

Goldman Sachs Asia Bank Limited, a restricted licence bank

Directors' Report and Financial Statements

For the year ended 31 December 2016

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Directors' Report and Financial Statements
For the year ended 31 December 2016**

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Goldman Sachs Asia Bank Limited, a restricted licence bank

Directors' Report

The directors submit their report together with the audited financial statements of Goldman Sachs Asia Bank Limited (the "Company"), a restricted licence bank, for the year ended 31 December 2016.

Principal activity

The Company is a restricted licence bank under the Banking Ordinance in Hong Kong. It is also a registered institution under the Hong Kong Securities and Futures Ordinance.

The Company has been established to provide the clients of The Goldman Sachs Group, Inc. and / or its consolidated subsidiaries (together, the "Group") in the Asia excluding Japan region with the opportunity to transact business with a bank counterparty located in Asia.

The Company commenced business on 19 August 2016. Its principal activities are to engage in deposit-taking and over-the-counter derivatives. These activities are conducted in cooperation with the affiliated companies within the Group, which give rise to service fee income and expense.

Results and appropriations

The results of the Company for the year ended 31 December 2016 are set out in the statement of comprehensive income on page 6.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2016.

Share capital

Details of the Company's share capital are set out in note 15 to the financial statements.

Directors

The directors of the Company during the year and up to the date of this report were:

Chairman and non-executive director:
Mr. Timothy Freshwater

Directors:
Mr. Amol Naik (resigned on 9 May 2016)
Ms. Denise Wyllie (appointed on 9 May 2016)

Non-executive director:
Mr. James Houghton

Independent non-executive directors:
Ms. Syaru Shirley Lin
Mr. Patrick Paul

There being no provision in the Company's Articles of Association for retirement by rotation, all current directors continue in office.

Mr. Amol Naik resigned on 9 May 2016 as a director of the Company. Mr. Amol Naik confirmed that he has no disagreement with the Board and nothing related to the affairs of the Company needed to be brought to the attention of the member of the Company.

Goldman Sachs Asia Bank Limited, a restricted licence bank

Directors' Report (continued)

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company, its affiliated companies, its parent companies or its ultimate parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interests in equity and debt securities of the Company or any specified undertaking of the Company

Directors of the Company, except for the independent non-executive directors, have acquired interests in the shares of the Company's ultimate parent company, The Goldman Sachs Group, Inc., through equity-based compensation arrangements. Pursuant to awards made under these employee incentive plans, all of the directors of the Company during the year, except for the independent non-executive directors, received common shares in the Company's ultimate parent company.

Except for the above, at no time during the year was the Company, its affiliated companies, its parent companies or its ultimate parent company a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Permitted indemnity provisions

The Articles of Association of the Company provide that the Company may indemnify any director of the Company against any liability incurred by the director in relation to the Company in defending any proceedings, whether civil or criminal, in which judgment is given in the director's favor or in which the director is acquitted or in connection with any application under certain provisions of the Hong Kong Companies Ordinance in which relief is granted to the director by the court.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the coming Annual General Meeting of the Company.

On behalf of the Board



Director / Timothy Freshwater

6 April 2017



羅兵咸永道

Independent Auditor's Report

**To the Member of Goldman Sachs Asia Bank Limited, a restricted licence bank
(Incorporated in Hong Kong with limited liability)**

Opinion

What we have audited

The financial statements of Goldman Sachs Asia Bank Limited (the "Company"), a restricted licence bank set out on pages 6 to 32, which comprise:

- the balance sheet as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and unaudited supplementary financial information, but does not include the Company financial statement and our auditor's report thereon.

Our opinion on the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Other Information (Continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A stylized, handwritten signature of "PricewaterhouseCoopers" in a dark blue or black ink.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 6 April 2017

Goldman Sachs Asia Bank Limited, a restricted licence bank

Statement of Comprehensive Income
For the year ended 31 December 2016

	Note	2016 US\$	2015 US\$
Interest income	4	76,021	15
Interest expense	4	(23,782)	-
Net interest income		<u>52,239</u>	<u>15</u>
Other income / (loss)	5	9,285,365	(214)
Total revenue / (loss)		<u>9,337,604</u>	<u>(199)</u>
Operating expenses	6	(9,275,336)	(861,417)
Profit / (loss) before income tax		<u>62,268</u>	<u>(861,616)</u>
Income tax credit	8	24,919	-
Profit / (loss) and total comprehensive income / (loss) for the year		<u><u>87,187</u></u>	<u><u>(861,616)</u></u>

The accompanying notes are an integral part of these financial statements.

Goldman Sachs Asia Bank Limited, a restricted licence bank


**Balance Sheet
As at 31 December 2016**

	Note	2016 US\$	2015 US\$
Assets			
Current assets			
Cash and cash equivalents	9	101,066,618	13,808,190
Short-term bank deposits		14,544,805	-
Derivative financial instruments	10	123,772	-
Trade and other receivables	11	6,369,744	-
		<u>122,104,939</u>	<u>13,808,190</u>
Non-current assets			
Deferred income tax assets	12	235,099	-
Total assets		<u>122,340,038</u>	<u>13,808,190</u>
Liabilities			
Current liabilities			
Deposit from an affiliated customer	16(b)	1,000,083	-
Derivative financial instruments	10	125,732	-
Trade and other payables	14	4,344,076	660,226
Current income tax liabilities		210,155	-
		<u>5,680,046</u>	<u>660,226</u>
Non-current liabilities			
Long-term loans payable	16(c)	2,000,000	-
Trade and other payables	14	1,424,841	-
		<u>3,424,841</u>	<u>-</u>
Total liabilities		<u>9,104,887</u>	<u>660,226</u>
Equity			
Share capital	15	114,010,000	14,010,000
Accumulated loss		(774,849)	(862,036)
Total equity		<u>113,235,151</u>	<u>13,147,964</u>
Total equity and liabilities		<u>122,340,038</u>	<u>13,808,190</u>

The financial statements on page 6 to 32 were approved by the Board of Directors on 6 April 2017 and were signed on its behalf.



Director / Denise Wyllie



Director / Timothy Freshwater

The accompanying notes are an integral part of these financial statements.

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Statement of Changes in Equity
For the year ended 31 December 2016**

	Note	Share capital US\$	Accumulated loss US\$	Total US\$
<u>2016</u>				
At the beginning of the year		14,010,000	(862,036)	13,147,964
Additional capital contributions	15	100,000,000	-	100,000,000
Total comprehensive income for the year		-	87,187	87,187
At the end of the year		<u>114,010,000</u>	<u>(774,849)</u>	<u>113,235,151</u>
<u>2015</u>				
At the beginning of the year		10,000	(420)	9,580
Additional capital contributions	15	14,000,000	-	14,000,000
Total comprehensive loss for the year		-	(861,616)	(861,616)
At the end of the year		<u>14,010,000</u>	<u>(862,036)</u>	<u>13,147,964</u>

The accompanying notes are an integral part of these financial statements.

Goldman Sachs Asia Bank Limited, a restricted licence bank

Statement of Cash Flows
For the year ended 31 December 2016

	Note	2016 US\$	2015 US\$
Operating activities			
Cash used in operations	17	(249,676)	(201,390)
Interest received from operating activities		31,216	-
Interest paid on operating activities		(23,112)	-
Net cash outflow from operating activities		(241,572)	(201,390)
Investing activities			
Increase in short-term deposits		(14,500,000)	-
Net cash outflow from investing activities		(14,500,000)	-
Financing activities			
Proceeds from capital contributions	15	100,000,000	14,000,000
Drawdown of long-term loans		2,000,000	-
Net cash inflow from financing activities		102,000,000	14,000,000
Increase in cash and cash equivalents		87,258,428	13,798,610
Cash and cash equivalents, at the beginning of the year		13,808,190	9,580
Cash and cash equivalents, at the end of the year	9	101,066,618	13,808,190

The accompanying notes are an integral part of these financial statements.

Goldman Sachs Asia Bank Limited, a restricted licence bank

Notes to Financial Statements For the year ended 31 December 2016

1 General information

Goldman Sachs Asia Bank Limited (the “Company”), a restricted licence bank, is a limited liability company incorporated in Hong Kong on 12 December 2012. The address of its registered office is 68th Floor, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong.

The Company is wholly owned by Goldman Sachs Holdings (Hong Kong) Limited. The ultimate parent company is The Goldman Sachs Group, Inc. (“Group Inc.”), which is incorporated in the State of Delaware, U.S.A. and listed on the New York Stock Exchange.

The Company is a restricted licence bank under the Banking Ordinance in Hong Kong. It is also a registered institution under the Hong Kong Securities and Futures Ordinance.

The Company has been established to provide the clients of Group, Inc. and / or its consolidated subsidiaries (together, “the Group” or “GS Group”) in the Asia excluding Japan region with the opportunity to transact business with a bank counterparty located in Asia.

The Company commenced business on 19 August 2016. Its principal activities are to engage in deposit-taking and over-the-counter (“OTC”) derivatives. These activities are conducted in cooperation with the affiliated companies within the Group, which give rise to service fee income and expense.

All references to 2016 and 2015 refer to the years ended, or the dates, as the context requires, 31 December 2016 and 31 December 2015, respectively.

2 Summary of principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements are prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap.622). They have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets or liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company

The following standard has been adopted by the Company for the first time for the accounting year beginning on or after 1 January 2016:

Amendment to HKAS 1 for the disclosure initiative clarifies guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Notes to Financial Statements
For the year ended 31 December 2016**

2 Summary of principal accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the Company (continued)

Other standards, amendments and interpretations which are effective for the accounting period beginning on 1 January 2016 have had no significant financial impact on these financial statements.

(b) New standards and interpretations not early adopted

HKFRS 9 ('Financial instruments') and HKFRS 15 ('Revenue from contracts with customers') are mandatory for accounting periods starting on or after 1 January 2018. The impact of these new standards on the 2016 accounts would have been minimal, and the Company has chosen not to early adopt the standards. Likewise, certain amendments to HKAS 7 ('Statement of cash flows'), effective for periods beginning on or after 1 January 2017 have not been adopted early.

2.2 Currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in US dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Transactions in currencies other than US dollars are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than US dollars, are recognised in the statement of comprehensive income.

2.3 Revenue recognition

Interest income is recognised on a time apportioned basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Service fee income from affiliated companies is credited to income on an accrual basis in the period in which the related services are provided by the Company.

2.4 Taxation

Taxation for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is then recognised in other comprehensive income or directly in equity.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at

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**Notes to Financial Statements
For the year ended 31 December 2016**

2 Summary of principal accounting policies (continued)

2.4 Taxation (continued)

the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.5 Employee benefits

(a) Compensation

The Company recognises a liability and an expense for bonuses payable to employees as part of their compensation. A provision is also made for the estimated liability for annual leave earned by employees but untaken at the balance sheet date.

(b) Employee incentive plans

Group Inc. issues awards in the form of restricted stock units ("RSUs") and stock options to the Company's employees for services rendered to the Company. The cost of employee services received in exchange for an equity-based award is measured based on the fair value of the equity instruments at the grant date. Non-market based vesting conditions are not taken into account in measuring the fair value of awards, but are reflected by adjusting over time the number of equity awards that are expected to vest. Equity-based awards that do not contain vesting conditions are expensed immediately, while awards that require future service are amortised over the relevant service period. The costs of equity-based awards are calculated with reference to the quoted market price of Group Inc.'s common stock, and are recorded as employee compensation in the Company's statement of comprehensive income.

Group Inc. settles equity awards by the delivery of its ordinary shares to the Company's employees. The Company has entered into a chargeback agreement under which it is committed to pay to Group Inc. the market value of those shares at the time of delivery. Further details of the equity-based award plans are set out in Note 13.

(c) Pension obligations

The Company offers a mandatory provident fund scheme and defined contribution pension plans to employees. Under the pension plans, the Company pays contributions to public or privately administered funds and will have no further payment obligations once the contributions have been paid. The Company's contributions are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

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**Notes to Financial Statements
For the year ended 31 December 2016**

2 Summary of principal accounting policies (continued)

2.6 Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.7 Short-term bank deposits

Short-term bank deposits include deposits held at call with banks with original maturities of over three months but less than one year.

2.8 Financial instruments

(a) Classification and recognition

Financial assets and liabilities at fair value through profit or loss are financial assets or liabilities held for trading, those designated at fair value through profit or loss at inception, and derivative financial instruments. Financial assets and liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term, and are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Purchases and sales of financial instruments are recognised on trade date – the date on which the Company commits to purchase or sell the instrument. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

(b) Determination of fair value

Fair value is 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. Gains and losses arising from changes in fair value are recognised in the statement of comprehensive income.

The Company's derivative instruments consist of OTC derivatives.

OTC derivatives are valued using market transactions and other market evidence, including market-based inputs to models, calibration to market-clearing transactions, broker or dealer quotations or other alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g. indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources.

Where models are used, the selection of a particular model to value an OTC derivative depends on the contractual terms of and specific risks inherent in the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates, loss severity rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, model selection does not involve significant management judgement because outputs of models can be calibrated to market clearing levels.

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Notes to Financial Statements
For the year ended 31 December 2016**

2 Summary of principal accounting policies (continued)

2.8 Financial instruments (continued)

(b) Determination of fair value (continued)

Certain OTC derivatives are valued using models which utilise inputs that can be observed in the market, as well as unobservable inputs. Unobservable inputs typically include certain correlations as well as credit spreads, equity volatilities, commodity prices and commodity volatilities that are long-dated or derived from trading activity in inactive or less liquid markets. Subsequent to the initial valuation of such derivatives, the Company updates the observable inputs to reflect observable market changes. Unobservable inputs are changed when corroborated by evidence such as similar market transactions, third-party pricing services and / or broker or dealer quotations or other empirical market data. In circumstances where the Company cannot verify the model value by reference to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value.

(c) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is 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 amount of the allowance is recognised in the statement of comprehensive income.

2.10 Loans payable

Loans payable are recognised initially at fair value, net of transaction costs incurred. Loans payable are subsequently stated at amortised cost. Any difference between the proceeds net of transaction costs and the redemption value is taken to the statement of comprehensive income over the period of the borrowings using the effective interest method.

Loans payable which are due to be settled within twelve months of the balance sheet date or where the Company does not have unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date are included in current liabilities even though the original term was for a period longer than twelve months. Other loans payable due to be settled more than twelve months after the balance sheet date or where the Company has unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date are included in non-current liabilities.

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Notes to Financial Statements
For the year ended 31 December 2016**

2 Summary of principal accounting policies (continued)

2.11 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 Comparatives

Where necessary, comparative figures have been reclassified to conform with the current year's presentation.

3 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1 Income taxes

Judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3.2 Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, OTC derivatives) is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the balance sheet date.

4 Interest income and interest expense

	2016 US\$	2015 US\$
Interest income from:		
- balances and bank deposits with authorised institutions	66,659	15
- affiliated companies (Note 16(a))	9,362	-
	<u>76,021</u>	<u>15</u>
Interest expense to:		
- an affiliated customer (Note 16(b))	1,573	-
- ultimate parent company (Note 16(c))	11,059	-
- affiliated companies (Note 16(c))	11,097	-
- others	53	-
	<u>23,782</u>	<u>-</u>

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**Notes to Financial Statements
For the year ended 31 December 2016**

5 Other income / (loss)

	2016 US\$	2015 US\$
Service fee income (Note 16(d))	9,285,296	-
Net currency translation gains / (losses)	69	(214)
	<u>9,285,365</u>	<u>(214)</u>

6 Operating expenses

	2016 US\$	2015 US\$
Employee compensation and benefits (Note 16(j))		
- Salaries, bonus payments and other employee benefits	1,571,357	-
- Employee incentive plans	101,248	-
- Pension costs		-
- defined contribution plans	187,243	-
Service fee expense (Note 16(e))	6,595,747	-
Brokerage, clearing and exchange fees	12,792	-
Market development	98,993	-
Professional fees	149,879	592,294
Auditor's remuneration	96,000	13,500
Directors' emoluments (Note 7)	386,654	197,222
Other expenses	75,423	58,401
	<u>9,275,336</u>	<u>861,417</u>

7 Directors' emoluments

The emoluments of the Directors of the Company disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation were set out below:

	2016 US\$	2015 US\$
Aggregate emoluments		
- in respect of their services as directors of the Company	200,000	197,222
- in respect of their other services in connection with the management of the affairs of the Company	186,654	-
	<u>386,654</u>	<u>197,222</u>

Goldman Sachs Asia Bank Limited, a restricted licence bank**Notes to Financial Statements
For the year ended 31 December 2016****8 Income tax credit**

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The amount of tax credited to the statement of comprehensive income represents:

	2016 US\$	2015 US\$
Current income tax	(210,075)	-
Deferred income tax (Note 12)	234,994	-
	<u>24,919</u>	<u>-</u>

The tax on the Company's profit / (loss) before income tax differs from the theoretical amount that would arise using the Hong Kong taxation rate due to the following:

	2016 US\$	2015 US\$
Profit / (loss) before income tax	62,268	(861,616)
Tax calculated at Hong Kong tax rate of 16.5%	10,274	(142,167)
Income not subject to tax	(11)	(2)
Expenses not deductible for tax purposes	10,243	109,627
Utilisation of previously unrecognised tax losses brought forward	(45,449)	-
Deferred tax not recognised	-	32,542
Currency translation loss	24	-
Income tax credit	<u>(24,919)</u>	<u>-</u>

9 Cash and cash equivalents

	2016 US\$	2015 US\$
Cash at banks	79,565,225	13,808,190
Bank deposits		
- with an affiliated bank (Note 16(f))	7,000,632	-
- with an authorised institution	14,500,761	-
	<u>101,066,618</u>	<u>13,808,190</u>

10 Financial instruments at fair value

The Company engages in OTC derivatives market making and holds positions accordingly.

The following table sets out the Company's financial instruments owned and financial instruments sold, but not yet purchased, measured at fair value through profit and loss:

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Notes to Financial Statements
For the year ended 31 December 2016**

10 Financial instruments at fair value (continued)

10.1 Derivative financial instruments

On-balance sheet derivative financial instruments comprised:

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
	US\$	US\$	US\$	US\$
Classified as held for trading:				
Forward settlement contracts with an affiliated company (Note 16(g))	1,633	3,593	-	-
Option contracts with an affiliated company (Note 16(g))	122,139	-	-	-
Option contracts with others	-	122,139	-	-
	<u>123,772</u>	<u>125,732</u>	<u>-</u>	<u>-</u>

11 Trade and other receivables

	2016	2015
	US\$	US\$
Amounts due from affiliated companies (Note 16(h))	6,364,141	-
Other receivables	5,603	-
	<u>6,369,744</u>	<u>-</u>

12 Deferred income tax assets

The movement of the deferred income tax assets account is as follows:

	2016
	US\$
At the beginning of the year	-
Deferred taxation credited to statement of comprehensive income (Note 8)	234,994
Currency translation	105
At the end of the year	<u>235,099</u>
Deferred tax to be realised after more than 12 months	<u>167,794</u>

Deferred income tax asset is recognised primarily for employee incentive plans, to the extent that the realisation of the related tax benefit through future taxable profit is probable.

As at 31 December 2015, the Company did not recognise as a deferred income tax asset US\$32,542, being the tax on the then estimated tax loss of US\$197,222 for that year. The tax loss finally agreed for that year with the tax authorities resulted in a tax impact of US\$45,449, which could be utilised to reduce future tax charge (see Note 8).

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Notes to Financial Statements
For the year ended 31 December 2016**

13 Employee incentive plans

The Company's ultimate parent company sponsors a stock incentive plan, The Goldman Sachs Amended and Restated Stock Incentive Plan (2015) ("2015 SIP"), which provides for grants of restricted stock units ("RSUs"), restricted stock, dividend equivalent rights, incentive stock options, nonqualified stock options, stock appreciation rights, and other share-based awards, each of which may be subject to performance conditions. On 21 May 2015, shareholders of the Company's ultimate parent company approved the 2015 SIP. The 2015 SIP replaced The Goldman Sachs Amended and Restated Stock Incentive Plan (2013) ("2013 SIP") previously in effect, and applies to awards granted on or after the date of approval.

13.1 Restricted stock units

The ultimate parent company grants RSUs to employees of the Company under the 2015 SIP, which are valued based on the closing price of the underlying shares on the date of grant after taking into account a liquidity discount for any applicable post-vesting and delivery transfer restrictions. RSUs generally vest and underlying shares of common stock deliver as outlined in the applicable award agreements. Employee award agreements generally provide that vesting is accelerated in certain circumstances, such as on retirement, death, disability and conflicted employment. Delivery of the underlying shares of common stock is conditioned on the grantees satisfying certain vesting and other requirements outlined in the award agreements. The cost of these RSUs is allocated to the Company by the ultimate parent company.

The activity related to these RSUs was:

<u>2016</u>	Restricted stock units outstanding	
	No future service required	Future service required
Outstanding at the beginning of the year	-	-
Transferred in	-	7,009
Vested	1,704	(1,704)
Outstanding at the end of the year	<u>1,704</u>	<u>5,305</u>

The aggregate fair value of awards vested during the year ended 31 December 2016 was US\$391,412.

There was no activity related to RSUs during the year ended 31 December 2015.

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Notes to Financial Statements
For the year ended 31 December 2016**

14 Trade and other payables

	2016 US\$	2015 US\$
Current liabilities		
Amounts due to ultimate parent company (Note 16(i))	2,113	-
Amounts due to affiliated companies (Note 16(i))	176,340	205,468
Accruals and other liabilities	4,165,623	454,758
	<u>4,344,076</u>	<u>660,226</u>
Non-current liabilities		
Amounts due to ultimate parent company (Note 16(i))	795,885	-
Accruals and other liabilities	628,956	-
	<u>1,424,841</u>	<u>-</u>

15 Share capital

	2016 US\$	2015 US\$
Issued and fully paid:		
114,010,000 ordinary shares (2015: 14,010,000 ordinary shares)	<u>114,010,000</u>	<u>14,010,000</u>

The movement of share capital was:

	Number of shares	Share capital US\$
At 1 January 2015	10,000	10,000
Additional capital contributions (Note (a))	14,000,000	14,000,000
At 31 December 2015	<u>14,010,000</u>	<u>14,010,000</u>
At 1 January 2016	14,010,000	14,010,000
Additional capital contributions (Note (b))	100,000,000	100,000,000
At 31 December 2016	<u>114,010,000</u>	<u>114,010,000</u>

- (a) On 14 January 2015 and 26 June 2015, the Company issued 1,000,000 and 13,000,000 ordinary shares to its member for US\$1,000,000 and US\$13,000,000, respectively, which were fully paid in cash.
- (b) On 12 July 2016, the Company issued 100,000,000 ordinary shares to its member for US\$100,000,000, which were fully paid in cash.

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Notes to Financial Statements
For the year ended 31 December 2016**

16 Related party transactions

Details of the related party transactions are disclosed as follows:

- (a) Interest income from affiliated companies was earned, at prevailing market rates, primarily from cash deposits placed with an affiliated bank and cash collateral placed with an affiliated company.
- (b) The deposit from an affiliated customer is a time deposit, which is unsecured and interest-bearing at prevailing market rates.
- (c) The Company has unsecured long-term loans payable to the ultimate parent company and an affiliated company, which bear interest at prevailing market rates. Interest expenses mainly arose from finance expenses on long-term loans payable and cash collateral received.
- (d) Service fee income from an affiliated company represents charging of expenses, with mark up, incurred by the Company for engaging in OTC derivative activities in cooperation with the affiliated companies.
- (e) Service fee expense represents the allocation of costs from an affiliated company in relation to the support services provided to the Company.
- (f) The Company deposits excess cash with an affiliated bank under normal commercial terms.
- (g) Derivative assets and liabilities arise from transactions that the Company and affiliated companies entered into in the normal course of business.
- (h) Amounts due from affiliated companies primarily comprise service charges receivable and cash collateral receivable.
- (i) Amounts due to the ultimate parent company primarily comprise chargeback of equity-based awards payable. Amounts due to affiliated companies primarily comprise service charges payable and cash collateral payable.
- (j) Employee compensation and benefits are presented net of recharges to and from an affiliated company for secondment arrangements between the Company and the affiliated company.
- (k) Key management compensation includes salaries, bonuses and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Company, together with the value of any awards of shares in the ultimate holding company delivered during the year. The Company regards its key management to be those persons who are responsible for oversight of the Company's strategy or activities and / or those of the Company's material business lines.

	2016 US\$	2015 US\$
Key management compensation		
Salaries, bonuses and other employee benefits	446,629	-
Employee incentive plans	102,310	-

Goldman Sachs Asia Bank Limited, a restricted licence bank**Notes to Financial Statements
For the year ended 31 December 2016****17 Notes to the statement of cash flows**

Reconciliation of profit / (loss) before income tax to cash used in operations:

	2016 US\$	2015 US\$
Profit / (loss) before income tax	62,268	(861,616)
Adjustments for:		
Interest income	(76,021)	-
Interest expense	23,782	-
	<hr/>	<hr/>
Operating profit / (loss) before changes in working capital	10,029	(861,616)
Changes in operating assets and liabilities:		
Derivative financial instruments, net	1,960	-
Trade and other receivables	(6,369,744)	-
Deposit from an affiliated customer	1,000,000	-
Trade and other payables	5,108,103	660,226
Currency translation	(24)	-
	<hr/>	<hr/>
Cash used in operations	<u>(249,676)</u>	<u>(201,390)</u>

18 Financial risk management

Normal trading activities expose the Company to market, credit, liquidity and operational risk. These risks, described below, are managed in accordance with established risk management policies and procedures.

GS Group monitors market, credit, liquidity and operational risk on a consistent basis firmwide. Consequently, the Company, as part of the global group, adheres to global risk management policies and procedures.

The Company seeks to monitor and control its risk exposure through a risk and control framework encompassing a variety of separate, but complementary, financial, credit, operational, compliance, legal reporting systems and internal controls, management review processes and other mechanisms. In addition, a number of global, regional and entity committees are responsible for monitoring risk exposures and for general oversight of the Company's risk management process. These committees meet regularly and consist of senior members of both the revenue-producing units and departments that are independent of the revenue-producing units. In addition to these committees, functions that are independent of the revenue-producing units, such as Compliance, Finance (including Risk Management), Legal, Internal Audit and Operations, perform risk management functions, which include monitoring, analysing and evaluating risk.

18.1 Market risk

Market risk is the risk of loss in the value of the Company's financial instruments due to changes in market conditions. Financial instruments are held primarily for market-making for clients. They, therefore, change based on client demands. Financial instruments are accounted for at fair value and therefore fluctuate on a daily basis. Categories of market risk include the following:

- interest rate risk: results from exposures to changes in the level, slope and curvature of yield curves, the volatilities of interest rates and credit spreads; and

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Notes to Financial Statements
For the year ended 31 December 2016**

18 Financial risk management (continued)

18.1 Market risk (continued)

- currency rate risk: results from exposures to changes in spot prices, forward prices and volatilities of currency rates.

Market Risk Management and Analysis ("Market Risk Management"), which is independent of the revenue-producing units and reports to the Chief Risk Officer of GS Group, has primary responsibility for assessing, monitoring and managing market risk. Risks are monitored and controlled through strong oversight and independent control and support functions across the global businesses.

The Company's framework for managing market risk is consistent with, and is part of, the Group's framework, and results are analysed by business and in aggregate, at both the Group and Company level.

The Company manages its derivatives financial asset and derivative financial liability positions in the trading book in a way that offset each other, and hence there is no net exposure to market risk on these positions.

(a) Currency risk

The Company's main currency exposure is to Hong Kong dollar, which is managed by hedging with an affiliated company.

(b) Interest rate risk

The Company is exposed to cash flow interest rate risk primarily on its deposits and cash placements. Based on the values of these balances at 31 December 2016, a 50 basis point change in market interest rates would result in a US\$382,976 change in annual net interest income. As at 31 December 2015, the net interest income impact was not significant.

18.2 Credit risk

Credit risk represents the potential for loss due to the default or deterioration in credit quality of a counterparty. The Company's exposure to credit risk comes mostly from client transactions in OTC derivatives, as well as cash placed with banks and receivables from customers and counterparties.

Credit Risk Management and Advisory ("Credit Risk Management"), which is independent of the revenue-producing units and reports to the Chief Risk Officer of GS Group, has primary responsibility for assessing, monitoring and managing credit risk. The Credit Policy Committee of GS Group and the Firmwide Risk Committee establish and review credit policies and parameters. The Company's framework for managing credit risk is consistent with GS Group's framework.

Effective management of credit risk requires accurate and timely information, a high level of communication and knowledge of customers, countries, industries and products. The process for managing credit risk includes:

- approving transactions and setting and communicating credit exposure limits;
- monitoring compliance with established credit exposure limits;
- assessing the likelihood that a counterparty will default on its payment obligations;
- measuring the Company's current and potential credit exposure and losses resulting from counterparty default;
- reporting of credit exposures to senior management, boards of directors and regulators;

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Notes to Financial Statements
For the year ended 31 December 2016**

18 Financial risk management (continued)

18.2 Credit risk (continued)

- use of credit risk mitigants, including collateral and hedging; and
- communication and collaboration with other independent control and support functions such as Operations, Legal and Compliance.

As part of the risk assessment process, Credit Risk Management performs credit reviews which include initial and ongoing analyses of our counterparties. For substantially all of the Company's credit exposures, the core of the process is an annual counterparty credit review. A credit review is an independent analysis of the capacity and willingness of a counterparty to meet its financial obligations, resulting in an internal credit rating. The determination of internal credit ratings also incorporates assumptions with respect to the nature of and outlook for the counterparty's industry, and the economic environment. Senior personnel within Credit Risk Management, with expertise in specific industries, inspect and approve credit reviews and internal credit ratings.

The global credit risk management systems capture credit exposure to individual counterparties and, on an aggregate basis to counterparties and their subsidiaries (economic groups). These systems also provide management with comprehensive information on aggregate credit risk by product, internal credit rating, industry, country and region.

(a) Risk measures and limits

Credit risk is measured based on the potential loss in the event of non-payment by a counterparty using current and potential exposure. For derivatives transactions, current exposure represents the amount presently owed to the Company after taking into account applicable netting and collateral arrangements while potential exposure represents the Company's estimate of the future exposure that could arise over the life of a transaction based on market movements within a specified confidence level. Potential exposure also takes into account netting and collateral arrangements.

Credit limits are measured at various levels (counterparty, economic group, industry, country) to control the size of the Company's credit exposures. Limits for counterparties and economic groups are reviewed regularly and revised to reflect changing risk appetites for a given counterparty or group of counterparties. Limits for industries and countries are based on the Company's risk tolerance and are designed to allow for regular monitoring, review, escalation and management of credit risk concentrations. For GS Group, the Risk Committee of the Board and Firmwide Risk Committee approve credit risk limits at the firmwide and business level. Credit Risk Management sets credit limits for individual counterparties, economic groups, industries and countries. Policies authorised by GS Group's Firmwide Risk Committee and Credit Policy Committee prescribe the firmwide level of formal approval required to assume credit exposure to a counterparty across all product areas, taking into account any applicable netting provisions, collateral or other credit risk mitigants.

These policies are complemented by specific policies for the Company, which are approved by the Company's governance bodies.

(b) Stress tests / scenario analysis

Regular stress tests are used to calculate the credit exposures, including potential concentrations that would result from applying shocks to counterparty credit ratings or credit risk factors (e.g., currency rates, interest rates, equity prices). These shocks include a wide range of moderate and more extreme market movements. Some of the stress tests include shocks to multiple risk factors, consistent with the occurrence of a severe market or economic event. In the case of sovereign default, Credit Risk Management estimates the direct impact of the default on the Company's sovereign credit exposures (if

Goldman Sachs Asia Bank Limited, a restricted licence bank

Notes to Financial Statements

For the year ended 31 December 2016

18 Financial risk management (continued)

18.2 Credit risk (continued)

(b) Stress tests / scenario analysis (continued)

any), changes to the Company's credit exposures arising from potential market moves in response to the default, and the impact of credit market deterioration on corporate borrowers and counterparties that may result from the sovereign default. Unlike potential exposure, which is calculated within a specified confidence level, with a stress test there is generally no assumed probability of these events occurring.

Stress tests are run on a regular basis as part of the Company's routine risk management processes and to meet the local regulatory requirements. The Company also conducts tailored stress tests on an ad hoc basis in response to market developments. Stress tests are regularly conducted jointly with the Company's market and liquidity risk functions.

The Group's and the Company's potential credit exposure and stress testing models, and any changes to such models or assumptions, are reviewed and independently validated by Model Risk Management.

(c) Risk mitigants

To reduce our credit exposures on derivatives transactions, the Company may enter into netting agreements with counterparties that permit it to offset receivables and payables with such counterparties. The Company may also reduce credit risk with counterparties by entering into agreements that enable it to obtain collateral from them on an upfront or contingent basis and / or to terminate transactions if the counterparty's credit rating falls below a specified level. The Company monitors the fair value of collateral on a daily basis to ensure that credit exposures are appropriately collateralised. The Company seeks to minimise exposures where there is a significant positive correlation between the creditworthiness of counterparties and the market value of collateral received.

When the Company does not have sufficient visibility into a counterparty's financial strength or when it believes a counterparty requires support from its parent company, the Company may obtain third-party guarantees of the counterparty's obligations. The Company may also mitigate its credit risk using credit derivatives.

(d) Credit exposure

Cash and cash equivalents. Cash and cash equivalents include both interest bearing and non-interest bearing deposits. To mitigate the risk of credit loss, the Company places substantially all of its deposits with highly-rated banks.

OTC derivatives. Derivative instruments are reported at fair value on a gross-by-counterparty basis in the Company's financial statements, unless the Company has a current legal right of set-off and also intends to settle on a net basis. OTC derivatives are risk managed using the risk processes, measures and limits described above.

Other credit exposures. The Company is exposed to credit risk from its receivables from customers and counterparties. These primarily comprise receivables from related parties and receivables related to cash collateral paid to counterparties in respect of derivative financial instrument liabilities.

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**Notes to Financial Statements
For the year ended 31 December 2016**

18 Financial risk management (continued)

18.2 Credit risk (continued)

(e) Exposure to credit risk by class

The following table discloses the carrying values of financial assets recorded in the financial statements and represents the Company's maximum exposure to credit risk without taking into account any other credit enhancements:

Financial assets	2016 US\$	2015 US\$
Cash and cash equivalents	101,066,618	13,808,190
Short-term bank deposits	14,544,805	-
Derivative financial instruments	123,772	-
Trade and other receivables	6,368,966	-
	<u>122,104,161</u>	<u>13,808,190</u>

The following table shows the carrying value of financial assets grouped by credit ratings. The categories shown reflect our internally determined public rating agency equivalents.

Credit rating	2016 US\$	2015 US\$
AA	58,438,693	7,000,918
A	63,547,290	6,807,272
BBB	113,352	-
Unrated	4,826	-
	<u>122,104,161</u>	<u>13,808,190</u>

The Company had no financial assets that were either past due or impaired as at 31 December 2016 (2015: Nil).

18.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to fund itself or meet its liquidity needs in the event of company-specific, broader industry, or market liquidity stress events. Liquidity is of critical importance to financial institutions, as most of the failures of financial institutions have occurred in large part due to insufficient liquidity. Accordingly, the Company has in place a comprehensive and conservative set of liquidity and funding policies. The principal objective is to be able to fund the Company and to enable the core businesses to continue to serve clients and generate revenues, even under adverse circumstances.

Corporate Treasury has the primary responsibility for assessing, monitoring and managing liquidity and funding strategy. Corporate Treasury is independent of the revenue-producing units and reports to the Chief Financial Officer of GS Group.

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Notes to Financial Statements
For the year ended 31 December 2016**

18 Financial risk management (continued)

18.3 Liquidity risk (continued)

The Liquidity Risk Management and Analysis (“Liquidity Risk Management”) function of GS Group is an independent risk management function responsible for control and oversight of liquidity risk management framework of GS Group, including stress testing and limit governance. Liquidity Risk Management is independent of the revenue-producing units and Corporate Treasury, and reports to the Chief Risk Officer of GS Group.

The Company manages liquidity risk according to three principles: (i) hold sufficient excess liquidity to cover outflows during a stressed period, (ii) maintain appropriate asset-liability management and (iii) maintain a viable contingency funding plan.

- **Excess liquidity.** The Company maintains excess liquidity to meet a broad range of potential cash outflows and collateral needs in a stressed environment.
- **Asset-liability management.** The Company's liquidity risk management policies are designed to ensure it has a sufficient amount of financing, even when funding markets experience persistent stress. The Company seeks to manage maturities and diversity of funding across markets, products and counterparties over time, taking into consideration the characteristics and liquidity profile of its assets.
- **Contingency funding plan.** The Company maintains a contingency funding plan to provide a framework for analysing and responding to a liquidity crisis situation or periods of market stress. The contingency funding plan outlines a list of potential risk factors, key reports and metrics that are reviewed on an ongoing basis to assist in assessing the severity of, and managing through, a liquidity crisis and / or market dislocation. The contingency funding plan also describes the Company's potential responses if assessments indicate that the Company has entered a liquidity crisis, which includes pre-funding for what the Company estimates will be its potential cash and collateral needs as well as utilising secondary sources of liquidity. Mitigants and action items to address specific risks which may arise are also described and assigned to individuals responsible for execution.

The following table details the undiscounted cash flows of the Company's financial assets and financial liabilities by remaining contractual maturity, including interest that will accrue, except for derivatives or where the Company is entitled to repay the liability before its maturity. Derivative financial instruments are presented at their fair value.

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Notes to Financial Statements
For the year ended 31 December 2016**

18 Financial risk management (continued)

18.3 Liquidity risk (continued)

2016	On demand US\$	Less than one month US\$	More than one month but less than three months US\$	More than three months but less than one year US\$	More than one year but less than five years US\$	More than five years US\$	Undated US\$	Total US\$
Financial assets								
Current assets								
Cash and cash equivalents	79,565,225	7,000,632	14,500,761	-	-	-	-	101,066,618
Short-term bank deposits	-	-	14,544,805	-	-	-	-	14,544,805
Derivative financial instruments	-	1,633	-	122,139	-	-	-	123,772
Trade and other receivables	-	6,358,966	-	-	-	-	10,000	6,368,966
Total financial assets	79,565,225	13,361,231	29,045,566	122,139	-	-	10,000	122,104,161
Financial liabilities								
Current liabilities								
Deposit from an affiliated customer	-	1,000,083	-	-	-	-	-	1,000,083
Derivative financial instruments	-	3,593	-	122,139	-	-	-	125,732
Trade and other payables	-	3,700,696	25,763	553,295	-	-	130,000	4,409,754
Non-current liabilities								
Long-term loans payable	-	-	-	-	2,000,000	-	-	2,000,000
Trade and other payables	-	-	-	-	1,425,921	-	-	1,425,921
Total financial liabilities	-	4,704,372	25,763	675,434	3,425,921	-	130,000	8,961,490

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Notes to Financial Statements
For the year ended 31 December 2016**

18 Financial risk management (continued)

18.3 Liquidity risk (continued)

	On demand US\$	Less than one month US\$	More than one month but less than three months US\$	More than three months but less than one year US\$	More than one year but less than five years US\$	More than five years US\$	Undated US\$	Total US\$
2015								
Financial assets								
Current assets								
Cash and cash equivalents	13,808,190	-	-	-	-	-	-	13,808,190
Total financial assets	13,808,190	-	-	-	-	-	-	13,808,190
Financial liabilities								
Current liabilities								
Trade and other payables	205,468	191,258	160,800	102,700	-	-	-	660,226
Total financial liabilities	205,468	191,258	160,800	102,700	-	-	-	660,226

18.4 Offsetting financial assets and financial liabilities

(a) Financial assets

The following table shows the Company's financial assets that are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross credit exposure US\$	Netting arrangements US\$	Net amount presented in balance sheet US\$	Financial instruments US\$	Cash collateral US\$	Net amount US\$
2016						
Cash and cash equivalents	101,066,618	-	101,066,618	-	-	101,066,618
Short-term bank deposits	14,544,805	-	14,544,805	-	-	14,544,805
Derivative financial instruments	123,772	-	123,772	(1,633)	-	122,139
Trade and other receivables	10,448,841	(4,079,875)	6,368,966	-	(1,960)	6,367,006
	126,184,036	(4,079,875)	122,104,161	(1,633)	(1,960)	122,100,568

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Notes to Financial Statements
For the year ended 31 December 2016**

18 Financial risk management (continued)

18.4 Offsetting financial assets and financial liabilities (continued)

(b) Financial liabilities

The following table shows the Company's financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements:

				Amounts not offset in the balance sheet		
	Gross credit exposure US\$	Netting arrangements US\$	Net amount presented in balance sheet US\$	Financial instruments US\$	Cash collateral US\$	Net amount US\$
2016						
Deposit from an affiliated customer	1,000,083	-	1,000,083	-	-	1,000,083
Derivative financial instruments	125,732	-	125,732	(1,633)	(1,960)	122,139
Trade and other payables	9,848,792	(4,079,875)	5,768,917	-	-	5,768,917
Long-term loans payable	2,000,000	-	2,000,000	-	-	2,000,000
	<u>12,974,607</u>	<u>(4,079,875)</u>	<u>8,894,732</u>	<u>(1,633)</u>	<u>(1,960)</u>	<u>8,891,139</u>

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Company and the counterparty allows for net settlement of the relevant financial assets and liabilities when both intend to settle on a net basis.

There were no significant financial assets or financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2015.

18.5 Fair value estimation

The tables below show financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Inputs are unadjusted quoted prices in active markets to which the Company had access at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Inputs to valuation techniques are observable either directly or indirectly;

Level 3 One or more inputs are significant and unobservable.

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Notes to Financial Statements
For the year ended 31 December 2016**

18 Financial risk management (continued)

18.5 Fair value estimation (continued)

The Company's assets and liabilities that are measured at fair value are:

2016

	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$
Financial assets at fair value				
Derivative instruments	-	123,772	-	123,772
	=====	=====	=====	=====
Financial liabilities at fair value				
Derivative instruments	-	125,732	-	125,732
	=====	=====	=====	=====

There were no financial instruments carried at fair value as at 31 December 2015.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial instruments is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, OTC derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

There were no significant transfers of financial assets and liabilities between level 1 and level 2 fair value hierarchy classifications.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. There were no level 3 financial instruments held as at 31 December 2016 and 31 December 2015.

The Company's level 2 financial instruments are valued using various derivative pricing models such as incorporate option pricing methodologies, Monte Carlo simulations and discounted cash flows. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility and correlations of such inputs. Inputs to the valuations of level 2 financial instruments can be verified to market transactions, broker or dealer quotations or other alternative pricing source with reasonable levels of price transparency. Consideration is given to the nature of the quotations and the relationship of recent market activity to the prices provided from alternative pricing sources.

The carrying value of other financial assets and liabilities are a reasonable approximation of their fair values.

18.6 Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Notes to Financial Statements
For the year ended 31 December 2016**

18 Financial risk management (continued)

18.6 Operational risk management (continued)

The Company's exposure to operational risk arises from routine processing errors as well as extraordinary incidents, such as major systems failures. Potential types of loss events related to internal and external operational risk include: clients, products and business practices, execution, delivery and process management, business disruption and system failures, employment practices and workplace safety, damage to physical assets, internal fraud, and external fraud.

Operational Risk Management is a risk management function independent of the revenue producing units and is responsible for developing and implementing policies, methodologies and a formalised framework for operational risk management with the goal of minimising the firm's exposure to operational risk.

The Company's risk management framework comprises the following practices:

- risk identification and assessment;
- risk measurement; and
- risk monitoring and reporting.

18.7 Capital management

The Company's capital is considered to comprise total equity on the balance sheet. The primary objectives in managing capital are to safeguard the ability of the Company to continue as a going concern and to meet the capital requirements of the Company's regulators in Hong Kong.

The Company is regulated by the Hong Kong Monetary Authority ("HKMA") and as such is subject to minimum capital requirements. The Company's capital is monitored on an ongoing basis in accordance with the Company's Capital Management Policy to ensure compliance with these requirements. The Company must ensure the capital is sufficient to meet the minimum capital adequacy ratio as required by the HKMA.

The Company met HKMA's capital adequacy ratio requirements during the year ended 31 December 2016 and the relevant period for the year ended 31 December 2015.

The Company did not pay a dividend or return capital to its shareholders for the years ended 31 December 2016 and 31 December 2015.

19 Approval of financial statements

The financial statements were approved by the board of directors on 6 April 2017.

Goldman Sachs Asia Bank Limited, a restricted licence bank

Unaudited Supplementary Financial Information

For the year ended 31 December 2016

Goldman Sachs Asia Bank Limited, a restricted licence bank

Unaudited Supplementary Financial Information For the year ended 31 December 2016

The following information is disclosed as part of the accompanying information to the financial statements to comply with the Banking (Disclosure) Rules and does not form part of the audited financial statements.

1 Corporate governance

The Board of Directors ("The Board") and the management of Goldman Sachs Asia Bank Limited (the "Company"), a restricted licence bank, recognises the importance of robust corporate governance to ensure an environment of effective oversight and strong accountability.

To the extent applicable, the Company has complied with the requirements set out in the guideline CG-1 "Corporate Governance of Locally Incorporated Authorized Institutions" issued by the Hong Kong Monetary Authority ("HKMA").

The Company's ultimate parent company is The Goldman Sachs Group, Inc. ("Group Inc."). The term "GS Group" or "the Group" refers to Group Inc. and its consolidated subsidiaries.

1.1 Board of Directors

The Board is responsible for overseeing the establishment of corporate governance policies and procedures in order to protect the interests of the Company's stakeholders and to ensure the safety and soundness of the Company's operations and its compliance with applicable laws and regulations. Directors exercise their independent judgment when managing the Company's business. The Board oversees the implementation of controls and risk management processes and take the steps it reasonably believes are necessary to ensure that a strong and cooperative relationship with regulators exist.

Currently, the Board comprises five members: one executive director, two non-executive directors and two independent non-executive directors.

The directors of the Board collectively possess a broad range of skills, expertise, industry and other knowledge, and business and other experience useful to the effective oversight of the Company's business.

The Board meets at least once in each quarter.

1.2 Audit Committee

The Audit Committee is a board level committee currently comprises of three non-executive directors, of whom the chairperson of the Audit Committee is independent.

The purposes of the Audit Committee are to:

- (1) assist the Board in its oversight of:
 - the integrity of the Company's financial statements;
 - the Company's compliance with legal and regulatory requirements;
 - the Company's external independent auditors' qualifications, independence and performance;
 - the performance of the Company's Internal Audit;
 - the Company's internal controls over financial reporting and the financial reporting process;
 - the review and approval of the audit scope and frequency;
 - receipt of audit reports and ensuring that bank management takes necessary corrective action in a timely manner to address control weakness, non-compliance with policies, laws and regulations or other problems identified by the auditors; and

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

1 Corporate Governance (continued)

1.2 Audit Committee (continued)

- reviewing the HKMA on-site examination reports and bringing major findings to the attention of the Board.
- (2) recommend to the Board or shareholders (as applicable) the appointment, retention, re-appointment, compensation and termination of the Company's external auditors, and to pre-approve all audit, audit-related, tax and other services, if any, to be provided by the external auditors to the Company.

The Audit Committee shall hold regular meetings from time to time as required.

1.3 Bank committees

In addition to the Board and the Audit Committee, the Company has established the Management Committee, Risk Committee, Credit Sub-committee and Asset and Liability Sub-committee as part of its corporate governance framework. These committees meet regularly and serve as an important means to facilitate and foster ongoing discussions to identify, manage and mitigate risks.

The main duties and responsibilities of the Company's committees are described below. In addition to their duties and responsibilities, all committees are also accountable for business standards and practices, reputational risk management and, where applicable, client service, within the scope of their mission.

(a) Management Committee

The Management Committee oversees all activities of the Company, including all risk control functions. The Committee provides this oversight directly and through authority delegated to the committees it has established, if any, and coordinating with other committees and sub-committees of the Company.

The Management Committee is co-chaired by the Chief Executive and Alternate Chief Executive and its membership includes senior managers from the revenue-producing divisions and independent control and support functions.

The Management Committee reports to the Board.

(b) Risk Committee

The Risk Committee is responsible, directly or through its subcommittees, for the on-going monitoring and management of the Company's: (a) market risk, credit risk, operational risk, liquidity risk, interest rate risk, reputational risk, legal risk and strategic risk; and (b) compliance with the minimum regulatory capital ratios required under the HKMA requirements.

The Risk Committee is co-chaired by the Alternate Chief Executive and the Chief Risk Officer and its membership includes senior managers from the revenue-producing divisions and independent control and support functions.

The Risk Committee reports to the Board.

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

1 Corporate Governance (continued)

1.3 Bank committees (continued)

(c) Credit Sub-committee

The Credit Sub-committee is responsible for (i) ensuring the Company has an appropriate and effective credit risk management process, and (ii) ongoing monitoring and review of the Company's counterparty credit risk exposure.

The Credit Sub-committee is chaired by the Chief Risk Officer and its membership includes senior managers from independent control and support functions.

The Credit Sub-committee reports to the Risk Committee.

(d) Asset and Liability Sub-committee

The Asset and Liability Sub-committee considers and addresses matters related to the Company's liquidity, funding and asset liability management. The Committee will review and make recommendations to the Risk Committee of the Company and Corporate Treasury with respect to the Company's liquidity position and funding activities, including related models, frameworks and limits. The Committee may also recommend to the Risk Committee of the Company business unit-specific asset-liability management frameworks. In addition, the Committee will discuss entity and industry-wide initiatives related to liquidity and funding.

The Asset and Liability Sub-committee is chaired by the Chief Risk Officer and Treasurer and its membership includes senior managers from the revenue-producing divisions and independent control and support functions.

The Asset and Liability Sub-committee reports to the Risk Committee.

2 Remuneration system

The Company has complied with Part 3 (Disclosure on remuneration) of CG-5 "Guidelines on a Sound Remuneration System" issued by the HKMA. Below are the applicable disclosures made pursuant to the requirements set out:

2.1 Design and implementation of remuneration system

The Board is responsible for establishing and maintaining the remuneration policy of the Company. The Company has adopted GS Group's global remuneration policy which will be implemented in a manner consistent with the GS Group's Amended and Restated Firmwide Performance Assessment & Variable Compensation Framework.

For further details on GS Group's global remuneration policy, please refer to the "Compensation Matters" section of the 2017 Proxy Statement via the link below:

<http://www.goldmansachs.com/investor-relations/financials/current/proxy-statements/2017-proxy-statement-pdf.pdf>

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

2 Remuneration system (continued)

2.2 Aggregate quantitative information on remuneration for senior management and key personnel

Senior management is defined as those persons who are responsible for oversight of the Company's strategy or activities and / or those of the Company's material business lines. Key personnel is defined as individual employees whose duties or activities in the course of their employment involve the assumption of material risk or taking on of material exposures on behalf of the Company.

Aggregate quantitative information on remuneration for the year ended 31 December 2016 represents the remuneration of 6 individuals (2015: Nil) who are considered as senior management and 2 individuals (2015: Nil) who are considered as key personnel during the year. The Company commenced business on 19 August 2016. No individuals were identified as senior management or key personnel for the year ended 31 December 2015 in respect of whom quantitative disclosures would be required under paragraphs (g) to (m) of Annex A of CG-5. Where the individuals have performed services to the Company as well as other affiliated companies during the relevant period, all quantitative information disclosed below has been apportioned to reflect the individuals' service to the Company.

(a) Total value of remuneration awards

	<u>Senior management</u>		<u>Key personnel</u>	
	2016	2015	2016	2015
	US\$	US\$	US\$	US\$
Fixed remuneration				
- Cash-based (non-deferred)	227,625	-	22,463	-
Variable remuneration				
- Cash-based (non-deferred)	219,004	-	36,710	-
- Shares and share-linked instruments (deferred)	102,310	-	17,408	-

(b) Deferred remuneration

	<u>Senior management</u>		<u>Key personnel</u>	
	2016	2015	2016	2015
	US\$	US\$	US\$	US\$
Total amount outstanding				
- Shares and share-based remuneration				
- Vested	19,551	-	7,970	-
- Unvested	95,055	-	34,299	-

No deferred remuneration was awarded, paid out or reduced through performance adjustments during the financial year (2015: Nil).

(c) Deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments

All deferred remuneration and retained remuneration in shares and share-linked instruments are exposed to ex post explicit and/or implicit adjustments.

No deferred remuneration and retained remuneration was reduced due to ex post explicit or implicit adjustments during the financial year (2015: Nil).

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**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

2 Remuneration system (continued)

2.2 Aggregate quantitative information on remuneration for senior management and key personnel (continued)

(d) Other quantitative disclosures

US\$12,091 (2015: Nil) in sign-on awards were made to senior management and key personnel during the financial year. The number of sign-on awards and the number of beneficiaries have not been disclosed to preserve confidentiality of such information.

No guaranteed bonuses or severance payments were awarded or made to senior management and key personnel during the year (2015: Nil).

3 Risk management

3.1 Risk governance structure

The Board oversees the implementation of controls and risk management processes. The Board is responsible for approving key risk management policies and ensuring that an effective risk management framework is in place to facilitate an integrated approach to managing the Company's risks (e.g. credit, market and other major risks), including but not limited to regular review of reports on credit, market and operational risk which are in accordance with the Company's risk tolerance / appetite. The Board regularly reviews the risk management framework to ensure that it remains adequate and consistent with the Company's operating environment, and is able to support business expansion.

The Board has put in place a corporate governance framework consisting of bank committees to effectively oversee the operations of the Company. The committees and their roles are stated in the "1. Corporate Governance" section.

3.2 Management of principal risks

For the description on the Company's market, credit, liquidity and operational risks, please refer to Note 18 "Financial risk management" to the financial statements.

3.3 Approval of new products

The Goldman Sachs Firmwide New Activity Committee (the "Firmwide NAC") and Asia Pacific Regional New Activity Committees (the "RNAC") shall review proposals for new activities, products and services of the Company, including those that are, or may have been previously, undertaken or offered by the Company affiliates, and shall review potential acquisitions of entities or of significant amounts of assets or liabilities by the Company. The Firmwide NAC and RNAC may also review any other activity or transaction of the Company, at their discretion. The Firmwide NAC and RNAC shall take steps reasonably designed to ensure that the Company has the necessary infrastructure in place to identify, monitor and control risks associated with such new activities, potential acquisitions or transactions.

4 Internal Audit

Internal Audit is an integral part of the Company's risk management infrastructure, which provides independent assessment and opinions on the Company's control structure, and assists the Company's Audit Committee in fulfilling its oversight responsibilities.

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

5 Capital adequacy ratio

The capital ratios below are computed in accordance with the Banking (Capital) Rules of the Banking Ordinance.

	2016	2015
Common Equity Tier 1 ("CET1") capital ratio	308%	274%
Tier 1 capital ratio	308%	274%
Total capital ratio	308%	274%

The Company's capital conservation buffer ratio as at 31 December 2016 was 0.625% (2015: 0%) in accordance with Section 3M of the Banking (Capital) Rules.

Components of capital base

Total capital after deductions used in the calculation of capital adequacy ratio as at 31 December 2016 and 31 December 2015 are as follows:

	2016 US\$	2015 US\$
CET1 capital instruments		
Paid up ordinary share capital	114,010,000	14,010,000
Accumulated losses	(774,849)	(862,036)
	<hr/>	<hr/>
CET1 capital before deductions	113,235,151	13,147,964
Deductions:		
Deferred tax assets in excess of deferred tax liabilities	(235,099)	-
	<hr/>	<hr/>
CET1 after capital deductions	113,000,052	13,147,964
Additional Tier 1 capital	-	-
Tier 2 capital	-	-
	<hr/>	<hr/>
Total capital	<u>113,000,052</u>	<u>13,147,964</u>

Information relating to the disclosure of the full terms and conditions of the Company's capital instruments can be viewed on the website: <http://www.goldmansachs.com/disclosures/gsab-disclosures/terms-and-conditions.html>

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

6 Capital charge for credit, market and operational risk

The capital requirement is determined by multiplying the Company's risk-weighted amount derived from the relevant calculation approach by 8%, not the Company's actual regulatory capital. The capital requirements for the Company's credit, market and operational risk are summarised as follows:

6.1 Capital charge for credit risk

The Company uses the Standardized (Credit Risk) Approach ("STC approach") to calculate its credit risk requirement.

The capital requirements on each class of exposures under the STC approach are as follows:

	2016		2015	
	Risk weighted amounts US\$	Capital charge US\$	Risk weighted amounts US\$	Capital charge US\$
On-balance sheet				
Bank exposures	27,485,726	2,198,858	4,803,820	384,306
Securities firm exposures	3,182,070	254,566	-	-
Other exposures which are not past due exposures	4,826	386	-	-
	<u>30,672,622</u>	<u>2,453,810</u>	<u>4,803,820</u>	<u>384,306</u>
Off-balance sheet				
OTC derivative transactions	213,644	17,092	-	-
Credit valuation adjustments	<u>48,002</u>	<u>3,840</u>	<u>-</u>	<u>-</u>
	<u><u>30,934,268</u></u>	<u><u>2,474,742</u></u>	<u><u>4,803,820</u></u>	<u><u>384,306</u></u>

There were no other off-balance sheet exposures in the Company as at 31 December 2016 (2015: Nil).

6.2 Capital charge for market risk

The Company uses the Standardized (Market Risk) Approach to calculate its market risk. The Company's capital charge for market risk included currency risk from its net positions in foreign currencies of US\$2,087 as at 31 December 2016 (2015: Nil).

6.3 Capital charge for operational risk

The Company uses the Basic Indicator Approach to calculate its operational risk.

	2016 US\$	2015 US\$
Capital charge for operational risk	<u>461,195</u>	<u>49</u>

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

6 Capital charge for credit, market and operational risk (continued)

6.4 Securitization exposures

The Company does not have securitization exposure as at 31 December 2016 (2015: Nil).

6.5 Credit risk exposures

As at 31 December 2016, the Company had not nominated external credit assessment institutions ("ECAIs") for the purpose of determining the risk weights for calculation of capital charge for credit risk and treated the exposures from banks, securities firms and other exposures as unrated. As at 31 December 2015 and prior to business commencement, the Company used the credit assessments from Standard & Poor's Rating Services to determine the risk weight of the bank exposures.

2016

		Exposures after recognised credit risk mitigation	Risk-weighted amounts	
	Total exposures US\$	Unrated US\$	Unrated US\$	Total risk- weighted amount US\$
On-balance sheet				
Bank exposures	115,611,423	115,611,423	27,485,726	27,485,726
Securities firm exposures (Note (a))	6,364,141	6,364,141	3,182,070	3,182,070
Other exposures which are not past due exposures	4,826	4,826	4,826	4,826
	<u>121,980,390</u>	<u>121,980,390</u>	<u>30,672,622</u>	<u>30,672,622</u>
Off-balance sheet				
OTC derivative transactions (Note (b))	343,644	213,644	213,644	213,644
Credit valuation adjustments	<u>213,644</u>	<u>213,644</u>	<u>48,002</u>	<u>48,002</u>
	<u><u>122,537,678</u></u>	<u><u>122,407,678</u></u>	<u><u>30,934,268</u></u>	<u><u>30,934,268</u></u>

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

6 Capital charge for credit, market and operational risk (continued)

6.5 Credit risk exposures (continued)

2015

		Exposures after recognised credit risk mitigation	Risk-weighted amounts	Total risk- weighted amount
	Total exposures US\$	Rated US\$	Rated US\$	US\$
On-balance sheet				
Bank exposures (Note (c))	13,808,190	13,808,190	4,803,820	4,803,820

- (a) The exposures have taken into account on-balance sheet recognized netting.
- (b) As at 31 December, 2016, the Company held cash collateral of US\$130,000 which netting was recognised for OTC derivative transactions in respect of credit risk mitigation (2015: Nil).
- (c) The exposure amount represents exposures which have an inferred rating (i.e. exposures which do not have an issue-specific rating but whose risk weights are determined under the Banking (Capital) Rules by reference to an ECAI issuer rating assigned to the obligor of the exposure or to an ECAI issue rating of any other exposures of the obligor). There are no unrated exposures as at 31 December 2015.

There are no exposures which are covered by recognised guarantee or credit derivative contracts as at 31 December 2016 (2015: Nil).

There are no credit exposures which are risk-weighted at 1250% as at 31 December 2016 (2015: Nil).

7 Countercyclical capital buffer ("CCyB") ratio

The geographical breakdown of risk-weighted amounts ("RWA") in relation to private sector credit exposures as at 31 December 2016 is as follows:

2016

Jurisdiction	Applicable jurisdictional CCyB ratio in effect	Total RWA used in the computation of CCyB ratio US\$	CCyB ratio of an AI	CCyB amount of an AI US\$
Hong Kong	0.625%	115,578		
Singapore	0%	2,941		
United Kingdom	0%	5,000		
United States	0%	3,277,021		
		3,400,540	0.023%	722

As at 31 December 2015, the Company's CCyB ratio was 0% as there was no private sector credit exposure for the year then ended.

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

8 Regulatory capital disclosures

(a) Transition Disclosures Template

See Appendix 1 on pages 47 to 56.

(b) Balance sheet reconciliation between the Company's balance sheet and the capital components of regulatory capital

See Appendix 2 on page 57.

(c) Main Features of Capital Instruments

See Appendix 3 on page 58 to 59.

9 Leverage Ratio Disclosure Templates – Summary Comparison Table and Leverage Ratio Common Disclosure Template

See Appendix 4 on pages 60 to 62.

10 Liquidity

	2016	2015
Average liquidity maintenance ratio	160%	160%

The average liquidity maintenance ratio is computed in accordance with the Banking (Liquidity) Rules.

11 Interest rate exposures in banking book

The Company is exposed to interest rate risk arising from its banking book activities. The Company's banking book is comprised of assets and liabilities that are intended to be held to maturity, including deposits and cash placements. Changes in market interest rates on banking book assets and liabilities can have an adverse effect on the Company's earnings and economic value.

The Company measures and monitors banking book interest rate exposures by measuring changes in the banking book's earnings with movements in interest rates. The Company uses an instantaneous parallel (upward and downward) interest rate shock across multiple scenarios to evaluate the potential impact of interest rate risk on its economic value on a daily basis.

As at 31 December 2016, the Company's variation in earnings based on an upward interest rate shock of 200 basis points, in accordance with the method used in HKMA Return of Interest Rate Risk Exposures, are as follows:

	2016 HKD currency US\$	2016 USD currency US\$
Increase in earnings over the next 12 months if interest rates rise by 200 basis points	47,149	1,394,624

Goldman Sachs Asia Bank Limited, a restricted licence bank**Unaudited Supplementary Financial Information
For the year ended 31 December 2016****11 Interest rate exposures in banking book (continued)**

As at 31 December 2015, the Company's banking book comprised of excess cash placements with financial institutions, which are not exposed to material interest rate movements. As such, an interest rate sensitivity analysis has not been presented.

12 Currency risk

The currency risk arising from the Company's operations for those individual currencies which each constitute more than 10% of the total net positions in all foreign currencies are as follows:

	2016 US\$	2015 US\$
USD currency		
Spot assets	122,267,869	13,806,673
Spot liabilities	(119,564,246)	(13,684,727)
Forward purchases	3,611,451	-
Forward sales	(5,386,506)	-
	<hr/>	<hr/>
Net long position	928,568	121,946
	<hr/>	<hr/>

The Company had no net currency position in the delta-weighted position of its options contracts as at 31 December 2016 (2015: Nil). As at 31 December 2016, there was no foreign currency exposure arising from structural positions (2015: Nil).

13 Segmental information

The profit and loss and operating assets of the Company are mainly contributed by Institutional Client Services. Institutional Client Services serves our clients who come to the firm to buy and sell financial products, raise funding and manage risk. All of the profit and loss, assets and liabilities are managed and booked in Hong Kong for the years ended 31 December 2016 and 31 December 2015.

	2016 Institutional Client Services US\$	2015 Institutional Client Services US\$
Total operating income / (loss)	9,337,604	(199)
Profit / (loss) before income tax	62,268	(861,616)
Total operating assets	122,104,939	13,808,190

There are no impairment losses, specific provision and collective provision for impaired assets for the year ended 31 December 2016 (2015: Nil).

There are no contingent liabilities and commitments as at 31 December 2016 (2015: Nil).

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

14 International claims

International claims are on-balance sheet exposures of counterparties based on the location of the counterparties after taking into account any risk transfer. The risk transfers have been made if the claims are guaranteed by a party in a geographical area which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another geographical area.

2016

	Banks US\$	Non-bank financial institutions US\$	Non-financial private sector US\$	Total US\$
Developed countries:				
United States	19,133,201	9,042,385	122,139	28,297,725
Australia	14,624,201	-	-	14,624,201
Canada	29,001,359	-	-	29,001,359
United Kingdom	21,623,891	11,633	-	21,635,524
Total developed countries	<u>84,382,652</u>	<u>9,054,018</u>	<u>122,139</u>	<u>93,558,809</u>
Offshore centres:				
Hong Kong	<u>29,148,888</u>	<u>-</u>	<u>778</u>	<u>29,149,666</u>

2015

	Banks US\$	Non-bank financial institutions US\$	Non-financial private sector US\$	Total US\$
Developed countries:				
United States	<u>6,798,673</u>	<u>-</u>	<u>-</u>	<u>6,798,673</u>

15 Loans and advances – sector information

There are no loans and advances to customers as at 31 December 2016 (2015: Nil).

16 Overdue and rescheduled assets

There are no impaired, rescheduled or overdue assets as at 31 December 2016 (2015: Nil).

17 Mainland activities

There are no non-bank mainland exposures as at 31 December 2016 (2015: Nil).

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

18 Derivative transactions

<u>2016</u>		<u>Fair values</u>		Risk-weighted amount
	Notional amount	Assets	Liabilities	amount
	US\$	US\$	US\$	US\$
Exchange rate related derivatives				
Forward settlement contracts	9,002,535	1,633	3,593	-
Options contracts purchased	11,075,233	-	122,139	110,752
Options contracts written	11,075,233	122,139	-	102,892
	<u>31,153,001</u>	<u>123,772</u>	<u>125,732</u>	<u>213,644</u>

The notional amounts of these instruments indicate the volume of transactions outstanding as at year end date, but do not represent the amounts at risk. The fair values are presented above on gross basis with no offsetting due to bilateral netting agreements. The risk-weighted asset amount has taken into account the effect of valid bilateral netting agreement.

There were no derivative transactions for the year ended 31 December 2015.

19 Equity exposures

There are no equity exposures booked in the Company's banking book as at 31 December 2016 (2015: Nil).

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

Appendix 1 Transition Disclosures Template

The following tables set out the detailed composition of the Company's regulatory capital as at 31 December 2016 and 31 December 2015 using the Transition Disclosures Template as specified by the HKMA. The table also shows those items that are currently benefiting from the Basel III transitional arrangements, and are consequently subject to the pre-Basel III treatment, as set out in Schedule 4H to the Banking (Capital) Rules.

31 December 2016

		US\$	Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
	CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	114,010,000		(1)
2	Retained earnings	(774,849)		(2)
3	Disclosed reserves	-		
4	<i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>	Not applicable		
	<i>Public sector capital injections grandfathered until 1 January 2018</i>	Not applicable		
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-		
6	CET1 capital before regulatory deductions	113,235,151		
	CET1 capital: regulatory deductions			
7	Valuation adjustments	-		
8	Goodwill (net of associated deferred tax liability)	-		
9#	Other intangible assets (net of associated deferred tax liability)	-	-	
10#	Deferred tax assets net of deferred tax liabilities	235,099		(3)
11	Cash flow hedge reserve	-		
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	-	
13	Gain-on-sale arising from securitization transactions	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	-	
18#	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
19#	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock of financial sector entities	Not applicable		
24	of which: mortgage servicing rights	Not applicable		

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

Appendix 1 Transition Disclosures Template (continued)

31 December 2016

		US\$	Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
		US\$	US\$	
	CET1 capital: regulatory deductions			
25	of which: deferred tax assets arising from temporary differences	Not applicable		
26	National specific regulatory adjustments applied to CET1 capital	-		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-		
26b	Regulatory reserve for general banking risks	-		
26c	Securitization exposures specified in a notice given by the Monetary Authority	-		
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-		
26e	Capital shortfall of regulated non-bank subsidiaries	-	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-		
28	Total regulatory deductions to CET1 capital	235,099		
29	CET1 capital	113,000,052		
	AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	-		
31	of which: classified as equity under applicable accounting standards	-		
32	of which: classified as liabilities under applicable accounting standards	-		
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	-		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-		
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	-		
36	AT1 capital before regulatory deductions	-		
	AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	-	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	-	
39#	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	-	
41	National specific regulatory adjustments applied to AT1 capital	-		
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	-		

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

Appendix 1 Transition Disclosures Template (continued)

31 December 2016

		US\$	Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
		US\$	US\$	
	AT1 capital: regulatory deductions			
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-		
43	Total regulatory deductions to AT1 capital	-		
44	AT1 capital	-		
45	Tier 1 capital (Tier 1 = CET1 + AT1)	113,000,052		
	Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-		
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	-		
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-		
49	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	-		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	-		
51	Tier 2 capital before regulatory deductions	-		
	Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	-	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments	-	-	
54#	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-		
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-		

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
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Appendix 1 Transition Disclosures Template (continued)

31 December 2016

		US\$	Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
	Tier 2 capital: regulatory deductions			
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
57	Total regulatory deductions to Tier 2 capital	-		
58	Tier 2 capital	-		
59	Total capital (Total capital = Tier 1 + Tier 2)	113,000,052		
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment			
i	of which: Mortgage servicing rights	-		
ii	of which: Defined benefit pension fund net assets	-		
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments			
iv	of which: Capital investment in a connected company which is a commercial entity	-		
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
60	Total risk weighted assets	36,725,300		
	Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	307.69%		
62	Tier 1 capital ratio	307.69%		
63	Total capital ratio	307.69%		
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	5.148%		

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

Appendix 1 Transition Disclosures Template (continued)

31 December 2016

		US\$	US\$	Amounts subject to pre-Base I treatment*	Cross reference to balance sheet reconciliation
65	<i>of which: capital conservation buffer requirement</i>	0.625%			
66	<i>of which: bank specific countercyclical buffer requirement</i>	0.023%			
67	<i>of which: G-SIB or D-SIB buffer requirement</i>	0%			
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	302.542%			
National minima (if different from Basel 3 minimum)					
69	National CET1 minimum ratio	Not applicable			
70	National Tier 1 minimum ratio	Not applicable			
71	National Total capital minimum ratio	Not applicable			
Amounts below the thresholds for deduction (before risk weighting)					
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-			
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-			
74	Mortgage servicing rights (net of related tax liability)	Not applicable			
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable			
Applicable caps on the inclusion of provisions in Tier 2 capital					
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	-			
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	-			
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	-			
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	-			
Capital instruments subject to phase-out arrangements					
80	Current cap on CET1 capital instruments subject to phase out arrangements	Not applicable			
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable			
82	Current cap on AT1 capital instruments subject to phase out arrangements	-			
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-			
84	Current cap on Tier 2 capital instruments subject to phase out arrangements	-			
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-			

* This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.

Footnote:

Indicates elements where a more conservative definition has been applied in the BCR relative to that set out in the Basel III capital standards.

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

Appendix 1 Transition Disclosures Template (continued)

31 December 2015

		US\$	Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
	CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	14,010,000		(1)
2	Retained earnings	(862,036)		(2)
3	Disclosed reserves	-		
4	<i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>	Not applicable		
	<i>Public sector capital injections grandfathered until 1 January 2018</i>	Not applicable		
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-		
6	CET1 capital before regulatory deductions	13,147,964		
	CET1 capital: regulatory deductions			
7	Valuation adjustments	-		
8	Goodwill (net of associated deferred tax liability)	-		
9#	Other intangible assets (net of associated deferred tax liability)	-	-	
10#	Deferred tax assets net of deferred tax liabilities	-		
11	Cash flow hedge reserve	-		
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	-	
13	Gain-on-sale arising from securitization transactions	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	-	
18#	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
19#	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock of financial sector entities	Not applicable		
24	of which: mortgage servicing rights	Not applicable		

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
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Appendix 1 Transition Disclosures Template (continued)

31 December 2015

		US\$	Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
	CET1 capital: regulatory deductions			
25	of which: deferred tax assets arising from temporary differences	Not applicable		
26	National specific regulatory adjustments applied to CET1 capital	-		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-		
26b	Regulatory reserve for general banking risks	-		
26c	Securitization exposures specified in a notice given by the Monetary Authority	-		
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-		
26e	Capital shortfall of regulated non-bank subsidiaries	-	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-		
28	Total regulatory deductions to CET1 capital	-		
29	CET1 capital	13,147,964		
	AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	-		
31	of which: classified as equity under applicable accounting standards	-		
32	of which: classified as liabilities under applicable accounting standards	-		
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	-		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-		
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	-		
36	AT1 capital before regulatory deductions	-		
	AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	-	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	-	
39#	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	-	
41	National specific regulatory adjustments applied to AT1 capital	-		
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	-		

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

Appendix 1 Transition Disclosures Template (continued)

31 December 2015

		US\$	Amounts subject to pre-BaseI treatment*	Cross reference to balance sheet reconciliation
	AT1 capital: regulatory deductions			
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-		
43	Total regulatory deductions to AT1 capital	-		
44	AT1 capital	-		
45	Tier 1 capital (Tier 1 = CET1 + AT1)	13,147,964		
	Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-		
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	-		
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-		
49	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	-		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	-		
51	Tier 2 capital before regulatory deductions	-		
	Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	-	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments	-	-	
54#	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-		
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-		

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

Appendix 1 Transition Disclosures Template (continued)

31 December 2015

		US\$	Amounts subject to pre-Base I treatment*	Cross reference to balance sheet reconciliation
	Tier 2 capital: regulatory deductions			
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Base I treatment which, during transitional period, remain subject to deduction from Tier 2 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
57	Total regulatory deductions to Tier 2 capital	-		
58	Tier 2 capital	-		
59	Total capital (Total capital = Tier 1 + Tier 2)	13,147,964		
59a	Deduction items under Base I which during transitional period remain subject to risk-weighting, based on pre-Base I treatment			
i	of which: Mortgage servicing rights	-		
ii	of which: Defined benefit pension fund net assets	-		
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments			
iv	of which: Capital investment in a connected company which is a commercial entity	-		
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
60	Total risk weighted assets	4,803,869		
	Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	273.7%		
62	Tier 1 capital ratio	273.7%		
63	Total capital ratio	273.7%		
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	4.5%		

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**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

Appendix 1 Transition Disclosures Template (continued)

31 December 2015

		US\$	Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
		US\$	US\$	
65	<i>of which: capital conservation buffer requirement</i>	0%		
66	<i>of which: bank specific countercyclical buffer requirement</i>	0%		
67	<i>of which: G-SIB or D-SIB buffer requirement</i>	0%		
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR [^]	269.2%		
National minima (if different from Basel 3 minimum)				
69	National CET1 minimum ratio	Not applicable		
70	National Tier 1 minimum ratio	Not applicable		
71	National Total capital minimum ratio	Not applicable		
Amounts below the thresholds for deduction (before risk weighting)				
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
74	Mortgage servicing rights (net of related tax liability)	Not applicable		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable		
Applicable caps on the inclusion of provisions in Tier 2 capital				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	-		
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	-		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	-		
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	-		
Capital instruments subject to phase-out arrangements				
80	Current cap on CET1 capital instruments subject to phase out arrangements	Not applicable		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable		
82	Current cap on AT1 capital instruments subject to phase out arrangements	-		
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-		
84	Current cap on Tier 2 capital instruments subject to phase out arrangements	-		
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-		

* This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.

Footnote:

Indicates elements where a more conservative definition has been applied in the BCR relative to that set out in the Basel III capital standards.

[^]The comparatives have been restated to conform with the current period's presentation.

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
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Appendix 2 Balance Sheet Reconciliation

The following table shows a reconciliation of amounts shown in the balance sheet of the Company to the capital components of regulatory capital:

31 December 2016

	Balance Sheet as in Published Financial Statements	Under regulatory scope of consolidation	Cross reference to Transition Disclosure Template
	US\$	US\$	
Assets			
Cash and cash equivalents	101,066,618	101,066,618	
Short-term bank deposits	14,544,805	14,544,805	
Derivative financial instruments	123,772	123,772	
Trade and other receivables	6,369,744	6,369,744	
Deferred income tax assets	235,099	235,099	(3)
Total Assets	122,340,038	122,340,038	
Liabilities			
Deposit from an affiliated customer	1,000,083	1,000,083	
Derivative financial instruments	125,732	125,732	
Trade and other payables	5,768,917	5,768,917	
Current income tax liabilities	210,155	210,155	
Long-term loans payables	2,000,000	2,000,000	
Total Liabilities	9,104,887	9,104,887	
Equity			
Share capital	114,010,000	114,010,000	(1)
Accumulated losses	(774,849)	(774,849)	(2)
Total Equity	113,235,151	113,235,151	
Total Liabilities and Equity	122,340,038	122,340,038	

31 December 2015

	Balance Sheet as in Published Financial Statements	Under regulatory scope of consolidation	Cross reference to Transition Disclosure Template
	US\$	US\$	
Assets			
Cash and cash equivalents	13,808,190	13,808,190	
Total Assets	13,808,190	13,808,190	
Liabilities			
Trade and other payables	660,226	660,226	
Total Liabilities	660,226	660,226	
Equity			
Share capital	14,010,000	14,010,000	(1)
Accumulated losses	(862,036)	(862,036)	(2)
Total Equity	13,147,964	13,147,964	
Total Liabilities and Equity	13,808,190	13,808,190	

Goldman Sachs Asia Bank Limited, a restricted licence bank

Unaudited Supplementary Financial Information For the year ended 31 December 2016

Appendix 3 Main Features of Capital Instruments

The following tables show the main features of outstanding capital instruments:

31 December 2016

1	Issuer	Goldman Sachs Asia Bank Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Hong Kong Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules [#]	Not applicable
5	Post-transitional Basel III rules ⁺	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	US\$114.01 million
9	Par value of instrument	Not applicable
10	Accounting classification	Shareholders' equity
11	Original date of issuance	10,000 shares issued on 12 December 2012 1,000,000 shares issued on 14 January 2015 13,000,000 shares issued on 26 June 2015 100,000,000 shares issued on 12 July 2016
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

Footnote:

[#] Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

⁺ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

* Include solo-consolidated

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
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Appendix 3 Main Features of Capital Instruments (continued)

31 December 2015

1	Issuer	Goldman Sachs Asia Bank Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Hong Kong Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules [#]	Not applicable
5	Post-transitional Basel III rules ⁺	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date) [^]	US\$14.01 million
9	Par value of instrument	Not applicable
10	Accounting classification	Shareholders' equity
11	Original date of issuance	10,000 shares issued on 12 December 2012 1,000,000 shares issued on 14 January 2015 13,000,000 shares issued on 26 June 2015
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

Footnote:

[#] Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

⁺ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

^{*} Include solo-consolidated

[^]The comparatives have been restated to conform with the current period's presentation.

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**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

Appendix 4 Leverage Ratio Disclosure Templates

Summary Comparison Table

31 December 2016

	Item	Leverage ratio framework US\$ equivalent
1	Total consolidated assets as per published financial statements	122,340,038
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	255,882
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-
7	Other adjustments	(235,099)
8	Leverage ratio exposure	122,360,821

31 December 2015

	Item	Leverage ratio framework US\$ equivalent
1	Total consolidated assets as per published financial statements	13,808,190
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-
7	Other adjustments	-
8	Leverage ratio exposure	13,808,190

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**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

Appendix 4 Leverage Ratio Disclosure Templates (continued)

31 December 2016

Leverage Ratio Common Disclosure Template

	Item	Leverage ratio framework US\$ equivalent
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	122,216,266
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts)	(235,099)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	121,981,167
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	122,139
5	Add-on amounts for PFE associated with all derivatives transactions	257,515
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions (reported as negative amounts)	-
8	Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts)	-
11	Total derivative exposures (sum of lines 4 to 10)	379,654
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	-
18	Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts)	-
19	Off-balance sheet items (sum of lines 17 and 18)	-
Capital and total exposures		
20	Tier 1 capital	113,000,052
21	Total exposures (sum of lines 3, 11, 16 and 19)	122,360,821
Leverage ratio		
22	Basel III leverage ratio	92.35%

Goldman Sachs Asia Bank Limited, a restricted licence bank

**Unaudited Supplementary Financial Information
For the year ended 31 December 2016**

Appendix 4 Leverage Ratio Disclosure Templates (continued)

31 December 2015

Leverage Ratio Common Disclosure Template

	Item	Leverage ratio framework US\$ equivalent
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	13,808,190
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts)	-
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	13,808,190
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions (reported as negative amounts)	-
8	Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts)	-
11	Total derivative exposures (sum of lines 4 to 10)	-
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	-
18	Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts)	-
19	Off-balance sheet items (sum of lines 17 and 18)	-
Capital and total exposures		
20	Tier 1 capital	13,147,964
21	Total exposures (sum of lines 3, 11, 16 and 19)	13,808,190
Leverage ratio		
22	Basel III leverage ratio	95.22%