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(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

The holding company of Dah Sing Bank, Limited

(Stock Code: 2356)

ANNOUNCEMENT OF 2022 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 2022. The unaudited profit attributable to shareholders for the six months ended 30 June 2022 was HK\$1,099.3 million.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

The unaudited 2022 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	2022	2021	Variance %
Interest income	3	2,696,956	2,602,333	
Interest expense	3	(676,666)	(638,950)	
Net interest income		2,020,290	1,963,383	2.9
Fee and commission income	4	564,004	735,541	
Fee and commission expense	4	(82,402)	(94,027)	
Net fee and commission income		481,602	641,514	(24.9)
Net trading income	5	93,456	84,282	
Other operating income	6	31,245	31,903	
Operating income		2,626,593	2,721,082	(3.5)
Operating expenses	7	(1,390,536)	(1,451,250)	(4.2)
Operating profit before impairment losses		1,236,057	1,269,832	(2.7)
Credit impairment losses	8	(305,055)	(117,050)	160.6
Operating profit before gains and losses on certain investments and fixed assets		931,002	1,152,782	(19.2)
Net loss on disposal of other fixed assets		(426)	(6,895)	
Net gain on disposal of financial assets at fair value through other comprehensive income		-	3,875	
Net gain on disposal of financial assets at amortised cost		24	-	
Share of results of an associate	9	453,747	433,054	
Impairment loss on investment in an associate	9	(139,000)	(251,000)	
Loss on deemed disposal of investment in an associate		-	(31,202)	
Share of results of jointly controlled entities		12,736	16,835	
Profit before taxation		1,258,083	1,317,449	(4.5)
Taxation	10	(158,747)	(207,040)	
Profit for the period attributable to Shareholders of the Company		1,099,336	1,110,409	(1.0)
Interim dividend		140,575	140,575	
Earnings per share				
Basic and diluted	11	HK\$0.78	HK\$0.79	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

HK\$'000	2022	2021
Profit for the period	<u>1,099,336</u>	<u>1,110,409</u>
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	(595,340)	179,307
Share of other comprehensive income of an associate accounted for using the equity method	(63,149)	(63,153)
Net change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	(14,457)	3,116
Net gain realised and transferred to income statement upon:		
- Disposal of debt instruments at fair value through other comprehensive income	-	(3,875)
Deferred income tax related to the above	<u>91,893</u>	<u>(29,244)</u>
	<u>(581,053)</u>	<u>86,151</u>
Exchange differences arising on translation of the financial statements of foreign entities	<u>(384,843)</u>	<u>(146,673)</u>
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	(42)	(690)
Deferred income tax related to the above	<u>12</u>	<u>124</u>
	<u>(30)</u>	<u>(566)</u>
Other comprehensive loss for the period, net of tax	<u>(965,926)</u>	<u>(61,088)</u>
Total comprehensive income for the period, net of tax	<u>133,410</u>	<u>1,049,321</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK\$'000	Note	As at 30 Jun 2022	As at 31 Dec 2021
ASSETS			
Cash and balances with banks		21,233,245	12,007,753
Placements with banks maturing between one and twelve months		5,893,433	4,531,863
Trading securities	12	2,839,559	4,425,384
Financial assets at fair value through profit or loss	12	9,629	14,119
Derivative financial instruments	13	3,035,368	621,056
Advances and other accounts	14	144,188,560	152,457,789
Financial assets at fair value through other comprehensive income	15	41,374,722	41,433,811
Financial assets at amortised cost	16	27,786,184	24,539,822
Investment in an associate	9	3,951,504	4,230,951
Investments in jointly controlled entities		127,109	114,373
Goodwill		713,451	713,451
Intangible assets		58,252	58,252
Premises and other fixed assets		2,964,660	2,953,797
Investment properties		841,002	756,351
Deferred income tax assets		173,703	120,418
Total assets		255,190,381	248,979,190
LIABILITIES			
Deposits from banks		5,402,322	1,703,197
Derivative financial instruments	13	1,391,737	1,425,365
Trading liabilities		2,866,498	1,511,927
Deposits from customers		197,213,357	196,134,565
Certificates of deposit issued		6,060,705	6,589,717
Subordinated notes		3,909,197	4,128,446
Other accounts and accruals	17	7,480,827	6,496,242
Current income tax liabilities		264,922	160,313
Deferred income tax liabilities		13,925	17,915
Total liabilities		224,603,490	218,167,687
EQUITY			
Equity attributable to the Company's shareholders			
Share capital		6,894,438	6,894,438
Other reserves (including retained earnings)		22,793,866	23,018,478
Shareholders' funds	18	29,688,304	29,912,916
Additional equity instruments		898,587	898,587
Total equity		30,586,891	30,811,503
Total equity and liabilities		255,190,381	248,979,190

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 immediate and 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 2021 (the “2021 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 (Cap.622), and the Hong Kong Monetary Authority (“HKMA”).

The auditor’s report on the 2021 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 (Cap.622).

Basis of preparation and accounting policies

The accounting policies and methods of computation used in the preparation of the 2022 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 2021.

There are no HKFRSs or interpretations that are effective from 1 January 2022 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 24 August 2022.

These interim condensed consolidated financial statements have not been audited.

3. Net interest income

For the six months ended 30 June

HK\$'000	2022	2021
Interest income		
Cash and balances with banks	79,972	84,729
Investments in securities	592,237	515,385
Advances and other accounts	<u>2,024,747</u>	<u>2,002,219</u>
	<u>2,696,956</u>	<u>2,602,333</u>
Interest expense		
Deposits from banks/ Deposits from customers	586,840	551,495
Certificates of deposit issued	22,125	30,266
Subordinated notes	55,663	50,344
Lease liabilities	4,288	5,133
Others	<u>7,750</u>	<u>1,712</u>
	<u>676,666</u>	<u>638,950</u>
Included within interest income		
- Trading securities and financial assets at fair value through profit or loss	3,219	2,299
- Financial assets at fair value through other comprehensive income	279,174	255,428
- Financial assets at amortised cost	<u>2,414,563</u>	<u>2,344,606</u>
	<u>2,696,956</u>	<u>2,602,333</u>
Included within interest expense		
- Financial liabilities not at fair value through profit or loss	<u>676,171</u>	<u>638,319</u>

In the six months ended 30 June 2022 and 2021, there was no interest income recognised on impaired assets.

4. Net fee and commission income

For the six months ended 30 June

HK\$'000	2022	2021
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	79,277	93,736
- Trade finance	29,084	38,879
- Credit card	115,715	132,249
Other fee and commission income		
- Securities brokerage	81,314	124,017
- Insurance distribution and others	100,982	100,809
- Retail investment and wealth management services	87,224	175,510
- Bank services and handling fees	33,436	34,516
- Other fees	36,972	35,825
	564,004	735,541
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	78,258	89,191
- Other fees paid	4,144	4,836
	82,402	94,027

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	2022	2021
Net gain arising from dealing in foreign currencies	102,527	88,639
Net loss on trading securities	(4,361)	(338)
Net gain from derivatives entered into for trading purpose	2,155	1,792
Net loss arising from financial instruments subject to fair value hedge	(2,832)	(5,811)
Net loss on financial instruments at fair value through profit or loss	(4,033)	-
	93,456	84,282

6. Other operating income

For the six months ended 30 June

HK\$'000	2022	2021
Dividend income from investments in equity instruments at fair value through other comprehensive income, held at the end of the period		
- Listed investments	253	652
- Unlisted investments	2,290	6,574
Gross rental income from investment properties	9,422	9,052
Other rental income	8,615	8,280
Others	10,665	7,345
	<u>31,245</u>	<u>31,903</u>

7. Operating expenses

For the six months ended 30 June

HK\$'000	2022	2021
Employee compensation and benefit expenses (including directors' remuneration)	1,020,179	976,048
Premises and other fixed assets expenses, excluding depreciation	98,542	104,999
Depreciation		
- Premises and other fixed assets	101,650	96,441
- Right-of-use properties	75,069	115,400
Advertising and promotion costs	40,396	37,115
Printing, stationery and postage	15,876	18,114
Others	38,824	103,133
	<u>1,390,536</u>	<u>1,451,250</u>

8. Credit impairment losses

For the six months ended 30 June

HK\$'000	2022	2021
New allowances net of allowance releases	335,151	158,126
Recoveries of amounts previously written off	<u>(30,096)</u>	<u>(41,076)</u>
	<u>305,055</u>	<u>117,050</u>
Attributable to:		
- Loans and advances to customers	363,349	138,567
- Other financial assets	(33,480)	(6,642)
- Loan commitments and financial guarantees	<u>(24,814)</u>	<u>(14,875)</u>
	<u>305,055</u>	<u>117,050</u>

9. Share of results of an associate, and impairment loss on investment in an associate

Share of results of an associate

As at the date of this report, the results of the Group's associate, Bank of Chongqing ("BOCQ"), for the six months ended 30 June 2022 are not yet publicly available. The Group has determined its share of results of BOCQ for the first half of 2022 by reference to the results published by BOCQ in particular those attributable to the first quarter of 2022 ended 31 March 2022, and taking into account the financial effect of significant transactions or events in the period from 1 April 2022 to 30 June 2022 which BOCQ had made known to the public.

Impairment loss on investment in an associate

At 30 June 2022, the fair value of the Group's investment in BOCQ had been below the carrying amount for approximately 8.5 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 is 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.

The latest impairment test performed by the Group for the position as at 30 June 2022 using a discount rate of 13.35% (31 December 2021: 13.34%) 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 2021 of HK\$2,992 million, by HK\$139 million. As a result, an additional impairment charge of HK\$139 million was recognised in the first half of 2022 to reduce the value of the investment to HK\$3,952 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. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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	2022	2021
Current income tax		
- Hong Kong profits tax	112,885	144,702
- Overseas taxation	14,227	31,255
Deferred income tax		
- Origination and reversal of temporary differences	<u>31,635</u>	<u>31,083</u>
Taxation	<u>158,747</u>	<u>207,040</u>

11. Basic and diluted earnings per share

The calculation of basic earnings per share and fully dilutive earnings for the six months ended 30 June 2022 is based on earnings of HK\$1,099,336,000 (2021: HK\$1,110,409,000) and the weighted average number of 1,405,752,132 (2021: 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.

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

HK\$'000	As at 30 Jun 2022	As at 31 Dec 2021
Trading securities:		
Debt securities:		
- Listed in Hong Kong	22,095	12,285
- Unlisted	<u>2,817,464</u>	<u>4,413,099</u>
	<u>2,839,559</u>	<u>4,425,384</u>
Financial assets at fair value through profit or loss:		
Investment funds:		
- Listed in Hong Kong	<u>9,629</u>	<u>14,119</u>
Total	<u>2,849,188</u>	<u>4,439,503</u>
Included within debt securities are:		
- Treasury bills which are cash equivalents	499,058	2,304,220
- Other treasury bills	2,318,406	2,108,879
- Banks and other financial institutions	7,825	-
- Government bonds	<u>14,270</u>	<u>12,285</u>
	<u>2,839,559</u>	<u>4,425,384</u>
By issuers:		
- Central governments and central banks	2,831,734	4,425,384
- Banks and other financial institutions	7,825	-
- Corporate entities	<u>9,629</u>	<u>14,119</u>
	<u>2,849,188</u>	<u>4,439,503</u>

As at 30 June 2022 and 31 December 2021, there were no certificates of deposit held included in the above balances.

13. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values as at 30 June 2022 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	98,291,557	996,581	(1,035,490)
Currency options purchased and written	21,658,575	23,054	(24,281)
Cross currency interest rate swaps	362,672	4,415	(4,257)
b) <i>Interest rate derivatives</i>			
Interest rate swaps	3,092,433	47,666	(44,631)
c) <i>Equity derivatives</i>			
Equity options purchased and written	843,918	7,808	(7,814)
Total derivative assets/ (liabilities) held for trading	124,249,155	1,079,524	(1,116,473)
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	50,070,839	1,955,844	(275,264)
Total derivative assets/ (liabilities) held for hedging	50,070,839	1,955,844	(275,264)
Total recognised derivative financial assets/ (liabilities)	174,319,994	3,035,368	(1,391,737)

13. Derivative financial instruments (Continued)

The notional principal amounts of outstanding derivatives contracts and their fair values as at 31 December 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	73,866,338	305,938	(266,003)
Currency options purchased and written	8,296,314	5,106	(5,275)
Cross currency interest rate swaps	404,909	4,734	(4,491)
b) <i>Interest rate derivatives</i>			
Interest rate swaps	4,953,683	25,773	(21,335)
c) <i>Equity derivatives</i>			
Equity options purchased and written	472,050	18,854	(18,855)
Total derivative assets/ (liabilities) held for trading	87,993,294	360,405	(315,959)
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	49,477,473	260,651	(1,109,406)
Total derivative assets/ (liabilities) held for hedging	49,477,473	260,651	(1,109,406)
Total recognised derivative financial assets/ (liabilities)	137,470,767	621,056	(1,425,365)

14. Advances and other accounts

HK\$'000	As at 30 Jun 2022	As at 31 Dec 2021
Gross loans and advances to customers	138,738,056	144,313,339
Less: impairment allowances		
- Stage 1	(376,295)	(469,184)
- Stage 2	(338,527)	(354,154)
- Stage 3	(756,499)	(547,609)
	<u>(1,471,321)</u>	<u>(1,370,947)</u>
	<u>137,266,735</u>	<u>142,942,392</u>
Trade bills	2,362,315	4,253,850
Less: impairment allowances		
- Stage 1	(1,640)	(7,347)
	<u>2,360,675</u>	<u>4,246,503</u>
Other assets	4,581,911	5,294,452
Less: impairment allowances		
- Stage 1	(8,290)	(11,298)
- Stage 2	(1,037)	(489)
- Stage 3	(11,434)	(13,771)
	<u>(20,761)</u>	<u>(25,558)</u>
	<u>4,561,150</u>	<u>5,268,894</u>
Advances and other accounts	<u>144,188,560</u>	<u>152,457,789</u>

14. Advances and other accounts (Continued)

(a)	Impaired, overdue and rescheduled assets		
(i)	Impaired loans		
	HK\$'000	As at 30 Jun 2022	As at 31 Dec 2021
	Gross loans and advances	138,738,056	144,313,339
	Less: total impairment allowances	(1,471,321)	(1,370,947)
	Net	<u>137,266,735</u>	<u>142,942,392</u>
	Credit-impaired loans and advances	1,949,422	1,398,836
	Less: Stage 3 impairment allowances	(756,499)	(547,609)
	Net	<u>1,192,923</u>	<u>851,227</u>
	Fair value of collateral held*	<u>615,353</u>	<u>758,124</u>
	Credit-impaired loans and advances as a % of total loans and advances to customers	<u>1.41%</u>	<u>0.97%</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 2022		As at 31 Dec 2021	
	Gross amount of overdue loans	% of total	Gross amount of overdue loans	% of total
Gross loans and advances to customers which have been overdue for:				
- six months or less but over three months	878,100	0.63	103,435	0.07
- one year or less but over six months	66,944	0.05	126,868	0.09
- over one year	493,533	0.36	583,423	0.40
	<u>1,438,577</u>	<u>1.04</u>	<u>813,726</u>	<u>0.56</u>
Represented by:				
- Secured overdue loans and advances	788,186		456,744	
- Unsecured overdue loans and advances	650,391		356,982	
	<u>2,143,052</u>		<u>888,796</u>	
Market value of securities held against the secured overdue loans and advances	2,143,052		888,796	
	<u>483,473</u>		<u>350,828</u>	
Stage 3 impairment allowances	483,473		350,828	

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

14. Advances and other accounts (Continued)

- (a) Impaired, overdue and rescheduled assets (Continued)
- (iii) Rescheduled loans and advances net of amounts included in overdue loans and advances shown above

HK\$'000	As at 30 Jun 2022	% of total	As at 31 Dec 2021	% of total
Loans and advances to customers	<u>371,623</u>	<u>0.27</u>	<u>350,761</u>	<u>0.24</u>
Stage 3 impairment allowances	<u>144,723</u>		<u>141,673</u>	

- (iv) Trade bills

As at 30 June 2022 and 31 December 2021, there were no balance of trade bills that were overdue for more than 3 months.

- (b) Repossessed collateral

Repossessed collateral held is as follows:

Nature of assets	As at 30 Jun 2022	As at 31 Dec 2021
Repossessed properties	156,862	208,090
Others	<u>8,759</u>	<u>1,090</u>
	<u>165,621</u>	<u>209,180</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\$68,075,000 (31 December 2021: HK\$64,984,000), 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.

15. Financial assets at fair value through other comprehensive income

HK\$'000	As at 30 Jun 2022	As at 31 Dec 2021
Debt securities:		
- Listed in Hong Kong	15,187,197	16,676,005
- Listed outside Hong Kong	16,976,737	16,208,367
- Unlisted	9,121,228	8,459,857
	<u>41,285,162</u>	<u>41,344,229</u>
Equity securities:		
- Listed in Hong Kong	409	481
- Unlisted	89,151	89,101
	<u>89,560</u>	<u>89,582</u>
Total	<u>41,374,722</u>	<u>41,433,811</u>
Included within debt securities are:		
- Certificates of deposit held	236,476	489,774
- Treasury bills which are cash equivalents	-	2,439,243
- Other treasury bills	5,693,908	5,459,898
- Government bonds	657,935	708,540
- Other debt securities	34,696,843	32,246,774
	<u>41,285,162</u>	<u>41,344,229</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	9,815,445	7,987,115
- Public sector entities	730,798	789,164
- Banks and other financial institutions	6,217,624	6,792,715
- Corporate entities	24,521,220	25,775,160
- Others	75	75
	<u>41,285,162</u>	<u>41,344,229</u>
Equity securities:		
- Corporate entities	89,560	89,582
	<u>41,374,722</u>	<u>41,433,811</u>

16. Financial assets at amortised cost

HK\$'000	As at 30 Jun 2022	As at 31 Dec 2021
Debt securities:		
- Listed in Hong Kong	11,049,901	9,748,480
- Listed outside Hong Kong	11,145,015	9,869,613
- Unlisted	<u>5,614,470</u>	<u>4,951,845</u>
	<u>27,809,386</u>	<u>24,569,938</u>
Less: impairment allowance		
- Stage 1	<u>(23,202)</u>	<u>(30,116)</u>
Total	<u>27,786,184</u>	<u>24,539,822</u>
Included within debt securities are:		
- Certificates of deposit held	1,320,494	1,537,364
- Treasury bills	1,031,238	921,707
- Government bonds	219,821	242,800
- Other debt securities	<u>25,237,833</u>	<u>21,868,067</u>
	<u>27,809,386</u>	<u>24,569,938</u>
Financial assets at amortised cost are analysed by categories of issuers as follows:		
- Central governments and central banks	1,251,059	1,164,507
- Public sector entities	959,298	529,658
- Banks and other financial institutions	7,357,090	7,880,487
- Corporate entities	18,230,850	14,984,197
- Others	<u>11,089</u>	<u>11,089</u>
	<u>27,809,386</u>	<u>24,569,938</u>

17. Other accounts and accruals

HK\$'000	As at 30 Jun 2022	As at 31 Dec 2021
Lease liabilities	599,587	614,940
Other liabilities and accruals	<u>6,881,240</u>	<u>5,881,302</u>
	<u>7,480,827</u>	<u>6,496,242</u>

18. Shareholders' funds

HK\$'000	As at 30 Jun 2022	As at 31 Dec 2021
Share capital	6,894,438	6,894,438
Consolidation reserve	(220,986)	(220,986)
Premises revaluation reserve	270,120	270,120
Investment revaluation reserve	(114,037)	467,046
Exchange reserve	(159,479)	225,364
General reserve	700,254	700,254
Reserve for share-based compensation	4,843	4,690
Retained earnings	<u>22,313,151</u>	<u>21,571,990</u>
	<u>29,688,304</u>	<u>29,912,916</u>
Proposed dividend/ dividend paid included in retained earnings	<u>140,575</u>	<u>337,381</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 2022, DSB has earmarked a regulatory reserve of HK\$492,203,000 (31 December 2021: HK\$432,194,000) first against its consolidated general reserve; and for any excess amount, the balance is earmarked against its consolidated retained earnings.

19. 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 2022	As at 31 Dec 2021
Expenditure contracted but not provided for	<u>87,883</u>	<u>102,589</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:

	Contract amount	
	As at 30 Jun 2022	As at 31 Dec 2021
Direct credit substitutes	1,669,523	1,383,242
Transaction-related contingencies	478,071	496,192
Trade-related contingencies	627,171	703,597
Commitments that are unconditionally cancellable without prior notice	67,213,968	69,241,096
Other commitments	3,984,673	4,304,623
Forward forward deposits placed	129,672	-
	<u>74,103,078</u>	<u>76,128,750</u>

	Credit risk weighted amount	
	As at 30 Jun 2022	As at 31 Dec 2021
Contingent liabilities and commitments	<u>2,246,261</u>	<u>2,454,143</u>

(c) Assets pledged

	As at 30 Jun 2022	As at 31 Dec 2021
Trading assets and financial investments pledged to secure liabilities	5,480,115	2,593,024
- of which: under repurchase agreements	<u>2,663,104</u>	<u>1,518,732</u>
Amount of liabilities secured	5,389,996	2,585,362
- of which: under repurchase agreements	<u>2,569,996</u>	<u>1,510,862</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.

19. 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 2022	As at 31 Dec 2021
Within 1 year	11,689	14,584
Between 1 and 2 years	2,736	3,721
Between 2 and 3 years	1,193	891
	<u>15,618</u>	<u>19,196</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 2022 amount to HK\$373,000 (31 December 2021: HK\$28,982,000).

20. Non-adjusting event after the reporting period

On 8 July 2022, the Company announced that DSB had terminated the Hong Kong Distribution Agreement (“HKDA”) entered into amongst Tahoe Life Insurance Company Limited (“Tahoe Life”), Tahoe Services Limited and DSB dated 19 June 2017 with immediate effect.

Prior to the termination of the HKDA, the accounting treatment for the upfront payment of HK\$1,972 million received from Tahoe Life at the inception of the HKDA and the ten equal deferred annual payments of HK\$52.8 million each receivable from Tahoe Life starting from 2018 under the HKDA (collectively, the “Consideration”) was to record them as deferred income for amortisation over the term of the HKDA (i.e. 15 years). Following the termination of the HKDA, the remaining unamortised part of the Consideration will no longer be amortised. Instead, it will be recognised in accordance with relevant accounting standard requirements. The estimated pre-tax impact of the termination of the HKDA on the shareholders' funds will be an increase of approximately HK\$1.3 billion.

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 and 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 2022

HK\$'000	Personal Banking	Corporate Banking	Treasury and Global Markets	Overseas Banking	Others	Inter- segment	Total
Net interest income/ (expenses)	857,073	573,873	393,865	249,147	(53,702)	34	2,020,290
Non-interest income/ (expenses)	401,075	95,080	42,719	55,049	12,912	(532)	606,303
Total operating income/ (expenses)	1,258,148	668,953	436,584	304,196	(40,790)	(498)	2,626,593
Operating expenses	(800,438)	(227,771)	(85,895)	(272,597)	(4,333)	498	(1,390,536)
Operating profit/ (loss) before credit impairment (losses)/ written back	457,710	441,182	350,689	31,599	(45,123)	-	1,236,057
Credit impairment (losses)/ written back	(63,196)	(218,946)	20,267	(46,201)	3,021	-	(305,055)
Operating profit/ (loss) after credit impairment (losses)/ written back	394,514	222,236	370,956	(14,602)	(42,102)	-	931,002
Net (loss)/ gain on disposal of other fixed assets	(344)	(60)	-	3	(25)	-	(426)
Net gain on disposal of financial assets at amortised cost	-	-	24	-	-	-	24
Share of results of an associate	-	-	-	453,747	-	-	453,747
Impairment loss on investment in an associate	-	-	-	(139,000)	-	-	(139,000)
Share of results of jointly controlled entities	-	-	-	-	12,736	-	12,736
Profit/ (loss) before taxation	394,170	222,176	370,980	300,148	(29,391)	-	1,258,083
Taxation (expenses)/ credit	(65,076)	(36,668)	(61,344)	(9,012)	13,353	-	(158,747)
Profit/ (loss) for the period	329,094	185,508	309,636	291,136	(16,038)	-	1,099,336
For the six months ended 30 June 2022							
Depreciation and amortisation	37,889	7,814	4,138	30,756	96,122	-	176,719
As at 30 June 2022							
Segment assets	55,943,723	63,940,828	95,944,045	37,200,516	7,149,469	(4,988,200)	255,190,381
Segment liabilities	116,363,208	49,288,934	18,056,986	28,767,577	17,114,985	(4,988,200)	224,603,490

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 31 December 2021							
Segment assets	56,651,282	70,473,506	80,791,990	38,977,756	7,440,156	(5,355,500)	248,979,190
Segment liabilities	114,634,275	49,555,753	12,777,503	30,182,181	16,373,475	(5,355,500)	218,167,687

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 2022 and 2021, 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 loans and 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 2022		As at 31 Dec 2021	
	Outstanding balance	% of gross loans and advances covered by collateral	Outstanding balance	% of gross loans and advances covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	4,466,347	66.4	5,467,229	75.2
- Property investment	20,935,456	93.5	19,253,002	93.2
- Financial concerns	3,048,003	20.5	4,661,129	14.9
- Stockbrokers	1,219,292	59.2	1,642,984	61.6
- Wholesale and retail trade	5,122,468	94.9	5,401,435	91.8
- Manufacturing	2,141,393	44.0	1,987,035	60.7
- Transport and transport equipment	2,302,171	82.4	2,269,160	79.2
- Recreational activities	58,469	99.3	59,895	99.1
- Information technology	27,987	45.0	59,058	91.1
- Others	6,815,564	82.6	6,970,986	74.4
	46,137,150	80.8	47,771,913	77.5
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	500,878	100.0	529,218	100.0
- Loans for the purchase of other residential properties	33,807,988	100.0	33,473,466	100.0
- Credit card advances	3,342,793	-	3,670,096	-
- Others	12,193,200	47.0	13,105,677	51.0
	49,844,859	80.3	50,778,457	80.1
Loans for use in Hong Kong	95,982,009	80.5	98,550,370	78.8
Trade finance (Note (1))	6,771,305	69.5	8,123,088	67.3
Loans for use outside Hong Kong (Note (2))	35,984,742	72.5	37,639,881	58.4
	138,738,056	77.9	144,313,339	72.9

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\$472,215,000 (31 December 2021: HK\$485,128,000) 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 loans and 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 loans and 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 2022				
	Outstanding balance	Impaired loans (Stage 3)	Gross loans and 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	20,935,456	36,429	92,737	2,435	80,075
Individuals					
- Loans for the purchase of other residential properties	33,807,988	90,094	79,352	8,442	21,716
Loans for use outside Hong Kong	<u>35,984,742</u>	<u>1,106,033</u>	<u>1,026,692</u>	<u>427,518</u>	<u>297,230</u>
	As at 31 Dec 2021				
	Outstanding balance	Impaired loans (Stage 3)	Gross loans and 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	19,253,002	51,919	38,121	11,729	89,789
Individuals					
- Loans for the purchase of other residential properties	33,473,466	89,902	85,138	9,624	24,502
Loans for use outside Hong Kong	<u>37,639,881</u>	<u>392,169</u>	<u>368,601</u>	<u>163,778</u>	<u>342,823</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 2022	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)	7,992,483	120,052	8,112,535
2. Local governments, local government-owned entities and their subsidiaries and JVs	1,301,996	422,329	1,724,325
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	11,462,717	1,436,079	12,898,796
4. Other entities of central government not reported in item 1 above	2,794,306	15,000	2,809,306
5. Other entities of local governments not reported in item 2 above	1,180,306	219,492	1,399,798
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	11,599,812	821,084	12,420,896
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	666,631	-	666,631
	<u>36,998,251</u>	<u>3,034,036</u>	<u>40,032,287</u>
Total assets of DSB and its Mainland subsidiary bank after provision	<u>239,374,068</u>		
On-balance sheet exposures as percentage of total assets	<u>15.46%</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 2021	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
1. Central government, central government-owned entities and their subsidiaries and JVs	9,094,497	120,098	9,214,595
2. Local governments, local government-owned entities and their subsidiaries and JVs	1,447,842	263,538	1,711,380
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	14,376,645	1,504,435	15,881,080
4. Other entities of central government not reported in item 1 above	2,890,926	10,714	2,901,640
5. Other entities of local governments not reported in item 2 above	1,060,321	249,582	1,309,903
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	11,835,454	806,339	12,641,793
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	<u>732,977</u>	<u>289</u>	<u>733,266</u>
	<u>41,438,662</u>	<u>2,954,995</u>	<u>44,393,657</u>
Total assets of DSB and its Mainland subsidiary bank after provision	<u>233,473,940</u>		
On-balance sheet exposures as percentage of total assets	<u>17.75%</u>		

22. Additional analysis on claims and exposures (Continued)

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

Loans and 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 loans and advances to customers, impaired loans and advances to customers (Stage 3), overdue loans and advances to customers, Stage 3, and Stage 1 and Stage 2 impairment allowances by geographical area.

As at 30 June 2022

HK\$'000	Gross loans and advances to customers	Impaired loans and advances to customers (Stage 3)	Overdue loans and advances to customers	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Hong Kong	117,317,582	1,660,712	1,126,538	670,541	632,223
China	6,641,445	69,598	69,598	1,946	49,677
Macau	13,699,664	219,112	242,441	84,012	24,162
Others	1,079,365	-	-	-	8,760
	138,738,056	1,949,422	1,438,577	756,499	714,822

As at 31 December 2021

	Gross loans and advances to customers	Impaired loans and advances to customers (Stage 3)	Overdue loans and advances to customers	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Hong Kong	121,821,903	1,114,820	539,610	469,827	676,463
China	7,615,412	72,577	62,677	1,865	62,079
Macau	13,777,935	211,439	211,439	75,917	76,856
Others	1,098,089	-	-	-	7,940
	144,313,339	1,398,836	813,726	547,609	823,338

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 2022 In millions of HK\$	Banks	Official sector	Non-bank private sector		Total claims
			Non-bank financial institutions	Non- financial private sector	
Offshore centres	5,683	11,685	5,261	153,773	176,402
- of which: Hong Kong	4,249	10,540	5,176	137,935	157,900
Developing Asia and Pacific	27,197	1,099	609	18,863	47,768
- of which: Mainland China	19,173	949	334	14,131	34,587

At 31 December 2021 In millions of HK\$	Banks	Official sector	Non-bank private sector		Total claims
			Non-bank financial institutions	Non- financial private sector	
Offshore centres	5,278	12,937	5,891	155,733	179,839
- of which: Hong Kong	4,715	11,890	5,813	139,779	162,197
Developing Asia and Pacific	24,731	1,216	795	18,695	45,437
- of which: Mainland China	19,423	1,055	451	14,731	35,660

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 2022 and the corresponding comparative balances.

The Group did not have any structural foreign exchange position as at 30 June 2022 and 31 December 2021. The net option position is calculated in the basis of the delta-weighted position of all foreign currency option contracts.

	At 30 Jun 2022						
	US dollars	Japanese Yen	Renminbi	Swiss Franc	Macau Pataca	Other foreign currencies	Total foreign currencies
Equivalent in HK\$ millions							
Spot assets	73,618	142	14,549	509	10,181	6,057	105,056
Spot liabilities	(51,194)	(857)	(14,065)	(401)	(11,346)	(8,363)	(86,226)
Forward purchases	39,965	3,159	6,555	5,767	-	19,294	74,740
Forward sales	(61,273)	(2,488)	(6,784)	(5,960)	-	(17,069)	(93,574)
Net options position	151	6	5	23	-	44	229
Net long/ (short) position	<u>1,267</u>	<u>(38)</u>	<u>260</u>	<u>(62)</u>	<u>(1,165)</u>	<u>(37)</u>	<u>225</u>
	At 31 Dec 2021						Total foreign currencies
Equivalent in HK\$ millions	US dollars	Renminbi	Macau Pataca	Other foreign currencies			
Spot assets	73,869	16,988	9,917	5,947		106,721	
Spot liabilities	(54,003)	(16,632)	(11,278)	(8,594)		(90,507)	
Forward purchases	30,077	11,240	-	18,947		60,264	
Forward sales	(49,845)	(11,480)	-	(16,318)		(77,643)	
Net options position	35	3	-	(5)		33	
Net long/ (short) position	<u>133</u>	<u>119</u>	<u>(1,361)</u>	<u>(23)</u>		<u>(1,132)</u>	

24. Capital adequacy ratio

	As at 30 Jun 2022	As at 31 Dec 2021
Capital adequacy ratio		
- Common Equity Tier 1	14.1%	14.2%
- Tier 1	14.6%	14.7%
- Total	18.0%	18.1%

The capital adequacy ratio as at 30 June 2022 and 31 December 2021 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 2022	Six months ended 30 Jun 2021	Year ended 31 Dec 2021
Liquidity maintenance ratio	45.3%	46.1%	46.9%

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 2022	Six months ended 30 Jun 2021
Net interest income/operating income	76.9%	72.2%
Cost to income ratio	52.9%	53.3%
Return on average total assets (annualised)	0.9%	0.9%
Return on average shareholders' funds (annualised)	7.4%	7.9%
Net interest margin	1.74%	1.74%

	As at 30 Jun 2022	As at 31 Dec 2021
Loan to deposit ratio	68.3%	71.2%

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK\$0.10 per share for 2022 payable on Wednesday, 21 September 2022 to shareholders whose names are on the Register of Shareholders at the close of business on Thursday, 15 September 2022.

CLOSURE OF REGISTER OF SHAREHOLDERS

For determining shareholders' entitlement to receive the interim dividend:

Latest time to lodge transfers	4:30 p.m. on 9 September 2022 (Friday)
Closure of Register of Shareholders (both days inclusive)	13 September 2022 (Tuesday) to 15 September 2022 (Thursday)
Record date	15 September 2022 (Thursday)

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 Hong Kong in the first half of 2022 were extremely difficult. After contracting by 3.9% year-on-year in the first quarter of 2022, GDP contraction moderated in the second quarter, with GDP falling by 1.3%. The Hong Kong Government's forecast for real GDP growth for 2022 as a whole is -0.5% to 0.5%, as announced by the Government on 12 August, much lower than the growth of 6.3% recorded in 2021. The value of retail sales, in nominal terms, dropped by 1.7% year-on-year in May 2022. For the first 5 months of 2022 taken together, it was provisionally estimated that the value of total retail sales decreased by 2.9% compared with the same period in 2021. Merchandise exports decreased by 6.4% in June 2022 over the prior year.

Despite the difficult economic conditions generally, both inflation and unemployment remained under control. Overall consumer prices rose by 1.8% year-on-year in June 2022. Considering inflation is likely to remain relatively contained, the Government forecasts Hong Kong's underlying consumer price inflation at 2% for 2022. With the local epidemic situation improving during the second quarter, pressure on the labour market reduced somewhat, with the seasonally adjusted unemployment rate decreasing from 5.1% in March - May 2022 to 4.7% in April - June 2022.

Economic conditions in Mainland China were also very difficult, with growth in first half GDP of 2.5%, much lower than the 12.7% growth in the first half of 2021. The service sector and retail sales were both particularly weak, reporting drops year-on-year. However, trade was stronger than expected, with the total value of imports and exports combined growing by 9.4% led by exports, which grew by 13.2% year-on-year. Inflationary pressures remained subdued with the inflation rate remaining relatively stable at 1.7%.

Global financial markets generally performed very poorly in the first half of the year. Major equity indices, including that in Hong Kong have generally shown double digit percentage declines. Interest rates in USD have increased significantly, resulting in increased costs for borrowers, as well as a fall in USD denominated bond prices. Whilst interest rates in Hong Kong have increased during the first half of the year, they still remained well below the rates in the US, thus temporarily cushioning local borrowers from the full impact of the rate hikes in the US in the first half of the year. It is expected that interest rates will continue to increase in the second half of the year. Inflation globally has increased substantially, although as noted above, inflation in both Hong Kong and Mainland China has remained broadly under control.

Despite the very difficult economic conditions in the first half of the year, our profit attributable to shareholders was relatively stable, falling by 1% to HK\$1,099 million. Underlying business performance was stable, and somewhat worse credit quality was offset by a lower impairment charge for our investment in Bank of Chongqing ("BOCQ").

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

BUSINESS AND FINANCIAL REVIEW

The performance of our business in the first half of the year was relatively stable. Net interest income grew modestly by 3% mainly due to somewhat higher total interest earning assets during the period. Whilst loan growth was weak, there was an increase in investment assets during the period. Net interest margin at 1.74% remained the same as in the first half of 2021. Fee and commission income declined by around 25% due largely to the weak investment sentiment and lower volume of banking transactions impacted by the fifth wave of COVID-19 starting in January 2022. Other non-interest income, including trading income, was relatively stable and total operating income was down by around 4%.

Operating expenses declined modestly by around 4% mainly due to lower premises related costs following the relocation of our head office last year and our ongoing efforts in controlling costs and streamlining our operational processes. Our staff costs increased slightly in the period while our total headcount remained relatively stable as compared to that as at the end of 2021.

The performance of our banking subsidiary in Macau declined very significantly in the first half of the year, with continued extremely difficult economic conditions there. The performance of our China subsidiary was stable compared with the same period last year, and our share of profit of our associate company, BOCQ increased by around 5%.

BUSINESS AND FINANCIAL REVIEW (Continued)

As a result of significantly weaker economic conditions in our core market, credit conditions and credit quality both worsened during the first half of the year, and our credit impairment charges increased by 161% to HK\$305 million. The deterioration was mainly in our Corporate Banking business, as well as our banking subsidiary in Macau. A portion of the higher credit cost was related to exposures to real estate related businesses in Mainland China. Credit quality in our Retail Banking business was generally good, and a lower impairment charge was recorded for 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 2022, resulting in an impairment charge against the value of this investment in the amount of HK\$139 million, significantly lower than the HK\$251 million recorded in the first half of 2021.

Our profit for the first half of 2022 represented a return on assets of 0.9% and return on shareholders' funds of 7.4% for the period.

As at 30 June 2022, Dah Sing Bank's consolidated Common Equity Tier 1 ratio and total consolidated capital adequacy ratio remained broadly stable at 14.1% and 18.0% respectively.

PROSPECTS

Economic conditions in all of our major markets were extremely challenging in the first half of the year. Whilst there are some signs of a mild recovery in the second half of the year, we are of the view that any rebound is likely to be modest, and that GDP growth in Hong Kong, Mainland China and Macau will remain under pressure. However, we are somewhat optimistic that both inflation and unemployment will continue to remain under control.

Loan demand is expected to remain sluggish, and it is difficult to predict a strong recovery in credit quality in the near term. However, due to our action to increase our impairment charges against a number of corporate customers in the first half of the year, we do not expect impairment charges to increase at the same pace in the second half of 2022. With unemployment reducing somewhat, the credit conditions in our retail banking business are likely to remain relatively stable.

Following interest rate increases in the US, and interest rates in Hong Kong beginning to rise more rapidly in the second quarter of the year, we believe there may be some scope to improve our net interest margin in the second half. With higher interest rates in the market, there may also be the opportunity to grow our non-loan interest earning assets in the second half of the year.

However, whilst non-interest income remains a clear focus for us, and is of significant strategic importance, we do not believe that conditions are likely to change sufficiently in the second half for us to see a strong recovery in non-interest income.

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

With continuing relatively weak growth in our core markets, and somewhat soft credit conditions we remain cautious about the outlook for the second half of the year, and will continue to manage our businesses accordingly in a conservative manner.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2022, the Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code (“CG Code”) under Part 2 of Appendix 14 of the Listing Rules, with the exception of code provision F.2.2.

Pursuant to code provision F.2.2 of the CG Code, the chairman of the board should attend the annual general meeting, and he should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In light of the COVID-19 pandemic and border control measures for inbound travellers, Mr. David Shou-Yeh Wong, the Chairman of the Board, was unable to attend the 2022 Annual General Meeting (the “2022 AGM”) of the Company held in Hong Kong on 27 May 2022 as he was abroad at that time. Mr. Hon-Hing Wong (Derek Wong), Vice Chairman, Managing Director and Chief Executive of the Company, took the chair of the 2022 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 2022 AGM. A member of the NRC of the Company was present and available to answer questions from shareholders at the 2022 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 2022.

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 2022.

REMUNERATION AND STAFF DEVELOPMENT

There have been no material changes to the information disclosed in the Company’s 2021 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 2022.

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 2022 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 2022 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 2022.

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, 24 August 2022