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

The holding company of Dah Sing Bank, Limited

(Stock Code: 2356)

ANNOUNCEMENT OF 2023 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 2023. The unaudited profit attributable to shareholders for the six months ended 30 June 2023 was HK\$1,111.9 million.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

The unaudited 2023 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 | 2023 | 2022 | Variance % |
|---|------|--------------------|-------------|---------------|
| Interest income | 3 | 5,287,210 | 2,696,956 | |
| Interest expense | 3 | (3,018,165) | (676,666) | |
| Net interest income | | 2,269,045 | 2,020,290 | 12.3 |
| Fee and commission income | 4 | 474,544 | 564,004 | |
| Fee and commission expense | 4 | (96,870) | (82,402) | |
| Net fee and commission income | | 377,674 | 481,602 | -21.6 |
| Net trading income | 5 | 6,451 | 93,456 | |
| Other operating income | 6 | 38,236 | 31,245 | |
| Operating income | | 2,691,406 | 2,626,593 | 2.5 |
| Operating expenses | 7 | (1,533,321) | (1,390,536) | 10.3 |
| Operating profit before impairment losses | | 1,158,085 | 1,236,057 | -6.3 |
| Credit impairment losses | 8 | (156,893) | (305,055) | -48.6 |
| Operating profit before gains and losses on certain investments and fixed assets | | 1,001,192 | 931,002 | 7.5 |
| Net loss on disposal of other fixed assets | | (1,309) | (426) | |
| Net gain on disposal of financial assets at amortised cost | | - | 24 | |
| Share of results of an associate | 9 | 430,240 | 453,747 | |
| Impairment loss on investment in an associate | 9 | (232,000) | (139,000) | |
| Loss on deemed disposal of investment in an associate | | (6) | - | |
| Share of results of jointly controlled entities | | 13,784 | 12,736 | |
| Profit before taxation | | 1,211,901 | 1,258,083 | -3.7 |
| Taxation | 10 | (99,978) | (158,747) | |
| Profit for the period attributable to Shareholders of the Company | | 1,111,923 | 1,099,336 | 1.1 |
| Interim dividend | | 154,633 | 140,575 | |
| Earnings per share | | | | |
| Basic | 11 | HK\$0.79 | HK\$0.78 | |
| Diluted | 11 | HK\$0.75 | HK\$0.78 | |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

| HK\$'000 | 2023 | 2022 |
|---|-------------------------|------------------|
| Profit for the period | <u>1,111,923</u> | <u>1,099,336</u> |
| Other comprehensive loss 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 | 131,494 | (595,340) |
| Share of other comprehensive income/ (loss) of an associate accounted for using the equity method | 123,295 | (63,149) |
| Net change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income | (9,132) | (14,457) |
| Deferred income tax related to the above | <u>(18,619)</u> | <u>91,893</u> |
| | <u>227,038</u> | <u>(581,053)</u> |
| Exchange differences arising on translation of the financial statements of foreign entities | <u>(314,537)</u> | <u>(384,843)</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 | 55,581 | (42) |
| Deferred income tax related to the above | <u>(3,402)</u> | <u>12</u> |
| | <u>52,179</u> | <u>(30)</u> |
| Other comprehensive loss for the period, net of tax | <u>(35,320)</u> | <u>(965,926)</u> |
| Total comprehensive income for the period, net of tax | <u>1,076,603</u> | <u>133,410</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| HK\$'000 | Note | As at 30 Jun 2023 | As at 31 Dec 2022 |
|---|------|----------------------|----------------------|
| ASSETS | | | |
| Cash and balances with banks | | 16,286,219 | 17,800,880 |
| Placements with banks maturing between one and twelve months | | 3,978,059 | 8,616,565 |
| Trading securities | 12 | 141,141 | 562,161 |
| Financial assets at fair value through profit or loss | 12 | 9,562 | 9,303 |
| Derivative financial instruments | 13 | 4,290,911 | 3,901,236 |
| Advances and other accounts | 14 | 146,297,202 | 142,712,617 |
| Financial assets at fair value through other comprehensive income | 15 | 38,077,633 | 38,617,851 |
| Financial assets at amortised cost | 16 | 35,309,015 | 32,926,090 |
| Investment in an associate | 9 | 2,016,390 | 2,159,290 |
| Investments in jointly controlled entities | | 136,856 | 123,072 |
| Goodwill | | 713,451 | 713,451 |
| Intangible assets | | 69,715 | 69,715 |
| Premises and other fixed assets | | 2,685,763 | 2,808,838 |
| Investment properties | | 802,691 | 802,691 |
| Deferred income tax assets | | 192,186 | 262,273 |
| Total assets | | 251,006,794 | 252,086,033 |
| LIABILITIES | | | |
| Deposits from banks | | 1,571,096 | 4,112,493 |
| Derivative financial instruments | 13 | 1,364,766 | 997,637 |
| Trading liabilities | | 99,609 | 730,491 |
| Deposits from customers | | 202,459,966 | 199,792,201 |
| Certificates of deposit issued | | 2,688,932 | 4,228,983 |
| Subordinated notes | | 3,833,542 | 3,801,495 |
| Other accounts and accruals | 17 | 7,824,544 | 7,873,950 |
| Current income tax liabilities | | 245,638 | 284,504 |
| Deferred income tax liabilities | | 42,581 | 39,131 |
| Total liabilities | | 220,130,674 | 221,860,885 |
| EQUITY | | | |
| Equity attributable to the Company's shareholders | | | |
| Share capital | | 6,894,438 | 6,894,438 |
| Other reserves (including retained earnings) | | 23,670,266 | 23,019,294 |
| Shareholders' funds | 18 | 30,564,704 | 29,913,732 |
| Additional equity instruments | | 311,416 | 311,416 |
| Total equity | | 30,876,120 | 30,225,148 |
| Total equity and liabilities | | 251,006,794 | 252,086,033 |

Note:

1. General information

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

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

2. Unaudited financial statements and accounting policies

The information set out in this interim results announcement does not constitute statutory consolidated financial statements.

Certain financial information in this interim results announcement is extracted from the statutory consolidated financial statements for the year ended 31 December 2022 (the “2022 consolidated financial statements”) which have been delivered to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622), and the Hong Kong Monetary Authority (“HKMA”).

The auditor’s report on the 2022 consolidated financial statements was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap.622).

Basis of preparation and accounting policies

The accounting policies and methods of computation used in the preparation of the 2023 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 2022.

There are no HKFRSs or interpretations that are effective from 1 January 2023 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 23 August 2023.

These interim condensed consolidated financial statements have not been audited.

3. Net interest income

For the six months ended 30 June

| HK\$'000 | 2023 | 2022 |
|--|------------------|------------------|
| Interest income | | |
| Cash and balances with banks | 361,517 | 79,972 |
| Investments in securities | 1,765,275 | 592,237 |
| Advances and other accounts | <u>3,160,418</u> | <u>2,024,747</u> |
| | <u>5,287,210</u> | <u>2,696,956</u> |
| Interest expense | | |
| Deposits from banks/ Deposits from customers | 2,732,234 | 586,840 |
| Certificates of deposit issued | 108,271 | 22,125 |
| Subordinated notes | 145,517 | 55,663 |
| Lease liabilities | 3,678 | 4,288 |
| Others | <u>28,465</u> | <u>7,750</u> |
| | <u>3,018,165</u> | <u>676,666</u> |
| Included within interest income | | |
| - Trading securities and financial assets at fair value through profit or loss | 5,026 | 3,219 |
| - Financial assets at fair value through other comprehensive income | 1,170,170 | 279,174 |
| - Financial assets at amortised cost | <u>4,112,014</u> | <u>2,414,563</u> |
| | <u>5,287,210</u> | <u>2,696,956</u> |
| Included within interest expense | | |
| - Financial liabilities not at fair value through profit or loss | <u>3,015,693</u> | <u>676,171</u> |

In the six months ended 30 June 2023 and 2022, there was no interest income recognised on impaired assets.

4. Net fee and commission income

For the six months ended 30 June

| HK\$'000 | 2023 | 2022 |
|---|----------------|----------------|
| 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 | 75,986 | 79,277 |
| - Trade finance | 23,070 | 29,084 |
| - Credit card | 135,726 | 115,715 |
| Other fee and commission income | | |
| - Securities brokerage | 54,629 | 81,314 |
| - Insurance distribution and others | 17,290 | 100,982 |
| - Retail investment and wealth management services | 79,020 | 87,224 |
| - Bank services and handling fees | 35,805 | 33,436 |
| - Other fees | 53,018 | 36,972 |
| | 474,544 | 564,004 |
| 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 | 92,535 | 78,258 |
| - Other fees paid | 4,335 | 4,144 |
| | 96,870 | 82,402 |

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

5. Net trading income

For the six months ended 30 June

| HK\$'000 | 2023 | 2022 |
|--|--------------|---------------|
| Net (loss)/gain arising from dealing in foreign currencies | (17,358) | 102,527 |
| Net gain/(loss) on trading securities | 1,610 | (4,361) |
| Net gain from derivatives entered into for trading purpose | 20,234 | 2,155 |
| Net gain/(loss) arising from financial instruments subject to fair value hedge | 1,269 | (2,832) |
| Net gain/(loss) on financial instruments at fair value through profit or loss | 696 | (4,033) |
| | 6,451 | 93,456 |

6. Other operating income

For the six months ended 30 June

| HK\$'000 | 2023 | 2022 |
|--|---------------|---------------|
| Dividend income from investments in equity instruments at fair value through other comprehensive income, held at the end of the period | | |
| - Listed investments | 299 | 253 |
| - Unlisted investments | 19,031 | 2,290 |
| Gross rental income from investment properties | 7,803 | 9,422 |
| Other rental income | 7,546 | 8,615 |
| Others | 3,557 | 10,665 |
| | <u>38,236</u> | <u>31,245</u> |

7. Operating expenses

For the six months ended 30 June

| HK\$'000 | 2023 | 2022 |
|--|------------------|------------------|
| Employee compensation and benefit expenses (including directors' remuneration) | 1,043,038 | 1,020,179 |
| Premises and other fixed assets expenses, excluding depreciation | 107,338 | 98,542 |
| Depreciation | | |
| - Premises and other fixed assets | 98,239 | 101,650 |
| - Right-of-use properties | 72,606 | 75,069 |
| Advertising and promotion costs | 40,533 | 40,396 |
| Printing, stationery and postage | 22,771 | 15,876 |
| Others | 148,796 | 38,824 |
| | <u>1,533,321</u> | <u>1,390,536</u> |

8. Credit impairment losses

For the six months ended 30 June

| HK\$'000 | 2023 | 2022 |
|--|----------------|----------------|
| New allowances net of allowance releases | 196,687 | 335,151 |
| Recoveries of amounts previously written off | (39,794) | (30,096) |
| | <u>156,893</u> | <u>305,055</u> |
| Attributable to: | | |
| - Loans and advances to customers | 220,825 | 363,349 |
| - Other financial assets | (37,033) | (33,480) |
| - Loan commitments and financial guarantees | (26,899) | (24,814) |
| | <u>156,893</u> | <u>305,055</u> |

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

Share of results of an associate

As at the date of this announcement, the results of the Group's associate, Bank of Chongqing ("BOCQ"), for the six months ended 30 June 2023 are not yet publicly available. The Group has determined its share of results of BOCQ for the first half of 2023 by reference to the results published by BOCQ in particular those attributable to the first quarter of 2023 ended 31 March 2023, and taking into account the financial effect of significant transactions or events in the period from 1 April 2023 to 30 June 2023 which BOCQ had made known to the public.

Impairment loss on investment in an associate

At 30 June 2023, the fair value of the Group's investment in BOCQ had been below the carrying amount for approximately 9.5 years. On this basis, the Group continues to perform an impairment test on the carrying amount of the investment in BOCQ to assess the recoverable amount.

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

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

The latest impairment test performed by the Group for the position as at 30 June 2023 using a discount rate of 12.0% (31 December 2022: 12.0%) 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 2022 of HK\$ 4,675 million, by HK\$232 million. As a result, an additional impairment charge of HK\$232 million was recognised in the first half of 2023 to reduce the value of the investment to HK\$2,016 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% (2022: 16.5%) on the estimated assessable profit for the period. Taxation on profits in Mainland China and Macau 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 | 2023 | 2022 |
|---|---------------|----------------|
| Current income tax | | |
| - Hong Kong profits tax | 92,018 | 112,885 |
| - Mainland China and Macau taxation | 19,006 | 14,227 |
| - Over-provision for prior years | (60,044) | - |
| Deferred income tax | | |
| - Origination and reversal of temporary differences | <u>48,998</u> | <u>31,635</u> |
| Taxation | <u>99,978</u> | <u>158,747</u> |

11. Basic and diluted earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2023 is based on earnings of HK\$1,111,923,000 (2022: HK\$1,099,336,000) and the weighted average number of 1,405,752,132 (2022: 1,405,752,132) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2023 is based on earnings of HK\$1,111,923,000 (2022: HK\$1,099,336,000) and deducting from it the dilutive effect of share of our profits in an associate amounting to HK\$60,033,000 (2022: Nil) and the weighted average number of 1,405,752,132 (2022: 1,405,752,132) ordinary shares in issue during the period after adjusting for the effect of all dilutive potential ordinary shares. The share options outstanding during the period and at the period end have no dilutive effect on the weighted average number of ordinary shares.

| | 2023 | 2022 |
|--|------------------|------------------|
| Profit attributable to shareholders (HK\$'000) | 1,111,923 | 1,099,336 |
| Dilutive effect of share of profits in an associate (HK\$'000) | <u>(60,033)</u> | <u>-</u> |
| Profit used to determine diluted earnings per share(HK\$'000) | <u>1,051,890</u> | <u>1,099,336</u> |

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

| HK\$'000 | As at 30 Jun 2023 | As at 31 Dec 2022 |
|--|----------------------|----------------------|
| Trading securities: | | |
| Debt securities: | | |
| - Listed in Hong Kong | 18,893 | 16,866 |
| - Unlisted | <u>122,248</u> | <u>545,295</u> |
| | <u>141,141</u> | <u>562,161</u> |
| Financial assets at fair value through profit or loss: | | |
| Investment funds: | | |
| - Listed in Hong Kong | <u>9,562</u> | <u>9,303</u> |
| Total | <u>150,703</u> | <u>571,464</u> |
| Included within debt securities are: | | |
| - Treasury bills which are cash equivalents | - | 89,278 |
| - Other treasury bills | 122,248 | 455,887 |
| - Government bonds | <u>18,893</u> | <u>16,996</u> |
| | <u>141,141</u> | <u>562,161</u> |
| By issuers: | | |
| - Central governments and central banks | 141,141 | 562,161 |
| - Corporate entities | <u>9,562</u> | <u>9,303</u> |
| | <u>150,703</u> | <u>571,464</u> |

As at 30 June 2023 and 31 December 2022, 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 2023 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 | 156,299,206 | 775,512 | (807,220) |
| Currency options purchased and written | 24,187,449 | 150,692 | (161,537) |
| Cross currency interest rate swaps | 947,489 | 22,890 | (22,409) |
| b) <i>Interest rate derivatives</i> | | | |
| Interest rate swaps | 4,263,375 | 58,426 | (53,630) |
| c) <i>Equity derivatives</i> | | | |
| Equity options purchased and written | 385,184 | 4,502 | (4,507) |
| d) <i>Commodity derivatives</i> | | | |
| Commodity swaps | 11,921 | 101 | (70) |
| Total derivative assets/ (liabilities) held for trading | <u>186,094,624</u> | <u>1,012,123</u> | <u>(1,049,373)</u> |
| 2) Derivatives held for hedging | | | |
| a) <i>Derivatives designated as fair value hedges</i> | | | |
| Interest rate swaps | <u>46,206,160</u> | <u>3,278,788</u> | <u>(315,393)</u> |
| Total derivative assets/ (liabilities) held for hedging | <u>46,206,160</u> | <u>3,278,788</u> | <u>(315,393)</u> |
| Total recognised derivative financial assets/ (liabilities) | <u>232,300,784</u> | <u>4,290,911</u> | <u>(1,364,766)</u> |

13. Derivative financial instruments (Continued)

The notional principal amounts of outstanding derivatives contracts and their fair values as at 31 December 2022 were as follows:

| HK\$'000 | Contract/ notional amount | Fair values | |
|---|---------------------------------|-------------|-------------|
| | | Assets | Liabilities |
| 1) Derivatives held for trading | | | |
| a) <i>Foreign exchange derivatives</i> | | | |
| Forward and futures contracts | 89,702,960 | 619,726 | (517,746) |
| Currency options purchased and written | 15,996,882 | 54,410 | (55,034) |
| Cross currency interest rate swaps | 258,108 | 8,646 | (8,565) |
| b) <i>Interest rate derivatives</i> | | | |
| Interest rate swaps | 2,546,183 | 61,362 | (56,702) |
| c) <i>Equity derivatives</i> | | | |
| Equity options purchased and written | 229,616 | 2,400 | (2,400) |
| Total derivative assets/ (liabilities) held for trading | 108,733,749 | 746,544 | (640,447) |
| 2) Derivatives held for hedging | | | |
| a) <i>Derivatives designated as fair value hedges</i> | | | |
| Interest rate swaps | 47,823,185 | 3,154,692 | (357,190) |
| Total derivative assets/ (liabilities) held for hedging | 47,823,185 | 3,154,692 | (357,190) |
| Total recognised derivative financial assets/ (liabilities) | 156,556,934 | 3,901,236 | (997,637) |

14. Advances and other accounts

| HK\$'000 | As at 30 Jun 2023 | As at 31 Dec 2022 |
|---------------------------------------|---------------------------|----------------------|
| Gross loans and advances to customers | 139,419,039 | 136,530,235 |
| Less: impairment allowances | | |
| - Stage 1 | (346,414) | (406,618) |
| - Stage 2 | (249,274) | (342,731) |
| - Stage 3 | (477,320) | (887,053) |
| | <u>(1,073,008)</u> | <u>(1,636,402)</u> |
| | <u>138,346,031</u> | <u>134,893,833</u> |
| Trade bills | 3,026,109 | 3,666,988 |
| Less: impairment allowances | | |
| - Stage 1 | (5,447) | (5,569) |
| - Stage 2 | - | (1) |
| | <u>(5,447)</u> | <u>(5,570)</u> |
| | <u>3,020,662</u> | <u>3,661,418</u> |
| Other assets | 4,951,665 | 4,182,559 |
| Less: impairment allowances | | |
| - Stage 1 | (8,572) | (10,169) |
| - Stage 2 | (2,377) | (2,238) |
| - Stage 3 | (10,207) | (12,786) |
| | <u>(21,156)</u> | <u>(25,193)</u> |
| | <u>4,930,509</u> | <u>4,157,366</u> |
| Advances and other accounts | <u>146,297,202</u> | <u>142,712,617</u> |

14. Advances and other accounts (Continued)

(a) Impaired, overdue and rescheduled assets

(i) Impaired loans

| HK\$'000 | As at 30 Jun 2023 | As at 31 Dec 2022 |
|--|---------------------------|----------------------|
| Gross loans and advances | 139,419,039 | 136,530,235 |
| Less: total impairment allowances | (1,073,008) | (1,636,402) |
| Net | <u>138,346,031</u> | <u>134,893,833</u> |
| Credit-impaired loans and advances | 2,581,753 | 2,539,012 |
| Less: Stage 3 impairment allowances | (477,320) | (887,053) |
| Net | <u>2,104,433</u> | <u>1,651,959</u> |
| Fair value of collateral held* | <u>1,609,444</u> | <u>1,056,118</u> |
| Credit-impaired loans and advances as a % of total loans and advances to customers | <u>1.85%</u> | <u>1.86%</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 2023 | | As at 31 Dec 2022 | |
|--|--|--------------------|--|-------------|
| | Gross amount of overdue loans | % of total | Gross amount of overdue loans | % of total |
| Gross loans and advances to customers which have been overdue for: | | | | |
| - six months or less but over three months | 595,460 | 0.43 | 535,376 | 0.39 |
| - one year or less but over six months | 559,138 | 0.40 | 987,443 | 0.72 |
| - over one year | 923,037 | 0.66 | 332,525 | 0.25 |
| | <u>2,077,635</u> | <u>1.49</u> | <u>1,855,344</u> | <u>1.36</u> |
| Represented by: | | | | |
| - Secured overdue loans and advances | 1,462,331 | | 888,975 | |
| - Unsecured overdue loans and advances | 615,304 | | 966,369 | |
| Market value of securities held against the secured overdue loans and advances | <u>2,672,591</u> | | <u>1,715,178</u> | |
| Stage 3 impairment allowances | <u>262,140</u> | | <u>632,380</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 loans and advances net of amounts included in overdue loans and advances shown above

| HK\$'000 | As at 30 Jun 2023 | % of total | As at 31 Dec 2022 | % of total |
|---------------------------------|----------------------|-------------|----------------------|-------------|
| Loans and advances to customers | <u>435,359</u> | <u>0.31</u> | <u>339,249</u> | <u>0.25</u> |
| Stage 3 impairment allowances | <u>141,652</u> | | <u>123,023</u> | |

- (iv) Trade bills

As at 30 June 2023 and 31 December 2022, there were no balance of trade bills that were overdue for more than 3 months.

- (b) Repossessed collateral

Repossessed collateral held is as follows:

| Nature of assets | As at 30 Jun 2023 | As at 31 Dec 2022 |
|------------------------|----------------------|----------------------|
| Repossessed properties | 142,386 | 125,262 |
| Others | <u>5,810</u> | <u>5,560</u> |
| | <u>148,196</u> | <u>130,822</u> |

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

Certain other properties in Mainland China with a total estimated realisable value of HK\$57,050,000 (31 December 2022: HK\$59,356,000), which had been foreclosed and repossessed by the Group pursuant to orders issued by courts in Mainland China, represent assets held by the Group for resale and have been reported under "Other assets". The relevant loans had been derecognised.

15. Financial assets at fair value through other comprehensive income

| HK\$'000 | As at 30 Jun 2023 | As at 31 Dec 2022 |
|---|----------------------|----------------------|
| Debt securities: | | |
| - Listed in Hong Kong | 11,766,479 | 13,609,856 |
| - Listed outside Hong Kong | 17,103,373 | 15,742,345 |
| - Unlisted | <u>8,477,009</u> | <u>8,590,336</u> |
| | <u>37,346,861</u> | <u>37,942,537</u> |
| Equity securities: | | |
| - Listed in Hong Kong | 319 | 337 |
| - Unlisted | <u>730,453</u> | <u>674,977</u> |
| | <u>730,772</u> | <u>675,314</u> |
| Total | <u>38,077,633</u> | <u>38,617,851</u> |
| Included within debt securities are: | | |
| - Certificates of deposit held | 352,970 | 234,493 |
| - Treasury bills which are cash equivalents | 1,987,974 | 897,617 |
| - Other treasury bills | 906,335 | 3,867,536 |
| - Government bonds | 1,004,433 | 635,348 |
| - Other debt securities | <u>33,095,149</u> | <u>32,307,543</u> |
| | <u>37,346,861</u> | <u>37,942,537</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 | 8,003,467 | 9,160,937 |
| - Public sector entities | 1,041,344 | 802,807 |
| - Banks and other financial institutions | 8,015,401 | 5,902,047 |
| - Corporate entities | <u>20,286,649</u> | <u>22,076,746</u> |
| | <u>37,346,861</u> | <u>37,942,537</u> |
| Equity securities: | | |
| - Corporate entities | <u>730,772</u> | <u>675,314</u> |
| | <u>38,077,633</u> | <u>38,617,851</u> |

16. Financial assets at amortised cost

| HK\$'000 | As at 30 Jun 2023 | As at 31 Dec 2022 |
|--|----------------------|----------------------|
| Debt securities: | | |
| - Listed in Hong Kong | 12,054,835 | 11,895,925 |
| - Listed outside Hong Kong | 15,612,343 | 12,981,228 |
| - Unlisted | <u>7,687,165</u> | <u>8,108,343</u> |
| | <u>35,354,343</u> | <u>32,985,496</u> |
| Less: impairment allowance | | |
| - Stage 1 | <u>(45,328)</u> | <u>(59,406)</u> |
| Total | <u>35,309,015</u> | <u>32,926,090</u> |
| Included within debt securities are: | | |
| - Certificates of deposit held | 2,692,313 | 3,120,178 |
| - Treasury bills | 925,200 | 1,121,950 |
| - Government bonds | 217,096 | 214,612 |
| - Other debt securities | <u>31,519,734</u> | <u>28,528,756</u> |
| | <u>35,354,343</u> | <u>32,985,496</u> |
| Financial assets at amortised cost are analysed by categories of issuers as follows: | | |
| - Central governments and central banks | 1,142,296 | 1,336,562 |
| - Public sector entities | 1,638,092 | 1,410,432 |
| - Banks and other financial institutions | 11,328,257 | 10,420,964 |
| - Corporate entities | <u>21,245,698</u> | <u>19,817,538</u> |
| | <u>35,354,343</u> | <u>32,985,496</u> |

17. Other accounts and accruals

| HK\$'000 | As at 30 Jun 2023 | As at 31 Dec 2022 |
|--------------------------------|----------------------|----------------------|
| Lease liabilities | 474,173 | 534,378 |
| Other liabilities and accruals | <u>7,350,371</u> | <u>7,339,572</u> |
| | <u>7,824,544</u> | <u>7,873,950</u> |

18. Shareholders' funds

| HK\$'000 | As at 30 Jun 2023 | As at 31 Dec 2022 |
|--|----------------------|----------------------|
| Share capital | 6,894,438 | 6,894,438 |
| Consolidation reserve | (220,986) | (220,986) |
| Premises revaluation reserve | 270,120 | 270,120 |
| Investment revaluation reserve | 376,822 | 97,609 |
| Exchange reserve | (808,351) | (493,815) |
| General reserve | 700,254 | 700,254 |
| Reserve for share-based compensation | 4,987 | 4,929 |
| Retained earnings | <u>23,347,420</u> | <u>22,661,183</u> |
| | <u>30,564,704</u> | <u>29,913,732</u> |
| Proposed dividend/ dividend paid included in retained earnings | <u>154,633</u> | <u>407,668</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 2023, DSB has earmarked a regulatory reserve of HK\$617,258,000 (31 December 2022: HK\$438,466,000) 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 2023 | As at 31 Dec 2022 |
|---|------------------------------|----------------------|
| Expenditure contracted but not provided for | <u>60,861</u> | <u>71,857</u> |

(b) Credit commitments

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

| | Contract amount | |
|---|------------------------------------|----------------------|
| | As at 30 Jun 2023 | As at 31 Dec 2022 |
| Direct credit substitutes | 1,281,636 | 2,135,043 |
| Transaction-related contingencies | 341,123 | 495,616 |
| Trade-related contingencies | 428,376 | 247,910 |
| Commitments that are unconditionally cancellable without prior notice | 61,537,567 | 66,596,620 |
| Other commitments | 4,318,441 | 4,814,077 |
| Forward forward deposits placed | 392,575 | 317,824 |
| | <u>68,299,718</u> | <u>74,607,090</u> |
| | Credit risk weighted amount | |
| | As at 30 Jun 2023 | As at 31 Dec 2022 |
| Contingent liabilities and commitments | <u>2,073,024</u> | <u>2,657,818</u> |

(c) Assets pledged

| | As at 30 Jun 2023 | As at 31 Dec 2022 |
|--|------------------------------|----------------------|
| Trading assets and financial investments pledged to secure liabilities | 1,444,102 | 3,185,206 |
| - of which: under repurchase agreements | <u>1,344,413</u> | <u>2,453,089</u> |
| Amount of liabilities secured | 1,441,386 | 2,678,069 |
| - of which: under repurchase agreements | <u>1,341,777</u> | <u>1,946,069</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 collateralised 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 2023 | As at 31 Dec 2022 |
|-----------------------|----------------------|----------------------|
| Within 1 year | 11,719 | 12,165 |
| Between 1 and 2 years | 9,752 | 7,941 |
| Between 2 and 3 years | <u>3,385</u> | <u>6,083</u> |
| | <u>24,856</u> | <u>26,189</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 2023 amount to HK\$37,309,000 (31 December 2022: HK\$16,596,000).

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, corporate banking, treasury and global markets and banking businesses in Mainland China and Macau. Operating performances are analysed by business activities for local banking business, and on business entity basis for banking businesses in Mainland China and Macau.

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

- Personal banking business includes the acceptance of deposits from individual customers and the extension of residential mortgage lending, personal loans, overdraft, vehicle financing and credit card services, and the provision of insurance sales and investment services.
- Corporate banking business includes the acceptance of deposits from and the advance of loans and working capital finance to commercial, industrial and institutional customers, and the provision of trade financing.
- Treasury and global markets activities are mainly the provision of foreign exchange services and centralised cash management for deposit taking and lending, interest rate risk management, management of investment in securities and the overall funding of the Group.
- Mainland China and Macau banking businesses include personal banking, corporate banking business activities provided by subsidiaries in Mainland China and Macau, and the Group’s interest in a commercial bank in Mainland 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 2023

| HK\$'000 | Personal Banking | Corporate Banking | Treasury and Global Markets | Mainland China and Macau Banking | Others | Inter- segment | Total |
|---|---------------------|----------------------|--------------------------------------|---|----------------|-------------------|--------------------|
| Net interest income/ (expenses) | 969,887 | 536,646 | 525,910 | 229,212 | 7,464 | (74) | 2,269,045 |
| Non-interest income/ (expenses) | <u>328,739</u> | <u>101,036</u> | <u>(94,506)</u> | <u>76,298</u> | <u>11,218</u> | <u>(424)</u> | <u>422,361</u> |
| Total operating income/ (expenses) | 1,298,626 | 637,682 | 431,404 | 305,510 | 18,682 | (498) | 2,691,406 |
| Operating expenses | <u>(905,476)</u> | <u>(251,753)</u> | <u>(99,112)</u> | <u>(270,505)</u> | <u>(6,973)</u> | <u>498</u> | <u>(1,533,321)</u> |
| Operating profit before credit impairment (losses)/ write-back | 393,150 | 385,929 | 332,292 | 35,005 | 11,709 | - | 1,158,085 |
| Credit impairment (losses)/ write-back | <u>(133,933)</u> | <u>(46,157)</u> | <u>27,720</u> | <u>(4,893)</u> | <u>370</u> | <u>-</u> | <u>(156,893)</u> |
| Operating profit after credit impairment (losses)/ write-back | 259,217 | 339,772 | 360,012 | 30,112 | 12,079 | - | 1,001,192 |
| Net (loss)/ gain on disposal of other fixed assets | (1,306) | - | - | 2 | (5) | - | (1,309) |
| Share of results of an associate | - | - | - | 430,240 | - | - | 430,240 |
| Impairment loss on investment in an associate | - | - | - | (232,000) | - | - | (232,000) |
| Loss on deemed disposal of investment in an associate | - | - | - | (6) | - | - | (6) |
| Share of results of jointly controlled entities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,784</u> | <u>-</u> | <u>13,784</u> |
| Profit before taxation | 257,911 | 339,772 | 360,012 | 228,348 | 25,858 | - | 1,211,901 |
| Taxation (expenses)/ credit | <u>(42,524)</u> | <u>(56,071)</u> | <u>(59,370)</u> | <u>(15,714)</u> | <u>73,701</u> | <u>-</u> | <u>(99,978)</u> |
| Profit for the period | <u>215,387</u> | <u>283,701</u> | <u>300,642</u> | <u>212,634</u> | <u>99,559</u> | <u>-</u> | <u>1,111,923</u> |
| For the six months ended 30 June 2023 | | | | | | | |
| Depreciation and amortisation | 35,148 | 7,680 | 4,403 | 28,544 | 95,070 | - | 170,845 |
| As at 30 June 2023 | | | | | | | |
| Segment assets | 57,264,249 | 65,336,328 | 90,126,019 | 35,823,059 | 7,765,829 | (5,308,690) | 251,006,794 |
| Segment liabilities | 117,123,431 | 52,259,834 | 10,605,291 | 29,617,342 | 15,833,466 | (5,308,690) | 220,130,674 |

20. Operating segment reporting (Continued)

For the six months ended 30 June 2022

| HK\$'000 | Personal Banking | Corporate Banking | Treasury and Global Markets | Mainland China and Macau Banking | Others | Inter- segment | Total |
|---|---------------------|----------------------|-----------------------------------|---|------------|-------------------|-------------|
| Net interest income/ (expenses) | 857,073 | 573,873 | 393,865 | 249,147 | (53,702) | 34 | 2,020,290 |
| Non-interest income/ (expenses) | 401,075 | 95,080 | 42,719 | 55,049 | 12,912 | (532) | 606,303 |
| Total operating income/ (expenses) | 1,258,148 | 668,953 | 436,584 | 304,196 | (40,790) | (498) | 2,626,593 |
| Operating expenses | (800,438) | (227,771) | (85,895) | (272,597) | (4,333) | 498 | (1,390,536) |
| Operating profit/ (loss) before credit impairment (losses)/ write-back | 457,710 | 441,182 | 350,689 | 31,599 | (45,123) | - | 1,236,057 |
| Credit impairment (losses)/ write-back | (63,196) | (218,946) | 20,267 | (46,201) | 3,021 | - | (305,055) |
| Operating profit/ (loss) after credit impairment (losses)/ write-back | 394,514 | 222,236 | 370,956 | (14,602) | (42,102) | - | 931,002 |
| Net (loss)/ gain on disposal of other fixed assets | (344) | (60) | - | 3 | (25) | - | (426) |
| Net gain on disposal of financial assets at amortised cost | - | - | 24 | - | - | - | 24 |
| Share of results of an associate | - | - | - | 453,747 | - | - | 453,747 |
| Impairment loss on investment in an associate | - | - | - | (139,000) | - | - | (139,000) |
| Share of results of jointly controlled entities | - | - | - | - | 12,736 | - | 12,736 |
| Profit/ (loss) before taxation | 394,170 | 222,176 | 370,980 | 300,148 | (29,391) | - | 1,258,083 |
| Taxation (expenses)/ credit | (65,076) | (36,668) | (61,344) | (9,012) | 13,353 | - | (158,747) |
| Profit/ (loss) for the period | 329,094 | 185,508 | 309,636 | 291,136 | (16,038) | - | 1,099,336 |
| For the six months ended 30 June 2022 | | | | | | | |
| Depreciation and amortisation | 37,889 | 7,814 | 4,138 | 30,756 | 96,122 | - | 176,719 |
| As at 31 December 2022 | | | | | | | |
| Segment assets | 56,274,744 | 63,748,997 | 93,451,822 | 35,908,242 | 7,426,257 | (4,724,029) | 252,086,033 |
| Segment liabilities | 117,229,213 | 48,743,485 | 14,526,149 | 29,279,831 | 16,806,236 | (4,724,029) | 221,860,885 |

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 2023 and 2022, 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 loans and advances to customers by industry sector classified according to the usage of loans and analysed by percentage covered by collateral

| HK\$'000 | As at 30 Jun 2023 | | As at 31 Dec 2022 | |
|---|---------------------|---|---------------------|---|
| | Outstanding balance | % of gross loans and advances covered by collateral | Outstanding balance | % of gross loans and advances covered by collateral |
| Loans for use in Hong Kong | | | | |
| Industrial, commercial and financial | | | | |
| - Property development | 5,249,694 | 55.1 | 5,194,440 | 63.5 |
| - Property investment | 21,926,922 | 90.7 | 21,406,840 | 88.0 |
| - Financial concerns | 3,160,494 | 14.3 | 2,564,573 | 16.0 |
| - Stockbrokers | 1,593,238 | 74.7 | 842,926 | 56.9 |
| - Wholesale and retail trade | 4,867,022 | 91.0 | 4,825,599 | 92.7 |
| - Manufacturing | 1,542,529 | 70.6 | 1,954,317 | 44.5 |
| - Transport and transport equipment | 2,508,893 | 79.7 | 2,247,726 | 78.2 |
| - Recreational activities | 82,673 | 99.8 | 79,708 | 99.8 |
| - Information technology | 22,853 | 66.3 | 22,048 | 59.8 |
| - Others | 6,291,486 | 75.4 | 6,054,928 | 80.1 |
| | 47,245,804 | 77.9 | 45,193,105 | 77.6 |
| Individuals | | | | |
| - Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme | 480,008 | 99.9 | 484,470 | 99.7 |
| - Loans for the purchase of other residential properties | 34,482,868 | 100.0 | 33,911,826 | 100.0 |
| - Credit card advances | 3,480,985 | - | 3,674,222 | - |
| - Others | 12,846,740 | 47.6 | 12,181,304 | 45.0 |
| | 51,290,601 | 80.1 | 50,251,822 | 79.3 |
| Loans for use in Hong Kong | 98,536,405 | 79.0 | 95,444,927 | 78.5 |
| Trade finance (Note (1)) | 6,084,419 | 75.5 | 5,752,611 | 72.5 |
| Loans for use outside Hong Kong (Note (2)) | 34,798,215 | 58.0 | 35,332,697 | 61.4 |
| | 139,419,039 | 73.6 | 136,530,235 | 73.8 |

Note:

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

Trade finance loans not involving Hong Kong (including trade finance extended by the subsidiary banks of DSB in Mainland China and Macau) totalling HK\$201,685,000 (31 December 2022: HK\$281,123,000) 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 loans and advances to customers by industry sector classified according to the usage of loans and analysed by percentage covered by collateral (Continued)

For each industry sector reported above with loan balance constituting 10% or more of the total balance of loans and advances to customers, the attributable amount of impaired loans, overdue loans, Stage 3, and Stage 1 and Stage 2 impairment allowances are as follows:

| HK\$'000 | As at 30 Jun 2023 | | | | |
|--|------------------------|--------------------------------|---|-------------------------------------|--|
| | Outstanding balance | Impaired loans (Stage 3) | Gross loans and advances overdue for over 3 months | Stage 3 impairment allowances | Stage 1 and Stage 2 impairment allowances |
| Loans for use in Hong Kong | | | | | |
| Industrial, commercial and financial - Property investment | 21,926,922 | 494,394 | 552,077 | 31,012 | 68,546 |
| Individuals - Loans for the purchase of other residential properties | 34,482,868 | 136,550 | 177,641 | 17,794 | 17,300 |
| Loans for use outside Hong Kong | <u>34,798,215</u> | <u>1,246,738</u> | <u>1,094,355</u> | <u>183,509</u> | <u>201,557</u> |
| | | | | | |
| | As at 31 Dec 2022 | | | | |
| | Outstanding balance | Impaired loans (Stage 3) | Gross loans and advances overdue for over 3 months | Stage 3 impairment allowances | Stage 1 and Stage 2 impairment allowances |
| Loans for use in Hong Kong | | | | | |
| Industrial, commercial and financial - Property investment | 21,406,840 | 34,299 | 92,035 | 2,095 | 138,453 |
| Individuals - Loans for the purchase of other residential properties | 33,911,826 | 81,842 | 92,156 | 11,350 | 24,518 |
| Loans for use outside Hong Kong | <u>35,332,697</u> | <u>1,685,840</u> | <u>1,413,348</u> | <u>618,858</u> | <u>261,878</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 2023 | 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) | 6,605,074 | 120,000 | 6,725,074 |
| 2. Local governments, local government-owned entities and their subsidiaries and JVs | 946,916 | 54,633 | 1,001,549 |
| 3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 9,942,167 | 1,504,558 | 11,446,725 |
| 4. Other entities of central government not reported in item 1 above | 3,708,807 | 69,992 | 3,778,799 |
| 5. Other entities of local governments not reported in item 2 above | 1,026,708 | 170,022 | 1,196,730 |
| 6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China | 10,693,194 | 274,943 | 10,968,137 |
| 7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures | 485,362 | 832 | 486,194 |
| | <u>33,408,228</u> | <u>2,194,980</u> | <u>35,603,208</u> |
| Total assets of DSB and its Mainland subsidiary bank after provision | <u>235,901,155</u> | | |
| On-balance sheet exposures as percentage of total assets | <u>14.16%</u> | | |

Note:

The balances of exposures reported above include gross loans and 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 2022 | On-balance sheet exposure | Off-balance sheet exposure | Total exposures |
|--|------------------------------|-------------------------------|-------------------|
| 1. Central government, central government-owned entities and their subsidiaries and JVs | 7,328,050 | 106,667 | 7,434,717 |
| 2. Local governments, local government-owned entities and their subsidiaries and JVs | 631,492 | 592,303 | 1,223,795 |
| 3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 10,500,933 | 1,932,334 | 12,433,267 |
| 4. Other entities of central government not reported in item 1 above | 3,753,802 | 71,984 | 3,825,786 |
| 5. Other entities of local governments not reported in item 2 above | 943,649 | 170,022 | 1,113,671 |
| 6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China | 11,535,421 | 593,574 | 12,128,995 |
| 7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures | 440,041 | - | 440,041 |
| | <u>35,133,388</u> | <u>3,466,884</u> | <u>38,600,272</u> |
| Total assets of DSB and its Mainland subsidiary bank after provision | <u>237,109,784</u> | | |
| On-balance sheet exposures as percentage of total assets | <u>14.82%</u> | | |

21. Additional analysis on claims and exposures (Continued)

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

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

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

As at 30 June 2023

| HK\$'000 | Gross loans and advances to customers | Impaired loans and advances to customers (Stage 3) | Overdue loans and advances to customers | Stage 3 impairment allowances | Stage 1 and Stage 2 impairment allowances |
|----------------|---|--|--|-------------------------------------|--|
| Hong Kong | 115,273,086 | 1,914,269 | 1,602,814 | 378,071 | 528,505 |
| Mainland China | 7,431,340 | 473,270 | 276,485 | 61,774 | 34,416 |
| Macau | 13,826,877 | 194,214 | 194,214 | 37,475 | 18,587 |
| Others | 2,887,736 | - | 4,122 | - | 14,180 |
| | 139,419,039 | 2,581,753 | 2,077,635 | 477,320 | 595,688 |

As at 31 December 2022

| | Gross loans and advances to customers | Impaired loans and advances to customers (Stage 3) | Overdue loans and advances to customers | Stage 3 impairment allowances | Stage 1 and Stage 2 impairment allowances |
|----------------|--|--|--|-------------------------------------|--|
| Hong Kong | 115,359,550 | 1,605,378 | 1,084,661 | 538,724 | 682,729 |
| Mainland China | 6,387,927 | 688,723 | 525,772 | 259,363 | 36,674 |
| Macau | 13,466,251 | 244,911 | 244,911 | 88,966 | 20,320 |
| Others | 1,316,507 | - | - | - | 9,626 |
| | 136,530,235 | 2,539,012 | 1,855,344 | 887,053 | 749,349 |

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 2023 In millions of HK\$ | Banks | Official sector | Non-bank private sector | | Total claims |
|--|--------|--------------------|---------------------------------------|--|-----------------|
| | | | Non-bank financial institutions | Non- financial private sector | |
| Offshore centres | 4,935 | 6,402 | 6,252 | 154,641 | 172,230 |
| - of which: Hong Kong | 4,512 | 5,349 | 5,932 | 136,989 | 152,782 |
| Developing Asia and Pacific | 27,984 | 1,052 | 2,068 | 17,538 | 48,642 |
| - of which: Mainland China | 19,380 | 906 | 1,915 | 12,561 | 34,762 |

| At 31 December 2022 In millions of HK\$ | Banks | Official sector | Non-bank private sector | | Total claims |
|--|--------|--------------------|---------------------------------------|--|-----------------|
| | | | Non-bank financial institutions | Non- financial private sector | |
| Offshore centres | 6,660 | 8,643 | 5,483 | 152,869 | 173,655 |
| - of which: Hong Kong | 5,822 | 7,398 | 5,399 | 137,402 | 156,021 |
| Developing Asia and Pacific | 27,231 | 1,094 | 1,375 | 17,580 | 47,280 |
| - of which: Mainland China | 19,734 | 949 | 1,106 | 12,901 | 34,690 |

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 2023 and the corresponding comparative balances.

The Group did not have any structural foreign exchange position as at 30 June 2023 and 31 December 2022. The net option position is calculated in the basis of the delta-weighted position of all foreign currency option contracts.

| | At 30 Jun 2023 | | | | | Total foreign currencies |
|-----------------------------|----------------|--------------|----------|--------------|--------------------------|--------------------------|
| | US dollars | Japanese Yen | Renminbi | Macau Pataca | Other foreign currencies | |
| Equivalent in HK\$ millions | | | | | | |
| Spot assets | 76,071 | 487 | 19,434 | 9,377 | 9,379 | 114,748 |
| Spot liabilities | (51,343) | (1,192) | (17,962) | (10,368) | (7,850) | (88,715) |
| Forward purchases | 72,905 | 5,154 | 20,928 | - | 19,491 | 118,478 |
| Forward sales | (96,819) | (4,339) | (22,946) | - | (21,152) | (145,256) |
| Net options position | (868) | (10) | 861 | - | 25 | 8 |
| Net long/ (short) position | (54) | 100 | 315 | (991) | (107) | (737) |

| | At 31 Dec 2022 | | | | Total foreign currencies |
|-----------------------------|----------------|----------|--------------|--------------------------|--------------------------|
| | US dollars | Renminbi | Macau Pataca | Other foreign currencies | |
| Equivalent in HK\$ millions | | | | | |
| Spot assets | 72,101 | 16,890 | 9,502 | 9,356 | 107,849 |
| Spot liabilities | (55,594) | (15,503) | (10,912) | (10,016) | (92,025) |
| Forward purchases | 41,010 | 5,859 | - | 16,671 | 63,540 |
| Forward sales | (56,946) | (6,958) | - | (16,027) | (79,931) |
| Net options position | 33 | 3 | - | (17) | 19 |
| Net long/ (short) position | 604 | 291 | (1,410) | (33) | (548) |

23. Capital adequacy ratio

| | As at 30 Jun 2023 | As at 31 Dec 2022 |
|------------------------|------------------------------|----------------------|
| Capital adequacy ratio | | |
| - Common Equity Tier 1 | 15.6% | 15.2% |
| - Tier 1 | 16.3% | 15.9% |
| - Total | 19.7% | 19.3% |

The capital adequacy ratio as at 30 June 2023 and 31 December 2022 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 the Mainland banking regulations.

24. Liquidity maintenance ratio

| | Six months ended 30 Jun 2023 | Six months ended 30 Jun 2022 | Year ended 31 Dec 2022 |
|-----------------------------|---|------------------------------------|---------------------------|
| Liquidity maintenance ratio | 62.5% | 45.3% | 50.4% |

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 the Mainland banking regulations.

FINANCIAL RATIOS

| | Six months ended 30 Jun 2023 | Six months ended 30 Jun 2022 |
|--|---------------------------------|---------------------------------|
| Net interest income/operating income | 84.3% | 76.9% |
| Cost to income ratio | 57.0% | 52.9% |
| Return on average total assets (annualised) | 0.9% | 0.9% |
| Return on average shareholders' funds (annualised) | 7.4% | 7.4% |
| Net interest margin | 1.93% | 1.74% |

| | As at 30 Jun 2023 | As at 31 Dec 2022 |
|-----------------------|-------------------|-------------------|
| Loan to deposit ratio | 68.0% | 66.9% |

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK\$0.11 per share for 2023 payable on Thursday, 21 September 2023 to shareholders whose names are on the Register of Shareholders at the close of business on Wednesday, 13 September 2023.

CLOSURE OF REGISTER OF SHAREHOLDERS

For determining shareholders' entitlement to receive the interim dividend:

| | |
|--|--|
| Latest time to lodge transfers | 4:30 p.m. on 8 September 2023 (Friday) |
| Closure of Register of Shareholders (both days inclusive) | 11 September 2023 (Monday) to 13 September 2023 (Wednesday) |
| Record date | 13 September 2023 (Wednesday) |

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

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

The Hong Kong economy improved in the first half of 2023, with real GDP rebounding by 2.2% year-on-year after the 4.3% year-on-year contraction in the second half of 2022. The improving economic conditions were led by the recovery of inbound tourism and domestic demand which increased by 4.8% year-on-year during the period. The revival of inbound tourism was supported by the resumption of normal travel including tourists from Mainland China and the rest of the world. Nonetheless, external trade continued to fall notably, with the weak demand in key markets posing a significant drag on export performance. Investment spending in the period, affected by higher interest rate, was weak.

In addition, the unemployment rate declined to 2.9% in April to June 2023, falling below 3% for the first time in 4 years while inflation edged up by 1.7% year-on-year in the second quarter this year. The number of transactions in the residential property market revived in the first quarter after undergoing a marked correction last year, but cooled down in the second quarter. Recovery in Hong Kong business and consumer sentiment has been observed after the COVID restrictions were lifted since early 2023. Nevertheless, Hong Kong major equity indices have dropped in the first six months of this year.

Major Mainland cities in the Greater Bay Area have shown an uneven pace of recovery since the beginning of 2023, demonstrating that different industries are facing challenges even though industrial production has stabilised at the national level. Curbs on the property sector were a major reason for the economic slowdown in Mainland China. Renminbi has depreciated since last year due to the lukewarm economic growth and higher rates in other currencies, notably US Dollars. While funding pressure for developers has eased somewhat, property investment remained mostly stagnant.

In the first half of 2023, global recession risks have reduced but the economic conditions were uneven across different regions and sectors. Interest rates have increased in key markets in the first half of the year with the exception of Mainland China, putting a drag in the economic growth of some sectors. There are other uncertainties and volatility in financial markets, including geopolitical tensions among major economies such as the US, China, and Russia, as well as the mini-crisis in the US regional banking sector.

In the first half of the year, our profit attributable to shareholders recorded a modest rise of 1% to HK\$1,112 million, as the lower credit impairment loss was largely offset by a higher impairment charge on the investment in Bank of Chongqing (“BOCQ”).

BUSINESS AND FINANCIAL REVIEW

Our business performance reported a solid growth in the first half of the year. Net interest income grew by 12% due to a higher net interest margin during the period. Loan growth remained subdued at 2% compared to the end of 2022. The rapid rise in interest rates curtailed demand for mortgage loans and corporate lending. Our net interest margin rose to 1.93%, compared to 1.74% in first half of 2022, supported by higher asset yields and carefully managed funding cost. Net fee and commission income declined by 22% mainly due to lower investment and securities trading income and a result of no amortization of bancassurance fee because the Hong Kong and Macau Distribution Agreements entered into with Tahoe were terminated in the second half of 2022. Other non-interest income, including trading income, dropped by 64% due largely to the higher cost of funding swaps.

Whilst we continued to remain vigilant in expense control during the first half of 2023, our operating expenses recorded a rise of 10% led by higher inflation and increase in staff number to replenish the unfilled headcounts from last year and to support the new bancassurance arrangement entered into with Sun Life which has commenced in the second half of 2023. In addition, there were some reversals of unutilised expense accruals in the first half of 2022 which did not recur in the current period. Credit impairment losses reduced by 49%, driven by prudent credit risk management and improved economic conditions during the period.

The performance of our banking subsidiary in Macau recovered largely due to a lower credit impairment charge. However, its operating income was still behind the level achieved during the pre-COVID period, with investment sentiment and loan demand remaining weak. The performance of our Mainland subsidiary was subdued, in part due to the slower than expected economic recovery in the Mainland and margin compression with both falling interest rates and intense competition. We were pleased to open our new Shenzhen Branch of Dah Sing Bank in early August this year.

BUSINESS AND FINANCIAL REVIEW (Continued)

Our overall business performance for the six months ended 30 June 2023 was stable and profit growth was moderate. Operating profit after credit impairment losses grew by 8% to HK\$1,001 million, compared to a drop of 19% in the same period last year. We conducted a regular review of the Value in Use of our investment in BOCQ, resulting in an impairment charge against the value of this investment in the amount of HK\$232 million, higher than the HK\$139 million recorded in the first half of 2022.

Our profit for the first half of 2023 represented a return on assets of 0.9% and return on shareholders' funds of 7.4%. Our capital and liquidity positions remain robust. As at 30 June 2023, our consolidated Common Equity Tier 1 ratio and total consolidated capital adequacy ratio were at 15.6% and 19.7% respectively, while liquidity maintenance ratio was at 62.5%. Loan to deposit ratio was at 68.0%, compared to 66.9% as at the end of last year.

PROSPECTS

Economic conditions in our major markets experienced a mild improvement in the first half of the year. The Hong Kong Government's forecast for real GDP growth for 2023 is at 4%-5%, higher than last year. Inflation held steady at 1.9% in June, and is expected to remain at a moderate level while the unemployment rate will continue to be under control. While there is likely to be continued growth in the second half of the year, led by the gradual rebound in consumption demand following the lifting of COVID restrictions and increase in inbound tourists in Hong Kong, Macau, and Mainland China, exports of goods and external demand will likely continue to face challenges.

Loan demand will continue to be affected by the high interest rate environment, with investment sentiment and loan demand expected to remain sluggish. Credit quality improved in the first half of the year, and we expect impairment charges to be generally under control in the second half of 2023, although if economic growth slows there is some potential downside risk. Following the increase of interest rates in Hong Kong in the first half of the year, further to increases in US rates by the Federal Reserve, we are expecting the tightening to taper off in the second half of the year.

Whilst we anticipate continued gradual growth in our core markets under the current economic environment, we remain cautious about the outlook for the second half of the year and will continue to manage our wholly-owned businesses accordingly in a conservative manner.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2023, the Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code (“CG Code”) under Part 2 of Appendix 14 of the Listing Rules, with the exception of code provision F.2.2.

Pursuant to code provision F.2.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. David Shou-Yeh Wong, the Chairman of the Board, was unable to attend the 2023 Annual General Meeting (the “2023 AGM”) of the Company held in Hong Kong on 2 June 2023 as he was away from Hong Kong at that time. Mr. Hon-Hing Wong (Derek Wong), Vice Chairman, Managing Director and Chief Executive of the Company, took the chair of the 2023 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 2023.

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 2023.

REMUNERATION AND STAFF DEVELOPMENT

There have been no material changes to the information disclosed in the Company’s 2022 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 2023.

INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The 2023 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 2023 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 2023.

BOARD OF DIRECTORS

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

By Order of the Board
Richard Tsung-Yung Li
Company Secretary

Hong Kong, Wednesday, 23 August 2023