

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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



ANNOUNCEMENT OF 2020 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 2020. The unaudited profit attributable to shareholders after non-controlling interests for the six months ended 30 June 2020 was HK\$946.0 million.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

The unaudited 2020 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	2020	2019	Variance %
Interest income	3	3,432,752	3,691,459	
Interest expense	3	<u>(1,576,156)</u>	<u>(1,650,793)</u>	
Net interest income		1,856,596	2,040,666	(9.0)
Fee and commission income	4	677,348	726,492	
Fee and commission expense	4	<u>(99,134)</u>	<u>(149,849)</u>	
Net fee and commission income		578,214	576,643	0.3
Net trading income	5	147,419	8,463	
Other operating income	6	<u>35,895</u>	<u>35,105</u>	
Operating income		2,618,124	2,660,877	(1.6)
Operating expenses	7	<u>(1,391,957)</u>	<u>(1,371,513)</u>	1.5
Operating profit before impairment losses		1,226,167	1,289,364	(4.9)
Credit impairment losses	8	<u>(365,193)</u>	<u>(91,360)</u>	299.7
Operating profit before gains and losses on certain investments and fixed assets		860,974	1,198,004	(28.1)
Net loss on disposal of other fixed assets		(2,867)	(2,521)	
Net gain/ (loss) on disposal of financial assets at fair value through other comprehensive income		11,594	(24)	
Share of results of an associate		411,759	410,860	
Impairment loss on investment in an associate	9	<u>(200,000)</u>	<u>(70,000)</u>	
Share of results of jointly controlled entities		<u>13,580</u>	<u>12,499</u>	
Profit before taxation		1,095,040	1,548,818	(29.3)
Taxation	10	<u>(149,087)</u>	<u>(194,259)</u>	
Profit for the period		945,953	1,354,559	(30.2)
Loss attributable to non-controlling interests		<u>37</u>	<u>18</u>	
Profit attributable to Shareholders of the Company		945,990	1,354,577	(30.2)
Interim dividend		<u>112,460</u>	<u>182,748</u>	
Earnings per share				
Basic and diluted	11	<u>HK\$0.67</u>	<u>HK\$0.96</u>	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

HK\$'000	2020	2019
Profit for the period	945,953	1,354,559
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	(540,825)	344,162
Net change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	4,414	5,959
Net (gain)/ loss realised and transferred to income statement upon:		
- Disposal of debt instruments at fair value through other comprehensive income	(11,594)	24
Deferred income tax related to the above	88,937	(45,626)
	<u>(459,068)</u>	<u>304,519</u>
Exchange differences arising on translation of the financial statements of foreign entities	<u>(128,605)</u>	<u>(18,228)</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	4,181	1,842
Deferred income tax related to the above	1,603	(300)
	<u>5,784</u>	<u>1,542</u>
Other comprehensive (loss)/ income for the period, net of tax	<u>(581,889)</u>	<u>287,833</u>
Total comprehensive income for the period, net of tax	364,064	1,642,392
Attributable to:		
Non-controlling interests	(37)	(18)
Shareholders of the Company	364,101	1,642,410
Total comprehensive income for the period, net of tax	364,064	1,642,392

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK\$'000	Note	As at 30 Jun 2020	As at 31 Dec 2019
ASSETS			
Cash and balances with banks		17,800,395	17,642,248
Placements with banks maturing between one and twelve months		6,207,624	5,494,972
Trading securities	12	7,356,540	8,387,953
Financial assets at fair value through profit or loss	12	-	328,768
Derivative financial instruments	13	602,904	567,816
Advances and other accounts	14	147,514,130	145,046,748
Financial assets at fair value through other comprehensive income	15	44,109,885	42,163,280
Financial assets at amortised cost	16	21,288,105	15,653,025
Investment in an associate	9	3,841,036	3,888,775
Investments in jointly controlled entities		109,943	96,363
Goodwill		811,690	811,690
Intangible assets		58,252	58,252
Premises and other fixed assets		1,898,554	1,942,740
Investment properties		1,208,639	1,208,639
Current income tax assets		-	2
Deferred income tax assets		194,903	115,216
Total assets		253,002,600	243,406,487
LIABILITIES			
Deposits from banks		4,697,208	2,465,069
Derivative financial instruments	13	2,940,347	1,093,028
Trading liabilities		4,691,047	5,516,558
Deposits from customers		187,715,921	182,628,806
Certificates of deposit issued		8,388,218	6,750,825
Subordinated notes		3,860,820	5,510,181
Other accounts and accruals	17	12,368,758	10,765,814
Current income tax liabilities		286,558	470,834
Deferred income tax liabilities		17,114	20,559
Total liabilities		224,965,991	215,221,674
EQUITY			
Non-controlling interests		15,349	15,386
Equity attributable to the Company's shareholders			
Share capital		6,894,438	6,894,438
Other reserves (including retained earnings)		20,228,235	20,376,402
Shareholders' funds	18	27,122,673	27,270,840
Additional equity instruments		898,587	898,587
Total equity		28,036,609	28,184,813
Total equity and liabilities		253,002,600	243,406,487

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.

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 2019 (the “2019 financial statements”) which have been delivered to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance, and the Hong Kong Monetary Authority (“HKMA”).

The auditor’s report on the 2019 financial statements was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Basis of preparation and accounting policies

Except as described below, the accounting policies and methods of computation used in the preparation of the 2020 interim condensed consolidated financial statements are consistent with those used and described in the Group’s annual audited financial statements for the year ended 31 December 2019.

New and amended standards adopted by the Group

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

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

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

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

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

The interim condensed consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated, and were approved by the Board of Directors for issue on 26 August 2020.

These interim condensed consolidated financial statements have not been audited.

3. Net interest income

For the six months ended 30 June

HK\$'000	2020	2019
Interest income		
Cash and balances with banks	153,399	255,189
Investments in securities	792,749	866,836
Advances and other accounts	<u>2,486,604</u>	<u>2,569,434</u>
	<u>3,432,752</u>	<u>3,691,459</u>
Interest expense		
Deposits from banks/ Deposits from customers	1,376,863	1,351,906
Certificates of deposit issued	68,984	75,280
Subordinated notes	84,762	149,997
Lease liabilities	5,653	7,065
Others	<u>39,894</u>	<u>66,545</u>
	<u>1,576,156</u>	<u>1,650,793</u>
Included within interest income		
- Trading securities and financial assets at fair value through profit or loss	47,621	70,048
- Financial assets at fair value through other comprehensive income	604,044	1,017,066
- Financial assets at amortised cost	<u>2,781,087</u>	<u>2,604,345</u>
	<u>3,432,752</u>	<u>3,691,459</u>
Included within interest expense		
- Financial liabilities not at fair value through profit or loss	<u>1,538,303</u>	<u>1,594,970</u>

4. Net fee and commission income

For the six months ended 30 June

HK\$'000	2020	2019
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	83,576	95,446
- Trade finance	36,214	44,040
- Credit card	125,713	174,101
Other fee and commission income		
- Securities brokerage	82,436	54,460
- Insurance distribution and others	161,294	167,827
- Retail investment and wealth management services	126,052	131,446
- Bank services and handling fees	32,335	32,517
- Other fees	29,728	26,655
	677,348	726,492
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	94,059	138,109
- Other fees paid	5,075	11,740
	99,134	149,849

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

5. Net trading income

For the six months ended 30 June

HK\$'000	2020	2019
Net gain/ (loss) arising from dealing in foreign currencies	120,507	(3,291)
Net gain on trading securities	9,147	7,346
Net loss from derivatives entered into for trading purpose	(2,024)	(2,959)
Net gain arising from financial instruments subject to fair value hedge	12,669	6,029
Net gain on financial instruments at fair value through profit or loss	7,120	1,338
	147,419	8,463

6. Other operating income

For the six months ended 30 June

HK\$'000	2020	2019
Dividend income from investments in equity instruments at fair value through other comprehensive income, held at the end of the period		
- Listed investments	1,410	1,154
- Unlisted investments	2,891	2,910
Gross rental income from investment properties	13,333	13,509
Other rental income	7,446	6,538
Others	10,815	10,994
	<u>35,895</u>	<u>35,105</u>

7. Operating expenses

For the six months ended 30 June

HK\$'000	2020	2019
Employee compensation and benefit expenses (including directors' remuneration)	990,482	944,342
Premises and other fixed assets expenses, excluding depreciation	84,915	89,149
Depreciation		
- Premises and other fixed assets	87,182	93,981
- Right-of-use properties	91,180	90,402
Advertising and promotion costs	41,739	44,671
Printing, stationery and postage	21,435	22,829
Others	75,024	86,139
	<u>1,391,957</u>	<u>1,371,513</u>

8. Credit impairment losses

For the six months ended 30 June

HK\$'000	2020	2019
New allowances net of allowance releases	407,954	123,206
Recoveries of amounts previously written off	(42,761)	(31,846)
	<u>365,193</u>	<u>91,360</u>
Attributable to:		
- Advances to customers	336,289	87,342
- Other financial assets	27,708	8,826
- Loan commitments and financial guarantees	1,196	(4,808)
	<u>365,193</u>	<u>91,360</u>

9. Impairment loss on investment in an associate

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

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

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

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

The calculation of 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% (2019: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Deferred taxation is calculated in full on temporary differences under the liability method at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised.

For the six months ended 30 June

HK\$'000	2020	2019
Current income tax		
- Hong Kong profits tax	137,793	174,755
- Overseas taxation	5,510	15,312
Deferred income tax		
- Origination and reversal of temporary differences	<u>5,784</u>	<u>4,192</u>
Taxation	<u>149,087</u>	<u>194,259</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 2020 is based on earnings of HK\$945,990,000 (2019: HK\$1,354,577,000) and the weighted average number of 1,405,752,132 (2019: 1,405,720,460) 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 2020	As at 31 Dec 2019
Trading securities		
Debt securities:		
- Listed in Hong Kong	98,037	20,681
- Unlisted	<u>7,258,503</u>	<u>8,367,272</u>
	<u>7,356,540</u>	<u>8,387,953</u>
Financial assets at fair value through profit or loss		
Debt securities:		
- Unlisted	<u>-</u>	<u>328,768</u>
Total	<u>7,356,540</u>	<u>8,716,721</u>
Included within debt securities are:		
- Treasury bills which are cash equivalents	3,042,551	1,606,484
- Other treasury bills	4,236,698	6,781,469
- Other debt securities issued by:		
- Corporate entities	<u>77,291</u>	<u>328,768</u>
	<u>7,356,540</u>	<u>8,716,721</u>

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

13. Derivative financial instruments

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

13. Derivative financial instruments (Continued)

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

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

	As at 30 Jun 2020	As at 31 Dec 2019
Exchange rate contracts	916,972	721,770
Interest rate contracts	88,634	64,608
Other contracts	13,310	8,854
	1,018,916	795,232

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

The credit risk weighted amounts are the amounts that have been calculated with reference to the Banking (Capital) Rules issued by the HKMA. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

14. Advances and other accounts

HK\$'000	As at 30 Jun 2020	As at 31 Dec 2019
Gross advances to customers	138,234,951	136,946,773
Less: impairment allowances		
- Stage 1	(503,033)	(474,635)
- Stage 2	(168,271)	(152,754)
- Stage 3	(500,952)	(381,197)
	<u>(1,172,256)</u>	<u>(1,008,586)</u>
	<u>137,062,695</u>	<u>135,938,187</u>
Trade bills	3,115,022	3,393,863
Less: impairment allowances		
- Stage 1	(3,251)	(1,982)
- Stage 2	(27)	(7)
	<u>(3,278)</u>	<u>(1,989)</u>
	<u>3,111,744</u>	<u>3,391,874</u>
Right-of-use assets	<u>246,818</u>	<u>413,967</u>
Other assets	7,116,925	5,321,281
Less: impairment allowances		
- Stage 1	(10,180)	(8,496)
- Stage 2	(728)	(598)
- Stage 3	(13,144)	(9,467)
	<u>(24,052)</u>	<u>(18,561)</u>
	<u>7,092,873</u>	<u>5,302,720</u>
Advances and other accounts	<u>147,514,130</u>	<u>145,046,748</u>

14. Advances and other accounts (Continued)

(a)	Impaired, overdue and rescheduled assets		
(i)	Impaired loans		
	HK\$'000	As at 30 Jun 2020	As at 31 Dec 2019
	Gross loans and advances	138,234,951	136,946,773
	Less: total impairment allowances	<u>(1,172,256)</u>	<u>(1,008,586)</u>
	Net	<u>137,062,695</u>	<u>135,938,187</u>
	Credit-impaired loans and advances	1,410,390	1,049,226
	Less: Stage 3 impairment allowances	<u>(500,952)</u>	<u>(381,197)</u>
	Net	<u>909,438</u>	<u>668,029</u>
	Fair value of collateral held *	<u>829,723</u>	<u>590,496</u>
	Credit-impaired loans and advances as a % of total loans and advances to customers	<u>1.02%</u>	<u>0.77%</u>

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

(ii) Gross amount of overdue loans

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

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

14. 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 2020	% of total	As at 31 Dec 2019	% of total
Advances to customers	<u>386,030</u>	<u>0.28</u>	<u>270,909</u>	<u>0.20</u>
Stage 3 impairment allowances	<u>136,762</u>		<u>112,734</u>	

(iv) Trade bills

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

The overdue trade bills are fully secured.

(b) Repossessed collateral

Repossessed collateral held is as follows:

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

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

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

15. Financial assets at fair value through other comprehensive income

HK\$'000	As at 30 Jun 2020	As at 31 Dec 2019
Debt securities:		
- Listed in Hong Kong	15,688,913	16,470,818
- Listed outside Hong Kong	17,681,762	16,609,379
- Unlisted	10,637,164	8,970,096
	<u>44,007,839</u>	<u>42,050,293</u>
Equity securities:		
- Listed in Hong Kong	19,607	30,277
- Unlisted	82,439	82,710
	<u>102,046</u>	<u>112,987</u>
Total	<u>44,109,885</u>	<u>42,163,280</u>
Included within debt securities are:		
- Certificates of deposit held	343,035	114,099
- Treasury bills which are cash equivalents	4,699,034	4,496,472
- Other treasury bills	5,600,087	5,599,844
- Government bonds	123,315	118,594
- Other debt securities	33,242,368	31,721,284
	<u>44,007,839</u>	<u>42,050,293</u>
Financial assets at fair value through other comprehensive income are analysed by categories of issuers as follows:		
Debt securities:		
- Central governments and central banks	10,422,436	10,214,910
- Public sector entities	135,894	143,655
- Banks and other financial institutions	7,978,389	6,224,854
- Corporate entities	25,471,045	25,466,799
- Others	75	75
	<u>44,007,839</u>	<u>42,050,293</u>
Equity securities:		
- Corporate entities	102,046	112,987
	<u>44,109,885</u>	<u>42,163,280</u>

16. Financial assets at amortised cost

HK\$'000	As at 30 Jun 2020	As at 31 Dec 2019
Debt securities:		
- Listed in Hong Kong	7,591,927	4,531,678
- Listed outside Hong Kong	9,156,033	6,534,167
- Unlisted	<u>4,560,363</u>	<u>4,598,713</u>
	<u>21,308,323</u>	<u>15,664,558</u>
Less: impairment allowance		
- Stage 1	<u>(20,218)</u>	<u>(11,533)</u>
Total	<u>21,288,105</u>	<u>15,653,025</u>
Included within debt securities are:		
- Certificates of deposit held	1,263,481	1,451,302
- Treasury bills	1,957,793	2,225,843
- Government bonds	248,450	301,957
- Other debt securities	<u>17,838,599</u>	<u>11,685,456</u>
	<u>21,308,323</u>	<u>15,664,558</u>
Financial assets at amortised cost are analysed by categories of issuers as follows:		
- Central governments and central banks	2,206,243	2,527,800
- Public sector entities	108,519	75,294
- Banks and other financial institutions	7,102,845	5,954,650
- Corporate entities	11,879,627	7,095,725
- Others	<u>11,089</u>	<u>11,089</u>
	<u>21,308,323</u>	<u>15,664,558</u>

17. Other accounts and accruals

HK\$'000	As at 30 Jun 2020	As at 31 Dec 2019
Lease liabilities	264,375	431,600
Amount payable arising from purchase of securities pending for settlement	4,285,942	3,383,281
Other liabilities and accruals	<u>7,818,441</u>	<u>6,950,933</u>
	<u>12,368,758</u>	<u>10,765,814</u>

18. Shareholders' funds

HK\$'000	As at 30 Jun 2020	As at 31 Dec 2019
Share capital	6,894,438	6,894,438
Consolidation reserve	(220,986)	(220,986)
Premises revaluation reserve	270,120	270,120
Investment revaluation reserve	(52,111)	415,027
Exchange reserve	(498,344)	(369,739)
General reserve	700,254	700,254
Reserve for share-based compensation	3,873	3,393
Retained earnings	<u>20,025,429</u>	<u>19,578,333</u>
	<u>27,122,673</u>	<u>27,270,840</u>
Proposed dividend/ dividend paid included in retained earnings	<u>112,460</u>	<u>492,013</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 2020, DSB has earmarked a regulatory reserve of HK\$531,353,000 (31 December 2019: HK\$1,127,403,000) first against its consolidated general reserve; and for any excess amount, the balance is earmarked against its consolidated retained earnings.

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

(b) Credit commitments

The contract and credit risk weighted amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers are as follows:

	<u>Contract amount</u>	
	As at 30 Jun 2020	As at 31 Dec 2019
Direct credit substitutes	610,847	563,882
Transaction-related contingencies	502,052	527,442
Trade-related contingencies	772,772	967,813
Commitments that are unconditionally cancellable without prior notice	73,730,734	74,428,118
Other commitments with an original maturity of:		
- under 1 year	3,824,253	3,999,906
- 1 year and over	409,447	758,023
Forward forward deposits placed	<u>15,655</u>	-
	<u>79,865,760</u>	<u>81,245,184</u>
	<u>Credit risk weighted amount</u>	
	As at 30 Jun 2020	As at 31 Dec 2019
Contingent liabilities and commitments	<u>1,477,849</u>	<u>1,794,624</u>

(c) Assets pledged

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

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

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

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

20. Operating segment reporting

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

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

- Personal banking business includes the acceptance of deposits from individual customers and the extension of residential mortgage lending, personal loans, overdraft, vehicle financing and credit card services, and the provision of insurance sales and investment services.
- Commercial banking business includes the acceptance of deposits from and the advance of loans and working capital finance to commercial, industrial and institutional customers, and the provision of trade financing.
- Treasury activities are mainly the provision of foreign exchange services and centralised cash management for deposit taking and lending, interest rate risk management, management of investment in securities and the overall funding of the Group.
- Overseas banking businesses include personal banking, commercial banking business activities provided by overseas subsidiaries in Macau and China, and the Group’s interest in a commercial bank in China.
- Others include results of operations not directly identified under other reportable segments, corporate investments and debt funding (including subordinated notes).

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

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

20. Operating segment reporting (Continued)

For the six months ended 30 June 2020

HK\$'000	Personal Banking	Commercial Banking	Treasury	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/ (loss)	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
Impairment loss on investment in an associate	-	-	-	(200,000)	-	-	(200,000)
Share of results of an associate	-	-	-	411,759	-	-	411,759
Share of results of jointly controlled entities	-	-	-	-	13,580	-	13,580
Profit/ (loss) before taxation	262,457	350,891	316,676	190,088	(25,072)	-	1,095,040
Taxation (expenses)/ credit	(43,057)	(58,067)	(52,230)	(4,448)	8,715	-	(149,087)
Profit/ (loss) after taxation	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 30 June 2020							
Segment assets	53,477,062	67,581,580	93,771,649	39,357,075	5,438,676	(6,623,442)	253,002,600
Segment liabilities	112,139,092	44,990,447	25,518,628	31,594,036	17,347,230	(6,623,442)	224,965,991

20. Operating segment reporting (Continued)

For the six months ended 30 June 2019

HK\$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter- segment	Total
Net interest income/ (expenses)	869,560	620,672	359,078	248,834	(57,478)	-	2,040,666
Non-interest income/ (expenses)	477,896	92,784	(40,949)	69,248	21,730	(498)	620,211
Total operating income/ (loss)	1,347,456	713,456	318,129	318,082	(35,748)	(498)	2,660,877
Operating expenses	(794,974)	(253,510)	(83,810)	(251,145)	11,428	498	(1,371,513)
Operating profit/ (loss) before credit impairment (losses)/ written back	552,482	459,946	234,319	66,937	(24,320)	-	1,289,364
Credit impairment (losses)/ written back	(116,498)	36,009	(5,085)	(3,484)	(2,302)	-	(91,360)
Operating profit/ (loss) after credit impairment (losses)/ written back	435,984	495,955	229,234	63,453	(26,622)	-	1,198,004
Net (loss)/ gain on disposal of other fixed assets	(2,545)	-	-	24	-	-	(2,521)
Net loss on disposal of financial assets at fair value through other comprehensive income	-	-	(24)	-	-	-	(24)
Impairment loss on investment in an associate	-	-	-	(70,000)	-	-	(70,000)
Share of results of an associate	-	-	-	410,860	-	-	410,860
Share of results of jointly controlled entities	-	-	-	-	12,499	-	12,499
Profit/ (loss) before taxation	433,439	495,955	229,210	404,337	(14,123)	-	1,548,818
Taxation (expenses)/ credit	(71,554)	(81,758)	(37,806)	(3,617)	476	-	(194,259)
Profit/ (loss) after taxation	361,885	414,197	191,404	400,720	(13,647)	-	1,354,559
For the six months ended 30 June 2019							
Depreciation and amortisation	40,258	8,519	3,270	31,927	100,409	-	184,383
As at 31 December 2019							
Segment assets	53,809,806	66,154,676	84,671,487	38,406,836	5,478,972	(5,115,290)	243,406,487
Segment liabilities	108,290,918	44,136,433	19,835,415	30,335,062	17,739,136	(5,115,290)	215,221,674

20. Operating segment reporting (Continued)

Geographical information

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

21. 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 2020		As at 31 Dec 2019	
	Outstanding balance	% of gross advances covered by collateral	Outstanding balance	% of gross advances covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	5,084,415	62.5	4,700,618	64.6
- Property investment	16,518,677	94.6	15,972,169	97.0
- Financial concerns	6,880,646	4.0	6,057,400	3.0
- Stockbrokers	1,010,334	42.9	1,585,717	28.6
- Wholesale and retail trade	6,341,304	91.3	6,455,795	90.1
- Manufacturing	1,916,351	58.9	1,978,378	59.5
- Transport and transport equipment	2,598,546	82.2	3,496,770	71.9
- Recreational activities	99,736	99.9	103,724	99.8
- Information technology	59,724	77.2	52,976	70.5
- Others	5,733,108	74.0	4,464,895	79.6
	46,242,841	71.3	44,868,442	72.1
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	563,471	100.0	584,349	100.0
- Loans for the purchase of other residential properties	30,712,053	100.0	29,864,112	100.0
- Credit card advances	3,644,439	-	3,761,021	-
- Others	12,906,132	50.5	13,196,910	52.8
	47,826,095	79.0	47,406,392	78.9
Loans for use in Hong Kong	94,068,936	75.2	92,274,834	75.6
Trade finance (Note (1))	8,701,810	59.5	8,815,573	62.9
Loans for use outside Hong Kong (Note (2))	35,464,205	61.3	35,856,366	66.0
	138,234,951	70.7	136,946,773	72.3

Note:

- (1) Trade finance shown above represents loans covering finance of imports to Hong Kong, exports and re-exports from Hong Kong and merchandising trade classified with reference to the relevant guidelines issued by the HKMA.

Trade finance loans not involving Hong Kong (including trade finance extended by the overseas subsidiary banks of DSB) totalling HK\$247,855,000 (31 December 2019: HK\$294,310,000) are classified under “Loans for use outside Hong Kong”.

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

21. 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 2020				
	Outstanding balance	Impaired loans (Stage 3)	Gross advances overdue for over 3 months	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Loans for use in Hong Kong					
Industrial, commercial and financial - Property investment	16,518,677	49,289	43,387	3,773	89,642
Individuals - Loans for the purchase of other residential properties	30,712,053	69,804	51,450	10,763	31,472
Loans for use outside Hong Kong	<u>35,464,205</u>	<u>456,548</u>	<u>448,423</u>	<u>199,542</u>	<u>133,341</u>
	As at 31 Dec 2019				
	Outstanding balance	Impaired loans (Stage 3)	Gross advances overdue for over 3 months	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Loans for use in Hong Kong					
Industrial, commercial and financial - Property investment	15,972,169	45,985	44,910	4,721	79,461
Individuals - Loans for the purchase of other residential properties	29,864,112	44,204	33,772	7,537	21,934
Loans for use outside Hong Kong	<u>35,856,366</u>	<u>256,544</u>	<u>373,852</u>	<u>129,588</u>	<u>131,693</u>

21. 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 2020	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)	9,745,738	119,527	9,865,265
2. Local governments, local government-owned entities and their subsidiaries and JVs	1,283,239	276,480	1,559,719
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	13,852,168	1,366,430	15,218,598
4. Other entities of central government not reported in item 1 above	2,727,239	41,565	2,768,804
5. Other entities of local governments not reported in item 2 above	1,228,297	283,752	1,512,049
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	12,280,914	468,896	12,749,810
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	1,162,015	-	1,162,015
	<u>42,279,610</u>	<u>2,556,650</u>	<u>44,836,260</u>
Total assets of DSB and its Mainland subsidiary bank after provision	<u>236,281,063</u>		
On-balance sheet exposures as percentage of total assets	<u>17.89%</u>		

Note:

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

21. Additional analysis on claims and exposures (Continued)

(b) Mainland activities exposures (Continued)

HK\$'000

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

21. Additional analysis on claims and exposures (Continued)

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

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

The following table analyses gross advances to customers, impaired advances to customers (Stage 3), overdue advances to customers, Stage 3, and Stage 1 and Stage 2 impairment allowances by geographical area.

As at 30 June 2020

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	116,183,769	1,079,098	580,093	393,528	609,126
China	6,596,783	62,662	62,662	16,742	42,585
Macau	14,039,137	266,294	266,294	89,687	13,606
Others	1,415,262	2,336	5,274	995	5,987
	138,234,951	1,410,390	914,323	500,952	671,304

As at 31 December 2019

	Gross advances to customers	Impaired advances to customers (Stage 3)	Overdue advances to customers	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Hong Kong	113,233,394	933,795	500,123	355,400	548,920
China	7,940,270	64,274	64,274	11,496	50,993
Macau	14,800,379	46,036	177,735	13,308	22,908
Others	972,730	5,121	7,549	993	4,568
	136,946,773	1,049,226	749,681	381,197	627,389

21. Additional analysis on claims and exposures (Continued)

(d) International claims

The information of international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, transfer of risk from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country. Only regions constituting 10% or more of the aggregate international claims after taking into account any recognised risk transfer are disclosed.

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

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

22. Currency concentrations

The following sets out the net foreign exchange position in USD and other individual currency that constitutes more than 10% of the total net position in all foreign currencies as at 30 June 2020 and the corresponding comparative balances.

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

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

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

23. Capital adequacy ratio

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

The capital adequacy ratio as at 30 June 2020 and 31 December 2019 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.

24. Liquidity maintenance ratio

	Six months ended 30 Jun 2020	Six months ended 30 Jun 2019	Year ended 31 Dec 2019
Liquidity maintenance ratio	49.6%	45.7%	46.4%

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 2020	Six months ended 30 Jun 2019
Net interest income/operating income	70.9%	76.7%
Cost to income ratio	53.2%	51.5%
Return on average total assets (annualised)	0.8%	1.2%
Return on average shareholders' funds (annualised)	7.0%	10.7%
Net interest margin	1.66%	1.90%

	As at 30 Jun 2020	As at 31 Dec 2019
Loan to deposit ratio	70.5%	72.3%

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK\$0.08 per share for 2020 payable on Monday, 21 September 2020 to shareholders whose names are on the Register of Shareholders at the close of business on Tuesday, 15 September 2020.

CLOSURE OF REGISTER OF SHAREHOLDERS

For determining shareholders' entitlement to receive the interim dividend:

Closure dates of Register of Shareholders (both days inclusive)	11 September 2020 (Friday) to 15 September 2020 (Tuesday)
Latest time to lodge transfers	4:30 p.m. on 10 September 2020 (Thursday)
Record date	15 September 2020 (Tuesday)

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

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

Under these extremely difficult economic conditions, our profit attributable to shareholders fell by 30.2% to HK\$946 million, mainly caused by higher impairment charges on both loans and on our investment in Bank of Chongqing. Underlying business performance weakened, both due to weaker credit performance, and due to a squeeze in net interest margin, with funding costs reduced more slowly than asset yields.

For the first half of the year, a dividend of HK\$0.08 per share was declared.

BUSINESS AND FINANCIAL REVIEW

The performance of our banking business in the first half of the year was weaker than last year. Net interest income was materially lower. Net fee and commission income was flat, and trading income was significantly higher, mainly due to funding swap gains with higher Hong Kong dollar rates than US dollar rates in the first half of the year. The reduction in net interest income of around 9% was due mainly to funding costs reducing more slowly than asset yields as market interest rates dropped rapidly in the first half of the year, leading to a contraction in net interest margin of 24bps to 1.66% compared with 1.90% in the first half of 2019. Asset growth was modest, with small increases in the loan book and the securities investment portfolio. However, the benefit from volume growth was not sufficient to offset the decline in net interest margin.

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

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

BUSINESS AND FINANCIAL REVIEW (Continued)

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

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

The Group generated an annualized return on assets of 0.8% and ROE of 7.0% for the period.

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

PROSPECTS

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

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2020, 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 travel restrictions around the world, Mr. David Shou-Yeh Wong, the Chairman of the Board, was unable to attend the 2020 Annual General Meeting (the “2020 AGM”) of the Company held in Hong Kong on 29 May 2020 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 2020 AGM. Due to the lockdown measures in view of 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 2020 AGM. A member of the NRC of the Company was present and available to answer questions from shareholders at the 2020 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 2020.

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 2020.

REMUNERATION AND STAFF DEVELOPMENT

There have been no material changes to the information disclosed in the Company’s 2019 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 2020.

INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The 2020 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 2020 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 2020.

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 (Group Chief Financial and Operating Officer) and Nicholas John Mayhew (Deputy Chief Executive) as Executive Directors; Messrs. Robert Tsai-To Sze, Seng-Lee Chan, Yuen-Tin Ng and Blair Chilton Pickerell as Independent Non-Executive Directors.

By Order of the Board

Doris W. N. Wong

Company Secretary

Hong Kong, Wednesday, 26 August 2020