



DBS BANK LTD, HONG KONG BRANCH

(Incorporated in Singapore with limited liability)

**FINANCIAL DISCLOSURE STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016**

DBS BANK LTD, HONG KONG BRANCH

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DBS BANK LTD, HONG KONG BRANCH

UNAUDITED INCOME STATEMENT

		For the year ended	
	Note	31 December 2016 <i>HK\$ million</i>	31 December 2015 <i>HK\$ million</i>
Interest income		3,706	4,120
Interest expense		(1,438)	(1,331)
Net interest income		2,268	2,789
Fee and commission income		559	759
Other income	1	193	395
Total income		3,020	3,943
Total expenses	2	(668)	(688)
Profit before allowances for credit losses		2,352	3,255
Allowances for credit losses		(225)	51
Profit before income tax		2,127	3,306
Income tax expense		(353)	(525)
Profit after income tax		1,774	2,781

DBS BANK LTD, HONG KONG BRANCH

UNAUDITED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2016 <i>HK\$ million</i>	As at 30 June 2016 <i>HK\$ million</i>
Assets			
Cash and balance with central bank	3	522	2,874
Due from banks	4	35,653	44,958
Government securities and treasury bills	5	8,075	8,022
Derivatives	12	31,816	24,339
Bank and corporate securities	6	14,416	10,559
Loans and advances to customers	7	145,920	139,087
Other assets	8	1,948	3,780
Total assets		<u>238,350</u>	<u>233,619</u>
Liabilities			
Due to banks	9	132,902	126,303
Derivatives	12	32,244	24,930
Deposits and balances from customers	10	46,249	54,498
Other liabilities		19,878	20,623
Issued debt securities	11	7,077	7,265
Total liabilities		<u>238,350</u>	<u>233,619</u>

DBS BANK LTD, HONG KONG BRANCH

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1. Other income

	For the year ended	
	31 December 2016	31 December 2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net trading income		
– Foreign exchange	264	97
– Interest rates, debt securities, equities and others	(121)	294
	<u>143</u>	<u>391</u>
Net income from investment securities	50	4
	<u>193</u>	<u>395</u>

2. Total expenses

	For the year ended	
	31 December 2016	31 December 2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
Employee benefits	265	270
Rental of premises	21	20
Brokerage	43	47
Other expenses	339	351
	<u>668</u>	<u>688</u>

3. Cash and balance with central bank

	As at	As at
	31 December 2016	30 June 2016
	<i>HK\$ million</i>	<i>HK\$ million</i>
Cash in hand	1	1
Balance with central bank	521	2,873
	<u>522</u>	<u>2,874</u>

DBS BANK LTD, HONG KONG BRANCH

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

4. Due from banks

	As at 31 December 2016 <i>HK\$ million</i>	As at 30 June 2016 <i>HK\$ million</i>
(a) Balances with banks	<u>932</u>	<u>1,562</u>
Of which, amounts due from overseas office	39	8
(b) Placements with and advances to banks		
Remaining maturity		
– Within one month	28,664	36,394
– One year or less but over one month	551	1,212
– Over one year	<u>5,506</u>	<u>5,790</u>
	<u>34,721</u>	<u>43,396</u>
Of which, amounts due from overseas office	<u>32,492</u>	<u>40,418</u>
Total due from banks	<u><u>35,653</u></u>	<u><u>44,958</u></u>

5. Government securities and treasury bills

	Held for trading <i>HK\$ million</i>	Available- for-sale <i>HK\$ million</i>	Total <i>HK\$ million</i>
As at 31 December 2016			
Treasury bills	–	3,395	3,395
Other debt securities	<u>22</u>	<u>4,658</u>	<u>4,680</u>
	<u><u>22</u></u>	<u><u>8,053</u></u>	<u><u>8,075</u></u>
As at 30 June 2016			
Treasury bills	–	3,399	3,399
Other debt securities	<u>–</u>	<u>4,623</u>	<u>4,623</u>
	<u><u>–</u></u>	<u><u>8,022</u></u>	<u><u>8,022</u></u>

DBS BANK LTD, HONG KONG BRANCH

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

6. Bank and corporate securities

	Held for trading <i>HK\$ million</i>	Available-for-sale <i>HK\$ million</i>	Loans and receivables <i>HK\$ million</i>	Total <i>HK\$ million</i>
As at 31 December 2016				
Debt securities	1,295	5,652	7,357	14,304
Equity securities	112	–	–	112
	<u>1,407</u>	<u>5,652</u>	<u>7,357</u>	<u>14,416</u>
As at 30 June 2016				
Debt securities	1,265	5,788	3,367	10,420
Equity securities	139	–	–	139
	<u>1,404</u>	<u>5,788</u>	<u>3,367</u>	<u>10,559</u>

7. Loans and advances to customers

	As at 31 December 2016 <i>HK\$ million</i>	As at 30 June 2016 <i>HK\$ million</i>
Loans and advances to customers	147,187	140,405
Less		
– General allowances	<u>(1,267)</u>	<u>(1,318)</u>
	<u>145,920</u>	<u>139,087</u>
Comprising:		
– Trade bills	17,991	7,085
– Loans	<u>127,929</u>	<u>132,002</u>
	<u>145,920</u>	<u>139,087</u>

DBS BANK LTD, HONG KONG BRANCH

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

7. Loans and advances to customers (continued)

In determining general allowances, the Branch follows the Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the home country regulator.

A 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.

A 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 31 December 2016 <i>HK\$ million</i>	As at 30 June 2016 <i>HK\$ million</i>
Accrued interest receivables	260	453
Other accounts	1,417	3,054
Deferred tax assets	269	271
Fixed assets	2	2
	<u>1,948</u>	<u>3,780</u>

9. Due to banks

	As at 31 December 2016 <i>HK\$ million</i>	As at 30 June 2016 <i>HK\$ million</i>
Balances from central banks	–	3,011
Deposits and balances from banks	103,818	93,002
Amounts due to overseas offices	29,084	30,290
	<u>132,902</u>	<u>126,303</u>

DBS BANK LTD, HONG KONG BRANCH

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

10. Deposits and balances from customers

	As at 31 December 2016 <i>HK\$ million</i>	As at 30 June 2016 <i>HK\$ million</i>
Demand deposits and current accounts	8,769	6,938
Savings deposits	11,706	19,536
Time, call and notice deposits	25,774	28,024
	<u>46,249</u>	<u>54,498</u>

11. Issued debt securities

	As at 31 December 2016 <i>HK\$ million</i>	As at 30 June 2016 <i>HK\$ million</i>
Trading liabilities	167	310
Liabilities measured at amortised cost	6,910	6,955
	<u>7,077</u>	<u>7,265</u>

12. Derivatives

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

	As at 31 December 2016 <i>HK\$ million</i>	As at 30 June 2016 <i>HK\$ million</i>
Foreign exchange derivatives	1,654,181	2,049,514
Interest rate derivatives	701,647	709,431
Equity derivatives	170	337
Commodity derivatives	3,051	1,373
	<u>2,359,049</u>	<u>2,760,655</u>

DBS BANK LTD, HONG KONG BRANCH

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

12. Derivatives (continued)

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 31 December 2016 HK\$ million	As at 30 June 2016 HK\$ million
Positive fair values		
Foreign exchange derivatives	27,665	18,079
Interest rate derivatives	3,755	5,644
Equity derivatives	–	1
Commodity derivatives	396	615
	31,816	24,339
Negative fair values		
Foreign exchange derivatives	27,963	19,043
Interest rate derivatives	3,880	5,265
Equity derivatives	5	7
Commodity derivatives	396	615
	32,244	24,930

DBS BANK LTD, HONG KONG BRANCH

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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 31 December 2016 HK\$ million	As at 30 June 2016 HK\$ million
Direct credit substitutes	6,890	5,967
Transaction-related contingencies	5,264	5,814
Trade-related contingencies	3,213	2,528
Forward forward deposits placed	1	15
Other commitments with an original maturity of not more than one year or which are unconditionally cancellable	98,215	88,477
Other commitments with an original maturity of more than one year	29,817	25,638
	<u>143,400</u>	<u>128,439</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") on a daily basis, in accordance with the Banking (Liquidity) Rules issued by the Hong Kong Monetary Authority ("HKMA").

	For the year ended	
	31 December 2016	31 December 2015
Average LMR for the year	<u>32.7%</u>	<u>35.1%</u>

The average LMR is calculated as the simple average of each month's average liquidity maintenance ratio for the financial year.

DBS BANK LTD, HONG KONG BRANCH

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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 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

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

15. Currency concentrations

	USD	CNY	AUD	Others	Total
In HK\$ million					
As at 31 December 2016					
Hong Kong dollar equivalents					
Spot assets	127,049	15,289	2,048	7,617	152,003
Spot liabilities	(124,090)	(2,485)	(4,498)	(2,277)	(133,350)
Forward purchases	865,948	575,888	5,102	49,285	1,496,223
Forward sales	(855,976)	(597,693)	(2,268)	(55,056)	(1,510,993)
Net options position	(8,282)	8,133	6	(80)	(223)
Net long/(short) position	<u>4,649</u>	<u>(868)</u>	<u>390</u>	<u>(511)</u>	<u>3,660</u>
As at 30 June 2016					
Hong Kong dollar equivalents					
Spot assets	129,853	19,838	2,167	8,335	160,193
Spot liabilities	(113,397)	(7,799)	(5,285)	(2,155)	(128,636)
Forward purchases	1,026,090	774,487	5,128	45,124	1,850,829
Forward sales	(1,024,177)	(800,027)	(1,691)	(52,186)	(1,878,081)
Net options position	(14,840)	13,963	–	–	(877)
Net long/(short) position	<u>3,529</u>	<u>462</u>	<u>319</u>	<u>(882)</u>	<u>3,428</u>

There is no structural position in any particular currency as at 31 December 2016 and 30 June 2016.

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

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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 31 December 2016		As at 30 June 2016	
	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	15,542	2,945	15,162	2,300
– Property investment	15,793	9,586	14,569	10,132
– Wholesale and retail trade	13,176	3,552	10,190	3,739
– Manufacturing	1,749	–	2,964	252
– Transport and transport equipment	3,545	155	977	161
– Recreational activities	1,000	–	366	–
– Information technology	5,083	–	4,913	–
– Others	11,364	1,120	4,475	1,168
Individuals				
– Loans for the purchase of other residential properties	60	60	68	68
– Others	–	–	2	2
Trade finance (including trade bills)	21,829	1,365	20,054	1,403
Loans for use outside Hong Kong	58,046	1,644	66,665	1,646
	<u>147,187</u>	<u>20,427</u>	<u>140,405</u>	<u>20,871</u>

DBS BANK LTD, HONG KONG BRANCH

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

17. Loans and advances to customers by geographical area

	As at 31 December 2016 HK\$ million	As at 30 June 2016 HK\$ million
Hong Kong	120,704	122,437
Mainland China	24,812	15,395
Others	1,671	2,573
	<u>147,187</u>	<u>140,405</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 country which is different from that of the counterparty.

DBS BANK LTD, HONG KONG BRANCH

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

18. International claims

Analysis of international claims by location and by type of counterparty is as follows:

	Banks	Official sectors	Non-bank private sector		Total
			<i>Non-bank financial institutions</i>	<i>Non-financial private sector</i>	
In HK\$ million					
As at 31 December 2016					
Developed countries	4,213	7,259	–	2	11,474
Offshore centres, of which:	33,820	–	588	57,491	91,899
– Singapore	32,600	–	–	1,034	33,634
– Hong Kong	1,220	–	588	56,086	57,894
– Others	–	–	–	371	371
Developing Asia Pacific, of which	21,111	1,329	914	7,756	31,110
– China	20,926	1,329	914	7,639	30,808
– Others	185	–	–	117	302
International organisations	–	526	–	–	526
Total	59,144	9,114	1,502	65,249	135,009
As at 30 June 2016					
Developed countries	4,707	3,174	187	36	8,104
Offshore centres, of which:	42,902	–	1,817	66,518	111,237
– Singapore	40,539	–	–	1,059	41,598
– Hong Kong	2,363	–	1,817	64,904	69,084
– Others	–	–	–	555	555
Developing Asia Pacific, of which	10,453	1,480	1,591	9,583	23,107
– China	10,403	1,480	1,591	9,466	22,940
– Others	50	–	–	117	167
International organisations	–	413	–	–	413
Total	58,062	5,067	3,595	76,137	142,861

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

DBS BANK LTD, HONG KONG BRANCH

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

19. Non-performing loans and advances

There is no non-performing loan and advance as at 31 December 2016 and 30 June 2016.

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 to customer and no repossessed asset as at 31 December 2016 and 30 June 2016.

DBS BANK LTD, HONG KONG BRANCH

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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 31 December 2016			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	44,989	12,639	57,628
(b) Local governments, local government-owned entities and their subsidiaries and JVs	20,824	1,132	21,956
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	7,474	4,491	11,965
(d) Other entities of central government not reported in part (a) above	5,169	1,336	6,505
(e) Other entities of local governments not reported in part (b) above	5,518	280	5,798
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6,565	2,225	8,790
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7,133	3,483	10,616
	<u>97,672</u>	<u>25,586</u>	<u>123,258</u>
Total assets after provisions	<u>238,020</u>		
On-balance sheet exposures as percentage of total assets	<u>41.04%</u>		

DBS BANK LTD, HONG KONG BRANCH

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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 30 June 2016			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	59,230	12,277	71,507
(b) Local governments, local government-owned entities and their subsidiaries and JVs	14,033	2,030	16,063
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	7,989	4,206	12,195
(d) Other entities of central government not reported in part (a) above	4,201	166	4,367
(e) Other entities of local governments not reported in part (b) above	6,856	8	6,864
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6,610	853	7,463
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	6,905	2,490	9,395
	<u>105,824</u>	<u>22,030</u>	<u>127,854</u>
Total assets after provisions	<u>233,352</u>		
On-balance sheet exposures as percentage of total assets	<u>45.35%</u>		

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

Hong Kong, 15 February 2017

DBS GROUP HOLDINGS LTD

GROUP CONSOLIDATED FINANCIAL INFORMATION

1. Capital Position and Capital Adequacy Ratios

The Group's capital adequacy ratios are as follows:

	As at 31 December 2016	As at 30 June 2016
Capital Adequacy Ratios		
Common Equity Tier 1	14.1%	14.2%
Tier 1	14.7%	14.4%
Total	16.2%	16.3%

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 31 December 2016 were S\$44,609 million (30 June 2016: S\$42,354 million).

2. Other financial information

	For the year ended	
	31 December 2016	31 December 2015
	S\$'million	S\$'million
Pre-tax profit	5,083	5,294

	As at 31 December 2016	As at 30 June 2016
	S\$'million	S\$'million
Total assets	481,570	450,886
Total liabilities	434,600	406,174
Total loans and advances	301,516	284,814
Total customer deposits	347,446	310,098

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