

Dah Sing Bank, Limited



ANNOUNCEMENT OF 2013 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 2013.

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

HK\$'000	Note	2013	Restated 2012	Variance %
Interest income		2,078,424	1,861,383	
Interest expense		(732,623)	(841,470)	
Net interest income	3	1,345,801	1,019,913	32.0
Fee and commission income		458,771	349,644	
Fee and commission expense		(110,776)	(103,252)	
Net fee and commission income	4	347,995	246,392	41.2
Net trading income	5	104,313	80,928	
Other operating income	6	20,726	22,959	
Operating income		1,818,835	1,370,192	32.7
Operating expenses	7	(923,298)	(842,739)	9.6
Operating profit before impairment losses		895,537	527,453	69.8
Loan impairment losses and other credit provisions	8	(137,570)	(29,560)	365.4
Operating profit after impairment losses		757,967	497,893	52.2
Net loss on disposal of premises, investment properties and other fixed assets	9	(1,969)	(599)	228.7
Net loss on disposal of investments in securities	10	(78,398)	(16,193)	384.1
Share of results of jointly controlled entities		6,248	6,072	2.9
Share of result of an associate		227,633	176,989	28.6
Profit before taxation		911,481	664,162	37.2
Taxation	11	(109,474)	(76,677)	
Profit for the period		802,007	587,485	36.5
Dividend				
Interim dividend		110,000	96,600	

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

HK\$'000	2013	Restated 2012
Profit for the period	802,007	587,485
Other comprehensive income		
Items that will not be reclassified to the consolidated income statement:		
Premises		
Surplus on reclassification of premises to investment properties	99,820	-
Items that may be reclassified subsequently to the consolidated income statement:		
Investments in securities		
- Changes in fair value recognised during the period	(289,167)	390,510
- Changes in fair value transferred to income statement upon disposal of:		
- available-for-sale securities	(37,457)	(53,829)
- held-to-maturity securities and investments in securities included in the loans and receivables category which were previously reclassified from the available-for-sale category	115,440	55,171
Deferred income tax assets recognised/ (released) on movements in investment revaluation reserve	32,511	(66,112)
	(178,673)	325,740
Exchange differences arising on translation of the financial statements of foreign entities	18,899	(13,135)
Other comprehensive income for the period, net of tax	(59,954)	312,605
Total comprehensive income for the period, net of tax	742,053	900,090

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK\$'000	Note	As at 30 Jun 2013	Restated As at 31 Dec 2012
ASSETS			
Cash and balances with banks		8,980,083	13,472,376
Placements with banks		3,589,369	3,990,627
Trading securities	12	6,186,613	5,797,742
Financial assets designated at fair value through profit or loss	12	2,780	23,525
Derivative financial instruments	13	688,237	643,246
Advances and other accounts	14	104,295,644	97,307,850
Available-for-sale securities	17	25,184,164	21,905,648
Held-to-maturity securities	18	6,265,800	7,047,540
Investment in an associate		2,630,600	2,437,031
Investments in jointly controlled entities		60,494	54,246
Goodwill		811,690	811,690
Intangible assets		69,781	73,320
Premises and other fixed assets	20	1,387,991	1,315,763
Investment properties	21	754,125	735,502
Current income tax assets		-	51
Deferred income tax assets	26	59,836	18,876
Total assets		160,967,207	155,635,033
LIABILITIES			
Deposits from banks		2,593,358	2,645,620
Derivative financial instruments	13	1,461,563	1,498,692
Trading liabilities		3,660,815	2,278,044
Deposits from customers	22	119,058,960	118,081,166
Certificates of deposit issued	23	8,910,099	5,752,462
Issued debt securities	24	2,714,882	2,712,907
Subordinated notes	25	3,794,725	3,979,470
Other accounts and accruals	26	2,634,260	3,170,931
Current income tax liabilities		220,309	102,865
Deferred income tax liabilities	27	5,118	3,934
Total liabilities		145,054,089	140,226,091
EQUITY			
Share capital		5,000,000	5,000,000
Reserves	29	10,803,118	10,168,942
Proposed dividend		110,000	240,000
Total equity		15,913,118	15,408,942
Total equity and liabilities		160,967,207	155,635,033

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

HK\$'000	Attributable to the Shareholder of the Bank			Total equity
	Share capital	Other reserves	Retained earnings	
Balance at 1 January 2013, as previously reported	5,000,000	2,512,079	9,519,136	17,031,215
Change in accounting policy – Restatement of premises on cost basis	-	(1,576,478)	(45,795)	(1,622,273)
Balance at 1 January 2013, as restated	5,000,000	935,601	9,473,341	15,408,942
Total comprehensive income for the period	-	(59,954)	802,007	742,053
Provision for equity-settled share-based compensation	-	2,123	-	2,123
2012 final dividend	-	-	(240,000)	(240,000)
Balance at 30 June 2013	5,000,000	877,770	10,035,348	15,913,118
			Six months ended 30 June	
			2013	2012
Proposed interim dividend included in retained earnings			110,000	96,600

For the six months ended 30 June 2012

HK\$'000	Attributable to the Shareholder of the Bank			Total equity
	Share capital	Other reserves	Retained earnings	
Balance at 1 January 2012, as previously reported	4,600,000	1,239,537	8,266,939	14,106,476
Change in accounting policy - Restatement of premises on cost basis	-	(1,066,498)	(29,353)	(1,095,851)
Balance at 1 January 2012, as restated	4,600,000	173,039	8,237,586	13,010,625
Total comprehensive income for the period	-	312,605	587,485	900,090
2011 final dividend	-	-	(110,400)	(110,400)
Balance at 30 June 2012	4,600,000	485,644	8,714,671	13,800,315

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

HK\$'000	2013	Restated 2012
Cash flows from operating activities		
Cash absorbed by operations	(8,254,370)	(1,394,963)
Interest paid on certificates of deposit issued	(36,795)	(36,887)
Hong Kong profits tax refunded/(paid)	4,732	(28,607)
Overseas tax paid	(3,791)	(13,675)
	<u>(8,290,224)</u>	<u>(1,474,132)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Purchase of investment properties and other fixed assets	(45,342)	(59,398)
Proceeds from disposal of premises, investment properties and other fixed assets	-	191
	<u>(45,342)</u>	<u>(59,207)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Certificates of deposit issued	4,530,498	1,092,097
Certificates of deposit redeemed	(1,567,184)	(1,573,000)
Issue of subordinated notes	-	1,403,052
Interest paid on subordinated notes and debt securities issued	(130,270)	(103,463)
Dividend paid on ordinary shares	(240,000)	-
	<u>2,593,044</u>	<u>818,686</u>
Net cash from financing activities		
Net decrease in cash and cash equivalents	(5,742,522)	(714,653)
Cash and cash equivalents at beginning of the period	<u>16,768,143</u>	<u>15,008,104</u>
Cash and cash equivalents at end of the period	<u>11,025,621</u>	<u>14,293,451</u>
Analysis of the balance of cash and cash equivalents:		
Cash and balances with banks	2,359,324	2,327,807
Money at call and short notice with an original maturity within three months	5,774,365	7,917,035
Treasury bills with an original maturity within three months	1,724,869	2,363,058
Placement with banks with an original maturity within three months	1,167,063	1,685,551
	<u>11,025,621</u>	<u>14,293,451</u>

NOTES TO UNAUDITED INTERIM FINANCIAL DISCLOSURE STATEMENT

1. General information

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

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

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

2. Basis of preparation and accounting policies

Except as described below, the accounting policies and methods of computation used in the preparation of the 2013 interim consolidated financial statements are consistent with those used and described in the Group’s annual audited financial statements for the year ended 31 December 2012.

(a) Change in accounting policy elected by the Group

During the year, the Group has elected to change its accounting policy in respect of premises. In the past, leasehold properties comprising land and buildings held on which a reliable estimate was not available on the split of the carrying value attributable to each of the land and building elements were accounted for as finance leases and shown at fair value less subsequent depreciation.

In view of market developments, and a review of the relevant accounting policy adopted by peer banks in Hong Kong, the Group has decided to change from revaluation to historical cost based accounting for its premises with effect from 1 January 2013. The Group has also applied this change in accounting policy retrospectively.

In assessing this change in accounting policy, the Group has considered the requirements set out in HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. HKAS 8 specifies that, amongst other things, for an entity to justify a change in accounting policy that is not mandatorily required by a new accounting standard or amendment to an existing accounting standard issued by the HKICPA, the entity must demonstrate that the change will result in the financial statements providing more reliable and more relevant information about the effects of transactions, other events or conditions on the entity’s financial position, financial performance or cash flows. The Group is satisfied that this change in accounting policy is justified by the relevant circumstances and therefore complies with HKAS 8.

The effect of the change on the relevant items in the consolidated statement of financial position and the consolidated income statement is shown below:

HK\$’000	As previously reported	As restated	Change
Consolidated statement of financial position			
As at 1 January 2013			
Premises	2,818,955	1,004,418	(1,814,537)
Premises revaluation reserve	1,619,476	42,998	(1,576,478)
Retained earnings as at 1 January 2013	9,519,136	9,473,341	(45,795)
As at 1 January 2012			
Premises	2,142,793	915,196	(1,227,597)
Premises revaluation reserve	1,109,496	42,998	(1,066,498)
Retained earnings as at 1 January 2012	8,266,939	8,237,586	(29,353)
Consolidated income statement			
For the six months ended 30 June 2012			
Depreciation	75,504	48,960	(26,544)
Taxation	73,649	76,677	3,028

In respect of the Group’s financial position as at, and results for the six months ended, 30 June 2013, the impact from this change in accounting policy is a reduction of depreciation charge by HK\$33,520,000 and an increase in deferred tax charge by HK\$4,088,000.

2. Basis of preparation and accounting policies (Continued)

- (b) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013:
- Amendments to HKAS 1, “Presentations of Financial Statements”, regarding other comprehensive income (“OCI”), require entities to aggregate items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendments do not have any material impact on the Group.
 - Amendments to HKFRS 7, “Disclosures - Offsetting Financial Assets and Financial Liabilities”, issued in December 2011 requires disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity’s financial position. There is no material impact to the financial statements of the Group as a result of this amendment.
 - HKFRS 10, “Consolidated financial statements”, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. It has been assessed that there is no change in the consolidation status of entities within the Group.
 - HKFRS 11, “Joint arrangements”, establishes principles for financial reporting by parties to a joint arrangement, and requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard requires a joint operator to recognise and measure the assets and liabilities (and recognise the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant HKFRSs applicable to the particular assets, liabilities, revenues and expenses. It requires a joint venturer to recognise an investment and to account for that investment using the equity method in accordance with HKAS 28, “Investments in Associates and Joint Ventures”, unless the entity is exempted from applying the equity method as specified in that standard. There is no impact to the financial statements of the Group as a result of this standard as the Group has adopted equity method of accounting to account for the investments in associate and jointly controlled entities.
 - HKFRS 12, “Disclosures of interests in other entities”, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. There is no impact to the financial statements of the Group as the Group has no unconsolidated structured entities.
 - HKFRS 13, “Fair value measurement”, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. There is no material impact to the financial statements of the Group as a result of this standard.
 - HKAS 19, “Employee Benefits”, was amended in June 2011. The impact will be to immediately recognise all past services costs, and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This standard is not relevant to the Group.

2. Basis of preparation and accounting policies (Continued)

- (c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:
- HKFRS 9, “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than in the income statement, unless this creates an accounting mismatch. The Group is in the process of making an assessment on the impact and so far has not decided to early adopt the standard, which shall be effective for the financial year beginning on or after 1 January 2015.
 - Amendments to HKAS 32, “Offsetting Financial Assets and Financial Liabilities”, issued in December 2011 clarified the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in HKAS 32, “Financial Instruments: Presentation”. The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted and are required to be applied retrospectively. There is no material impact to the financial statements of the Group as a result of this amendment.

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 13 August 2013.

These interim condensed consolidated financial statements have not been audited.

3. Net interest income

For the six months ended 30 June

	2013	2012
Interest income		
Cash and balances with banks	164,356	190,435
Investments in securities	317,627	439,524
Advances to customers and banks	1,596,441	1,231,424
	<u>2,078,424</u>	<u>1,861,383</u>
Interest expense		
Deposits from banks/ Deposits from customers	596,278	733,027
Certificates of deposit issued	47,898	13,197
Issued debt securities	21,655	24,858
Subordinated notes	66,693	69,512
Others	99	876
	<u>732,623</u>	<u>841,470</u>
Included within interest income		
Interest income on financial assets not at fair value through profit or loss	<u>2,071,384</u>	<u>1,836,812</u>
Interest income on impaired assets	<u>-</u>	<u>734</u>
Included within interest expense		
Interest expense on financial liabilities not at fair value through profit or loss	<u>729,499</u>	<u>809,208</u>

4. Net fee and commission income

For the six months ended 30 June

	2013	2012
Fee and commission income		
Fee and commission income from financial assets and liabilities not at fair value through profit or loss		
- Credit related fees and commissions	49,434	29,895
- Trade finance	34,903	25,214
- Credit card	141,336	138,088
Other fee and commission income		
- Securities brokerage	41,527	26,189
- Insurance distribution and others	37,464	27,543
- Retail investment and wealth management services	73,203	37,144
- Bank services and handling fees	24,033	21,070
- Other fees	56,871	44,501
	<u>458,771</u>	<u>349,644</u>
Fee and commission expense		
Fee and commission expense from financial assets and liabilities not at fair value through profit or loss		
- Handling fees and commission	101,116	97,105
- Other fees paid	9,660	6,147
	<u>110,776</u>	<u>103,252</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

	2013	2012
Net gain arising from dealing in foreign currencies	97,853	126,580
Net (loss) / gain on trading securities	(2,645)	1,941
Net gain from derivatives entered into for trading purpose	25,020	2,352
Net loss arising from financial instruments subject to fair value hedge	(29,086)	(33,065)
Net gain / (loss) arising from financial instruments designated at fair value through profit or loss	13,171	(16,880)
	<u>104,313</u>	<u>80,928</u>

6. Other operating income

For the six months ended 30 June

	2013	2012
Dividend income from investments in available-for-sale securities		
- Listed investments	2,536	2,248
- Unlisted investments	3,324	3,095
Gross rental income from investment properties	9,200	8,910
Other rental income	3,947	3,360
Others	1,719	5,346
	<u>20,726</u>	<u>22,959</u>

7. Operating expenses

For the six months ended 30 June

	2013	Restated 2012
Employee compensation and benefit expenses (including directors' remuneration)	565,656	504,287
Premises and other fixed assets expenses, excluding depreciation	148,775	118,474
Depreciation (Note 20)	53,387	48,960
Advertising and promotion costs	40,931	37,503
Amortisation expenses of intangible assets	3,539	5,032
Printing, stationery and postage	18,586	15,676
Others	92,424	112,807
	<u>923,298</u>	<u>842,739</u>

8. Loan impairment losses and other credit provisions

For the six months ended 30 June

	2013	2012
Loan impairment losses		
Net charge / (reversal) of impairment losses on advances and other accounts		
- Individually assessed	53,630	(8,002)
- Collectively assessed	83,940	37,562
	<u>137,570</u>	<u>29,560</u>
Of which		
- new and additional allowances (including amounts directly written off in the period)	179,364	84,487
- releases	(18,117)	(21,416)
- recoveries	(23,677)	(33,511)
	<u>137,570</u>	<u>29,560</u>

9. Net loss on disposal of premises, investment properties and other fixed assets

For the six months ended 30 June

	2013	2012
Net loss from disposal of other fixed assets	<u>(1,969)</u>	<u>(599)</u>

10. Net loss on disposal of investments in securities

For the six months ended 30 June

	2013	2012
Net gain on disposal of available-for-sale securities	37,457	53,829
Net loss on disposal of investments in securities included in the loans and receivables category	(93,571)	(64,638)
Net loss on redemption and disposal of held-to-maturity securities	<u>(22,284)</u>	<u>(5,384)</u>
	<u>(78,398)</u>	<u>(16,193)</u>

11. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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

	2013	Restated 2012
Current income tax		
- Hong Kong profits tax	106,340	56,071
- Overseas taxation	9,828	5,416
- Under-provision in prior periods	387	6,712
Deferred income tax		
- Origination and reversal of temporary differences	(6,415)	10,580
- Recognition of tax losses	(666)	(2,102)
Taxation	<u>109,474</u>	<u>76,677</u>

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

	As at 30 Jun 2013	As at 31 Dec 2012
Trading securities:		
Debt securities:		
- Listed in Hong Kong	515,819	548,781
- Unlisted	<u>5,670,794</u>	<u>5,248,961</u>
Total trading securities	<u>6,186,613</u>	<u>5,797,742</u>
Financial assets designated at fair value through profit or loss:		
Debt securities:		
- Listed outside Hong Kong	<u>2,780</u>	<u>23,525</u>
Total trading securities and financial assets designated at fair value through profit or loss	<u>6,189,393</u>	<u>5,821,267</u>
Included within debt securities are:		
- Government bonds included in trading securities	6,185,330	5,795,924
- Other debt securities	<u>4,063</u>	<u>25,343</u>
	<u>6,189,393</u>	<u>5,821,267</u>

As at 30 June 2013 and 31 December 2012, there were no certificates of deposit held included in the above balances of investments in debt securities.

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

	As at 30 Jun 2013	As at 31 Dec 2012
- Central governments and central banks	6,185,330	5,795,924
- Public sector entities	238	1,409
- Banks and other financial institutions	1,045	409
- Corporate entities	<u>2,780</u>	<u>23,525</u>
	<u>6,189,393</u>	<u>5,821,267</u>

13. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values as at 30 June 2013 were as follows:

	Contract/ notional amount	Fair values	
		Assets	Liabilities
1) Derivatives held for trading			
a) <i>Foreign exchange derivatives</i>			
Forward and future contracts	61,117,865	53,155	(266,949)
Currency options purchased and written	80,594,971	237,981	(237,503)
b) <i>Interest rate derivatives</i>			
Interest rate futures	11,689,498	-	(886)
Interest rate swaps	8,523,206	6,001	(64,495)
c) <i>Equity derivatives</i>			
Equity options purchased and written	230,208	3,125	(3,125)
Total derivative assets/ (liabilities) held for trading	<u>162,155,748</u>	<u>300,262</u>	<u>(572,958)</u>
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	22,602,382	387,975	(845,539)
Currency swaps	1,382,126	-	(43,066)
Total derivative assets/ (liabilities) held for hedging	<u>23,984,508</u>	<u>387,975</u>	<u>(888,605)</u>
Total recognised derivative financial assets/ (liabilities)	<u>186,140,256</u>	<u>688,237</u>	<u>(1,461,563)</u>

13. Derivative financial instruments (Continued)

The notional principal amounts of outstanding derivatives contracts and their fair values as at 31 December 2012 were as follows:

	Contract/ notional amount	Fair values	
		Assets	Liabilities
1) Derivatives held for trading			
a) <i>Foreign exchange derivatives</i>			
Forward and future contracts	64,252,866	130,837	(66,258)
Currency options purchased and written	43,336,993	71,746	(71,809)
b) <i>Interest rate derivatives</i>			
Interest rate futures	1,550,230	116	-
Interest rate swaps	7,487,004	10,177	(103,140)
c) <i>Equity derivatives</i>			
Equity options purchased and written	39,874	621	(621)
 Total derivative assets/ (liabilities) held for trading	<u>116,666,967</u>	<u>213,497</u>	<u>(241,828)</u>
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	18,685,659	397,412	(1,256,864)
Currency swaps	1,427,468	32,337	-
 Total derivative assets/ (liabilities) held for hedging	<u>20,113,127</u>	<u>429,749</u>	<u>(1,256,864)</u>
 Total recognised derivative financial assets/ (liabilities)	<u>136,780,094</u>	<u>643,246</u>	<u>(1,498,692)</u>

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

13. Derivative financial instruments (Continued)

The credit risk weighted amounts of the above off-balance sheet exposures calculated under Basel III basis (for positions as at 30 June 2013) and Basel II basis (for positions as at 31 December 2012) and, where applicable, without taking into account the effect of bilateral netting arrangement that the Group entered into, are as follows:

	As at 30 Jun 2013	As at 31 Dec 2012
Exchange rate contracts		
Forward and future contracts	344,213	451,359
Currency swaps	13,821	20,742
Currency options purchased	1,030,408	491,391
Interest rate contracts		
Interest rate swaps	204,176	183,695
Other contracts	9,730	1,586
	<u>1,602,348</u>	<u>1,148,773</u>

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

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

14. Advances and other accounts

	As at 30 Jun 2013	As at 31 Dec 2012
Gross advances to customers	93,323,664	86,182,860
Trade bills	6,197,931	4,329,872
Other assets		
- Accounts receivable and prepayments	2,438,274	2,894,756
- Accrued income	675,848	632,775
- Others	289,097	289,122
	<u>102,924,814</u>	<u>94,329,385</u>
Less: impairment allowances (Note 15)		
- Individually assessed	(147,628)	(90,726)
- Collectively assessed	(184,783)	(170,578)
	<u>(332,411)</u>	<u>(261,304)</u>
Investments in securities included in the loans and receivables category (Note 16)	1,703,241	3,239,769
Advances and other accounts	<u>104,295,644</u>	<u>97,307,850</u>

14. Advances and other accounts (Continued)

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

	As at 30 Jun 2013		As at 31 Dec 2012	
	Outstanding balance	% of gross advances covered by collateral	Outstanding balance	% of gross advances covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	2,071,935	66.1	1,662,651	70.4
- Property investment	14,626,326	98.6	14,047,519	98.4
- Financial concerns	696,530	46.4	336,280	36.4
- Stockbrokers	14,367	100.0	100,240	90.0
- Wholesale and retail trade	3,381,085	96.3	3,219,507	92.9
- Manufacturing	2,185,738	94.3	1,996,894	94.7
- Transport and transport equipment	4,760,622	95.9	4,635,150	96.3
- Recreational activities	290,819	5.9	287,610	1.5
- Information technology	11,464	68.2	8,703	47.7
- Others	3,443,140	83.5	2,894,403	80.8
	31,482,026	91.8	29,188,957	92.1
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,105,398	100.0	1,123,393	100.0
- Loans for the purchase of other residential properties	16,928,247	100.0	16,026,972	100.0
- Credit card advances	3,693,432	-	4,240,329	-
- Others	5,823,942	29.3	5,465,362	28.2
	27,551,019	71.6	26,856,056	69.6
Loans for use in Hong Kong	59,033,045	82.4	56,045,013	81.3
Trade finance (Note (1))	6,299,914	60.0	5,024,007	61.0
Loans for use outside Hong Kong (Note(2))	27,990,705	63.4	25,113,840	64.5
	93,323,664	75.2	86,182,860	75.3

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 financing loans not involving Hong Kong totalling HK\$509,856,000 (31 December 2012: HK\$336,534,000) are classified under Loans for use outside Hong Kong.

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

14. Advances and other accounts (Continued)

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

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

As at 30 Jun 2013					
	Outstanding balance	Impaired loans	Gross advances overdue for over 3 months	Individually assessed impairment allowances	Collectively assessed impairment allowances
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property investment	14,626,326	-	26	-	17,796
Individuals					
- Loans for the purchase of other residential properties	<u>16,928,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 Dec 2012					
	Outstanding balance	Impaired loans	Gross advances overdue for over 3 months	Individually assessed impairment allowances	Collectively assessed impairment allowances
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property investment	14,047,519	-	-	-	6,657
Individuals					
- Loans for the purchase of other residential properties	<u>16,026,972</u>	<u>-</u>	<u>541</u>	<u>-</u>	<u>7,594</u>

14. Advances and other accounts (Continued)

(b) Non-bank Mainland exposures

As at 30 Jun 2013				
Type of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total	Individually assessed impairment allowances
Mainland entities	14,239,787	2,623,608	16,863,395	69,301
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	9,793,825	296,959	10,090,784	46,501
Other counterparties the exposures to whom are considered by the Group to be non- bank Mainland exposures	100,820	-	100,820	-
As at 31 Dec 2012				
Type of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total	Individually assessed impairment allowances
Mainland entities	11,852,148	1,483,651	13,335,799	37,119
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	10,294,395	329,327	10,623,722	37,873
Other counterparties the exposures to whom are considered by the Group to be non- bank Mainland exposures	76,028	-	76,028	-

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

14. Advances and other accounts (Continued)

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

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

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

As at 30 Jun 2013

	Gross advances to customers	Individually impaired advances to customers	Overdue advances to customers	Individually assessed impairment allowances	Collectively assessed impairment allowances
Hong Kong	73,474,146	142,301	130,050	67,525	88,643
China	9,105,093	186,777	180,466	69,302	48,585
Macau	9,792,386	29,842	33,626	10,773	42,241
Others	952,039	52	52	28	2,073
	93,323,664	358,972	344,194	147,628	181,542

As at 31 Dec 2012

	Gross advances to customers	Individually impaired advances to customers	Overdue advances to customers	Individually assessed impairment allowances	Collectively assessed impairment allowances
Hong Kong	68,780,111	100,985	112,919	42,602	90,151
China	8,144,601	152,742	152,742	37,124	39,072
Macau	8,421,679	29,513	33,862	10,979	36,223
Others	836,469	52	52	21	2,270
	86,182,860	283,292	299,575	90,726	167,716

14. Advances and other accounts (Continued)

(d) Impaired, overdue and rescheduled assets

Apart from the investments in certain securities included in the loans and receivables category described in Note 16, advances to customers (as set out below) against which full individual impairment allowances had been made, there were no trade bills or other assets which were individually impaired, overdue for over 3 months or rescheduled as at 30 June 2013 and 31 December 2012. In respect of advances to customers, the relevant amounts are analysed below:

(i) Impaired loans

	As at 30 Jun 2013	As at 31 Dec 2012
Impaired loans and advances		
- Individually impaired (Note (1))	358,972	283,292
- Collectively impaired (Note (2))	17,530	16,251
	<u>376,502</u>	<u>299,543</u>
Impairment allowances made		
- Individually assessed (Note (3))	(147,628)	(90,726)
- Collectively assessed (Note (2))	(15,988)	(14,948)
	<u>(163,616)</u>	<u>(105,674)</u>
	<u>212,886</u>	<u>193,869</u>
Fair value of collaterals held *	<u>249,226</u>	<u>221,109</u>
Impaired loans and advances as a % of total loans and advances to customers	<u>0.40%</u>	<u>0.35%</u>

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

Note:

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

14. Advances and other accounts (Continued)

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

(ii) Gross amount of overdue loans

	As at 30 Jun 2013		As at 31 Dec 2012	
	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	35,731	0.04	70,549	0.08
- one year or less but over six months	94,898	0.10	33,986	0.04
- over one year	213,565	0.23	195,040	0.23
	344,194	0.37	299,575	0.35
Market value of securities held against the secured overdue advances	418,237		379,646	
Secured overdue advances	254,023		242,553	
Unsecured overdue advances	90,171		57,022	
Individual impairment allowances	115,952		78,668	

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

	As at 30 Jun 2013	% of total	As at 31 Dec 2012	% of total
Advances to customers	184,155	0.20	147,594	0.17
Impairment allowances	-		-	

(e) Repossessed collateral

Repossessed collateral held is as follows:

	As at 30 Jun 2013	As at 31 Dec 2012
Nature of assets		
- Repossessed properties	66,982	73,702
- Others	777	6,760
	67,759	80,462

14. Advances and other accounts (Continued)

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

	As at 30 Jun 2013		As at 31 Dec 2012	
	Contract amount	% covered by collateral	Contract amount	% covered by collateral
Financial guarantees and other credit related contingent liabilities	3,734,162	44.9	2,744,878	32.5
Loan commitments and other credit related commitments	59,339,599	6.9	59,987,212	7.1
	63,073,761	9.1	62,732,090	8.3

15. Impairment allowances against advances to customers and other accounts

	Individually assessed	Collectively assessed	Total
At 1 January 2013	90,726	170,578	261,304
Impairment losses charged	53,630	83,940	137,570
Loans written off as uncollectible	(5,172)	(85,409)	(90,581)
Recoveries of advances written off in previous years	8,600	15,077	23,677
Exchange and other adjustments	(156)	597	441
At 30 June 2013	147,628	184,783	332,411
Deducted from:			
Trade bills	-	3,038	3,038
Advances to customers	147,628	181,542	329,170
Accrued interest and other accounts	-	203	203
	147,628	184,783	332,411
	Individually assessed	Collectively assessed	Total
At 1 January 2012	190,859	193,986	384,845
Impairment losses (reversed) / charged	(1,496)	83,211	81,715
Loans written off as uncollectible	(121,296)	(139,841)	(261,137)
Recoveries of advances written off in previous years	22,315	33,050	55,365
Exchange and other adjustments	344	172	516
At 31 December 2012	90,726	170,578	261,304
Deducted from:			
Trade bills	-	2,224	2,224
Advances to customers	90,726	167,716	258,442
Accrued interest and other accounts	-	638	638
	90,726	170,578	261,304

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

	As at 30 Jun 2013	As at 31 Dec 2012
Investments in securities reclassified from the available-for-sale category		
- At fair value under fair value hedge (for hedging interest rate risk)	1,248,613	2,227,771
- At amortised cost	<u>543,892</u>	<u>1,117,929</u>
	<u>1,792,505</u>	<u>3,345,700</u>
Less: impairment allowances		
- Individually assessed	-	(58,251)
- Collectively assessed	<u>(100,000)</u>	<u>(100,000)</u>
	<u>(100,000)</u>	<u>(158,251)</u>
	<u>1,692,505</u>	<u>3,187,449</u>
Investments in securities classified as loans and receivables upon initial recognition	<u>10,736</u>	<u>52,320</u>
	<u>1,703,241</u>	<u>3,239,769</u>

Investments in securities classified as loans and receivables upon initial recognition were overdue at the time of recognition. As at 30 June 2013 and 31 December 2012, these investments were overdue for more than one year.

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

	As at 30 Jun 2013	As at 31 Dec 2012
Debt securities:		
- Listed outside Hong Kong	1,545,766	3,102,803
- Unlisted	<u>257,475</u>	<u>295,217</u>
	<u>1,803,241</u>	<u>3,398,020</u>
Less: impairment allowances		
- Individually assessed	-	(58,251)
- Collectively assessed	<u>(100,000)</u>	<u>(100,000)</u>
	<u>(100,000)</u>	<u>(158,251)</u>
	<u>1,703,241</u>	<u>3,239,769</u>
Market value of listed securities	<u>1,337,557</u>	<u>2,770,374</u>

As at 30 June 2013 and 31 December 2012, there were no certificates of deposit held included in the above balances of investments in debt securities.

Investments in securities included in the loans and receivables category are analysed by categories of issuers as follows:

- Banks and other financial institutions	1,346,831	2,282,015
- Corporate entities	<u>456,410</u>	<u>1,116,005</u>
	<u>1,803,241</u>	<u>3,398,020</u>

17. Available-for-sale securities

	As at 30 Jun 2013	As at 31 Dec 2012
Debt securities:		
- Listed in Hong Kong	11,496,384	8,919,452
- Listed outside Hong Kong	12,333,946	11,599,410
- Unlisted	957,627	1,068,122
	<u>24,787,957</u>	<u>21,586,984</u>
Equity securities:		
- Listed in Hong Kong	147,391	73,026
- Listed outside Hong Kong	44,671	72,610
- Unlisted	204,145	173,028
	<u>396,207</u>	<u>318,664</u>
Total available-for-sale securities	<u>25,184,164</u>	<u>21,905,648</u>

As at 30 June 2013 and 31 December 2012, there were no certificates of deposit held included in the above balances of investments in debt securities.

Available-for-sale securities are analysed by categories of issuers as follows:

- Central governments and central banks	2,363,566	2,867,068
- Public sector entities	207,662	294,279
- Banks and other financial institutions	6,073,246	6,060,201
- Corporate entities	16,537,237	12,682,647
- Others	2,453	1,453
	<u>25,184,164</u>	<u>21,905,648</u>

18. Held-to-maturity securities

	As at 30 Jun 2013	As at 31 Dec 2012
Debt securities:		
- Listed in Hong Kong	731,495	711,921
- Listed outside Hong Kong	3,700,009	4,797,430
- Unlisted	1,834,296	1,538,189
	6,265,800	7,047,540
Market value of listed securities	4,465,086	5,536,303
Included within debt securities are:		
- Certificates of deposit held	522,665	399,701
- Other debt securities	5,743,135	6,647,839
	6,265,800	7,047,540
Held-to-maturity securities are analysed by issuer as follows:		
- Central governments and central banks	1,187,274	910,343
- Public sector entities	193,811	193,620
- Banks and other financial institutions	3,146,128	3,914,755
- Corporate entities	1,738,587	2,028,822
	6,265,800	7,047,540

19. Reclassification of financial assets

On 20 December 2012, the Group reclassified certain financial assets that qualified for recognition as available-for-sale out of the loans and receivables category. The fair value and carrying value of these financial assets at the date of reclassification were HK\$1,829,247,000 and HK\$1,774,626,000. The fair value gain of HK\$54,621,000 generated upon the reclassification has been taken to other comprehensive income during the year ended 31 December 2012.

For the financial assets reclassified from the available-for-sale category into the loans and receivables category in 2008 and 2009 that remained outstanding as at 30 June 2013, the fair values and carrying values of these reclassified financial assets as at 30 June 2013 were HK\$1,515,564,000 (31 December 2012: HK\$1,487,800,000) and HK\$1,792,505,000 (31 December 2012: HK\$1,720,647,000) respectively.

If reclassification of the above financial assets from the available-for-sale category into the loans and receivables category in prior years had not taken place, the revaluation deficit in equity would have been HK\$276,716,000 higher (31 December 2012: HK\$340,144,000 higher).

20. Premises and other fixed assets

	Premises	Furniture, equipment and motor vehicles	Total
Six months ended 30 June 2013			
Opening net book amount, as previously reported	2,818,955	311,345	3,130,300
Change in accounting policy – Restatement of premises on cost basis	(1,814,537)	-	(1,814,537)
Opening net book amount, as restated	1,004,418	311,345	1,315,763
Additions	-	45,342	45,342
Reclassification of properties from premises to investment properties	(56,093)	-	(56,093)
Reclassification of properties from investment properties to premises	137,290	-	137,290
Disposals	-	(1,969)	(1,969)
Depreciation charge (Note 7)	(14,977)	(38,410)	(53,387)
Exchange difference	1,045	-	1,045
Closing net book amount	1,071,683	316,308	1,387,991
At 30 June 2013			
Cost	1,241,256	676,431	1,917,687
Accumulated depreciation	(169,573)	(360,123)	(529,696)
Net book amount	1,071,683	316,308	1,387,991
Year ended 31 December 2012			
Opening net book amount, as previously reported	2,142,793	241,898	2,384,691
Change in accounting policy – Restatement of premises on cost basis	(1,227,597)	-	(1,227,597)
Opening net book amount, as restated	915,196	241,898	1,157,094
Additions	43,332	145,786	189,118
Reclassification of properties from investment properties to premises	74,000	-	74,000
Disposals	(2,279)	(4,929)	(7,208)
Depreciation charge	(26,007)	(71,410)	(97,417)
Exchange difference	176	-	176
Closing net book amount	1,004,418	311,345	1,315,763
At 31 December 2012			
Cost	1,184,725	653,308	1,838,033
Accumulated depreciation	(180,307)	(341,963)	(522,270)
Net book amount	1,004,418	311,345	1,315,763

21. Investment properties

	Six months ended 30 Jun 2013	Year ended 31 Dec 2012
At beginning of the period/ year	735,502	678,703
Reclassification of properties from premises to investment properties	155,913	-
Reclassification of properties from investment properties to premises	(137,290)	(74,000)
Fair value gains on revaluation	-	130,799
	754,125	735,502

The Group's investment properties were last revalued at 31 December 2012. Valuations were made on the basis of open market value by independent, professionally qualified valuer, Savills (Valuation and Professional Services) Limited for investment properties in Hong Kong and Mainland China, and by Savills (Macau) Limited for investment properties in Macau.

22. Deposits from customers

	As at 30 Jun 2013	As at 31 Dec 2012
Demand deposits and current accounts	18,118,753	16,948,210
Savings deposits	17,131,092	18,086,362
Time, call and notice deposits	83,809,115	83,046,594
	119,058,960	118,081,166

23. Certificates of deposit issued

	As at 30 Jun 2013	As at 31 Dec 2012
At fair value under fair value hedge (for hedging interest rate risk)	6,941,404	4,463,338
At amortised cost	1,968,695	1,289,124
	8,910,099	5,752,462

The amount that the Group would be contractually required to pay at maturity to the holders of these certificates of deposit is HK\$3 million higher (31 December 2012: HK\$17 million lower) than the above carrying amount.

24. Issued debt securities

	As at 30 Jun 2013	As at 31 Dec 2012
US\$250,000,000 Floating Rate Notes due 2013 (Note (a))	1,939,202	1,937,792
US\$100,000,000 Floating Rate Notes due 2014 (Note (b))	775,680	775,115
	2,714,882	2,712,907
At amortised cost	2,714,882	2,712,907

24. Issued debt securities (Continued)

Note:

- (a) This represents US\$250,000,000 Floating Rate Notes (the “Notes”) issued by the Bank under the Bank’s Euro Medium Term Note Programme, and are listed on the Singapore Stock Exchange Trading Limited (“SGX”). The Notes are unsecured and have a final maturity on 7 October 2013. The Notes were issued in two series, comprising US\$175 million issued on 7 October 2010 and US\$75 million issued on 15 November 2010.
- (b) This represents US\$100,000,000 Floating Rate Notes (the “Notes”) issued by the Bank on 28 April 2011 under the Bank’s Euro Medium Term Note Programme, and are listed on the SGX. The Notes are unsecured and have a final maturity on 28 April 2014.

25. Subordinated notes

	As at 30 Jun 2013	As at 31 Dec 2012
US\$225,000,000 Subordinated Fixed Rate Notes due 2020 (Note (a))	1,943,338	2,045,441
US\$200,000,000 Perpetual Subordinated Fixed Rate Notes (Note (b))	494,896	510,460
US\$225,000,000 Subordinated Fixed Rate Notes due 2022 (Note (c))	<u>1,356,491</u>	<u>1,423,569</u>
	<u>3,794,725</u>	<u>3,979,470</u>
At fair value under fair value hedge (for hedging interest rate risk)	<u>3,794,725</u>	<u>3,979,470</u>

Note:

- (a) This represents US\$225,000,000 Subordinated Fixed Rate Notes qualifying as supplementary capital of the Bank issued on 11 February 2010 (the “Notes”), which are listed on the SGX. The Notes will mature on 11 February 2020. Interest at 6.625% p.a. is payable semi annually. An interest rate swap contract to swap the fixed rate payment liability of the Notes to floating interest rate based on LIBOR has been entered into with an international bank.
- (b) This represents US\$200,000,000 Perpetual Subordinated Fixed Rate Notes qualifying as upper supplementary capital of the Bank issued on 16 February 2007 (the “Notes”), which are listed on the SGX. The Notes carry an optional redemption date falling on 17 February 2017. Interest at 6.253% p.a. is payable semi-annually from the issue date to the optional redemption date. Thereafter, if the Notes are not redeemed, the interest rate will reset and the Notes will bear interest at 3-month LIBOR plus 190 basis points. The Bank may, subject to receiving the prior approval of the HKMA, redeem the Notes in whole but not in part, at par either on the optional redemption date or for taxation reasons on interest payment date. An interest rate swap contract to swap the fixed rate payment liability of the Notes to floating interest rate based on LIBOR has been entered into with an international bank.

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

25. Subordinated notes (Continued)

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

The change in the fair value of subordinated notes designated at fair value through profit or loss attributable to changes in external market prices (e.g. interest rate, currency) is a gain of HK\$29,390,000 and that attributable to the Group’s own credit standing is a loss of HK\$23,379,000 respectively in the six months ended 30 June 2012. The relevant subordinated notes had been redeemed by the Bank on the optional redemption date on 18 August 2012. Since then and up to 30 June 2013, the Group did not designate on initial recognition any subordinated notes at fair value through profit or loss.

The amount that the Group would be contractually required to pay at maturity to the holders of these subordinated notes is HK\$241 million lower (31 December 2012: HK\$382 million lower) than the above carrying amount.

26. Other accounts and accruals

The Group maintains an account with the Hong Kong Securities Clearing Company Limited (“HKSCC”) through which it conducts securities trading transactions for its customers.

In presenting the amounts due from and to HKSCC, the Group has offset the gross amount of the accounts receivable from and the gross amount of the accounts payable to HKSCC. As at 30 June 2013, the net amount was a payable and was included in “Other accounts and accruals”. As at 31 December 2012, the net amount was a receivable and was included in “Accounts receivable and prepayments” under “Advances and other accounts”. The amounts offset are shown below.

	As at 30 Jun 2013	As at 31 Dec 2012
Gross amount of accounts receivable from HKSCC	24,201	15,614
Gross amount of accounts payable to HKSCC	(48,972)	(5,467)
Net amount due (to)/from HKSCC	(24,771)	10,147

27. **Deferred income tax**

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

	As at 30 Jun 2013	Restated As at 31 Dec 2012
Deferred income tax assets	59,836	18,876
Deferred income tax liabilities	(5,118)	(3,934)

	As at 30 Jun 2013	Restated As at 31 Dec 2012
Deferred income tax assets:		
- Deferred income tax assets to be recovered after more than 12 months	127,056	86,530
Deferred income tax liabilities:		
- Deferred income tax liabilities to be settled after more than 12 months	(72,338)	(71,588)
	54,718	14,942

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

	Six months ended 30 Jun 2013	Restated Year ended 31 Dec 2012
At 1 January, as previously reported	(177,322)	49,907
Change in accounting policy - Restatement of premises on cost basis	192,264	131,746
At 1 January, as restated	14,942	181,653
Tax credited/(charged) to the income statement (Note 11)	7,081	(17,411)
Tax credited/(charged) to equity	32,511	(149,300)
Exchange difference	184	-
At 30 June/ 31 December	54,718	14,942

27. Deferred income tax (Continued)

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

Deferred income tax liabilities:

	Provisions	Accelerated Tax Depreciation	Premises Revaluation	Investment Properties Revaluation	Investment Revaluation	Others	Total
At 1 January 2012, as previously reported	4,941	15,612	153,024	10,673	64	169	184,483
Change in accounting policy - Restatement of premises on cost basis	-	21,278	(153,024)	-	-	-	(131,746)
At 1 January 2012, as restated	4,941	36,890	-	10,673	64	169	52,737
Charged to the income statement	1,266	16,795	-	801	-	-	18,862
Credited to equity	-	-	-	-	(11)	-	(11)
At 31 December 2012							
1 January 2013	6,207	53,685	-	11,474	53	169	71,588
Charged to the income statement	750	-	-	-	-	-	750
At 30 June 2013	6,957	53,685	-	11,474	53	169	72,338

Deferred income tax assets:

	Impairment allowances and provisions	Tax losses	Investment revaluation	Deferred expenses and others	Total
At 1 January 2012	41,574	981	173,415	18,420	234,390
(Charged)/credited to the income statement	(10,693)	3,625	-	8,519	1,451
Charged to equity	-	-	(149,311)	-	(149,311)
At 31 December 2012 and 1 January 2013	30,881	4,606	24,104	26,939	86,530
(Charged)/credited to the income statement	(3)	666	-	7,168	7,831
Credited to equity	-	-	32,511	-	32,511
Exchange difference	184	-	-	-	184
At 30 June 2013	31,062	5,272	56,615	34,107	127,056

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

	Six months ended 30 Jun 2013	Restated Year ended 31 Dec 2012
Fair value reserves in shareholders' equity:		
- available-for-sale securities	32,511	(149,300)

28. Maturity profile

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

At 30 June 2013	Repayable on demand	Up to 1 month	3 months or less but over 1 month	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Total
Assets								
Cash and balances								
with banks	2,451,741	6,528,342	-	-	-	-	-	8,980,083
Placement with banks	-	-	2,479,990	1,109,379	-	-	-	3,589,369
Trading securities	-	84,996	1,733,426	4,036,564	331,627	-	-	6,186,613
Financial assets designated at fair value through profit or loss	-	-	-	-	-	2,780	-	2,780
Derivative financial instruments	-	30,866	22,796	119,412	231,539	283,624	-	688,237
Advances and other accounts	6,847,699	10,575,263	9,630,977	15,419,950	30,804,719	29,284,804	1,732,232	104,295,644
Available-for-sale securities	-	256,230	317,075	1,101,784	18,300,524	4,807,591	400,960	25,184,164
Held-to-maturity securities	-	518,156	325,637	1,545,798	3,876,209	-	-	6,265,800
Investment in an associate	-	-	-	-	-	-	2,630,600	2,630,600
Investments in jointly controlled entities	-	-	-	-	-	-	60,494	60,494
Goodwill	-	-	-	-	-	-	811,690	811,690
Intangible assets	-	-	-	-	-	-	69,781	69,781
Premises and other fixed assets	-	-	-	-	-	-	1,387,991	1,387,991
Investment properties	-	-	-	-	-	-	754,125	754,125
Current income tax assets	-	-	-	-	-	-	-	-
Deferred income tax assets	-	-	-	-	59,836	-	-	59,836
Total assets	9,299,440	17,993,853	14,509,901	23,332,887	53,604,454	34,378,799	7,847,873	160,967,207
Liabilities								
Deposits from banks	66,277	1,130,607	238	11	1,396,225	-	-	2,593,358
Derivative financial instruments	-	101,459	123,200	172,146	908,234	156,524	-	1,461,563
Trading liabilities	-	1,244,987	232,970	2,035,219	147,639	-	-	3,660,815
Deposits from customers	38,398,774	38,209,029	24,273,768	16,768,470	1,408,919	-	-	119,058,960
Certificates of deposit issued	-	712,695	1,597,648	5,262,467	1,337,289	-	-	8,910,099
Issued debt securities	-	-	-	2,714,882	-	-	-	2,714,882
Subordinated notes	-	-	-	-	494,896	3,299,829	-	3,794,725
Other accounts and accruals	42,157	1,034,614	473,751	508,827	32,595	-	542,316	2,634,260
Current income tax liabilities	-	-	-	220,309	-	-	-	220,309
Deferred income tax liabilities	-	-	-	-	5,118	-	-	5,118
Total liabilities	38,507,208	42,433,391	26,701,575	27,682,331	5,730,915	3,456,353	542,316	145,054,089
Net liquidity gap	(29,207,768)	(24,439,538)	(12,191,674)	(4,349,444)	47,873,539	30,922,446	7,305,557	15,913,118

28. Maturity profile (Continued)

At 31 December 2012 (Restated)	Repayable on demand	Up to 1 month	3 months or less but over 1 month	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Total
Assets								
Cash and balances with banks	2,397,467	11,074,909	-	-	-	-	-	13,472,376
Placements with banks	-	-	3,423,499	567,128	-	-	-	3,990,627
Trading securities	-	39,498	650,443	4,694,242	393,749	19,810	-	5,797,742
Financial assets designated at fair value through profit or loss	-	-	-	-	-	23,525	-	23,525
Derivative financial instruments	-	83,569	40,789	41,295	178,928	298,665	-	643,246
Advances and other accounts	7,162,694	7,715,841	9,130,589	14,516,117	30,114,837	27,315,315	1,352,457	97,307,850
Available-for-sale securities	-	38,794	99,228	1,422,570	16,016,130	4,006,511	322,415	21,905,648
Held-to-maturity securities	-	261,815	101,075	2,365,107	4,319,543	-	-	7,047,540
Investment in an associate	-	-	-	-	-	-	2,437,031	2,437,031
Investments in jointly controlled entities	-	-	-	-	-	-	54,246	54,246
Goodwill	-	-	-	-	-	-	811,690	811,690
Intangible assets	-	-	-	-	-	-	73,320	73,320
Premises and other fixed assets	-	-	-	-	-	-	1,315,763	1,315,763
Investment properties	-	-	-	-	-	-	735,502	735,502
Current income tax assets	-	-	-	51	-	-	-	51
Deferred income tax assets	-	-	-	-	18,876	-	-	18,876
Total assets	9,560,161	19,214,426	13,445,623	23,606,510	51,042,063	31,663,826	7,102,424	155,635,033
Liabilities								
Deposits from banks	146,583	872,226	812,626	314	813,871	-	-	2,645,620
Derivative financial instruments	-	33,765	29,003	39,611	1,114,010	282,303	-	1,498,692
Trading liabilities	-	18,500	1,418,069	646,446	195,029	-	-	2,278,044
Deposits from customers	35,047,107	41,848,560	25,550,358	14,908,107	727,034	-	-	118,081,166
Certificates of deposit issued	-	253,929	13,363	4,813,188	671,982	-	-	5,752,462
Issued debt securities	-	-	-	1,937,792	775,115	-	-	2,712,907
Subordinated notes	-	-	-	-	510,460	3,469,010	-	3,979,470
Other accounts and accruals	54,150	728,467	1,445,789	348,473	26,391	-	567,661	3,170,931
Current income tax liabilities	-	-	-	102,865	-	-	-	102,865
Deferred income tax liabilities	-	-	-	-	3,934	-	-	3,934
Total liabilities	35,247,840	43,755,447	29,269,208	22,796,796	4,837,826	3,751,313	567,661	140,226,091
Net liquidity gap	(25,687,679)	(24,541,021)	(15,823,585)	809,714	46,204,237	27,912,513	6,534,763	15,408,942

29. Reserves

	As at 30 Jun 2013	Restated As at 31 Dec 2012
Reserves		
Consolidation reserve	8,827	8,827
Premises revaluation reserve	142,818	42,998
Investment revaluation reserve	(281,134)	(102,461)
Exchange reserve	304,752	285,853
General reserve	700,254	700,254
Reserve for share-based compensation	2,253	130
Retained earnings	<u>10,035,348</u>	<u>9,473,341</u>
	<u>10,913,118</u>	<u>10,408,942</u>
Proposed dividends included in retained earnings	<u>110,000</u>	<u>240,000</u>

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

As at 30 June 2013, the bank has earmarked a regulatory reserve of HK\$1,373,606,000 (31 December 2012: HK\$1,286,675,000) first against the consolidated general reserve; and for any excess amount, the balance is earmarked against the consolidated retained earnings of the Bank.

30. Operating segment reporting

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

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

- Personal banking business includes the acceptance of deposits from individual customers and the extension of residential mortgage lending, personal loans, overdraft and credit card services, the provision of insurance sales and investment services. Starting from 2013, hire purchase finance and leasing related to vehicle and transport financing are included under personal banking business. Certain comparative amounts have been revised to conform with the current year’s presentation.
- 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. Hire purchase finance and leasing related to equipment financing are included.
- Treasury activities are mainly the provision of foreign exchange services and centralised cash management for deposit taking and lending, interest rate risk management, management of investment in securities and the overall funding of the Group.
- Overseas banking businesses include personal banking, commercial banking business activities provided by overseas subsidiaries in Macau and China, and the Group’s interest in a commercial bank in China.
- Others include results of operations not directly identified under other reportable segments, corporate investments and debt funding (including subordinated notes).

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

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

30. Operating segment reporting (Continued)

For the six months ended 30 June 2013

	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter- segment	Total
Net interest income/ (expenses)	604,987	454,662	174,958	237,769	(126,575)	-	1,345,801
Non-interest income/ (expenses)	206,413	132,384	140,537	55,419	(61,671)	(48)	473,034
Total operating income/ (expenses)	811,400	587,046	315,495	293,188	(188,246)	(48)	1,818,835
Operating (expenses)/ income	(506,243)	(131,319)	(61,749)	(206,779)	(17,256)	48	(923,298)
Operating profit/ (loss) before impairment losses	305,157	455,727	253,746	86,409	(205,502)	-	895,537
Loan impairment losses and other credit provisions	(65,955)	(26,799)	-	(44,816)	-	-	(137,570)
Operating profit/ (loss) after impairment losses	239,202	428,928	253,746	41,593	(205,502)	-	757,967
Net loss on disposal of premises, investment properties and other fixed assets	(1,967)	-	-	(2)	-	-	(1,969)
Net loss on disposal of investments in securities	-	-	(78,398)	-	-	-	(78,398)
Share of results of an associate	-	-	-	227,633	-	-	227,633
Share of results of jointly controlled entities	-	-	-	-	6,248	-	6,248
Profit/ (loss) before taxation	237,235	428,928	175,348	269,224	(199,254)	-	911,481
Taxation (expenses)/ credit	(38,950)	(70,773)	(28,932)	(1,359)	30,540	-	(109,474)
Profit/ (loss) after taxation	198,285	358,155	146,416	267,865	(168,714)	-	802,007
For the six months ended 30 June 2013							
Depreciation and amortisation	20,734	2,778	2,408	18,938	12,068	-	56,926
As at 30 June 2013							
Segment assets	36,326,181	48,766,144	46,995,887	29,528,677	3,051,663	(3,701,345)	160,967,207
Segment liabilities	63,200,773	29,635,402	13,815,192	22,980,775	19,123,292	(3,701,345)	145,054,089

30. Operating segment reporting (Continued)

For the six months ended 30 June 2012 (Restated)

	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter- segment	Total
Net interest income/ (expenses)	504,754	309,385	136,587	192,806	(123,619)	-	1,019,913
Non-interest income/ (expenses)	156,427	77,714	117,403	29,788	(31,005)	(48)	350,279
Total operating income/ (expenses)	661,181	387,099	253,990	222,594	(154,624)	(48)	1,370,192
Operating (expenses)/ income	(494,875)	(115,608)	(62,768)	(162,522)	(7,014)	48	(842,739)
Operating profit/ (loss) before impairment losses	166,306	271,491	191,222	60,072	(161,638)	-	527,453
Loan impairment losses and other credit provisions (charged)/ written back	(28,617)	21,620	-	(22,625)	62	-	(29,560)
Operating profit/ (loss) after impairment losses	137,689	293,111	191,222	37,447	(161,576)	-	497,893
Net loss on disposal of premises, investment properties and other fixed assets	(595)	-	-	-	(4)	-	(599)
Net loss on disposal of investments in securities	-	-	(16,193)	-	-	-	(16,193)
Share of results of an associate	-	-	-	176,989	-	-	176,989
Share of results of jointly controlled entities	-	-	-	-	6,072	-	6,072
Profit/ (loss) before taxation	137,094	293,111	175,029	214,436	(155,508)	-	664,162
Taxation (expenses)/ credit	(22,622)	(48,363)	(28,911)	(4,283)	27,502	-	(76,677)
Profit/ (loss) after taxation	114,472	244,748	146,118	210,153	(128,006)	-	587,485
For the six months ended 30 June 2012							
Depreciation and amortization	25,576	5,510	4,435	17,746	725	-	53,992
As at 31 December 2012							
Segment assets	35,043,732	44,346,608	49,757,413	26,306,191	2,886,016	(2,704,927)	155,635,033
Segment liabilities	65,620,885	28,882,670	13,101,445	20,031,758	15,294,260	(2,704,927)	140,226,091

30. Operating segment reporting (Continued)

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

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

	Hong Kong and Others	Macau	Inter- segment elimination	Total
For the six months ended 30 June 2013				
Operating income	1,660,629	158,206	-	1,818,835
Profit before taxation	842,505	68,976	-	911,481
As at 30 June 2013				
Total assets	147,953,445	15,161,574	(2,147,812)	160,967,207
Total liabilities	133,948,631	13,253,270	(2,147,812)	145,054,089
Intangible assets and goodwill	321,167	560,304	-	881,471
Contingent liabilities and commitments	66,337,260	2,196,635	-	68,533,895
For the six months ended 30 June 2012 (Restated)				
Operating income	1,256,695	113,497	-	1,370,192
Profit before taxation	629,728	34,434	-	664,162
As at 31 December 2012				
Total assets (Restated)	143,347,079	13,805,502	(1,517,548)	155,635,033
Total liabilities (Restated)	129,779,476	11,964,163	(1,517,548)	140,226,091
Intangible assets and goodwill	322,667	562,343	-	885,010
Contingent liabilities and commitments	64,333,313	2,056,644	-	66,389,957

31. Contingent liabilities and commitments

(a) Capital commitments

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

	As at 30 Jun 2013	As at 31 Dec 2012
Expenditure authorised but not contracted for	39,410	43,423
Expenditure contracted but not provided for	170,033	153,073
	<u>209,443</u>	<u>196,496</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 2013	As at 31 Dec 2012
Direct credit substitutes	2,528,208	478,535
Transaction-related contingencies	75,147	507,025
Trade-related contingencies	1,130,807	1,759,318
Commitments that are unconditionally cancellable without prior notice	51,756,749	52,779,971
Other commitments with an original maturity of:		
- under 1 year	5,756,462	5,604,862
- 1 year and over	1,826,388	1,602,379
	<u>63,073,761</u>	<u>62,732,090</u>
	<u>Credit risk weighted amount</u>	
	As at 30 Jun 2013	As at 31 Dec 2012
Contingent liabilities and commitments	<u>3,049,126</u>	<u>2,589,868</u>

(c) Assets pledged

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

	As at 30 Jun 2013	As at 31 Dec 2012
Trading securities	3,538,446	2,548,496
Available-for-sale securities	131,400	132,544
	<u>3,669,846</u>	<u>2,681,040</u>

Non-government bonds pledged with unrelated financial institutions under repurchase agreements are as follows:

	As at 30 Jun 2013	As at 31 Dec 2012
Available-for-sale securities	1,041,250	256,838
Held-to-maturity securities	32,272	51,970
	<u>1,073,522</u>	<u>308,808</u>

31. Contingent liabilities and commitments (Continued)

(d) Operating lease commitments

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

	As at 30 Jun 2013	As at 31 Dec 2012
Not later than 1 year	184,758	158,094
Later than 1 year and not later than 5 years	256,359	255,268
Later than 5 years	66,206	58,161
	<u>507,323</u>	<u>471,523</u>

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

	As at 30 Jun 2013	As at 31 Dec 2012
Not later than 1 year	17,387	15,850
Later than 1 year and not later than 5 years	12,745	856
	<u>30,132</u>	<u>16,706</u>

32. Fair value hierarchy

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

Level Descriptions

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

32. Fair value hierarchy (Continued)

Assets and liabilities measured at fair value:

At 30 Jun 2013	Level 1	Level 2	Level 3	Total
Descriptions				
Financial assets at fair value through profit or loss				
Held for trading				
Debt securities	-	6,186,613	-	6,186,613
Designated at fair value through profit or loss				
Debt securities	-	2,780	-	2,780
Derivative financial instruments				
Held for trading	-	300,262	-	300,262
Held for hedging	-	387,975	-	387,975
Available-for-sale financial assets				
Debt securities	-	24,783,204	4,753	24,787,957
Equity securities	192,062	129,005	75,140	396,207
Total assets measured at fair value	<u>192,062</u>	<u>31,789,839</u>	<u>79,893</u>	<u>32,061,794</u>
Financial liabilities at fair value through profit or loss				
Held for trading	-	3,660,815	-	3,660,815
Derivative financial instruments				
Held for trading	-	572,958	-	572,958
Held for hedging	-	888,605	-	888,605
Total liabilities measured at fair value	<u>-</u>	<u>5,122,378</u>	<u>-</u>	<u>5,122,378</u>

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

For the six months ended 30 June 2013 and the year ended 31 December 2012, there were no transfers of financial assets and liabilities into or out of the Level 3 fair value hierarchy. The changes in carrying value represent the exchange revaluation gains/ losses.

32. Fair value hierarchy (Continued)

Assets and liabilities measured at fair value: (Continued)

At 31 Dec 2012	Level 1	Level 2	Level 3	Total
Descriptions				
Financial assets at fair value through profit or loss				
Held for trading				
Debt securities	-	5,797,742	-	5,797,742
Designated at fair value through profit or loss				
Debt securities	-	23,525	-	23,525
Derivative financial instruments				
Held for trading	-	213,497	-	213,497
Held for hedging	-	429,749	-	429,749
Available-for-sale financial assets				
Debt securities	-	21,583,231	3,753	21,586,984
Equity securities	145,635	106,925	66,104	318,664
Total assets measured at fair value	<u>145,635</u>	<u>28,154,669</u>	<u>69,857</u>	<u>28,370,161</u>
Financial liabilities at fair value through profit or loss				
Held for trading	-	2,278,044	-	2,278,044
Derivative financial instruments				
Held for trading	-	241,828	-	241,828
Held for hedging	-	1,256,864	-	1,256,864
Total liabilities measured at fair value	<u>-</u>	<u>3,776,736</u>	<u>-</u>	<u>3,776,736</u>

33. List of subsidiaries

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

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

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

Note:

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

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

	As at 30 Jun 2013			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Hong Kong	16,697	168	17,246	34,111
North and South America	942	-	2,442	3,384
Europe	4,271	-	1,232	5,503
	<u>21,910</u>	<u>168</u>	<u>20,920</u>	<u>42,998</u>
	As at 31 Dec 2012			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Hong Kong	20,697	154	15,317	36,168
North and South America	2,109	-	2,854	4,963
Europe	3,751	80	1,475	5,306
	<u>26,557</u>	<u>234</u>	<u>19,646</u>	<u>46,437</u>

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

35. Currency concentrations

The following sets out the Group's net foreign exchange position in USD and other individual currency that constitutes more than 10% of the total net position in all foreign currencies as at 30 June 2013 and the corresponding comparative balances.

	At 30 June 2013					Total foreign currencies
	US dollars	Renminbi	Macau Pataca	Other foreign currencies		
Equivalent in HK\$ millions						
Spot assets	47,317	22,808	5,607	3,737	79,469	
Spot liabilities	(25,804)	(23,635)	(7,867)	(10,159)	(67,465)	
Forward purchases	21,201	1,882	250	10,761	34,094	
Forward sales	(41,058)	(995)	(1)	(4,360)	(46,414)	
Net long/ (short) position	<u>1,656</u>	<u>60</u>	<u>(2,011)</u>	<u>(21)</u>	<u>(316)</u>	

	At 31 December 2012					Total foreign currencies
	US dollars	Renminbi	Macau Pataca	Euro	Other foreign currencies	
Equivalent in HK\$ millions						
Spot assets	40,839	21,000	4,739	3,359	4,095	74,032
Spot liabilities	(27,282)	(20,991)	(6,382)	(1,018)	(8,879)	(64,552)
Forward purchases	26,892	569	-	418	6,912	34,791
Forward sales	(38,198)	(416)	-	(2,829)	(2,146)	(43,589)
Net long/ (short) position	<u>2,251</u>	<u>162</u>	<u>(1,643)</u>	<u>(70)</u>	<u>(18)</u>	<u>682</u>

The Group did not have any structural foreign exchange position as at 30 June 2013 and 31 December 2012.

36. Capital adequacy ratio

	As at 30 Jun 2013 Basel III basis	Restated As at 31 Dec 2012 Basel II basis
Capital adequacy ratio		
- Common Equity Tier 1	10.0%	N.A.
- Tier 1	10.0%	10.4%
- Overall	14.2%	14.9%

The capital adequacy ratio as at 30 June 2013 and 31 December 2012 represents the consolidated position of DSB (covering BCM and DSB China) computed on Basel III and Basel II basis respectively in accordance with to the Banking (Capital) Rules. This capital adequacy ratio takes into account market risk and operational risk. The capital base as at 31 December 2012 has been restated to reflect the change in the accounting policy for premises to the cost basis.

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

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

37. Liquidity ratio

	Six months ended 30 Jun 2013	Six months ended 30 Jun 2012	Year ended 31 Dec 2012
Liquidity ratio			
- Bank (Hong Kong offices)	47.6%	48.2%	51.1%
- Group	46.9%	47.6%	50.1%

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

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

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

FINANCIAL RATIOS

	Six months ended 30 Jun 2013	Restated Six months ended 30 Jun 2012
Net interest income/operating income	74.0%	74.4%
Cost to income ratio	50.8%	61.5%
Return on average total assets (annualised)	1.1%	0.8%
Return on average shareholders' funds (annualised)	10.8%	8.9%
Net interest margin	1.77%	1.47%
	As at 30 Jun 2013	As at 31 Dec 2012
Loan to deposit ratio	72.9%	69.6%

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

Local market conditions in the first half of the year were somewhat subdued, with concerns over a slowing in the Mainland China economy affecting sentiment in Hong Kong. Towards the middle of the year, we also saw significant market volatility due to the US Federal Reserve's potential tapering down of quantitative easing measures, and the effect that this could have on medium term US (and by implication Hong Kong) interest rates. Whilst market conditions were somewhat subdued, we are pleased to report that our profit attributable to shareholders increased by 36.5% over the prior period to HK\$802 million.

Key trends during the period included a significant improvement in net interest margin ("NIM"), double digit percentage loan growth, much improved fee and commission income, and well-controlled expense growth. Our investment in Bank of Chongqing ("BOCQ"), again delivered strong performance, although with more moderate profit growth relative to our wholly owned banking business.

BUSINESS AND FINANCIAL REVIEW

All key areas of our business reported significant growth. Net interest income was up by 32% from HK\$1,020 million to HK\$1,346 million, driven both by improved NIM of 1.77% for the first half of the year, compared with 1.47% in the same period last year, as well as by business volume increase. The 30bp increase in NIM was driven in large part through the continued sharp focus on deposit cost management, although booking of new loans, particularly by our commercial banking division at respectable yields, also helped.

Net fee and commission income increased by 41.2% from HK\$246 million to HK\$348 million, driven largely by increases in our wealth management business, treasury related fee income derived from commercial banking business, securities brokerage and trade finance business. Net trading income increased from HK\$81 million to HK\$104 million. Our success in delivering much improved results in these areas was driven largely by a high level of focus by our divisional and branch management, and better cross-divisional cooperation, both in line with our business strategy.

Improved net interest income, fee and commission income and net trading income, resulted in an increase of 32.7% in total operating income, from HK\$1,370 million to HK\$1,819 million. Operating expenses remained well under control, despite the high level of business growth, increasing by 9.6% to HK\$923 million. The much faster revenue growth than cost increase led to a significant improvement in our cost to income ratio to come down to 50.8%, compared with 61.5% in the first half of 2012.

Loan impairment losses and other credit provisions increased to HK\$138 million from a very low base of HK\$30 million in the prior period. Whilst the increase was notable due to the low base effect, the absolute level of bad debts remained low, with the impaired loan ratio standing at 0.40% at the mid-year.

Our investment in Bank of Chongqing continued to perform well with a contribution of HK\$228 million for the period, an increase of 29% over the first half of the prior year.

Due principally to the higher level of business growth during the period, Dah Sing Bank's consolidated capital adequacy ratio ("CAR") dropped modestly compared with the prior year end from 14.9% (Basel II basis) to 14.2%, reported on a Basel III basis, whilst our overall capital base continued to increase from HK\$15.1 billion to HK\$16.0 billion. During the period, we changed our accounting policy relating to our holding of own-use premises from the revaluation model to the cost model, and the results of the first half of 2012 are restated to reflect this change. This is a more conservative treatment from a capital perspective (reducing our overall CAR by 49bp), but results in higher earnings (by HK\$44 million in the period), due to the absence of a need to depreciate the premises revaluation surplus over the remaining period of the property leases (typically up to mid-2047), which reduces the overall depreciation and amortization charge of the Group.

PUBLICATION OF INTERIM FINANCIAL DISCLOSURES ON THE GROUP'S WEBSITE

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

INTERIM DISCLOSURE STATEMENT AND STATEMENT OF COMPLIANCE

This interim financial disclosure statement for the six months ended 30 June 2013 is the Interim Disclosure Statement of the Bank prepared in accordance with the requirements set out in the Banking (Disclosure) (Amendment) Rules 2013 issued by the Hong Kong Monetary Authority. The Bank has fully complied with such disclosure requirements.

By Order of the Board
Doris Wai Nar Wong
Company Secretary

Hong Kong, Tuesday, 13 August 2013