

# Dah Sing Bank, Limited



## ANNOUNCEMENT OF 2014 INTERIM RESULTS

The Directors of Dah Sing Bank, Limited (the “Bank”) are pleased to present the unaudited interim financial disclosure statement of the Bank and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2014.

### UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

HK\$'000	Note	2014	2013	Variance %
Interest income		2,416,211	2,078,424	
Interest expense		(943,237)	(732,623)	
<b>Net interest income</b>	3	<b>1,472,974</b>	1,345,801	9.4
Fee and commission income		518,448	458,771	
Fee and commission expense		(114,083)	(110,776)	
<b>Net fee and commission income</b>	4	<b>404,365</b>	347,995	16.2
Net trading income	5	81,103	104,313	
Other operating income	6	31,973	20,726	
<b>Operating income</b>		<b>1,990,415</b>	1,818,835	9.4
Operating expenses	7	(1,020,252)	(923,298)	10.5
<b>Operating profit before impairment losses</b>		<b>970,163</b>	895,537	8.3
Loan impairment losses and other credit provisions	8	(224,567)	(137,570)	63.2
<b>Operating profit after impairment losses</b>		<b>745,596</b>	757,967	-1.6
Net gain / (loss) on disposal of premises, investment properties and other fixed assets	9	42	(1,969)	-102.1
Net gain / (loss) on disposal of investments in securities	10	14,115	(78,398)	-118.0
Share of result of an associate		356,361	227,633	56.6
Share of results of jointly controlled entities		8,356	6,248	33.7
<b>Profit before taxation</b>		<b>1,124,470</b>	911,481	23.4
Taxation	11	(114,523)	(109,474)	
<b>Profit for the period</b>		<b>1,009,947</b>	802,007	25.9
<b>Dividend</b>				
Interim dividend		-	110,000	

**Dah Sing Bank, Limited****UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended 30 June

HK\$'000	2014	2013
<b>Profit for the period</b>	<b>1,009,947</b>	<b>802,007</b>
<b>Other comprehensive income</b>		
Items that will not be reclassified to the consolidated income statement:		
Premises		
Surplus on reclassification of premises to investment properties	-	99,820
Items that may be reclassified subsequently to the consolidated income statement:		
Investments in securities		
Fair value gains/ (losses) on available-for-sale securities recognised in equity	254,674	(289,167)
Fair value (gain)/ loss realised and transferred to income statement upon		
- Disposal of available-for-sale securities	(18,771)	(37,457)
- Disposal of held-to-maturity securities and investments in securities included in the loans and receivables category which were previously reclassified from the available-for-sale category	3,756	115,440
Deferred income tax assets (released) / recognised on movements in investment revaluation reserve	(13,741)	32,511
	<b>225,918</b>	<b>(178,673)</b>
Exchange differences arising on translation of the financial statements of foreign entities	(30,169)	18,899
Other comprehensive income / (loss) for the period, net of tax	<b>195,749</b>	<b>(59,954)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>1,205,696</b>	<b>742,053</b>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK\$'000	Note	As at 30 Jun 2014	As at 31 Dec 2013
<b>ASSETS</b>			
Cash and balances with banks		12,100,723	8,270,012
Placements with banks		5,916,272	4,101,293
Trading securities	12	6,534,182	6,335,788
Financial assets designated at fair value through profit or loss	12	6,069	4,248
Derivative financial instruments	13	752,127	687,069
Advances and other accounts	14	114,046,998	108,202,738
Available-for-sale securities	17	23,032,838	27,119,818
Held-to-maturity securities	18	9,657,396	5,669,289
Investment in an associate		3,660,490	3,304,993
Investments in jointly controlled entities		68,013	59,657
Goodwill		811,690	811,690
Intangible assets		64,043	66,242
Premises and other fixed assets	20	2,785,190	1,705,350
Investment properties	21	600,540	600,540
Deferred income tax assets	26	47,091	22,975
<b>Total assets</b>		<b>180,083,662</b>	<b>166,961,702</b>
<b>LIABILITIES</b>			
Deposits from banks		1,976,750	1,995,297
Derivative financial instruments	13	1,015,394	1,117,256
Trading liabilities		3,777,207	3,362,473
Deposits from customers	22	140,171,265	129,945,133
Certificates of deposit issued	23	4,987,513	6,132,561
Issued debt securities	24	-	775,385
Subordinated notes	25	5,536,338	3,762,471
Other accounts and accruals	26	3,086,598	2,602,907
Current income tax liabilities		281,146	200,072
Deferred income tax liabilities	27	47,163	21,268
<b>Total liabilities</b>		<b>160,879,374</b>	<b>149,914,823</b>
<b>EQUITY</b>			
Share capital		6,200,000	5,000,000
Reserves	29	13,004,288	11,796,879
Proposed dividend		-	250,000
<b>Total equity</b>		<b>19,204,288</b>	<b>17,046,879</b>
<b>Total equity and liabilities</b>		<b>180,083,662</b>	<b>166,961,702</b>

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2014

HK\$'000	Attributable to the Shareholder of the Bank			Total equity
	Share capital	Other reserves	Retained earnings	
<b>Balance at 1 January 2014</b>	<b>5,000,000</b>	<b>1,224,061</b>	<b>10,822,818</b>	<b>17,046,879</b>
Total comprehensive income for the period	-	195,749	1,009,947	1,205,696
Issue of ordinary shares	1,200,000	-	-	1,200,000
Provision for equity-settled share-based compensation	-	1,713	-	1,713
2013 final dividend	-	-	(250,000)	(250,000)
<b>Balance at 30 June 2014</b>	<b>6,200,000</b>	<b>1,421,523</b>	<b>11,582,765</b>	<b>19,204,288</b>
			<b>Six months ended 30 June</b>	
			<b>2014</b>	<b>2013</b>
Proposed interim dividend included in retained earnings			-	110,000

For the six months ended 30 June 2013

HK\$'000	Attributable to the Shareholder of the Bank			Total equity
	Share capital	Other reserves	Retained earnings	
Balance at 1 January 2013	5,000,000	935,601	9,473,341	15,408,942
Total comprehensive income for the period	-	(59,954)	802,007	742,053
Provision for equity-settled share-based compensation	-	2,123	-	2,123
2012 final dividend	-	-	(240,000)	(240,000)
Balance at 30 June 2013	5,000,000	877,770	10,035,348	15,913,118

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June

HK\$'000	2014	2013
Cash flows from operating activities		
Cash generated from /(absorbed by) operations	4,848,634	(8,254,370)
Interest paid on certificates of deposit issued	(51,219)	(36,795)
Hong Kong profits tax (paid)/refunded	(32,792)	4,732
Overseas tax paid	(13,278)	(3,791)
	<u>4,751,345</u>	<u>(8,290,224)</u>
Cash flows from investing activities		
Purchase of premises, investment properties and other fixed assets	(1,150,092)	(45,342)
Proceeds from disposal of premises, investment properties and other fixed assets	179	-
	<u>(1,149,913)</u>	<u>(45,342)</u>
Cash flows from financing activities		
Issue of ordinary shares	1,200,000	-
Certificates of deposit issued	2,733,056	4,530,498
Certificates of deposit redeemed	(3,882,313)	(1,567,184)
Issue of subordinated notes	1,731,250	-
Issued debt securities redeemed	(775,285)	-
Interest paid on subordinated notes and debt securities issued	(104,578)	(130,270)
Dividend paid on ordinary shares	(250,000)	(240,000)
	<u>652,130</u>	<u>2,593,044</u>
Net cash from financing activities	<u>652,130</u>	<u>2,593,044</u>
Net increase / (decrease) in cash and cash equivalents	4,253,562	(5,742,522)
Cash and cash equivalents at beginning of the period	9,305,125	16,768,143
Cash and cash equivalents at end of the period	<u>13,558,687</u>	<u>11,025,621</u>
Analysis of the balance of cash and cash equivalents:		
Cash and balances with banks	1,457,314	2,359,324
Money at call and short notice with an original maturity within three months	10,171,958	5,774,365
Treasury bills with an original maturity within three months	811,337	1,724,869
Placement with banks with an original maturity within three months	1,118,078	1,167,063
	<u>13,558,687</u>	<u>11,025,621</u>

**NOTES TO UNAUDITED INTERIM FINANCIAL DISCLOSURE STATEMENT**

**1. General information**

Dah Sing Bank, Limited (the “Bank”) and its subsidiaries (collectively the “Group”) provide retail banking, commercial banking and related financial services in Hong Kong, Macau, and the People’s Republic of China.

The Bank is a licensed financial institution incorporated in Hong Kong. The address of its registered office is 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

The ultimate holding company is Dah Sing Financial Holdings Limited, a listed company in Hong Kong.

**2. Basis of preparation and accounting policies**

Except as described below, the accounting policies and methods of computation used in the preparation of the 2014 interim consolidated financial statements are consistent with those used and described in the Group’s annual audited financial statements for the year ended 31 December 2013.

- (a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014:
- Amendments to HKFRS 10, HKFRS 12 and HKAS 27(2011), “Investment entities”, provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have impact to the financial statements of the Group.
  - Amendments to HKAS 32, “Offsetting financial assets and financial liabilities”, clarifies the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in HKAS 32, “Financial Instruments: Presentation”. There is no material impact to the financial statements of the Group as a result of this amendment.
  - Amendments to HKAS 36, “Impairment of assets – Recoverable amount disclosures for non-financial assets”, removes certain disclosures of the recoverable amount of cash generating units which had been included in HKAS 36 by the issue of HKFRS 13. There is no material impact to the financial statements of the Group as a result of this amendment.
  - Amendments to HKAS 39, “Novation of derivatives and continuation of hedge accounting”, provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments do not have impact to the financial statements of the Group.
  - HK(IFRIC) 21, “Levies”, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subject to significant levies so the impact on the Group is not material.

2. Basis of preparation and accounting policies (Continued)

- (b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:
- HKFRS 9, “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities and hedge accounting. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than in the income statement, unless this creates an accounting mismatch. In December 2013, HKFRS 9 was further amended when the requirements related to hedge accounting (other than specific accounting for open portfolios on macro hedging) were added.

In July 2014, the International Accounting Standards Board published the full and final version of IFRS 9 (which is closely followed by HKFRS 9) and set the effective date of IFRS 9 as 1 January 2018 although earlier adoption of the new standard is permitted. The final IFRS 9 sets out, amongst other things, the classification and measurement requirements for financial instruments as described above, the requirement for a new, expected-loss impairment model that will require more timely recognition of expected credit losses, and a substantially-reformed model for hedge accounting that aligns the accounting treatment with risk management activities.

The Group has already commenced the assessment of the full impact but expects the adoption will not have material impact on its results of operations and financial position and so far has not decided to early adopt the standard, which shall be effective for the financial year beginning on 1 January 2018.

- HKFRS 14, “Regulatory Deferral Accounts”, issued in February 2014 describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with this standard because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services. The amendments are effective for annual periods beginning on or after 1 January 2016 with early adoption permitted and are required to be applied retrospectively. There is no material impact to the financial statements of the Group as a result of this standard.

The interim condensed consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated, and were approved by the Board of Directors for issue on 26 August 2014.

These interim condensed consolidated financial statements have not been audited.

**3. Net interest income**

For the six months ended 30 June

	<b>2014</b>	2013
<b>Interest income</b>		
Cash and balances with banks	<b>173,881</b>	164,356
Investments in securities	<b>369,117</b>	317,627
Advances and other accounts	<b>1,873,213</b>	1,596,441
	<b><u>2,416,211</u></b>	<u>2,078,424</u>
<b>Interest expense</b>		
Deposits from banks/ Deposits from customers	<b>810,976</b>	596,278
Certificates of deposit issued	<b>35,402</b>	47,898
Issued debt securities	<b>3,494</b>	21,655
Subordinated notes	<b>91,517</b>	66,693
Others	<b>1,848</b>	99
	<b><u>943,237</u></b>	<u>732,623</u>
<b>Included within interest income</b>		
Interest income on financial assets not at fair value through profit or loss	<b><u>2,394,052</u></b>	<u>2,071,384</u>
<b>Included within interest expense</b>		
Interest expenses on financial liabilities not at fair value through profit or loss	<b><u>940,199</u></b>	<u>729,499</u>

For the six months ended 30 June 2014 and 30 June 2013, there was no interest income recognised on impaired assets.



**4. Net fee and commission income**

For the six months ended 30 June

	2014	2013
<b>Fee and commission income</b>		
Fee and commission income from financial assets and liabilities not at fair value through profit or loss		
- Credit related fees and commissions	<b>61,863</b>	60,599
- Trade finance	<b>41,741</b>	34,903
- Credit card	<b>151,832</b>	141,336
Other fee and commission income		
- Securities brokerage	<b>38,754</b>	29,992
- Insurance distribution	<b>34,787</b>	26,299
- Retail investment and wealth management services	<b>81,272</b>	70,055
- Bank services and handling fees	<b>28,961</b>	24,033
- Other fees	<b>79,238</b>	71,554
	<b>518,448</b>	458,771
<b>Fee and commission expense</b>		
Fee and commission expense from financial assets and liabilities not at fair value through profit or loss		
- Handling fees and commission	<b>107,343</b>	101,116
- Other fees paid	<b>6,740</b>	9,660
	<b>114,083</b>	110,776

The Group provides custody, trustee, corporate administration, and investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements.

**5. Net trading income**

For the six months ended 30 June

	2014	2013
Net gain arising from dealing in foreign currencies	<b>76,117</b>	97,853
Net loss on trading securities	<b>(4,863)</b>	(2,645)
Net gain from derivatives entered into for trading purpose	<b>19,675</b>	25,020
Net loss arising from financial instruments subject to fair value hedge	<b>(11,650)</b>	(29,086)
Net gain arising from financial instruments designated at fair value through profit or loss	<b>1,824</b>	13,171
	<b>81,103</b>	104,313

**6. Other operating income**

For the six months ended 30 June

	2014	2013
Dividend income from investments in available-for-sale securities		
- Listed investments	4,742	2,536
- Unlisted investments	4,036	3,324
Gross rental income from investment properties	11,566	9,200
Other rental income	5,391	3,947
Others	6,238	1,719
	<u>31,973</u>	<u>20,726</u>

**7. Operating expenses**

For the six months ended 30 June

	2014	2013
Employee compensation and benefit expenses (including directors' remuneration)	637,612	565,656
Premises and other fixed assets expenses, excluding depreciation	152,927	148,775
Depreciation (Note 20)	66,767	53,387
Advertising and promotion costs	45,712	40,931
Printing, stationery and postage	18,793	18,586
Amortisation expenses of intangible assets	2,199	3,539
Others	96,242	92,424
	<u>1,020,252</u>	<u>923,298</u>

**8. Loan impairment losses and other credit provisions**

For the six months ended 30 June

	2014	2013
Loan impairment losses		
Net charge of impairment losses on advances and other accounts		
- Individually assessed	129,124	53,630
- Collectively assessed	95,443	83,940
	<u>224,567</u>	<u>137,570</u>
Of which		
- new and additional allowances (including amounts directly written off in the period)	255,222	179,364
- releases	(12,044)	(18,117)
- recoveries	(18,611)	(23,677)
	<u>224,567</u>	<u>137,570</u>

**9. Net gain/ (loss) on disposal of premises, investment properties and other fixed assets**

For the six months ended 30 June

	<b>2014</b>	2013
Net gain / (loss) from disposal of other fixed assets	<b>42</b>	(1,969)

**10. Net gain/ (loss) on disposal of investments in securities**

For the six months ended 30 June

	<b>2014</b>	2013
Net gain on disposal of available-for-sale securities	<b>18,771</b>	37,457
Net loss on disposal of investments in securities included in the loans and receivables category	<b>(4,656)</b>	(93,571)
Net loss on disposal of held-to-maturity securities	<b>-</b>	(22,284)
	<b>14,115</b>	(78,398)

**11. Taxation**

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Deferred taxation is calculated in full on temporary differences under the liability method at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised.

For the six months ended 30 June

	<b>2014</b>	2013
Current income tax		
- Hong Kong profits tax	<b>110,710</b>	106,340
- Overseas taxation	<b>16,435</b>	9,828
- Under-provision in prior periods	<b>-</b>	387
Deferred income tax		
- Origination and reversal of temporary differences	<b>(13,432)</b>	(6,415)
- Utilisation/ (recognition) of tax losses	<b>810</b>	(666)
Taxation	<b>114,523</b>	109,474

12. Trading securities and financial assets designated at fair value through profit or loss

	As at 30 Jun 2014	As at 31 Dec 2013
Trading securities:		
Debt securities:		
- Listed in Hong Kong	1,994,240	1,211,300
- Unlisted	4,539,942	5,124,488
Total trading securities	<u>6,534,182</u>	<u>6,335,788</u>
Financial assets designated at fair value through profit or loss:		
Debt securities:		
- Listed outside Hong Kong	6,069	4,248
Total trading securities and financial assets designated at fair value through profit or loss	<u>6,540,251</u>	<u>6,340,036</u>
Included within debt securities are:		
- Government bonds included in trading securities	6,484,734	6,335,548
- Other debt securities	55,517	4,488
	<u>6,540,251</u>	<u>6,340,036</u>

As at 30 June 2014 and 31 December 2013, there were no certificates of deposit held included in the above balances of investments in debt securities.

Trading securities and financial assets designated at fair value through profit or loss are analysed by categories of issuers as follows:

	As at 30 Jun 2014	As at 31 Dec 2013
- Central governments and central banks	6,484,734	6,335,548
- Public sector entities	243	240
- Banks and other financial institutions	49,205	-
- Corporate entities	6,069	4,248
	<u>6,540,251</u>	<u>6,340,036</u>

**13. Derivative financial instruments**

The notional principal amounts of outstanding derivatives contracts and their fair values as at 30 June 2014 were as follows:

	Contract/ notional amount	Fair values	
		Assets	Liabilities
1) Derivatives held for trading			
a) <i>Foreign exchange derivatives</i>			
Forward and futures contracts	51,676,186	89,783	(61,494)
Currency options purchased and written	90,031,034	329,928	(327,610)
b) <i>Interest rate derivatives</i>			
Interest rate futures	6,247,064	512	(46)
Interest rate swaps	14,907,868	60,011	(155,693)
c) <i>Equity derivatives</i>			
Equity options purchased and written	223,585	2,826	(2,535)
Total derivative assets/ (liabilities) held for trading	163,085,737	483,060	(547,378)
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	19,683,799	269,067	(459,055)
Currency swaps	1,396,746	-	(8,961)
Total derivative assets/ (liabilities) held for hedging	21,080,545	269,067	(468,016)
Total recognised derivative financial assets/ (liabilities)	184,166,282	752,127	(1,015,394)

13. Derivative financial instruments (Continued)

The notional principal amounts of outstanding derivatives contracts and their fair values as at 31 December 2013 were as follows:

	Contract/ notional amount	Fair values	
		Assets	Liabilities
1) Derivatives held for trading			
a) <i>Foreign exchange derivatives</i>			
Forward and futures contracts	49,420,058	80,348	(136,686)
Currency options purchased and written	74,747,110	205,612	(203,254)
b) <i>Interest rate derivatives</i>			
Interest rate futures	821,908	600	(19)
Interest rate swaps	10,700,774	10,486	(116,874)
c) <i>Equity derivatives</i>			
Equity options purchased and written	228,285	2,528	(2,528)
Total derivative assets/ (liabilities) held for trading	135,918,135	299,574	(459,361)
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	19,947,380	387,495	(623,816)
Currency swaps	1,379,471	-	(34,079)
Total derivative assets/ (liabilities) held for hedging	21,326,851	387,495	(657,895)
Total recognised derivative financial assets/ (liabilities)	157,244,986	687,069	(1,117,256)

The effect of bilateral netting agreements, where applicable, has been taken into account in disclosing the fair value of derivatives.

**13. Derivative financial instruments (Continued)**

The credit risk weighted amounts of the above off-balance sheet exposures calculated under Basel III basis and without taking into account the effect of bilateral netting arrangement that the Group entered into, are as follows:

	As at 30 Jun 2014	As at 31 Dec 2013
Exchange rate contracts		
Forward and futures contracts	336,878	309,229
Currency swaps	13,967	13,795
Currency options purchased	1,410,738	847,750
Interest rate contracts		
Interest rate swaps	180,121	209,991
Other contracts	8,245	7,809
	<u>1,949,949</u>	<u>1,388,574</u>

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

The credit risk weighted amounts are the amounts that have been calculated in accordance with the Banking (Capital) Rules issued by the Hong Kong Monetary Authority (“HKMA”). The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

**14. Advances and other accounts**

	As at 30 Jun 2014	As at 31 Dec 2013
Gross advances to customers	103,694,099	97,986,162
Trade bills	7,435,724	5,925,648
Other assets		
- Accounts receivable and prepayments	2,480,058	2,751,036
- Accrued income	742,300	705,585
- Others	272,846	217,182
	<u>114,625,027</u>	<u>107,585,613</u>
Less: impairment allowances (Note 15)		
- Individually assessed	(364,726)	(244,294)
- Collectively assessed	(213,303)	(201,212)
	<u>(578,029)</u>	<u>(445,506)</u>
Investments in securities included in the loans and receivables category (Note 16)	-	1,062,631
Advances and other accounts	<u>114,046,998</u>	<u>108,202,738</u>

14. Advances and other accounts (Continued)

- (a) Gross advances to customers by industry sector classified according to the usage of loans and analysed by percentage covered by collateral

	As at 30 Jun 2014		As at 31 Dec 2013	
	Outstanding balance	% of gross advances covered by collateral	Outstanding balance	% of gross advances covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	2,259,186	47.4	2,015,552	72.8
- Property investment	15,667,297	99.1	15,122,078	98.3
- Financial concerns	798,894	51.9	740,178	46.5
- Stockbrokers	51,399	79.8	109,264	90.7
- Wholesale and retail trade	4,304,280	90.1	4,006,724	95.7
- Manufacturing	3,038,548	92.9	1,975,672	91.5
- Transport and transport equipment	5,135,147	95.7	5,050,680	95.9
- Recreational activities	313,465	17.3	300,505	12.2
- Information technology	18,393	83.6	24,916	82.1
- Others	4,840,078	85.7	3,571,083	82.5
	<b>36,426,687</b>	<b>90.2</b>	<b>32,916,652</b>	<b>92.0</b>
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,029,511	100.0	1,080,873	100.0
- Loans for the purchase of other residential properties	19,106,085	100.0	18,041,141	99.9
- Credit card advances	3,904,785	-	3,949,544	-
- Others	7,891,415	31.0	6,880,302	31.0
	<b>31,931,796</b>	<b>70.7</b>	<b>29,951,860</b>	<b>70.9</b>
Loans for use in Hong Kong	<b>68,358,483</b>	<b>81.1</b>	<b>62,868,512</b>	<b>81.9</b>
Trade finance (Note (1))	<b>6,299,503</b>	<b>64.0</b>	<b>5,918,454</b>	<b>61.3</b>
Loans for use outside Hong Kong (Note (2))	<b>29,036,113</b>	<b>62.5</b>	<b>29,199,196</b>	<b>63.9</b>
	<b>103,694,099</b>	<b>74.9</b>	<b>97,986,162</b>	<b>75.3</b>

Note:

- (1) Trade finance shown above represents loans covering finance of imports to Hong Kong, exports and re-exports from Hong Kong and merchandising trade classified with reference to the relevant guidelines issued by the HKMA.

Trade finance loans not involving Hong Kong (including trade finance extended by the bank's overseas subsidiary banks) totalling HK\$856,957,000 (31 December 2013: HK\$992,627,000) are classified under Loans for use outside Hong Kong.

- (2) Loans for use outside Hong Kong include loans extended to customers located in Hong Kong with the finance used outside Hong Kong.



**14. Advances and other accounts (Continued)**

- (a) Gross advances to customers by industry sector classified according to the usage of loans and analysed by percentage covered by collateral (Continued)

For each industry sector reported above with loan balance constituting 10% or more of the total balance of advances to customers, the attributable amount of impaired loans, overdue loans, and individually and collectively assessed loan impairment allowances are as follows:

	<b>As at 30 Jun 2014</b>				
	<b>Outstanding balance</b>	<b>Impaired loans</b>	<b>Gross advances overdue for over 3 months</b>	<b>Individually assessed impairment allowances</b>	<b>Collectively assessed impairment allowances</b>
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property investment	<b>15,667,297</b>	<b>3,077</b>	<b>3,077</b>	<b>2,022</b>	<b>10,979</b>
Individuals					
- Loans for the purchase of other residential properties	<b>19,106,085</b>	-	-	-	<b>878</b>
Loans for use outside Hong Kong	<b>29,036,113</b>	<b>357,825</b>	<b>377,642</b>	<b>286,182</b>	<b>98,939</b>

	<b>As at 31 Dec 2013</b>				
	<b>Outstanding balance</b>	<b>Impaired loans</b>	<b>Gross advances overdue for over 3 months</b>	<b>Individually assessed impairment allowances</b>	<b>Collectively assessed impairment allowances</b>
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property investment	15,122,078	-	-	-	8,614
Individuals					
- Loans for the purchase of other residential properties	18,014,141	-	-	-	674
Loans for use outside Hong Kong	29,199,196	273,679	216,275	177,723	110,022

14. Advances and other accounts (Continued)

(b) Non-bank Mainland exposures

Type of counterparties	As at 30 Jun 2014			Individually assessed impairment allowances
	On-balance sheet exposure	Off-balance sheet exposure	Total	
Mainland entities	17,144,462	2,503,186	19,647,648	210,868
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	7,074,232	160,353	7,234,585	96,662
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	345,394	-	345,394	-
	<b>24,564,088</b>	<b>2,663,539</b>	<b>27,227,627</b>	<b>307,530</b>
Type of counterparties	As at 31 Dec 2013			Individually assessed impairment allowances
	On-balance sheet exposure	Off-balance sheet exposure	Total	
Mainland entities	15,977,192	2,878,378	18,855,570	114,235
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	8,432,247	249,666	8,681,913	79,011
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	239,374	-	239,374	-
	<b>24,648,813</b>	<b>3,128,044</b>	<b>27,776,857</b>	<b>193,246</b>

Note:

The balances of exposures reported above include gross advances and other balances of claims on the customers.

**14. Advances and other accounts (Continued)**

(c) Analysis of gross advances to customers and overdue loans by geographical area

Advances to customers by geographical area are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when an advance is guaranteed by a party located in an area which is different from that of the counterparty.

The following table analyses gross advances to customers, individually impaired advances to customers, overdue advances to customers, and individually and collectively assessed impairment allowances by geographical area.

**As at 30 Jun 2014**

	<b>Gross advances to customers</b>	<b>Individually impaired advances to customers</b>	<b>Overdue advances to customers</b>	<b>Individually assessed impairment allowances</b>	<b>Collectively assessed impairment allowances</b>
Hong Kong	81,481,451	220,027	257,070	130,803	118,853
China	9,883,138	215,649	203,156	215,649	45,676
Macau	10,885,094	29,997	34,240	11,969	41,173
Others	1,444,416	64	64	58	2,613
	<b>103,694,099</b>	<b>465,737</b>	<b>494,530</b>	<b>358,479</b>	<b>208,315</b>

**As at 31 Dec 2013**

	<b>Gross advances to customers</b>	<b>Individually impaired advances to customers</b>	<b>Overdue advances to customers</b>	<b>Individually assessed impairment allowances</b>	<b>Collectively assessed impairment allowances</b>
Hong Kong	77,492,360	212,953	180,209	120,956	100,032
China	8,890,132	140,535	83,166	111,850	50,788
Macau	10,196,127	27,369	34,013	11,431	44,572
Others	1,407,543	83	83	57	2,340
	<b>97,986,162</b>	<b>380,940</b>	<b>297,471</b>	<b>244,294</b>	<b>197,732</b>

**14. Advances and other accounts (Continued)**

- (d) Impaired, overdue and rescheduled assets  
 (i) Impaired loans

	As at 30 Jun 2014	As at 31 Dec 2013
Impaired loans and advances		
- Individually impaired (Note (1))	465,737	380,940
- Collectively impaired (Note (2))	17,308	15,355
	<u>483,045</u>	<u>396,295</u>
Impairment allowances made		
- Individually assessed (Note (3))	(358,479)	(244,294)
- Collectively assessed (Note (2))	(15,854)	(13,838)
	<u>(374,333)</u>	<u>(258,132)</u>
	<u>108,712</u>	<u>138,163</u>
Fair value of collaterals held *	<u>108,420</u>	<u>92,205</u>
Impaired loans and advances as a % of total loans and advances to customers	<u>0.47%</u>	<u>0.40%</u>

\* Fair value of collateral is determined at the lower of the market value of collateral and outstanding loan balance.

Note:

- (1) Individually impaired loans are defined as those loans having objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated cash flows of the loans that can be reliably estimated.
- (2) Collectively impaired loans and advances refer to those unsecured loans and advances assessed for impairment on a collective basis and which have become overdue for more than 90 days as at the reporting date. The collective impairment allowance for these impaired loans, which is a part of the overall collective impairment allowances, is shown above.
- (3) The above individual impairment allowances were made after taking into account the value of collaterals in respect of such advances as at 30 June/ 31 December.

**14. Advances and other accounts (Continued)**

(d) Impaired, overdue and rescheduled assets (Continued)

(ii) Gross amount of overdue loans

	As at 30 Jun 2014		As at 31 Dec 2013	
	Gross amount of overdue loans	% of total	Gross amount of overdue loans	% of total
Gross advances to customers which have been overdue for:				
- six months or less but over three months	100,126	0.10	100,260	0.10
- one year or less but over six months	244,765	0.24	69,831	0.07
- over one year	149,639	0.14	127,380	0.13
	<u>494,530</u>	<u>0.48</u>	<u>297,471</u>	<u>0.30</u>
Market value of securities held against the secured overdue advances	<u>201,879</u>		<u>177,543</u>	
Secured overdue advances	141,249		121,065	
Unsecured overdue advances	<u>353,281</u>		<u>176,406</u>	
Individual impairment allowances	<u>343,225</u>		<u>160,454</u>	

Collateral and securities held against impaired or overdue loans are principally represented by charges over cash and deposits, mortgages over properties and charges over other fixed assets such as equipment.

(iii) Rescheduled advances net of amounts included in overdue advances shown above

	As at 30 Jun 2014	% of total	As at 31 Dec 2013	% of total
Advances to customers	<u>147,325</u>	0.14	<u>148,512</u>	0.15
Impairment allowances	<u>-</u>		<u>-</u>	

(e) Trade bills

As at 30 June 2014, there were trade bills overdue for more than six months and up to one year of HK\$210,000 (31 December 2013: HK\$475,000 overdue for more than three months and up to six months) and no trade bills were impaired (31 December 2013: Nil).

(f) Repossessed collateral

Repossessed collateral held is as follows:

Nature of assets	As at 30 Jun 2014	As at 31 Dec 2013
Repossessed properties	75,419	87,660
Others	160	85
	<u>75,579</u>	<u>87,745</u>

**14. Advances and other accounts (Continued)**

(g) Credit commitments and contingent liabilities analysed by percentage covered by collateral

	As at 30 Jun 2014		As at 31 Dec 2013	
	Contract amount	% covered by collateral	Contract amount	% covered by collateral
Financial guarantees and other credit related contingent liabilities	2,290,855	28.6	2,795,495	40.3
Loan commitments and other credit related commitments	<u>71,094,161</u>	8.2	<u>67,734,378</u>	7.6
	<u>73,385,016</u>	8.8	<u>70,529,873</u>	8.8

**15. Impairment allowances against advances to customers and other accounts**

	Individually assessed	Collectively assessed	Total
At 1 January 2014	244,294	201,212	445,506
Impairment losses charged	129,124	95,443	224,567
Loans written off as uncollectible	(10,337)	(96,217)	(106,554)
Recoveries of advances written off in previous years	4,607	14,004	18,611
Exchange and other adjustments	<u>(2,962)</u>	<u>(1,139)</u>	<u>(4,101)</u>
At 30 June 2014	<u>364,726</u>	<u>213,303</u>	<u>578,029</u>
Deducted from:			
Trade bills	-	4,703	4,703
Advances to customers	358,479	208,315	566,794
Accrued interest and other accounts	<u>6,247</u>	<u>285</u>	<u>6,532</u>
	<u>364,726</u>	<u>213,303</u>	<u>578,029</u>
	Individually assessed	Collectively assessed	Total
At 1 January 2013	90,726	170,578	261,304
Impairment losses charged	161,796	173,010	334,806
Loans written off as uncollectible	(26,711)	(173,403)	(200,114)
Recoveries of advances written off in previous years	18,155	29,935	48,090
Exchange and other adjustments	<u>328</u>	<u>1,092</u>	<u>1,420</u>
At 31 December 2013	<u>244,294</u>	<u>201,212</u>	<u>445,506</u>
Deducted from:			
Trade bills	-	3,161	3,161
Advances to customers	244,294	197,732	442,026
Accrued interest and other accounts	<u>-</u>	<u>319</u>	<u>319</u>
	<u>244,294</u>	<u>201,212</u>	<u>445,506</u>

**16. Investments in securities included in the loans and receivables category**

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Investments in securities reclassified from the available-for-sale category		
- At fair value under fair value hedge (for hedging interest rate risk)	-	548,651
- At amortised cost	-	588,939
	<u>-</u>	<u>1,137,590</u>
Less: impairment allowances		
- Collectively assessed	-	(75,000)
	<u>-</u>	<u>1,062,590</u>
Investments in securities classified as loans and receivables upon initial recognition	-	41
	<u>-</u>	<u>1,062,631</u>

Investments in securities classified as loans and receivables upon initial recognition and outstanding as at 31 December 2013 were overdue at the time of recognition. As at 31 December 2013, these investments were overdue for more than one year.

For investments in securities reclassified from the available-for-sale category in the previous years and remaining outstanding as at 5 June 2014, they were reclassified to the available-for-sale category on the same date. For details, please refer to Note 19(a).

Investments in securities included in the loans and receivables category are analysed as follows:

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Debt securities:		
- Listed outside Hong Kong	-	1,137,590
- Unlisted	-	41
	<u>-</u>	<u>1,137,631</u>
Less: impairment allowances		
- Collectively assessed	-	(75,000)
	<u>-</u>	<u>1,062,631</u>
Market value of listed securities	-	1,020,565

As at 31 December 2013, there were no certificates of deposit held included in the above balances of investments in debt securities.

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Investments in securities included in the loans and receivables category are analysed by categories of issuers as follows:		
- Banks and other financial institutions	-	668,806
- Corporate entities	-	468,825
	<u>-</u>	<u>1,137,631</u>

17. Available-for-sale securities

	As at 30 Jun 2014	As at 31 Dec 2013
Debt securities:		
- Listed in Hong Kong	11,638,270	12,073,723
- Listed outside Hong Kong	10,018,676	13,067,076
- Unlisted	<u>1,092,670</u>	<u>1,710,991</u>
	<u>22,749,616</u>	<u>26,851,790</u>
Less: impairment allowances		
- Collectively assessed (Note)	<u>(75,000)</u>	-
	<u>22,674,616</u>	<u>26,851,790</u>
Equity securities:		
- Listed in Hong Kong	167,142	70,288
- Unlisted	<u>191,080</u>	<u>197,740</u>
	<u>358,222</u>	<u>268,028</u>
Total available-for-sale securities	<u>23,032,838</u>	<u>27,119,818</u>

Note:

These collectively assessed impairment allowances were previously related to investments in securities included in the loans and receivables category. They are reported as part of the balance of available-for-sale securities after the underlying investments were reclassified to the available-for-sale category on 5 June 2014 as described in Note 19(a).

As at 30 June 2014 and 31 December 2013, there were no certificates of deposit held included in the above balances of investments in debt securities.

	As at 30 Jun 2014	As at 31 Dec 2013
Available-for-sale securities are analysed by categories of issuers as follows:		
- Central governments and central banks	2,131,063	3,181,651
- Public sector entities	211,943	205,067
- Banks and other financial institutions	5,590,850	6,559,368
- Corporate entities	15,171,529	17,171,279
- Others	<u>2,453</u>	<u>2,453</u>
	<u>23,107,838</u>	<u>27,119,818</u>



**18. Held-to-maturity securities**

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Debt securities:		
- Listed in Hong Kong	<b>2,457,365</b>	731,541
- Listed outside Hong Kong	<b>5,291,585</b>	2,799,824
- Unlisted	<b>1,908,446</b>	2,137,924
	<b><u>9,657,396</u></b>	<u>5,669,289</u>
Market value of listed securities	<b><u>7,832,527</u></b>	<u>3,602,160</u>
Included within debt securities are:		
- Certificates of deposit held	<b>799,193</b>	1,106,272
- Other debt securities	<b>8,858,203</b>	4,563,017
	<b><u>9,657,396</u></b>	<u>5,669,289</u>
Held-to-maturity securities are analysed by issuer as follows:		
- Central governments and central banks	<b>928,632</b>	935,473
- Public sector entities	<b>193,758</b>	193,788
- Banks and other financial institutions	<b>3,987,096</b>	3,154,149
- Corporate entities	<b>4,547,910</b>	1,385,879
	<b><u>9,657,396</u></b>	<u>5,669,289</u>

The outstanding balance as at 30 June 2014 reported above included the securities reclassified from the available-for-sale category during the period. Please refer to Note 19(b) for details.

**19. Reclassification of financial assets**

The Group made the following reclassification of financial assets in the six months ended 30 June 2014.

- (a) Reclassification of investments in securities included in the loans and receivables category to the available-for-sale category.

On 5 June 2014, the Group reclassified all investments in securities included in the loans and receivable category that qualified for recognition as available-for-sale out of the loans and receivables category.

The fair value and carrying value of these financial assets at the date of reclassification were HK\$828,504,000 and HK\$873,550,000 respectively. The fair value loss of HK\$45,046,000 generated upon the reclassification had been taken to other comprehensive income.

- (b) Reclassification of certain available-for-sale securities as held-to-maturity securities

On 26 June 2014, the Group reclassified certain available-for-sale debt securities with a total market value at the time of reclassification of HK\$4,378,815,000 as held-to-maturity securities, reflecting a change in the Group's intention on holding these securities to maturity.

The Group did not reclassify any financial assets in the year ended 31 December 2013.

20. Premises and other fixed assets

	Premises	Furniture, equipment and motor vehicles	Total
Six months ended 30 June 2014			
Opening net book amount	1,321,700	383,650	1,705,350
Additions	1,103,000	47,092	1,150,092
Disposals	-	(137)	(137)
Depreciation charge (Note 7)	(18,660)	(48,107)	(66,767)
Exchange difference	(3,348)	-	(3,348)
Closing net book amount	<u>2,402,692</u>	<u>382,498</u>	<u>2,785,190</u>
At 30 June 2014			
Cost	2,605,327	810,950	3,416,277
Accumulated depreciation	<u>(202,635)</u>	<u>(428,452)</u>	<u>(631,087)</u>
Net book amount	<u>2,402,692</u>	<u>382,498</u>	<u>2,785,190</u>
Year ended 31 December 2013			
Opening net book amount	1,004,418	311,345	1,315,763
Additions	71,157	156,766	227,923
Reclassification from premises to investment properties	(57,365)	-	(57,365)
Reclassification from investment properties to premises	332,990	-	332,990
Disposals	-	(5,612)	(5,612)
Depreciation charge	(31,267)	(80,561)	(111,828)
Exchange difference	1,767	1,712	3,479
Closing net book amount	<u>1,321,700</u>	<u>383,650</u>	<u>1,705,350</u>
At 31 December 2013			
Cost	1,505,676	772,684	2,278,360
Accumulated depreciation	<u>(183,976)</u>	<u>(389,034)</u>	<u>(573,010)</u>
Net book amount	<u>1,321,700</u>	<u>383,650</u>	<u>1,705,350</u>

**21. Investment properties**

	<b>Six months ended 30 Jun 2014</b>	Year ended 31 Dec 2013
At beginning of the period / year	<b>600,540</b>	735,502
Reclassification from investment properties to premises	-	(332,990)
Reclassification from premises to investment properties	-	179,613
Fair value gains on revaluation	-	18,415
	<u><b>600,540</b></u>	<u>600,540</u>

The Group's investment properties were last revalued at 31 December 2013 by adopting the direct comparison approach or the income capitalisation approach and with reference to recent transactions for similar premises as far as practicable by independent, professionally qualified valuer Savills (Valuation and Professional Services) Limited.

**22. Deposits from customers**

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Demand deposits and current accounts	<b>23,814,415</b>	21,211,822
Savings deposits	<b>20,132,950</b>	18,981,641
Time, call and notice deposits	<b>96,223,900</b>	89,751,670
	<u><b>140,171,265</b></u>	<u>129,945,133</u>

**23. Certificates of deposit issued**

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
At fair value under fair value hedge (for hedging interest rate risk)	<b>4,833,069</b>	5,274,902
At amortised cost	<b>154,444</b>	857,659
	<u><b>4,987,513</b></u>	<u>6,132,561</u>

The amount that the Group would be contractually required to pay at maturity to the holders of these certificates of deposit is HK\$5 million higher (31 December 2013: HK\$9 million higher) than the above carrying amount.

**24. Issued debt securities**

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
US\$100,000,000 Floating Rate Notes due 2014, at amortised cost (Note)	<u>-</u>	<u>775,385</u>

Note:

This represents US\$100,000,000 Floating Rate Notes (the “Notes”) issued by the Bank on 28 April 2011 under the Bank’s Euro Medium Term Note Programme, and were listed on the SGX. The Notes were unsecured and matured on 28 April 2014.

**25. Subordinated notes**

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
US\$225,000,000 Subordinated Fixed Rate Notes due 2020 (Note (a))	<b>1,925,683</b>	1,911,753
US\$200,000,000 Perpetual Subordinated Fixed Rate Notes (Note (b))	<b>478,846</b>	486,740
S\$225,000,000 Subordinated Fixed Rate Notes due 2022 (Note (c))	<b>1,384,813</b>	1,363,978
US\$225,000,000 Subordinated Fixed Rate Notes due 2024 (Note (d))	<b>1,746,996</b>	-
	<u><b>5,536,338</b></u>	<u>3,762,471</u>
At fair value under fair value hedge (for hedging interest rate risk)	<b>5,057,492</b>	3,762,471
At amortised cost	<b>478,846</b>	-
	<u><b>5,536,338</b></u>	<u>3,762,471</u>

Note:

(a) This represents US\$225,000,000 Subordinated Fixed Rate Notes qualifying as supplementary capital of the Bank issued on 11 February 2010 (the “Notes”), which are listed on the SGX. The Notes will mature on 11 February 2020. Interest at 6.625% p.a. is payable semi annually. An interest rate swap contract to swap the fixed rate payment liability of the Notes to floating interest rate based on LIBOR has been entered into with an international bank.

(b) This represents US\$200,000,000 Perpetual Subordinated Fixed Rate Notes qualifying as upper supplementary capital of the Bank issued on 16 February 2007 (the “Notes”), which are listed on the SGX. The Notes carry an optional redemption date falling on 17 February 2017. Interest at 6.253% p.a. is payable semi-annually from the issue date to the optional redemption date. Thereafter, if the Notes are not redeemed, the interest rate will reset and the Notes will bear interest at 3-month LIBOR plus 190 pips. The Bank may, subject to receiving the prior approval of the HKMA, redeem the Notes in whole but not in part, at par either on the optional redemption date or for taxation reasons on interest payment date. An interest rate swap contract to swap the fixed rate payment liability of the Notes to floating interest rate based on LIBOR has been entered into with an international bank.

In 2010 and 2009, the Bank repurchased a portion of the Notes with a total notional principal of US\$75,000,000 and US\$70,000,000 respectively at a discount after unwinding an identical notional amount of interest rate swap. Such repurchased Notes were cancelled after receiving prior approval of the HKMA.

**25. Subordinated notes (Continued)**

- (c) This represents S\$225,000,000 Subordinated Fixed Rate Notes qualifying as supplementary capital of the Bank issued on 8 February 2012 (the “Notes”), which are listed on the SGX. The Notes will mature on 9 February 2022 with an optional redemption date falling on 9 February 2017. Interest at 4.875% p.a. is payable semi-annually from the issue date to the optional redemption date. Thereafter, if the Notes are not redeemed, the interest rate will be reset and the Notes will bear interest at the then prevailing 5-year Singapore Dollar swap rate plus 376 pips. The Bank may, subject to receiving the prior approval of the HKMA, redeem the Notes in whole but not in part, at par either on the optional redemption date or for taxation reasons on interest payment date. An interest rate swap contract to swap the fixed rate payment liability of the Notes to floating interest rate based on LIBOR has been entered into with an international bank.
- (d) This represents US\$225,000,000 Basel III compliant 10-year Subordinated Fixed Rate Notes qualifying as Tier 2 capital of the Bank (subject to the provisions of the Banking (Capital) Rules of Hong Kong) issued on 29 January 2014 (the “Notes”), which are listed on the SEHK. The Notes will mature on 29 January 2024 with an optional redemption date falling on 29 January 2019. Interest at 5.25% p.a. is payable semi-annually from the issue date to the optional redemption date. Thereafter, if the Notes are not redeemed, the interest rate will be reset and the Notes will bear interest at the then prevailing 5-year U.S. Treasury Rate plus 375 pips. The Bank may, subject to receiving the prior approval of the HKMA, redeem the Notes in whole but not in part, at par either on the optional redemption date or for taxation reasons on interest payment date. An interest rate swap contract to swap the fixed rate payment liability of the Notes to floating interest rate based on LIBOR has been entered into with an international bank.

The amount that the Group would be contractually required to pay at maturity to the holders of these subordinated notes is HK\$225 million lower (31 December 2013: HK\$212 million lower) than the above carrying amount.

**26. Other accounts and accruals**

	As at <b>30 Jun 2014</b>	As at 31 Dec 2013
Accounts payable arising from purchase of securities pending for settlement	<b>438,412</b>	<b>100,993</b>
Other accounts payable and accruals	<b>2,648,186</b>	<b>2,501,914</b>
	<b>3,086,598</b>	<b>2,602,907</b>

27. **Deferred income tax**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Deferred income tax assets	<b>47,091</b>	22,975
Deferred income tax liabilities	<b>(47,163)</b>	(21,268)

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Deferred income tax assets:		
- Deferred income tax assets to be recovered after more than 12 months	<b>97,763</b>	88,236
Deferred income tax liabilities:		
- Deferred income tax liabilities to be settled after more than 12 months	<b>(97,835)</b>	(86,529)
	<b>(72)</b>	1,707

The gross movement on the deferred income tax account is as follows:

	<b>Six months ended 30 Jun 2014</b>	Year ended 31 Dec 2013
At 1 January	<b>1,707</b>	14,942
Tax credited to the income statement (Note 11)	<b>12,622</b>	6,425
Tax charged to equity	<b>(13,741)</b>	(19,998)
Exchange difference	<b>(660)</b>	338
At 30 June/ 31 December	<b>(72)</b>	1,707

27. Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

**Deferred income tax liabilities:**

	Provisions	Accelerated tax depreciation	Investment properties revaluation	Investment revaluation	Others	Total
At 1 January 2013	6,207	53,685	11,474	53	169	71,588
Charged to the income statement	915	11,622	2,345	-	-	14,882
Charged to equity	-	-	-	59	-	59
<b>At 31 December 2013 and 1 January 2014</b>	<b>7,122</b>	<b>65,307</b>	<b>13,819</b>	<b>112</b>	<b>169</b>	<b>86,529</b>
Charged/ (credited) to the income statement	1,206	267	426	-	(169)	1,730
Charged to equity	-	-	-	9,576	-	9,576
<b>At 30 June 2014</b>	<b>8,328</b>	<b>65,574</b>	<b>14,245</b>	<b>9,688</b>	<b>-</b>	<b>97,835</b>

**Deferred income tax assets:**

	Impairment allowances and provisions	Tax losses	Investment revaluation	Deferred expenses and others	Total
At 1 January 2013	30,881	4,606	24,104	26,939	86,530
Credited/ (charged) to the income statement	12,594	(541)	-	9,254	21,307
Charged to equity	-	-	(19,939)	-	(19,939)
Exchange difference	272	-	-	66	338
<b>At 31 December 2013 and 1 January 2014</b>	<b>43,747</b>	<b>4,065</b>	<b>4,165</b>	<b>36,259</b>	<b>88,236</b>
Credited/ (charged) to the income statement	25,929	(810)	-	(10,767)	14,352
Charged to equity	-	-	(4,165)	-	(4,165)
Exchange difference	(586)	-	-	(74)	(660)
<b>At 30 June 2014</b>	<b>69,090</b>	<b>3,255</b>	<b>-</b>	<b>25,418</b>	<b>97,763</b>

The deferred income tax charged to equity during the period/ year is as follows:

	Six months ended 30 Jun 2014	Year ended 31 Dec 2013
Fair value reserves in shareholders' equity:		
- available-for-sale securities	13,741	19,998

**28. Maturity profile**

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date or, where applicable, the earliest callable date.

At 30 June 2014	Repayable on demand	Up to 1 month	3 months or less but over 1 month	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Total
<b>Assets</b>								
Cash and balances with banks	1,840,858	10,182,242	77,623	-	-	-	-	12,100,723
Placement with banks	-	-	3,131,331	2,784,941	-	-	-	5,916,272
Trading securities	-	71,950	2,449,319	3,819,127	182,078	11,708	-	6,534,182
Financial assets designated at fair value through profit or loss	-	-	-	-	-	6,069	-	6,069
Derivative financial instruments	-	41,633	24,212	104,199	313,353	268,730	-	752,127
Advances and other accounts	7,407,627	11,898,078	10,742,747	19,629,208	29,857,980	33,092,037	1,419,321	114,046,998
Available-for-sale securities	-	302,763	527,105	2,146,805	13,330,750	6,437,441	287,974	23,032,838
Held-to-maturity securities	-	320,316	734,870	762,569	7,839,641	-	-	9,657,396
Investment in an associate	-	-	-	-	-	-	3,660,490	3,660,490
Investments in jointly controlled entities	-	-	-	-	-	-	68,013	68,013
Goodwill	-	-	-	-	-	-	811,690	811,690
Intangible assets	-	-	-	-	-	-	64,043	64,043
Premises and other fixed assets	-	-	-	-	-	-	2,785,190	2,785,190
Investment properties	-	-	-	-	-	-	600,540	600,540
Deferred income tax assets	-	-	-	-	47,091	-	-	47,091
<b>Total assets</b>	<b>9,248,485</b>	<b>22,816,982</b>	<b>17,687,207</b>	<b>29,246,849</b>	<b>51,570,893</b>	<b>39,815,985</b>	<b>9,697,261</b>	<b>180,083,662</b>
<b>Liabilities</b>								
Deposits from banks	129,571	416,240	40,000	809,637	581,302	-	-	1,976,750
Derivative financial instruments	-	26,078	13,955	136,369	676,712	162,280	-	1,015,394
Trading liabilities	-	1,771,490	629,883	1,328,151	47,683	-	-	3,777,207
Deposits from customers	43,947,804	42,423,508	32,233,068	20,425,812	1,141,073	-	-	140,171,265
Certificates of deposit issued	-	4,000	250,171	2,100,831	2,632,511	-	-	4,987,513
Issued debt securities	-	-	-	-	-	-	-	-
Subordinated notes	-	-	-	-	2,225,842	3,310,496	-	5,536,338
Other accounts and accruals	25,707	1,261,129	529,850	741,539	56,910	-	471,463	3,086,598
Current income tax liabilities	-	-	-	281,146	-	-	-	281,146
Deferred income tax liabilities	-	-	-	-	47,163	-	-	47,163
<b>Total liabilities</b>	<b>44,103,082</b>	<b>45,902,445</b>	<b>33,696,927</b>	<b>25,823,485</b>	<b>7,409,196</b>	<b>3,472,776</b>	<b>471,463</b>	<b>160,879,374</b>
<b>Net liquidity gap</b>	<b>(34,854,597)</b>	<b>(23,085,463)</b>	<b>(16,009,720)</b>	<b>3,423,364</b>	<b>44,161,697</b>	<b>36,343,209</b>	<b>9,225,798</b>	<b>19,204,288</b>



28. Maturity profile (Continued)

At 31 December 2013	Repayable on demand	Up to 1 month	3 months or less but over 1 month	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Total
Assets								
Cash and balances with banks	3,363,571	4,906,441	-	-	-	-	-	8,270,012
Placements with banks	-	-	1,889,032	2,212,261	-	-	-	4,101,293
Trading securities	-	147,493	481,050	5,358,136	349,109	-	-	6,335,788
Financial assets designated at fair value through profit or loss	-	-	-	-	-	4,248	-	4,248
Derivative financial instruments	-	65,421	30,274	143,845	124,426	323,103	-	687,069
Advances and other accounts	7,487,876	10,341,658	11,440,961	14,587,803	31,648,940	31,020,943	1,674,557	108,202,738
Available-for-sale securities	-	383,989	39,426	2,101,347	19,328,062	4,994,214	272,780	27,119,818
Held-to-maturity securities	-	262,604	-	1,655,194	3,751,491	-	-	5,669,289
Investment in an associate	-	-	-	-	-	-	3,304,993	3,304,993
Investments in jointly controlled entities	-	-	-	-	-	-	59,657	59,657
Goodwill	-	-	-	-	-	-	811,690	811,690
Intangible assets	-	-	-	-	-	-	66,242	66,242
Premises and other fixed assets	-	-	-	-	-	-	1,705,350	1,705,350
Investment properties	-	-	-	-	-	-	600,540	600,540
Deferred income tax assets	-	-	-	-	22,975	-	-	22,975
<b>Total assets</b>	<b>10,851,447</b>	<b>16,107,606</b>	<b>13,880,743</b>	<b>26,058,586</b>	<b>55,225,003</b>	<b>36,342,508</b>	<b>8,495,809</b>	<b>166,961,702</b>
Liabilities								
Deposits from banks	123,020	476,584	-	-	1,395,693	-	-	1,995,297
Derivative financial instruments	-	119,297	45,486	128,324	719,379	104,770	-	1,117,256
Trading liabilities	-	477,501	1,000	2,767,146	116,826	-	-	3,362,473
Deposits from customers	40,193,463	42,134,031	28,212,501	17,809,946	1,594,411	781	-	129,945,133
Certificates of deposit issued	-	752,633	856,739	2,757,691	1,765,498	-	-	6,132,561
Issued debt securities	-	-	-	775,385	-	-	-	775,385
Subordinated notes	-	-	-	-	486,740	3,275,731	-	3,762,471
Other accounts and accruals	25,576	759,737	780,390	482,398	62,300	-	492,506	2,602,907
Current income tax liabilities	-	-	-	200,072	-	-	-	200,072
Deferred income tax liabilities	-	-	-	-	21,268	-	-	21,268
<b>Total liabilities</b>	<b>40,342,059</b>	<b>44,719,783</b>	<b>29,896,116</b>	<b>24,920,962</b>	<b>6,162,115</b>	<b>3,381,282</b>	<b>492,506</b>	<b>149,914,823</b>
<b>Net liquidity gap</b>	<b>(29,490,612)</b>	<b>(28,612,177)</b>	<b>(16,015,373)</b>	<b>1,137,624</b>	<b>49,062,888</b>	<b>32,961,226</b>	<b>8,003,303</b>	<b>17,046,879</b>

29. Reserves

	As at 30 Jun 2014	As at 31 Dec 2013
Consolidation reserve	8,827	8,827
Premises revaluation reserve	165,247	165,246
Investment revaluation reserve	179,510	(46,408)
Exchange reserve	361,601	391,771
General reserve	700,254	700,254
Reserve for share-based compensation	6,084	4,371
Retained earnings	<u>11,582,765</u>	<u>10,822,818</u>
	<u>13,004,288</u>	<u>12,046,879</u>
Proposed dividends included in retained earnings	<u>-</u>	<u>250,000</u>

The Bank is required to maintain minimum impairment provisions in excess of those required under HKFRS in the form of regulatory reserve. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes. The regulatory reserve restricts the amount of reserves which can be distributed to shareholders. Movements in the regulatory reserve are made directly through equity reserve and in consultation with the HKMA.

As at 30 June 2014, the bank has earmarked a regulatory reserve of HK\$1,530,583,000 (31 December 2013: HK\$1,433,269,000) first against the consolidated general reserve; and for any excess amount, the balance is earmarked against the consolidated retained earnings of the Bank.

**30. Operating segment reporting**

Segment reporting by the Group is prepared in accordance with HKFRS 8 “Operating Segments”. Information reported to the chief operating decision maker, including the Chief Executive and other Executive Committee members, for the purposes of resource allocation and performance assessment, is determined on the basis of personal banking, commercial banking, treasury and overseas banking business. Operating performances are analysed by business activities for local banking business, and on business entity basis for overseas banking business.

Considering the customer groups, products and services of local businesses, the economic environment and regulations, the Group splits the operating segments of the Group into the following reportable segments:

- Personal banking business includes the acceptance of deposits from individual customers and the extension of residential mortgage lending, personal loans, overdraft and credit card services, the provision of insurance sales and investment services.
- Commercial banking business includes the acceptance of deposits from and the advance of loans and working capital finance to commercial, industrial and institutional customers, and the provision of trade financing.
- Treasury activities are mainly the provision of foreign exchange services and centralised cash management for deposit taking and lending, interest rate risk management, management of investment in securities and the overall funding of the Group.
- Overseas banking businesses include personal banking, commercial banking business activities provided by overseas subsidiaries in Macau and China, and the Group’s interest in a commercial bank in China.
- Others include results of operations not directly identified under other reportable segments, corporate investments and debt funding (including subordinated notes).

For the purpose of segment reporting, revenue derived from customers, products and services directly identifiable with individual segments are reported directly under respective segments, while revenue and funding cost arising from inter-segment funding operation and funding resources are allocated to segments by way of transfer pricing mechanism with reference to market interest rates. Transactions within segments are priced based on similar terms offered to or transacted with external parties. Inter-segment income or expenses are eliminated on consolidation.

All direct costs incurred by different segments are grouped under respective segments. Indirect costs and support functions’ costs are allocated to various segments and products based on effort and time spent as well as segments’ operating income depending on the nature of costs incurred. Costs related to corporate activities that cannot be reasonably allocated to segments, products and support functions are grouped under Others as unallocated corporate expenses.

**30. Operating segment reporting (Continued)**

**For the six months ended 30 June 2014**

	<b>Personal Banking</b>	<b>Commercial Banking</b>	<b>Treasury</b>	<b>Overseas Banking</b>	<b>Others</b>	<b>Inter- segment</b>	<b>Total</b>
Net interest income/ (expenses)	627,082	457,030	229,217	276,184	(116,539)	-	1,472,974
Non-interest income/ (expenses)	252,221	147,072	135,734	59,316	(75,538)	(1,364)	517,441
Total operating income / (expenses)	879,303	604,102	364,951	335,500	(192,077)	(1,364)	1,990,415
Operating expenses	(539,778)	(165,972)	(71,499)	(232,188)	(12,179)	1,364	(1,020,252)
Operating profit/ (loss) before impairment losses	339,525	438,130	293,452	103,312	(204,256)	-	970,163
Loan impairment losses and other credit provisions	(92,985)	(27,717)	-	(103,865)	-	-	(224,567)
Operating profit/ (loss) after impairment losses	246,540	410,413	293,452	(553)	(204,256)	-	745,596
Net (loss) / gain on disposal of premises, investment properties and other fixed assets	(92)	-	-	-	134	-	42
Net gain on disposal of investments in securities	-	-	14,115	-	-	-	14,115
Share of results of an associate	-	-	-	356,361	-	-	356,361
Share of results of jointly controlled entities	-	-	-	-	8,356	-	8,356
Profit/ (loss) before taxation	246,448	410,413	307,567	355,808	(195,766)	-	1,124,470
Taxation (expenses)/ credit	(39,287)	(67,718)	(50,748)	10,870	32,360	-	(114,523)
Profit/ (loss) after taxation	207,161	342,695	256,819	366,678	(163,406)	-	1,009,947
For the six months ended 30 June 2014							
Depreciation and amortisation	23,527	4,641	3,052	21,280	16,466	-	68,966
As at 30 June 2014							
Segment assets	41,677,761	53,896,820	52,007,637	32,011,124	4,442,765	(3,952,445)	180,083,662
Segment liabilities	75,545,958	36,184,040	14,743,053	24,367,121	13,991,647	(3,952,445)	160,879,374

## Dah Sing Bank, Limited

### 30. Operating segment reporting (Continued)

For the six months ended 30 June 2013

	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter- segment	Total
Net interest income/ (expenses)	604,987	454,662	174,958	237,769	(126,575)	-	1,345,801
Non-interest income/ (expenses)	206,413	132,384	140,537	55,419	(61,671)	(48)	473,034
Total operating income/ (expenses)	811,400	587,046	315,495	293,188	(188,246)	(48)	1,818,835
Operating expenses	(506,243)	(131,319)	(61,749)	(206,779)	(17,256)	48	(923,298)
Operating profit/ (loss) before impairment losses	305,157	455,727	253,746	86,409	(205,502)	-	895,537
Loan impairment losses and other credit provisions	(65,955)	(26,799)	-	(44,816)	-	-	(137,570)
Operating profit/ (loss) after impairment losses	239,202	428,928	253,746	41,593	(205,502)	-	757,967
Net loss on disposal of premises, investment properties and other fixed assets	(1,967)	-	-	(2)	-	-	(1,969)
Net loss on disposal of investments in securities	-	-	(78,398)	-	-	-	(78,398)
Share of results of an associate	-	-	-	227,633	-	-	227,633
Share of results of jointly controlled entities	-	-	-	-	6,248	-	6,248
Profit/ (loss) before taxation	237,235	428,928	175,348	269,224	(199,254)	-	911,481
Taxation (expenses)/ credit	(38,950)	(70,773)	(28,932)	(1,359)	30,540	-	(109,474)
Profit/ (loss) after taxation	198,285	358,155	146,416	267,865	(168,714)	-	802,007
For the six months ended 30 June 2013							
Depreciation and amortisation	20,179	2,778	2,408	18,938	12,623	-	56,926
As at 31 December 2013							
Segment assets	36,495,699	49,216,979	47,675,728	32,018,112	3,082,778	(4,527,594)	166,961,702
Segment liabilities	69,441,655	32,237,167	14,025,526	24,726,047	14,012,022	(4,527,594)	149,914,823

**30. Operating segment reporting (Continued)**

Revenues from external customers were contributed from banking subsidiaries in Hong Kong, Macau and People's Republic of China, with major products and services including deposit taking, extension of credit, asset-based finance, securities investment services offered to customers.

The following tables provide information by geographical area, which was determined with reference to the domicile of the legal entities within the Group with business dealing and relationship with, and services to external customers.

	<b>Hong Kong and Others</b>	<b>Macau</b>	<b>Inter- segment elimination</b>	<b>Total</b>
<b>For the six months ended 30 June 2014</b>				
Operating income	1,812,092	178,323	-	1,990,415
Profit before taxation	1,030,923	93,547	-	1,124,470
<b>As at 30 June 2014</b>				
Total assets	165,268,408	16,474,300	(1,659,046)	180,083,662
Total liabilities	148,120,036	14,418,384	(1,659,046)	160,879,374
Intangible assets and goodwill	319,167	556,566	-	875,733
Contingent liabilities and commitments	76,265,135	1,976,102	-	78,241,237

	<b>Hong Kong and Others</b>	<b>Macau</b>	<b>Inter- segment elimination</b>	<b>Total</b>
<b>For the six months ended 30 June 2013</b>				
Operating income	1,660,629	158,206	-	1,818,835
Profit before taxation	842,505	68,976	-	911,481
<b>As at 31 December 2013</b>				
Total assets	153,449,806	15,868,862	(2,356,966)	166,961,702
Total liabilities	138,387,245	13,884,544	(2,356,966)	149,914,823
Intangible assets and goodwill	319,667	558,265	-	877,932
Contingent liabilities and commitments	73,127,390	1,889,509	-	75,016,899

**31. Contingent liabilities and commitments**

(a) Capital commitments

Capital expenditure in respect of projects and acquisition of fixed assets at the end of the reporting period but not yet incurred is as follows:

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Expenditure authorised but not contracted for	<b>9,980</b>	22,109
Expenditure contracted but not provided for	<b>193,475</b>	153,260
	<b><u>203,455</u></b>	<u>175,369</u>

(b) Credit commitments

The contract and credit risk weighted amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers are as follows:

	<b>Contract amount</b>	
	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Direct credit substitutes	<b>1,322,425</b>	1,858,669
Transaction-related contingencies	<b>340,191</b>	285,002
Trade-related contingencies	<b>628,239</b>	651,824
Commitments that are unconditionally cancellable without prior notice	<b>63,895,625</b>	60,823,138
Other commitments with an original maturity of:		
- under 1 year	<b>5,559,767</b>	5,401,515
- 1 year and over	<b>1,365,116</b>	1,497,268
Forward forward deposits placed	<b>273,653</b>	12,457
	<b><u>73,385,016</u></b>	<u>70,529,873</u>
	<b>Credit risk weighted amount</b>	
	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Contingent liabilities and commitments	<b><u>2,632,693</u></b>	<u>2,474,576</u>

**31. Contingent liabilities and commitments (Continued)**

(c) Assets pledged

Exchange Fund debts pledged with the HKMA to facilitate the Group's trading and market-making activities in Exchange Fund debts are as follows:

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Assets pledged with HKMA:		
Trading securities	<b>3,450,396</b>	3,132,132
Available-for-sale securities	<b>331,517</b>	169,051
	<b>3,781,913</b>	3,301,183
Associated liabilities:		
Trading liabilities	<b>3,777,207</b>	3,362,473

The carrying amounts of the non-government bonds pledged with unrelated financial institutions under repurchase agreements and the associated liabilities are as follows:

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Available-for-sale securities	<b>347,445</b>	512,318
Held-to-maturity securities	<b>140,319</b>	16,882
	<b>487,764</b>	529,200
Associated liabilities:		
Deposits from banks	<b>280,300</b>	408,051
Other accounts and accruals	<b>186,539</b>	97,862
	<b>466,839</b>	505,913



**31. Contingent liabilities and commitments (Continued)**

(d) Operating lease commitments

Where a Group company is the lessee, the future minimum lease payments under non-cancellable building operating leases are as follows:

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Not later than 1 year	<b>167,446</b>	193,353
Later than 1 year and not later than 5 years	<b>162,853</b>	226,260
Later than 5 years	<b>52,790</b>	61,661
	<b><u>383,089</u></b>	<u>481,274</u>

Where a Group company is the lessor, the future minimum lease payments under non-cancellable building operating leases are as follows:

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Not later than 1 year	<b>30,637</b>	31,230
Later than 1 year and not later than 5 years	<b>33,518</b>	49,936
	<b><u>64,155</u></b>	<u>81,166</u>

**32. Fair value hierarchy**

The Group measures fair values using the following hierarchy that reflects the significance of the observable and unobservable inputs used in the fair value measurement:

Level	Descriptions
1	Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes equity and debt securities that are listed on exchanges or regularly quoted in the market, and exchange traded derivatives like futures.
2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter derivative contracts.
3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity and debt securities with significant unobservable components.

**32. Fair value hierarchy (Continued)**

Assets and liabilities measured at fair value:

<b>At 30 Jun 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Descriptions				
Financial assets at fair value through profit or loss				
Held for trading				
Debt securities	-	6,534,182	-	6,534,182
Designated at fair value through profit or loss				
Debt securities				
	-	6,069	-	6,069
Derivative financial instruments				
Held for trading				
	292	482,768	-	483,060
Held for hedging				
	-	269,067	-	269,067
Available-for-sale financial assets				
Debt securities				
	-	22,744,863	4,753	22,749,616
Equity securities				
	<u>167,142</u>	<u>115,964</u>	<u>75,116</u>	<u>358,222</u>
Total assets measured at fair value	<u>167,434</u>	<u>30,152,913</u>	<u>79,869</u>	<u>30,400,216</u>
Financial liabilities at fair value through profit or loss				
Held for trading				
	-	3,777,207	-	3,777,207
Derivative financial instruments				
Held for trading				
	-	547,378	-	547,378
Held for hedging				
	-	<u>468,016</u>	-	<u>468,016</u>
Total liabilities measured at fair value	<u>-</u>	<u>4,792,601</u>	<u>-</u>	<u>4,792,601</u>

Financial assets classified as Level 3 assets represent investments in unlisted equity securities and debentures. They are stated at cost which is considered to be a reasonable approximation of fair value.

For the six months ended 30 June 2014 and the year ended 31 December 2013, there were no transfers of financial assets and liabilities into or out of the Level 3 fair value hierarchy. The changes in carrying value represent the exchange revaluation gains/ losses.

**32. Fair value hierarchy (Continued)**

Assets and liabilities measured at fair value: (Continued)

At 31 Dec 2013	Level 1	Level 2	Level 3	Total
Descriptions				
Financial assets at fair value through profit or loss				
Held for trading				
Debt securities	-	6,335,788	-	6,335,788
Designated at fair value through profit or loss				
Debt securities				
	-	4,248	-	4,248
Derivative financial instruments				
Held for trading				
	-	299,574	-	299,574
Held for hedging				
	-	387,495	-	387,495
Available-for-sale financial assets				
Debt securities				
	-	26,847,037	4,753	26,851,790
Equity securities				
	70,288	122,599	75,141	268,028
Total assets measured at fair value	70,288	33,996,741	79,894	34,146,923
Financial liabilities at fair value through profit or loss				
Held for trading				
	-	3,362,473	-	3,362,473
Derivative financial instruments				
Held for trading				
	-	459,361	-	459,361
Held for hedging				
	-	657,895	-	657,895
Total liabilities measured at fair value	-	4,479,729	-	4,479,729

**33. List of subsidiaries**

The following is a list of the Bank's subsidiaries which, for financial reporting purpose, have all been consolidated in this interim financial disclosure statement.

Dah Sing Nominees Limited	
Dah Sing Properties Limited	
Vanishing Border Investment Services Limited	
Dah Sing Computer Systems Limited	Note (b)
Dah Sing Insurance Brokers Limited	
Dah Sing MTN Financing Limited	
Dah Sing SAR Financing Limited	Note (b)
Dah Sing Securities Limited	Note (a)
Pacific Finance (Hong Kong) Limited	
Banco Comercial de Macau, S.A. ("BCM")	
Dah Sing Bank (China) Limited ("DSB China")	
DSB BCM (1) Limited	
DSB BCM (2) Limited	
DSL1 (1) Limited	Note (b)
Shinning Bloom Investments Limited	Note (b)
OK Finance Limited	
Wise Measure Limited	Note (b)

In calculating its consolidated capital adequacy ratio for the purposes of the Hong Kong Banking Ordinance, the Bank has deducted its cost of investments in the subsidiaries specified in the notes below from its capital base.

Note:

- (a) These subsidiaries are "regulated financial entities" as defined by the Banking (Capital) Rules (the "Banking (Capital) Rules") issued by the HKMA.
- (b) These subsidiaries are investment holding or financing entities which do not operate any business, or are inactive.

**34. Cross-border claims**  
Equivalent in HK\$ millions

	<b>As at 30 Jun 2014</b>			
	<b>Banks and other financial institutions</b>	<b>Public sector entities</b>	<b>Others</b>	<b>Total</b>
Asia Pacific excluding Hong Kong	27,108	1,893	23,522	52,523
North and South America	332	548	2,152	3,032
Europe	4,094	-	423	4,517
	<b>31,534</b>	<b>2,441</b>	<b>26,097</b>	<b>60,072</b>

  

	<b>As at 31 Dec 2013</b>			
	<b>Banks and other financial institutions</b>	<b>Public sector entities</b>	<b>Others</b>	<b>Total</b>
Asia Pacific excluding Hong Kong	20,456	254	17,165	37,875
North and South America	213	775	2,332	3,320
Europe	2,544	-	867	3,411
	<b>23,213</b>	<b>1,029</b>	<b>20,364</b>	<b>44,606</b>

The information of cross-border claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, transfer of risk from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country.

**35. Currency concentrations**

The following sets out the Group's net foreign exchange position in USD and other individual currency that constitutes more than 10% of the total net position in all foreign currencies as at 30 June 2014 and the corresponding comparative balances.

The Group did not have any structural foreign exchange position as at 30 June 2014 and 31 December 2013.

	At 30 June 2014				
	US dollars	Renminbi	Macau Pataca	Other foreign currencies	Total foreign currencies
Equivalent in HK\$ millions					
Spot assets	54,471	24,056	6,540	2,904	88,113
Spot liabilities	(25,359)	(24,057)	(8,176)	(7,850)	(66,003)
Forward purchases	15,349	4,472	-	7,885	28,188
Forward sales	(42,816)	(4,054)	-	(2,940)	(49,917)
Net long/ (short) position	<u>1,645</u>	<u>417</u>	<u>(1,636)</u>	<u>(1)</u>	<u>381</u>
	As at 31 December 2013				
	US dollars	Renminbi	Macau Pataca	Other foreign currencies	Total foreign currencies
Equivalent in HK\$ millions					
Spot assets	45,668	26,788	5,712	3,678	81,846
Spot liabilities	(23,461)	(26,038)	(7,218)	(9,068)	(65,785)
Forward purchases	16,805	2,097	250	9,140	28,292
Forward sales	(37,282)	(2,261)	-	(3,756)	(43,299)
Net long/ (short) position	<u>1,730</u>	<u>586</u>	<u>(1,256)</u>	<u>(6)</u>	<u>1,054</u>

**36. Capital adequacy ratio**

	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Capital adequacy ratio		
- Common Equity Tier 1 (“CET1”)	<b>10.9%</b>	10.4%
- Tier 1	<b>10.9%</b>	10.4%
- Total	<b>15.8%</b>	14.5%

The capital adequacy ratio as at 30 June 2014 and 31 December 2013 represents the consolidated position of the Bank (covering BCM and DSB China) computed on Basel III basis with reference to the Banking (Capital) Rules. This capital adequacy ratio takes into account market risk and operational risk.

Only the Bank is subject to the minimum capital adequacy ratio requirement under the Hong Kong Banking Ordinance. BCM is subject to Macau banking regulations and DSB China is subject to China banking regulations.

For the purposes of compliance with the Banking (Disclosure) Rules, additional information relating to the Group’s regulatory capital and other related disclosures is published in the Bank’s website at [www.dahsing.com](http://www.dahsing.com) and is accessible at the following direct link:  
[www.dahsing.com/en/html/aboutus/regulatory\\_disclosures.html](http://www.dahsing.com/en/html/aboutus/regulatory_disclosures.html).

**37. Liquidity ratio**

	<b>Six months ended 30 Jun 2014</b>	Six months ended 30 Jun 2013	Year ended 31 Dec 2013
Liquidity ratio			
- Bank (Hong Kong offices)	<b>47.4%</b>	47.6%	46.7%
- Group	<b>46.6%</b>	46.9%	46.2%

The liquidity ratio of the Hong Kong offices of the Bank is calculated as the simple average of each calendar month’s average liquidity ratio for the six/ twelve months of the financial year. The liquidity ratio is computed in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance.

The liquidity ratio of the Group is calculated as the simple average of each calendar month’s average liquidity ratio for the six/ twelve months of the financial year of the Hong Kong and overseas offices of the Bank and its banking subsidiaries computed with reference to the methods set out in the Fourth Schedule of the Hong Kong Banking Ordinance.

Only the Bank is subject to the minimum liquidity ratio requirement under the Hong Kong Banking Ordinance.

**FINANCIAL RATIOS**

	<b>Six months ended 30 Jun 2014</b>	Six months ended 30 Jun 2013
Net interest income/operating income	<b>74.0%</b>	74.0%
Cost to income ratio	<b>51.3%</b>	50.8%
Return on average total assets (annualised)	<b>1.2%</b>	1.1%
Return on average shareholders' funds (annualised)	<b>11.1%</b>	10.8%
Net interest margin	<b>1.80%</b>	1.77%
	<b>As at 30 Jun 2014</b>	As at 31 Dec 2013
Loan to deposit ratio	<b>71.4%</b>	72.0%



## **CORPORATE AND BUSINESS OVERVIEW**

### **HIGHLIGHTS**

Local market conditions in Hong Kong were relatively stable during the first half of the year, with Mainland and Mainland related growth slowing, but continuing to move at a comparatively faster pace than Hong Kong. Conditions in Macau remained similar to those in Hong Kong. Market volatility was subdued, and liquidity conditions were satisfactory. Against this fairly stable backdrop, we are pleased to report improved earnings, with profit attributable to shareholders increasing by 26% to a record HK\$1,009.9 million for the period. During the period, the immediate holding company of the Bank, Dah Sing Banking Group Limited (“DSBG”), successfully completed a rights issue to raise HK\$1.2 billion, which was subsequently injected to the Bank to support its growth and capital adequacy.

Our banking businesses performed strongly over the period with strong volume growth in both loans and deposits. Bank of Chongqing once again delivered a strong and growing contribution to our bottom line.

Overall business conditions were a little better than expected, which contributed to the record profit for the first half of the year.

### **BUSINESS AND FINANCIAL REVIEW**

We saw growth in all key areas during the first six months of the year. Whilst net interest margin was somewhat under pressure, growth in volumes more than compensated for this, with overall net interest income up by 9.4% to HK\$1,473 million. Net fee and commission income grew by 16.2% to HK\$404 million.

Total operating income was up by 9.4% to HK\$1,990 million. However, with growth in operating expenses at the same pace as revenue and after a 63% increase in impairment provisions, driven mainly by Mainland and Mainland related lending, operating profit after impairment charges was down slightly by 1.6% to HK\$746 million.

Taking into account a continued favourable performance from our associate company, Bank of Chongqing, despite the dilution in our shareholding to just under 17% following their IPO towards the end of 2013, our net profit was up by 26% to HK\$1,010 million.

We experienced improvement in a number of key financial performance indicators during the period:

- Return on assets was up from 1.1% to 1.2% during the period, driven by the improved performance both of our core banking business, and that of our associate, Bank of Chongqing.
- ROE was up from 10.8% to 11.1%.

As at 30 June 2014, Dah Sing Bank, Limited’s (“DSB”) total capital adequacy ratio was 15.8%, more than 1% higher than the same time last year, and CET1 ratio was 10.9%, with the improvements driven largely by the impact of the rights issues of and equity injection from DSBG, and completion by DSB of a new issue of Basel III compliant Tier 2 subordinated debt at US\$225 million earlier in the year.

**PUBLICATION OF INTERIM FINANCIAL DISCLOSURES ON THE GROUP'S WEBSITE**

This interim financial disclosure statement of the Group will be published on the Bank's website ([www.dahsing.com](http://www.dahsing.com)) in due course.

**INTERIM DISCLOSURE STATEMENT AND STATEMENT OF COMPLIANCE**

This interim financial disclosure statement for the six months ended 30 June 2014 is the Interim Disclosure Statement of the Bank prepared in accordance with the requirements set out in the Banking (Disclosure) (Amendment) Rules 2014 issued by the Hong Kong Monetary Authority. The Bank has fully complied with such disclosure requirements.

By Order of the Board  
**Doris Wai Nar Wong**  
*Company Secretary*

Hong Kong, Tuesday, 26 August 2014