



DBS BANK LTD, HONG KONG BRANCH

(Incorporated in Singapore with limited liability)

**INTERIM FINANCIAL DISCLOSURE STATEMENTS
FOR THE SIX MONTHS ENDED
30 JUNE 2018**

DBS BANK LTD, HONG KONG BRANCH

TABLE OF CONTENTS

	Page
Income statement (unaudited)	1
Statement of financial position (unaudited)	2
Supplementary financial information (unaudited)	3
Group consolidated financial information	17

DBS BANK LTD, HONG KONG BRANCH

INCOME STATEMENT (unaudited)

		For the six months ended	
	Note	30 June 2018 <i>HK\$ million</i>	30 June 2017 <i>HK\$ million</i>
Interest income		3,395	2,086
Interest expense		(2,033)	(1,023)
Net interest income		1,362	1,063
Fee and commission income		243	312
Other income/(loss)	1	398	(30)
Total income		2,003	1,345
Total expenses	2	(345)	(317)
Profit before allowances for credit losses		1,658	1,028
Allowances for credit losses		60	(151)
Profit before income tax		1,718	877
Income tax expense		(288)	(146)
Profit after income tax		1,430	731

DBS BANK LTD, HONG KONG BRANCH

STATEMENT OF FINANCIAL POSITION (unaudited)

	Note	As at 30 June 2018 <i>HK\$ million</i>	As at 31 December 2017 <i>HK\$ million</i>
Assets			
Cash and balance with central bank	3	179	474
Government securities and treasury bills	4	10,097	11,382
Due from banks	5	27,060	34,874
Derivatives	12	14,934	16,601
Bank and corporate securities	6	51,182	51,405
Loans and advances to customers	7	202,617	186,044
Other assets	8	2,977	2,020
Total assets		<u>309,046</u>	<u>302,800</u>
Liabilities			
Due to banks	9	213,030	205,153
Deposits and balances from customers	10	45,854	53,366
Derivatives	12	14,983	16,170
Other liabilities		22,950	19,926
Issued debt securities	11	12,229	8,185
Total liabilities		<u>309,046</u>	<u>302,800</u>

DBS BANK LTD, HONG KONG BRANCH

SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

1. Other income

	For the six months ended	
	30 June 2018	30 June 2017
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net trading income / (loss)		
– Foreign exchange	682	(148)
– Interest rates, debt securities, equities and others	(288)	118
	<u>394</u>	<u>(30)</u>
Net income from investment securities	4	–
	<u>398</u>	<u>(30)</u>

2. Total expenses

	For the six months ended	
	30 June 2018	30 June 2017
	<i>HK\$ million</i>	<i>HK\$ million</i>
Employee benefits	135	126
Rental of premises	10	10
Brokerage	28	18
Other expenses	172	163
	<u>345</u>	<u>317</u>

3. Cash and balance with central bank

	As at	As at
	30 June 2018	31 December 2017
	<i>HK\$ million</i>	<i>HK\$ million</i>
Cash in hand	1	1
Balance with central bank	178	473
	<u>179</u>	<u>474</u>

DBS BANK LTD, HONG KONG BRANCH

SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

4. Government securities and treasury bills

	Held for trading <i>HK\$ million</i>	Fair value through other comprehensive income/ available-for-sale <i>HK\$ million</i>	Amortised cost/ loans and receivables <i>HK\$ million</i>	Total <i>HK\$ million</i>
As at 30 June 2018				
Treasury bills	–	3,592	–	3,592
Other debt securities	23	2,377	4,105	6,505
	<u>23</u>	<u>5,969</u>	<u>4,105</u>	<u>10,097</u>
As at 31 December 2017				
Treasury bills	–	3,394	–	3,394
Other debt securities	23	7,965	–	7,988
	<u>23</u>	<u>11,359</u>	<u>–</u>	<u>11,382</u>

5. Due from banks

	As at 30 June 2018 <i>HK\$ million</i>	As at 31 December 2017 <i>HK\$ million</i>
(a) Balances with banks	<u>1,328</u>	<u>2,212</u>
(b) Placements with banks Remaining maturity – Within one month	<u>7,882</u>	<u>745</u>
	<u>7,882</u>	<u>745</u>
(c) Amount due from overseas offices	17,223	31,292
(d) Loans and advances to banks	<u>628</u>	<u>625</u>
Gross amount due from banks	27,061	34,874
Allowances for credit and other losses	<u>(1)</u>	<u>–</u>
Net amount due from banks	<u>27,060</u>	<u>34,874</u>

As at 30 June 2018, there were no impaired, overdue or rescheduled placements with and advances to banks (31 December 2017: Nil).

DBS BANK LTD, HONG KONG BRANCH

SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

6. Bank and corporate securities

As at 30 June 2018	Held for trading <i>HK\$ million</i>	Fair value through other comprehensive income/ available-for-sale <i>HK\$ million</i>	Amortised cost/loans and receivables <i>HK\$ million</i>	Total <i>HK\$ million</i>
Certificates of deposit held	7,972	3,880	–	11,852
Debt securities	–	3,172	36,208	39,380
Equity securities	–	–	–	–
	<u>7,972</u>	<u>7,052</u>	<u>36,208</u>	<u>51,232</u>
Allowance for credit and other losses	–	–	(50)	(50)
	<u>7,972</u>	<u>7,052</u>	<u>36,158</u>	<u>51,182</u>
As at 31 December 2017				
Certificates of deposit held	4,938	3,516	–	8,454
Debt securities	24	17,323	25,474	42,821
Equity securities	199	–	–	199
	<u>5,161</u>	<u>20,839</u>	<u>25,474</u>	<u>51,474</u>
General allowances	–	–	(69)	(69)
	<u>5,161</u>	<u>20,839</u>	<u>25,405</u>	<u>51,405</u>

DBS BANK LTD, HONG KONG BRANCH

SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

7. Loans and advances to customers

	As at 30 June 2018 <i>HK\$ million</i>	As at 31 December 2017 <i>HK\$ million</i>
Loans and advances to customers	203,062	187,694
Less		
– Allowances for credit and other losses	(445)	(1,650)
	<u>202,617</u>	<u>186,044</u>
Comprising:		
– Trade bills	23,120	25,195
– Loans	179,497	160,849
	<u>202,617</u>	<u>186,044</u>

The balances as of 31 December 2017 refer to allowances for impaired and non-impaired exposures as prescribed by Monetary Authority of Singapore Notice 612, which has modified the requirements of IAS 39. The balances as of 30 June 2018 refer to expected credit losses following the transition to IFRS 9.

Specific allowance for credit losses is established if there is evidence that the Bank will be unable to collect all amounts due under a claim according to the original contractual terms or the equivalent value.

Specific allowance for credit losses is recorded as a reduction in the carrying value of a claim on the balance sheet.

8. Other assets

	As at 30 June 2018 <i>HK\$ million</i>	As at 31 December 2017 <i>HK\$ million</i>
Acceptances	1,879	1,005
Accrued interest receivables	477	358
Deferred tax assets	171	339
Fixed assets	1	1
Others	449	317
	<u>2,977</u>	<u>2,020</u>

DBS BANK LTD, HONG KONG BRANCH

SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

9. Due to banks

	As at 30 June 2018 <i>HK\$ million</i>	As at 31 December 2017 <i>HK\$ million</i>
Deposits and balances from banks	183,959	164,742
Amounts due to overseas offices	29,071	40,411
	<u>213,030</u>	<u>205,153</u>

10. Deposits and balances from customers

	As at 30 June 2018 <i>HK\$ million</i>	As at 31 December 2017 <i>HK\$ million</i>
Demand deposits and current accounts	11,299	14,555
Savings deposits	19,443	22,830
Time, call and notice deposits	15,112	15,981
	<u>45,854</u>	<u>53,366</u>

11. Issued debt securities

	As at 30 June 2018 <i>HK\$ million</i>	As at 31 December 2017 <i>HK\$ million</i>
Liabilities designated at fair value through profit or loss	1,269	560
Liabilities measured at amortised cost	10,960	7,625
	<u>12,229</u>	<u>8,185</u>

DBS BANK LTD, HONG KONG BRANCH

SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

12. Derivatives

The contractual/notional amounts of derivatives are disclosed as follows:

	As at 30 June 2018 HK\$ million	As at 31 December 2017 HK\$ million
Foreign exchange derivatives	1,457,248	1,201,040
Interest rate derivatives	1,048,907	785,198
Equity derivatives	1,747	578
Commodity derivatives	1,675	2,707
	<u>2,509,577</u>	<u>1,989,523</u>

The amounts are shown on a gross basis and do not take into account the effect of bilateral netting arrangements.

The contract/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 following table summarises the positive and negative fair values of each class of derivatives:

	As at 30 June 2018 HK\$ million	As at 31 December 2017 HK\$ million
Positive fair values		
Foreign exchange derivatives	10,716	13,349
Interest rate derivatives	4,168	3,013
Equity derivatives	1	1
Commodity derivatives	49	238
	<u>14,934</u>	<u>16,601</u>
Negative fair values		
Foreign exchange derivatives	10,299	12,776
Interest rate derivatives	4,518	3,147
Equity derivatives	117	9
Commodity derivatives	49	238
	<u>14,983</u>	<u>16,170</u>

DBS BANK LTD, HONG KONG BRANCH

SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

13. Contingent liabilities and commitments

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

	As at 30 June 2018 <i>HK\$ million</i>	As at 31 December 2017 <i>HK\$ million</i>
Direct credit substitutes	1,575	1,692
Transaction-related contingencies	6,596	5,202
Trade-related contingencies	7,864	3,208
Forward forward deposits placed	9	2
Other commitments with an original maturity of not more than one year or which are unconditionally cancellable	113,751	114,976
Other commitments with an original maturity of more than one year	32,835	32,922
	<u>162,630</u>	<u>158,002</u>

The above table shows the contractual amounts of the Branch's off balance sheet exposures that commit it to extend credit to customers. The above amounts represent a worse case scenario of credit risk exposure arising from these instruments, without taking into account any collateral held or other credit enhancements attached. The amounts do not represent amounts at risk at the balance sheet date.

14. Liquidity

The Branch complies with the minimum requirement of Liquidity Maintenance Ratio ("LMR") and Core Funding Ratio ("CFR") in accordance with the Banking (Liquidity) Rules issued by the Hong Kong Monetary Authority ("HKMA").

	For the quarter ended	
	30 June 2018	31 March 2018
Average LMR	<u>42.8%</u>	<u>43.5%</u>
	For the quarter ended	
	30 June 2017	31 March 2017
Average LMR	<u>34.7%</u>	<u>33.4%</u>
	For the quarter ended	
	30 June 2018	31 March 2018
Average CFR	<u>128.8%</u>	<u>119.1%</u>

The average LMR and CFR are calculated as the simple average of each month's average corresponding ratio for the quarter.

DBS BANK LTD, HONG KONG BRANCH

SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

14. Liquidity (Continued)

Approach to liquidity risk management

The Branch's approach to liquidity risk management comprises the building blocks of governance by policies, oversight by risk committees, and well-defined risk methodologies.

The Group Liquidity Risk Management Policy sets out the Branch's overall approach towards liquidity risk management and describes the range of strategies employed by the Branch to manage its liquidity. These include maintaining an adequate counterbalancing capacity to address potential cashflow shortfalls and maintaining diversified sources of liquidity. Counterbalancing capacity includes liquid assets and the capacity to borrow from the money markets as well as forms of managerial interventions that improve liquidity. In the event of a potential or actual crisis, the Branch has in place a set of liquidity contingency and recovery plans to ensure that decisive actions are taken to ensure the Branch maintains adequate liquidity.

The primary measure used to manage liquidity within the tolerance is the cashflow maturity mismatch analysis. The analysis is performed on a regular basis under normal and adverse scenarios. It assesses the adequacy of the counterbalancing capacity to fund or mitigate any cashflow shortfalls that may occur as forecasted in the cashflow movements across successive time bands. Processes and systems are in place to measure, limit and control exposures based on the risk methodologies defined.

The Branch seeks to manage its liquidity in a manner that ensures that its liquidity obligations would continue to be honoured under normal as well as adverse circumstances. Oversight relating to the management of liquidity risk is provided by the Hong Kong Risk Executive Committee ("Risk Exco") and the Hong Kong Market and Liquidity Risk Committee ("MLRC"). The HK Risk Exco comprises the HK Chief Executive Officer, the Senior Risk Executive and representatives from relevant business and support units. The HK MLRC reports to the HK Risk Exco and comprises representatives from Risk Management Group and the relevant business and supports units. The Hong Kong Assets and Liabilities Committee ("ALCO") regularly reviews the balance sheet composition, trends in loans and deposits, utilization of wholesale funding, momentum in business activities, market competition, economic outlooks, market conditions and other factors that may affect liquidity in the continual refinement of the Branch's funding strategy.

The Branch also follows the guidance set forth by the HKMA in Supervisory Policy Manual LM-2, Sound Systems and Controls for Liquidity Risk Management.

DBS BANK LTD, HONG KONG BRANCH

SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

15. Currency concentrations

	USD	CNY	JPY	Others	Total
In HK\$ million					
As at 30 June 2018					
Hong Kong dollar equivalents					
Spot assets	133,145	16,812	4,341	14,379	168,677
Spot liabilities	(154,132)	(11,639)	(526)	(11,905)	(178,202)
Forward purchases	799,585	271,310	2,696	47,562	1,121,153
Forward sales	(777,848)	(279,803)	(6,767)	(49,760)	(1,114,178)
Net options position	(1,698)	1,698	–	–	–
Net long/(short) position	<u>(948)</u>	<u>(1,622)</u>	<u>(256)</u>	<u>276</u>	<u>(2,550)</u>
As at 31 December 2017					
Hong Kong dollar equivalents					
Spot assets	145,768	14,055	4,099	15,241	179,163
Spot liabilities	(171,305)	(11,678)	(297)	(8,800)	(192,080)
Forward purchases	636,182	309,525	839	41,788	988,334
Forward sales	(606,662)	(311,977)	(4,958)	(49,967)	(973,564)
Net options position	(1,680)	1,680	–	–	–
Net long/(short) position	<u>2,303</u>	<u>1,605</u>	<u>(317)</u>	<u>(1,738)</u>	<u>1,853</u>

There is no structural position in any currency as at 30 June 2018 and 31 December 2017.

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 LTD, HONG KONG BRANCH

SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

16. Loans and advances to customers by loan usage

The Branch 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. Balances of advances analysed by loan usage and the corresponding balances covered by collateral are as follows:

	As at 30 June 2018		As at 31 December 2017	
	Outstanding balance	Balance covered by collateral	Outstanding balance	Balance covered by collateral
In HK\$ million				
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	23,252	4,139	27,083	6,982
– Property investment	29,998	16,424	26,917	16,148
– Financial concerns	–	–	1	–
– Stockbrokers	1,599	–	799	–
– Wholesale and retail trade	12,954	1,368	16,205	1,202
– Manufacturing	6,515	–	5,400	–
– Transport and transport equipment	8,270	–	6,900	131
– Recreational activities	500	–	500	–
– Information technology	3,925	–	3,121	–
– Others	11,535	1,029	9,299	1,034
Individuals				
– Loans for the purchase of other residential properties	70	68	86	86
– Others	–	–	–	–
Trade finance (including trade bills)	29,270	–	28,376	–
Loans for use outside Hong Kong	75,174	2,476	63,007	3,180
	203,062	25,504	187,694	28,763

DBS BANK LTD, HONG KONG BRANCH

SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

17. Loans and advances to customers by geographical area

	As at 30 June 2018 <i>HK\$ million</i>	As at 31 December 2017 <i>HK\$ million</i>
Hong Kong	164,207	152,407
Mainland China	32,842	33,233
Others	6,013	2,054
	<u>203,062</u>	<u>187,694</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 when an advance is guaranteed by a party in a location which is different from that of the counterparty.

18. International claims

Analysis of 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	
In HK\$ million					
As at 30 June 2018					
Developed countries	22,422	10,194	–	1,639	34,255
Offshore centres, of which:	22,315	–	567	66,755	89,637
– Singapore	19,327	–	–	1,643	20,970
– Hong Kong	2,988	–	567	64,610	68,165
– Others	–	–	–	502	502
Developing Latin America and Caribbean	7	–	–	–	7
Developing Asia Pacific, of which	36,322	491	44	14,937	51,794
– China	35,862	491	44	14,222	50,619
– Others	460	–	–	715	1,175
International organisations	–	3,823	–	–	3,823
Total	<u>81,066</u>	<u>14,508</u>	<u>611</u>	<u>83,331</u>	<u>179,516</u>

DBS BANK LTD, HONG KONG BRANCH

SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

18. International claims (Continued)

	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
In HK\$ million					
As at 31 December 2017					
Developed countries	25,400	11,644	–	1	37,045
Offshore centres, of which:	34,108	–	561	57,336	92,005
– Singapore	31,643	–	–	939	32,582
– Hong Kong	2,465	–	561	56,143	59,169
– Others	–	–	–	254	254
Developing Latin America and Caribbean	3	–	–	–	3
Developing Asia Pacific, of which	34,001	654	70	13,036	47,761
– China	33,853	654	70	12,371	46,948
– Others	148	–	–	665	813
International organisations	–	4,019	–	–	4,019
Total	93,512	16,317	631	70,373	180,833

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

19. Non-performing loans and advances

There is no non-performing loan and advance as at 30 June 2018 and 31 December 2017.

Non-performing loans and advances are advances with objective evidence of impairment and are assessed using discounted cash flow method. Specific allowances of such advances are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

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

20. Overdue and rescheduled loans and advances

There is no overdue, rescheduled loan and advance and no repossessed asset as at 30 June 2018 and 31 December 2017.

DBS BANK LTD, HONG KONG BRANCH

SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

21. Mainland activities

Type of Counterparties	On-balance sheet exposures <i>HK\$ million</i>	Off-balance sheet exposures <i>HK\$ million</i>	Total <i>HK\$ million</i>
As at 30 June 2018			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	50,349	13,997	64,346
(b) Local governments, local government-owned entities and their subsidiaries and JVs	20,136	1,704	21,840
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	13,660	4,262	17,922
(d) Other entities of central government not reported in part (a) above	11,369	713	12,082
(e) Other entities of local governments not reported in part (b) above	8,341	496	8,837
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	8,889	2,579	11,468
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	16,795	3,092	19,887
	<u>129,539</u>	<u>26,843</u>	<u>156,382</u>
Total assets after provisions	<u>308,831</u>		
On-balance sheet exposures as percentage of total assets	<u>41.95%</u>		

DBS BANK LTD, HONG KONG BRANCH

SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

21. Mainland activities (Continued)

Type of Counterparties	On-balance sheet exposures <i>HK\$ million</i>	Off-balance sheet exposures <i>HK\$ million</i>	Total <i>HK\$ million</i>
As at 31 December 2017			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	47,160	7,370	54,530
(b) Local governments, local government-owned entities and their subsidiaries and JVs	18,923	1,583	20,506
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	12,319	3,343	15,662
(d) Other entities of central government not reported in part (a) above	8,778	1,254	10,032
(e) Other entities of local governments not reported in part (b) above	7,269	283	7,552
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6,345	2,974	9,319
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	12,253	1,719	13,972
	<u>113,047</u>	<u>18,526</u>	<u>131,573</u>
Total assets after provisions	<u>304,580</u>		
On-balance sheet exposures as percentage of total assets	<u>37.12%</u>		

Hong Kong, 28 August 2018

DBS GROUP HOLDINGS LTD

GROUP CONSOLIDATED FINANCIAL INFORMATION (unaudited)

1. Capital Position and Capital Adequacy Ratios

The Group's capital adequacy ratios are as follows:

	As at 30 June 2018	As at 31 December 2017
Capital Adequacy Ratios		
Common Equity Tier 1	13.6%	14.3%
Tier 1	14.4%	15.1%
Total	16.2%	15.9%

The capital adequacy ratios are computed in accordance with the requirements set out in the Monetary Authority of Singapore's Notice to Banks No. 637 "Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore".

The Group shareholders' funds, including capital and reserves, as at 30 June 2018 were S\$47,214 million (31 December 2017: S\$47,458 million).

2. Other financial information

	For the six months ended	
	30 June 2018	30 June 2017
	S\$ million	S\$ million
Pre-tax profit	3,462	2,766

	As at 30 June 2018	As at 31 December 2017
	S\$ million	S\$ million
Total assets	540,004	517,711
Total liabilities	491,960	467,909
Total loans and advances	338,071	323,099
Total customer deposits	387,560	373,634