

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 2014**

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

TABLE OF CONTENTS

	Page
Review of activities	1
Unaudited consolidated income statement	2
Unaudited consolidated statement of comprehensive income	3
Unaudited consolidated balance sheet	4
Unaudited consolidated statement of changes in equity	5
Notes to the financial statements	6
Unaudited supplementary information	21

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REVIEW OF ACTIVITIES

The Bank's profit attributable to shareholders for the period amounted to HK\$1,699 million, 8% lower than the same period in 2013 which was a record year. If the disposal gain of properties in 2013 was included, attributable profit had decreased by 20%.

Total income excluding property gain decreased by 2% to HK\$4,050 million. Net interest income rose 2% to HK\$2,243 million while fee and commission income increased by 5% to HK\$847million. Expenses were well managed, with increase of 1% to HK\$1,890 million.

Advances to customers decreased by 5% to HK\$191 billion. Growth in customer loans was offset by reduction in trade bills. Customer deposits decreased by 1% to HK\$227 billion when compared with balances at the end of 2013. The loan-to-deposit ratio was 81.6%, compared to 84.0% reported at the end of 2013. Asset quality remained stable with the impaired advances to gross loan ratio at 0.61% as at end June 2014.

The Bank's financial position remains strong. Total capital adequacy ratio was solid at 16.3% post the HK\$1 billion dividend payment in June, an increase from the 16.1% reported as at 31 December 2013. Liquidity was ample. Average liquidity ratio rose to 42.5% for the first half of 2014, compared to 39.3% for the same period of 2013.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED CONSOLIDATED INCOME STATEMENT

		For the six months ended	
	Note	30 June 2014	30 June 2013
		HK\$'M	HK\$'M
Interest income	3	3,365	3,084
Interest expense	4	(1,122)	(887)
Net interest income		2,243	2,197
Net fee and commission income	5	847	810
Net income from financial instruments at fair value through profit or loss	6	804	1,075
Net income from financial investments	7	88	31
Other income	8	68	315
Total income		4,050	4,428
Total expenses	9	(1,890)	(1,864)
Profit before allowances for credit and other losses		2,160	2,564
Allowances for credit and other losses	10	(133)	(73)
Profit before income tax		2,027	2,491
Income tax expense	11	(328)	(363)
Profit attributable to shareholders		1,699	2,128

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June 2014	30 June 2013
	HK\$'M	HK\$'M
Profit attributable to shareholders	<u>1,699</u>	<u>2,128</u>
Other comprehensive income		
Available-for-sale financial investments		
– Net valuation taken to equity	86	(48)
– Amortisation of reserve to income statement arising from reclassification of available-for-sale financial investments to loans and receivables	1	–
– Transferred to income statement	(66)	(14)
– Deferred income tax (charged) / credited to equity	<u>(3)</u>	<u>10</u>
Other comprehensive income attributable to shareholders, net of tax	<u>18</u>	<u>(52)</u>
Total comprehensive income attributable to shareholders	<u><u>1,717</u></u>	<u><u>2,076</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 2014 HK\$'M	As at 31 December 2013 HK\$'M
Assets			
Cash and balances with banks	12	3,188	5,831
Placements with and advances to banks	13	69,378	57,505
Trading securities		14,810	4,302
Derivatives		5,479	9,084
Financial investments	14	22,423	24,536
Loans and advances to customers	15	190,868	200,254
Other assets		4,265	4,118
Interest in a joint venture		–	364
Deferred tax assets		40	39
Properties and other fixed assets	16	2,639	2,626
Goodwill and Intangible		202	–
Total assets		<u>313,292</u>	<u>308,659</u>
Liabilities			
Deposits and balances from banks		10,709	4,751
Trading liabilities		9,794	3,122
Derivatives		5,284	9,091
Financial liabilities designated at fair value through profit or loss	17	6,915	8,122
Deposits from customers	18	227,036	230,269
Certificates of deposit issued	19	8,554	7,564
Other liabilities		8,332	7,231
Current income tax liabilities		498	168
Amount due to a joint venture		–	2,887
Subordinated liability	20	4,186	4,187
Total liabilities		<u>281,308</u>	<u>277,392</u>
Equity			
Share capital		7,595	7,000
Reserves		24,389	24,267
Total equity		<u>31,984</u>	<u>31,267</u>
Total liabilities and equity		<u>313,292</u>	<u>308,659</u>

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 2013	7,000	595	12	224	2,399	18,785	29,015
Total comprehensive income	-	-	-	(52)	-	2,128	2,076
Dividend	-	-	-	-	-	(1,200)	(1,200)
Balance as at 30 June 2013	7,000	595	12	172	2,399	19,713	29,891
Total comprehensive income	-	-	-	(20)	-	1,396	1,376
Balance as at 31 December 2013	<u>7,000</u>	<u>595</u>	<u>12</u>	<u>152</u>	<u>2,399</u>	<u>21,109</u>	<u>31,267</u>
Balance as at 1 January 2014	7,000	595	12	152	2,399	21,109	31,267
Transition to no-par value regime	595	(595)	-	-	-	-	-
Total comprehensive income	-	-	-	18	-	1,699	1,717
Dividend	-	-	-	-	-	(1,000)	(1,000)
Balance as at 30 June 2014	<u>7,595</u>	<u>-</u>	<u>12</u>	<u>170</u>	<u>2,399</u>	<u>21,808</u>	<u>31,984</u>

As at 30 June 2014, HK\$1,319 million (31 December 2013: HK\$1,304 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

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 2013 as disclosed in the Annual Report and Financial Statements for 2013.

3 Interest income

Interest income recognised on financial assets that are not at fair value through profit or loss amounted to HK\$3,315 million (first half of 2013: HK\$3,060 million).

4 Interest expense

Interest expense recognised on financial liabilities that are not at fair value through profit or loss amounted to HK\$1,113 million (first half of 2013: HK\$875 million).

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Net fee and commission income

	For the six months ended	
	30 June 2014	30 June 2013
	HK\$'M	HK\$'M
Fee and commission income	986	941
Less: Fee and commission expense	(139)	(131)
	<hr/>	<hr/>
Net fee and commission income	847	810
	<hr/> <hr/>	<hr/> <hr/>
Comprising:		
– Wealth management	294	308
– Trade and transaction services	238	221
– Loan-related	144	122
– Cards	117	106
– Stockbroking	17	20
– Investment banking	3	4
– Others	34	29
	<hr/>	<hr/>
	847	810
	<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	381	343
– Trust or other fiduciary activities	8	9
Fee and commission expense arising from:		
– Financial assets or financial liabilities not at fair value through profit or loss	105	98

Note:

- (i) Trade and transaction services includes trade & remittances, guarantees and deposit-related fees
- (ii) Gross cards fees are net of interchange fees paid

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 2014 HK\$'M	30 June 2013 HK\$'M
Net trading income		
– Foreign exchange	796	1,003
– Interest rates, equities and others	(10)	49
	<u>786</u>	<u>1,052</u>
Net gain from financial instruments designated at fair value through profit or loss	18	23
	<u>804</u>	<u>1,075</u>

7 Net income from financial investments

	For the six months ended	
	30 June 2014 HK\$'M	30 June 2013 HK\$'M
Debt securities		
– Available-for-sale	41	14
– Loans and receivables	2	–
Equity securities	45	17
	<u>88</u>	<u>31</u>
Of which dividend income from:		
– Listed investments	5	1
– Unlisted investments	12	12
	<u>17</u>	<u>13</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 2014 HK\$'M	30 June 2013 HK\$'M
Net gain on disposal of properties and other fixed assets	–	275
Share of profit of a joint venture	20	19
Others	48	21
	<u>68</u>	<u>315</u>

9 Total expenses

	For the six months ended	
	30 June 2014 HK\$'M	30 June 2013 HK\$'M
Employee benefits		
– Salaries and other short term employee benefits	1,049	1,008
– Pensions	63	57
– Share-based payments	17	16
Premises and equipment expenses excluding depreciation		
– Rental of premises	107	108
– Others	125	124
Depreciation	97	111
Auditor's remuneration	5	5
Computerisation expenses	159	159
Other operating expenses	268	276
	<u>1,890</u>	<u>1,864</u>

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Allowances for credit and other losses

	For the six months ended	
	30 June 2014	30 June 2013
	HK\$'M	HK\$'M
Individual impairment allowances on loans and advances to customers	47	33
Collective impairment allowances on loans and advances to customers	86	40
	133	73
Individual impairment allowances on loans and advances to customers		
– New allowances	109	128
– Releases	(60)	(83)
– Recoveries	(2)	(12)
	47	33
Collective impairment allowances on loans and advances to customers		
– New allowances	152	119
– Releases	(54)	(69)
– Recoveries	(12)	(10)
	86	40

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 2014	30 June 2013
	HK\$'M	HK\$'M
Hong Kong profits tax	321	356
Overseas tax	6	4
	<hr/>	<hr/>
Current income tax	327	360
Deferred income tax	1	3
	<hr/>	<hr/>
	328	363
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at 16.5% (first half of 2013: 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
	2014	2013
	HK\$'M	HK\$'M
Cash in hand	416	503
Balances with central banks	369	492
Balances with banks	2,403	4,836
	<hr/>	<hr/>
	3,188	5,831
	<hr/> <hr/>	<hr/> <hr/>

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Placements with and advances to banks

	As at 30 June 2014 HK\$'M	As at 31 December 2013 HK\$'M
Remaining maturity		
– Within one month	46,327	22,455
– One year or less but over one month	21,802	35,050
– Over one year	1,249	–
	<u>69,378</u>	<u>57,505</u>

As at 30 June 2014, there were no impaired, overdue or rescheduled placements with and advances to banks (31 December 2013: Nil).

14 Financial investments

	As at 30 June 2014 HK\$'M	As at 31 December 2013 HK\$'M
Available-for-sale	20,429	22,365
Loans and receivables	1,994	2,171
	<u>22,423</u>	<u>24,536</u>

As at 30 June 2014, there were no impaired, overdue or rescheduled financial investments (31 December 2013: Nil).

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Loans and advances to customers

	As at 30 June 2014 HK\$'M	As at 31 December 2013 HK\$'M
Gross loans and advances to customers	192,372	201,760
Less: Impairment allowances		
– Individually assessed	(686)	(793)
– Collectively assessed	(818)	(713)
	<u>190,868</u>	<u>200,254</u>
Comprising:		
– Trade bills	38,182	48,701
– Loans	152,686	151,553
	<u>190,868</u>	<u>200,254</u>

Impaired advances

	As at 30 June 2014		As at 31 December 2013	
	HK\$'M	% of gross loans and advances to customers	HK\$'M	% of gross loans and advances to customers
Gross impaired advances	1,166	0.61	1,218	0.60
Individual impairment allowances	(686)		(793)	
	<u>480</u>		<u>425</u>	
Impaired advances covered by collateral	<u>471</u>		<u>425</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.

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 2014	23	2,571	1,258	3,852	510	4,362
Additions	-	6	103	109	-	109
Disposals	-	-	(3)	(3)	-	(3)
Additions through acquisition	-	-	73	73	-	73
As at 30 June 2014	<u>23</u>	<u>2,577</u>	<u>1,431</u>	<u>4,031</u>	<u>510</u>	<u>4,541</u>
Accumulated depreciation and impairment						
As at 1 January 2014	17	823	896	1,736	-	1,736
Charge for the year	-	28	69	97	-	97
Disposals	-	-	(3)	(3)	-	(3)
Additions through acquisition	-	-	72	72	-	72
As at 30 June 2014	<u>17</u>	<u>851</u>	<u>1,034</u>	<u>1,902</u>	<u>-</u>	<u>1,902</u>
Net book value						
As at 30 June 2014	<u>6</u>	<u>1,726</u>	<u>397</u>	<u>2,129</u>	<u>510</u>	<u>2,639</u>
The analysis of cost or valuation of the above assets as at 30 June 2014 is as follows:						
At cost	23	2,577	1,431	4,031	-	4,031
At valuation	-	-	-	-	510	510
	<u>23</u>	<u>2,577</u>	<u>1,431</u>	<u>4,031</u>	<u>510</u>	<u>4,541</u>

The fair value of the investment properties has been determined based on valuations performed by A.G. Wilkinson & Associates as at 31 December 2013. 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 2013	23	2,636	1,148	3,807	476	4,283
Additions	-	10	184	194	-	194
Disposals	-	(75)	(74)	(149)	-	(149)
Fair value adjustment	-	-	-	-	34	34
As at 31 December 2013	<u>23</u>	<u>2,571</u>	<u>1,258</u>	<u>3,852</u>	<u>510</u>	<u>4,362</u>
Accumulated depreciation and impairment						
As at 1 January 2013	17	797	801	1,615	-	1,615
Charge for the year	-	56	164	220	-	220
Disposals	-	(30)	(69)	(99)	-	(99)
As at 31 December 2013	<u>17</u>	<u>823</u>	<u>896</u>	<u>1,736</u>	<u>-</u>	<u>1,736</u>
Net book value						
As at 31 December 2013	<u>6</u>	<u>1,748</u>	<u>362</u>	<u>2,116</u>	<u>510</u>	<u>2,626</u>
The analysis of cost or valuation of the above assets as at 31 December 2013 is as follows:						
At cost	23	2,571	1,258	3,852	-	3,852
At valuation	-	-	-	-	510	510
	<u>23</u>	<u>2,571</u>	<u>1,258</u>	<u>3,852</u>	<u>510</u>	<u>4,362</u>

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

	As at 30 June 2014 HK\$'M	As at 31 December 2013 HK\$'M
Structured investment deposits (Note 18)	<u>6,915</u>	<u>8,122</u>

18 Deposits from customers

	As at 30 June 2014 HK\$'M	As at 31 December 2013 HK\$'M
Deposits from customers		
– As stated in the balance sheet	227,036	230,269
– Structured investment deposits reported as financial liabilities designated at fair value through profit or loss (Note 17)	<u>6,915</u>	<u>8,122</u>
	<u>233,951</u>	<u>238,391</u>
Analysed by:		
– Demand deposits and current accounts	23,891	23,097
– Savings deposits	70,922	69,739
– Time, call and notice deposits	<u>139,138</u>	<u>145,555</u>
	<u>233,951</u>	<u>238,391</u>

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Certificates of deposit issued

	As at 30 June 2014 HK\$'M	As at 31 December 2013 HK\$'M
Certificates of deposit issued, measured at amortised cost	<u>8,554</u>	<u>7,564</u>

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.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Derivatives

The following is a summary of each significant type of derivatives:

As at 30 June 2014

Derivatives held for trading	Contract/ notional amount HK\$'M	Credit risk- weighted amount HK\$'M	Positive fair values HK\$'M	Negative fair values HK\$'M
Foreign exchange derivatives				
– Forwards	227,905	3,448	1,858	1,877
– Swaps	80,277	257	429	373
– Options purchased	198,329	7,185	2,269	354
– Options written	197,862	450	354	2,306
	<u>704,373</u>	<u>11,340</u>	<u>4,910</u>	<u>4,910</u>
Interest rate derivatives				
– Futures	19	–	–	1
– Swaps	28,195	242	368	364
– Options purchased	6	–	1	–
– Options written	6	–	–	1
	<u>28,226</u>	<u>242</u>	<u>369</u>	<u>366</u>
Equity derivatives	<u>709</u>	<u>9</u>	<u>5</u>	<u>5</u>
Commodity derivatives	<u>568</u>	<u>25</u>	<u>8</u>	<u>8</u>
Total derivatives held for trading	<u><u>733,876</u></u>	<u><u>11,616</u></u>	<u><u>5,292</u></u>	<u><u>5,289</u></u>
Derivatives designated and qualified as fair value hedges				
Interest rate derivatives				
– Swaps	<u>5,760</u>	<u>54</u>	<u>193</u>	<u>103</u>

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Derivatives (continued)

As at 31 December 2013

Derivatives held for trading	Contract/ notional amount HK\$'M	Credit risk- weighted amount HK\$'M	Positive fair values HK\$'M	Negative fair values HK\$'M
Foreign exchange derivatives				
– Forwards	203,371	2,863	4,278	3,896
– Swaps	139,087	303	817	1,300
– Options purchased	161,715	7,765	3,447	1
– Options written	160,943	–	1	3,477
	<u>665,116</u>	<u>10,931</u>	<u>8,543</u>	<u>8,674</u>
Interest rate derivatives				
– Futures	55	1	–	1
– Swaps	28,552	325	395	418
– Options purchased	17	–	1	–
– Options written	17	–	–	1
	<u>28,641</u>	<u>326</u>	<u>396</u>	<u>420</u>
Equity derivatives	<u>583</u>	<u>6</u>	<u>4</u>	<u>4</u>
Total derivatives held for trading	<u>694,340</u>	<u>11,263</u>	<u>8,943</u>	<u>9,098</u>
Derivatives designated and qualified as fair value hedges				
Interest rate derivatives				
– Swaps	<u>6,648</u>	<u>55</u>	<u>195</u>	<u>147</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\$6 million and HK\$108 million respectively (2013: HK\$54 million and HK\$154 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 2014 and 31 December 2013 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:

	As at 30 June 2014 HK\$'M	As at 31 December 2013 HK\$'M
Direct credit substitutes	844	1,046
Transaction-related contingencies	1,208	1,459
Trade-related contingencies	7,700	8,616
Other commitments with an original maturity of not more than one year	3,974	2,082
Other commitments with an original maturity of more than one year	–	498
Other commitments which are unconditionally cancellable	138,759	135,364
	152,485	149,065
Credit risk-weighted amount	14,848	15,430

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION

1 Capital adequacy

The capital adequacy ratios as at 30 June 2014 and 31 December 2013 were compiled in accordance with the Banking (Capital) Rules issued by the Hong Kong Monetary Authority.

	As at 30 June 2014	As at 31 December 2013
Capital Adequacy Ratios		
Common Equity Tier 1	14.2%	13.9%
Tier 1	14.2%	13.9%
Total	16.3%	16.1%

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.

Additional information

Capital disclosures as required by section 24 of the Banking (Disclosure) Rules are available in our website www.dbs.com.hk.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

2 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
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.(New Zealand) Limited	Provision of trustee and trust administration services	–	–
DBS COMPASS Limited (formerly known as Hutchison DBS Card Limited)	Provision of credit card services	985	768

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
As at 30 June 2014				
Asia Pacific excluding Hong Kong	112,630	3,760	13,957	130,347
North and South America	2,037	2,497	710	5,244
Europe	845	11	2,121	2,977
Others	12	–	2,009	2,021
	<u>115,524</u>	<u>6,268</u>	<u>18,797</u>	<u>140,589</u>
As at 31 December 2013				
Asia Pacific excluding Hong Kong	113,189	4,009	13,675	130,873
North and South America	1,513	1,241	439	3,193
Europe	1,892	10	2,470	4,372
Others	25	79	1,131	1,235
	<u>116,619</u>	<u>5,339</u>	<u>17,715</u>	<u>139,673</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 Loans and 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) Loans and 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 2014		As at 31 December 2013	
	Outstanding balance HK\$'M	Balance covered by collateral HK\$'M	Outstanding balance HK\$'M	Balance covered by collateral HK\$'M
Gross loans and advances for use in Hong Kong				
Industrial, commercial and financial				
– Property development	2,237	2,234	1,521	1,520
– Property investment	26,162	25,036	27,198	26,135
– Financial concerns	2,117	1,859	1,539	1,244
– Stockbrokers	765	62	9	9
– Wholesale and retail trade	18,459	15,195	16,882	13,500
– Manufacturing	11,198	7,979	10,712	7,664
– Transport and transport equipment	9,432	9,279	9,995	9,677
– Recreational activities	119	115	21	17
– Information technology	246	120	241	100
– Others	8,072	6,674	8,931	7,552
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	443	443	506	506
– Loans for the purchase of other residential properties	28,026	28,026	29,615	29,615
– Credit card advances	7,870	–	7,846	–
– Others	9,396	3,356	9,171	3,082
	124,542	100,378	124,187	100,621
Trade finance (including trade bills)	61,258	13,929	69,909	12,307
Gross loans and advances for use outside Hong Kong	6,572	2,089	7,664	2,375
	192,372	116,396	201,760	115,303

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
As at 30 June 2014			
Property investment	57	3	88
Loans for the purchase of other residential properties	11	–	–
Trade finance	537	238	137
As at 31 December 2013			
Property investment	35	1	76
Loans for the purchase of other residential properties	9	–	–
Trade finance	481	249	133

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

4 Advances to customers (continued)

(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.

	Loans HK\$'M	Trade finance (including trade bills) HK\$'M	Total HK\$'M
As at 30 June 2014			
Hong Kong	117,815	21,029	138,844
Mainland China	7,725	38,094	45,819
Others	5,574	2,135	7,709
	<u>131,114</u>	<u>61,258</u>	<u>192,372</u>
As at 31 December 2013			
Hong Kong	118,996	19,861	138,857
Mainland China	7,271	47,870	55,141
Others	5,584	2,178	7,762
	<u>131,851</u>	<u>69,909</u>	<u>201,760</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
As at 30 June 2014			
Hong Kong	957	496	654
Mainland China	153	142	35
As at 31 December 2013			
Hong Kong	1,036	609	578
Mainland China	130	142	32

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

5 Overdue and rescheduled advances

(a) Overdue loans and advances to customers

The overdue loans and advances of the Bank are analysed as follows:

	As at 30 June 2014		As at 31 December 2013	
	HK\$'M	% of gross loans and advances to customers	HK\$'M	% of gross loans and advances to customers
Six months or less but over three months	169	0.09	137	0.07
One year or less but over six months	228	0.12	212	0.10
Over one year	813	0.42	881	0.44
	<u>1,210</u>	<u>0.63</u>	<u>1,230</u>	<u>0.61</u>
Individual impairment allowances made in respect of the above overdue loans and advances	<u>652</u>		<u>733</u>	
Current market value of collateral held against the covered portion of the above overdue loans and advances	<u>703</u>		<u>740</u>	
Covered portion of the above overdue loans and advances	<u>395</u>		<u>450</u>	
Uncovered portion of the above overdue loans and advances	<u>815</u>		<u>780</u>	

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

5 Overdue and rescheduled advances (continued)

(b) Rescheduled advances

The rescheduled loans and 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 2014		As at 31 December 2013	
	HK\$'M	% of gross loans and advances to customers	HK\$'M	% of gross loans and advances to customers
Rescheduled loans and advances	<u>265</u>	0.14	<u>261</u>	0.13

(c) Repossessed assets

As at 30 June 2014, repossessed assets of the Bank amounted to HK\$23 million (31 December 2013: HK\$63 million).

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

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
As at 30 June 2014				
Mainland entities	5,969	300	6,269	20
Companies and individuals outside Mainland where the credit is granted for use in Mainland	5,848	1,703	7,551	180
Other counterparties where the exposures are considered to be non-bank Mainland exposures	1,549	278	1,827	–
	<u>13,366</u>	<u>2,281</u>	<u>15,647</u>	<u>200</u>
As at 31 December 2013				
Mainland entities	6,046	312	6,358	21
Companies and individuals outside Mainland where the credit is granted for use in Mainland	5,922	1,300	7,222	192
Other counterparties where the exposures are considered to be non-bank Mainland exposures	1,137	101	1,238	–
	<u>13,105</u>	<u>1,713</u>	<u>14,818</u>	<u>213</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	Others HK\$'M	Total HK\$'M
As at 30 June 2014				
Hong Kong dollar equivalents				
Spot assets	84,669	37,329	14,960	136,958
Spot liabilities	(68,776)	(25,385)	(18,033)	(112,194)
Forward purchases	150,743	134,927	10,282	295,952
Forward sales	(165,761)	(146,211)	(7,024)	(318,996)
Net options position	120	–	(143)	(23)
Net long non-structural position	995	660	42	1,697
Net structural position	–	29	(61)	(32)
As at 31 December 2013				
Hong Kong dollar equivalents				
Spot assets	80,767	44,838	13,324	138,929
Spot liabilities	(67,248)	(22,658)	(21,127)	(111,033)
Forward purchases	174,230	135,916	18,143	328,289
Forward sales	(188,697)	(157,197)	(10,202)	(356,096)
Net options position	48	(1)	(121)	(74)
Net (short) / long non-structural position	(900)	898	17	15
Net structural position	–	29	(32)	(3)

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:

	For the six months ended	
	30 June 2014	30 June 2013
Average liquidity ratio for the period	<u>42.5%</u>	<u>39.3%</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, 22 July 2014