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The holding company of Dah Sing Bank, Limited
(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock code: 2356)

ANNOUNCEMENT OF 2021 INTERIM RESULTS

The Directors of Dah Sing Banking Group Limited (the “Company”) are pleased to present the interim results and condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021. The unaudited profit attributable to shareholders after non-controlling interests for the six months ended 30 June 2021 was HK\$1,110.4 million.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

The unaudited 2021 interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

HK\$'000	Note	2021	2020	Variance %
Interest income	3	2,602,333	3,432,752	
Interest expense	3	(638,950)	(1,576,156)	
Net interest income		1,963,383	1,856,596	5.8
Fee and commission income	4	735,541	677,348	
Fee and commission expense	4	(94,027)	(99,134)	
Net fee and commission income		641,514	578,214	10.9
Net trading income	5	84,282	147,419	
Other operating income	6	31,903	35,895	
Operating income		2,721,082	2,618,124	3.9
Operating expenses	7	(1,451,250)	(1,391,957)	4.3
Operating profit before impairment losses		1,269,832	1,226,167	3.6
Credit impairment losses	8	(117,050)	(365,193)	(67.9)
Operating profit before gains and losses on certain investments and fixed assets		1,152,782	860,974	33.9
Net loss on disposal of other fixed assets		(6,895)	(2,867)	
Net gain on disposal of financial assets at fair value through other comprehensive income		3,875	11,594	
Share of results of an associate		433,054	411,759	
Impairment loss on investment in an associate	9	(251,000)	(200,000)	
Loss on deemed disposal of investment in an associate	10	(31,202)	-	
Share of results of jointly controlled entities		16,835	13,580	
Profit before taxation		1,317,449	1,095,040	20.3
Taxation	11	(207,040)	(149,087)	
Profit for the period		1,110,409	945,953	17.4
Loss attributable to non-controlling interests		-	37	
Profit attributable to Shareholders of the Company		1,110,409	945,990	17.4
Interim dividend		140,575	112,460	
Earnings per share				
Basic and diluted	12	HK\$0.79	HK\$0.67	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

HK\$'000	2021	2020
Profit for the period	1,110,409	945,953
Other comprehensive income for the period		
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	116,154	(540,825)
Net change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	3,116	4,414
Net gain realised and transferred to income statement upon:		
- Disposal of debt instruments at fair value through other comprehensive income	(3,875)	(11,594)
Deferred income tax related to the above	(29,244)	88,937
	86,151	(459,068)
Exchange differences arising on translation of the financial statements of foreign entities	(146,673)	(128,605)
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	(690)	4,181
Deferred income tax related to the above	124	1,603
	(566)	5,784
Other comprehensive loss for the period, net of tax	(61,088)	(581,889)
Total comprehensive income for the period, net of tax	1,049,321	364,064
Attributable to:		
Non-controlling interests	-	(37)
Shareholders of the Company	1,049,321	364,101
Total comprehensive income for the period, net of tax	1,049,321	364,064

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK\$'000	Note	As at 30 Jun 2021	As at 31 Dec 2020
ASSETS			
Cash and balances with banks		15,484,762	15,262,452
Placements with banks maturing between one and twelve months		2,597,903	5,355,765
Trading securities	13	5,670,686	5,080,047
Derivative financial instruments	14	427,543	1,135,814
Advances and other accounts	15	148,147,488	146,844,457
Financial assets at fair value through other comprehensive income	16	41,656,783	41,815,998
Financial assets at amortised cost	17	22,496,219	22,842,879
Investment in an associate	9	4,190,809	4,277,927
Investments in jointly controlled entities		122,388	105,553
Goodwill		713,451	713,451
Intangible assets		58,252	58,252
Premises and other fixed assets		3,008,303	3,006,039
Investment properties		682,909	682,909
Deferred income tax assets		67,420	124,680
Total assets		245,324,916	247,306,223
LIABILITIES			
Deposits from banks		2,879,476	3,500,442
Derivative financial instruments	14	1,906,322	3,191,188
Trading liabilities		3,244,284	1,570,675
Deposits from customers		190,443,108	190,339,807
Certificates of deposit issued		5,631,718	8,125,802
Subordinated notes		3,791,691	3,828,458
Other accounts and accruals	18	7,093,338	6,996,407
Current income tax liabilities		258,437	383,696
Deferred income tax liabilities		16,949	14,561
Total liabilities		215,265,323	217,951,036
EQUITY			
Non-controlling interests		-	15,296
Equity attributable to the Company's shareholders			
Share capital		6,894,438	6,894,438
Other reserves (including retained earnings)		22,266,568	21,546,866
Shareholders' funds	19	29,161,006	28,441,304
Additional equity instruments		898,587	898,587
Total equity		30,059,593	29,355,187
Total equity and liabilities		245,324,916	247,306,223

Note:

1. General information

Dah Sing Banking Group Limited (the “Company”) is a bank holding company. Its principal subsidiary is Dah Sing Bank, Limited (“DSB”), which is a licensed bank in Hong Kong. The Company together with its subsidiaries (collectively the “Group”) provide banking, financial and other related services.

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 this interim results announcement does not constitute statutory financial statements.

Certain financial information in this interim results announcement is extracted from the statutory financial statements for the year ended 31 December 2020 (the “2020 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 2020 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 2021 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 2020.

New and amended standards adopted by the Group

The following amendments to accounting 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.

Interest Rate Benchmark Reform - Phase 2, amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The amendments are related to (i) changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; (ii) hedge accounting; and (iii) disclosures. The amendments address the effects of the reform on an entity’s financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate.

There are no other HKFRSs or interpretations that are effective from 1 January 2021 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 2021.

These interim condensed consolidated financial statements have not been audited.

3. Net interest income

For the six months ended 30 June

HK\$'000	2021	2020
Interest income		
Cash and balances with banks	84,729	153,399
Investments in securities	515,385	792,749
Advances and other accounts	2,002,219	2,486,604
	<u>2,602,333</u>	<u>3,432,752</u>
Interest expense		
Deposits from banks/ Deposits from customers	551,495	1,376,863
Certificates of deposit issued	30,266	68,984
Subordinated notes	50,344	84,762
Lease liabilities	5,133	5,653
Others	1,712	39,894
	<u>638,950</u>	<u>1,576,156</u>
Included within interest income		
- Trading securities and financial assets at fair value through profit or loss	2,299	47,621
- Financial assets at fair value through other comprehensive income	255,428	604,044
- Financial assets at amortised cost	2,344,606	2,781,087
	<u>2,602,333</u>	<u>3,432,752</u>
Included within interest expense		
- Financial liabilities not at fair value through profit or loss	<u>638,319</u>	<u>1,538,303</u>

In the six months ended 30 June 2021 and 2020, there was no interest income recognised on impaired assets.

4. Net fee and commission income

For the six months ended 30 June

HK\$'000	2021	2020
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	93,736	83,576
- Trade finance	38,879	36,214
- Credit card	132,249	125,713
Other fee and commission income		
- Securities brokerage	124,017	82,436
- Insurance distribution and others	100,809	161,294
- Retail investment and wealth management services	175,510	126,052
- Bank services and handling fees	34,516	32,335
- Other fees	35,825	29,728
	<u>735,541</u>	<u>677,348</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	89,191	94,059
- Other fees paid	4,836	5,075
	<u>94,027</u>	<u>99,134</u>

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

5. Net trading income

For the six months ended 30 June

HK\$'000	2021	2020
Net gain arising from dealing in foreign currencies	88,639	120,507
Net (loss)/ gain on trading securities	(338)	9,147
Net gain/ (loss) from derivatives entered into for trading purpose	1,792	(2,024)
Net (loss)/ gain arising from financial instruments subject to fair value hedge	(5,811)	12,669
Net gain on financial instruments at fair value through profit or loss	-	7,120
	<u>84,282</u>	<u>147,419</u>

6. Other operating income

For the six months ended 30 June

HK\$'000	2021	2020
Dividend income from investments in equity instruments at fair value through other comprehensive income, held at the end of the period		
- Listed investments	652	1,410
- Unlisted investments	6,574	2,891
Gross rental income from investment properties	9,052	13,333
Other rental income	8,280	7,446
Others	7,345	10,815
	<u>31,903</u>	<u>35,895</u>

7. Operating expenses

For the six months ended 30 June

HK\$'000	2021	2020
Employee compensation and benefit expenses (including directors' remuneration)	976,048	990,482
Premises and other fixed assets expenses, excluding depreciation	104,999	84,915
Depreciation		
- Premises and other fixed assets	96,441	87,182
- Right-of-use properties	115,400	91,180
Advertising and promotion costs	37,115	41,739
Printing, stationery and postage	18,114	21,435
Others	103,133	75,024
	<u>1,451,250</u>	<u>1,391,957</u>

8. Credit impairment losses

For the six months ended 30 June

HK\$'000	2021	2020
New allowances net of allowance releases	158,126	407,954
Recoveries of amounts previously written off	(41,076)	(42,761)
	<u>117,050</u>	<u>365,193</u>
Attributable to:		
- Advances to customers	138,567	336,289
- Other financial assets	(6,642)	27,708
- Loan commitments and financial guarantees	(14,875)	1,196
	<u>117,050</u>	<u>365,193</u>

9. Impairment loss on investment in an associate

At 30 June 2021, the fair value of the Group's investment in Bank of Chongqing ("BOCQ") had been below the carrying amount for approximately 7.5 years. On this basis, the Group continues to perform an 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 30 June 2021, the recoverable amount, as determined by the VIU calculation and after considering all relevant factors (including the cumulative impairment charge having been recognised as at 31 December 2020) and valuation assumptions, remained below the carrying amount. The latest impairment test performed by the Group for the position as at 30 June 2021 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 2020 of HK\$2,266 million, by HK\$251 million. As a result, an additional impairment charge of HK\$251 million was recognised in the first half of 2021 to reduce the value of the investment to HK\$4,191 million.

The calculation of DSB's capital adequacy does not include the retained earnings from this investment (the "Investment"), except for BOCQ cash dividend received by DSB. 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 DSB's capital adequacy.

10. Loss on deemed disposal of investment in an associate

BOCQ completed the issue and listing of new A Shares (the "BOCQ A Share Issue") on 5 February 2021. With the completion of the BOCQ A Share Issue, the Group's interest in BOCQ was reduced from 14.66% as at 31 December 2020 to 13.20% commencing 5 February 2021.

The Group's interest in BOCQ has been accounted for as an associate using the equity method as the Group has representation in the Board of BOCQ, and the ability to participate in the decision making process. This remains the case after the completion of the BOCQ A Share Issue.

The completion of the BOCQ A Share Issue and the corresponding reduction in the Group's shareholding in BOCQ on 5 February 2021 has been accounted for as a deemed partial disposal of the Group's investment in BOCQ, and resulted in a disposal loss of HK\$31.2 million mainly because of the lowering in the net asset value per share of BOCQ immediately after the completion of the BOCQ A Share Issue.

11. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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

HK\$'000	2021	2020
Current income tax		
- Hong Kong profits tax	144,702	137,793
- Overseas taxation	31,255	5,510
Deferred income tax		
- Origination and reversal of temporary differences	31,083	5,784
Taxation	207,040	149,087

12. Basic and diluted earnings per share

The calculation of basic earnings per share and fully dilutive earnings for the six months ended 30 June 2021 is based on earnings of HK\$1,110,409,000 (2020: HK\$945,990,000) and the weighted average number of 1,405,752,132 (2020: 1,405,752,132) ordinary shares in issue during the period. The share options outstanding during the period ended have no dilutive effect on the weighted average number of ordinary shares.

13. Trading securities

HK\$'000	As at 30 Jun 2021	As at 31 Dec 2020
Debt securities:		
- Listed in Hong Kong	43,984	30,089
- Unlisted	<u>5,626,702</u>	<u>5,049,958</u>
	<u>5,670,686</u>	<u>5,080,047</u>
Included within debt securities are:		
- Treasury bills which are cash equivalents	939,928	482,991
- Other treasury bills	4,686,754	4,566,967
- Government bonds	<u>44,004</u>	<u>30,089</u>
	<u>5,670,686</u>	<u>5,080,047</u>

As at 30 June 2021 and 31 December 2020, there were no certificates of deposit held included in the above balances.

14. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values as at 30 June 2021 were as follows:

HK\$'000	Contract/ notional amount	Fair values	
		Assets	Liabilities
1) Derivatives held for trading			
a) <i>Foreign exchange derivatives</i>			
Forward and futures contracts	37,775,053	119,331	(158,663)
Currency options purchased and written	7,662,031	7,782	(7,775)
Cross currency interest rate swaps	400,648	1,210	(895)
b) <i>Interest rate derivatives</i>			
Interest rate swaps	4,139,219	34,596	(30,318)
c) <i>Equity derivatives</i>			
Equity options purchased and written	723,690	21,829	(21,835)
Total derivative assets/ (liabilities) held for trading	50,700,641	184,748	(219,486)
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	46,588,229	242,795	(1,686,836)
Total derivative assets/ (liabilities) held for hedging	46,588,229	242,795	(1,686,836)
Total recognised derivative financial assets/ (liabilities)	97,288,870	427,543	(1,906,322)

14. Derivative financial instruments (Continued)

The notional principal amounts of outstanding derivatives contracts and their fair values as at 31 December 2020 were as follows:

HK\$'000	Contract/ notional amount	Fair values	
		Assets	Liabilities
1) Derivatives held for trading			
a) <i>Foreign exchange derivatives</i>			
Forward and futures contracts	63,546,714	857,935	(815,861)
Currency options purchased and written	9,794,008	16,681	(16,661)
b) <i>Interest rate derivatives</i>			
Interest rate swaps	5,149,560	48,888	(44,691)
c) <i>Equity derivatives</i>			
Equity options purchased and written	742,444	22,479	(22,457)
Total derivative assets/ (liabilities) held for trading	79,232,726	945,983	(899,670)
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	41,984,638	189,831	(2,291,518)
Total derivative assets/ (liabilities) held for hedging	41,984,638	189,831	(2,291,518)
Total recognised derivative financial assets/ (liabilities)	121,217,364	1,135,814	(3,191,188)

15. Advances and other accounts

HK\$'000	As at 30 Jun 2021	As at 31 Dec 2020
Gross advances to customers	139,236,985	137,577,384
Less: impairment allowances		
- Stage 1	(490,264)	(486,431)
- Stage 2	(215,026)	(208,225)
- Stage 3	(587,554)	(556,508)
	(1,292,844)	(1,251,164)
	137,944,141	136,326,220
Trade bills	4,325,752	3,791,124
Less: impairment allowances		
- Stage 1	(6,340)	(8,848)
- Stage 2	(4)	(11)
	(6,344)	(8,859)
	4,319,408	3,782,265
Other assets	5,905,871	6,758,655
Less: impairment allowances		
- Stage 1	(9,507)	(10,287)
- Stage 2	(580)	(547)
- Stage 3	(11,845)	(11,849)
	(21,932)	(22,683)
	5,883,939	6,735,972
Advances and other accounts	148,147,488	146,844,457

15. Advances and other accounts (Continued)

(a) Impaired, overdue and rescheduled assets

(i) Impaired loans

HK\$'000	As at 30 Jun 2021	As at 31 Dec 2020
Gross loans and advances	139,236,985	137,577,384
Less: total impairment allowances	<u>(1,292,844)</u>	<u>(1,251,164)</u>
Net	<u>137,944,141</u>	<u>136,326,220</u>
Credit-impaired loans and advances	1,342,513	1,573,803
Less: Stage 3 impairment allowances	<u>(587,554)</u>	<u>(556,508)</u>
Net	<u>754,959</u>	<u>1,017,295</u>
Fair value of collateral held*	<u>592,117</u>	<u>787,030</u>
Credit-impaired loans and advances as a % of total loans and advances to customers	<u>0.96%</u>	<u>1.14%</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 2021		As at 31 Dec 2020	
	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	127,727	0.09	240,472	0.17
- one year or less but over six months	296,327	0.21	136,656	0.10
- over one year	<u>471,448</u>	<u>0.34</u>	<u>525,674</u>	<u>0.38</u>
	<u>895,502</u>	<u>0.64</u>	<u>902,802</u>	<u>0.65</u>
Represented by:				
- Secured overdue advances	430,251		593,229	
- Unsecured overdue advances	<u>465,251</u>		<u>309,573</u>	
Market value of securities held against the secured overdue advances	<u>826,820</u>		<u>930,016</u>	
Stage 3 impairment allowances	<u>434,642</u>		<u>302,651</u>	

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

15. Advances and other accounts (Continued)

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

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

HK\$'000	As at 30 Jun 2021	% of total	As at 31 Dec 2020	% of total
Advances to customers	<u>370,917</u>	<u>0.27</u>	<u>374,963</u>	<u>0.27</u>
Stage 3 impairment allowances	<u>141,744</u>		<u>141,869</u>	

(iv) Trade bills

As at 30 June 2021, there were no balance of trade bills that were overdue for more than 3 months. As at 31 December 2020, trade bills that were overdue for more than 3 months related to an amount of HK\$607,000 which was overdue for over one year and was fully secured with no Stage 3 impairment allowances made.

(b) Repossessed collateral

Repossessed collateral held is as follows:

Nature of assets	As at 30 Jun 2021	As at 31 Dec 2020
Repossessed properties	152,387	304,514
Others	<u>21,308</u>	<u>24,923</u>
	<u>173,695</u>	<u>329,437</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 Mainland China with a total estimated realisable value of HK\$63,633,000 (31 December 2020: HK\$63,158,000), which had been foreclosed and repossessed by the Group pursuant to orders issued by courts in Mainland China, represent assets held by the Group for resale and have been reported under "Other assets". The relevant loans had been derecognised.

16. Financial assets at fair value through other comprehensive income

HK\$'000	As at 30 Jun 2021	As at 31 Dec 2020
Debt securities:		
- Listed in Hong Kong	15,218,924	14,072,696
- Listed outside Hong Kong	18,178,283	16,750,257
- Unlisted	<u>8,159,124</u>	<u>10,892,365</u>
	<u>41,556,331</u>	<u>41,715,318</u>
Equity securities:		
- Listed in Hong Kong	17,892	18,196
- Unlisted	<u>82,560</u>	<u>82,484</u>
	<u>100,452</u>	<u>100,680</u>
Total	<u>41,656,783</u>	<u>41,815,998</u>
Included within debt securities are:		
- Certificates of deposit held	492,987	344,348
- Treasury bills which are cash equivalents	638,984	3,551,262
- Other treasury bills	5,491,080	6,026,161
- Government bonds	665,164	123,458
- Other debt securities	<u>34,268,116</u>	<u>31,670,089</u>
	<u>41,556,331</u>	<u>41,715,318</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	6,795,228	9,700,881
- Public sector entities	641,415	134,779
- Banks and other financial institutions	7,904,934	7,582,172
- Corporate entities	26,214,679	24,297,411
- Others	<u>75</u>	<u>75</u>
	<u>41,556,331</u>	<u>41,715,318</u>
Equity securities:		
- Corporate entities	<u>100,452</u>	<u>100,680</u>
	<u>41,656,783</u>	<u>41,815,998</u>

17. Financial assets at amortised cost

HK\$'000	As at 30 Jun 2021	As at 31 Dec 2020
Debt securities:		
- Listed in Hong Kong	9,125,829	8,751,193
- Listed outside Hong Kong	9,355,014	9,297,525
- Unlisted	<u>4,038,978</u>	<u>4,818,383</u>
	<u>22,519,821</u>	<u>22,867,101</u>
Less: impairment allowance		
- Stage 1	<u>(23,602)</u>	<u>(24,222)</u>
Total	<u>22,496,219</u>	<u>22,842,879</u>
Included within debt securities are:		
- Certificates of deposit held	1,435,625	1,745,601
- Treasury bills	834,412	1,308,909
- Government bonds	245,075	248,395
- Other debt securities	<u>20,004,709</u>	<u>19,564,196</u>
	<u>22,519,821</u>	<u>22,867,101</u>
Financial assets at amortised cost are analysed by categories of issuers as follows:		
- Central governments and central banks	1,079,487	1,557,304
- Public sector entities	282,002	293,469
- Banks and other financial institutions	7,358,080	7,681,769
- Corporate entities	13,789,163	13,323,470
- Others	<u>11,089</u>	<u>11,089</u>
	<u>22,519,821</u>	<u>22,867,101</u>

18. Other accounts and accruals

HK\$'000	As at 30 Jun 2021	As at 31 Dec 2020
Lease liabilities	615,800	692,594
Amount payable arising from purchase of securities pending for settlement	195,041	2,649
Other liabilities and accruals	<u>6,282,497</u>	<u>6,301,164</u>
	<u>7,093,338</u>	<u>6,996,407</u>

19. Shareholders' funds

HK\$'000	As at 30 Jun 2021	As at 31 Dec 2020
Share capital	6,894,438	6,894,438
Consolidation reserve	(220,986)	(220,986)
Premises revaluation reserve	270,120	270,120
Investment revaluation reserve	421,432	335,848
Exchange reserve	(128,473)	18,199
General reserve	700,254	700,254
Reserve for share-based compensation	4,493	4,210
Retained earnings	<u>21,219,728</u>	<u>20,439,221</u>
	<u>29,161,006</u>	<u>28,441,304</u>
Proposed dividend/ dividend paid included in retained earnings	<u>140,575</u>	<u>309,265</u>

DSB as a locally incorporated bank in Hong Kong 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 2021, DSB has earmarked a regulatory reserve of HK\$506,080,000 (31 December 2020: HK\$502,278,000) first against its consolidated general reserve; and for any excess amount, the balance is earmarked against its consolidated retained earnings.

20. 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:

HK\$'000	As at 30 Jun 2021	As at 31 Dec 2020
Expenditure contracted but not provided for	<u>104,678</u>	<u>198,240</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 2021	As at 31 Dec 2020
Direct credit substitutes	979,179	645,720
Transaction-related contingencies	520,555	537,138
Trade-related contingencies	983,121	846,898
Commitments that are unconditionally cancellable without prior notice	69,479,319	72,035,740
Other commitments with an original maturity of:		
- under 1 year	4,792,297	4,060,949
- 1 year and over	346,559	362,675
Forward forward deposits placed	<u>16,259</u>	-
	<u>77,117,289</u>	<u>78,489,120</u>
	<u>Credit risk weighted amount</u>	
	As at 30 Jun 2021	As at 31 Dec 2020
Contingent liabilities and commitments	<u>1,874,934</u>	<u>1,574,554</u>

(c) Assets pledged

	As at 30 Jun 2021	As at 31 Dec 2020
Trading assets and financial investments pledged to secure liabilities	3,775,371	3,077,937
- of which: under repurchase agreements	<u>1,003,568</u>	<u>1,506,126</u>
Amount of liabilities secured	3,829,338	3,123,207
- of which: under repurchase agreements	<u>1,057,338</u>	<u>1,551,207</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.

20. 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:

HK\$'000	As at 30 Jun 2021	As at 31 Dec 2020
Within 1 year	16,216	16,180
Between 1 and 2 years	7,240	11,521
Between 2 and 3 years	<u>27</u>	<u>839</u>
	<u>23,483</u>	<u>28,540</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 2021 amount to HK\$13,432,000 (31 December 2020: HK\$28,953,000).

21. 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, corporate banking, treasury & global markets 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.
- Corporate 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 and global markets 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, corporate 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.

21. Operating segment reporting (Continued)

For the six months ended 30 June 2021

HK\$'000	Personal Banking	Corporate Banking	Treasury and Global Markets	Overseas Banking	Others	Inter- segment	Total
Net interest income/ (expenses)	797,488	591,285	387,720	245,930	(59,040)	-	1,963,383
Non-interest income/ (expenses)	538,433	103,669	27,594	66,553	21,949	(499)	757,699
Total operating income/ (expenses)	1,335,921	694,954	415,314	312,483	(37,091)	(499)	2,721,082
Operating expenses	(821,447)	(241,605)	(95,785)	(264,021)	(28,891)	499	(1,451,250)
Operating profit/ (loss) before credit impairment (losses)/ written back	514,474	453,349	319,529	48,462	(65,982)	-	1,269,832
Credit impairment (losses)/ written back	(108,627)	(29,286)	133	20,683	47	-	(117,050)
Operating profit/ (loss) after credit impairment (losses)/ written back	405,847	424,063	319,662	69,145	(65,935)	-	1,152,782
Net loss on disposal of other fixed assets	(2,240)	(1,031)	(16)	(77)	(3,531)	-	(6,895)
Net gain on disposal of financial assets at fair value through other comprehensive income	-	-	3,875	-	-	-	3,875
Share of results of an associate	-	-	-	433,054	-	-	433,054
Impairment loss on investment in an associate	-	-	-	(251,000)	-	-	(251,000)
Loss on deemed disposal of investment in an associate	-	-	-	(31,202)	-	-	(31,202)
Share of results of jointly controlled entities	-	-	-	-	16,835	-	16,835
Profit/ (loss) before taxation	403,607	423,032	323,521	219,920	(52,631)	-	1,317,449
Taxation (expenses)/ credit	(66,611)	(69,768)	(53,358)	(31,220)	13,917	-	(207,040)
Profit/ (loss) for the period	336,996	353,264	270,163	188,700	(38,714)	-	1,110,409
For the six months ended 30 June 2021							
Depreciation and amortisation	38,403	7,645	4,039	29,493	132,261	-	211,841
As at 30 June 2021							
Segment assets	55,407,885	67,652,540	82,090,403	37,431,876	7,994,670	(5,252,458)	245,324,916
Segment liabilities	113,915,143	46,511,359	15,316,168	29,197,919	15,577,192	(5,252,458)	215,265,323

21. Operating segment reporting (Continued)

For the six months ended 30 June 2020

HK\$'000	Personal Banking	Corporate Banking	Treasury and Global Markets	Overseas Banking	Others	Inter- segment	Total
Net interest income/ (expenses)	806,614	564,334	307,145	243,251	(64,748)	-	1,856,596
Non-interest income/ (expenses)	494,781	89,338	104,806	54,467	18,634	(498)	761,528
Total operating income/ (expenses)	1,301,395	653,672	411,951	297,718	(46,114)	(498)	2,618,124
Operating expenses	(811,981)	(254,547)	(88,540)	(246,094)	8,707	498	(1,391,957)
Operating profit/ (loss) before credit impairment losses	489,414	399,125	323,411	51,624	(37,407)	-	1,226,167
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)	(38,645)	-	860,974
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
Share of results of an associate	-	-	-	411,759	-	-	411,759
Impairment loss on investment in an associate	-	-	-	(200,000)	-	-	(200,000)
Share of results of jointly controlled entities	-	-	-	-	13,580	-	13,580
Profit/ (loss) before taxation	262,457	350,891	316,676	190,088	(25,072)	-	1,095,040
Taxation (expenses)/ credit	(43,057)	(58,067)	(52,230)	(4,448)	8,715	-	(149,087)
Profit/ (loss) for the period	219,400	292,824	264,446	185,640	(16,357)	-	945,953
For the six months ended 30 June 2020							
Depreciation and amortisation	37,549	7,774	3,533	27,855	101,651	-	178,362
As at 31 December 2020							
Segment assets	53,965,730	66,782,037	84,562,197	38,200,663	8,820,927	(5,025,331)	247,306,223
Segment liabilities	112,788,974	46,684,129	16,220,032	29,899,300	17,383,932	(5,025,331)	217,951,036

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 2021 and 2020, 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.

22. 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

HK\$'000	As at 30 Jun 2021		As at 31 Dec 2020	
	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	6,110,389	59.7	5,611,830	66.5
- Property investment	17,844,068	88.6	17,221,674	92.4
- Financial concerns	5,061,824	9.0	5,756,814	5.8
- Stockbrokers	2,324,471	62.8	1,733,867	46.7
- Wholesale and retail trade	5,777,869	90.4	6,004,660	90.4
- Manufacturing	1,578,804	61.3	1,790,941	56.4
- Transport and transport equipment	2,324,069	83.1	2,512,559	80.1
- Recreational activities	95,023	99.8	96,223	99.6
- Information technology	50,422	82.3	51,827	86.5
- Others	6,810,726	80.3	6,003,396	68.4
	47,977,665	73.2	46,783,791	71.6
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	524,781	100.0	558,428	100.0
- Loans for the purchase of other residential properties	31,753,603	100.0	31,260,619	100.0
- Credit card advances	3,607,905	-	3,610,141	-
- Others	13,070,537	50.7	13,079,682	51.6
	48,956,826	79.5	48,508,870	79.5
Loans for use in Hong Kong	96,934,491	76.4	95,292,661	75.6
Trade finance (Note (1))	8,080,113	60.6	8,115,481	61.5
Loans for use outside Hong Kong (Note (2))	34,222,381	61.0	34,169,242	63.7
	139,236,985	71.7	137,577,384	71.8

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 DSB) totalling HK\$332,918,000 (31 December 2020: HK\$260,328,000) 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.

22. 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:

HK\$'000	As at 30 Jun 2021				
	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	17,844,068	40,599	35,238	10,205	104,698
Individuals - Loans for the purchase of other residential properties	31,753,603	84,232	58,872	10,338	43,044
Loans for use outside Hong Kong	<u>34,222,381</u>	<u>469,721</u>	<u>457,094</u>	<u>201,696</u>	<u>143,493</u>
	As at 31 Dec 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	17,221,674	59,373	41,590	4,705	95,584
Individuals - Loans for the purchase of other residential properties	31,260,619	62,747	92,630	7,826	40,076
Loans for use outside Hong Kong	<u>34,169,242</u>	<u>520,305</u>	<u>400,017</u>	<u>187,244</u>	<u>154,835</u>

22. 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 DSB and its Mainland subsidiary bank only.

HK\$'000

As at 30 June 2021	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
1. Central government, central government-owned entities and their subsidiaries and joint ventures (“JV”s)	8,159,965	120,021	8,279,986
2. Local governments, local government-owned entities and their subsidiaries and JVs	1,289,705	275,246	1,564,951
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	14,662,514	1,625,947	16,288,461
4. Other entities of central government not reported in item 1 above	2,970,664	33,351	3,004,015
5. Other entities of local governments not reported in item 2 above	1,345,174	263,182	1,608,356
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	11,232,260	702,214	11,934,474
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	680,069	426	680,495
	<u>40,340,351</u>	<u>3,020,387</u>	<u>43,360,738</u>
Total assets of DSB and its Mainland subsidiary bank after provision	<u>229,413,920</u>		
On-balance sheet exposures as percentage of total assets	<u>17.58%</u>		

Note:

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

22. Additional analysis on claims and exposures (Continued)

(b) Mainland activities exposures (Continued)

HK\$'000

As at 31 December 2020	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
1. Central government, central government-owned entities and their subsidiaries and JVs	9,723,405	124,954	9,848,359
2. Local governments, local government-owned entities and their subsidiaries and JVs	1,405,599	274,501	1,680,100
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	12,076,834	1,745,392	13,822,226
4. Other entities of central government not reported in item 1 above	2,221,324	36,918	2,258,242
5. Other entities of local governments not reported in item 2 above	1,609,556	283,753	1,893,309
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	11,647,569	592,157	12,239,726
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	<u>1,100,005</u>	<u>-</u>	<u>1,100,005</u>
	<u>39,784,292</u>	<u>3,057,675</u>	<u>42,841,967</u>
Total assets of DSB and its Mainland subsidiary bank after provision	<u>230,973,725</u>		
On-balance sheet exposures as percentage of total assets	<u>17.22%</u>		

22. 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 2021

HK\$'000	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	117,461,376	1,057,978	610,967	511,408	615,002
China	7,193,212	73,722	73,722	1,669	48,820
Macau	13,497,531	210,813	210,813	74,477	33,103
Others	1,084,866	-	-	-	8,365
	139,236,985	1,342,513	895,502	587,554	705,290

As at 31 December 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	115,234,954	1,239,712	600,421	467,445	595,174
China	7,630,058	63,294	28,269	1,119	50,382
Macau	13,686,148	270,797	270,797	87,944	42,121
Others	1,026,224	-	3,315	-	6,979
	137,577,384	1,573,803	902,802	556,508	694,656

22. 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 2021 In millions of HK\$	Banks	Official sector	Non-bank private sector		Total claims
			Non-bank financial institutions	Non- financial private sector	
Offshore centres	5,748	12,141	6,955	148,735	173,579
- of which: Hong Kong	4,826	11,183	6,955	132,984	155,948
Developing Asia and Pacific	28,610	1,264	707	17,542	48,123
- of which: Mainland China	19,011	1,100	359	13,568	34,038

At 31 December 2020 In millions of HK\$	Banks	Official sector	Non-bank private sector		Total claims
			Non-bank financial institutions	Non- financial private sector	
Offshore centres	6,928	15,016	6,727	143,869	172,540
- of which: Hong Kong	6,441	13,595	6,727	128,137	154,900
Developing Asia and Pacific	27,306	1,060	880	17,681	46,927
- of which: Mainland China	19,036	894	526	14,159	34,615

23. 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 2021 and the corresponding comparative balances.

The Group did not have any structural foreign exchange position as at 30 June 2021 and 31 December 2020. The net option position is calculated in the basis of the delta-weighted position of all foreign currency option contracts.

	At 30 Jun 2021				
	US dollars	Renminbi	Macau Pataca	Other foreign currencies	Total foreign currencies
Equivalent in HK\$ millions					
Spot assets	74,884	16,705	9,490	8,728	109,807
Spot liabilities	(51,509)	(15,360)	(11,112)	(9,411)	(87,392)
Forward purchases	8,264	2,892	-	3,116	14,272
Forward sales	(30,957)	(4,100)	-	(2,468)	(37,525)
Net options position	-	-	-	-	-
Net long/ (short) position	<u>682</u>	<u>137</u>	<u>(1,622)</u>	<u>(35)</u>	<u>(838)</u>
	At 31 Dec 2020				
	US dollars	Renminbi	Macau Pataca	Other foreign currencies	Total foreign currencies
Equivalent in HK\$ millions					
Spot assets	75,606	17,846	9,931	7,825	111,208
Spot liabilities	(53,937)	(16,796)	(11,453)	(8,594)	(90,780)
Forward purchases	21,686	12,044	-	3,113	36,843
Forward sales	(42,823)	(12,993)	-	(2,352)	(58,168)
Net options position	-	-	-	-	-
Net long/ (short) position	<u>532</u>	<u>101</u>	<u>(1,522)</u>	<u>(8)</u>	<u>(897)</u>

24. Capital adequacy ratio

	As at 30 Jun 2021	As at 31 Dec 2020
Capital adequacy ratio		
- Common Equity Tier 1	14.2%	13.8%
- Tier 1	14.8%	14.3%
- Total	18.0%	17.6%

The capital adequacy ratio as at 30 June 2021 and 31 December 2020 represents the consolidated position of DSB (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.

DSB 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.

25. Liquidity maintenance ratio

	Six months ended 30 Jun 2021	Six months ended 30 Jun 2020	Year ended 31 Dec 2020
Liquidity maintenance ratio	46.1%	49.6%	47.8%

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

DSB 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

	Six months ended 30 Jun 2021	Six months ended 30 Jun 2020
Net interest income/operating income	72.2%	70.9%
Cost to income ratio	53.3%	53.2%
Return on average total assets (annualised)	0.9%	0.8%
Return on average shareholders' funds (annualised)	7.9%	7.0%
Net interest margin	1.74%	1.66%

	As at 30 Jun 2021	As at 31 Dec 2020
Loan to deposit ratio	71.0%	69.3%

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK\$0.10 per share for 2021 payable on Tuesday, 21 September 2021 to shareholders whose names are on the Register of Shareholders at the close of business on Wednesday, 15 September 2021.

CLOSURE OF REGISTER OF SHAREHOLDERS

For determining shareholders' entitlement to receive the interim dividend:

Latest time to lodge transfers	4:30 p.m. on 10 September 2021 (Friday)
Closure of Register of Shareholders (both days inclusive)	13 September 2021 (Monday) to 15 September 2021 (Wednesday)
Record date	15 September 2021 (Wednesday)

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before the above latest time to lodge transfers.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

Economic conditions in the first half of 2021 rebounded sharply after the very difficult conditions in 2020. In the first half of 2021, Hong Kong real GDP grew by 7.8%, a sharp rebound from the drop in real GDP in the first half of 2020 of 9%. However, the economic recovery remained uneven. Trade recovered strongly and exports of goods surpassed the peak reached in the same period of 2018. Conversely, tourism remained at a standstill due to the pandemic. Consumption-related activities improved, but were still notably below their pre-recession levels. The economic environment in Hong Kong is expected to remain buoyant in the second half of the year, helped in part by the boost to consumer spending following the launch of the Hong Kong Government's consumption voucher scheme. The Hong Kong Government's forecast for real GDP growth for 2021 as a whole is 5.5% to 6.5%, as announced by the Government on 13 August, although uncertainties remain as prior government support measures such as the principal repayment holiday for loans gradually run-down. Inflation currently remains under control, with price increases of 1.0% per the underlying increase in the July composite CPI vs. a year ago. Employment has continued to improve, with the seasonally adjusted unemployment rate falling to 5.0% in the quarter ended 31 July 2021, the fifth consecutive moving 3-month period that registered a decline.

Mainland China economic growth continued to rebound strongly, with growth in GDP of 12.7% in the first half of 2021. Trade in particular grew very strongly, with imports and exports up by 27%. Both inflation and unemployment remained under control at 1.1% and 5.0% respectively. There are some signs that growth is beginning to stabilize, and GDP growth in the second quarter of the year was notably slower than in the first quarter.

Whilst global financial markets, particularly US markets, performed very strongly in the first half of the year, Hong Kong has been a laggard, with growth in the first half of the year lower than most major markets. Short term interest rates in HKD and USD have remained generally low and stable during the first half of the year, although there has been some volatility in medium and longer term US rates, driven by rising concerns about the re-emergence of inflationary pressures, and the potential that this could have an impact on the direction of interest rates in the medium term. In the short term, however, the low and stable rate conditions are forecast to persist. Short term interest rates in RMB have fallen somewhat in recent months.

With economic conditions having improved significantly in the first half of the year, our profit attributable to shareholders grew by 17% to HK\$1,110 million, mainly caused by lower impairment charges on loans and improved net interest income. Underlying business performance improved, with better credit quality and stable net interest margin.

For the first half of the year, a dividend of HK\$0.10 per share was declared.

BUSINESS AND FINANCIAL REVIEW

Our performance in the first half of the year improved in most major areas. After significant volatility during the course of last year, net interest margin stabilized at a level somewhat higher than that in the first half of 2020 (1.74% vs. 1.66%). This, coupled with modest loan growth enabled us to grow net interest income by 6%. Net fee and commission income also recorded robust growth in the first half of the year, whilst trading income was significantly lower, mainly due to funding swap net cost in the period vs. net gain in the first half of last year, as the gap between Hong Kong dollar and US dollar rates contracted sharply. Asset growth was modest, with small increases in the loan book and the securities investment portfolio.

The improvement in our net fee and commission income for the period was broadly based with our wealth management business, including our broking business, fund distribution and foreign exchange business all performing well. Growth in operating expenses was 4.3%. Staff numbers remained relatively stable as compared to last year end.

Our move to a new head office in the first half of the year was accompanied by the launch of a new flagship bank branch. The design of the branch has focused on the needs of customers today, including much greater use of digital, rather than paper communication and processing, and has been aligned with our strategy to make greater use of technology in both physical branch and digital distribution and service channels including our online presence and mobile app.

BUSINESS AND FINANCIAL REVIEW (Continued)

The performance of our wholly-owned banking subsidiary in Macau improved very significantly in the first half of the year, after a very difficult first half in 2020 when Macau effectively closed down for a period of time due to very tight COVID restrictions. The performance of our China subsidiary was slightly better than the same period last year, as was the performance of our associate company, Bank of Chongqing (“BOCQ”).

One of the highlights in the first half of the year, and a key reason for the improved financial performance was the improvement in credit conditions and credit quality. After a very difficult first half in 2020, our credit impairment charges fell by 68% to HK\$117 million. The improvement was broadly based, with better credit quality experienced in both our Corporate and Retail banking businesses, as well as our banking subsidiaries in Macau and Mainland China. It was notable that even certain businesses carrying somewhat higher credit risk, such as unsecured lending to individual borrowers, our loan portfolio demonstrated relatively robust and improving credit quality during the period.

As is our usual practice, we conducted a periodic review of the Value in Use of our investment in BOCQ as at 30 June 2021, resulting in an impairment charge against the value of this investment in the amount of HK\$251 million. In addition, as a result of the “A” share IPO of BOCQ in the early part of the year, our shareholding was diluted, and we booked a deemed disposal loss on this dilution of HK\$31 million.

As at 30 June 2021, Dah Sing Bank’s consolidated Common Equity Tier 1 ratio and total consolidated capital adequacy ratio were 14.2% and 18.0% respectively.

PROSPECTS

After a very difficult first half in 2020, economic conditions rebounded strongly in our key markets in the first half of 2021. However, it should be noted that part of this strong recovery was due to the low base effect caused by the significant shrinkage in GDP in the same period last year. Therefore whilst we have seen a turnaround in business conditions and business sentiment in the year to date, it has not been as strong as might be expected from the very robust GDP growth figures.

We expect relatively similar conditions in the second half of the year. Whilst the economy is expected to recover, albeit at a somewhat slower rate than in the first half of the year, we believe that loan demand will continue to remain relatively subdued. With the improvement in credit quality we expect to remain positive in the second half of the year as regards credit risk appetite, and therefore stand ready to grow our loan book at a faster pace if there is an unexpectedly quick rebound in loan demand in our business.

A clear focus is also non-interest income. After a relatively robust performance in the recent past, we believe there could be some short term headwinds in this business, given the recent poor performance of the local stock market. However, over time, we believe that there are strong opportunities for growth, which we are keen to position for as and when market sentiment turns more positive.

Investment in technology remains extremely important. We believe that to the extent possible this investment should be focused on improving customer experience and making it easier, quicker and simpler for our customers to do business with us. We are also keen to align our physical presence accordingly, and after the launch of our new flagship branch at our head office building, we expect to gradually roll out more “digital” branches in our network over time. As an important part of our investment in technology, our core banking system replacement project is entering into an important phase of development, which will call for more resources in relation to testing and overall implementation.

Our capital and liquidity positions remain robust, and we believe that this will position us to take advantage of market opportunities as they arise.

All of this makes us cautiously positive on the outlook for the second half of the year. However, as noted above, the very strong GDP figures have not thus far been reflected in a very strong upturn in loan demand. Conversely, with a better economy, we are seeing some pressure in operating expenses. Therefore, whilst overall we are positive, our businesses will continue to be managed conservatively in the second half of the year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2021, the Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code (“CG Code”) under Appendix 14 of the Listing Rules, with the exception of code provisions A.4.1 and E.1.2.

Pursuant to code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The Non-Executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Company’s Articles of Association.

Pursuant to code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In light of COVID-19 pandemic and quarantine measures for inbound travellers, Mr. David Shou-Yeh Wong, the Chairman of the Board, was unable to attend the 2021 Annual General Meeting (the “2021 AGM”) of the Company held in Hong Kong on 2 June 2021 as he was required to comply with compulsory quarantine requirements in Hong Kong at that time. Mr. Hon-Hing Wong (Derek Wong), Vice Chairman, Managing Director and Chief Executive of the Company, took the chair of the 2021 AGM. Due to the lockdown measures caused by the COVID-19, Mr. Seng-Lee Chan, Chairman of the Nomination and Remuneration Committee (“NRC”) of the Company, was unable to come to Hong Kong to attend the 2021 AGM. A member of the NRC of the Company was present and available to answer questions from shareholders at the 2021 AGM.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct for directors’ securities dealing (“Directors’ Dealing Code”) on terms no less exacting than the prevailing required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) under Appendix 10 of the Listing Rules. Following specific enquiry, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code and the Directors’ Dealing Code throughout the six months ended 30 June 2021.

UNAUDITED FINANCIAL STATEMENTS

The financial information in this interim results announcement is unaudited and does not constitute statutory financial statements.

AUDIT COMMITTEE

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2021.

REMUNERATION AND STAFF DEVELOPMENT

There have been no material changes to the information disclosed in the Company’s 2020 Annual Report in respect of the remuneration of employees, remuneration policies and training schemes.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of listed securities of the Company during the six months ended 30 June 2021.

INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (“HKEX”) at www.hkexnews.hk and Dah Sing Bank at www.dahsing.com.

The 2021 Interim Report of the Group containing all the information required by the Listing Rules will be published on the websites of HKEX and Dah Sing Bank in due course. Printed copies of the 2021 Interim Report will be sent to shareholders who have elected to receive printed versions of the Company’s corporate communications before the end of September 2021.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Vice Chairman, Managing Director and Chief Executive), Gary Pak-Ling Wang and Nicholas John Mayhew (Deputy Chief Executive) as Executive Directors; Messrs. Robert Tsai-To Sze, Seng-Lee Chan, Blair Chilton Pickerell and David Wai-Hung Tam as Independent Non-Executive Directors.

By Order of the Board

Doris W. N. Wong

Company Secretary

Hong Kong, Wednesday, 25 August 2021