

# Dah Sing Bank, Limited



## ANNOUNCEMENT OF 2020 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 2020.

### UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

HK\$'000	Note	2020	2019	Variance %
Interest income	3	3,432,772	3,691,486	
Interest expense	3	(1,583,835)	(1,658,987)	
<b>Net interest income</b>		<b>1,848,937</b>	<b>2,032,499</b>	(9.0)
Fee and commission income	4	677,348	726,492	
Fee and commission expense	4	(99,134)	(149,849)	
<b>Net fee and commission income</b>		<b>578,214</b>	<b>576,643</b>	0.3
Net trading income	5	150,644	10,515	
Other operating income	6	35,895	35,105	
<b>Operating income</b>		<b>2,613,690</b>	<b>2,654,762</b>	(1.5)
Operating expenses	7	(1,396,576)	(1,376,441)	1.5
<b>Operating profit before impairment losses</b>		<b>1,217,114</b>	<b>1,278,321</b>	(4.8)
Credit impairment losses	8	(365,193)	(91,360)	299.7
<b>Operating profit before gains and losses on certain investments and fixed assets</b>		<b>851,921</b>	<b>1,186,961</b>	(28.2)
Net loss on disposal of other fixed assets		(2,867)	(2,521)	
Net gain/ (loss) on disposal of financial assets at fair value through other comprehensive income		11,594	(24)	
Share of results of an associate		411,759	410,860	
Impairment loss on investment in an associate	9	(200,000)	(70,000)	
Share of results of jointly controlled entities		13,580	12,499	
<b>Profit before taxation</b>		<b>1,085,987</b>	<b>1,537,775</b>	(29.4)
Taxation	10	(149,046)	(194,218)	
<b>Profit for the period</b>		<b>936,941</b>	<b>1,343,557</b>	(30.3)
<b>Dividend</b>				
Interim dividend		112,840	182,900	

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

For the six months ended 30 June

HK\$'000	2020	2019
<b>Profit for the period</b>	<b>936,941</b>	<b>1,343,557</b>
<b>Other comprehensive income for the period</b>		
Items that may be reclassified to the consolidated income statement:		
Investments in securities		
Net change in fair value of debt instruments at fair value through other comprehensive income	(540,825)	344,162
Net change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	4,414	5,959
Net (gain)/ loss realised and transferred to income statement upon:		
- Disposal of debt instruments at fair value through other comprehensive income	(11,594)	24
Deferred income tax related to the above	88,937	(45,626)
	<b>(459,068)</b>	<b>304,519</b>
Exchange differences arising on translation of the financial statements of foreign entities	(128,685)	(18,228)
Items that will not be reclassified to the consolidated income statement:		
Net change in fair value of equity instruments at fair value through other comprehensive income	4,181	1,842
Deferred income tax related to the above	1,603	(300)
	<b>5,784</b>	<b>1,542</b>
Other comprehensive (loss)/ income for the period, net of tax	<b>(581,969)</b>	<b>287,833</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>354,972</b>	<b>1,631,390</b>

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

HK\$'000	Note	As at 30 Jun 2020	As at 31 Dec 2019
<b>ASSETS</b>			
Cash and balances with banks		17,800,395	17,642,131
Placements with banks maturing between one and twelve months		6,207,624	5,494,972
Trading securities	11	7,356,540	8,387,953
Financial assets at fair value through profit or loss	11	-	328,768
Derivative financial instruments	12	602,904	567,816
Advances and other accounts	13	147,502,692	145,035,203
Financial assets at fair value through other comprehensive income	15	44,109,810	42,163,205
Financial assets at amortised cost	16	21,279,469	15,644,389
Investment in an associate	9	3,841,036	3,888,775
Investments in jointly controlled entities		109,943	96,363
Goodwill		811,690	811,690
Intangible assets		58,252	58,252
Premises and other fixed assets	17	2,764,334	2,814,303
Investment properties	18	1,208,641	1,208,641
Deferred income tax assets	23	194,903	115,216
<b>Total assets</b>		<b>253,848,233</b>	<b>244,257,677</b>
<b>LIABILITIES</b>			
Deposits from banks		4,697,208	2,465,069
Derivative financial instruments	12	2,940,347	1,093,028
Trading liabilities		4,691,047	5,516,558
Deposits from customers	19	188,615,736	183,544,477
Certificates of deposit issued	20	8,388,218	6,750,825
Subordinated notes	21	3,860,820	5,510,181
Other accounts and accruals	22	12,407,702	10,805,338
Current income tax liabilities		285,549	470,748
Deferred income tax liabilities	23	13,848	17,293
<b>Total liabilities</b>		<b>225,900,475</b>	<b>216,173,517</b>
<b>EQUITY</b>			
Share capital		6,200,000	6,200,000
Other reserves (including retained earnings)	24	20,849,171	20,985,573
<b>Shareholders' funds</b>		<b>27,049,171</b>	<b>27,185,573</b>
<b>Additional equity instruments</b>		<b>898,587</b>	<b>898,587</b>
<b>Total equity</b>		<b>27,947,758</b>	<b>28,084,160</b>
<b>Total equity and liabilities</b>		<b>253,848,233</b>	<b>244,257,677</b>

**Dah Sing Bank, Limited**

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2020

HK\$'000	Attributable to the Shareholders of the Bank			Additional equity instruments	Total equity
	Share capital	Other reserves	Retained earnings		
<b>Balance at 1 January 2020</b>	<b>6,200,000</b>	<b>1,002,061</b>	<b>19,983,512</b>	<b>898,587</b>	<b>28,084,160</b>
Profit for the period	-	-	936,941	-	936,941
Other comprehensive loss for the period	-	(581,969)	-	-	(581,969)
Provision for equity-settled share-based compensation	-	479	-	-	479
Reclassification of net change in fair value of equity instruments at fair value through other comprehensive income upon derecognition net of tax	-	(13,853)	13,853	-	-
Distribution payment of additional equity instruments	-	-	(20,653)	-	(20,653)
2019 final dividend	-	-	(471,200)	-	(471,200)
<b>Balance at 30 June 2020</b>	<b>6,200,000</b>	<b>406,718</b>	<b>20,442,453</b>	<b>898,587</b>	<b>27,947,758</b>

HK\$'000	Attributable to the Shareholders of the Bank			Additional equity instruments	Total equity
	Share capital	Other reserves	Retained earnings		
Balance at 1 January 2019	6,200,000	812,021	18,455,241	898,587	26,365,849
Changes on initial application of HKFRS 16	-	-	(9,817)	-	(9,817)
Restated balance at 1 January 2019	6,200,000	812,021	18,445,424	898,587	26,356,032
Profit for the period	-	-	1,343,557	-	1,343,557
Other comprehensive income for the period	-	287,833	-	-	287,833
Provision for equity-settled share-based compensation	-	842	-	-	842
Distribution payment of additional equity instruments	-	-	(20,857)	-	(20,857)
2018 final dividend	-	-	(452,600)	-	(452,600)
Balance at 30 June 2019	6,200,000	1,100,696	19,315,524	898,587	27,514,807

**Dah Sing Bank, Limited****UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June

HK\$'000	2020	2019
<b>Cash flows from operating activities</b>		
Cash generated from operations	4,208,284	2,204,338
Interest paid on certificates of deposit issued	(80,730)	(91,022)
Hong Kong profits tax paid	(328,440)	(459,957)
Overseas tax paid	(21)	-
Net cash from operating activities	<u>3,799,093</u>	<u>1,653,359</u>
<b>Cash flows from investing activities</b>		
Purchase of other fixed assets	(49,463)	(43,642)
Proceeds from disposal of other fixed assets	28	131
Net cash used in investing activities	<u>(49,435)</u>	<u>(43,511)</u>
<b>Cash flows from financing activities</b>		
Issue of subordinated notes	-	1,753,426
Repayment of subordinated notes	(1,746,731)	(1,765,339)
Distribution payment of additional equity instrument	(20,653)	(20,857)
Principal elements of lease payments	(91,035)	(95,884)
Interest paid on subordinated notes and debt securities issued	(143,694)	(145,996)
Dividend paid on ordinary shares	(471,200)	(452,600)
Net cash used in financing activities	<u>(2,473,313)</u>	<u>(727,250)</u>
<b>Net increase in cash and cash equivalents</b>	<b>1,276,345</b>	<b>882,598</b>
Cash and cash equivalents at beginning of the period	24,422,893	15,417,604
Effect of foreign exchange rate changes	(143,494)	(8,595)
<b>Cash and cash equivalents at end of the period</b>	<b><u>25,555,744</u></b>	<b><u>16,291,607</u></b>
Analysis of the balance of cash and cash equivalents:		
Cash and balances with banks	3,310,022	2,096,313
Money at call and short notice with an original maturity within three months	13,646,754	11,411,481
Treasury bills included in financial assets at fair value through profit or loss	3,042,551	834,668
Treasury bills included in financial assets at fair value through other comprehensive income	4,699,034	498,717
Placements with banks with an original maturity within three months	857,383	1,450,428
	<u>25,555,744</u>	<u>16,291,607</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, Everbright 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 2020 interim consolidated financial statements does not constitute statutory financial statements.

Certain financial information in the 2020 interim consolidated financial statements is extracted from the statutory financial statements for the year ended 31 December 2019 (the “2019 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 Hong Kong Companies Ordinance, and the Hong Kong Monetary Authority (“HKMA”).

The auditor’s report on the 2019 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 Hong Kong Companies Ordinance.

**Basis of preparation and accounting policies**

Except as described below, the accounting policies and methods of computation used in the preparation of the 2020 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 2019.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, and the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The following amendments to accounting standards are applicable for annual reporting periods commencing on or after 1 January 2020:

- Definition of Material – amendments to Hong Kong Accounting Standard (“HKAS”) 1 and HKAS 8
- Definition of a Business – amendments to Hong Kong Financial Reporting Standard (“HKFRS”) 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7

Amendments made to HKFRS 9, “Financial Instruments”, HKAS 39, “Financial Instruments: Recognition and Measurement” and HKFRS 7, “Financial Instruments: Disclosures” provide certain reliefs in relation to interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving interbank offered rates (IBOR)-based contracts, the reliefs will affect companies in all industries.

**2. Unaudited financial statements and accounting policies (Continued)**

**Basis of preparation and accounting policies (Continued)**

There are no other HKFRSs or interpretations that are effective from 1 January 2020 or not yet effective that would be expected to have a material impact on the Group.

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 2020.

These interim condensed consolidated financial statements have not been audited.

**3. Net interest income**

For the six months ended 30 June

	2020	2019
<b>Interest income</b>		
Cash and balances with banks	153,399	255,189
Investments in securities	792,749	866,836
Advances and other accounts	2,486,624	2,569,461
	<u>3,432,772</u>	<u>3,691,486</u>
<b>Interest expense</b>		
Deposits from banks/ Deposits from customers	1,384,542	1,360,090
Certificates of deposit issued	68,984	75,280
Subordinated notes	84,762	149,997
Lease liabilities	5,653	7,075
Others	39,894	66,545
	<u>1,583,835</u>	<u>1,658,987</u>
<b>Included within interest income</b>		
- Trading securities and financial assets at fair value through profit or loss	47,621	70,048
- Financial assets at fair value through other comprehensive income	604,044	1,017,066
- Financial assets at amortised cost	2,781,107	2,604,372
	<u>3,432,772</u>	<u>3,691,486</u>
<b>Included within interest expense</b>		
- Financial liabilities not at fair value through profit or loss	1,545,982	1,603,164
	<u>1,545,982</u>	<u>1,603,164</u>

**Dah Sing Bank, Limited****4. Net fee and commission income**

For the six months ended 30 June

	2020	2019
<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	83,576	95,446
- Trade finance	36,214	44,040
- Credit card	125,713	174,101
Other fee and commission income		
- Securities brokerage	82,436	54,460
- Insurance distribution and others	161,294	167,827
- Retail investment and wealth management services	126,052	131,446
- Bank services and handling fees	32,335	32,517
- Other fees	29,728	26,655
	<u>677,348</u>	<u>726,492</u>
<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	94,059	138,109
- Other fees paid	5,075	11,740
	<u>99,134</u>	<u>149,849</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

	2020	2019
Net gain/ (loss) arising from dealing in foreign currencies	123,732	(1,239)
Net gain on trading securities	9,147	7,346
Net loss from derivatives entered into for trading purpose	(2,024)	(2,959)
Net gain arising from financial instruments subject to fair value hedge	12,669	6,029
Net gain on financial instruments at fair value through profit or loss	7,120	1,338
	<u>150,644</u>	<u>10,515</u>



**Dah Sing Bank, Limited****6. Other operating income**

For the six months ended 30 June

	2020	2019
Dividend income from investments in equity instruments at fair value through other comprehensive income, held at the end of the period		
- Listed investments	1,410	1,154
- Unlisted investments	2,891	2,910
Gross rental income from investment properties	13,333	13,509
Other rental income	7,446	6,538
Others	10,815	10,994
	<u>35,895</u>	<u>35,105</u>

**7. Operating expenses**

For the six months ended 30 June

	2020	2019
Employee compensation and benefit expenses (including directors' remuneration)	990,132	943,942
Premises and other fixed assets expenses, excluding depreciation	85,413	89,149
Depreciation		
- Premises and other fixed assets (Note 17(a))	92,965	99,764
- Right-of-use properties	91,180	90,880
Advertising and promotion costs	41,739	44,671
Printing, stationery and postage	21,266	22,668
Others	73,881	85,367
	<u>1,396,576</u>	<u>1,376,441</u>

**8. Credit impairment losses**

For the six months ended 30 June

	2020	2019
New allowances net of allowance releases	407,954	123,206
Recoveries of amounts previously written off	<u>(42,761)</u>	<u>(31,846)</u>
	<u>365,193</u>	<u>91,360</u>
Attributable to:		
- Advances to customers	336,289	87,342
- Other financial assets	27,708	8,826
- Loan commitments and financial guarantees	1,196	(4,808)
	<u>365,193</u>	<u>91,360</u>

**9. Impairment loss on investment in an associate**

At 30 June 2020, the fair value of the Group's investment in Bank of Chongqing ("BOCQ") had been below the carrying amount for approximately 6.5 years. On this basis, the Group continues to perform impairment test on the carrying amount of the investment in BOCQ to assess the recoverable amount.

The impairment test is performed by comparing the recoverable amount of BOCQ, determined by a value in use ("VIU") calculation, with the carrying amount of the investment. The VIU calculation uses discounted cash flow projections based on management's estimates of BOCQ's earnings and dividends to be paid in future, and the estimated probable exit value in future after considering the growth of BOCQ and its net asset value for the medium and longer term. The discount rate applied to the VIU calculation was estimated with reference to BOCQ's cost of equity, which is publicly available in the market.

In performing the VIU calculation to arrive at the recoverable amount of the investment, the Group considers all relevant factors including market views and qualitative factors to ensure that the inputs to the VIU calculation are appropriate. Adjustments need to be made to reflect the latest situation affecting BOCQ and also market outlook for the medium and longer term that are relevant in projecting BOCQ's future performance. Significant management judgement is required in estimating the future cash flows of BOCQ.

Based on the assessment conducted for the position up to 31 December 2019, the recoverable amount, as determined by the VIU calculation and after considering all relevant factors and valuation assumptions, remained below the carrying amount, and a cumulative impairment charge at HK\$1,735 million had been recognised. The latest impairment test performed by the Group for the position as at 30 June 2020 concludes that the recoverable amount, based on the VIU calculation, is assessed as lower than the carrying amount, after deducting the cumulative impairment allowance made up to 31 December 2019 of HK\$1,735 million, by HK\$200 million. As a result, an additional impairment charge of HK\$200 million was recognised in the first half of 2020 to reduce the value of the investment to HK\$3,841 million.

The calculation of the Bank's capital adequacy does not include the retained earnings from this investment (the "Investment"), except for BOCQ cash dividend received by the Bank. Provided that the Investment continues to be held at or above the original cost of the investment of HK\$1,213 million, impairment made on the Investment does not affect the Bank's capital adequacy.

**10. Taxation**

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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

	2020	2019
Current income tax		
- Hong Kong profits tax	137,794	174,756
- Overseas taxation	5,468	15,270
Deferred income tax		
- Origination and reversal of temporary differences	<u>5,784</u>	<u>4,192</u>
Taxation	<u>149,046</u>	<u>194,218</u>

**11. Trading securities and financial assets at fair value through profit or loss**

	As at 30 Jun 2020	As at 31 Dec 2019
Trading securities:		
Debt securities:		
- Listed in Hong Kong	98,037	20,681
- Unlisted	<u>7,258,503</u>	<u>8,367,272</u>
	<u>7,356,540</u>	<u>8,387,953</u>
Financial assets at fair value through profit or loss:		
Debt securities:		
- Unlisted	<u>-</u>	<u>328,768</u>
Total	<u>7,356,540</u>	<u>8,716,721</u>
Included within debt securities are:		
- Treasury bills which are cash equivalents	3,042,551	1,606,484
- Other treasury bills	4,236,698	6,781,469
- Other debt securities issued by:		
- Corporate entities	<u>77,291</u>	<u>328,768</u>
	<u>7,356,540</u>	<u>8,716,721</u>

As at 30 June 2020 and 31 December 2019, there were no certificates of deposit held included in the above balances.

**12. Derivative financial instruments**

The notional principal amounts of outstanding derivatives contracts and their fair values as at 30 June 2020 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	122,764,772	326,101	(260,017)
Currency options purchased and written	13,675,852	18,949	(18,650)
b) <i>Interest rate derivatives</i>			
Interest rate swaps	4,755,158	48,169	(42,817)
Interest rate options purchased and written	-	-	-
c) <i>Equity derivatives</i>			
Equity options purchased and written	269,125	7,277	(7,277)
Total derivative assets/ (liabilities) held for trading	<u>141,464,907</u>	<u>400,496</u>	<u>(328,761)</u>
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	41,132,372	202,408	(2,611,586)
Total derivative assets/ (liabilities) held for hedging	<u>41,132,372</u>	<u>202,408</u>	<u>(2,611,586)</u>
Total recognised derivative financial assets/ (liabilities)	<u>182,597,279</u>	<u>602,904</u>	<u>(2,940,347)</u>

12. Derivative financial instruments (Continued)

The notional principal amounts of outstanding derivatives contracts and their fair values as at 31 December 2019 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	85,980,290	427,242	(346,656)
Currency options purchased and written	8,583,805	11,034	(10,733)
b) <i>Interest rate derivatives</i>			
Interest rate swaps	4,476,095	17,185	(10,537)
Interest rate options purchased and written	674,220	-	(240)
c) <i>Equity derivatives</i>			
Equity options purchased and written	265,264	2,191	(2,190)
Total derivative assets/ (liabilities) held for trading	99,979,674	457,652	(370,356)
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	38,285,505	110,164	(722,672)
Total derivative assets/ (liabilities) held for hedging	38,285,505	110,164	(722,672)
Total recognised derivative financial assets/ (liabilities)	138,265,179	567,816	(1,093,028)

The credit risk weighted amounts of the above off-balance sheet exposures, before taking into account the effect of bilateral netting arrangements that the Group entered into, are as follows:

	As at 30 Jun 2020	As at 31 Dec 2019
Exchange rate contracts		
Forward and futures contracts	668,128	569,901
Currency options purchased	248,844	151,869
Interest rate contracts		
Interest rate swaps	88,634	62,922
Interest rate options	-	1,686
Other contracts	13,310	8,854
	<b>1,018,916</b>	<b>795,232</b>

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.

**Dah Sing Bank, Limited**
**13. Advances and other accounts**

	As at 30 Jun 2020	As at 31 Dec 2019
Gross advances to customers	<b>138,236,396</b>	136,948,471
Less: impairment allowances		
- Stage 1	<b>(503,033)</b>	(474,635)
- Stage 2	<b>(168,271)</b>	(152,754)
- Stage 3	<b>(500,952)</b>	(381,197)
	<u><b>(1,172,256)</b></u>	<u>(1,008,586)</u>
	<u><b>137,064,140</b></u>	<u>135,939,885</u>
Trade bills	<b>3,115,022</b>	3,393,863
Less: impairment allowances		
- Stage 1	<b>(3,251)</b>	(1,982)
- Stage 2	<b>(27)</b>	(7)
	<u><b>(3,278)</b></u>	<u>(1,989)</u>
	<u><b>3,111,744</b></u>	<u>3,391,874</u>
Right-of-use assets (Note 17(b))	<u><b>246,818</b></u>	<u>413,967</u>
Other assets		
- Accounts receivable arising from sale of securities pending for settlement	<b>85,872</b>	-
- Accounts receivable and prepayments	<b>5,837,439</b>	3,988,929
- Accrued income	<b>944,525</b>	1,099,930
- Others	<b>236,206</b>	219,179
	<u><b>7,104,042</b></u>	<u>5,308,038</u>
Less: impairment allowances		
- Stage 1	<b>(10,180)</b>	(8,496)
- Stage 2	<b>(728)</b>	(598)
- Stage 3	<b>(13,144)</b>	(9,467)
	<u><b>(24,052)</b></u>	<u>(18,561)</u>
	<u><b>7,079,990</b></u>	<u>5,289,477</u>
Advances and other accounts	<u><b>147,502,692</b></u>	<u>145,035,203</u>

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

(a) Impaired, overdue and rescheduled assets

(i) Impaired loans

	As at 30 Jun 2020	As at 31 Dec 2019
Gross loans and advances	138,236,396	136,948,471
Less: total impairment allowances	<u>(1,172,256)</u>	<u>(1,008,586)</u>
Net	<u>137,064,140</u>	<u>135,939,885</u>
Credit-impaired loans and advances	1,410,390	1,049,226
Less: Stage 3 impairment allowances	<u>(500,952)</u>	<u>(381,197)</u>
Net	<u>909,438</u>	<u>668,029</u>
Fair value of collaterals held *	<u>829,723</u>	<u>590,496</u>
Credit-impaired loans and advances as a % of total loans and advances to customers	<u>1.02%</u>	<u>0.77%</u>

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

(ii) Gross amount of overdue loans

	As at 30 Jun 2020		As at 31 Dec 2019	
	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	115,125	0.08	180,317	0.13
- one year or less but over six months	279,578	0.20	250,661	0.18
- over one year	<u>519,620</u>	<u>0.38</u>	<u>318,703</u>	<u>0.23</u>
	<u>914,323</u>	<u>0.66</u>	<u>749,681</u>	<u>0.54</u>
Represented by:				
- Secured overdue advances	676,567		578,446	
- Unsecured overdue advances	<u>237,756</u>		<u>171,235</u>	
Market value of securities held against the secured overdue advances	<u>1,003,393</u>		<u>885,515</u>	
Stage 3 impairment allowances	<u>327,084</u>		<u>226,415</u>	

Collateral held mainly represented pledged deposits, mortgages over properties and charges over other fixed assets such as equipment.

13. Advances and other accounts (Continued)

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

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

	As at 30 Jun 2020	% of total	As at 31 Dec 2019	% of total
Advances to customers	<u>386,030</u>	<u>0.28</u>	<u>270,909</u>	<u>0.20</u>
Stage 3 impairment allowances	<u>136,762</u>		<u>112,734</u>	

(iv) Trade bills

	As at 30 Jun 2020	As at 31 Dec 2019
Trade bills which have been overdue for:		
- one year or less but over six months	-	11,907
- over one year	<u>7,894</u>	<u>-</u>
	<u>7,894</u>	<u>11,907</u>
Stage 3 impairment allowances	<u>-</u>	<u>-</u>

The overdue trade bills are fully secured.

(b) Repossessed collateral

Repossessed collateral held is as follows:

Nature of assets	As at 30 Jun 2020	As at 31 Dec 2019
Repossessed properties	244,708	287,397
Others	<u>26,459</u>	<u>7,782</u>
	<u>271,167</u>	<u>295,179</u>

Repossessed collaterals are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness of the borrowers concerned.

Certain other properties in the Mainland China with a total estimated realisable value of HK\$58,045,000 (31 December 2019: HK\$59,274,000), which had been foreclosed and repossessed by the Group pursuant to orders issued by courts in the Mainland China, represent assets held by the Group for resale and have been reported under "Other assets". The relevant loans had been derecognised.



## Dah Sing Bank, Limited

### 14. Loss allowance

The tables below provide a reconciliation of the Group's ECL allowances for loans and advances to customers, loan commitments and financial guarantees by stage under HKFRS 9.

	Stage 1 ECL allowance	Stage 2 ECL allowance	Stage 3 ECL allowance	Total ECL allowance
<b>At 1 January 2020</b>	<b>614,722</b>	<b>161,309</b>	<b>381,197</b>	<b>1,157,228</b>
Transfers:				
Transfer from Stage 1 to Stage 2	(17,122)	29,408	-	12,286
Transfer from Stage 1 to Stage 3	(15,257)	-	185,594	170,337
Transfer from Stage 2 to Stage 1	5,636	(14,101)	-	(8,465)
Transfer from Stage 2 to Stage 3	-	(25,960)	128,088	102,128
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
New financial assets originated, purchased or derecognised during the period	71,501	(8,024)	(12,502)	50,975
Changes in PDs/ LGDs/ EADs/ forward looking assumptions	(29,291)	29,910	30,593	31,212
Unwind of discount	17,542	1,760	2,822	22,124
Write-offs	-	-	(214,200)	(214,200)
Foreign exchange and other movements	(709)	(181)	(640)	(1,530)
<b>At 30 June 2020</b>	<b>647,022</b>	<b>174,121</b>	<b>500,952</b>	<b>1,322,095</b>
In respect of:				
Advances to customers	503,033	168,271	500,952	1,172,256
Loan commitments and financial guarantees	143,989	5,850	-	149,839
	<b>647,022</b>	<b>174,121</b>	<b>500,952</b>	<b>1,322,095</b>
<b>At 1 January 2019</b>	<b>563,307</b>	<b>133,876</b>	<b>363,007</b>	<b>1,060,190</b>
Transfers:				
Transfer from Stage 1 to Stage 2	(10,526)	42,802	-	32,276
Transfer from Stage 1 to Stage 3	(21,630)	-	328,598	306,968
Transfer from Stage 2 to Stage 1	4,162	(11,094)	-	(6,932)
Transfer from Stage 2 to Stage 3	-	(10,167)	54,832	44,665
Transfer from Stage 3 to Stage 2	-	2	(3,923)	(3,921)
Transfer from Stage 3 to Stage 1	209	-	(581)	(372)
New financial assets originated, purchased or derecognised during the period	115,320	11,977	(29,367)	97,930
Changes in PDs/ LGDs/ EADs/ forward looking assumptions	(35,927)	(7,521)	26,981	(16,467)
Unwind of discount	202	1,591	62	1,855
Write-offs	-	-	(357,860)	(357,860)
Foreign exchange and other movements	(395)	(157)	(552)	(1,104)
<b>At 31 December 2019</b>	<b>614,722</b>	<b>161,309</b>	<b>381,197</b>	<b>1,157,228</b>
In respect of:				
Advances to customers	474,635	152,754	381,197	1,008,586
Loan commitments and financial guarantees	140,087	8,555	-	148,642
	<b>614,722</b>	<b>161,309</b>	<b>381,197</b>	<b>1,157,228</b>

Abbreviations used:

PD	Probability of default
LGD	Loss given default
EAD	Exposures at default
ECL	Expected credit loss

**14. Loss allowance (Continued)**

**Expected credit loss measurement**

The basic methodologies of the Group for measuring and assessing impairment and impairment allowances required for ECL of its credit exposures remain as those set out in Note 3.2.2 of the Group's annual audited financial statements for the year ended 31 December 2019. To recap, ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the probability of default ("PD"), exposures at default, and loss given default.

In the six months to 30 June 2020, the COVID-19 pandemic had led to rapid deterioration in business conditions and unprecedented economic uncertainty globally and a higher difficulty in determining ECL calculations, which require the consideration of various forward-looking economic parameters and forecasts, and the likely evolution of credit risk and default. Against this background, the Group undertook additional assessment and risk management procedures in the measurement of ECL for the first half of 2020 as discussed below.

Estimation of PDs for the ECL models

Noting that the PDs derived statistically from the Group's ECL models have become excessively volatile as a result of the abrupt movement in some of the macroeconomic forecasts used for generating those estimates, the Group has taken a longer term perspective in estimating PD for the upcoming years for selected segments of the credit portfolio. The resultant estimates of required ECL allowances are compared with the results of credit portfolio review and scenario analyses, and with due regard to the impact of COVID-19 on different industries and the mitigating effects of the relief measures offered by the Hong Kong Government and the Group.

Ongoing risk management procedures

In addition, the Group increased the frequency of review of loan accounts in the early warning list and carried out proactive and ongoing identification of industries and economic sectors severely affected by COVID-19 or the general economic downturn. The Group continued its review on loan portfolios with higher potential risk of default.

Forward-looking information incorporated in the ECL models

The forward-looking assumptions shown below have been updated to reflect the market conditions as at 30 June 2020 and the Group's forecast. The probability weightings assigned to each economic scenario, "base", "good" and "bad" as at 30 June 2020 and 31 December 2019, were 70%, 10% and 20% respectively.

The Group expects the impact of the COVID-19 pandemic to cause a major setback to the Hong Kong economy in 2020, although a potential rebound in the economy in 2021 is currently anticipated.

14. Loss allowance (Continued)

Expected credit loss measurement (Continued)

Forward-looking information incorporated in the ECL models (Continued)

Economic variable assumptions

Significant period-end assumptions used for the ECL estimate are set out as below.

<b>As at 30 June 2020</b>		<b>Average of 5-Year Forward-Looking</b>	<b>One-Year Forward-Looking</b>
Hong Kong GDP Growth Rate (%)	Base	<b>1.8%</b>	<b>-0.9%</b>
	Good	<b>2.9%</b>	<b>4.8%</b>
	Bad	<b>1.3%</b>	<b>-5.9%</b>
Hong Kong Residential Property Price Index Change (%)	Base	<b>5.6%</b>	<b>2.5%</b>
	Good	<b>12.1%</b>	<b>11.1%</b>
	Bad	<b>-15.5%</b>	<b>-32.5%</b>
Hong Kong Unemployment Rate (%)	Base	<b>3.9%</b>	<b>5.1%*</b>
	Good	<b>3.1%</b>	<b>3.1%*</b>
	Bad	<b>6.0%</b>	<b>5.9%*</b>
<b>As at 31 December 2019</b>		<b>Average of 5-Year Forward-Looking</b>	<b>One-Year Forward-Looking</b>
Hong Kong GDP Growth Rate (%)	Base	1.6%	-1.3%
	Good	2.9%	4.8%
	Bad	1.3%	-5.9%
Hong Kong Residential Property Price Index Change (%)	Base	4.3%	1.2%
	Good	12.1%	11.1%
	Bad	-15.5%	-32.5%
Hong Kong Unemployment Rate (%)	Base	3.5%	3.6%*
	Good	3.1%	3.1%*
	Bad	6.0%	5.9%*

\* These one-year forward-looking rates represent forecast average rates for one year.

14. Loss allowance (Continued)

Expected credit loss measurement (Continued)

Forward-looking information incorporated in the ECL models (Continued)

Sensitivity analysis

Set out below are the changes to the ECL that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions:

		ECL Impact As at 30 June 2020	
		Retail	Corporate
Unemployment rates	+1%	<b>33,487</b>	<b>40,172</b>
	-1%	<b>-6,364</b>	<b>-31,542</b>
GDP growth rates	+0.5%	<b>-1,899</b>	<b>-17,526</b>
	-0.5%	<b>1,943</b>	<b>18,998</b>
Property price indexes	+5%	<b>-2,363</b>	<b>-25,539</b>
	-5%	<b>2,942</b>	<b>30,112</b>

		ECL Impact As at 31 December 2019	
		Retail	Corporate
Unemployment rates	+1%	12,580	128,952
	-1%	-1,106	-65,802
GDP growth rates	+0.5%	-2,209	-15,239
	-0.5%	2,244	16,559
Property price indexes	+5%	-284	-22,035
	-5%	450	23,089

14. Loss allowance (Continued)

Expected credit loss measurement (Continued)

Analysis of credit risk exposure of financial instruments

The gross carrying/ notional amount of financial assets below shown also represents the Group's maximum exposure to credit risk on these assets.

Financial assets subject to impairment

At 30 June 2020

	Gross carrying/ notional amount			Total	ECL allowance	Net
	Pass	Special mention	Sub-standard or below			
Balance and placements with banks	<b>24,018,270</b>	-	-	<b>24,018,270</b>	<b>10,251</b>	<b>24,008,019</b>
- Stage 1	24,018,270	-	-	24,018,270	10,251	24,008,019
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Debt instruments at fair value through other comprehensive income	<b>42,477,597</b>	-	-	<b>42,477,597</b>	<b>31,770</b>	<b>42,445,827</b>
- Stage 1	42,477,597	-	-	42,477,597	31,770	42,445,827
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Debt instruments at amortised cost	<b>21,299,687</b>	-	-	<b>21,299,687</b>	<b>20,218</b>	<b>21,279,469</b>
- Stage 1	21,299,687	-	-	21,299,687	20,218	21,279,469
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Advances to customers	<b>135,868,248</b>	<b>957,758</b>	<b>1,410,390</b>	<b>138,236,396</b>	<b>1,172,256</b>	<b>137,064,140</b>
- Stage 1	128,565,296	-	-	128,565,296	503,033	128,062,263
- Stage 2	7,302,952	957,758	-	8,260,710	168,271	8,092,439
- Stage 3	-	-	1,410,390	1,410,390	500,952	909,438
Trade bills	<b>3,107,128</b>	-	<b>7,894</b>	<b>3,115,022</b>	<b>3,278</b>	<b>3,111,744</b>
- Stage 1	3,082,687	-	-	3,082,687	3,251	3,079,436
- Stage 2	24,441	-	-	24,441	27	24,414
- Stage 3	-	-	7,894	7,894	-	7,894
Accrued interest and other accounts	<b>7,039,021</b>	<b>5,715</b>	<b>59,305</b>	<b>7,104,041</b>	<b>24,052</b>	<b>7,079,989</b>
- Stage 1	7,022,576	-	-	7,022,576	10,180	7,012,396
- Stage 2	16,445	5,715	-	22,160	728	21,432
- Stage 3	-	-	59,305	59,305	13,144	46,161
Loan commitments and financial guarantees	<b>79,777,192</b>	<b>88,556</b>	<b>12</b>	<b>79,865,760</b>	<b>149,839</b>	<b>79,715,921</b>
- Stage 1	77,584,210	-	-	77,584,210	143,989	77,440,221
- Stage 2	2,192,982	88,556	-	2,281,538	5,850	2,275,688
- Stage 3	-	-	12	12	-	12
<b>Total</b>	<b>313,587,143</b>	<b>1,052,029</b>	<b>1,477,601</b>	<b>316,116,773</b>	<b>1,411,664</b>	<b>314,705,109</b>

**14. Loss allowance (Continued)**

**Expected credit loss measurement (Continued)**

Analysis of credit risk exposure of financial instruments (Continued)

At 31 December 2019

	Gross carrying/ notional amount			Total	ECL allowance	Net
	Pass	Special mention	Sub-standard or below			
Balance and placements with banks	23,139,527	-	-	23,139,527	2,424	23,137,103
- Stage 1	23,139,527	-	-	23,139,527	2,424	23,137,103
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Debt instruments at fair value through other comprehensive income	41,247,785	-	-	41,247,785	27,355	41,220,430
- Stage 1	41,247,785	-	-	41,247,785	27,355	41,220,430
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Debt instruments at amortised cost	15,655,922	-	-	15,655,922	11,533	15,644,389
- Stage 1	15,655,922	-	-	15,655,922	11,533	15,644,389
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
Advances to customers	134,885,092	1,014,153	1,049,226	136,948,471	1,008,586	135,939,885
- Stage 1	129,025,419	-	-	129,025,419	474,635	128,550,784
- Stage 2	5,859,673	1,014,153	-	6,873,826	152,754	6,721,072
- Stage 3	-	-	1,049,226	1,049,226	381,197	668,029
Trade bills	3,381,956	-	11,907	3,393,863	1,989	3,391,874
- Stage 1	3,356,669	-	-	3,356,669	1,982	3,354,687
- Stage 2	25,287	-	-	25,287	7	25,280
- Stage 3	-	-	11,907	11,907	-	11,907
Accrued interest and other accounts	5,244,203	4,118	59,717	5,308,038	18,561	5,289,477
- Stage 1	5,233,405	-	-	5,233,405	8,496	5,224,909
- Stage 2	10,798	4,118	-	14,916	598	14,318
- Stage 3	-	-	59,717	59,717	9,467	50,250
Loan commitments and financial guarantees	81,210,407	23,846	10,931	81,245,184	148,642	81,096,542
- Stage 1	78,548,873	-	-	78,548,873	140,087	78,408,786
- Stage 2	2,661,534	23,846	-	2,685,380	8,555	2,676,825
- Stage 3	-	-	10,931	10,931	-	10,931
<b>Total</b>	<b>304,764,892</b>	<b>1,042,117</b>	<b>1,131,781</b>	<b>306,938,790</b>	<b>1,219,090</b>	<b>305,719,700</b>

For the purpose of this disclosure, notional amount of debt instruments at FVOCI and the associated ECL allowance maintained in investment revaluation reserve are presented.

15. Financial assets at fair value through other comprehensive income

	As at 30 Jun 2020	As at 31 Dec 2019
Debt securities:		
- Listed in Hong Kong	15,688,913	16,470,818
- Listed outside Hong Kong	17,681,762	16,609,379
- Unlisted	10,637,089	8,970,021
	<u>44,007,764</u>	<u>42,050,218</u>
Equity securities:		
- Listed in Hong Kong	19,607	30,277
- Unlisted	82,439	82,710
	<u>102,046</u>	<u>112,987</u>
Total	<u>44,109,810</u>	<u>42,163,205</u>
Included within debt securities are:		
- Certificates of deposit held	343,035	114,099
- Treasury bills which are cash equivalents	4,699,034	4,496,472
- Other treasury bills	5,600,087	5,599,844
- Government bonds	123,315	118,594
- Other debt securities	33,242,293	31,721,209
	<u>44,007,764</u>	<u>42,050,218</u>
Financial assets at fair value through other comprehensive income are analysed by categories of issuers as follows:		
Debt securities:		
- Central governments and central banks	10,422,436	10,214,910
- Public sector entities	135,894	143,655
- Banks and other financial institutions	7,978,389	6,224,854
- Corporate entities	25,471,045	25,466,799
	<u>44,007,764</u>	<u>42,050,218</u>
Equity securities:		
- Corporate entities	102,046	112,987
	<u>44,109,810</u>	<u>42,163,205</u>

**Dah Sing Bank, Limited****16. Financial assets at amortised cost**

	As at 30 Jun 2020	As at 31 Dec 2019
Debt securities:		
- Listed in Hong Kong	7,591,927	4,531,678
- Listed outside Hong Kong	9,156,033	6,534,167
- Unlisted	4,551,727	4,590,077
	<u>21,299,687</u>	<u>15,655,922</u>
Less: impairment allowance		
- Stage 1	(20,218)	(11,533)
Total	<u>21,279,469</u>	<u>15,644,389</u>
Included within debt securities are:		
- Certificates of deposit held	1,263,481	1,451,302
- Treasury bills	1,957,793	2,225,843
- Government bonds	248,450	301,957
- Other debt securities	17,829,963	11,676,820
	<u>21,299,687</u>	<u>15,655,922</u>
Financial assets at amortised cost are analysed by categories of issuers as follows:		
- Central governments and central banks	2,206,243	2,527,800
- Public sector entities	108,519	75,294
- Banks and other financial institutions	7,102,845	5,954,650
- Corporate entities	11,879,627	7,095,725
- Others	2,453	2,453
	<u>21,299,687</u>	<u>15,655,922</u>



**Dah Sing Bank, Limited**

**17. Property, plant and equipment**

**(a) Premises and other fixed assets**

	Premises	Furniture, equipment and motor vehicles	Total
<b>Six months ended 30 June 2020</b>			
Opening net book amount	2,393,976	420,327	2,814,303
Additions	-	49,463	49,463
Disposals	-	(2,895)	(2,895)
Depreciation charge (Note 7)	(30,296)	(62,669)	(92,965)
Exchange difference	(2,251)	(1,321)	(3,572)
Closing net book amount	<u>2,361,429</u>	<u>402,905</u>	<u>2,764,334</u>
<b>At 30 June 2020</b>			
Cost	2,895,704	1,143,781	4,039,485
Accumulated depreciation	<u>(534,275)</u>	<u>(740,876)</u>	<u>(1,275,151)</u>
Net book amount	<u>2,361,429</u>	<u>402,905</u>	<u>2,764,334</u>
<b>Year ended 31 December 2019</b>			
Opening net book amount	2,459,194	463,953	2,923,147
Additions	-	101,593	101,593
Disposals	-	(7,495)	(7,495)
Depreciation charge	(63,237)	(136,435)	(199,672)
Exchange difference	(1,981)	(1,289)	(3,270)
Closing net book amount	<u>2,393,976</u>	<u>420,327</u>	<u>2,814,303</u>
<b>At 31 December 2019</b>			
Cost	2,898,260	1,129,842	4,028,102
Accumulated depreciation	<u>(504,284)</u>	<u>(709,515)</u>	<u>(1,213,799)</u>
Net book amount	<u>2,393,976</u>	<u>420,327</u>	<u>2,814,303</u>

**(b) Leases**

This note provides information for leases where the Group is a lessee.

The statement of financial position shows the following amounts relating to leases:

	Note	As at 30 Jun 2020	As at 31 Dec 2019
Right-of-use assets			
- Properties	13	<u>246,818</u>	<u>413,967</u>
Lease liabilities	22	<u>264,375</u>	<u>431,600</u>

**18. Investment properties**

	<b>Six months ended 30 Jun 2020</b>	Year ended 31 Dec 2019
At beginning of the period/ year	<b>1,208,641</b>	1,236,930
Fair value loss on revaluation	<u>-</u>	<u>(28,289)</u>
At end of the period/ year	<b><u>1,208,641</u></b>	<b><u>1,208,641</u></b>

The Group's investment properties were last revalued at 31 December 2019 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.

**19. Deposits from customers**

	<b>As at 30 Jun 2020</b>	As at 31 Dec 2019
Demand deposits and current accounts	<b>42,553,107</b>	40,877,718
Savings deposits	<b>33,286,526</b>	33,076,969
Time, call and notice deposits	<b><u>112,776,103</u></b>	<u>109,589,790</u>
	<b><u>188,615,736</u></b>	<b><u>183,544,477</u></b>

**20. Certificates of deposit issued**

	<b>As at 30 Jun 2020</b>	As at 31 Dec 2019
At fair value under fair value hedge (for hedging interest rate risk)	<b>2,231,918</b>	4,911,274
At amortised cost	<b><u>6,156,300</u></b>	<u>1,839,551</u>
	<b><u>8,388,218</u></b>	<b><u>6,750,825</u></b>

The amount that the Group would be contractually required to pay at maturity to the holders of these certificates of deposit is HK\$2 million higher (31 December 2019: HK\$6 million higher) than the above carrying amount.

**21. Subordinated notes**

	<b>As at 30 Jun 2020</b>	As at 31 Dec 2019
At fair value under fair value hedge (for hedging interest rate risk):		
US\$225,000,000 Subordinated Fixed Rate Notes due 2020 (Note (a))	-	1,755,635
US\$250,000,000 Subordinated Fixed Rate Notes due 2026 (Note (b))	<b>1,977,184</b>	1,946,445
US\$225,000,000 Subordinated Fixed Rate Notes due 2029 (Note (c))	<b>1,883,636</b>	1,808,101
	<b><u>3,860,820</u></b>	<u>5,510,181</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 were listed on the Singapore Stock Exchange Trading Limited (“SGX”). The Notes had been fully repaid by the Bank on the maturity date of 11 February 2020.
- (b) This represents US\$250,000,000 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 30 November 2016 (the “Notes”), which are listed on The Stock Exchange of Hong Kong Limited (“SEHK”). The Notes will mature on 30 November 2026 with an optional redemption date falling on 30 November 2021. Interest at 4.25% 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 255 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. 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.
- (c) 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 15 January 2019 (the “Notes”), which are listed on the SEHK. The Notes will mature on 15 January 2029 with an optional redemption date falling on 15 January 2024. Interest at 5% 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 255 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. 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\$179 million lower (31 December 2019: HK\$59 million lower) than the above carrying amount.

**22. Other accounts and accruals**

	As at 30 Jun 2020	As at 31 Dec 2019
Lease liabilities (Note 17(b))	264,375	431,600
Amounts payable arising from purchase of securities pending for settlement	4,285,942	3,383,281
Other liabilities and accruals	7,857,385	6,990,457
	<u>12,407,702</u>	<u>10,805,338</u>

**23. 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 2020	As at 31 Dec 2019
Deferred income tax assets	<u>194,903</u>	<u>115,216</u>
Deferred income tax liabilities	<u>(13,848)</u>	<u>(17,293)</u>
	<b>As at 30 Jun 2020</b>	<b>As at 31 Dec 2019</b>
Deferred income tax assets:		
- Deferred income tax assets to be recovered after more than 12 months	277,751	257,860
Deferred income tax liabilities:		
- Deferred income tax liabilities to be settled after more than 12 months	<u>(96,696)</u>	<u>(159,937)</u>
	<u>181,055</u>	<u>97,923</u>

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

	Six months Ended 30 Jun 2020	Year ended 31 Dec 2019
At 1 January	97,923	136,846
Tax (charged)/ credited to the income statement (Note 10)	(5,784)	14,940
Tax credited/ (charged) to equity	90,540	(52,294)
Exchange difference	<u>(1,624)</u>	<u>(1,569)</u>
At 30 June/ 31 December	<u>181,055</u>	<u>97,923</u>

23. 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 assets:

	Impairment allowances and provisions	Deferred expenses and others	Investment revaluation	Total
At 1 January 2019	198,646	52,644	-	251,290
(Charged)/ credited to the income statement	(997)	9,136	-	8,139
Exchange difference	(862)	(707)	-	(1,569)
<b>At 31 December 2019 and 1 January 2020</b>	<b>196,787</b>	<b>61,073</b>	<b>-</b>	<b>257,860</b>
Credited/ (charged) to the income statement	17,124	(29,306)	-	(12,182)
Exchange difference	(1,027)	(597)	-	(1,624)
Reclassification	-	-	33,697	33,697
<b>At 30 June 2020</b>	<b>212,884</b>	<b>31,170</b>	<b>33,697</b>	<b>277,751</b>

Deferred income tax liabilities:

	Provisions	Accelerated tax depreciation	Investment properties revaluation	Investment revaluation	Total
At 1 January 2019	14,636	90,486	4,734	4,588	114,444
Charged/ (credited) to the income statement	207	(6,611)	(397)	-	(6,801)
Charged to equity	-	-	-	52,294	52,294
<b>At 31 December 2019 and 1 January 2020</b>	<b>14,843</b>	<b>83,875</b>	<b>4,337</b>	<b>56,882</b>	<b>159,937</b>
Credited to the income statement	(5,332)	(1,066)	-	-	(6,398)
Credited to equity	-	-	-	(90,540)	(90,540)
Reclassification	-	-	-	33,697	33,697
<b>At 30 June 2020</b>	<b>9,511</b>	<b>82,809</b>	<b>4,337</b>	<b>39</b>	<b>96,696</b>

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

	Six months ended 30 Jun 2020	Year ended 31 Dec 2019
Fair value reserves in shareholders' equity:		
-Financial assets at fair value through other comprehensive income	90,540	(52,294)

24. Other reserves

	As at 30 Jun 2020	As at 31 Dec 2019
Consolidation reserve	8,827	8,827
Premises revaluation reserve	233,100	233,100
Investment revaluation reserve	(52,111)	415,026
Exchange reserve	(498,345)	(369,660)
General reserve	700,254	700,254
Reserve for share-based compensation	14,993	14,514
Retained earnings	<u>20,442,453</u>	<u>19,983,512</u>
	<u>20,849,171</u>	<u>20,985,573</u>
Proposed dividend/ dividend paid included in retained earnings	<u>112,840</u>	<u>471,200</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, which also covers Banco Comercial de Macau, S.A. (“BCM”) and Dah Sing Bank (China) Limited (“DSB China”), 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 2020, the Bank has earmarked a regulatory reserve of HK\$ 531,353,000 (31 December 2019: HK\$1,127,403,000) first against its consolidated general reserve; and for any excess amount, the balance is earmarked against its consolidated retained earnings.

25. 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 2020	As at 31 Dec 2019
Expenditure contracted but not provided for	<u>153,231</u>	<u>147,096</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:

	<u>Contract amount</u>	
	As at 30 Jun 2020	As at 31 Dec 2019
Direct credit substitutes	610,847	563,882
Transaction-related contingencies	502,052	527,442
Trade-related contingencies	772,772	967,813
Commitments that are unconditionally cancellable without prior notice	73,730,734	74,428,118
Other commitments with an original maturity of:		
- under 1 year	3,824,253	3,999,906
- 1 year and over	409,447	758,023
Forward forward deposits placed	<u>15,655</u>	-
	<u>79,865,760</u>	<u>81,245,184</u>

	<u>Credit risk weighted amount</u>	
	As at 30 Jun 2020	As at 31 Dec 2019
Contingent liabilities and commitments	<u>1,477,849</u>	<u>1,794,624</u>

(c) Assets pledged

	As at 30 Jun 2020	As at 31 Dec 2019
Trading assets and financial investments pledged to secure liabilities	6,194,006	4,600,158
- of which: under repurchase agreements	<u>2,002,686</u>	<u>686,003</u>
Amount of liabilities secured	5,983,401	4,597,103
- of which: under repurchase agreements	<u>1,987,201</u>	<u>671,153</u>

The table above shows assets where a charge has been granted to secure liabilities on a legal and contractual basis. These transactions are conducted under terms that are usual and customary to collateralized transactions including repurchase agreements, and include assets pledged to cover short positions and to facilitate settlement processes with clearing houses.

25. Contingent liabilities and commitments (Continued)

(d) Operating lease commitments

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

	As at 30 Jun 2020	As at 31 Dec 2019
Within 1 year	14,643	24,891
Between 1 and 2 years	10,482	5,186
Between 2 and 3 years	2,790	2,253
Between 3 and 4 years	27	-
	<u>27,942</u>	<u>32,330</u>

In addition, the Group has, as a lessee, entered into a number of leases that have not yet commenced. The aggregate lease payments payable under these leases as at 30 June 2020 amount to HK\$491,867,000 (31 December 2019: HK\$435,610,000).



**26. Maturity analysis**

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 2020	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	3,794,412	9,340,654	4,665,329	-	-	-	-	17,800,395
Placements with banks maturing between one and twelve months	-	-	2,748,094	3,459,530	-	-	-	6,207,624
Trading securities	-	1,365,951	4,241,072	1,672,226	77,291	-	-	7,356,540
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Derivative financial instruments	-	103,902	124,451	139,960	233,034	1,557	-	602,904
Advances and other accounts	8,136,476	27,701,195	11,814,579	16,225,135	41,525,666	41,438,974	660,667	147,502,692
Financial assets at fair value through other comprehensive income	-	1,249,993	5,458,997	7,224,311	20,781,807	9,292,657	102,045	44,109,810
Financial assets at amortised cost	-	656,879	380,653	3,351,074	10,250,492	6,635,640	4,731	21,279,469
Investment in an associate	-	-	-	-	-	-	3,841,036	3,841,036
Investments in jointly controlled entities	-	-	-	-	-	-	109,943	109,943
Goodwill	-	-	-	-	-	-	811,690	811,690
Intangible assets	-	-	-	-	-	-	58,252	58,252
Premises and other fixed assets	-	-	-	-	-	-	2,764,334	2,764,334
Investment properties	-	-	-	-	-	-	1,208,641	1,208,641
Deferred income tax assets	-	-	-	-	194,903	-	-	194,903
<b>Total assets</b>	<b>11,930,888</b>	<b>40,418,574</b>	<b>29,433,175</b>	<b>32,072,236</b>	<b>73,063,193</b>	<b>57,368,828</b>	<b>9,561,339</b>	<b>253,848,233</b>
<b>Liabilities</b>								
Deposits from banks	698,289	2,903,135	119,544	976,240	-	-	-	4,697,208
Derivative financial instruments	-	110,802	79,893	113,135	1,057,437	1,579,080	-	2,940,347
Trading liabilities	-	697,999	3,181,592	800,287	11,169	-	-	4,691,047
Deposits from customers	83,913,527	76,009,726	18,505,966	6,600,095	3,586,422	-	-	188,615,736
Certificates of deposit issued	-	925,703	401,224	6,959,162	102,129	-	-	8,388,218
Subordinated notes	-	-	-	-	3,860,820	-	-	3,860,820
Lease liabilities	-	15,216	28,785	119,590	77,842	22,942	-	264,375
Other accounts and accruals, excluding lease liabilities	99,130	7,744,758	622,530	1,156,135	634,163	1,143,633	742,978	12,143,327
Current income tax liabilities	-	-	-	285,549	-	-	-	285,549
Deferred income tax liabilities	-	-	-	9,511	4,337	-	-	13,848
<b>Total liabilities</b>	<b>84,710,946</b>	<b>88,407,339</b>	<b>22,939,534</b>	<b>17,019,704</b>	<b>9,334,319</b>	<b>2,745,655</b>	<b>742,978</b>	<b>225,900,475</b>
<b>Net liquidity gap</b>	<b>(72,780,058)</b>	<b>(47,988,765)</b>	<b>6,493,641</b>	<b>15,052,532</b>	<b>63,728,874</b>	<b>54,623,173</b>	<b>8,818,361</b>	<b>27,947,758</b>

## Dah Sing Bank, Limited

### 26. Maturity analysis (Continued)

At 31 December 2019	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	2,683,792	9,462,057	5,496,282	-	-	-	-	17,642,131
Placements with banks maturing between one and twelve months	-	-	4,488,646	1,006,326	-	-	-	5,494,972
Trading securities	-	1,421,589	3,300,172	3,666,192	-	-	-	8,387,953
Financial assets at fair value through profit or loss	-	209,681	119,087	-	-	-	-	328,768
Derivative financial instruments	-	113,890	163,459	161,405	91,732	37,330	-	567,816
Advances and other accounts	8,249,780	24,796,575	12,110,732	16,981,187	39,682,449	41,603,601	1,610,879	145,035,203
Financial assets at fair value through other comprehensive income	-	4,575,692	3,064,141	4,755,593	19,770,787	9,884,005	112,987	42,163,205
Financial assets at amortised cost	-	1,183,886	1,324,750	2,557,807	6,296,646	4,276,567	4,733	15,644,389
Investment in an associate	-	-	-	-	-	-	3,888,775	3,888,775
Investments in jointly controlled entities	-	-	-	-	-	-	96,363	96,363
Goodwill	-	-	-	-	-	-	811,690	811,690
Intangible assets	-	-	-	-	-	-	58,252	58,252
Premises and other fixed assets	-	-	-	-	-	-	2,814,303	2,814,303
Investment properties	-	-	-	-	-	-	1,208,641	1,208,641
Deferred income tax assets	-	-	-	-	115,216	-	-	115,216
<b>Total assets</b>	<b>10,933,572</b>	<b>41,763,370</b>	<b>30,067,269</b>	<b>29,128,510</b>	<b>65,956,830</b>	<b>55,801,503</b>	<b>10,606,623</b>	<b>244,257,677</b>
<b>Liabilities</b>								
Deposits from banks	136,602	1,501,656	-	-	826,811	-	-	2,465,069
Derivative financial instruments	-	86,900	125,357	148,847	302,558	429,366	-	1,093,028
Trading liabilities	-	1,839,326	2,771,834	895,491	9,907	-	-	5,516,558
Deposits from customers	82,410,910	62,799,830	23,362,532	11,393,040	3,570,836	7,329	-	183,544,477
Certificates of deposit issued	-	1,183,319	1,039,441	4,059,898	468,167	-	-	6,750,825
Subordinated notes	-	-	1,755,635	-	3,754,546	-	-	5,510,181
Lease liabilities	-	15,022	29,855	124,386	239,772	22,565	-	431,600
Other accounts and accruals, excluding lease liabilities	23,419	5,483,732	858,632	1,364,373	687,307	1,221,448	734,827	10,373,738
Current income tax liabilities	-	9,567	-	461,181	-	-	-	470,748
Deferred income tax liabilities	-	-	-	-	17,293	-	-	17,293
<b>Total liabilities</b>	<b>82,570,931</b>	<b>72,919,352</b>	<b>29,943,286</b>	<b>18,447,216</b>	<b>9,877,197</b>	<b>1,680,708</b>	<b>734,827</b>	<b>216,173,517</b>
<b>Net liquidity gap</b>	<b>(71,637,359)</b>	<b>(31,155,982)</b>	<b>123,983</b>	<b>10,681,294</b>	<b>56,079,633</b>	<b>54,120,795</b>	<b>9,871,796</b>	<b>28,084,160</b>

**27. 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.

Assets and liabilities measured at fair value:

<b>Recurring fair value measurements At 30 Jun 2020</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				
Debt securities	-	7,356,540	-	7,356,540
Derivative financial instruments				
Held for trading	-	400,496	-	400,496
Held for hedging	-	202,408	-	202,408
Financial assets at fair value through other comprehensive income				
Debt securities	-	44,007,764	-	44,007,764
Equity securities	19,607	-	82,439	102,046
<b>Total assets measured at fair value</b>	<b>19,607</b>	<b>51,967,208</b>	<b>82,439</b>	<b>52,069,254</b>
Financial liabilities at fair value through profit or loss - held for trading				
Debt securities	-	4,691,047	-	4,691,047
Derivative financial instruments				
Held for trading	-	328,761	-	328,761
Held for hedging	-	2,611,586	-	2,611,586
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>7,631,394</b>	<b>-</b>	<b>7,631,394</b>

Financial assets classified as Level 3 assets represent investments in unlisted equity securities. They are stated at fair value which approximates the cost.

For the six months ended 30 June 2020 and the year ended 31 December 2019, 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 revaluation gains/ losses.

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

Assets and liabilities measured at fair value: (Continued)

Recurring fair value measurements At 31 Dec 2019	Level 1	Level 2	Level 3	Total
Descriptions				
Financial assets at fair value through profit or loss				
Debt securities	-	8,716,721	-	8,716,721
Derivative financial instruments				
Held for trading	-	457,652	-	457,652
Held for hedging	-	110,164	-	110,164
Financial assets at fair value through other comprehensive income				
Debt securities	-	42,050,218	-	42,050,218
Equity securities	30,277	-	82,710	112,987
Total assets measured at fair value	<u>30,277</u>	<u>51,334,755</u>	<u>82,710</u>	<u>51,447,742</u>
Financial liabilities at fair value through profit or loss - held for trading				
Debt securities	-	5,516,558	-	5,516,558
Derivative financial instruments				
Held for trading	-	370,356	-	370,356
Held for hedging	-	722,672	-	722,672
Total liabilities measured at fair value	<u>-</u>	<u>6,609,586</u>	<u>-</u>	<u>6,609,586</u>

**28. 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, vehicle financing and credit card services, and 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.

**Dah Sing Bank, Limited**
**28. Operating segment reporting (Continued)**
**For the six months ended 30 June 2020**

	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter- segment	Total
Net interest income/ (expenses)	806,614	564,334	307,145	243,251	(72,407)	-	1,848,937
Non-interest income	494,781	89,338	104,806	54,467	21,361	-	764,753
Total operating income/ (loss)	1,301,395	653,672	411,951	297,718	(51,046)	-	2,613,690
Operating expenses	(811,981)	(254,547)	(88,540)	(246,094)	4,586	-	(1,396,576)
Operating profit/ (loss) before credit impairment losses	489,414	399,125	323,411	51,624	(46,460)	-	1,217,114
Credit impairment losses	(224,128)	(48,234)	(18,329)	(73,264)	(1,238)	-	(365,193)
Operating profit/ (loss) after credit impairment losses	265,286	350,891	305,082	(21,640)	(47,698)	-	851,921
Net loss on disposal of other fixed assets	(2,829)	-	-	(31)	(7)	-	(2,867)
Net gain on disposal of financial assets at fair value through other comprehensive income	-	-	11,594	-	-	-	11,594
Impairment loss on investment in an associate	-	-	-	(200,000)	-	-	(200,000)
Share of results of an associate	-	-	-	411,759	-	-	411,759
Share of results of jointly controlled entities	-	-	-	-	13,580	-	13,580
Profit/ (loss) before taxation	262,457	350,891	316,676	190,088	(34,125)	-	1,085,987
Taxation (expenses)/ credit	(43,057)	(58,067)	(52,230)	(4,448)	8,756	-	(149,046)
Profit/ (loss) after taxation	219,400	292,824	264,446	185,640	(25,369)	-	936,941
For the six months ended 30 June 2020							
Depreciation and amortisation	37,549	7,774	3,533	27,855	107,434	-	184,145
As at 30 June 2020							
Segment assets	53,477,062	67,581,580	93,771,649	39,357,075	6,279,906	(6,619,039)	253,848,233
Segment liabilities	112,139,092	44,990,447	25,518,628	31,594,036	18,277,311	(6,619,039)	225,900,475

## Dah Sing Bank, Limited

### 28. Operating segment reporting (Continued)

For the six months ended 30 June 2019

	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter- segment	Total
Net interest income/ (expenses)	869,560	620,672	359,078	248,834	(65,645)	-	2,032,499
Non-interest income/ (expenses)	<u>477,896</u>	<u>92,784</u>	<u>(40,949)</u>	<u>69,248</u>	<u>23,284</u>	<u>-</u>	<u>622,263</u>
Total operating income/ (loss)	1,347,456	713,456	318,129	318,082	(42,361)	-	2,654,762
Operating expenses	<u>(794,974)</u>	<u>(253,510)</u>	<u>(83,810)</u>	<u>(251,145)</u>	<u>6,998</u>	<u>-</u>	<u>(1,376,441)</u>
Operating profit/ (loss) before credit impairment (losses)/ written back	552,482	459,946	234,319	66,937	(35,363)	-	1,278,321
Credit impairment (losses)/ written back	<u>(116,498)</u>	<u>36,009</u>	<u>(5,085)</u>	<u>(3,484)</u>	<u>(2,302)</u>	<u>-</u>	<u>(91,360)</u>
Operating profit/ (loss) after credit impairment (losses)/ written back	435,984	495,955	229,234	63,453	(37,665)	-	1,186,961
Net (loss)/ gain on disposal of other fixed assets	(2,545)	-	-	24	-	-	(2,521)
Net loss on disposal of financial assets at fair value through other comprehensive income	-	-	(24)	-	-	-	(24)
Impairment loss on investment in an associate	-	-	-	(70,000)	-	-	(70,000)
Share of results of an associate	-	-	-	410,860	-	-	410,860
Share of results of jointly controlled entities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,499</u>	<u>-</u>	<u>12,499</u>
Profit/ (loss) before taxation	433,439	495,955	229,210	404,337	(25,166)	-	1,537,775
Taxation (expenses)/ credit	<u>(71,554)</u>	<u>(81,758)</u>	<u>(37,806)</u>	<u>(3,617)</u>	<u>517</u>	<u>-</u>	<u>(194,218)</u>
Profit/ (loss) after taxation	<u>361,885</u>	<u>414,197</u>	<u>191,404</u>	<u>400,720</u>	<u>(24,649)</u>	<u>-</u>	<u>1,343,557</u>
For the six months ended 30 June 2019							
Depreciation and amortisation	40,258	8,519	3,270	31,927	106,670	-	190,644
As at 31 December 2019							
Segment assets	53,809,806	66,154,676	84,671,487	38,406,836	6,325,726	(5,110,854)	244,257,677
Segment liabilities	108,290,918	44,136,433	19,835,415	30,335,062	18,686,543	(5,110,854)	216,173,517

28. Operating segment reporting (Continued)

Geographical information

Geographical segment information is based on the domicile of the legal entities within the Group with business dealing and relationship with, and services to external customers. For the six months ended 30 June 2020 and 2019, no single country or geographical segment other than Hong Kong contributed 10% or more of the Group's assets, liabilities, operating income, or profit before taxation.

29. Currency concentrations

The following sets out the 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 2020 and the corresponding comparative balances.

The Group did not have any structural foreign exchange position as at 30 June 2020 and 31 December 2019. The net option position is calculated in the basis of the delta-weighted position of all foreign currency option contracts.

	At 30 Jun 2020			
	US dollars	Macau Pataca	Other foreign currencies	Total foreign currencies
Equivalent in HK\$ millions				
Spot assets	77,710	11,049	28,077	116,836
Spot liabilities	(56,192)	(12,267)	(25,004)	(93,463)
Forward purchases	54,358	-	37,410	91,768
Forward sales	(73,637)	-	(40,431)	(114,068)
Net options position	40	-	(40)	-
Net long/ (short) position	<u>2,279</u>	<u>(1,218)</u>	<u>12</u>	<u>1,073</u>

	At 31 Dec 2019				
	US dollars	Renminbi	Macau Pataca	Other foreign currencies	Total foreign currencies
Equivalent in HK\$ millions					
Spot assets	68,058	17,066	11,730	9,331	106,185
Spot liabilities	(48,362)	(15,453)	(11,963)	(8,965)	(84,743)
Forward purchases	38,334	20,312	-	3,906	62,552
Forward sales	(57,101)	(21,638)	-	(4,347)	(83,086)
Net options position	(40)	-	-	40	-
Net long/ (short) position	<u>889</u>	<u>287</u>	<u>(233)</u>	<u>(35)</u>	<u>908</u>



30. Additional analysis on claims and exposures

- (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 2020		As at 31 Dec 2019	
	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	5,084,415	62.5	4,700,618	64.6
- Property investment	16,518,677	94.6	15,972,169	97.0
- Financial concerns	6,880,646	4.0	6,057,400	3.0
- Stockbrokers	1,010,334	42.9	1,585,717	28.6
- Wholesale and retail trade	6,341,304	91.3	6,455,795	90.1
- Manufacturing	1,916,351	58.9	1,978,378	59.5
- Transport and transport equipment	2,598,546	82.2	3,496,770	71.9
- Recreational activities	99,736	99.9	103,724	99.8
- Information technology	59,724	77.2	52,976	70.5
- Others	5,733,108	74.0	4,464,895	79.6
	<b>46,242,841</b>	<b>71.3</b>	<b>44,868,442</b>	<b>72.1</b>
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	563,471	100.0	584,349	100.0
- Loans for the purchase of other residential properties	30,712,053	100.0	29,864,112	100.0
- Credit card advances	3,644,439	-	3,761,021	-
- Others	12,906,132	50.5	13,196,910	52.8
	<b>47,826,095</b>	<b>79.0</b>	<b>47,406,392</b>	<b>78.9</b>
Loans for use in Hong Kong	<b>94,068,936</b>	<b>75.2</b>	<b>92,274,834</b>	<b>75.6</b>
Trade finance (Note (1))	<b>8,701,810</b>	<b>59.5</b>	<b>8,815,573</b>	<b>62.9</b>
Loans for use outside Hong Kong (Note (2))	<b>35,465,650</b>	<b>61.3</b>	<b>35,858,064</b>	<b>66.0</b>
	<b>138,236,396</b>	<b>70.7</b>	<b>136,948,471</b>	<b>72.3</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 overseas subsidiary banks of the Bank) totalling HK\$247,855,000 (31 December 2019: HK\$294,310,000) 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.

30. Additional analysis on claims and exposures (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, Stage 3, and Stage 1 and Stage 2 impairment allowances are as follows:

	As at 30 Jun 2020				
	Outstanding balance	Impaired loans (Stage 3)	Gross advances overdue for over 3 months	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property investment	16,518,677	49,289	43,387	3,773	89,642
Individuals					
- Loans for the purchase of other residential properties	30,712,053	69,804	51,450	10,763	31,472
Loans for use outside Hong Kong	<u>35,465,650</u>	<u>456,548</u>	<u>448,423</u>	<u>199,542</u>	<u>133,341</u>
	As at 31 Dec 2019				
	Outstanding balance	Impaired loans (Stage 3)	Gross advances overdue for over 3 months	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property investment	15,972,169	45,985	44,910	4,721	79,461
Individuals					
- Loans for the purchase of other residential properties	29,864,112	44,204	33,772	7,537	21,934
Loans for use outside Hong Kong	<u>35,858,064</u>	<u>256,544</u>	<u>373,852</u>	<u>129,588</u>	<u>131,693</u>

**30. Additional analysis on claims and exposures (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.

<b>As at 30 June 2020</b>	<b>On-balance sheet exposure</b>	<b>Off-balance sheet exposure</b>	<b>Total exposures</b>
1. Central government, central government-owned entities and their subsidiaries and joint ventures (“JV”s)	9,745,738	119,527	9,865,265
2. Local governments, local government-owned entities and their subsidiaries and JVs	1,283,239	276,480	1,559,719
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	13,852,168	1,366,430	15,218,598
4. Other entities of central government not reported in item 1 above	2,727,239	41,565	2,768,804
5. Other entities of local governments not reported in item 2 above	1,228,297	283,752	1,512,049
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	12,280,914	468,896	12,749,810
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	<u>1,162,015</u>	<u>-</u>	<u>1,162,015</u>
	<u>42,279,610</u>	<u>2,556,650</u>	<u>44,836,260</u>
Total assets of the Bank and its Mainland subsidiary bank after provision	<u>236,281,063</u>		
On-balance sheet exposures as percentage of total assets	<u>17.89%</u>		

Note:

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

**Dah Sing Bank, Limited****30. Additional analysis on claims and exposures (Continued)**

## (b) Mainland activities exposures (Continued)

As at 31 December 2019	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
1. Central government, central government-owned entities and their subsidiaries and JVs	10,376,553	501,429	10,877,982
2. Local governments, local government-owned entities and their subsidiaries and JVs	1,075,406	323,331	1,398,737
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	13,873,770	1,310,785	15,184,555
4. Other entities of central government not reported in item 1 above	2,397,774	49,341	2,447,115
5. Other entities of local governments not reported in item 2 above	1,039,800	290,552	1,330,352
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	11,912,699	405,440	12,318,139
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	<u>1,329,873</u>	<u>-</u>	<u>1,329,873</u>
	<u>42,005,875</u>	<u>2,880,878</u>	<u>44,886,753</u>
Total assets of the Bank and its Mainland subsidiary bank after provision	<u>224,615,205</u>		
On-balance sheet exposures as percentage of total assets	<u>18.70%</u>		

30. Additional analysis on claims and exposures (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, impaired advances to customers (Stage 3), overdue advances to customers, Stage 3, and Stage 1 and Stage 2 impairment allowances by geographical area.

As at 30 June 2020

	Gross advances to customers	Impaired advances to customers (Stage 3)	Overdue advances to customers	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Hong Kong	116,183,769	1,079,098	580,093	393,528	609,126
China	6,596,783	62,662	62,662	16,742	42,585
Macau	14,040,582	266,294	266,294	89,687	13,606
Others	1,415,262	2,336	5,274	995	5,987
	<b>138,236,396</b>	<b>1,410,390</b>	<b>914,323</b>	<b>500,952</b>	<b>671,304</b>

As at 31 December 2019

	Gross advances to customers	Impaired advances to customers (Stage 3)	Overdue advances to customers	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Hong Kong	113,233,394	933,795	500,123	355,400	548,920
China	7,940,270	64,274	64,274	11,496	50,993
Macau	14,802,077	46,036	177,735	13,308	22,908
Others	972,730	5,121	7,549	993	4,568
	<b>136,948,471</b>	<b>1,049,226</b>	<b>749,681</b>	<b>381,197</b>	<b>627,389</b>

30. Additional analysis on claims and exposures (Continued)

(d) 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.

At 30 June 2020 In millions of HK\$	Banks	Official sector	Non-bank private sector		Total claims
			Non-bank financial institutions	Non-financial private sector	
Offshore centres	6,471	18,593	11,301	140,660	177,025
- of which: Hong Kong	5,320	16,523	11,300	124,337	157,480
Developing Asia and Pacific	30,685	1,064	668	16,164	48,581
- of which: Mainland China	21,655	900	318	12,785	35,658

  

At 31 December 2019 In millions of HK\$	Banks	Official sector	Non-bank private sector		Total claims
			Non-bank financial institutions	Non-financial private sector	
Offshore centres	5,309	19,518	10,501	135,768	171,096
- of which: Hong Kong	4,560	17,167	10,500	119,445	151,672
Developing Asia and Pacific	28,110	1,377	877	16,492	46,856
- of which: Mainland China	20,533	1,297	524	13,277	35,631

**31. Capital adequacy ratio**

	<b>As at 30 Jun 2020</b>	As at 31 Dec 2019
Capital adequacy ratio		
- Common Equity Tier 1	<b>13.1%</b>	13.4%
- Tier 1	<b>13.6%</b>	13.9%
- Total	<b><u>16.9%</u></b>	<u>17.9%</u>

The capital adequacy ratio as at 30 June 2020 and 31 December 2019 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](http://www.dahsing.com) and is accessible at the following direct link:  
[http://www.dahsing.com/html/en/about\\_us/regulatory\\_disclosures.html](http://www.dahsing.com/html/en/about_us/regulatory_disclosures.html)

**32. Liquidity maintenance ratio**

	<b>Six months ended 30 Jun 2020</b>	Six months ended 30 Jun 2019	Year ended 31 Dec 2019
Liquidity maintenance ratio	<b><u>49.6%</u></b>	<u>45.7%</u>	<u>46.4%</u>

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. The Group has adopted the Liquidity Maintenance Ratio ("LMR") as a regulatory standard specified by the HKMA for reporting the Group's liquidity position. During the period, the Group had maintained a sufficiently high LMR well above the statutory minimum of 25%.

The LMR is calculated as the simple average of each calendar month's average consolidated liquidity maintenance ratio of the Bank (covering BCM and DSB China) for the six/ twelve months of the financial year. The LMR is computed in accordance with the Banking (Liquidity) Rules.

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.

**FINANCIAL RATIOS**

	<b>Six months ended 30 Jun 2020</b>	Six months ended 30 Jun 2019
Net interest income/ operating income	<b>70.7%</b>	76.6%
Cost to income ratio	<b>53.4%</b>	51.8%
Return on average total assets (annualised)	<b>0.8%</b>	1.2%
Return on average shareholders' funds (annualised)	<b>6.9%</b>	10.7%
Net interest margin	<b>1.65%</b>	1.89%
	<b>As at 30 Jun 2020</b>	As at 31 Dec 2019
Loan to deposit ratio	<b>70.2%</b>	72.0%



## **CORPORATE AND BUSINESS OVERVIEW**

### **HIGHLIGHTS**

Economic conditions in the first half of 2020 were the worst in many years. In the first and second quarters of 2020, Hong Kong real GDP contracted sharply by 9.1% and 9.0% respectively from the previous year. These quarterly contractions are the steepest on record. Exports of both goods and services plummeted. Domestic demand also weakened markedly, reflecting the serious disruptions caused by the outbreak of COVID-19 and subdued business sentiment. The Hong Kong Government's forecast for real GDP growth for 2020 as a whole has been revised downwards to -6% to -8%, as announced by the Government on 14 August, after taking into account the cushioning effects of the extensive relief measures rolled out by the Government. Mainland economic growth also slowed substantially to 3.2% in the second quarter, though this was much better than the slump in the first quarter with a 6.8% contraction, the first quarterly GDP decline in China for decades. Hong Kong's forecast rates of underlying and headline consumer price inflation for 2020 as a whole have been revised downwards to 1.8% and 0.8% respectively. The labour market continued to deteriorate in the second quarter of 2020, but stabilized somewhat in May and June. The launch by the Hong Kong Government of the Employment Support Scheme also helped counter the headwinds affecting the labour market. The seasonally adjusted unemployment rate increased by 0.3 percentage point from March – May 2020 to 6.2% in April – June, the highest in more than 15 years.

After substantial falls in the first quarter of the year, financial markets globally stabilized in the second quarter, with US markets in particular staging a strong recovery. Interest rates have reduced substantially, with the Federal Reserve having cut the Fed Fund rate by 1.50% in March. Hong Kong rates, whilst generally moving lower, have been volatile, with HIBOR trading above LIBOR during the first half of the year, although with the gap in interest rates narrowing towards the mid-year.

Under these extremely difficult economic conditions, our profit fell by 30.3% to HK\$937 million, mainly caused by higher impairment charges on both loans and on our investment in Bank of Chongqing. Underlying business performance weakened, both due to weaker credit performance, and due to a squeeze in net interest margin, with funding costs reduced more slowly than asset yields.

For the first half of the year, a dividend of HK\$1.82 per share was declared.

### **BUSINESS AND FINANCIAL REVIEW**

The performance of our banking business in the first half of the year was weaker than last year. Net interest income was materially lower. Net fee and commission income was flat, and trading income was significantly higher, mainly due to funding swap gains with higher Hong Kong dollar rates than US dollar rates in the first half of the year. The reduction in net interest income of around 9% was due mainly to funding costs reducing more slowly than asset yields as market interest rates dropped rapidly in the first half of the year, leading to a contraction in net interest margin of 24bps to 1.65% compared with 1.89% in the first half of 2019. Asset growth was modest, with small increases in the loan book and the securities investment portfolio. However, the benefit from volume growth was not sufficient to offset the decline in net interest margin.

Flat net fee and commission income for the period was encouraging amidst very difficult market conditions. Wealth management, including our broking business, and foreign exchange income, performed well. Growth in operating expenses was modest at 1.5%. Technology remains a major area of investment, and our work in improving our mobile and digital channels was of benefit during the first half due to lower customer mobility amidst the COVID-19 situation. Staff numbers remained relatively stable.

The performance of our wholly-owned banking subsidiary in Macau reported weaker performance in the first half of the year. The lower contribution was driven by a reduction in net interest margin and modest loan growth, as well as notably higher credit costs compared with the first half of last year. The performance of our China subsidiary was slightly better than the same period last year. Our associate company, Bank of Chongqing (“BOCQ”), delivered a similar result to that of the prior period.

**BUSINESS AND FINANCIAL REVIEW (Continued)**

Amidst very difficult economic conditions in the first half of the year, credit quality deteriorated, with the net credit impairment charge increasing from HK\$91 million to HK\$365 million. Whilst this is a substantial increase, it should be noted that credit cost in the first half of last year continued to be at relatively low levels. Due to the local economic recession in the latter half of 2019, our credit impairment charge in the second half last year had increased to HK\$265 million. In the period, we experienced higher credit cost in our retail banking business and had set aside additional provisions for credit losses for our lending to retail borrowers, and also for lending to small and medium sized companies in our commercial banking business, after reviewing the latest forward-looking forecast of economic outlook and other factors that may affect our credit losses. At this stage, overall credit cost remains manageable, and credit quality, whilst worsening, is still under control.

In addition, following a periodic review of the Value in Use of our investment in BOCQ, we again made an impairment charge against the value of this investment, in the amount of HK\$200 million.

The Group generated an annualized return on assets of 0.8% and ROE of 6.9% for the period.

As at 30 June 2020, the Bank's consolidated Common Equity Tier 1 ratio and total consolidated capital adequacy ratio were 13.1% and 16.9% respectively.

**PROSPECTS**

After enduring the very tough economic conditions in Hong Kong in the first half of the year, as we entered the second half of the year, it looked as though there could be some improvement, but at the date of writing we are still experiencing the "third wave" of COVID-19 in Hong Kong, so it is now more uncertain as to how things will develop during the rest of the year.

In any event, we are not expecting a strong recovery in the remaining part of the year. Neither low interest rates, nor deteriorating credit quality are good for our business, but as we demonstrated in the first half of the year, our business, capital and liquidity remain resilient despite the challenges that we have faced so far this year.

All of this makes us more cautious on the outlook for the second half of the year. We continue to expect difficult economic and business conditions in the second half of the year, and will do our best to ensure that our businesses are managed conservatively and remain resilient.

**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 2020 is the Interim Disclosure Statement of the Bank prepared in accordance with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority. The Bank has fully complied with such disclosure requirements.

By Order of the Board  
**Doris W. N. Wong**  
*Company Secretary*

Hong Kong, Tuesday, 25 August 2020