



DBS BANK LTD, HONG KONG BRANCH

(Incorporated in Singapore with limited liability)

**INTERIM FINANCIAL DISCLOSURE STATEMENTS
FOR THE SIX MONTHS ENDED
30 JUNE 2017**

DBS BANK LTD, HONG KONG BRANCH

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INCOME STATEMENT (unaudited)

		For the six months ended	
	Note	30 June 2017 <i>HK\$ million</i>	30 June 2016 <i>HK\$ million</i>
Interest income		2,086	1,817
Interest expense		(1,023)	(649)
Net interest income		1,063	1,168
Fee and commission income		312	205
Other (loss)/income	1	(30)	70
Total income		1,345	1,443
Total expenses	2	(317)	(341)
Profit before allowances for credit losses		1,028	1,102
Allowances for credit losses		(151)	(211)
Profit before income tax		877	891
Income tax expense		(146)	(148)
Profit after income tax		731	743

DBS BANK LTD, HONG KONG BRANCH

STATEMENT OF FINANCIAL POSITION (unaudited)

	Note	As at 30 June 2017 <i>HK\$ million</i>	As at 31 December 2016 <i>HK\$ million</i>
Assets			
Cash and balance with central bank	3	1,982	522
Due from banks	4	42,568	35,653
Government securities and treasury bills	5	8,130	8,075
Derivatives	12	15,252	31,816
Bank and corporate securities	6	20,946	14,416
Loans and advances to customers	7	159,839	145,920
Other assets	8	3,137	1,948
Total assets		<u>251,854</u>	<u>238,350</u>
Liabilities			
Due to banks	9	163,465	132,902
Derivatives	12	15,153	32,244
Deposits and balances from customers	10	46,205	46,249
Other liabilities		20,215	19,878
Issued debt securities	11	6,816	7,077
Total liabilities		<u>251,854</u>	<u>238,350</u>

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SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

1. Other (loss)/income

	For the six months ended	
	30 June 2017	30 June 2016
	HK\$ million	HK\$ million
Net trading (loss)/income		
– Foreign exchange	(148)	(405)
– Interest rates, debt securities, equities and others	118	425
	<u>(30)</u>	<u>20</u>
Net income from investment securities	–	50
	<u>(30)</u>	<u>70</u>

2. Total expenses

	For the six months ended	
	30 June 2017	30 June 2016
	HK\$ million	HK\$ million
Employee benefits	126	137
Rental of premises	10	10
Brokerage	18	23
Other expenses	163	171
	<u>317</u>	<u>341</u>

3. Cash and balance with central bank

	As at	As at
	30 June 2017	31 December 2016
	HK\$ million	HK\$ million
Cash in hand	2	1
Balance with central bank	1,980	521
	<u>1,982</u>	<u>522</u>

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SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

4. Due from banks

	As at 30 June 2017 <i>HK\$ million</i>	As at 31 December 2016 <i>HK\$ million</i>
(a) Balances with banks	<u>906</u>	<u>893</u>
(b) Placements with banks		
Remaining maturity		
– Within one month	1,621	1,818
– One year or less but over one month	1,327	411
– Over one year	<u>–</u>	<u>–</u>
	<u>2,948</u>	<u>2,229</u>
(c) Amount due from overseas offices	38,480	32,531
(d) Loans and advances to banks	<u>234</u>	<u>–</u>
	<u><u>42,568</u></u>	<u><u>35,653</u></u>

As at 30 June 2017, there were no impaired, overdue or rescheduled placements with and advances to banks (31 December 2016: Nil). There were no specific and general provision for balance due from banks.

5. Government securities and treasury bills

As at 30 June 2017	Held for trading <i>HK\$ million</i>	Available-for-sale <i>HK\$ million</i>	Total <i>HK\$ million</i>
Treasury bills	–	3,397	3,397
Other debt securities	<u>22</u>	<u>4,711</u>	<u>4,733</u>
	<u><u>22</u></u>	<u><u>8,108</u></u>	<u><u>8,130</u></u>
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>

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SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

6. Bank and corporate securities

As at 30 June 2017	Held for Trading HK\$ million	Available- for-Sale HK\$ million	Loans and receivables HK\$ million	Total HK\$ million
Certificates of deposit held	182	–	–	182
Debt securities	–	7,850	12,838	20,688
Equity securities	76	–	–	76
	<u>258</u>	<u>7,850</u>	<u>12,838</u>	<u>20,946</u>
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>

7. Loans and advances to customers

	As at 30 June 2017 HK\$ million	As at 31 December 2016 HK\$ million
Loans and advances to customers	161,239	147,187
Less		
– General allowances	<u>(1,400)</u>	<u>(1,267)</u>
	<u>159,839</u>	<u>145,920</u>
Comprising:		
– Trade bills	22,326	17,991
– Loans	<u>137,513</u>	<u>127,929</u>
	<u>159,839</u>	<u>145,920</u>

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.

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SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

8. Other assets

	As at 30 June 2017 <i>HK\$ million</i>	As at 31 December 2016 <i>HK\$ million</i>
Acceptances	2,220	1,292
Accrued interest receivables	265	260
Deferred tax assets	298	269
Fixed assets	1	2
Others	353	125
	<u>3,137</u>	<u>1,948</u>

9. Due to banks

	As at 30 June 2017 <i>HK\$ million</i>	As at 31 December 2016 <i>HK\$ million</i>
Deposits and balances from banks	121,383	103,818
Amounts due to overseas offices	42,082	29,084
	<u>163,465</u>	<u>132,902</u>

10. Deposits and balances from customers

	As at 30 June 2017 <i>HK\$ million</i>	As at 31 December 2016 <i>HK\$ million</i>
Demand deposits and current accounts	9,213	8,769
Savings deposits	19,216	11,706
Time, call and notice deposits	17,776	25,774
	<u>46,205</u>	<u>46,249</u>

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SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

11. Issued debt securities

	As at 30 June 2017 HK\$ million	As at 31 December 2016 HK\$ million
Trading liabilities	–	167
Liabilities designated at fair value through profit or loss	345	–
Liabilities measured at amortised cost	6,471	6,910
	6,816	7,077

12. Derivatives

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

	As at 30 June 2017 HK\$ million	As at 31 December 2016 HK\$ million
Foreign exchange derivatives	1,367,828	1,654,181
Interest rate derivatives	739,589	701,647
Equity derivatives	345	170
Commodity derivatives	2,704	3,051
	2,110,466	2,359,049

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.

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SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

12. Derivatives (Continued)

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

	As at 30 June 2017 <i>HK\$ million</i>	As at 31 December 2016 <i>HK\$ million</i>
Positive fair values		
Foreign exchange derivatives	11,612	27,665
Interest rate derivatives	3,159	3,755
Equity derivatives	–	–
Commodity derivatives	481	396
	<u>15,252</u>	<u>31,816</u>
Negative fair values		
Foreign exchange derivatives	11,349	27,963
Interest rate derivatives	3,317	3,880
Equity derivatives	6	5
Commodity derivatives	481	396
	<u>15,153</u>	<u>32,244</u>

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 2017 <i>HK\$ million</i>	As at 31 December 2016 <i>HK\$ million</i>
Direct credit substitutes	6,723	6,890
Transaction-related contingencies	6,002	5,264
Trade-related contingencies	3,423	3,213
Forward deposits placed	25	1
Other commitments with an original maturity of not more than one year or which are unconditionally cancellable	105,567	98,215
Other commitments with an original maturity of more than one year	29,686	29,817
	<u>151,426</u>	<u>143,400</u>

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SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

13. Contingent liabilities and commitments (Continued)

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 six months ended	
	30 June 2017	30 June 2016
Average LMR for the period	<u>34.0%</u>	<u>32.6%</u>

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

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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 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.

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SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

15. Currency concentrations

	USD	CNY	AUD	TWD	Others	Total
In HK\$ million						
As at 30 June 2017						
Hong Kong dollar equivalents						
Spot assets	132,713	6,593	2,672	491	10,951	153,420
Spot liabilities	(136,025)	(8,765)	(4,718)	(492)	(1,671)	(151,671)
Forward purchases	709,501	441,335	5,222	33,778	15,908	1,205,744
Forward sales	(701,660)	(442,144)	(2,785)	(34,397)	(25,529)	(1,206,515)
Net options position	(2,900)	2,897	–	–	–	(3)
Net long/(short) position	<u>1,629</u>	<u>(84)</u>	<u>391</u>	<u>(620)</u>	<u>(341)</u>	<u>975</u>
As at 31 December 2016						
Hong Kong dollar equivalents						
Spot assets	127,049	15,289	2,048	472	7,145	152,003
Spot liabilities	(124,090)	(2,485)	(4,498)	(466)	(1,811)	(133,350)
Forward purchases	865,948	575,888	5,102	35,434	13,851	1,496,223
Forward sales	(855,976)	(597,693)	(2,268)	(35,799)	(19,257)	(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>(359)</u>	<u>(152)</u>	<u>3,660</u>

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

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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 2017		As at 31 December 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	22,610	5,900	15,542	2,945
– Property investment	15,406	10,176	15,793	9,586
– Wholesale and retail trade	15,810	898	13,176	3,552
– Manufacturing	4,378	–	1,749	–
– Transport and transport equipment	4,410	137	3,545	155
– Recreational activities	1,000	–	1,000	–
– Information technology	1,546	–	5,083	–
– Others	10,340	1,179	11,364	1,120
Individuals				
– Loans for the purchase of other residential properties	99	99	60	60
– Others	–	–	–	–
Trade finance (including trade bills)	25,250	124	21,829	1,365
Loans for use outside Hong Kong	60,390	1,726	58,046	1,644
	<u>161,239</u>	<u>20,239</u>	<u>147,187</u>	<u>20,427</u>

DBS BANK LTD, HONG KONG BRANCH

SUPPLEMENTARY FINANCIAL INFORMATION (unaudited)

17. Loans and advances to customers by geographical area

	As at 30 June 2017 <i>HK\$ million</i>	As at 31 December 2016 <i>HK\$ million</i>
Hong Kong	127,949	120,704
Mainland China	29,632	24,812
Others	3,658	1,671
	<u>161,239</u>	<u>147,187</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.

18. International claims

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

In HK\$ million	Non-bank private sector				Total
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	
As at 30 June 2017					
Developed countries	4,335	7,724	21	–	12,080
Offshore centres, of which:	39,343	–	184	59,365	98,892
– Singapore	38,586	–	–	976	39,562
– Hong Kong	757	–	184	58,110	59,051
– Others	–	–	–	279	279
Developing Latin America and Caribbean	–	–	–	1,563	1,563
Developing Asia Pacific, of which	25,058	1,038	39	12,641	38,776
– China	24,903	1,038	39	11,976	37,956
– Others	155	–	–	665	820
International organisations	–	3,804	–	–	3,804
Total	<u>68,736</u>	<u>12,566</u>	<u>244</u>	<u>73,569</u>	<u>155,115</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 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 Latin America and Caribbean	–	–	–	–	–
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

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 2017 and 31 December 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 and no repossessed asset as at 30 June 2017 and 31 December 2016.

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 2017			
(a) Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	45,590	12,608	58,198
(b) Local governments, local government-owned entities and their subsidiaries and JVs	20,414	907	21,321
(c) PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	11,439	3,167	14,606
(d) Other entities of central government not reported in part (a) above	4,740	1,919	6,659
(e) Other entities of local governments not reported in part (b) above	4,915	730	5,645
(f) PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	6,048	2,495	8,543
(g) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	8,401	2,768	11,169
	<u>101,547</u>	<u>24,594</u>	<u>126,141</u>
Total assets after provisions	<u>251,532</u>		
On-balance sheet exposures as percentage of total assets	<u>40.37%</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 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	7,125	4,491	11,616
(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	7,482	3,483	10,965
	<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>		

Hong Kong, 8 August 2017

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 2017	As at 31 December 2016
Capital Adequacy Ratios		
Common Equity Tier 1	14.4%	14.1%
Tier 1	15.2%	14.7%
Total	16.5%	16.2%

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 2017 were S\$46,514 million (31 December 2016: S\$44,609 million).

2. Other financial information

	For the six months ended	
	30 June 2017	30 June 2016
	S\$ million	S\$ million
Pre-tax profit	2,766	2,698

	As at 30 June 2017	As at 31 December 2016
	S\$ million	S\$ million
Total assets	486,699	481,570
Total liabilities	437,830	434,600
Total loans and advances	302,973	301,516
Total customer deposits	342,886	347,446