	2,003	1,999
– Swaps	122,321	328	711	721
– Options purchased	115,851	3,737	1,416	–
– Options written	114,678	–	–	1,413
	<u>557,398</u>	<u>7,167</u>	<u>4,130</u>	<u>4,133</u>
Interest rate derivatives				
– Futures	54	–	1	1
– Swaps	33,815	521	706	735
– Options purchased	1,412	–	6	–
– Options written	1,412	–	–	6
	<u>36,693</u>	<u>521</u>	<u>713</u>	<u>742</u>
Equity derivatives	<u>489</u>	<u>7</u>	<u>3</u>	<u>3</u>
Total derivatives held for trading	<u>594,580</u>	<u>7,695</u>	<u>4,846</u>	<u>4,878</u>
Derivatives designated and qualified as fair value hedges				
Interest rate derivatives				
– Swaps	<u>5,788</u>	<u>74</u>	<u>378</u>	<u>252</u>

The above tables include derivatives and embedded derivatives. The amounts (except credit-risk weighted amounts) are shown on a gross basis and do not take into account the effect of bilateral netting arrangements. The positive and negative fair values of embedded derivatives included in above amounted to HK\$58 million and HK\$35 million respectively (31 December 2012: HK\$9 million and HK\$21 million respectively). The contract or notional amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date; they do not represent amounts at risk.

The credit risk-weighted amounts as at 30 June 2013 and 31 December 2012 are the amounts which have been taken into account the effect of bilateral netting arrangements and have been calculated in accordance with the Banking (Capital) Rules.

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 22 Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

	<b>As at 30 June 2013 HK\$'M</b>	As at 31 December 2012 HK\$'M
Direct credit substitutes	<b>1,017</b>	1,046
Transaction-related contingencies	<b>1,000</b>	978
Trade-related contingencies	<b>9,334</b>	9,604
Other commitments with an original maturity of not more than one year	<b>7,660</b>	4,003
Other commitments with an original maturity of more than one year	<b>622</b>	405
Other commitments which are unconditionally cancellable	<b>131,409</b>	127,892
	<b>151,042</b>	143,928
Credit risk-weighted amount	<b>15,550</b>	13,141

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION

### 1 Capital adequacy

The Bank is required to compute its capital adequacy ratios on a combined basis that includes the Bank and its overseas branch. The capital adequacy ratios as at 30 June 2013 and 31 December 2012 were compiled in accordance with the Banking (Capital) Rules issued by the Hong Kong Monetary Authority.

	<b>As at 30 June 2013</b>	As at 31 December 2012
Capital Adequacy Ratios		
Common Equity Tier 1	<b>12.9%</b>	NA
Tier 1	<b>12.9%</b>	14.3%
Total	<b>14.9%</b>	16.7%

The Bank uses the Internal Ratings-Based (“IRB”) approach for the calculation of the risk-weighted assets for the majority of its credit risk exposures and the Standardised approach for those exempted from the IRB approach. The Bank uses the Standardised approaches for the calculation of risk-weighted assets for market risk and operational risk.

HKMA implemented Basel III capital adequacy requirements in the Banking (Capital) Rules with effect from 1 January 2013. Capital adequacy disclosures related to dates prior to 1 January 2013 were calculated in accordance with the then prevailing capital adequacy requirements and are thus not directly comparable to those pertaining to dates from 1 January 2013.

The differences between the basis of consolidation for accounting and regulatory purpose, full reconciliation of capital items and the balance sheet, and main features of regulatory capital instruments as at 30 June 2013 are disclosed in Note 2.



# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 2 Composition of Capital

#### (a) Financial Statements and Regulatory Scope of Consolidation

For regulatory reporting purposes, the Bank is required to compute its capital adequacy ratios on a combined basis that includes the Bank and its overseas branch, while the preparation of its financial statements are based on consolidation basis that also includes its subsidiaries.

The following entities are within the Group's accounting scope of consolidation but are excluded from its regulatory scope of consolidation.

Name of entity	Principal activities	Total Assets HK\$'M	Total Equity HK\$'M
OTB International Factors Limited	Inactive	6	6
OTB Card Company Limited	Inactive	83	83
DBS Kwong On Finance Limited	Inactive	28	28
DBS Overseas Limited	Inactive	–	–
Dao Heng Finance Limited	Inactive	59	58
Hang Lung Bank (Nominee) Limited	Provision of nominee services	–	–
DBS Kwong On (Nominees) Limited	Provision of nominee services	–	–
Overseas Trust Bank Nominees Limited	Provision of nominee services	–	–
Ting Hong Nominees Limited	Provision of nominee, trustee and agency services	–	–
DBS Trustee (Hong Kong) Limited	Provision of trustee and trust administration services	5	5
DBS Trustee H.K.(Jersey) Limited	Provision of trustee and trust administration services	20	19
DBS Trustee H.K.(New Zealand) Limited	Provision of trustee and trust administration services	–	–
Hutchison DBS Card Limited	Provision of credit card services	2,750	697
DBS Corporate Services (Hong Kong) Limited	Provision of corporate services	48	31
DHJ Management Limited	Provision of corporate services	–	–
DNZ Limited	Provision of corporate services	–	–
Kingly Management Limited	Provision of corporate services	–	–
JT Administration Limited	Provision of corporate services	–	–
Kenson Asia Limited	Provision of corporate services	–	–
Market Success Limited	Provision of corporate services	–	–
Worldson Services Limited	Provision of corporate services	–	–

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 2 Composition of Capital (continued)

#### (a) Financial Statements and Regulatory Scope of Consolidation (continued)

	Balance sheet as per published financial statements	Under regulatory scope of consolidation	Cross reference to Note 2 (b)
	As at 30 June 2013	As at 30 June 2013	
<b>Assets</b>			
Cash and balances with banks	3,065	3,065	
Placements with and advances to banks	48,581	48,578	
Trading securities	14,871	14,871	
Positive fair values for derivative financial instruments	6,888	6,888	
Advances to customers less impairment allowances	192,603	192,603	
<i>of which: Collective impairment allowances eligible for inclusion in Tier 2 capital</i>		(70)	(1)
<i>Excess of total expected loss amount over total eligible provisions under IRB approach</i>		270	(2)
Financial investments	22,749	22,749	
Other assets	4,697	4,697	
Interest in a joint venture	349	1	
Subsidiaries		149	
Deferred tax assets	26	26	(3)
Properties and other fixed assets	2,571	2,571	
<b>Total assets</b>	<b>296,400</b>	<b>296,198</b>	
<b>Liabilities</b>			
Deposits and balances from banks	14,364	14,364	
Trading liabilities	13,469	13,469	
Financial liabilities designated at fair value through profit or loss	4,116	4,116	
Negative fair values for derivative financial instruments	7,259	7,259	
Deposits from customers	206,452	206,452	
Certificate of deposit issued	5,935	5,935	
Other liabilities	7,473	7,471	
Current income tax liabilities	511	511	
Amount due to a joint venture	2,741	2,741	
Amounts due to subsidiaries	–	232	
Subordinated liability	4,189	4,189	(4)
<b>Total liabilities</b>	<b>266,509</b>	<b>266,739</b>	
<b>Equity</b>			
Share capital	7,000	7,000	(5)
Share premium		595	(6)
Retained earnings(including current year profit or loss)		19,408	(7)
Other comprehensive income		2,456	(8)
Total Reserves	22,891	22,459	
<i>– of which : Retained earnings earmarked as regulatory reserve</i>		1,326	(9)
<i>which includes regulatory reserve eligible for inclusion in Tier 2 capital</i>		87	(10)
<i>– of which : Fair value gains on revaluation of land and buildings</i>		433	(11)
<i>which includes fair value gains on revaluation of land and buildings eligible for inclusion in Tier 2 capital</i>		195	(12)
<b>Total equity</b>	<b>29,891</b>	<b>29,459</b>	
<b>Total liabilities and equity</b>	<b>296,400</b>	<b>296,198</b>	

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 2 Composition of Capital (continued)

#### (b) Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet

		Component of regulatory capital reported by Bank	Amounts subject to Pre-Basel III Treatment	Cross- referenced to Note 2 (a) & (b)
<b>In HK\$ millions</b>				
	<b>Common Equity Tier 1 ("CET1") capital: Instruments and reserves</b>			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	7,595		(5)+(6)
2	Retained earnings	19,408		(7)
3	Disclosed reserves	2,456		(8)
4	Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)	NA		
	Public sector capital injections grandfathered until 1 January 2018	NA		
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	–		
6	<b>CET1 capital before regulatory deductions</b>	29,459		
	<b>CET1 capital: regulatory deductions</b>			
7	Valuation adjustments	–		
8	Goodwill (net of associated deferred tax liability)	–		
9	Other intangible assets (net of associated deferred tax liability)	–	–	
10	Deferred tax assets net of deferred tax liabilities	26		(3)
11	Cash flow hedge reserve	–		
12	Excess of total EL amount over total eligible provisions under the IRB approach	–	270	(2)-(13)-(14)
13	Gain-on-sale arising from securitization transactions	–		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	–	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	–	–	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	–	–	
17	Reciprocal cross-holdings in CET1 capital instruments	–	–	
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	
20	Mortgage servicing rights (amount above 10% threshold)	NA		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	NA		
22	Amount exceeding the 15% threshold	NA		
23	<i>of which: significant investments in the common stock of financial sector entities</i>	NA		
24	<i>of which: mortgage servicing rights</i>	NA		
25	<i>of which: deferred tax assets arising from temporary differences</i>	NA		
26	National specific regulatory adjustments applied to CET1 capital	1,759		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	433		(11)
26b	Regulatory reserve for general banking risks	1,326		(9)

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 2 Composition of Capital (continued)

#### (b) Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

		Component of regulatory capital reported by Bank	Amounts subject to Pre-Basel III Treatment	Cross- referenced to Note 2 (a) & (b)
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	135		(13)
28	<b>Total regulatory deductions to CET1 Capital</b>	1,920		
29	<b>CET1 capital</b>	27,539		
	<b>Additional Tier 1 ("AT1") capital: instruments</b>			
30	Qualifying AT1 capital instruments plus any related share premium	–		
31	<i>of which: classified as equity under applicable accounting standards</i>	–		
32	<i>of which: classified as liabilities under applicable accounting standards</i>	–		
33	Capital instruments subject to phase out arrangements from AT1 capital	–		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	–		
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	–		
36	<b>AT1 capital before regulatory deductions</b>	–		
	<b>AT1 capital: regulatory deductions</b>			
37	Investments in own AT1 capital instruments	–	–	
38	Reciprocal cross-holdings in AT1 capital instruments	–	–	
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	–	
41	National specific regulatory adjustments applied to AT1 capital	135		
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	135		
i	<i>of which: Excess of total EL amount over total eligible provisions under the IRB approach</i>	135		(13)
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	–		
43	<b>Total regulatory deductions to AT1 capital</b>	135		
44	<b>AT1 capital</b>	–		
45	<b>Tier 1 capital (Tier 1 = CET1 + AT1)</b>	27,539		
	<b>Tier 2 capital: instruments and provisions</b>			
46	Qualifying Tier 2 capital instruments plus any related share premium	4,189		(4)
47	Capital instruments subject to phase out arrangements from Tier 2 capital	–		
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	–		
49	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	–		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	157		(10) – (1)
51	<b>Tier 2 capital before regulatory deductions</b>	4,346		
	<b>Tier 2 capital: regulatory deductions</b>			
52	Investments in own Tier 2 capital instruments	–	–	

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 2 Composition of Capital (continued)

#### (b) Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

		Component of regulatory capital reported by Bank	Amounts subject to Pre-Basel III Treatment	Cross- referenced to Note 2 (a) & (b)
53	Reciprocal cross-holdings in Tier 2 capital instruments	–	–	
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	–	
56	National specific regulatory adjustments applied to Tier 2 capital	(60)		
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	(195)		(12)
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	135		
i	<i>of which: Excess of total EL amount over total eligible provisions under the IRB approach</i>	135		(14)
57	<b>Total regulatory deductions to Tier 2 capital</b>	(60)		
58	<b>Tier 2 capital</b>	4,406		
59	<b>Total capital (Total capital = Tier 1 + Tier 2)</b>	31,945		
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment	–		
i	<i>of which: Mortgage servicing rights</i>	–		
ii	<i>of which: Defined benefit pension fund net assets</i>	–		
iii	<i>of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments</i>	–		
iv	<i>of which: Capital investment in a connected company which is a commercial entity</i>	–		
v	<i>of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation</i>	–		
vi	<i>of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation</i>	–		
60	<b>Total risk weighted assets</b>	213,940		
	<b>Capital ratios (as a percentage of risk weighted assets)</b>			
61	<b>CET1 capital ratio</b>	12.9%		
62	<b>Tier 1 capital ratio</b>	12.9%		
63	<b>Total capital ratio</b>	14.9%		
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	3.5%		
65	<i>of which: capital conservation buffer requirement</i>	–		
66	<i>of which: bank specific countercyclical buffer requirement</i>	–		
67	<i>of which: G-SIB or D-SIB buffer requirement</i>	–		
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	9.4%		

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 2 Composition of Capital (continued)

#### (b) Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

	Component of regulatory capital reported by Bank	Amounts subject to Pre-Basel III Treatment	Cross-referenced to Note 2 (a) & (b)
	<b>National minima (if different from Basel 3 minimum)</b>		
69	National CET1 minimum ratio	NA	
70	National Tier 1 minimum ratio	NA	
71	National Total capital minimum ratio	NA	
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	101	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	146	
74	Mortgage servicing rights (net of related tax liability)	NA	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	NA	
	<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	157	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	162	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	–	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	1,074	
	<b>Capital instruments subject to phase-out arrangements</b>		
80	Current cap on CET1 capital instruments subject to phase out arrangements	NA	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	
82	Current cap on AT1 capital instruments subject to phase out arrangements	–	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	–	
84	Current cap on Tier 2 capital instruments subject to phase out arrangements	–	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	–	

NA : not applicable

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

#### 2 Composition of Capital (continued)

#### (b) Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet (continued)

##### Note to the template

Row No.	Description	Hong Kong basis	Basel III basis
	<b>Deferred tax assets net of deferred tax liabilities</b>	HK\$26m	nil
<b>10</b>	<p><u>Explanation</u></p> <p>As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), deferred tax assets (“DTAs”) that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an Authorised Institution is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III.</p> <p>The amount reported under the column “Basel III basis” in this box represents the amount reported in row 10 (i.e. the amount reported under the “Hong Kong basis”) adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for Mortgage Servicing Rights (“MSRs”), DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.</p>		

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 2 Composition of Capital (continued)

#### (c) Main Features of Capital Instruments

##### (i) Ordinary Shares

1	Issuer	DBS Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	Hong Kong law
<i>Regulatory treatment</i>		
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$7,595 million as at 30 June 2013
9	Par value of instrument	Nominal value of issued share capital paid up at 30 June 2013 was HK\$7billion, divided into 7,000,000,000 shares at HK\$1 each
10	Accounting classification	Shareholders' equity
11	Original date of issuance	21 July 2003
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA



# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 2 Composition of Capital (continued)

#### (c) Main Features of Capital Instruments (continued)

<i>Coupons / dividends</i>		
17	Fixed or floating dividend/ coupon	Discretionary dividend amount
18	Coupon rate and any related index	The Ordinary Shares receive distributable profits that have been declared as dividend
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 2 Composition of Capital (continued)

#### (c) Main Features of Capital Instruments (continued)

35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The Ordinary Shares shall on the return of capital in a winding-up, entitle the holders thereof rights of participation in any surplus profits or assets of the company after all obligations have been satisfied.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 2 Composition of Capital (continued)

#### (c) Main Features of Capital Instruments (continued)

##### (ii) Subordinated Loan

1	Issuer	DBS Bank (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	Hong Kong law
<i>Regulatory treatment</i>		
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Tier 2
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated loan
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	HK\$4.2 billion as at 30 June 2013
9	Par value of instrument	US\$540 million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	12 December 2012
12	Perpetual or dated	Dated
13	Original maturity date	12 December 2022
14	Issuer call subject to prior supervisory approval	Yes

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 2 Composition of Capital (continued)

#### (c) Main Features of Capital Instruments (continued)

15	Optional call date, contingent call dates and redemption amount	<p>With the prior approval from the HKMA, the Subordinated Loan may be redeemed, in whole but not in part, at the option the Bank, on the First Call Date (13 December 2017) or any Interest Payment Date after the First Call date.</p> <p>The Subordinated Loan may also be redeemed, in whole but not in part, if a Regulatory Repayment Event has occurred, at their principal amount of the Loan together with the interest accrued up to but excluding the date specified in the Repayment Notice.</p> <p><b>Regulatory Repayment Event</b> occurs if :</p> <p>The Loan in whole, but not in part, no longer qualifies as term subordinated debt for inclusion in Tier 2 Capital of the Bank as a result of amendments to the relevant provisions of the Banking Ordinance of Hong Kong or the statutory guidelines issued by the HKMA in relation thereto after the Utilisation Date (12 December 2012), excluding for the avoidance of doubt, non-qualification of the Loan solely by virtue of the Bank already having outstanding instruments with an aggregate principal amount up to or in excess of any limit of Tier 2 Capital permitted from time to time by the HKMA or solely as a result of any discounting requirements as to the eligibility of the Loan for such inclusion pursuant to the relevant legislation and statutory guidelines in force as at 12 December 2012.</p>
16	Subsequent call dates, if applicable	Optional call dates – any Interest Payment Date after the First Call date
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/ coupon	Floating
18	Coupon rate and any related index	USD 3-month LIBOR plus 2.5% per annum
19	Existence of a dividend stopper	No

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

#### 2 Composition of Capital (continued)

##### (c) Main Features of Capital Instruments (continued)

20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger(s)	<p>The Subordinated Loan would be converted into ordinary shares of the Bank upon the occurrence of the trigger event.</p> <p>Trigger event is the earlier of :</p> <p>(i) The HKMA notifying the Bank in writing that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable, or</p> <p>(ii) The HKMA notifying the Bank in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable.</p>
25	If convertible, fully or partially	Always convert fully
26	If convertible, conversion rate	<p>Upon occurrence of the trigger event, the Subordinated Loan would be converted into a number of ordinary shares of the Bank determined by dividing the principal amount and accrued interest of the Loan by the net tangible assets per share as determined by an independent party according to the generally accepted accounting principles and standards in Hong Kong at the latest month end prior to conversion, floored at HK\$1 per share. The USD loan will be converted to HKD at the prevailing exchange rate on the date when the trigger event occurs.</p>

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

#### 2 Composition of Capital (continued)

##### (c) Main Features of Capital Instruments (continued)

27	If convertible, mandatory or optional conversion	Mandatory, upon the occurrence of the trigger event
28	If convertible, specify instrument type convertible into	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	DBS Bank (Hong Kong) Limited
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The Subordinated Loan is direct, unsecured and subordinated obligation of the Bank. Upon the occurrence of any winding-up proceeding, the rights of the Lender to payments on the Subordinated Loan will be subordinated to the claims of Senior Creditors and will rank senior to all class of equity securities of the Bank, including preference shares, if any. The Subordinated Loan rank pari passu with all subordinated debt issued by the Bank in the future that the HKMA approves as qualifying for Tier 2 Capital treatment pursuant to the relevant guidelines established by the HKMA.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

#### 3 Cross-border claims

Analysis of the Group's cross-border claims by location and by type of counterparty is as follows:

	Banks HK\$'M	Public sector entities HK\$'M	Others HK\$'M	Total HK\$'M
<b>As at 30 June 2013</b>				
Asia Pacific excluding Hong Kong	95,950	2,310	12,588	110,848
North and South America	2,256	1,569	480	4,305
Europe	2,267	10	1,382	3,659
Others	178	152	1,035	1,365
	<u>100,651</u>	<u>4,041</u>	<u>15,485</u>	<u>120,177</u>
<b>As at 31 December 2012</b>				
Asia Pacific excluding Hong Kong	89,810	3,908	11,651	105,369
North and South America	2,201	2,894	352	5,447
Europe	1,906	10	1,398	3,314
Others	92	155	1,101	1,348
	<u>94,009</u>	<u>6,967</u>	<u>14,502</u>	<u>115,478</u>

The above analysis by geographical area is based on the location of the counterparty after taking into account the transfer of risk. In general, transfer of risk applies if the claim is guaranteed by a party in a country which is different from that of the counterparty.

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 4 Advances to customers

The Group employs a range of policies and practices to mitigate credit risk, one of which is the taking of collateral. The collateral includes cash, marketable securities, properties, trade receivables, inventory, equipment and other physical and financial collateral.

#### (a) Advances to customers by loan usage

The analysis of the Bank's gross advances to customers by loan usage and the corresponding balances covered by collateral are as follows:

	As at 30 June 2013		As at 31 December 2012	
	Outstanding balance HK\$'M	Balance covered by collateral HK\$'M	Outstanding balance HK\$'M	Balance covered by collateral HK\$'M
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	1,693	1,693	2,296	2,296
– Property investment	28,484	27,524	28,758	27,988
– Financial concerns	1,244	951	1,343	1,048
– Stockbrokers	65	60	13	13
– Wholesale and retail trade	17,275	12,518	17,090	11,852
– Manufacturing	10,108	7,427	10,100	7,550
– Transport and transport equipment	10,316	9,963	10,896	10,564
– Recreational activities	30	28	35	33
– Information technology	300	117	290	86
– Others	7,938	6,815	5,871	4,653
Individuals				
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	580	580	663	663
– Loans for the purchase of other residential properties	31,226	31,226	33,647	33,647
– Credit card advances	7,160	–	7,022	–
– Others	8,601	2,689	7,733	2,460
	<b>125,020</b>	<b>101,591</b>	<b>125,757</b>	<b>102,853</b>
Trade finance	63,878	11,626	46,326	10,548
Loans for use outside Hong Kong	5,173	2,714	5,069	2,139
	<b>194,071</b>	<b>115,931</b>	<b>177,152</b>	<b>115,540</b>



## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

#### 4 Advances to customers (continued)

##### (a) Advances to customers by loan usage (continued)

Analysis of impaired advances, individual and collective impairment allowances for the individual loan usage category which accounted for 10% or more of the Bank's advances to customers:

	Impaired advances to customers HK\$'M	Individual impairment allowances HK\$'M	Collective impairment allowances HK\$'M
<b>As at 30 June 2013</b>			
Property investment	48	2	72
Loans for the purchase of other residential properties	42	–	–
Trade finance	504	264	108
<b>As at 31 December 2012</b>			
Property investment	91	32	75
Loans for the purchase of other residential properties	36	–	1
Trade finance	411	254	137

##### (b) By geographical area

The analysis of the Bank's gross advances to customers by geographical area is based on the location of the counterparty after taking into account the transfer of risk. In general, transfer of risk applies if the claim is guaranteed by a party in a country which is different from that of the counterparty.

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

#### 4 Advances to customers (continued)

##### (b) By geographical area (continued)

	Loans HK\$'M	Trade finance HK\$'M	Total HK\$'M
<b>As at 30 June 2013</b>			
Hong Kong	118,563	17,687	136,250
Mainland China	7,755	43,036	50,791
Others	3,875	3,155	7,030
	<u>130,193</u>	<u>63,878</u>	<u>194,071</u>
<b>As at 31 December 2012</b>			
Hong Kong	119,871	17,123	136,994
Mainland China	6,679	27,044	33,723
Others	4,276	2,159	6,435
	<u>130,826</u>	<u>46,326</u>	<u>177,152</u>

Analysis of impaired advances, individual and collective impairment allowances for loans and trade finance which accounted for 10% or more of the Bank's gross advances to customers:

	Impaired advances to customers HK\$'M	Individual impairment allowances HK\$'M	Collective impairment allowances HK\$'M
<b>As at 30 June 2013</b>			
Hong Kong	1,255	680	552
Mainland China	119	140	36
<b>As at 31 December 2012</b>			
Hong Kong	1,145	710	553
Mainland China	144	137	30

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 5 Overdue and rescheduled advances

#### (a) Overdue advances to customers

The overdue advances of the Bank are analysed as follows:

	As at 30 June 2013		As at 31 December 2012	
	HK\$'M	% of gross advances to customers	HK\$'M	% of gross advances to customers
Six months or less but over three months	302	0.16	130	0.07
One year or less but over six months	141	0.07	192	0.11
Over one year	994	0.51	1,021	0.58
	<u>1,437</u>	<u>0.74</u>	<u>1,343</u>	<u>0.76</u>
Individual impairment allowances made in respect of the above overdue advances	<u>803</u>		<u>855</u>	
Current market value of collateral held against the covered portion of the above overdue advances	<u>1,009</u>		<u>1,037</u>	
Covered portion of the above overdue advances	<u>579</u>		<u>560</u>	
Uncovered portion of the above overdue advances	<u>858</u>		<u>783</u>	

#### (b) Rescheduled advances

The rescheduled advances of the Bank (net of those which have been overdue for over three months and reported in item (a) above) are analysed as follows:

	As at 30 June 2013		As at 31 December 2012	
	HK\$'M	% of gross advances to customers	HK\$'M	% of gross advances to customers
Rescheduled advances	<u>274</u>	0.14	<u>261</u>	0.15

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 5 Overdue and rescheduled advances (continued)

#### (c) Repossessed assets

As at 30 June 2013, repossessed assets of the Bank amounted to HK\$108 million (31 December 2012: HK\$29 million).

### 6 Non-bank Mainland exposures

Analysis of the Bank's non-bank Mainland exposures is as follows:

	On-balance sheet exposures HK\$'M	Off-balance sheet exposures HK\$'M	Total HK\$'M	Individual impairment allowances HK\$'M
<b>As at 30 June 2013</b>				
Mainland entities	6,298	590	6,888	21
Companies and individuals outside Mainland where the credit is granted for use in Mainland	5,105	2,113	7,218	265
Other counterparties where the exposures are considered to be non-bank Mainland exposures	61	2	63	–
	<u>11,464</u>	<u>2,705</u>	<u>14,169</u>	<u>286</u>
<b>As at 31 December 2012</b>				
Mainland entities	5,751	863	6,614	21
Companies and individuals outside Mainland where the credit is granted for use in Mainland	5,210	1,834	7,044	227
Other counterparties where the exposures are considered to be non-bank Mainland exposures	7	6	13	–
	<u>10,968</u>	<u>2,703</u>	<u>13,671</u>	<u>248</u>

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 7 Currency concentrations

The table below summarises the Group's assets and liabilities at carrying amounts, categorised by currency:

	USD HK\$'M	CNY HK\$'M	AUD HK\$'M	SGD HK\$'M	NZD HK\$'M	Others HK\$'M	Total HK\$'M
<b>As at 30 June 2013</b>							
<b>Hong Kong dollar equivalents</b>							
Spot assets	62,830	39,055	4,847	1,442	27	5,435	113,636
Spot liabilities	(61,100)	(15,191)	(13,329)	(1,492)	(1,053)	(7,768)	(99,933)
Forward purchases	208,714	147,820	9,265	88	1,188	8,980	376,055
Forward sales	(211,321)	(171,170)	(599)	(92)	(94)	(6,672)	(389,948)
Net options position	(115)	–	(76)	1	(31)	49	(172)
Net long / (short) non-structural position	(992)	514	108	(53)	37	24	(362)
Net structural position	–	32	–	–	–	(75)	(43)
<b>As at 31 December 2012</b>							
<b>Hong Kong dollar equivalents</b>							
Spot assets	68,691	25,976	6,667	1,309	203	5,748	108,594
Spot liabilities	(63,618)	(16,764)	(8,494)	(1,383)	(1,031)	(7,462)	(98,752)
Forward purchases	165,491	116,027	3,453	44	918	11,145	297,078
Forward sales	(170,345)	(125,096)	(1,005)	(10)	(3)	(9,384)	(305,843)
Net options position	(43)	(1)	(468)	(1)	(54)	(34)	(601)
Net long / (short) non-structural position	176	142	153	(41)	33	13	476
Net structural position	–	31	–	–	–	(46)	(15)

Structural foreign exchange positions arising from capital investments outside Hong Kong, mainly in Chinese Renminbi and Macau Pataca.

The net options position is calculated based on the delta-weighted position as set out in the prudential return "Foreign Currency Position" issued by the Hong Kong Monetary Authority.

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 8 Liquidity ratio

The average liquidity ratio for the period, calculated in accordance with the Fourth Schedule of the Banking Ordinance, is as follows:

	<b>For the six months ended</b>	
	<b>30 June 2013</b>	30 June 2012
Average liquidity ratio for the period	<u><b>39.3%</b></u>	<u>40.5%</u>

The average liquidity ratio is the simple average of each calendar month's average liquidity ratio for the relevant period of the Hong Kong office of the Bank.

Hong Kong, 23 July 2013