

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 2015**

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

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DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

REVIEW OF ACTIVITIES

The Bank's profit attributable to shareholders for the period amounted to HK\$1,789 million, 5% higher than the same period in 2014.

Total income increased by 12% to HK\$4,543 million driven by the growth in non-interest income. Wealth management and brokerage fees were the key contributors to the 19% growth in fees, riding on the momentum built up since the start of the year. Favorable market conditions during the period supported the increase in trading and other income. Net interest income remained stable at HK\$2,265 million as the impact from decrease in loan balance was offset by the improvement in deposit quality. Non-interest income ratio, as a result, reached over 50% of total income.

Expenses increased by 18% to HK\$2,231 million, driven by business growth and the strategic acquisition made last year on Societe Generale Private Bank and remaining stake in Compass Visa.

Loans and advances to customers declined by 5% to HK\$175 billion mainly due to reduction in trade bills in the first quarter which were impacted by the unfavorable market environment. Customer deposits were 3% lower, at HK\$244 billion. Credit environment was less benign compared to last year but asset quality remained healthy. Provision coverage ratio was considered adequate.

The Bank's financial position remained strong. Total capital adequacy ratio was solid at 17.4%, a 0.7% point increase from 31 December 2014 position post the HK\$1 billion dividend payment made in June. Liquidity was ample, with the average liquidity coverage ratio at 138.5%, which was well above the minimum requirement of 60% as stipulated by the Hong Kong Monetary Authority.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED CONSOLIDATED INCOME STATEMENT

		For the six months ended	
	Note	30 June 2015	30 June 2014
		HK\$'M	HK\$'M
Interest income	3	3,305	3,365
Interest expense	4	(1,040)	(1,122)
Net interest income		2,265	2,243
Net fee and commission income	5	1,009	847
Net income from financial instruments at fair value through profit or loss	6	1,016	804
Net income from investment securities	7	47	88
Other income	8	206	68
Total income		4,543	4,050
Total expenses	9	(2,231)	(1,890)
Profit before allowances for credit losses		2,312	2,160
Allowances for credit losses	10	(193)	(133)
Profit before income tax		2,119	2,027
Income tax expense	11	(330)	(328)
Profit attributable to shareholders		1,789	1,699

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June 2015	30 June 2014
	HK\$'M	HK\$'M
Profit attributable to shareholders	<u>1,789</u>	<u>1,699</u>
Other comprehensive income		
Available-for-sale financial investments		
– Net valuation taken to equity	37	86
– Transferred to income statement	(23)	(65)
– Deferred income tax charged to equity	<u>(3)</u>	<u>(3)</u>
Other comprehensive income attributable to shareholders, net of tax	<u>11</u>	<u>18</u>
Total comprehensive income attributable to shareholders	<u><u>1,800</u></u>	<u><u>1,717</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 2015 HK\$'M	As at 31 December 2014 HK\$'M
Assets			
Cash and balances with central banks	12	3,088	1,969
Government securities and treasury bills	13	35,633	22,913
Due from banks	14	87,293	79,478
Derivatives		5,704	5,094
Bank and corporate securities	15	10,146	11,891
Loans and advances to customers	16	174,980	184,569
Other assets		6,821	4,645
Properties and other fixed assets	17	2,577	2,684
Goodwill and Intangibles		192	197
		<hr/>	<hr/>
Total assets		326,434	313,440
		<hr/> <hr/>	<hr/> <hr/>
Liabilities			
Due to banks		7,829	4,277
Deposits and balances from customers	18	243,995	252,259
Derivatives		5,578	5,216
Certificates of deposit issued	19	5,000	4,961
Other liabilities		26,215	9,707
Subordinated liability	20	4,186	4,189
		<hr/>	<hr/>
Total liabilities		292,803	280,609
		<hr/>	<hr/>
Equity			
Share capital		7,595	7,595
Reserves		26,036	25,236
		<hr/>	<hr/>
Total equity		33,631	32,831
		<hr/>	<hr/>
Total liabilities and equity		326,434	313,440
		<hr/> <hr/>	<hr/> <hr/>

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 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	7,595	-	12	170	2,399	21,808	31,984
Total comprehensive income	-	-	-	(11)	-	1,358	1,347
Dividend	-	-	-	-	-	(500)	(500)
Balance as at 31 December 2014	<u>7,595</u>	<u>-</u>	<u>12</u>	<u>159</u>	<u>2,399</u>	<u>22,666</u>	<u>32,831</u>
Balance as at 1 January 2015	7,595	-	12	159	2,399	22,666	32,831
Transferred to retained earnings on sale of investment properties	-	-	-	(10)	-	10	-
Total comprehensive income	-	-	-	11	-	1,789	1,800
Dividend	-	-	-	-	-	(1,000)	(1,000)
Balance as at 30 June 2015	<u>7,595</u>	<u>-</u>	<u>12</u>	<u>160</u>	<u>2,399</u>	<u>23,465</u>	<u>33,631</u>

As at 30 June 2015, HK\$1,299 million (31 December 2014: HK\$1,327 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 and leverage ratio 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 3.

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 2014 as disclosed in the Annual Report and Financial Statements for 2014.

3 Interest income

Interest income recognised on financial assets that are not at fair value through profit or loss amounted to HK\$3,259 million (first half of 2014: HK\$3,315 million).

4 Interest expense

Interest expense recognised on financial liabilities that are not at fair value through profit or loss amounted to HK\$1,036 million (first half of 2014: HK\$1,113 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 2015	30 June 2014
	HK\$'M	HK\$'M
Fee and commission income	1,226	986
Less: Fee and commission expense	(217)	(139)
	<hr/>	<hr/>
Net fee and commission income	1,009	847
	<hr/> <hr/>	<hr/> <hr/>
Comprising:		
– Wealth management	400	294
– Trade and transaction services (Note)	231	238
– Cards	166	117
– Loan-related	121	144
– Stockbroking	37	17
– Investment banking	3	3
– Others	51	34
	<hr/>	<hr/>
	1,009	847
	<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	456	381
– Trust or other fiduciary activities	7	8
Fee and commission expense arising from:		
– Financial assets or financial liabilities not at fair value through profit or loss	156	105

Note: Trade and transaction services includes trade & remittances, guarantees and deposit-related fees

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 2015 HK\$'M	30 June 2014 HK\$'M
Net trading income		
– Foreign exchange	876	796
– Interest rates, credit, equities and others	201	(10)
	<u>1,077</u>	<u>786</u>
Net (loss)/gain from financial instruments designated at fair value through profit or loss	(61)	18
	<u>1,016</u>	<u>804</u>

7 Net income from investment securities

	For the six months ended	
	30 June 2015 HK\$'M	30 June 2014 HK\$'M
Debt securities		
– Available-for-sale	34	41
– Loans and receivables	–	2
Equity securities	13	45
	<u>47</u>	<u>88</u>
Of which dividend income from:		
– Listed investments	–	5
– Unlisted investments	13	12
	<u>13</u>	<u>17</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 2015 HK\$'M	30 June 2014 HK\$'M
Net gain on disposal of properties and other fixed assets	159	–
Share of profit of a joint venture	–	20
Others	47	48
	<u>206</u>	<u>68</u>

9 Total expenses

	For the six months ended	
	30 June 2015 HK\$'M	30 June 2014 HK\$'M
Employee benefits		
– Salaries and other short term employee benefits	1,238	1,049
– Pensions	71	63
– Share-based compensation	22	17
Premises and equipment expenses excluding depreciation		
– Rental of premises	130	107
– Others	143	125
Depreciation	105	97
Auditor's remuneration	5	5
Computerisation expenses	167	159
Other operating expenses	350	268
	<u>2,231</u>	<u>1,890</u>

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Allowances for credit losses

	For the six months ended	
	30 June 2015	30 June 2014
	HK\$'M	HK\$'M
Individual impairment allowances on loans and advances to customers	67	47
Collective impairment allowances on loans and advances to customers	126	86
	193	133
Individual impairment allowances on loans and advances to customers		
– New allowances	255	109
– Releases	(182)	(60)
– Recoveries	(6)	(2)
	67	47
Collective impairment allowances on loans and advances to customers		
– New allowances	200	152
– Releases	(51)	(54)
– Recoveries	(23)	(12)
	126	86

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 2015 HK\$'M	30 June 2014 HK\$'M
Hong Kong profits tax	314	321
Overseas tax	5	6
	<hr/>	<hr/>
Current income tax	319	327
Deferred income tax	11	1
	<hr/>	<hr/>
	330	328
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at 16.5% (first half of 2014: 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 central banks

	As at	As at
	30 June 2015 HK\$'M	31 December 2014 HK\$'M
Cash in hand	527	483
Balances with central banks	2,561	1,486
	<hr/>	<hr/>
	3,088	1,969
	<hr/> <hr/>	<hr/> <hr/>

13 Government securities and treasury bills

	As at	As at
	30 June 2015 HK\$'M	31 December 2014 HK\$'M
Held for trading	18,990	4,196
Available-for-sale	16,643	18,717
	<hr/>	<hr/>
	35,633	22,913
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2015, there were no impaired, overdue or rescheduled available-for-sale financial assets (31 December 2014: Nil).

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Due from banks

	As at 30 June 2015 HK\$'M	As at 31 December 2014 HK\$'M
Balances with banks	<u>4,105</u>	<u>4,234</u>
Placements with and advances to banks		
Remaining maturity		
– Within one month	30,223	27,696
– One year or less but over one month	41,436	46,300
– Over one year	<u>11,529</u>	<u>1,248</u>
	<u>83,188</u>	<u>75,244</u>
	<u>87,293</u>	<u>79,478</u>

As at 30 June 2015, there were no impaired, overdue or rescheduled placements with and advances to banks (31 December 2014: Nil).

15 Bank and corporate securities

	As at 30 June 2015 HK\$'M	As at 31 December 2014 HK\$'M
Held for trading	1,804	2,338
Available-for-sale	6,498	7,673
Loans and receivables	<u>1,844</u>	<u>1,880</u>
	<u>10,146</u>	<u>11,891</u>

As at 30 June 2015, there were no impaired, overdue or rescheduled available-for-sale and loans and receivables financial assets (31 December 2014: Nil).

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers

	As at 30 June 2015 HK\$'M	As at 31 December 2014 HK\$'M
Gross loans and advances to customers	176,410	185,968
Less: Impairment allowances		
– Individually assessed	(579)	(569)
– Collectively assessed	(851)	(830)
	<u>174,980</u>	<u>184,569</u>
Comprising:		
– Trade bills	20,323	27,078
– Loans	154,657	157,491
	<u>174,980</u>	<u>184,569</u>

Impaired advances

	As at 30 June 2015		As at 31 December 2014	
	HK\$'M	% of gross loans and advances to customers	HK\$'M	% of gross loans and advances to customers
Gross impaired advances	1,683	0.95	1,242	0.67
Individual impairment allowances	(579)		(569)	
	<u>1,104</u>		<u>673</u>	
Impaired advances covered by collateral	<u>1,032</u>		<u>671</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)

17 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 2015	23	2,570	1,286	3,879	519	4,398
Additions	-	-	79	79	-	79
Disposals	-	(44)	(13)	(57)	(57)	(114)
Transfer	-	20	-	20	(20)	-
As at 30 June 2015	<u>23</u>	<u>2,546</u>	<u>1,352</u>	<u>3,921</u>	<u>442</u>	<u>4,363</u>
Accumulated depreciation and impairment						
As at 1 January 2015	17	870	827	1,714	-	1,714
Charge for the year	-	28	77	105	-	105
Disposals	-	(21)	(12)	(33)	-	(33)
As at 30 June 2015	<u>17</u>	<u>877</u>	<u>892</u>	<u>1,786</u>	<u>-</u>	<u>1,786</u>
Net book value						
As at 30 June 2015	<u>6</u>	<u>1,669</u>	<u>460</u>	<u>2,135</u>	<u>442</u>	<u>2,577</u>
The analysis of cost or valuation of the above assets as at 30 June 2015 is as follows:						
At cost	23	2,546	1,352	3,921	-	3,921
At valuation	-	-	-	-	442	442
	<u>23</u>	<u>2,546</u>	<u>1,352</u>	<u>3,921</u>	<u>442</u>	<u>4,363</u>

The fair value of the investment properties has been determined based on valuations performed by A.G. Wilkinson & Associates (Surveyors) as of 31 December 2014. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). It is an estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 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 2014	23	2,571	1,258	3,852	510	4,362
Additions	–	9	235	244	–	244
Disposals	–	(10)	(282)	(292)	–	(292)
Additions through acquisition	–	–	75	75	–	75
Fair value adjustment	–	–	–	–	9	9
As at 31 December 2014	<u>23</u>	<u>2,570</u>	<u>1,286</u>	<u>3,879</u>	<u>519</u>	<u>4,398</u>
Accumulated depreciation and impairment						
As at 1 January 2014	17	823	896	1,736	–	1,736
Charge for the year	–	56	140	196	–	196
Disposals	–	(9)	(281)	(290)	–	(290)
Additions through acquisition	–	–	72	72	–	72
As at 31 December 2014	<u>17</u>	<u>870</u>	<u>827</u>	<u>1,714</u>	<u>–</u>	<u>1,714</u>
Net book value						
As at 31 December 2014	<u>6</u>	<u>1,700</u>	<u>459</u>	<u>2,165</u>	<u>519</u>	<u>2,684</u>
The analysis of cost or valuation of the above assets as at 31 December 2014 is as follows:						
At cost	23	2,570	1,286	3,879	–	3,879
At valuation	–	–	–	–	519	519
	<u>23</u>	<u>2,570</u>	<u>1,286</u>	<u>3,879</u>	<u>519</u>	<u>4,398</u>

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 Deposits and balances from customers

	As at 30 June 2015 HK\$'M	As at 31 December 2014 HK\$'M
Deposits from customers, at amortised cost	241,210	248,180
Structured investment deposits classified as financial liabilities designated at fair value through profit or loss	<u>2,785</u>	<u>4,079</u>
	<u>243,995</u>	<u>252,259</u>
Analysed by:		
– Demand deposits and current accounts	30,922	27,151
– Savings deposits	83,988	86,942
– Time, call and notice deposits	<u>129,085</u>	<u>138,166</u>
	<u>243,995</u>	<u>252,259</u>

19 Certificates of deposit issued

	As at 30 June 2015 HK\$'M	As at 31 December 2014 HK\$'M
Certificates of deposit issued, measured at amortised cost	<u>5,000</u>	<u>4,961</u>

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Subordinated liability

The Bank issued a subordinated loan of US\$540,000,000 to its intermediate holding company, DBS Bank Ltd on 12 December 2012. This subordinated loan will mature on 12 December 2022, with an optional repayment date on 13 December 2017 or any interest payment date thereafter until maturity. Interest is payable quarterly and is charged at USD 3-month LIBOR plus 2.5% per annum. The subordinated loan will be converted into ordinary shares at the point of non-viability as determined by the Hong Kong Monetary Authority.

On 28 August 2014, DBS Bank Ltd assigned the US\$540,000,000 subordinated loan to its parent holding company, DBS Group Holdings Ltd. Other terms and conditions of the subordinated loan facility remain unchanged. 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 2015

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	199,472	2,964	1,790	1,857
– Swaps	238,772	285	556	477
– Options purchased	189,797	7,067	2,809	78
– Options written	189,834	94	78	2,820
	<u>817,875</u>	<u>10,410</u>	<u>5,233</u>	<u>5,232</u>
Interest rate derivatives				
– Futures	47	1	–	–
– Swaps	25,993	157	292	299
	<u>26,040</u>	<u>158</u>	<u>292</u>	<u>299</u>
Equity derivatives	<u>953</u>	<u>26</u>	<u>14</u>	<u>14</u>
Commodity derivatives	<u>136</u>	<u>9</u>	<u>2</u>	<u>2</u>
Total derivatives held for trading	<u>845,004</u>	<u>10,603</u>	<u>5,541</u>	<u>5,547</u>
Derivatives designated and qualified as fair value hedges				
Interest rate derivatives				
– Swaps	<u>5,521</u>	<u>54</u>	<u>187</u>	<u>64</u>

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Derivatives (continued)

As at 31 December 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	208,173	3,998	1,703	1,620
– Swaps	141,063	345	407	637
– Options purchased	171,622	6,329	2,215	312
– Options written	171,150	379	312	2,222
	<u>692,008</u>	<u>11,051</u>	<u>4,637</u>	<u>4,791</u>
Interest rate derivatives				
– Swaps	28,603	220	320	329
– Options purchased	6	–	–	–
– Options written	6	–	–	–
	<u>28,615</u>	<u>220</u>	<u>320</u>	<u>329</u>
Equity derivatives	<u>1,180</u>	<u>37</u>	<u>26</u>	<u>26</u>
Total derivatives held for trading	<u><u>721,803</u></u>	<u><u>11,308</u></u>	<u><u>4,983</u></u>	<u><u>5,146</u></u>
Derivatives designated and qualified as fair value hedges				
Interest rate derivatives				
– Swaps	<u><u>5,648</u></u>	<u><u>53</u></u>	<u><u>188</u></u>	<u><u>80</u></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\$24 million and HK\$33 million respectively (2014: HK\$77 million and HK\$10 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 2015 and 31 December 2014 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 2015 HK\$'M	As at 31 December 2014 HK\$'M
Direct credit substitutes	669	800
Transaction-related contingencies	1,469	1,346
Trade-related contingencies	7,879	8,455
Other commitments with an original maturity of not more than one year	1,699	1,155
Other commitments with an original maturity of more than one year	1,227	783
Other commitments which are unconditionally cancellable	147,824	144,656
	160,767	157,195
Credit risk-weighted amount	15,966	15,287

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION

1 Capital adequacy

The capital adequacy ratios as at 30 June 2015 and 31 December 2014 were compiled in accordance with the Banking (Capital) Rules issued by the Hong Kong Monetary Authority ("HKMA").

	As at 30 June 2015	As at 31 December 2014
Capital Adequacy Ratios		
Common Equity Tier 1	15.2%	14.6%
Tier 1	15.2%	14.6%
Total	17.4%	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.

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

2 Leverage ratio

The leverage ratio as at 30 June 2015 and 31 December 2014 were compiled in accordance with the Leverage Ratio Framework issued by the HKMA.

	As at 30 June 2015	As at 31 December 2014
Leverage ratio	<u>9.0%</u>	<u>9.0%</u>

Leverage ratio disclosures as required by section 24A of the Banking (Disclosure) Rules are available in the section of Regulatory Disclosures of our website www.dbs.com.hk.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

3 Financial Statements and Regulatory Scope of Consolidation

For regulatory reporting purposes, the Bank is required to compute its capital adequacy ratios and leverage ratio 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	59
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	Inactive	5	5
DBS Trustee H.K.(New Zealand) Limited	Provision of trustee and trust administration services	1	1
DBS COMPASS Limited	Provision of credit card services	8	8

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

4 International claims

Analysis of the Bank's international claims by location and by type of counterparty is as follows:

	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
As at 30 June 2015					
Developed countries	6,522	6,157	9	2,467	15,155
Offshore centres, of which	83,796	1,873	806	37,446	123,921
– Singapore	79,700	1,740	–	619	82,059
– Hong Kong	4,087	133	575	30,776	35,571
– Others	9	–	231	6,051	6,291
Developing Europe	–	–	–	154	154
Developing Latin America and Caribbean	2	–	–	422	424
Developing Africa and Middle East	119	–	–	183	302
Developing Asia-Pacific, of which	25,900	647	15	3,140	29,702
– China	25,455	647	15	2,604	28,721
– Others	445	–	–	536	981
International organisations	–	1,381	–	–	1,381
	<u>116,339</u>	<u>10,058</u>	<u>830</u>	<u>43,812</u>	<u>171,039</u>

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

4 International claims (continued)

	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
As at 31 December 2014					
Developed countries	5,934	8,213	30	2,431	16,608
Offshore centres, of which	89,196	1,783	287	19,309	110,575
– Singapore	88,471	1,776	–	723	90,970
– Hong Kong	606	7	246	12,668	13,527
– Others	119	–	41	5,918	6,078
Developing Europe	1	–	–	196	197
Developing Latin America and Caribbean	6	–	–	527	533
Developing Africa and Middle East	35	–	–	2	37
Developing Asia-Pacific, of which	33,649	647	23	2,763	37,082
– China	33,186	647	23	1,932	35,788
– Others	463	–	–	831	1,294
International organisations	–	2,279	–	–	2,279
	<u>128,821</u>	<u>12,922</u>	<u>340</u>	<u>25,228</u>	<u>167,311</u>

The above analysis is disclosed on a net basis after taking into account the effect of any recognised risk transfer.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

5 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 2015		As at 31 December 2014	
	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	1,946	1,690	2,228	2,226
– Property investment	25,210	24,310	24,828	23,846
– Financial concerns	3,177	2,897	3,815	3,518
– Stockbrokers	1,666	15	1,144	64
– Wholesale and retail trade	17,350	14,122	19,111	15,497
– Manufacturing	11,256	7,976	11,444	8,284
– Transport and transport equipment	10,142	9,534	10,005	9,547
– Recreational activities	180	172	161	154
– Information technology	249	108	317	110
– Others	7,586	5,693	7,263	5,896
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	337	337	390	390
– Loans for the purchase of other residential properties	24,829	24,829	26,489	26,489
– Credit card advances	8,616	–	8,549	–
– Others	13,229	6,618	13,277	6,918
	125,773	98,301	129,021	102,939
Trade finance (including trade bills)	43,657	14,695	50,179	14,064
Gross loans and advances for use outside Hong Kong	6,980	3,244	6,768	2,714
	176,410	116,240	185,968	119,717

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

5 Loans and advances to customers (continued)

(a) Loans and 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 2015			
Property investment	152	14	82
Loans for the purchase of other residential properties	22	–	–
Trade finance	795	246	188
As at 31 December 2014			
Property investment	73	7	79
Loans for the purchase of other residential properties	13	–	–
Trade finance	635	239	138

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

5 Loans and 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 2015			
Hong Kong	118,406	21,633	140,039
Mainland China	7,858	19,940	27,798
Others	6,489	2,084	8,573
	<u>132,753</u>	<u>43,657</u>	<u>176,410</u>
As at 31 December 2014			
Hong Kong	121,754	21,096	142,850
Mainland China	7,296	27,321	34,617
Others	6,739	1,762	8,501
	<u>135,789</u>	<u>50,179</u>	<u>185,968</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 2015			
Hong Kong	1,419	438	668
Mainland China	197	111	36
As at 31 December 2014			
Hong Kong	1,072	451	665
Mainland China	108	89	36

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

6 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 2015		As at 31 December 2014	
	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	456	0.26	267	0.14
One year or less but over six months	309	0.18	289	0.16
Over one year	753	0.42	696	0.37
	<u>1,518</u>	<u>0.86</u>	<u>1,252</u>	<u>0.67</u>
Individual impairment allowances made in respect of the above overdue loans and advances	<u>487</u>		<u>534</u>	
Current market value of collateral held against the covered portion of the above overdue loans and advances	<u>1,160</u>		<u>986</u>	
Covered portion of the above overdue loans and advances	<u>780</u>		<u>594</u>	
Uncovered portion of the above overdue loans and advances	<u>738</u>		<u>658</u>	

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

6 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 2015		As at 31 December 2014	
	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>	0.15	<u>258</u>	0.14

(c) Repossessed assets

As at 30 June 2015, repossessed assets of the Bank amounted to HK\$85 million (31 December 2014: HK\$49 million).

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

7 Mainland activities

The table below summarises the non-bank Mainland China exposure of the Bank (excluding its Macau Branch), categorised by types of counterparties:

As at 30 June 2015	On-balance sheet exposure HK\$'M	Off-balance sheet exposure HK\$'M	Total HK\$'M
Types of Counterparties			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	2,192	72	2,264
(b) Local governments, local government-owned entities and their subsidiaries and JVs	593	31	624
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3,125	1,474	4,599
(d) Other entities of central government not reported in part (a) above	722	52	774
(e) Other entities of local governments not reported in part (b) above	176	123	299
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	5,283	1,507	6,790
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	2,027	89	2,116
Total	<u>14,118</u>	<u>3,348</u>	<u>17,466</u>
Total assets after provision	<u>326,328</u>		
On-balance sheet exposures as percentage of total assets	<u>4.33%</u>		

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

7 Mainland activities (continued)

As at 31 December 2014	On-balance sheet exposure HK\$'M	Off-balance sheet exposure HK\$'M	Total HK\$'M
Types of Counterparties			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	1,566	27	1,593
(b) Local governments, local government-owned entities and their subsidiaries and JVs	878	46	924
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	4,685	1,016	5,701
(d) Other entities of central government not reported in part (a) above	902	73	975
(e) Other entities of local governments not reported in part (b) above	466	128	594
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	5,384	1,540	6,924
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,277	66	1,343
Total	<u>15,158</u>	<u>2,896</u>	<u>18,054</u>
Total assets after provision	<u>311,354</u>		
On-balance sheet exposures as percentage of total assets	<u>4.87%</u>		

Certain comparative figures have been re-presented to conform to current period presentation.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

8 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 2015				
Hong Kong dollar equivalents				
Spot assets	124,674	16,177	14,022	154,873
Spot liabilities	(71,663)	(26,884)	(18,778)	(117,325)
Forward purchases	250,455	262,661	11,967	525,083
Forward sales	(303,304)	(251,303)	(7,108)	(561,715)
Net options position	(5)	(5)	4	(6)
Net long non-structural position	157	646	107	910
Net structural position	–	29	(70)	(41)
As at 31 December 2014				
Hong Kong dollar equivalents				
Spot assets	108,171	29,193	13,809	151,173
Spot liabilities	(78,794)	(27,292)	(20,504)	(126,590)
Forward purchases	178,331	174,790	13,121	366,242
Forward sales	(208,836)	(175,493)	(6,287)	(390,616)
Net options position	(10)	(68)	45	(33)
Net (short) / long non-structural position	(1,138)	1,130	184	176
Net structural position	–	29	(59)	(30)

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 HKMA.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

9 Liquidity Coverage Ratio

The Bank complies with the minimum requirement of 60% of Liquidity Coverage Ratio (“LCR”) on a daily basis from 1 January 2015 onwards, in accordance with the Banking (Liquidity) Rules issued by the HKMA.

	For the quarters ended	
	30 June 2015	31 March 2015
Average LCR for the period	<u>138.5%</u>	<u>137.2%</u>

Liquidity disclosures as required by section 30 and 30A of the Banking (Disclosure) Rules are available in the section of Regulatory Disclosures of our website www.dbs.com.hk.

Hong Kong, 16 July 2015