

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 2016**

# 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\$1,173 million, 34% lower than the same period in 2015 impacted by higher credit allowances. Profit before allowances for credit and other losses declined by 8% compared to the same period in 2015.

Total income reduced by 6% to HK\$4,291 million with lower trading income and property disposal gains. Trading income was 37% lower due to RMB depreciation and unfavorable equity market sentiment during the period. Net interest income increased by 11% to HK\$2,518 million driven by improvement in net interest margin amid decline in loans. Fee and commission income remained largely stable despite the market headwinds.

Expenses for the period were HK\$2,172 million, 3% lower than the same period in 2015. Allowances for credit and other losses increased to HK\$712 million including allowances on other assets of HK\$343 million.

Comparing to 31 December 2015, loans and advances to customers declined by 4% to HK\$154 billion mainly due to reduction in trade bills while customer loans were largely stable at HK\$143 billion. Customer deposits remained stable at HK\$242 billion.

The Bank's financial position remained strong. Total capital adequacy ratio was solid at 17.8% as at 30 June 2016, a 0.8% point increase from 31 December 2015 position. Liquidity was ample, with the average liquidity coverage ratio at 131.1% for the quarter ended 30 June 2016, which was well above the minimum requirement of 70% 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 2016	30 June 2015
		HK\$'M	HK\$'M
Interest income	3	<b>3,247</b>	3,305
Interest expense	4	<u>(729)</u>	<u>(1,040)</u>
Net interest income		<b>2,518</b>	2,265
Net fee and commission income	5	<b>983</b>	1,009
Net trading income	6	<b>637</b>	1,016
Net income from investment securities	7	<b>70</b>	47
Other income	8	<u><b>83</b></u>	<u>206</u>
Total income		<b>4,291</b>	4,543
Total expenses	9	<u><b>(2,172)</b></u>	<u>(2,231)</u>
Profit before allowances for credit and other losses		<b>2,119</b>	2,312
Allowances for credit and other losses	10	<u><b>(712)</b></u>	<u>(193)</u>
Profit before income tax		<b>1,407</b>	2,119
Income tax expense	11	<u><b>(234)</b></u>	<u>(330)</u>
Profit attributable to shareholders		<u><b>1,173</b></u>	<u>1,789</u>

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June 2016	30 June 2015
	HK\$'M	HK\$'M
<b>Profit attributable to shareholders</b>	<u>1,173</u>	<u>1,789</u>
<b>Other comprehensive income</b>		
Available-for-sale financial investments		
– Net valuation taken to equity	124	37
– Transferred to income statement	(63)	(23)
– Deferred income tax charged to equity	<u>(10)</u>	<u>(3)</u>
<b>Other comprehensive income attributable to shareholders, net of tax</b>	<u>51</u>	<u>11</u>
<b>Total comprehensive income attributable to shareholders</b>	<u><u>1,224</u></u>	<u><u>1,800</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 STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2016 HK\$'M	As at 31 December 2015 HK\$'M
<b>Assets</b>			
Cash and balances with central banks	12	1,309	6,305
Government securities and treasury bills	13	31,195	17,022
Due from banks	14	113,813	96,006
Derivatives	22	3,110	7,363
Bank and corporate securities	15	11,736	10,526
Loans and advances to customers	16	154,121	160,208
Other assets	17	6,508	7,712
Properties and other fixed assets	18	2,407	2,483
Goodwill and intangibles		182	187
		<hr/>	<hr/>
Total assets		<b>324,381</b>	307,812
		<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>			
Due to banks		12,080	9,689
Deposits and balances from customers	19	242,287	241,065
Derivatives	22	3,555	7,626
Certificates of deposit issued	20	2,907	4,479
Other liabilities		24,723	7,353
Subordinated liability	21	4,190	4,185
		<hr/>	<hr/>
Total liabilities		<b>289,742</b>	274,397
		<hr/> <hr/>	<hr/> <hr/>
<b>Equity</b>			
Share capital		7,595	7,595
Reserves		27,044	25,820
		<hr/>	<hr/>
Total equity		<b>34,639</b>	33,415
		<hr/> <hr/>	<hr/> <hr/>
Total liabilities and equity		<b>324,381</b>	307,812
		<hr/> <hr/>	<hr/> <hr/>

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

### UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital 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 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	7,595	12	160	2,399	23,465	33,631
Transferred to retained earnings on sale of investment properties	–	–	(61)	–	61	–
Total comprehensive income	–	–	(57)	–	1,341	1,284
Dividend	–	–	–	–	(1,500)	(1,500)
Balance as at 31 December 2015	<u>7,595</u>	<u>12</u>	<u>42</u>	<u>2,399</u>	<u>23,367</u>	<u>33,415</u>
Balance as at 1 January 2016	<b>7,595</b>	<b>12</b>	<b>42</b>	<b>2,399</b>	<b>23,367</b>	<b>33,415</b>
Transferred to retained earnings on sale of investment properties	–	–	(3)	–	3	–
Total comprehensive income	–	–	51	–	1,173	1,224
Balance as at 30 June 2016	<u><b>7,595</b></u>	<u><b>12</b></u>	<u><b>90</b></u>	<u><b>2,399</b></u>	<u><b>24,543</b></u>	<u><b>34,639</b></u>

As at 30 June 2016, HK\$1,073 million (31 December 2015: HK\$1,159 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 5.

### 2 Basis of preparation

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 2015 as disclosed in the Annual Report and Financial Statements for 2015. Certain comparative figures have been re-presented to conform to current period presentation.

The financial information relating to the year ended 31 December 2015 that is included in the Interim Report 2016 as comparative information does not constitute the Group’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Group’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

### 3 Interest income

Interest income recognised on financial assets that are not at fair value through profit or loss amounted to HK\$3,210 million (first half of 2015: HK\$3,259 million).

### 4 Interest expense

Interest expense recognised on financial liabilities that are not at fair value through profit or loss amounted to HK\$722 million (first half of 2015: HK\$1,036 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 2016</b>	30 June 2015
	<b>HK\$'M</b>	HK\$'M
Fee and commission income	1,177	1,226
Less: Fee and commission expense	<u>(194)</u>	<u>(217)</u>
Net fee and commission income	<u><b>983</b></u>	<u>1,009</u>
Comprising:		
– Wealth management	381	400
– Trade and transaction services (Note)	233	234
– Cards	139	166
– Loan-related	139	121
– Stockbroking	13	37
– Others	<u>78</u>	<u>51</u>
	<u><b>983</b></u>	<u>1,009</u>
Of which:		
Fee and commission income arising from:		
– Financial assets or financial liabilities not at fair value through profit or loss	466	456
– Trust or other fiduciary activities	11	7
Fee and commission expense arising from:		
– Financial assets or financial liabilities not at fair value through profit or loss	174	156

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

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6 Net trading income

	For the six months ended	
	30 June 2016	30 June 2015
	HK\$'M	HK\$'M
Net trading income		
– Foreign exchange	584	876
– Interest rates, equities and others	74	201
	<u>658</u>	<u>1,077</u>
Net loss from financial instruments designated at fair value through profit or loss	(21)	(61)
	<u>637</u>	<u>1,016</u>

### 7 Net income from investment securities

	For the six months ended	
	30 June 2016	30 June 2015
	HK\$'M	HK\$'M
Available-for-sale debt securities	63	34
Dividend income from unlisted equity securities	7	13
	<u>70</u>	<u>47</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 2016 HK\$'M	30 June 2015 HK\$'M
Net gain on disposal of properties and other fixed assets	31	159
Rental income	25	18
Others	27	29
	<u>83</u>	<u>206</u>

### 9 Total expenses

	For the six months ended	
	30 June 2016 HK\$'M	30 June 2015 HK\$'M
Employee benefits		
– Salaries and other short term employee benefits	1,195	1,238
– Pensions	71	71
– Share-based compensation	28	22
Premises and equipment expenses excluding depreciation		
– Rental of premises	135	130
– Others	147	143
Depreciation	119	105
Auditor's remuneration	5	5
Computerisation expenses	148	167
Other operating expenses	324	350
	<u>2,172</u>	<u>2,231</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 2016</b>	30 June 2015
	HK\$'M	HK\$'M
Individual impairment allowances on loans and advances to customers	<b>215</b>	67
Collective impairment allowances on loans and advances to customers	<b>150</b>	126
Individual impairment allowances on other assets	<b>343</b>	–
Off-balance sheet credit exposures	<b>4</b>	–
	<u><b>712</b></u>	<u>193</u>
Individual impairment allowances on loans and advances to customers		
– New allowances	<b>270</b>	255
– Releases	<b>(52)</b>	(182)
– Recoveries	<b>(3)</b>	(6)
	<u><b>215</b></u>	<u>67</u>
Collective impairment allowances on loans and advances to customers		
– New allowances	<b>223</b>	200
– Releases	<b>(49)</b>	(51)
– Recoveries	<b>(24)</b>	(23)
	<u><b>150</b></u>	<u>126</u>
Individual impairment allowances on other assets		
– New allowances	<b>365</b>	–
– Releases	<b>(22)</b>	–
– Recoveries	<b>–</b>	–
	<u><b>343</b></u>	<u>–</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 2016 HK\$'M	30 June 2015 HK\$'M
Hong Kong profits tax	237	314
Overseas tax	3	5
	<hr/>	<hr/>
Current income tax	240	319
Deferred income tax	(6)	11
	<hr/>	<hr/>
	<b>234</b>	<b>330</b>
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at 16.5% (first half of 2015: 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 2016 HK\$'M	31 December 2015 HK\$'M
Cash in hand	536	598
Balances with central banks	773	5,707
	<hr/>	<hr/>
	<b>1,309</b>	<b>6,305</b>
	<hr/> <hr/>	<hr/> <hr/>

### 13 Government securities and treasury bills

	As at	As at
	30 June 2016 HK\$'M	31 December 2015 HK\$'M
Held for trading	19,255	2,458
Available-for-sale	11,940	14,564
	<hr/>	<hr/>
	<b>31,195</b>	<b>17,022</b>
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2016, there were no impaired, overdue or rescheduled available-for-sale financial assets (31 December 2015: Nil).

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14 Due from banks

	<b>As at 30 June 2016 HK\$'M</b>	As at 31 December 2015 HK\$'M
Balances with banks	<u>2,461</u>	<u>3,136</u>
Placements with and advances to banks		
Remaining maturity		
– Within one month	39,011	36,969
– One year or less but over one month	42,414	45,610
– Over one year	<u>29,927</u>	<u>10,291</u>
	<u>111,352</u>	<u>92,870</u>
	<u><b>113,813</b></u>	<u><b>96,006</b></u>

As at 30 June 2016, there were no impaired, overdue or rescheduled placements with and advances to banks (31 December 2015: Nil).

### 15 Bank and corporate securities

	<b>As at 30 June 2016 HK\$'M</b>	As at 31 December 2015 HK\$'M
Held for trading	890	1,334
Available-for-sale	8,003	6,423
Loans and receivables	<u>2,843</u>	<u>2,769</u>
	<u><b>11,736</b></u>	<u><b>10,526</b></u>

As at 30 June 2016, there were no impaired, overdue or rescheduled available-for-sale and loans and receivables financial assets (31 December 2015: Nil).

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16 Loans and advances to customers

	<b>As at 30 June 2016 HK\$'M</b>	As at 31 December 2015 HK\$'M
Gross loans and advances to customers	<b>155,635</b>	161,558
Less: Impairment allowances		
– Individually assessed	<b>(679)</b>	(524)
– Collectively assessed	<b>(835)</b>	(826)
	<b><u>154,121</u></b>	<u>160,208</u>
Comprising:		
– Trade bills	<b>11,351</b>	15,584
– Loans	<b>142,770</b>	144,624
	<b><u>154,121</u></b>	<u>160,208</u>

### Impaired advances

	<b>As at 30 June 2016</b>		<b>As at 31 December 2015</b>	
	<b>HK\$'M</b>	<b>% of gross loans and advances to customers</b>	<b>HK\$'M</b>	<b>% of gross loans and advances to customers</b>
Gross impaired advances	<b>4,279</b>	<b>2.75</b>	2,927	1.81
Individual impairment allowances	<b>(679)</b>		(524)	
	<b><u>3,600</u></b>		<u>2,403</u>	
Impaired advances covered by collateral	<b><u>2,339</u></b>		<u>1,547</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 Other assets

The balance as at 30 June 2016 included individual impairment allowances of HK\$440 million (31 December 2015: HK\$158 million).

### 18 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 2016	23	2,540	1,461	4,024	327	4,351
Additions	-	1	96	97	-	97
Disposals	-	(10)	(55)	(65)	(54)	(119)
As at 30 June 2016	23	2,531	1,502	4,056	273	4,329
Accumulated depreciation and impairment						
As at 1 January 2016	17	902	949	1,868	-	1,868
Charge for the year	-	28	91	119	-	119
Disposals	-	(10)	(55)	(65)	-	(65)
As at 30 June 2016	17	920	985	1,922	-	1,922
Net book value						
As at 30 June 2016	6	1,611	517	2,134	273	2,407
The analysis of cost or valuation of the above assets as at 30 June 2016 is as follows:						
At cost	23	2,531	1,502	4,056	-	4,056
At valuation	-	-	-	-	273	273
	23	2,531	1,502	4,056	273	4,329

The fair value of the investment properties has been determined based on valuations performed by A.G. Wilkinson & Associates (Surveyors) as of 31 December 2015. 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)

### 18 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 2015	23	2,570	1,286	3,879	519	4,398
Additions	–	6	218	224	2	226
Disposals	–	(56)	(43)	(99)	(170)	(269)
Transfers in / (out)	–	20	–	20	(20)	–
Fair value adjustment	–	–	–	–	(4)	(4)
As at 31 December 2015	<u>23</u>	<u>2,540</u>	<u>1,461</u>	<u>4,024</u>	<u>327</u>	<u>4,351</u>
Accumulated depreciation and impairment						
As at 1 January 2015	17	870	827	1,714	–	1,714
Charge for the year	–	57	164	221	–	221
Disposals	–	(25)	(42)	(67)	–	(67)
As at 31 December 2015	<u>17</u>	<u>902</u>	<u>949</u>	<u>1,868</u>	<u>–</u>	<u>1,868</u>
Net book value						
As at 31 December 2015	<u><u>6</u></u>	<u><u>1,638</u></u>	<u><u>512</u></u>	<u><u>2,156</u></u>	<u><u>327</u></u>	<u><u>2,483</u></u>
The analysis of cost or valuation of the above assets as at 31 December 2015 is as follows:						
At cost	23	2,540	1,461	4,024	–	4,024
At valuation	–	–	–	–	327	327
	<u><u>23</u></u>	<u><u>2,540</u></u>	<u><u>1,461</u></u>	<u><u>4,024</u></u>	<u><u>327</u></u>	<u><u>4,351</u></u>

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19 Deposits and balances from customers

	<b>As at 30 June 2016 HK\$'M</b>	As at 31 December 2015 HK\$'M
Deposits from customers, at amortised cost	<b>241,153</b>	239,653
Structured investment deposits classified as financial liabilities designated at fair value through profit or loss	<u>1,134</u>	<u>1,412</u>
	<b><u>242,287</u></b>	<b><u>241,065</u></b>
Analysed by:		
– Demand deposits and current accounts	<b>38,049</b>	37,284
– Savings deposits	<b>96,971</b>	96,235
– Time, call and notice deposits	<u>107,267</u>	<u>107,546</u>
	<b><u>242,287</u></b>	<b><u>241,065</u></b>

### 20 Certificates of deposit issued

	<b>As at 30 June 2016 HK\$'M</b>	As at 31 December 2015 HK\$'M
Certificates of deposit issued, measured at amortised cost	<b><u>2,907</u></b>	<b><u>4,479</u></b>

### 21 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. On 28 August 2014, DBS Bank Ltd assigned the subordinated loan to its parent holding company, DBS Group Holdings Ltd, with terms and conditions remain unchanged. 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. 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)

### 22 Derivatives

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

**As at 30 June 2016**

<b>Derivatives held for trading</b>	<b>Contract/ notional amount HK\$'M</b>	<b>Credit risk- weighted amount HK\$'M</b>	<b>Positive fair values HK\$'M</b>	<b>Negative fair values HK\$'M</b>
Foreign exchange derivatives				
– Forwards	52,108	979	641	606
– Swaps	124,112	184	923	1,473
– Options purchased	56,599	1,547	949	103
– Options written	57,283	201	103	962
	<u>290,102</u>	<u>2,911</u>	<u>2,616</u>	<u>3,144</u>
Interest rate derivatives				
– Futures	124	3	–	–
– Swaps	22,336	163	314	346
– Option purchased	775	–	1	–
– Option written	775	–	–	1
	<u>24,010</u>	<u>166</u>	<u>315</u>	<u>347</u>
Equity derivatives	<u>817</u>	<u>27</u>	<u>8</u>	<u>8</u>
Commodity derivatives	<u>34</u>	<u>5</u>	<u>6</u>	<u>6</u>
Total derivatives held for trading	<u><u>314,963</u></u>	<u><u>3,109</u></u>	<u><u>2,945</u></u>	<u><u>3,505</u></u>
<b>Derivatives designated and qualified as fair value hedges</b>				
Interest rate derivatives				
– Swaps	<u>3,519</u>	<u>44</u>	<u>165</u>	<u>50</u>

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 22 Derivatives (continued)

As at 31 December 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	113,141	3,274	2,127	2,094
– Swaps	230,530	390	1,205	1,607
– Options purchased	139,234	5,911	3,279	264
– Options written	139,825	924	265	3,289
	<u>622,730</u>	<u>10,499</u>	<u>6,876</u>	<u>7,254</u>
Interest rate derivatives				
– Swaps	19,961	144	256	272
– Options purchased	200	–	–	–
– Options written	200	–	–	–
	<u>20,361</u>	<u>144</u>	<u>256</u>	<u>272</u>
Equity derivatives	<u>692</u>	<u>30</u>	<u>15</u>	<u>15</u>
Commodity derivatives	<u>195</u>	<u>34</u>	<u>34</u>	<u>34</u>
Total derivatives held for trading	<u><u>643,978</u></u>	<u><u>10,707</u></u>	<u><u>7,181</u></u>	<u><u>7,575</u></u>
Derivatives designated and qualified as fair value hedges				
Interest rate derivatives				
– Swaps	<u>5,320</u>	<u>46</u>	<u>182</u>	<u>51</u>

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 contract or notional amounts of these instruments indicate the volume of transactions outstanding as at the end of the reporting period; they do not represent amounts at risk.

The credit risk-weighted amounts as at 30 June 2016 and 31 December 2015 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)

### 23 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 2016 HK\$'M</b>	As at 31 December 2015 HK\$'M
Direct credit substitutes	507	595
Transaction-related contingencies	1,863	1,860
Trade-related contingencies	7,083	6,913
Other commitments with an original maturity of not more than one year	11,639	502
Other commitments with an original maturity of more than one year	409	1,392
Other commitments which are unconditionally cancellable	<u>150,133</u>	<u>151,112</u>
	<u>171,634</u>	<u>162,374</u>
Credit risk-weighted amount	<u>16,202</u>	<u>15,414</u>

The information is prepared with reference to the Banking (Capital) Rules. For accounting purposes, acceptances are recognised on the statement of financial position in “Other assets” and “Other liabilities” in accordance with HKAS 39 Financial Instruments: Recognition and Measurement. For the purpose of the Banking (Capital) Rules, acceptances are included in the capital adequacy calculation as if they were trade-related contingencies. The contract amount of acceptances included in the table above was HK\$1,656 million (31 December 2015: HK\$1,618 million).

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION

### 1 Capital adequacy ratio

The capital adequacy ratios as at 30 June 2016 and 31 December 2015 were compiled in accordance with the Banking (Capital) Rules issued by the Hong Kong Monetary Authority (“HKMA”).

	<b>As at 30 June 2016</b>	As at 31 December 2015
Capital Adequacy Ratios		
Common Equity Tier 1	<b>15.6%</b>	14.9%
Tier 1	<b>15.6%</b>	14.9%
Total	<b>17.8%</b>	17.0%

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 on our website [www.dbs.com.hk](http://www.dbs.com.hk).

### 2 Leverage ratio

The leverage ratio as at 30 June 2016 and 31 December 2015 was compiled in accordance with the Leverage Ratio Framework issued by the HKMA.

	<b>As at 30 June 2016</b>	As at 31 December 2015
Leverage ratio	<b><u>9.4%</u></b>	<b><u>9.5%</u></b>

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

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 3 Capital conservation buffer ratio

The capital conservation buffer ratio for calculating the Bank's buffer level is 0.625% for 2016 in accordance with section 3M of the Banking (Capital) Rules.

### 4 Countercyclical capital buffer ratio

The countercyclical capital buffer ratio as at 30 June 2016 was compiled in accordance with section 3O of the Banking (Capital) Rules.

	<b>As at 30 June 2016</b>
Countercyclical capital buffer ratio	<b><u>0.6%</u></b>

The relevant disclosures pursuant to section 24B of the Banking (Disclosure) Rules are available in the section of Regulatory Disclosures on our website [www.dbs.com.hk](http://www.dbs.com.hk).

### 5 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	Inactive	8	8

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 6 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
<b>As at 30 June 2016</b>					
Developed countries	7,140	2,957	17	2,496	12,610
Offshore centres, of which	108,566	1,770	705	28,050	139,091
– Singapore	108,373	1,737	63	1,778	111,951
– Hong Kong	180	33	642	23,683	24,538
– Others	13	–	–	2,589	2,602
Developing Europe	–	–	–	206	206
Developing Latin America and Caribbean	4	–	–	503	507
Developing Africa and Middle East	3	–	20	363	386
Developing Asia-Pacific, of which	15,603	165	1,686	7,764	25,218
– China	14,953	165	1,577	6,709	23,404
– Others	650	–	109	1,055	1,814
International organisations	–	1,428	–	–	1,428
	<b>131,316</b>	<b>6,320</b>	<b>2,428</b>	<b>39,382</b>	<b>179,446</b>



# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 6 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 2015					
Developed countries	7,830	5,222	116	2,740	15,908
Offshore centres, of which	89,094	1,618	943	29,631	121,286
– Singapore	88,407	1,613	54	1,486	91,560
– Hong Kong	677	5	328	25,824	26,834
– Others	10	–	561	2,321	2,892
Developing Europe	1	–	–	231	232
Developing Latin America and Caribbean	32	–	–	608	640
Developing Africa and Middle East	34	–	13	113	160
Developing Asia-Pacific, of which	22,133	233	839	5,616	28,821
– China	21,740	233	754	4,886	27,613
– Others	393	–	85	730	1,208
International organisations	–	1,345	–	–	1,345
	<u>119,124</u>	<u>8,418</u>	<u>1,911</u>	<u>38,939</u>	<u>168,392</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)

### 7 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 2016		As at 31 December 2015	
	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	2,642	2,604	2,566	2,308
– Property investment	23,317	22,387	23,288	22,636
– Financial concerns	3,113	2,789	2,621	2,317
– Stockbrokers	1,031	36	962	33
– Wholesale and retail trade	16,019	11,972	15,578	11,939
– Manufacturing	11,449	7,501	9,378	6,497
– Transport and transport equipment	10,491	9,666	10,487	9,847
– Recreational activities	144	127	105	92
– Information technology	414	149	369	148
– Others	5,611	4,095	6,254	4,547
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	255	255	294	294
– Loans for the purchase of other residential properties	22,916	22,916	23,712	23,712
– Credit card advances	8,502	–	9,041	–
– Others	12,458	5,285	13,443	6,520
	118,362	89,782	118,098	90,890
Trade finance (including trade bills)	31,804	12,527	37,547	13,691
Gross loans and advances for use outside Hong Kong	5,469	1,846	5,913	2,726
	<b>155,635</b>	<b>104,155</b>	<b>161,558</b>	<b>107,307</b>

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 7 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
<b>As at 30 June 2016</b>			
Property investment	316	16	92
Loans for the purchase of other residential properties	23	–	–
Trade finance	1,330	305	166
Wholesale and retail trade	856	190	95
<b>As at 31 December 2015</b>			
Property investment	173	15	94
Loans for the purchase of other residential properties	12	–	–
Trade finance	918	263	156
Wholesale and retail trade	480	130	95

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 7 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
<b>As at 30 June 2016</b>			
Hong Kong	112,846	18,374	131,220
Mainland China	4,339	10,939	15,278
Others	6,646	2,491	9,137
	<u>123,831</u>	<u>31,804</u>	<u>155,635</u>
<b>As at 31 December 2015</b>			
Hong Kong	113,116	21,676	134,792
Mainland China	3,979	14,304	18,283
Others	6,916	1,567	8,483
	<u>124,011</u>	<u>37,547</u>	<u>161,558</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 2016</b>			
Hong Kong	2,730	580	719
Mainland China	482	76	26
<b>As at 31 December 2015</b>			
Hong Kong	1,868	446	707
Mainland China	107	39	19

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 8 Overdue and rescheduled assets

#### (a) Overdue loans and advances to customers

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

	As at 30 June 2016		As at 31 December 2015	
	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	526	0.34	436	0.27
One year or less but over six months	1,430	0.92	326	0.20
Over one year	800	0.51	731	0.45
	<u>2,756</u>	<u>1.77</u>	<u>1,493</u>	<u>0.92</u>
Individual impairment allowances made in respect of the above overdue loans and advances	<u>523</u>		<u>446</u>	
Current market value of collateral held against the covered portion of the above overdue loans and advances	<u>2,089</u>		<u>1,448</u>	
Covered portion of the above overdue loans and advances	<u>1,308</u>		<u>924</u>	
Uncovered portion of the above overdue loans and advances	<u>1,448</u>		<u>569</u>	

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 8 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 2016		As at 31 December 2015	
	HK\$'M	% of gross loans and advances to customers	HK\$'M	% of gross loans and advances to customers
Rescheduled loans and advances	<u>784</u>	0.50	<u>409</u>	0.25

#### (c) Repossessed assets

As at 30 June 2016, repossessed assets of the Bank amounted to HK\$239 million (31 December 2015: HK\$128 million).

#### (d) Overdue other assets

The overdue other assets of the Bank are analysed as follows:

	As at 30 June 2016 HK\$'M	As at 31 December 2015 HK\$'M
Six months or less but over three months	497	65
One year or less but over six months	62	3
Over one year	<u>1</u>	<u>–</u>
	<u>560</u>	<u>68</u>

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 9 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 2016	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")	855	148	1,003
(b) Local governments, local government-owned entities and their subsidiaries and JVs	469	44	513
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	2,674	686	3,360
(d) Other entities of central government not reported in part (a) above	–	–	–
(e) Other entities of local governments not reported in part (b) above	82	59	141
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	4,938	1,507	6,445
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	5,569	1,401	6,970
<b>Total</b>	<b>14,587</b>	<b>3,845</b>	<b>18,432</b>
Total assets after provision	<b>321,855</b>		
On-balance sheet exposures as percentage of total assets	<b>4.53%</b>		

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 9 Mainland activities (continued)

As at 31 December 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")	951	297	1,248
(b) Local governments, local government-owned entities and their subsidiaries and JVs	305	2	307
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	2,717	1,246	3,963
(d) Other entities of central government not reported in part (a) above	–	–	–
(e) Other entities of local governments not reported in part (b) above	18	–	18
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	4,271	1,057	5,328
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	5,060	2,098	7,158
Total	<u>13,322</u>	<u>4,700</u>	<u>18,022</u>
Total assets after provision	<u>305,793</u>		
On-balance sheet exposures as percentage of total assets	<u>4.36%</u>		



# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 10 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
<b>As at 30 June 2016</b>				
<b>Hong Kong dollar equivalents</b>				
Spot assets	95,077	9,659	12,248	116,984
Spot liabilities	(81,854)	(13,776)	(19,353)	(114,983)
Forward purchases	99,767	72,728	13,916	186,411
Forward sales	(110,795)	(68,704)	(6,918)	(186,417)
Net options position	(13)	(37)	2	(48)
<b>Net long / (short) non-structural position</b>	<b>2,182</b>	<b>(130)</b>	<b>(105)</b>	<b>1,947</b>
<b>Net structural position</b>	<b>–</b>	<b>29</b>	<b>(45)</b>	<b>(16)</b>
<b>As at 31 December 2015</b>				
<b>Hong Kong dollar equivalents</b>				
Spot assets	116,202	14,937	11,930	143,069
Spot liabilities	(83,793)	(20,099)	(19,013)	(122,905)
Forward purchases	219,936	214,013	13,096	447,045
Forward sales	(252,059)	(208,480)	(5,996)	(466,535)
Net options position	(1)	(10)	6	(5)
<b>Net long non-structural position</b>	<b>285</b>	<b>361</b>	<b>23</b>	<b>669</b>
<b>Net structural position</b>	<b>–</b>	<b>29</b>	<b>(30)</b>	<b>(1)</b>

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)

### 11 Liquidity Coverage Ratio

The Bank complies with the minimum requirement of Liquidity Coverage Ratio (“LCR”) on a daily basis, in accordance with the Banking (Liquidity) Rules issued by the HKMA. In 2016, the Bank is required to maintain an LCR of not less than 70%, increasing annually in steps of 10% to not less than 100% by January 2019.

	<b>For the quarters ended</b>	
	<b>30 June 2016</b>	<b>31 March 2016</b>
Average LCR for the period	<u>131.1%</u>	<u>136.9%</u>
	<b>For the quarters ended</b>	
	<b>30 June 2015</b>	<b>31 March 2015</b>
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](http://www.dbs.com.hk).

Hong Kong, 21 July 2016