

Dah Sing Bank, Limited



ANNOUNCEMENT OF 2015 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 2015.

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

HK\$'000	Note	2015	2014	Variance %
Interest income		2,516,398	2,416,211	
Interest expense		(922,576)	(943,237)	
Net interest income	3	1,593,822	1,472,974	8.2
Fee and commission income		629,824	518,448	
Fee and commission expense		(108,259)	(114,083)	
Net fee and commission income	4	521,565	404,365	29.0
Net trading income	5	124,969	81,103	
Other operating income	6	29,476	31,973	
Operating income		2,269,832	1,990,415	14.0
Operating expenses	7	(1,093,337)	(1,020,252)	7.2
Operating profit before impairment losses		1,176,495	970,163	21.3
Loan impairment losses	8	(193,164)	(224,567)	(14.0)
Operating profit after impairment losses		983,331	745,596	31.9
Net (loss)/ gain on disposal of other fixed assets	9	(348)	42	
Net gain on disposal of investments in securities	10	5,779	14,115	
Provision for loss on dilution of interest in an associate	11	(32,000)	-	
Share of results of an associate		388,861	356,361	
Share of results of jointly controlled entities		10,117	8,356	
Profit before taxation		1,355,740	1,124,470	20.6
Taxation	12	(170,095)	(114,523)	
Profit for the period		1,185,645	1,009,947	17.4
Dividend				
Interim dividend		111,600	-	

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

HK\$'000	2015	2014
Profit for the period	<u>1,185,645</u>	<u>1,009,947</u>
Other comprehensive income		
Items that may be reclassified subsequently to the consolidated income statement:		
Investments in securities		
Fair value gains on available-for-sale securities recognised in equity	134,658	254,674
Fair value (gain)/ loss realised and transferred to income statement upon		
- Disposal of available-for-sale securities	(5,779)	(18,771)
- 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
Deferred income tax on movements in investment revaluation reserve	(17,964)	(13,741)
	<u>110,915</u>	<u>225,918</u>
Exchange differences arising on translation of the financial statements of foreign entities	4,574	(30,169)
Other comprehensive income for the period, net of tax	<u>115,489</u>	<u>195,749</u>
Total comprehensive income for the period, net of tax	<u>1,301,134</u>	<u>1,205,696</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK\$'000	Note	As at 30 Jun 2015	As at 31 Dec 2014
ASSETS			
Cash and balances with banks		11,221,727	14,838,111
Placements with banks		9,287,477	5,324,811
Trading securities	13	6,646,712	6,850,362
Financial assets designated at fair value through profit or loss	13	14,297	9,821
Derivative financial instruments	14	650,557	756,829
Advances and other accounts	15	118,185,993	115,858,861
Available-for-sale securities	17	24,395,568	23,351,747
Held-to-maturity securities	18	10,522,130	10,832,940
Investment in an associate		4,104,523	3,746,918
Investments in jointly controlled entities		75,811	65,694
Goodwill		811,690	811,690
Intangible assets		60,824	61,844
Premises and other fixed assets	20	2,692,351	2,728,208
Investment properties	21	745,166	745,166
Deferred income tax assets	26	84,156	80,591
Total assets		189,498,982	186,063,593
LIABILITIES			
Deposits from banks		3,135,332	1,572,467
Derivative financial instruments	14	1,005,674	1,146,825
Trading liabilities		5,758,820	5,597,614
Deposits from customers	22	141,970,585	143,234,437
Certificates of deposit issued	23	7,458,739	6,109,777
Subordinated notes	24	5,404,455	5,432,378
Other accounts and accruals	25	2,999,104	2,645,717
Current income tax liabilities		327,962	206,392
Deferred income tax liabilities	26	73,238	55,056
Total liabilities		168,133,909	166,000,663
EQUITY			
Share capital		6,200,000	6,200,000
Other reserves (including retained earnings)	28	15,053,473	13,862,930
Proposed dividend	28	111,600	-
Total equity		21,365,073	20,062,930
Total equity and liabilities		189,498,982	186,063,593

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

HK\$'000	Attributable to the Shareholder of the Bank			Total equity
	Share capital	Other reserves	Retained earnings	
Balance at 1 January 2015	6,200,000	1,362,855	12,500,075	20,062,930
Total comprehensive income for the period	-	115,489	1,185,645	1,301,134
Provision for equity-settled share-based compensation	-	1,009	-	1,009
Balance at 30 June 2015	6,200,000	1,479,353	13,685,720	21,365,073
			Six months ended 30 June	
			2015	2014
Proposed interim dividend included in retained earnings			111,600	-

HK\$'000	Attributable to the Shareholder of the Bank			Total equity
	Share capital	Other reserves	Retained earnings	
Balance at 1 January 2014	5,000,000	1,224,061	10,822,818	17,046,879
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)
Balance at 30 June 2014	6,200,000	1,421,523	11,582,765	19,204,288

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

HK\$'000	2015	2014
Cash flows from operating activities		
Cash (absorbed by)/ generated from operations	(4,503,924)	3,744,739
Interest paid on certificates of deposit issued	(45,831)	(51,219)
Hong Kong profits tax paid	(51,834)	(32,792)
Overseas tax paid	-	(13,278)
	<u>(4,601,589)</u>	<u>3,647,450</u>
Net cash (used in)/ from operating activities		
Cash flows from investing activities		
Purchase of premises and other fixed assets	(45,653)	(1,150,092)
Proceeds from disposal of other fixed assets	68	179
	<u>(45,585)</u>	<u>(1,149,913)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Issue of ordinary shares	-	1,200,000
Issue of subordinated notes	-	1,731,250
Issued debt securities redeemed	-	(775,285)
Interest paid on subordinated notes and debt securities issued	(139,836)	(104,578)
Dividend paid on ordinary shares	-	(250,000)
	<u>(139,836)</u>	<u>1,801,387</u>
Net cash (used in)/ from financing activities		
Net (decrease)/ increase in cash and cash equivalents	(4,787,010)	4,298,924
Cash and cash equivalents at beginning of the period	16,080,566	9,305,125
Effect of foreign exchange rate changes	<u>(23,853)</u>	<u>(45,362)</u>
Cash and cash equivalents at end of the period	<u>11,269,703</u>	<u>13,558,687</u>
Analysis of the balance of cash and cash equivalents:		
Cash and balances with banks	1,476,299	1,457,314
Money at call and short notice with an original maturity within three months	8,833,226	10,171,958
Treasury bills with an original maturity within three months	320,479	811,337
Placements with banks with an original maturity within three months	639,699	1,118,078
	<u>11,269,703</u>	<u>13,558,687</u>

Note:

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. Unaudited financial statements and accounting policies

The information set out in these 2015 interim condensed consolidated financial statements does not constitute statutory financial statements.

Certain financial information in the 2015 interim condensed consolidated financial statements is extracted from the statutory financial statements for the year ended 31 December 2014 (the “2014 financial statements”) which have been delivered to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the New Hong Kong Companies Ordinance (Cap. 622) (“NCO”) and the Hong Kong Monetary Authority (“HKMA”).

The auditor’s report on the 2014 financial statements was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the predecessor Hong Kong Companies Ordinance (Cap. 32).

Basis of preparation and accounting policies

Except as described below, the accounting policies and methods of computation used in the preparation of the 2015 interim condensed consolidated financial statements are consistent with those used and described in the Group’s annual audited financial statements for the year ended 31 December 2014.

The New Hong Kong Companies Ordinance (Cap. 622)

Section 436 of the NCO requires that when the statutory financial statements of a company for a financial year are made available to others, they must be accompanied by the auditor’s report on those financial statements. When a company makes “non-statutory financial statements” available to others, they must not be accompanied by the auditor’s report on any related statutory financial statements. Instead, they must be accompanied by a special statement under section 436(3). On this basis, the required statement has been specified in the first sentence of this note.

Further, the requirements of Part 9 “Accounts and Audit” of the NCO have come into effect for financial year commencing on or after 3 March 2014 in accordance with section 358 of the NCO. Disclosures previously required under Schedule 10 of the predecessor Hong Kong Companies Ordinance (Cap. 32) that overlap with the accounting standard have been removed. The Bank’s balance sheet is no longer required to be presented as a primary statement. On the other hand, more extensive disclosures are required on the benefits and interests of directors. The Group will provide the relevant additional disclosures when it prepares the 2015 annual financial statements.

2. Unaudited financial statements and accounting policies (Continued)

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 25 August 2015.

These interim condensed consolidated financial statements have not been audited.

3. Net interest income

For the six months ended 30 June

	2015	2014
Interest income		
Cash and balances with banks	166,921	173,881
Investments in securities	334,491	369,117
Advances and other accounts	2,014,986	1,873,213
	<u>2,516,398</u>	<u>2,416,211</u>
Interest expense		
Deposits from banks/ Deposits from customers	782,623	810,976
Certificates of deposit issued	41,659	35,402
Issued debt securities	-	3,494
Subordinated notes	97,621	91,517
Others	673	1,848
	<u>922,576</u>	<u>943,237</u>
Included within interest income		
Interest income on financial assets not at fair value through profit or loss	<u>2,512,862</u>	<u>2,394,052</u>
Included within interest expense		
Interest expenses on financial liabilities not at fair value through profit or loss	<u>920,654</u>	<u>940,199</u>

For the six months ended 30 June 2015 and 30 June 2014, there was no interest income recognised on impaired assets.

4. Net fee and commission income

For the six months ended 30 June

	2015	2014
Fee and commission income		
Fee and commission income from financial assets and liabilities not at fair value through profit or loss		
- Credit related fees and commissions	69,833	65,421
- Trade finance	59,710	41,741
- Credit card	150,479	151,832
Other fee and commission income		
- Securities brokerage	81,511	38,754
- Insurance distribution and others	42,714	30,965
- Retail investment and wealth management services	110,991	81,096
- Bank services and handling fees	31,884	29,225
- Other fees	82,702	79,414
	<u>629,824</u>	<u>518,448</u>
Fee and commission expense		
Fee and commission expense from financial assets and liabilities not at fair value through profit or loss		
- Handling fees and commission	101,721	107,343
- Other fees paid	6,538	6,740
	<u>108,259</u>	<u>114,083</u>
	<u>521,565</u>	<u>404,365</u>

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

	2015	2014
Net gain arising from dealing in foreign currencies	95,851	76,117
Net gain/ (loss) on trading securities	2,931	(4,863)
Net gain from derivatives entered into for trading purpose	30,640	19,675
Net loss arising from financial instruments subject to fair value hedge	(8,935)	(11,650)
Net gain arising from financial instruments designated at fair value through profit or loss	4,482	1,824
	<u>124,969</u>	<u>81,103</u>

6. Other operating income

For the six months ended 30 June

	2015	2014
Dividend income from investments in available-for-sale securities		
- Listed investments	3,525	4,742
- Unlisted investments	4,499	4,036
Gross rental income from investment properties	11,397	11,566
Other rental income	6,361	5,391
Others	3,694	6,238
	<u>29,476</u>	<u>31,973</u>

7. Operating expenses

For the six months ended 30 June

	2015	2014
Employee compensation and benefit expenses (including directors' remuneration)	716,842	637,612
Premises and other fixed assets expenses, excluding depreciation	142,366	152,927
Depreciation (Note 20)	81,174	66,767
Advertising and promotion costs	41,464	45,712
Printing, stationery and postage	16,128	18,793
Amortisation expenses of intangible assets	1,020	2,199
Others	94,343	96,242
	<u>1,093,337</u>	<u>1,020,252</u>

8. Loan impairment losses

For the six months ended 30 June

	2015	2014
Net charge of impairment losses on advances and other accounts		
- Individually assessed	70,605	129,124
- Collectively assessed	122,559	95,443
	<u>193,164</u>	<u>224,567</u>
Of which		
- new and additional allowances (including amounts directly written off in the period)	262,383	255,222
- releases	(47,349)	(12,044)
- recoveries	(21,870)	(18,611)
	<u>193,164</u>	<u>224,567</u>

9. Net (loss)/ gain on disposal of other fixed assets

For the six months ended 30 June

	2015	2014
Net (loss)/ gain from disposal of other fixed assets	<u>(348)</u>	<u>42</u>

10. Net gain on disposal of investments in securities

For the six months ended 30 June

	2015	2014
Net gain on disposal of available-for-sale securities	5,779	18,771
Net loss on disposal of investments in securities included in the loans and receivables category	-	(4,656)
	<u>5,779</u>	<u>14,115</u>

11. Provision for loss on dilution of interest in an associate

On 24 June 2015, the Group's associate, Bank of Chongqing ("BOCQ"), announced that it had entered into a subscription agreement (the "Share Placement") pursuant to which it has conditionally agreed to allot and issue a total of 810 million new H shares of BOCQ to certain parties unrelated to the Group at a subscription price of HK\$7.65 per share.

The completion of the Share Placement is subject to, amongst other things, approval by BOCQ's shareholders and the relevant regulatory authorities. Based on the terms of the Share Placement announced by BOCQ, the Group's interest in BOCQ will be diluted from the existing 16.95% shareholding to 13.05% after the completion of the Share Placement, and a loss will need to be recognised on the deemed disposal of a portion of the Group's interest in BOCQ.

At the extraordinary general meeting of BOCQ's shareholders held on 11 August 2015, BOCQ received approval from its shareholders for the Share Placement and fulfilled one of the conditions precedent for the completion of the Share Placement. Based on this and other information publicly available about BOCQ, the Group assesses that it is probable that the Share Placement will be completed before the end of the year and considers it appropriate for a provision for the estimated loss on deemed disposal of HK\$32 million to be recognised in the Group's financial statements for the six months ended 30 June 2015.

12. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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

	2015	2014
Current income tax		
- Hong Kong profits tax	150,330	110,710
- Overseas taxation	18,624	16,435
- Under-provision in prior periods	4,450	-
Deferred income tax		
- Origination and reversal of temporary differences	(3,309)	(13,432)
- Utilisation of tax losses	-	810
Taxation	<u>170,095</u>	<u>114,523</u>

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

	As at 30 Jun 2015	As at 31 Dec 2014
Trading securities:		
Debt securities:		
- Listed in Hong Kong	154,439	243,944
- Unlisted	<u>6,492,273</u>	<u>6,606,418</u>
Total trading securities	<u>6,646,712</u>	<u>6,850,362</u>
Financial assets designated at fair value through profit or loss:		
Debt securities:		
- Listed outside Hong Kong	<u>14,297</u>	<u>9,821</u>
Total trading securities and financial assets designated at fair value through profit or loss	<u>6,661,009</u>	<u>6,860,183</u>

As at 30 June 2015, government bonds held and included in the above balance of trading securities amounted to HK\$6,646,464,000 (31 December 2014: HK\$6,850,117,000).

As at 30 June 2015 and 31 December 2014, there were no certificates of deposit held included in the above balances of trading or fair value 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 2015	As at 31 Dec 2014
- Central governments and central banks	6,646,464	6,850,117
- Public sector entities	248	245
- Corporate entities	<u>14,297</u>	<u>9,821</u>
	<u>6,661,009</u>	<u>6,860,183</u>

14. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values as at 30 June 2015 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	60,522,324	89,291	(138,301)
Currency options purchased and written	88,843,785	273,975	(274,772)
b) <i>Interest rate derivatives</i>			
Interest rate futures	1,550,420	-	(194)
Interest rate swaps	6,575,261	44,192	(126,778)
c) <i>Equity derivatives</i>			
Equity options purchased and written	350,670	7,767	(7,182)
Total derivative assets/ (liabilities) held for trading	157,842,460	415,225	(547,227)
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	19,756,173	235,332	(339,351)
Currency swaps	1,296,820	-	(119,096)
Total derivative assets/ (liabilities) held for hedging	21,052,993	235,332	(458,447)
Total recognised derivative financial assets/ (liabilities)	178,895,453	650,557	(1,005,674)

14. Derivative financial instruments (Continued)

The notional principal amounts of outstanding derivatives contracts and their fair values as at 31 December 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	58,078,027	104,394	(120,380)
Currency options purchased and written	76,459,074	375,891	(375,654)
b) <i>Interest rate derivatives</i>			
Interest rate futures	31,020	118	-
Interest rate swaps	12,489,451	50,168	(155,762)
c) <i>Equity derivatives</i>			
Equity options purchased and written	332,987	9,870	(9,446)
Total derivative assets/ (liabilities) held for trading	147,390,559	540,441	(661,242)
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	19,416,887	216,388	(385,094)
Currency swaps	1,319,385	-	(100,489)
Total derivative assets/ (liabilities) held for hedging	20,736,272	216,388	(485,583)
Total recognised derivative financial assets/ (liabilities)	168,126,831	756,829	(1,146,825)

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

14. Derivative financial instruments (Continued)

The credit risk weighted amounts of the above off-balance sheet exposures without taking into account the effect of bilateral netting arrangements that the Group entered into, are as follows:

	As at 30 Jun 2015	As at 31 Dec 2014
Exchange rate contracts		
Forward and futures contracts	312,458	322,012
Currency swaps	12,968	13,194
Currency options purchased	1,314,389	1,322,809
Interest rate contracts		
Interest rate swaps	152,541	156,200
Other contracts	16,259	17,957
	<u>1,808,615</u>	<u>1,832,172</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 with reference to the Banking (Capital) Rules issued by the HKMA. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

15. Advances and other accounts

	As at 30 Jun 2015	As at 31 Dec 2014
Gross advances to customers	108,238,484	105,238,037
Trade bills	6,885,566	7,384,057
Other assets		
- Accounts receivable and prepayments	2,686,049	2,822,386
- Accrued income	737,176	732,687
- Others	231,782	216,610
	<u>118,779,057</u>	<u>116,393,777</u>
Less: impairment allowances (Note 16)		
- Individually assessed	(284,917)	(238,250)
- Collectively assessed	(308,147)	(296,666)
	<u>(593,064)</u>	<u>(534,916)</u>
Advances and other accounts	<u>118,185,993</u>	<u>115,858,861</u>

15. 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 2015		As at 31 Dec 2014	
	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	1,808,902	68.2	1,741,185	67.7
- Property investment	16,554,376	97.1	15,752,867	98.9
- Financial concerns	1,085,554	32.6	821,938	62.1
- Stockbrokers	1,615,256	65.2	133,234	55.0
- Wholesale and retail trade	4,251,362	89.9	4,497,466	90.1
- Manufacturing	2,860,878	91.1	2,971,483	91.3
- Transport and transport equipment	3,921,172	92.7	4,612,041	94.2
- Recreational activities	259,275	53.6	277,832	55.9
- Information technology	78,453	89.9	22,938	67.1
- Others	5,606,534	78.0	5,036,198	84.4
	38,041,762	87.7	35,867,182	91.6
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	916,049	100.0	962,720	100.0
- Loans for the purchase of other residential properties	20,395,240	100.0	19,451,578	100.0
- Credit card advances	3,999,955	-	3,838,208	-
- Others	8,846,048	37.4	8,355,472	35.3
	34,157,292	72.1	32,607,978	71.7
Loans for use in Hong Kong	72,199,054	80.3	68,475,160	82.1
Trade finance (Note (1))	7,139,589	67.8	6,517,342	62.8
Loans for use outside Hong Kong (Note (2))	28,899,841	69.8	30,245,535	64.8
	108,238,484	76.7	105,238,037	76.0

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\$640,386,000 (31 December 2014: HK\$618,230,000) 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.

15. 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:

	As at 30 Jun 2015				
	Outstanding balance	Impaired loans	Gross advances overdue for over 3 months	Individually assessed impairment allowances	Collectively assessed impairment allowances
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property investment	16,554,376	36,094	18,850	-	13,604
Individuals					
- Loans for the purchase of other residential properties	20,395,240	4,434	15,621	-	1,176
Loans for use outside Hong Kong	28,899,841	278,228	337,370	186,034	161,360

	As at 31 Dec 2014				
	Outstanding balance	Impaired loans	Gross advances overdue for over 3 months	Individually assessed impairment allowances	Collectively assessed impairment allowances
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property investment	15,752,867	-	-	-	12,357
Individuals					
- Loans for the purchase of other residential properties	19,451,578	-	-	-	1,074
Loans for use outside Hong Kong	30,245,535	217,649	172,414	135,109	170,031

15. Advances and other accounts (Continued)

(b) Mainland activities exposures

The analysis of Mainland activities exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA Return of Mainland activities, which includes the Mainland activities exposures extended by the Bank and its Mainland subsidiary bank only.

As at 30 June 2015	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
1. Central government, central government-owned entities and their subsidiaries and joint ventures (“JV”s)	6,433,053	189,831	6,622,884
2. Local governments, local government-owned entities and their subsidiaries and JVs	2,497,919	228,863	2,726,782
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	8,147,625	1,508,590	9,656,215
4. Other entities of central government not reported in item 1 above	807,943	-	807,943
5. Other entities of local governments not reported in item 2 above	117,170	15,279	132,449
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	10,254,867	248,183	10,503,050
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	6,423	-	6,423
	<u>28,265,000</u>	<u>2,190,746</u>	<u>30,455,746</u>
Total assets of the Bank and its Mainland subsidiary bank after provision	<u>175,175,797</u>		
On-balance sheet exposures as percentage of total assets	<u>16.14%</u>		

15. Advances and other accounts (Continued)

(b) Mainland activities exposures (Continued)

As at 31 December 2014	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
1. Central government, central government-owned entities and their subsidiaries and JVs	8,356,840	57,758	8,414,598
2. Local governments, local government-owned entities and their subsidiaries and JVs	2,686,695	50,814	2,737,509
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	8,665,363	1,791,678	10,457,041
4. Other entities of central government not reported in item 1 above	123,365	-	123,365
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	7,457,039	222,237	7,679,276
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	-	-	-
	<u>27,289,302</u>	<u>2,122,487</u>	<u>29,411,789</u>
Total assets of the Bank and its Mainland subsidiary bank after provision	<u>172,905,559</u>		
On-balance sheet exposures as percentage of total assets	<u>15.78%</u>		

Note:

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

15. 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 June 2015

	Gross advances to customers	Individually impaired advances to customers	Overdue advances to customers	Individually assessed impairment allowances	Collectively assessed impairment allowances
Hong Kong	87,048,569	369,853	278,148	154,310	167,808
China	7,892,671	138,872	186,901	97,925	90,930
Macau	11,756,782	21,048	25,647	12,139	38,823
Others	1,540,462	71	71	28	4,166
	108,238,484	529,844	490,767	264,402	301,727

As at 31 December 2014

	Gross advances to customers	Individually impaired advances to customers	Overdue advances to customers	Individually assessed impairment allowances	Collectively assessed impairment allowances
Hong Kong	83,856,418	217,196	251,710	123,521	144,074
China	8,278,746	110,874	44,674	81,114	98,321
Macau	11,443,268	20,153	25,442	13,045	44,671
Others	1,659,605	64	64	64	4,003
	105,238,037	348,287	321,890	217,744	291,069

15. Advances and other accounts (Continued)

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

	As at 30 Jun 2015	As at 31 Dec 2014
Impaired loans and advances		
- Individually impaired (Note (1))	529,844	348,287
- Collectively impaired (Note (2))	19,503	20,179
	<u>549,347</u>	<u>368,466</u>
Impairment allowances made		
- Individually assessed (Note (3))	(264,402)	(217,744)
- Collectively assessed (Note (2))	(17,809)	(18,578)
	<u>(282,211)</u>	<u>(236,322)</u>
	<u>267,136</u>	<u>132,144</u>
Fair value of collaterals held *	<u>309,002</u>	<u>169,394</u>
Impaired loans and advances as a % of total loans and advances to customers	<u>0.51%</u>	<u>0.35%</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.

15. Advances and other accounts (Continued)

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

(ii) Gross amount of overdue loans

	As at 30 Jun 2015		As at 31 Dec 2014	
	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	172,365	0.16	97,112	0.09
- one year or less but over six months	146,910	0.13	39,052	0.04
- over one year	171,492	0.16	185,726	0.18
	<u>490,767</u>	<u>0.45</u>	<u>321,890</u>	<u>0.31</u>
Market value of securities held against the secured overdue advances	<u>489,887</u>		<u>233,734</u>	
Secured overdue advances	271,832		160,454	
Unsecured overdue advances	<u>218,935</u>		<u>161,436</u>	
Individual impairment allowances	<u>223,919</u>		<u>146,562</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 2015	% of total	As at 31 Dec 2014	% of total
Advances to customers	<u>210,038</u>	0.19	<u>171,817</u>	0.16
Impairment allowances	<u>-</u>		<u>-</u>	

(e) Trade bills

As at 30 June 2015, there were no trade bills that were overdue for more than three months or impaired (31 December 2014: Nil).

(f) Repossessed collateral

Repossessed collateral held is as follows:

Nature of assets	As at 30 Jun 2015	As at 31 Dec 2014
Repossessed properties	75,757	69,680
Others	2,984	315
	<u>78,741</u>	<u>69,995</u>

15. Advances and other accounts (Continued)

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

	As at 30 Jun 2015		As at 31 Dec 2014	
	Contract amount	% covered by collateral	Contract amount	% covered by collateral
Financial guarantees and other credit related contingent liabilities	1,572,206	22.1	1,487,700	17.1
Loan commitments and other credit related commitments	<u>71,139,139</u>	9.8	<u>69,193,856</u>	9.5
	<u>72,711,345</u>	10.1	<u>70,681,556</u>	9.6

16. Impairment allowances against advances to customers and other accounts

	Individually assessed	Collectively assessed	Total
At 1 January 2015	238,250	296,666	534,916
Impairment losses charged	70,605	122,559	193,164
Loans written off as uncollectible	(27,710)	(129,250)	(156,960)
Recoveries of advances written off in previous years	3,726	18,144	21,870
Exchange and other adjustments	46	28	74
	<u>284,917</u>	<u>308,147</u>	<u>593,064</u>
At 30 June 2015			
Deducted from:			
Trade bills	-	6,049	6,049
Advances to customers	264,402	301,727	566,129
Accrued interest and other accounts	20,515	371	20,886
	<u>284,917</u>	<u>308,147</u>	<u>593,064</u>
	Individually assessed	Collectively assessed	Total
At 1 January 2014	244,294	201,212	445,506
Impairment losses charged	249,015	283,947	532,962
Loans written off as uncollectible	(263,532)	(216,742)	(480,274)
Recoveries of advances written off in previous years	11,412	29,380	40,792
Exchange and other adjustments	(2,939)	(1,131)	(4,070)
	<u>238,250</u>	<u>296,666</u>	<u>534,916</u>
At 31 December 2014			
Deducted from:			
Trade bills	-	5,231	5,231
Advances to customers	217,744	291,069	508,813
Accrued interest and other accounts	20,506	366	20,872
	<u>238,250</u>	<u>296,666</u>	<u>534,916</u>

17. Available-for-sale securities

	As at 30 Jun 2015	As at 31 Dec 2014
Debt securities:		
- Listed in Hong Kong	14,076,593	11,888,205
- Listed outside Hong Kong	8,876,368	9,151,353
- Unlisted	1,030,298	1,920,749
	<u>23,983,259</u>	<u>22,960,307</u>
Equity securities:		
- Listed in Hong Kong	189,465	171,946
- Unlisted	222,844	219,494
	<u>412,309</u>	<u>391,440</u>
Total available-for-sale securities	<u>24,395,568</u>	<u>23,351,747</u>

Note:

As at 30 June 2015 and 31 December 2014, the Group had impairment of HK\$15 million recognised against those available-for-sale debt securities that were reclassified in 2014 from the loans and receivables category. Please refer to Note 19(a) for details relating to the reclassification.

As at 30 June 2015 and 31 December 2014, there were no certificates of deposit held included in the above balances of investments in debt securities.

	As at 30 Jun 2015	As at 31 Dec 2014
Available-for-sale securities are analysed by categories of issuers as follows:		
- Central governments and central banks	2,503,950	2,535,358
- Public sector entities	515,432	198,916
- Banks and other financial institutions	4,885,660	5,161,559
- Corporate entities	16,488,073	15,453,461
- Others	2,453	2,453
	<u>24,395,568</u>	<u>23,351,747</u>

18. Held-to-maturity securities

	As at 30 Jun 2015	As at 31 Dec 2014
Debt securities:		
- Listed in Hong Kong	2,245,675	2,255,635
- Listed outside Hong Kong	4,993,722	5,234,147
- Unlisted	3,282,733	3,343,158
	<u>10,522,130</u>	<u>10,832,940</u>
Market value of listed securities	<u>7,297,928</u>	<u>7,519,030</u>
Included within debt securities are:		
- Certificates of deposit held	2,023,900	1,947,377
- Other debt securities	8,498,230	8,885,563
	<u>10,522,130</u>	<u>10,832,940</u>
Held-to-maturity securities are analysed by categories of issuer as follows:		
- Central governments and central banks	1,083,948	1,219,264
- Banks and other financial institutions	4,857,946	4,927,850
- Corporate entities	4,580,236	4,685,826
	<u>10,522,130</u>	<u>10,832,940</u>

19. Reclassification of financial assets

The Group did not reclassify any financial assets in the six months ended 30 June 2015.

In the six months ended 30 June 2014, the Group made the following reclassification of financial assets.

- (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.

20. Premises and other fixed assets

	Premises	Furniture, equipment and motor vehicles	Total
Six months ended 30 June 2015			
Opening net book amount	2,312,676	415,532	2,728,208
Additions	500	45,153	45,653
Disposals	-	(416)	(416)
Depreciation charge (Note 7)	(24,150)	(57,024)	(81,174)
Exchange difference	59	21	80
Closing net book amount	<u>2,289,085</u>	<u>403,266</u>	<u>2,692,351</u>
At 30 June 2015			
Cost	2,534,637	899,596	3,434,233
Accumulated depreciation	<u>(245,552)</u>	<u>(496,330)</u>	<u>(741,882)</u>
Net book amount	<u>2,289,085</u>	<u>403,266</u>	<u>2,692,351</u>
Year ended 31 December 2014			
Opening net book amount	1,321,700	383,650	1,705,350
Additions	1,103,000	139,556	1,242,556
Reclassification from premises to investment properties	(66,966)	-	(66,966)
Disposals	-	(2,757)	(2,757)
Depreciation charge	(41,733)	(103,517)	(145,250)
Exchange difference	(3,325)	(1,400)	(4,725)
Closing net book amount	<u>2,312,676</u>	<u>415,532</u>	<u>2,728,208</u>
At 31 December 2014			
Cost	2,534,076	878,301	3,412,377
Accumulated depreciation	<u>(221,400)</u>	<u>(462,769)</u>	<u>(684,169)</u>
Net book amount	<u>2,312,676</u>	<u>415,532</u>	<u>2,728,208</u>

21. Investment properties

	Six months ended 30 Jun 2015	Year ended 31 Dec 2014
At beginning of the period/ year	745,166	600,540
Reclassification from premises to investment properties	-	103,499
Fair value gains on revaluation	-	41,127
	<hr/>	<hr/>
At end of the period/ year	745,166	745,166

The Group's investment properties were last revalued at 31 December 2014 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 for investment properties in Hong Kong and Mainland China, and by Savills (Macau) Limited for investment properties in Macau.

22. Deposits from customers

	As at 30 Jun 2015	As at 31 Dec 2014
Demand deposits and current accounts	35,409,792	26,439,546
Savings deposits	25,661,286	26,165,548
Time, call and notice deposits	80,899,507	90,629,343
	<hr/>	<hr/>
	141,970,585	143,234,437

23. Certificates of deposit issued

	As at 30 Jun 2015	As at 31 Dec 2014
At fair value under fair value hedge (for hedging interest rate risk)	4,469,214	4,990,231
At amortised cost	2,989,525	1,119,546
	<hr/>	<hr/>
	7,458,739	6,109,777

The amount that the Group would be contractually required to pay at maturity to the holders of these certificates of deposit is HK\$10 million lower (31 December 2014: HK\$3 million higher) than the above carrying amount.

24. Subordinated notes

	As at 30 Jun 2015	As at 31 Dec 2014
US\$225,000,000 Subordinated Fixed Rate Notes due 2020 (Note (a))	1,907,485	1,915,702
US\$200,000,000 Perpetual Subordinated Fixed Rate Notes (Note (b))	458,988	469,056
S\$225,000,000 Subordinated Fixed Rate Notes due 2022 (Note (c))	1,281,908	1,301,352
US\$225,000,000 Subordinated Fixed Rate Notes due 2024 (Note (d))	1,756,074	1,746,268
	5,404,455	5,432,378
At fair value under fair value hedge (for hedging interest rate risk)	4,945,467	4,963,322
At amortised cost	458,988	469,056
	5,404,455	5,432,378

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 Singapore Stock Exchange Trading Limited (“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 basis points. 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.

24. Subordinated notes (Continued)

Note: (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 basis points. 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 Stock Exchange of Hong Kong Limited (“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 basis points. 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\$193 million lower (31 December 2014: HK\$197 million lower) than the above carrying amount.

25. Other accounts and accruals

	As at 30 Jun 2015	As at 31 Dec 2014
Accounts payable arising from purchase of securities pending for settlement	68,997	-
Other accounts payable and accruals	2,930,107	2,645,717
	2,999,104	2,645,717

26. 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:

	As at 30 Jun 2015	As at 31 Dec 2014
Deferred income tax assets	84,156	80,591
Deferred income tax liabilities	(73,238)	(55,056)

	As at 30 Jun 2015	As at 31 Dec 2014
Deferred income tax assets:		
- Deferred income tax assets to be recovered after more than 12 months	141,197	137,368
Deferred income tax liabilities:		
- Deferred income tax liabilities to be settled after more than 12 months	(130,279)	(111,833)
	10,918	25,535

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

	Six months ended 30 Jun 2015	Year ended 31 Dec 2014
At 1 January	25,535	1,707
Tax credited to the income statement (Note 12)	3,309	58,417
Tax charged to equity	(17,963)	(33,934)
Exchange difference	37	(655)
At 30 June/ 31 December	10,918	25,535

26. 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 2014	7,122	65,307	13,819	112	169	86,529
Charged/ (credited) to the income statement	1,855	7,668	(13,819)	-	(169)	(4,465)
Charged to equity	-	-	-	102	-	102
Reclassification	-	-	-	29,667	-	29,667
At 31 December 2014 and 1 January 2015	8,977	72,975	-	29,881	-	111,833
Charged/ (credited) to the income statement	951	(468)	-	-	-	483
Charged to equity	-	-	-	17,963	-	17,963
At 30 June 2015	9,928	72,507	-	47,844	-	130,279

Deferred income tax assets:

	Impairment allowances and provisions	Tax losses	Investment revaluation	Deferred expenses and others	Total
At 1 January 2014	43,747	4,065	4,165	36,259	88,236
Credited/ (charged) to the income statement	52,508	(2,988)	-	4,432	53,952
Charged to equity	-	-	(33,832)	-	(33,832)
Reclassification	-	-	29,667	-	29,667
Exchange difference	(582)	-	-	(73)	(655)
At 31 December 2014 and 1 January 2015	95,673	1,077	-	40,618	137,368
Credited/ (charged) to the income statement	6,435	-	-	(2,643)	3,792
Exchange difference	35	-	-	2	37
At 30 June 2015	102,143	1,077	-	37,977	141,197

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

	Six months ended 30 Jun 2015	Year ended 31 Dec 2014
Fair value reserves in shareholders' equity:		
- available-for-sale securities	17,963	33,934

27. 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 2015	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	1,876,249	9,345,478	-	-	-	-	-	11,221,727
Placements with banks	-	-	2,742,884	6,544,593	-	-	-	9,287,477
Trading securities	-	11,500	1,516,249	5,080,571	38,392	-	-	6,646,712
Financial assets designated at fair value through profit or loss	-	-	-	-	-	14,297	-	14,297
Derivative financial instruments	-	21,330	21,916	193,628	348,187	65,496	-	650,557
Advances and other accounts	7,977,502	15,706,552	11,146,365	19,185,513	28,424,487	34,424,127	1,321,447	118,185,993
Available-for-sale securities	-	144,502	836,156	1,807,475	15,237,619	5,967,756	402,060	24,395,568
Held-to-maturity securities	-	1,066,763	1,530,368	1,762,678	6,162,321	-	-	10,522,130
Investment in an associate	-	-	-	-	-	-	4,104,523	4,104,523
Investments in jointly controlled entities	-	-	-	-	-	-	75,811	75,811
Goodwill	-	-	-	-	-	-	811,690	811,690
Intangible assets	-	-	-	-	-	-	60,824	60,824
Premises and other fixed assets	-	-	-	-	-	-	2,692,351	2,692,351
Investment properties	-	-	-	-	-	-	745,166	745,166
Deferred income tax assets	-	-	-	-	84,156	-	-	84,156
Total assets	9,853,751	26,296,125	17,793,938	34,574,458	50,295,162	40,471,676	10,213,872	189,498,982
Liabilities								
Deposits from banks	762,831	1,024,496	82,779	451,467	813,759	-	-	3,135,332
Derivative financial instruments	-	51,484	24,408	218,151	561,239	150,392	-	1,005,674
Trading liabilities	-	2,081,541	1,154,081	2,459,122	64,076	-	-	5,758,820
Deposits from customers	61,071,712	31,932,756	26,706,133	21,634,542	625,442	-	-	141,970,585
Certificates of deposit issued	-	719,976	480,033	4,803,152	1,455,578	-	-	7,458,739
Subordinated notes	-	-	-	-	5,404,455	-	-	5,404,455
Other accounts and accruals	34,254	1,182,326	550,442	759,809	38,060	-	434,213	2,999,104
Current income tax liabilities	-	-	-	327,962	-	-	-	327,962
Deferred income tax liabilities	-	-	-	-	73,238	-	-	73,238
Total liabilities	61,868,797	36,992,579	28,997,876	30,654,205	9,035,847	150,392	434,213	168,133,909
Net liquidity gap	(52,015,046)	(10,696,454)	(11,203,938)	3,920,253	41,259,315	40,321,284	9,779,659	21,365,073

27. Maturity profile (Continued)

At 31 December 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
Assets								
Cash and balances with banks	2,771,835	12,066,276	-	-	-	-	-	14,838,111
Placements with banks	-	-	2,173,304	3,151,507	-	-	-	5,324,811
Trading securities	-	366,993	1,676,964	4,761,251	45,154	-	-	6,850,362
Financial assets designated at fair value through profit or loss	-	-	-	-	-	9,821	-	9,821
Derivative financial instruments	-	50,387	38,998	93,313	350,366	223,765	-	756,829
Advances and other accounts	7,459,311	12,175,730	13,023,854	18,313,306	29,962,446	33,190,268	1,733,946	115,858,861
Available-for-sale securities	-	248,532	1,829,698	2,172,191	12,300,365	6,414,769	386,192	23,351,747
Held-to-maturity securities	-	561,653	58,116	3,143,157	7,070,014	-	-	10,832,940
Investment in an associate	-	-	-	-	-	-	3,746,918	3,746,918
Investments in jointly controlled entities	-	-	-	-	-	-	65,694	65,694
Goodwill	-	-	-	-	-	-	811,690	811,690
Intangible assets	-	-	-	-	-	-	61,844	61,844
Premises and other fixed assets	-	-	-	-	-	-	2,728,208	2,728,208
Investment properties	-	-	-	-	-	-	745,166	745,166
Deferred income tax assets	-	-	-	-	80,591	-	-	80,591
Total assets	10,231,146	25,469,571	18,800,934	31,634,725	49,808,936	39,838,623	10,279,658	186,063,593
Liabilities								
Deposits from banks	41,679	142,433	-	806,727	581,628	-	-	1,572,467
Derivative financial instruments	-	41,982	65,343	116,783	771,638	151,079	-	1,146,825
Trading liabilities	-	98,500	2,918,069	2,533,351	47,694	-	-	5,597,614
Deposits from customers	52,606,769	43,469,015	27,090,791	19,278,063	789,799	-	-	143,234,437
Certificates of deposit issued	-	501,056	840,079	2,134,348	2,634,294	-	-	6,109,777
Subordinated notes	-	-	-	-	5,432,378	-	-	5,432,378
Other accounts and accruals	23,594	756,804	617,058	770,848	61,508	-	415,905	2,645,717
Current income tax liabilities	-	-	-	206,392	-	-	-	206,392
Deferred income tax liabilities	-	-	-	-	55,056	-	-	55,056
Total liabilities	52,672,042	45,009,790	31,531,340	25,846,512	10,373,995	151,079	415,905	166,000,663
Net liquidity gap	(42,440,896)	(19,540,219)	(12,730,406)	5,788,213	39,434,941	39,687,544	9,863,753	20,062,930

28. Reserves

	As at 30 Jun 2015	As at 31 Dec 2014
Consolidation reserve	8,827	8,827
Premises revaluation reserve	201,779	201,779
Investment revaluation reserve	271,613	160,698
Exchange reserve	287,746	283,172
General reserve	700,254	700,254
Reserve for share-based compensation	9,134	8,125
Retained earnings	<u>13,685,720</u>	<u>12,500,075</u>
	<u>15,165,073</u>	<u>13,862,930</u>
Proposed dividend included in retained earnings	<u>111,600</u>	<u>-</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 2015, the bank has earmarked a regulatory reserve of HK\$1,522,112,000 (31 December 2014: HK\$1,481,245,000) first against the consolidated general reserve; and for any excess amount, the balance is earmarked against the consolidated retained earnings of the Bank.

29. 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. Certain comparative amounts have been revised to conform to the change in funds transfer pricing mechanism and certain income reallocation adopted in 2015.

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.

29. Operating segment reporting (Continued)

For the six months ended 30 June 2015

	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter- segment	Total
Net interest income/ (expenses)	661,831	550,376	147,864	261,691	(27,940)	-	1,593,822
Non-interest income/ (expenses)	338,239	136,596	125,327	67,296	8,552	-	676,010
Total operating income	1,000,070	686,972	273,191	328,987	(19,388)	-	2,269,832
Operating expenses	(599,114)	(187,869)	(71,525)	(235,166)	337	-	(1,093,337)
Operating profit/ (loss) before impairment losses	400,956	499,103	201,666	93,821	(19,051)	-	1,176,495
Loan impairment losses	(114,497)	(51,425)	-	(27,242)	-	-	(193,164)
Operating profit/ (loss) after impairment losses	286,459	447,678	201,666	66,579	(19,051)	-	983,331
Net (loss)/ gain on disposal of other fixed assets	(319)	(7)	(4)	11	(29)	-	(348)
Net gain on disposal of investments in securities	-	-	5,779	-	-	-	5,779
Provision for loss on dilution of interest in an associate	-	-	-	(32,000)	-	-	(32,000)
Share of results of an associate	-	-	-	388,861	-	-	388,861
Share of results of jointly controlled entities	-	-	-	-	10,117	-	10,117
Profit/ (loss) before taxation	286,140	447,671	207,441	423,451	(8,963)	-	1,355,740
Taxation expenses	(47,213)	(73,865)	(34,228)	(11,233)	(3,556)	-	(170,095)
Profit/ (loss) after taxation	238,927	373,806	173,213	412,218	(12,519)	-	1,185,645
For the six months ended 30 Jun 2015							
Depreciation and amortisation	29,210	6,010	3,370	21,251	22,353	-	82,194
At 30 June 2015							
Segment assets	43,122,259	55,967,720	57,162,369	32,077,029	4,763,306	(3,593,701)	189,498,982
Segment liabilities	80,493,238	35,539,359	15,770,566	23,679,545	16,244,902	(3,593,701)	168,133,909

29. Operating segment reporting (Continued)

For the six months ended 30 June 2014 (Restated)

	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter- segment	Total
Net interest income/ (expenses)	600,961	466,268	159,539	276,184	(29,978)	-	1,472,974
Non-interest income/ (expenses)	245,878	107,384	89,703	59,316	16,404	(1,244)	517,441
Total operating income	846,839	573,652	249,242	335,500	(13,574)	(1,244)	1,990,415
Operating expenses	(542,149)	(167,395)	(67,704)	(232,188)	(12,060)	1,244	(1,020,252)
Operating profit/ (loss) before impairment losses	304,690	406,257	181,538	103,312	(25,634)	-	970,163
Loan impairment losses	(92,985)	(27,717)	-	(103,865)	-	-	(224,567)
Operating profit/ (loss) after impairment losses	211,705	378,540	181,538	(553)	(25,634)	-	745,596
Net (loss)/ gain on disposal of 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	211,613	378,540	195,653	355,808	(17,144)	-	1,124,470
Taxation (expenses)/ credit	(33,539)	(62,459)	(32,283)	10,870	2,888	-	(114,523)
Profit/ (loss) after taxation	178,074	316,081	163,370	366,678	(14,256)	-	1,009,947
For the six months ended 30 June 2014							
Depreciation and amortisation	23,599	4,677	2,944	21,280	16,466	-	68,966
At 31 December 2014							
Segment assets	41,988,779	54,596,171	55,550,630	33,581,542	4,302,765	(3,956,294)	186,063,593
Segment liabilities	78,375,819	36,248,907	15,126,832	25,631,700	14,573,699	(3,956,294)	166,000,663

29. 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.

	Hong Kong and Others	Macau	Inter- segment elimination	Total
For the six months ended 30 June 2015				
Operating income	2,069,942	199,890	-	2,269,832
Profit before taxation	1,241,642	114,098	-	1,355,740
At 30 June 2015				
Total assets	173,132,076	17,584,140	(1,217,234)	189,498,982
Total liabilities	154,013,411	15,337,732	(1,217,234)	168,133,909
Intangible assets and goodwill	318,667	553,847	-	872,514
Contingent liabilities and commitments	77,392,268	1,948,744	-	79,341,012

	Hong Kong and Others	Macau	Inter- segment elimination	Total
For the six months ended 30 June 2014				
Operating income	1,812,092	178,323	-	1,990,415
Profit before taxation	1,030,923	93,547	-	1,124,470
At 31 December 2014				
Total assets	169,963,337	17,355,567	(1,255,311)	186,063,593
Total liabilities	152,043,326	15,212,648	(1,255,311)	166,000,663
Intangible assets and goodwill	318,667	554,867	-	873,534
Contingent liabilities and commitments	74,867,402	1,938,999	-	76,806,401

30. 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:

	As at 30 Jun 2015	As at 31 Dec 2014
Expenditure authorised but not contracted for	30,897	16,078
Expenditure contracted but not provided for	147,903	140,972
	178,800	157,050

(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:

	Contract amount	
	As at 30 Jun 2015	As at 31 Dec 2014
Direct credit substitutes	719,507	683,652
Transaction-related contingencies	217,774	302,523
Trade-related contingencies	634,925	501,525
Commitments that are unconditionally cancellable without prior notice	66,937,103	64,212,547
Other commitments with an original maturity of:		
- under 1 year	3,479,530	3,982,693
- 1 year and over	722,506	998,616
	72,711,345	70,681,556
	Credit risk weighted amount	
	As at 30 Jun 2015	As at 31 Dec 2014
Contingent liabilities and commitments	1,366,394	1,725,203

30. 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:

	As at 30 Jun 2015	As at 31 Dec 2014
Assets pledged with HKMA:		
Trading securities	5,708,162	5,157,236
Available-for-sale securities	48,716	395,430
	5,756,878	5,552,666
Associated liabilities:		
Trading liabilities	5,758,820	5,597,614

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

	As at 30 Jun 2015	As at 31 Dec 2014
Assets pledged under repurchase agreements:		
Available-for-sale securities	363,445	94,500
Held-to-maturity securities	37,072	-
	400,517	94,500
Associated liabilities:		
Deposits from banks	312,259	89,421
Other accounts and accruals	68,318	-
	380,577	89,421

30. 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:

	As at 30 Jun 2015	As at 31 Dec 2014
Not later than 1 year	124,121	159,801
Later than 1 year and not later than 5 years	129,490	113,400
Later than 5 years	39,861	47,428
	<u>293,472</u>	<u>320,629</u>

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

	As at 30 Jun 2015	As at 31 Dec 2014
Not later than 1 year	25,671	29,663
Later than 1 year and not later than 5 years	10,706	19,128
	<u>36,377</u>	<u>48,791</u>

31. 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 securities and derivatives that are listed on exchanges.
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.

31. Fair value hierarchy (Continued)

Assets and liabilities measured at fair value:

At 30 Jun 2015	Level 1	Level 2	Level 3	Total
Descriptions				
Financial assets at fair value through profit or loss				
Held for trading				
Debt securities	-	6,646,712	-	6,646,712
Designated at fair value through profit or loss				
Debt securities	-	14,297	-	14,297
Derivative financial instruments				
Held for trading	597	414,628	-	415,225
Held for hedging	-	235,332	-	235,332
Available-for-sale financial assets				
Debt securities	-	23,978,506	4,753	23,983,259
Equity securities	189,465	147,792	75,052	412,309
Total assets measured at fair value	<u>190,062</u>	<u>31,437,267</u>	<u>79,805</u>	<u>31,707,134</u>
Financial liabilities at fair value through profit or loss				
Held for trading	-	5,758,820	-	5,758,820
Derivative financial instruments				
Held for trading	194	547,033	-	547,227
Held for hedging	-	458,447	-	458,447
Total liabilities measured at fair value	<u>194</u>	<u>6,764,300</u>	<u>-</u>	<u>6,764,494</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 2015 and the year ended 31 December 2014, 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.

31. Fair value hierarchy (Continued)

Assets and liabilities measured at fair value: (Continued)

At 31 Dec 2014	Level 1	Level 2	Level 3	Total
Descriptions				
Financial assets at fair value through profit or loss				
Held for trading				
Debt securities	-	6,850,362	-	6,850,362
Designated at fair value through profit or loss				
Debt securities				
	-	9,821	-	9,821
Derivative financial instruments				
Held for trading				
	-	540,441	-	540,441
Held for hedging				
	-	216,388	-	216,388
Available-for-sale financial assets				
Debt securities				
	-	22,955,554	4,753	22,960,307
Equity securities				
	171,946	144,386	75,108	391,440
Total assets measured at fair value	171,946	30,716,952	79,861	30,968,759
Financial liabilities at fair value through profit or loss				
Held for trading				
	-	5,597,614	-	5,597,614
Derivative financial instruments				
Held for trading				
	-	661,242	-	661,242
Held for hedging				
	-	485,583	-	485,583
Total liabilities measured at fair value	-	6,744,439	-	6,744,439

32. International claims

The information of international 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. Only regions constituting 10% or more of the aggregate international claims after taking into account any recognised risk transfer are disclosed.

Equivalent in HK\$ millions

As at 30 Jun 2015					
	Non-bank private sector				Total claims
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	
<u>Counterparty country/jurisdiction</u>					
Developed countries	5,333	705	2,302	598	8,938
Offshore centres	4,277	9,622	1,409	113,635	128,943
- of which: Hong Kong	3,560	8,741	813	99,466	112,580
Developing Europe	-	-	32	40	72
Developing Latin America and Caribbean	-	-	-	-	-
Developing Africa and Middle East	1,031	130	396	284	1,841
Developing Asia and Pacific	27,020	1,667	2,275	10,911	41,873
- of which: China	20,159	1,667	2,115	9,407	33,348
International organisations	-	333	200	-	533
	37,661	12,457	6,614	125,468	182,200

As at 31 Dec 2014				
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Hong Kong	25,948	2,041	22,022	50,011
North and South America	911	548	2,122	3,581
Europe	5,672	-	359	6,031
	32,531	2,589	24,503	59,623

There are changes of reporting basis and the categorisation on the types of counterparties as required by the HKMA in 2015, hence the disclosures reported during the year of 2014 are not directly comparable.

33. 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 2015 and the corresponding comparative balances.

The Group did not have any structural foreign exchange position as at 30 June 2015 and 31 December 2014.

	At 30 June 2015				
	US dollars	Renminbi	Macau Pataca	Other foreign currencies	Total foreign currencies
Equivalent in HK\$ millions					
Spot assets	59,594	18,548	7,106	3,169	88,417
Spot liabilities	(22,973)	(18,431)	(8,511)	(7,518)	(57,433)
Forward purchases	16,300	7,145	-	6,511	29,956
Forward sales	(51,565)	(6,568)	-	(2,233)	(60,366)
Net long/ (short) position	<u>1,356</u>	<u>694</u>	<u>(1,405)</u>	<u>(71)</u>	<u>574</u>

	As at 31 December 2014					
	US dollars	Renminbi	Australian dollars	Macau Pataca	Other foreign currencies	Total foreign currencies
Equivalent in HK\$ millions						
Spot assets	57,240	25,030	1,275	6,894	1,874	92,313
Spot liabilities	(24,667)	(24,960)	(3,324)	(8,176)	(4,718)	(65,845)
Forward purchases	15,767	5,900	2,150	-	5,371	29,188
Forward sales	(47,028)	(5,559)	(146)	-	(2,523)	(55,256)
Net long/ (short) position	<u>1,312</u>	<u>411</u>	<u>(45)</u>	<u>(1,282)</u>	<u>4</u>	<u>400</u>

34. Capital adequacy ratio

	As at 30 Jun 2015	As at 31 Dec 2014
Capital adequacy ratio		
- Common Equity Tier 1 (“CET1”)	11.7%	11.4%
- Tier 1	11.7%	11.4%
- Total	16.2%	16.3%

The capital adequacy ratio as at 30 June 2015 and 31 December 2014 represents the consolidated position of the Bank (covering BCM and DSB China) computed on Basel III basis in accordance with the Banking (Capital) Rules. This capital adequacy ratio takes into account market risk and operational risk.

The Bank as a locally incorporated bank in Hong Kong 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 and is accessible at the following direct link:

www.dahsing.com/en/html/aboutus/regulatory_disclosures.html.

35. Liquidity maintenance ratio/ liquidity ratio

	Six months ended 30 Jun 2015	Six months ended 30 Jun 2014	Year ended 31 Dec 2014
Liquidity maintenance ratio	39.0%	n/a	n/a
Liquidity ratio	n/a	46.6%	45.3%

Liquidity risk is the risk that the Group is unable to fund increases in assets or meet its payment obligations associated with its financial liabilities when they fall due without incurring unacceptable loss.

The Group manages its liquidity on a prudent basis with the objective to comply with the statutory standard and to ensure that there is an adequate liquidity and funding capacity to meet normal business operations and to withstand a prolonged period of liquidity stress of not less than a month. Starting from 1 January 2015, the Group has adopted the Liquidity Maintenance Ratio (“LMR”) introduced by the HKMA to replace the liquidity ratio as a regulatory standard as part of the implementation of Basel III liquidity regime in Hong Kong. During the period, the Group had maintained a sufficiently high LMR well above the statutory minimum of 25%.

The Group continues to adopt the liquidity risk management process as set out in Note 3.4 of the Group’s annual audited financial statements for the year ended 31 December 2014.

The LMR and liquidity ratio are calculated as the simple average of each calendar month’s average consolidated liquidity ratio of the Bank (covering BCM and DSB China) for the six/ twelve months of the financial year. The LMRs are computed in accordance with the Banking (Liquidity) Rules effective from 1 January 2015. The liquidity ratios are computed with reference to the methods set out in the Fourth Schedule of the Hong Kong Banking Ordinance prior to 2015 and the ratios of the Group are calculated for reference only.

The Bank as a locally incorporated bank in Hong Kong is subject to the liquidity requirement under the Hong Kong Banking Ordinance. BCM is subject to Macau banking regulations and DSB China is subject to China banking regulations.

36. Leverage ratio

	As at 30 Jun 2015	As at 31 Dec 2014
Leverage ratio	<u>7.9%</u>	<u>n/a</u>

The disclosure on leverage ratio is effective since 31 March 2015 and is computed on the consolidated basis as specified in a notice from the HKMA in accordance with section 3C of the Banking (Capital) Rules.

For the purposes of compliance with the Banking (Disclosure) Rules, additional information relating to the Group's leverage ratio and other related disclosures is published in the Bank's website at www.dahsing.com and is accessible at the following direct link:

www.dahsing.com/en/html/aboutus/regulatory_disclosures.html.

FINANCIAL RATIOS

	Six months ended 30 Jun 2015	Six months ended 30 Jun 2014
Net interest income/ operating income	70.2%	74.0%
Cost to income ratio	48.2%	51.3%
Return on average total assets (annualised)	1.3%	1.2%
Return on average shareholders' funds (annualised)	11.6%	11.1%
Net interest margin	1.76%	1.80%
	As at 30 Jun 2015	As at 31 Dec 2014
Loan to deposit ratio	72.4%	70.5%

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

Global economic growth remained relatively lackluster in the first half of the year. Local market conditions in Hong Kong were also relatively subdued, with weakness in trade and the local retail sector experienced. Mainland China also experienced relatively slower economic growth, whilst the downturn in Macau was more severe, particularly in the gaming sector. Equity market volatility in the Hong Kong and China markets was pronounced, and the market awaits potential changes in US interest rates in the second half of the year. Local market liquidity conditions remained benign, against a market backdrop of modest loan growth.

Against this relatively challenging background, we are pleased to announce that our profit attributable to shareholders for the first half of 2015 increased by 17.4% to HK\$1,186 million, a record level for the Group. The increase in profit was driven mainly by our wholly owned operations in Hong Kong, Mainland China and Macau, which in aggregate reported an increase in operating profit after impairment losses of 31.9% to HK\$983 million. Our associated company, Bank of Chongqing (“BOCQ”), performed well over the period, bringing to us a 9% growth in its contribution to our profit.

BUSINESS AND FINANCIAL REVIEW

The key business trends during the first half of the year were strong fee and commission income growth, modest loan growth and a steady net interest margin. Our net fee and commission income grew by 29%, with strong performances from our wealth management business, including our local Hong Kong broking business, as well as from FX and other treasury products for both our retail and commercial customers. Loan growth was modest at 2.9%, but with a stable net interest margin, and a relatively higher loan balance at the start of 2015 compared with 2014, due to stronger loan growth in the prior year, net interest income recorded a respectable rate of growth of 8.2%.

Operating expenses were well controlled with growth over the first half of 2014 of 7.2%, well below the growth in income over the same period. Despite the relatively challenging economic conditions described above, overall credit quality remained benign, with a slight drop in total impairment charges compared with the same period in the prior year.

Bank of Chongqing announced in late June 2015 its conditional agreement with a number of prospective investors on a share placement transaction seeking to raise new equity via issuing new H shares by way of a placing (the “Placing”). The proposed new share issue and the share placement transaction were approved by BOCQ shareholders in a recent shareholders’ meeting. BOCQ is proceeding to procure the other required regulatory approvals to allow the Placing to complete. The Group is not party to the Placing and the Group’s interest in BOCQ will be diluted from the existing 16.95% to 13.05% when the Placing is completed, which will cause a recognition of a deemed disposal of part of the Group’s shareholding in BOCQ. With the issue price of the Placing being lower than the net asset value per share of BOCQ, the dilution in the Group’s interest in BOCQ will result in a loss in the carrying value of the Group’s investment in BOCQ. As it is currently anticipated that the Placing will be completed, a provision of HK\$32 million for the estimated loss on the reduction in the shareholding interest held by the Group in BOCQ has been recognised in our results in the period.

There were no other material exceptional items during the first half of the year.

The improved results in the first half of the year resulted in improvement in a number of key financial performance indicators:

- Return on assets was up from 1.2% to 1.3% during the period
- ROE was up from 11.1% to 11.6%
- Cost to income ratio was down from 51.3% to 48.2%

As at 30 June 2015, the Group’s Common Equity Tier 1 ratio was 11.7%, up by 0.3% compared with the end of last year, driven by slower asset growth coupled with higher retained earnings, as no additional capital raising was undertaken during the period. Total capital adequacy ratio was 16.2%, broadly similar to 16.3% as at the end of last year despite positive impact as mentioned above, mainly due to the phase out of a portion of the non-Basel III compliant subordinated debts as eligible Tier 2 capital base under the regulatory capital transitional arrangement.

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) in due course.

INTERIM DISCLOSURE STATEMENT AND STATEMENT OF COMPLIANCE

This interim financial disclosure statement for the six months ended 30 June 2015 is the Interim Disclosure Statement of the Bank prepared in accordance with the requirements set out in the Banking (Disclosure) (Amendment) Rules 2015 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, 25 August 2015