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 2014 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 2014. The unaudited profit attributable to shareholders after non-controlling interests for the six months ended 30 June 2014 was HK$1,049.1 million.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

The unaudited 2014 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 ("HKICPA").

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

HK$'000	Note	**2014**	2013	Variance %
Interest income		**2,416,043**	2,078,024	
Interest expense		**(944,960)**	(734,208)	
Net interest income	3	**1,471,083**	1,343,816	9.5
Fee and commission income		**518,448**	458,771	
Fee and commission expense		**(114,083)**	(110,776)	
Net fee and commission income	4	**404,365**	347,995	16.2
Net trading income	5	**103,325**	104,314	
Other operating income	6	**32,402**	22,205	
Operating income		**2,011,175**	1,818,330	10.6
Operating expenses	7	**(1,002,816)**	(908,473)	10.4
Operating profit before impairment losses		**1,008,359**	909,857	10.8
Loan impairment losses and other credit provisions	8	**(224,567)**	(137,570)	63.2
Operating profit after impairment losses		**783,792**	772,287	1.5
Net gain/ (loss) on disposal of premises, investment properties and other fixed assets		**42**	(1,969)	
Net gain/ (loss) on disposal of investments in securities	9	**14,115**	(78,398)	
Share of results of an associate		**356,361**	227,633	
Share of results of jointly controlled entities		**8,356**	6,248	
Profit before taxation		**1,162,666**	925,801	25.6
Taxation	10	**(113,581)**	(113,128)	
Profit for the period		**1,049,085**	812,673	29.1
Loss attributable to non-controlling interests		**16**	16	
Profit attributable to Shareholders of the Company		**1,049,101**	812,689	29.1
Interim dividend		**140,154**	112,623	
			Restated	
Earnings per share				
Basic	11	**HK$0.79**	HK$0.63	
Diluted	11	**HK$0.79**	HK$0.62	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

HK$'000	**2014**	2013
Profit for the period	**1,049,085**	812,673
Other comprehensive income		
Items that will not be reclassified to the consolidated income statement:		
Premises		
Surplus on reclassification of premises to investment properties	**-**	99,820
Items that may be reclassified subsequently to the consolidated income statement:		
Investments in securities		
Fair value gains/ (losses) on available-for-sale securities recognised in equity	**254,215**	(287,970)
Fair value (gain)/ loss realised and transferred to income statement upon:		
- Disposal of available-for-sale securities	**(18,771)**	(37,457)
- Disposal of held-to-maturity securities and investments in securities included in the loans and receivables category which were previously reclassified from the available-for-sale category	**3,756**	115,440
Deferred income tax assets (released)/ recognised on movements in investment revaluation reserve	**(13,665)**	32,327
	225,535	(177,660)
Exchange differences arising on translation of the financial statements of foreign entities	**(30,171)**	18,899
Other comprehensive income/ (loss) for the period, net of tax	**195,364**	(58,941)
Total comprehensive income for the period, net of tax	**1,244,449**	753,732
Attributable to:		
Non-controlling interests	**(16)**	(16)
Shareholders of the Company	**1,244,465**	753,748
Total comprehensive income for the period, net of tax	**1,244,449**	753,732

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$'000	Note	**As at 30 Jun 2014**	As at 31 Dec 2013
ASSETS			
Cash and balances with banks		**12,101,597**	8,270,886
Placements with banks maturing between one and twelve months		**5,916,272**	4,101,293
Trading securities	12	**6,534,182**	6,335,788
Financial assets designated at fair value through profit or loss	12	**80,125**	56,081
Derivative financial instruments	13	**752,127**	687,069
Advances and other accounts	14	**114,042,742**	108,198,395
Available-for-sale securities	16	**23,040,976**	27,128,417
Held-to-maturity securities	17	**9,657,396**	5,669,289
Investment in an associate		**3,660,490**	3,304,993
Investments in jointly controlled entities		**68,013**	59,657
Goodwill		**811,690**	811,690
Intangible assets		**63,543**	65,242
Premises and other fixed assets		**1,838,136**	1,861,452
Investment properties		**653,921**	653,921
Deferred income tax assets		**47,091**	22,975
Total assets		**179,268,301**	167,227,148
LIABILITIES			
Deposits from banks		**1,976,750**	1,995,297
Derivative financial instruments	13	**1,015,394**	1,117,256
Trading liabilities		**3,777,207**	3,362,473
Deposits from customers		**139,358,472**	129,843,151
Certificates of deposit issued		**4,987,513**	6,132,561
Issued debt securities		**-**	775,385
Subordinated notes		**5,536,338**	3,762,471
Other accounts and accruals		**3,099,510**	2,928,230
Current income tax liabilities		**289,112**	210,451
Deferred income tax liabilities		**60,109**	34,304
Total liabilities		**160,100,405**	150,161,579
EQUITY			
Non-controlling interests		**15,432**	15,448
Equity attributable to the Company's shareholders			
Share capital		**6,848,597**	1,251,371
Share premium		**-**	4,404,692
Other reserves		**12,163,713**	11,093,729
Proposed dividend		**140,154**	300,329
Shareholders' funds	19	**19,152,464**	17,050,121
Total equity		**19,167,896**	17,065,569
Total equity and liabilities		**179,268,301**	167,227,148

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. Basis of preparation and accounting policies

Except as described below, the accounting policies and methods of computation used in the preparation of the 2014 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 2013.

(a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27(2011), "Investment entities", provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have impact to the financial statements of the Group.

- Amendments to HKAS 32, "Offsetting financial assets and financial liabilities", clarifies the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in HKAS 32, "Financial Instruments: Presentation". There is no material impact to the financial statements of the Group as a result of this amendment.

- Amendments to HKAS 36, "Impairment of assets – Recoverable amount disclosures for non-financial assets", removes certain disclosures of the recoverable amount of cash generating units which had been included in HKAS 36 by the issue of HKFRS 13. There is no material impact to the financial statements of the Group as a result of this amendment.

- Amendments to HKAS 39, "Novation of derivatives and continuation of hedge accounting", provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments do not have impact to the financial statements of the Group.

- HK(IFRIC) 21, "Levies", sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subject to significant levies so the impact on the Group is not material.

2. Basis of preparation and accounting policies (Continued)

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

- HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities and hedge accounting. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in the income statement, unless this creates an accounting mismatch. In December 2013, HKFRS 9 was further amended when the requirements related to hedge accounting (other than specific accounting for open portfolios on macro hedging) were added.

  In July 2014, the International Accounting Standards Board published the full and final version of IFRS 9 (which is closely followed by HKFRS 9) and set the effective date of IFRS 9 as 1 January 2018 although earlier adoption of the new standard is permitted. The final IFRS 9 sets out, amongst other things, the classification and measurement requirements for financial instruments as described above, the requirement for a new, expected-loss impairment model that will require more timely recognition of expected credit losses, and a substantially-reformed model for hedge accounting that aligns the accounting treatment with risk management activities.

  The Group has already commenced the assessment of the full impact but expects the adoption will not have material impact on its results of operations and financial position and so far has not decided to early adopt the standard, which shall be effective for the financial year beginning on 1 January 2018.

- HKFRS 14, "Regulatory Deferral Accounts", issued in February 2014 describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with this standard because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services. The amendments are effective for annual periods beginning on or after 1 January 2016 with early adoption permitted and are required to be applied retrospectively. There is no material impact to the financial statements of the Group as a result of this standard.

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 27 August 2014.

These interim condensed consolidated financial statements have not been audited.

3. Net interest income

For the six months ended 30 June

HK$'000	**2014**	2013
Interest income		
Cash and balances with banks	**173,881**	164,356
Investments in securities	**369,117**	317,627
Advances and other accounts	**1,873,045**	1,596,041
	2,416,043	2,078,024
Interest expense		
Deposits from banks/ Deposits from customers	**810,947**	596,265
Certificates of deposit issued	**35,402**	47,898
Issued debt securities	**3,494**	21,655
Subordinated notes	**91,517**	66,693
Others	**3,600**	1,697
	944,960	734,208
Included within interest income		
Interest income on financial assets not at fair value through profit or loss	**2,393,884**	2,070,984
Included within interest expense		
Interest expenses on financial liabilities not at fair value through profit or loss	**941,922**	731,084

For the six months ended 30 June 2014 and 30 June 2013, there was no interest income recognised on impaired assets.

4. Net fee and commission income

For the six months ended 30 June

HK$'000	**2014**	2013
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	**61,863**	60,599
- Trade finance	**41,741**	34,903
- Credit card	**151,832**	141,336
Other fee and commission income		
- Securities brokerage	**38,754**	29,992
- Insurance distribution	**34,787**	26,299
- Retail investment and wealth management services	**81,272**	70,055
- Bank services and handling fees	**28,961**	24,033
- Other fees	**79,238**	71,554
	518,448	458,771
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	**107,343**	101,116
- Other fees paid	**6,740**	9,660
	114,083	110,776
	404,365	347,995

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	**2014**	2013
Net gain arising from dealing in foreign currencies	**76,116**	97,854
Net loss on trading securities	**(4,863)**	(2,645)
Net gain from derivatives entered into for trading purpose	**19,675**	25,020
Net loss arising from financial instruments subject to fair value hedge	**(11,650)**	(29,086)
Net gain arising from financial instruments designated at fair value through profit or loss	**24,047**	13,171
	103,325	104,314

6. Other operating income

For the six months ended 30 June

HK$'000	**2014**	2013
Dividend income from investments in available-for-sale securities		
- Listed investments	**4,742**	2,536
- Unlisted investments	**4,047**	4,309
Gross rental income from investment properties	**11,984**	9,694
Other rental income	**5,391**	3,947
Others	**6,238**	1,719
	32,402	22,205

7. Operating expenses

For the six months ended 30 June

HK$'000	**2014**	2013
Employee compensation and benefit expenses (including directors' remuneration)	**638,605**	566,486
Premises and other fixed assets expenses, excluding depreciation	**136,098**	131,976
Depreciation	**66,923**	54,950
Advertising and promotion costs	**45,712**	40,931
Printing, stationery and postage	**18,940**	18,721
Amortisation expenses of intangible assets	**1,699**	2,039
Others	**94,839**	93,370
	1,002,816	908,473

8. Loan impairment losses and other credit provisions

For the six months ended 30 June

HK$'000	**2014**	2013
Loan impairment losses		
Net charge of impairment losses on advances and other accounts		
- Individually assessed	**129,124**	53,630
- Collectively assessed	**95,443**	83,940
	224,567	137,570
Of which		
- new and additional allowances (including amounts directly written off in the period)	**255,222**	179,364
- releases	**(12,044)**	(18,117)
- recoveries	**(18,611)**	(23,677)
	224,567	137,570

9. Net gain/ (loss) on disposal of investments in securities

For the six months ended 30 June

HK$'000	**2014**	2013
Net gain on disposal of available-for-sale securities	**18,771**	37,457
Net loss on disposal of investments in securities included in the loans and receivables category	**(4,656)**	(93,571)
Net loss on disposal of held-to-maturity securities	**-**	(22,284)
	14,115	(78,398)

10. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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	**2014**	2013
Current income tax		
- Hong Kong profits tax	**112,845**	101,023
- Overseas taxation	**16,526**	5,438
- (Over)/ under-provision in prior periods	**(3,154)**	2,269
Deferred income tax		
- Origination and reversal of temporary differences	**(13,446)**	5,064
- Utilisation/ (recognition) of tax losses	**810**	(666)
Taxation	**113,581**	113,128

11. Basic and diluted earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on earnings of HK$1,049,101,000 and the weighted average number of 1,329,452,639 ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2014 is based on earnings of HK$1,049,101,000 and the weighted average number of 1,333,103,758 ordinary shares in issue during the period after adjusting for the effect of all dilutive potential ordinary shares.

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on earnings of HK$812,689,000 and the weighted average number of 1,299,605,773 ordinary shares in issue during the period after adjusting for the effects of the rights issue of the Company completed in May 2014.

The calculation of diluted earnings per share for the six months ended 30 June 2013 is based on earnings of HK$812,689,000 and the weighted average number of 1,300,950,882 ordinary shares in issue during the period after adjusting for the effects of the rights issue of the Company completed in May 2014.

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

HK$'000	**As at 30 Jun 2014**	As at 31 Dec 2013
Trading securities:		
Debt securities:		
- Listed in Hong Kong	**1,994,240**	1,211,300
- Unlisted	**4,539,942**	5,124,488
Total trading securities	**6,534,182**	6,335,788
Financial assets designated at fair value through profit or loss:		
Debt securities:		
- Listed outside Hong Kong	**80,125**	56,081
Total trading securities and financial assets designated at fair value through profit or loss	**6,614,307**	6,391,869
Included within debt securities are:		
- Government bonds included in trading securities	**6,484,734**	6,335,548
- Other debt securities	**129,573**	56,321
	6,614,307	6,391,869

As at 30 June 2014 and 31 December 2013, there were no certificates of deposit held included in the above balances of investments in debt securities.

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

	As at 30 Jun 2014	As at 31 Dec 2013
- Central governments and central banks	**6,484,734**	6,335,548
- Public sector entities	**243**	240
- Banks and other financial institutions	**49,205**	-
- Corporate entities	**80,125**	56,081
	6,614,307	6,391,869

13. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values as at 30 June 2014 were as follows:

HK$'000	**Contract/ notional amount**	**Fair values Assets**	**Fair values Liabilities**
1) Derivatives held for trading			
a) *Foreign exchange derivatives*			
Forward and futures contracts	**51,676,186**	**89,783**	**(61,494)**
Currency options purchased and written	**90,031,034**	**329,928**	**(327,610)**
b) *Interest rate derivatives*			
Interest rate futures	**6,247,064**	**512**	**(46)**
Interest rate swaps	**14,907,868**	**60,011**	**(155,693)**
c) *Equity derivatives*			
Equity options purchased and written	**223,585**	**2,826**	**(2,535)**
Total derivative assets / (liabilities) held for trading	**163,085,737**	**483,060**	**(547,378)**
2) Derivatives held for hedging			
a) *Derivatives designated as fair value hedges*			
Interest rate swaps	**19,683,799**	**269,067**	**(459,055)**
Currency swaps	**1,396,746**	**-**	**(8,961)**
Total derivative assets / (liabilities) held for hedging	**21,080,545**	**269,067**	**(468,016)**
Total recognised derivative financial assets / (liabilities)	**184,166,282**	**752,127**	**(1,015,394)**

13. Derivative financial instruments (Continued)

The notional principal amounts of outstanding derivatives contracts and their fair values as at 31 December 2013 were as follows:

	Contract/ notional amount	Fair values Assets	Fair values Liabilities
1) Derivatives held for trading			
a) *Foreign exchange derivatives*			
Forward and futures contracts	49,420,058	80,348	(136,686)
Currency options purchased and written	74,747,110	205,612	(203,254)
b) *Interest rate derivatives*			
Interest rate futures	821,908	600	(19)
Interest rate swaps	10,700,774	10,486	(116,874)
c) *Equity derivatives*			
Equity options purchased and written	228,285	2,528	(2,528)
Total derivative assets / (liabilities) held for trading	135,918,135	299,574	(459,361)
2) Derivatives held for hedging			
a) *Derivatives designated as fair value hedges*			
Interest rate swaps	19,947,380	387,495	(623,816)
Currency swaps	1,379,471	-	(34,079)
Total derivative assets / (liabilities) held for hedging	21,326,851	387,495	(657,895)
Total recognised derivative financial assets / (liabilities)	157,244,986	687,069	(1,117,256)

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

The credit risk weighted amounts of the above off-balance sheet exposures calculated under Basel III basis and without taking into account the effect of bilateral netting arrangement that the Group entered into, are as follows:

	As at 30 Jun 2014	As at 31 Dec 2013
Exchange rate contracts	**1,761,583**	1,170,774
Interest rate contracts	**180,121**	209,991
Other contracts	**8,245**	7,809
	1,949,949	1,388,574

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

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

14. Advances and other accounts

HK$'000	**As at 30 Jun 2014**	As at 31 Dec 2013
Gross advances to customers	**103,685,781**	97,977,520
Trade bills	**7,435,724**	5,925,648
Other assets		
- Other accounts receivable and prepayments	**3,499,266**	3,678,102
	114,620,771	107,581,270
Less: impairment allowances		
- Individually assessed	**(364,726)**	(244,294)
- Collectively assessed	**(213,303)**	(201,212)
	(578,029)	(445,506)
Investments in securities included in the loans and receivables category (Note 15)	**-**	1,062,631
Advances and other accounts	**114,042,742**	108,198,395

14. Advances and other accounts (Continued)

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

	As at 30 Jun 2014		As at 31 Dec 2013	
	Outstanding balance	**% of gross advances covered by collateral**	Outstanding balance	% of gross advances covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	**2,259,186**	**47.4**	2,015,552	72.8
- Property investment	**15,667,297**	**99.1**	15,122,078	98.3
- Financial concerns	**798,894**	**51.9**	740,178	46.5
- Stockbrokers	**51,399**	**79.8**	109,264	90.7
- Wholesale and retail trade	**4,304,280**	**90.1**	4,006,724	95.7
- Manufacturing	**3,038,548**	**92.9**	1,975,672	91.5
- Transport and transport equipment	**5,135,147**	**95.7**	5,050,680	95.9
- Recreational activities	**313,465**	**17.3**	300,505	12.2
- Information technology	**18,393**	**83.6**	24,916	82.1
- Others	**4,840,078**	**85.7**	3,571,083	82.5
	36,426,687	**90.2**	32,916,652	92.0
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,029,511**	**100.0**	1,080,873	100.0
- Loans for the purchase of other residential properties	**19,106,085**	**100.0**	18,041,141	99.9
- Credit card advances	**3,904,785**	**-**	3,949,544	-
- Others	**7,891,415**	**31.0**	6,880,302	31.0
	31,931,796	**70.7**	29,951,860	70.9
Loans for use in Hong Kong	**68,358,483**	**81.1**	62,868,512	81.9
Trade finance (Note (1))	**6,299,503**	**64.0**	5,918,454	61.3
Loans for use outside Hong Kong (Note (2))	**29,027,795**	**62.5**	29,190,554	63.8
	103,685,781	**74.9**	97,977,520	75.3

Note:

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

Trade finance loans not involving Hong Kong (including trade finance extended by the overseas subsidiary banks of DSB) totalling HK$856,957,000 (31 December 2013: HK$992,627,000) are classified under Loans for use outside Hong Kong.

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

14. Advances and other accounts (Continued)

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

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

	As at 30 Jun 2014				
	Outstanding balance	**Impaired loans**	**Gross advances overdue for over 3 months**	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property investment	**15,667,297**	**3,077**	**3,077**	**2,022**	**10,979**
Individuals					
- Loans for the purchase of other residential properties	**19,106,085**	**-**	**-**	**-**	**878**
Loans for use outside Hong Kong	**29,027,795**	**357,825**	**377,642**	**286,182**	**98,906**

	As at 31 Dec 2013				
	Outstanding balance	Impaired loans	Gross advances overdue for over 3 months	Individually assessed impairment allowances	Collectively assessed impairment allowances
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property investment	15,122,078	-	-	-	8,614
Individuals					
- Loans for the purchase of other residential properties	18,041,141	-	-	-	674
Loans for use outside Hong Kong	29,190,554	273,679	216,275	177,723	109,982

14. Advances and other accounts (Continued)

(b) Non-bank Mainland exposures

	As at 30 Jun 2014			
Type of counterparties	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Total**	**Individually assessed impairment allowances**
Mainland entities	**17,144,462**	**2,503,186**	**19,647,648**	**210,868**
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	**7,074,232**	**160,353**	**7,234,585**	**96,662**
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	**345,394**	**-**	**345,394**	**-**
	24,564,088	**2,663,539**	**27,227,627**	**307,530**

	As at 31 Dec 2013			
Type of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total	Individually assessed impairment allowances
Mainland entities	15,977,192	2,878,378	18,855,570	114,235
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	8,432,247	249,666	8,681,913	79,011
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	239,374	-	239,374	-
	24,648,813	3,128,044	27,776,857	193,246

Note:

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

14. Advances and other accounts (Continued)

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

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

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

As at 30 Jun 2014

	Gross advances to customers	**Individually impaired advances to customers**	**Overdue advances to customers**	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Hong Kong	**81,481,451**	**220,027**	**257,070**	**130,803**	**118,853**
China	**9,883,138**	**215,649**	**203,156**	**215,649**	**45,676**
Macau	**10,876,776**	**29,997**	**34,240**	**11,969**	**41,173**
Others	**1,444,416**	**64**	**64**	**58**	**2,613**
	103,685,781	**465,737**	**494,530**	**358,479**	**208,315**

As at 31 Dec 2013

	Gross advances to customers	Individually impaired advances to customers	Overdue advances to customers	Individually assessed impairment allowances	Collectively assessed impairment allowances
Hong Kong	77,492,360	212,953	180,209	120,956	100,032
China	8,890,132	140,535	83,166	111,850	50,788
Macau	10,187,485	27,369	34,013	11,431	44,572
Others	1,407,543	83	83	57	2,340
	97,977,520	380,940	297,471	244,294	197,732

14. Advances and other accounts (Continued)

(d) Impaired, overdue and rescheduled assets

(i) Impaired loans

	As at 30 Jun 2014	As at 31 Dec 2013
Impaired loans and advances		
- Individually impaired (Note (1))	**465,737**	380,940
- Collectively impaired (Note (2))	**17,308**	15,355
	483,045	396,295
Impairment allowances made		
- Individually assessed (Note (3))	**(358,479)**	(244,294)
- Collectively assessed (Note (2))	**(15,854)**	(13,838)
	(374,333)	(258,132)
	108,712	138,163
Fair value of collaterals held*	**108,420**	92,205
Impaired loans and advances as a % of total loans and advances to customers	**0.47%**	0.40%

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

Note:

(1) Individually impaired loans are defined as those loans having objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated cash flows of the loans that can be reliably estimated.

(2) Collectively impaired loans and advances refer to those unsecured loans and advances assessed for impairment on a collective basis and which have become overdue for more than 90 days as at the reporting date. The collective impairment allowance for these impaired loans, which is a part of the overall collective impairment allowances, is shown above.

(3) The above individual impairment allowances were made after taking into account the value of collaterals in respect of such advances as at 30 June/ 31 December.

14. Advances and other accounts (Continued)

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

(ii) Gross amount of overdue loans

	As at 30 Jun 2014		As at 31 Dec 2013	
	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	**100,126**	**0.10**	100,260	0.10
- one year or less but over six months	**244,765**	**0.24**	69,831	0.07
- over one year	**149,639**	**0.14**	127,380	0.13
	494,530	**0.48**	297,471	0.30
Market value of securities held against the secured overdue advances	**201,879**		177,543	
Secured overdue advances	**141,249**		121,065	
Unsecured overdue advances	**353,281**		176,406	
Individual impairment allowances	**343,225**		160,454	

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

	As at 30 Jun 2014	**% of total**	As at 31 Dec 2013	% of total
Advances to customers	**147,325**	**0.14**	148,512	0.15
Impairment allowances	**-**		-	

(e) Trade bills

As at 30 June 2014, there were trade bills overdue for more than six months and up to one year of HK$210,000 (31 December 2013: HK$475,000 overdue for more than three months and up to six months) and no trade bills were impaired (31 December 2013: Nil).

(f) Repossessed collateral

Repossessed collateral held is as follows:

	As at 30 Jun 2014	As at 31 Dec 2013
Nature of assets		
Repossessed properties	**75,419**	87,660
Others	**160**	85
	75,579	87,745

14. Advances and other accounts (Continued)

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

	As at 30 Jun 2014		As at 31 Dec 2013	
	Contract amount	**% covered by collateral**	Contract amount	% covered by collateral
Financial guarantees and other credit related contingent liabilities	**2,290,855**	**28.6**	2,795,495	40.3
Loan commitments and other credit related commitments	**71,094,161**	**8.2**	67,734,378	7.6
	73,385,016	**8.8**	70,529,873	8.8

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

HK$'000	**As at 30 Jun 2014**	As at 31 Dec 2013
Investments in securities reclassified from the available-for-sale category		
- At fair value under fair value hedge (for hedging interest rate risk)	**-**	548,651
- At amortised cost	**-**	588,939
	-	1,137,590
Less: impairment allowances		
- Collectively assessed	**-**	(75,000)
	-	1,062,590
Investments in securities classified as loans and receivables upon initial recognition	**-**	41
	-	1,062,631

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

For investments in securities reclassified from the available-for-sale category in the previous years and remaining outstanding as at 5 June 2014, they were reclassified to the available-for-sale category on the same date. For details, please refer to Note 18(a).

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

	As at 30 Jun 2014	As at 31 Dec 2013
Debt securities:		
- Listed outside Hong Kong	**-**	1,137,590
- Unlisted	**-**	41
	-	1,137,631
Less: impairment allowances		
- Collectively assessed	**-**	(75,000)
	-	1,062,631
Market value of listed securities	**-**	1,020,565

15. Investments in securities included in the loans and receivables category (Continued)

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

	As at 30 Jun 2014	As at 31 Dec 2013
Investments in securities included in the loans and receivables category are analysed by categories of issuers as follows:		
- Banks and other financial institutions	**-**	668,806
- Corporate entities	**-**	468,825
	-	1,137,631

16. Available-for-sale securities

HK$'000	**As at 30 Jun 2014**	As at 31 Dec 2013
Debt securities:		
- Listed in Hong Kong	**11,638,270**	12,073,723
- Listed outside Hong Kong	**10,018,676**	13,067,076
- Unlisted	**1,092,745**	1,711,066
	22,749,691	26,851,865
Less: impairment allowances		
- Collectively assessed (Note)	**(75,000)**	-
	22,674,691	26,851,865
Equity securities:		
- Listed in Hong Kong	**167,142**	70,288
- Unlisted	**199,143**	206,264
	366,285	276,552
Total available-for-sale securities	**23,040,976**	27,128,417

Note:

These collectively assessed impairment allowances were previously related to investments in securities included in the loans and receivables category. They are reported as part of the balance of available-for-sale securities after the underlying investments were reclassified to the available-for-sale category on 5 June 2014 as described in Note 18(a).

As at 30 June 2014 and 31 December 2013, there were no certificates of deposit held included in the above balances of investments in debt securities.

16. Available-for-sale securities (Continued)

	As at 30 Jun 2014	As at 31 Dec 2013
Available-for-sale securities are analysed by categories of issuers as follows:		
- Central governments and central banks	**2,131,063**	3,181,651
- Public sector entities	**211,943**	205,067
- Banks and other financial institutions	**5,590,850**	6,559,368
- Corporate entities	**15,179,592**	17,179,803
- Others	**2,528**	2,528
	23,115,976	27,128,417

17. Held-to-maturity securities

HK$'000	**As at 30 Jun 2014**	As at 31 Dec 2013
Debt securities:		
- Listed in Hong Kong	**2,457,365**	731,541
- Listed outside Hong Kong	**5,291,585**	2,799,824
- Unlisted	**1,908,446**	2,137,924
	9,657,396	5,669,289
Market value of listed securities	**7,832,527**	3,602,160
Included within debt securities are:		
- Certificates of deposit held	**799,193**	1,106,272
- Other debt securities	**8,858,203**	4,563,017
	9,657,396	5,669,289
Held-to-maturity securities are analysed by issuers as follows:		
- Central governments and central banks	**928,632**	935,473
- Public sector entities	**193,758**	193,788
- Banks and other financial institutions	**3,987,096**	3,154,149
- Corporate entities	**4,547,910**	1,385,879
	9,657,396	5,669,289

The outstanding balance as at 30 June 2014 reported above included the securities reclassified from the available-for-sale category during the period. Please refer to Note 18(b) for details.

18. Reclassification of financial assets

The Group made the following reclassification of financial assets in the six months ended 30 June 2014.

(a) Reclassification of investments in securities included in the loans and receivables category to the available-for-sale category.

On 5 June 2014, the Group reclassified all investments in securities included in the loans and receivable category that qualified for recognition as available-for-sale out of the loans and receivables category.

The fair value and carrying value of these financial assets at the date of reclassification were HK$828,504,000 and HK$873,550,000 respectively. The fair value loss of HK$45,046,000 generated upon the reclassification had been taken to other comprehensive income.

(b) Reclassification of certain available-for-sale securities as held-to-maturity securities

On 26 June 2014, the Group reclassified certain available-for-sale debt securities with a total market value at the time of reclassification of HK$4,378,815,000 as held-to-maturity securities, reflecting a change in the Group's intention on holding these securities to maturity.

The Group did not reclassify any financial assets in the year ended 31 December 2013.

19. Shareholders' funds

HK$'000	**As at 30 Jun 2014**	As at 31 Dec 2013
Share capital	**6,848,597**	1,251,371
Share premium	**-**	4,404,692
Share capital and other statutory capital reserves	**6,848,597**	5,656,063
Consolidation reserve	**(220,986)**	(220,986)
Premises revaluation reserve	**202,267**	202,267
Investment revaluation reserve	**185,125**	(40,409)
Exchange reserve	**361,520**	391,690
General reserve	**700,254**	700,254
Reserve for share-based compensation	**6,084**	4,371
Retained earnings	**11,069,603**	10,356,871
	19,152,464	17,050,121
Proposed dividend included in retained earnings	**140,154**	300,329

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 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.

At 30 June 2014, DSB has earmarked a regulatory reserve of HK$1,530,583,000 (31 December 2013: HK$1,433,269,000) first against its general reserve; and for any excess amount, the balance is earmarked against its retained earnings.

The Hong Kong Companies Ordinance was revised with effect from 3 March 2014. Under the new Companies Ordinance (Chapter 622), amounts which were previously credited to the share premium account has been aggregated together as part of the Company's share capital.

20. Contingent liabilities and commitments

(a) Capital commitments

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

HK$'000	**As at 30 Jun 2014**	As at 31 Dec 2013
Expenditure authorised but not contracted for	**9,980**	22,109
Expenditure contracted but not provided for	**193,475**	153,260
	203,455	175,369

(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 amounts	
	As at 30 Jun 2014	As at 31 Dec 2013
Direct credit substitutes	**1,322,425**	1,858,669
Transaction-related contingencies	**340,191**	285,002
Trade-related contingencies	**628,239**	651,824
Commitments that are unconditionally cancellable without prior notice	**63,895,625**	60,823,138
Other commitments with an original maturity of:		
- under 1 year	**5,559,767**	5,401,515
- 1 year and over	**1,365,116**	1,497,268
Forward forward deposits placed	**273,653**	12,457
	73,385,016	70,529,873

	Credit risk weighted amounts	
	As at 30 Jun 2014	As at 31 Dec 2013
Contingent liabilities and commitments	**2,632,693**	2,474,576

(c) Assets pledged

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

	As at 30 Jun 2014	As at 31 Dec 2013
Assets pledged with HKMA:		
Trading securities	**3,450,396**	3,132,132
Available-for-sale securities	**331,517**	169,051
	3,781,913	3,301,183
Associated liabilities:		
Trading liabilities	**3,777,207**	3,362,473

20. Contingent liabilities and commitments (Continued)

(c) Assets pledged (Continued)

The carrying amounts of the non-government bonds pledged with unrelated financial institutions under repurchase agreements and the associated liabilities are as follows:

	As at 30 Jun 2014	As at 31 Dec 2013
Available-for-sale securities	**347,445**	512,318
Held-to-maturity securities	**140,319**	16,882
	487,764	529,200
Associated liabilities:		
Deposits from banks	**280,300**	408,051
Other accounts and accruals	**186,539**	97,862
	466,839	505,913

(d) Operating lease commitments

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

	As at 30 Jun 2014	As at 31 Dec 2013
Not later than 1 year	**166,546**	159,051
Later than 1 year and not later than 5 years	**161,503**	214,007
Later than 5 years	**52,790**	61,661
	380,839	434,719

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

	As at 30 Jun 2014	As at 31 Dec 2013
Not later than 1 year	**30,637**	31,230
Later than 1 year and not later than 5 years	**33,518**	49,936
	64,155	81,166

21. Cross-border claims

Equivalent in HK$ millions

	As at 30 Jun 2014			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Hong Kong	**27,108**	**1,893**	**23,522**	**52,523**
North and South America	**332**	**548**	**2,152**	**3,032**
Europe	**4,094**	**-**	**423**	**4,517**
	31,534	**2,441**	**26,097**	**60,072**

	As at 31 Dec 2013			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Hong Kong	20,456	254	17,165	37,875
North and South America	213	775	2,332	3,320
Europe	2,544	-	867	3,411
	23,213	1,029	20,364	44,606

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

22. Operating segment reporting

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

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

- Personal banking business includes the acceptance of deposits from individual customers and the extension of residential mortgage lending, personal loans, overdraft and credit card services, the provision of insurance sales and investment services.

- 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.

22. Operating segment reporting (Continued)

For the six months ended 30 June 2014

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter-segment	Total
Net interest income/ (expenses)	627,082	457,030	229,217	276,184	(118,430)	-	1,471,083
Non-interest income/ (expenses)	252,221	147,072	135,734	59,316	(36,047)	(18,204)	540,092
Total operating income/ (expenses)	879,303	604,102	364,951	335,500	(154,477)	(18,204)	2,011,175
Operating expenses	(539,278)	(165,972)	(71,499)	(232,188)	(12,083)	18,204	(1,002,816)
Operating profit/ (loss) before impairment losses	340,025	438,130	293,452	103,312	(166,560)	-	1,008,359
Loan impairment losses and other credit provisions	(92,985)	(27,717)	-	(103,865)	-	-	(224,567)
Operating profit/ (loss) after impairment losses	247,040	410,413	293,452	(553)	(166,560)	-	783,792
Net (loss)/ gain on disposal of premises, investment properties and other fixed assets	(92)	-	-	-	134	-	42
Net gain on disposal of investments in securities	-	-	14,115	-	-	-	14,115
Share of results of an associate	-	-	-	356,361	-	-	356,361
Share of results of jointly controlled entities	-	-	-	-	8,356	-	8,356
Profit/ (loss) before taxation	246,948	410,413	307,567	355,808	(158,070)	-	1,162,666
Taxation (expenses)/ credit	(39,287)	(67,718)	(50,748)	10,870	33,302	-	(113,581)
Profit/ (loss) after taxation	207,661	342,695	256,819	366,678	(124,768)	-	1,049,085
For the six months ended 30 June 2014							
Depreciation and amortisation	23,027	4,641	3,052	21,280	16,622	-	68,622
As at 30 June 2014							
Segment assets	41,677,261	53,896,820	52,007,637	32,011,124	4,458,106	(4,782,647)	179,268,301
Segment liabilities	75,545,958	36,184,040	14,743,053	24,367,121	14,042,880	(4,782,647)	160,100,405

22. Operating segment reporting (Continued)

For the six months ended 30 June 2013

	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter-segment	Total
Net interest income/ (expenses)	604,987	454,662	174,958	237,769	(128,560)	-	1,343,816
Non-interest income/ (expenses)	206,413	132,384	140,537	55,419	(43,380)	(16,859)	474,514
Total operating income/ (expenses)	811,400	587,046	315,495	293,188	(171,940)	(16,859)	1,818,330
Operating expenses	(504,808)	(131,319)	(61,749)	(206,779)	(20,677)	16,859	(908,473)
Operating profit/ (loss) before impairment losses	306,592	455,727	253,746	86,409	(192,617)	-	909,857
Loan impairment losses and other credit provisions	(65,955)	(26,799)	-	(44,816)	-	-	(137,570)
Operating profit/ (loss) after impairment losses	240,637	428,928	253,746	41,593	(192,617)	-	772,287
Net loss on disposal of premises, investment properties and other fixed assets	(1,967)	-	-	(2)	-	-	(1,969)
Net loss on disposal of investments in securities	-	-	(78,398)	-	-	-	(78,398)
Share of results of an associate	-	-	-	227,633	-	-	227,633
Share of results of jointly controlled entities	-	-	-	-	6,248	-	6,248
Profit/ (loss) before taxation	238,670	428,928	175,348	269,224	(186,369)	-	925,801
Taxation (expenses)/ credit	(38,950)	(70,773)	(28,932)	(1,359)	26,886	-	(113,128)
Profit/ (loss) after taxation	199,720	358,155	146,416	267,865	(159,483)	-	812,673
For the six months ended 30 June 2013							
Depreciation and amortisation	19,234	2,778	2,408	18,938	13,631	-	56,989
As at 31 December 2013							
Segment assets	39,558,463	49,216,979	47,675,728	32,018,112	3,405,174	(4,647,308)	167,227,148
Segment liabilities	69,442,368	32,237,167	14,025,526	24,726,047	14,377,779	(4,647,308)	150,161,579

22. Operating segment reporting (Continued)

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

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

	Hong Kong and Others	**Macau**	**Inter-segment elimination**	**Total**
For the six months ended 30 June 2014				
Operating income	**1,833,302**	**178,323**	**(450)**	**2,011,175**
Profit before taxation	**1,069,119**	**93,547**	**-**	**1,162,666**
As at 30 June 2014				
Total assets	**164,464,406**	**16,474,300**	**(1,670,405)**	**179,268,301**
Total liabilities	**147,352,426**	**14,418,384**	**(1,670,405)**	**160,100,405**
Intangible assets and goodwill	**318,667**	**556,566**	**-**	**875,233**
Contingent liabilities and commitments	**76,265,135**	**1,973,852**	**-**	**78,238,987**

	Hong Kong and Others	Macau	Inter-segment elimination	Total
For the six months ended 30 June 2013				
Operating income	1,660,424	158,206	(300)	1,818,330
Profit before taxation	856,825	68,976	-	925,801
As at 31 December 2013				
Total assets	153,726,608	15,868,862	(2,368,322)	167,227,148
Total liabilities	138,645,357	13,884,544	(2,368,322)	150,161,579
Intangible assets and goodwill	318,667	558,265	-	876,932
Contingent liabilities and commitments	73,083,535	1,886,809	-	74,970,344

23. Capital adequacy ratio

	As at 30 Jun 2014	As at 31 Dec 2013
Capital adequacy ratio		
- Common Equity Tier 1	**10.9%**	10.4%
- Tier 1	**10.9%**	10.4%
- Total	**15.8%**	14.5%

The capital adequacy ratio as at 30 June 2014 and 31 December 2013 represents the consolidated position of DSB (covering Banco Comercial de Macau, S.A. ("BCM") and Dah Sing Bank (China) Limited ("DSB China") computed on Basel III basis with reference to 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 ratio

	Six months ended 30 Jun 2014	Six months ended 30 Jun 2013	Year ended 31 Dec 2013
Liquidity ratio	**46.6%**	46.9%	46.2%

The liquidity ratio is calculated as the simple average of each calendar month's average consolidated liquidity ratio of DSB for the six/ twelve months of the financial year. The liquidity ratio is computed with reference to the methods set out in the Fourth Schedule of the Hong Kong Banking Ordinance.

DSB as a locally incorporated bank in Hong Kong is subject to the minimum liquidity ratio requirement under the Hong Kong Banking Ordinance. BCM is subject to Macau banking regulations and DSB China is subject to China banking regulations. The above ratios of the Group are calculated for reference only.

FINANCIAL RATIOS

	Six months ended 30 Jun 2014	Six months ended 30 Jun 2013
Net interest income/ operating income	**73.1%**	73.9%
Cost to income ratio	**49.9%**	50.0%
Return on average total assets (annualised)	**1.2%**	1.1%
Return on average shareholders' funds (annualised)	**11.5%**	10.9%
Net interest margin	**1.79%**	1.77%
	As at 30 Jun 2014	As at 31 Dec 2013
Loan to deposit ratio	**71.8%**	72.1%

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK$0.1 per share for 2014 payable on or after Thursday, 25 September 2014 to shareholders whose names are on the Register of Shareholders at the close of business on Friday, 19 September 2014.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders will be closed from Monday, 15 September 2014 to Friday, 19 September 2014, both days inclusive. In order to qualify for the interim dividend, all transfers 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 for registration not later than 4:30 p.m. on Friday, 12 September 2014.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

Local market conditions in Hong Kong were relatively stable during the first half of the year, with Mainland and Mainland related growth slowing, but continuing to move at a comparatively faster pace than Hong Kong. Conditions in Macau remained similar to those in Hong Kong. Market volatility was subdued, and liquidity conditions were satisfactory. Against this fairly stable backdrop, we are pleased to report improved earnings, with profit attributable to shareholders increasing by 29% to a record HK$1,049.1 million for the period. During the period we successfully completed a rights issue to raise HK$1.2 billion, which was subsequently injected to Dah Sing Bank, Limited ("DSB") to support its growth and capital adequacy.

Our banking businesses performed strongly over the period with strong volume growth in both loans and deposits. Bank of Chongqing once again delivered a strong and growing contribution to our bottom line.

Overall business conditions were a little better than expected, which contributed to the record profit for the first half of the year.

BUSINESS AND FINANCIAL REVIEW

We saw growth in all key areas during the first six months of the year. Whilst net interest margin was somewhat under pressure, growth in volumes more than compensated for this, with overall net interest income up by 9.5% to HK$1,471 million. Net fee and commission income grew by 16.2% to HK$404 million.

Total operating income was up by 10.6% to HK$2,011 million. However, with growth in operating expenses at the same pace as revenue and after a 63% increase in impairment provisions, driven mainly by Mainland and Mainland related lending, operating profit after impairment charges was up slightly by 1.5% to HK$784 million.

Taking into account a continued favourable performance from our associate company, Bank of Chongqing, despite the dilution in our shareholding to just under 17% following their IPO towards the end of 2013, our profit attributable to shareholders was up by 29% to HK$1,049 million.

We experienced improvement in a number of key financial performance indicators during the period:

- Return on assets was up from 1.1% to 1.2% during the period, driven by the improved performance both of our core banking business, and that of our associate, Bank of Chongqing.
- ROE was up from 10.9% to 11.5%.
- Cost to income ratio slightly improved to below 50%.

As at 30 June 2014, DSB's total capital adequacy ratio was 15.8%, more than 1% higher than the same time last year, and CET1 ratio was 10.9%, with the improvements driven largely by the impact of the rights issues and equity injection to DSB, and completion of a new issue of Basel III compliant Tier 2 subordinated debt at US$225 million that we conducted earlier in the year.

PROSPECTS

Whilst 2014 has so far been somewhat more stable than expected, risks remain in the second half of the year. At present, market liquidity remains ample, but this may in part be due to hot money inflows into the Hong Kong market in the recent past. The effects of the termination of bond purchases by the US Federal Reserve, as well as the market's outlook on the pace of possible interest rate increases also add uncertainty.

However, the outlook for credit quality is relatively stable, and despite earlier concerns over a potentially more rapid credit deterioration in the broader economy, particularly relating to Mainland credit exposure, current credit performance is acceptable.

With relatively rapid loan and deposit growth in the first half of the year, we expect the speed of growth to slow in the second half of the year. Notwithstanding the slower outlook for growth, the current ample levels of liquidity in the market have reduced the funding cost pressure that we saw in the first half.

Overall, therefore we are of the view that the outlook remains relatively stable. Whilst there are always risks to the downside, we do not see significant volatility in the market at present that indicate that those risks are becoming more severe. However, neither do we see opportunities for very rapid growth, bearing in mind the balance of risk and reward, and the need to preserve ample levels of capital and liquidity.

We will therefore continue to seek opportunities for further expansion, but in a cautious manner. Irrespective of the current macro outlook, however, we will strive to make further improvements to the fundamentals of our core businesses.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2014, the Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Listing Rules, with the exception of code provisions A.4.1 and A.4.2.

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.

In respect of compliance with code provision A.4.2 of the CG Code, the Company noted that in the past, the managing director shall not be subject to retirement by rotation or taken into account in determining the number of directors to retire under the Company's Articles of Association. The Company put forward a special resolution at the 2014 Annual General Meeting, and the shareholders, among other things, approved the special resolution to amend the Articles by removing the provision of excluding the managing director from the requirement of retirement by rotation. As such, the Company now complies with A.4.2 of the CG Code.

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 have complied with the required standard set out in the Model Code and the Directors' Dealing Code throughout the six months ended 30 June 2014.

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 2014.

REMUNERATION AND STAFF DEVELOPMENT

There have been no material changes to the information disclosed in the Company's 2013 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 2014.

INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

Copies of this announcement may be obtained from the Company Secretarial Division of the Group at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong, or downloaded from Dah Sing Bank's website at <http://www.dahsing.com> free of charge.

The 2014 Interim Report of the Group containing all the information required by the Listing Rules will be published on the websites of the Hong Kong Stock Exchange and Dah Sing Bank in due course. Printed copies of the 2014 Interim Report will be sent to shareholders before the end of September 2014.

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), Harold Tsu-Hing Wong (Managing Director and Chief Executive) and Gary Pak-Ling Wang as Executive Directors; Mr. Shoji Hirai as Non-Executive Director; Messrs. Robert Tsai-To Sze, Andrew Kwan-Yuen Leung, Seng-Lee Chan and Yuen-Tin Ng as Independent Non-Executive Directors.

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

Hong Kong, Wednesday, 27 August 2014