

星展銀行（香港）有限公司  
**DBS BANK (HONG KONG) LIMITED**

(Incorporated in Hong Kong with limited liability)

**GROUP INTERIM FINANCIAL DISCLOSURE STATEMENTS  
FOR THE SIX MONTHS ENDED  
30 JUNE 2022**

# **DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES**

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## **DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES**

### **REVIEW OF ACTIVITIES**

The Bank's operating performance for the six months ended 30 June 2022 was impacted by the economic slowdown and market volatility. Total income amounted to HK\$5,476 million, a decline of 6.4% from a year ago. Net interest income declined 4.8% year-on-year to HK\$3,135 million. Non-interest income decreased by 8.6% to HK\$2,341 million impacted by the weak market sentiment, rising concern over pandemic and global market volatility.

Expenses for the period rose by 8.2% to HK\$2,653 million, the increase was mainly from higher staff expenses. Cost to income ratio was at 48.4%. Operating profits for the period were HK\$2,823 million, a decline of 17.0% from a year ago.

Asset quality remained benign. Allowances for credit and other losses were HK\$249 million for the period mainly attributable to specific allowances, partially offset by a net release of general allowance.

As a result, profit attributable to shareholders for the six months ended 30 June 2022 amounted to HK\$2,155 million, decreased by 20.8% year-on-year.

Loans and advances to customers increased by 11.7% to HK\$267 billion from 31 December 2021. Customer deposits increased 6.1% from 31 December 2021 to HK\$397 billion driven by the growth of time deposits.

**DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED INCOME STATEMENT (unaudited)**

<b>In HK\$ millions</b>	<b>Note</b>	<b>For the six months ended</b>	
		<b>30 June 2022</b>	<b>30 June 2021</b>
Interest income	3	<b>3,670</b>	3,582
Interest expense	4	<b>(535)</b>	(290)
Net interest income		<b>3,135</b>	3,292
Net fee and commission income	5	<b>1,593</b>	1,878
Net trading income	6	<b>757</b>	534
Net (loss)/income from investment securities	7	<b>(45)</b>	53
Other income	8	<b>36</b>	95
Total income		<b>5,476</b>	5,852
Total expenses	9	<b>(2,653)</b>	(2,451)
Profit before allowances for credit and other losses		<b>2,823</b>	3,401
Allowances for credit and other losses	10	<b>(249)</b>	(146)
Profit before income tax		<b>2,574</b>	3,255
Income tax expense	11	<b>(419)</b>	(533)
Profit attributable to shareholders		<b>2,155</b>	2,722

*The notes on page 8 to 35 form part of these condensed consolidated financial statements.*

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

In HK\$ millions	For the six months ended	
	30 June 2022	30 June 2021
<b>Profit attributable to shareholders</b>	<u>2,155</u>	<u>2,722</u>
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified subsequently to income statement:</b>		
Debt instruments classified at fair value through other comprehensive income ("FVOCI")		
– Net valuation taken to equity	(1,040)	(210)
– Transferred to income statement	54	(47)
– Deferred income tax credited to equity	161	43
Cash flow hedge		
– Net valuation taken to equity	(2,419)	(20)
– Transferred to income statement	(224)	(142)
– Deferred income tax credited to equity	436	27
<b>Items that will not be reclassified to income statement:</b>		
Equity instruments classified at FVOCI		
– Net valuation taken to equity	<u>(11)</u>	<u>3</u>
<b>Other comprehensive income attributable to shareholders, net of tax</b>	<u>(3,043)</u>	<u>(346)</u>
<b>Total comprehensive income attributable to shareholders</b>	<u>(888)</u>	<u>2,376</u>

The notes on page 8 to 35 form part of these condensed consolidated financial statements.

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)

In HK\$ millions	Note	As at 30 June 2022	As at 31 December 2021
<b>Assets</b>			
Cash and balances with central banks	13	9,350	5,547
Government securities and treasury bills	14	57,943	38,556
Due from banks	15	129,978	143,928
Derivatives	23	2,706	1,388
Bank and corporate securities	16	13,141	11,132
Loans and advances to customers	17	266,868	238,950
Other assets	18	5,460	4,075
Properties and other fixed assets	19	3,903	4,064
Goodwill		168	168
		<hr/>	<hr/>
Total assets		<b>489,517</b>	447,808
		<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>			
Due to banks		12,691	7,927
Deposits and balances from customers	20	396,598	373,933
Derivatives	23	4,607	1,754
Certificates of deposit issued	21	5,044	–
Other liabilities		24,232	16,941
Subordinated liability	22	4,236	4,211
		<hr/>	<hr/>
Total liabilities		<b>447,408</b>	404,766
		<hr/> <hr/>	<hr/> <hr/>
<b>Equity</b>			
Share capital	24	8,995	8,995
Other equity instruments	25	1,400	–
Reserves		31,714	34,047
		<hr/>	<hr/>
Total equity		<b>42,109</b>	43,042
		<hr/> <hr/>	<hr/> <hr/>
Total liabilities and equity		<b>489,517</b>	447,808
		<hr/> <hr/>	<hr/> <hr/>

The notes on page 8 to 35 form part of these condensed consolidated financial statements.

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

In HK\$ millions	Share capital	Other equity instruments	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2022	8,995	–	2,299	31,748	43,042
Redemption of preference shares (Note 24(ii))	(1,400)	–	–	–	(1,400)
Transfer (Note 24 (ii))	1,400	–	–	(1,400)	–
Issue of perpetual capital securities (Note 25)	–	1,400	–	–	1,400
Total comprehensive income	–	–	(3,043)	2,155	(888)
Dividend paid	–	–	–	(45)	(45)
Balance as at 30 June 2022	<u>8,995</u>	<u>1,400</u>	<u>(744)</u>	<u>32,458</u>	<u>42,109</u>
Balance as at 1 January 2021	8,995	–	3,262	29,553	41,810
Total comprehensive income	–	–	(346)	2,722	2,376
Dividend paid	–	–	–	(55)	(55)
Balance as at 30 June 2021	<u>8,995</u>	<u>–</u>	<u>2,916</u>	<u>32,220</u>	<u>44,131</u>
Total comprehensive income	–	–	(617)	2,028	1,411
Dividend paid	–	–	–	(2,500)	(2,500)
Balance as at 31 December 2021	<u>8,995</u>	<u>–</u>	<u>2,299</u>	<u>31,748</u>	<u>43,042</u>

As at 30 June 2022, HK\$551 million was earmarked from the retained earnings (31 December 2021: HK\$239 million). The regulatory reserve was maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve were made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.

*The notes on page 8 to 35 form part of these condensed consolidated financial statements.*

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (unaudited)

In HK\$ millions	Note	For the six months ended	
		30 June 2022	30 June 2021
<b>Cash flows from operating activities</b>			
Profit before income tax		2,574	3,255
<b>Adjustments for non-cash items:</b>			
Gain on disposal of a property		–	(64)
Allowances for credit and other losses		249	146
Write-off of other assets		1	–
Depreciation and amortisation		271	277
Advances and other assets written off		(167)	(220)
Recoveries of advances and other assets written off		25	31
Interest expense for subordinated liability		48	38
Interest expense on lease liabilities	29(a)	11	13
Profit before changes in operating assets and liabilities		3,012	3,476
<b>Increase/(decrease) in:</b>			
Due to banks		4,764	(808)
Deposits and balances from customers		22,665	(47,118)
Other liabilities and derivatives		8,097	3,069
Certificates of deposit issued		5,044	(2,085)
<b>Decrease/(increase) in:</b>			
Due from banks		11,467	26,878
Government securities and treasury bills		(16,328)	2,023
Loans and advances to customers		(28,010)	(26,343)
Bank and corporate securities		(2,230)	1,386
Other assets and derivatives		(2,114)	17
Net cash generated from/(used in) operating activities before income tax		6,367	(39,505)
Hong Kong profits tax paid		(924)	–
<b>Net cash generated from/(used in) operating activities</b>		<b>5,443</b>	<b>(39,505)</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		(80)	(63)
Proceeds from disposal of a property		–	87



# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (unaudited)

In HK\$ millions	Note	For the six months ended	
		30 June 2022	30 June 2021
<b>Net cash (used in)/generated from investing activities</b>		<b>(80)</b>	<b>24</b>
<b>Cash flows from financing activities</b>			
Principal element of lease payments	29(a)	(130)	(134)
Interest element of lease payments	29(a)	(11)	(13)
Redemption of preference shares		(1,400)	–
Issue of perpetual capital securities		1,400	–
Dividends paid		(45)	(55)
Interest paid for subordinated liability		(45)	(39)
<b>Net cash used in financing activities</b>		<b>(231)</b>	<b>(241)</b>
Exchange differences and other adjustments		25	7
<b>Net change in cash and cash equivalents</b>		<b>5,157</b>	<b>(39,715)</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>106,502</b>	<b>130,594</b>
<b>Cash and cash equivalents as at 30 June</b>	29(b)	<b>111,659</b>	<b>90,879</b>

The notes on page 8 to 35 form part of these condensed consolidated financial statements.

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 1 Scope of consolidation

The condensed consolidated financial statements incorporate the financial statements of DBS Bank (Hong Kong) Limited (the “Bank”) and all its subsidiaries (the “Group”).

For regulatory reporting purposes, the Bank computes key regulatory ratios on a combined basis including the Bank and its overseas branch that is different from the basis of consolidation for accounting purposes. The basis is set out in the Regulatory Disclosure Statements. The disclosures of regulatory capital, liquidity and other disclosures are available in the section of Regulatory Disclosures on our website [www.dbs.com/hongkong/investor/financial-results.page](http://www.dbs.com/hongkong/investor/financial-results.page).

### 2 Basis of preparation

#### 2.1 Accounting policies

The accounting policies applied in preparing this condensed consolidated financial statements are in compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants and are the same as those applied in preparing the financial statements for the year ended 31 December 2021 as disclosed in the Annual Report and Financial Statements for 2021.

The adoption of HKFRS and interpretations effective from 1 January 2022 do not have any significant impact on the Group’s financial statements.

#### 2.2 Accounting estimates

##### *Critical accounting estimates*

The preparation of interim financial statements requires management to exercise judgements, use estimates and make assumptions that affect the application of policies and reported amounts in the financial statements. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from these estimates. In preparing these condensed consolidated financial statements, critical accounting estimates and assumptions used that are significant to the interim financial statements, and areas involving a higher degree of judgement and complexity were the same as those disclosed in the consolidated financial statements for the year ended 31 December 2021.

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 2 Basis of preparation (continued)

#### 2.3 Condensed consolidated financial statements and statutory financial statements

The financial information relating to the year ended 31 December 2021 that is included in the Interim Report 2022 as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Group's auditor has reported on those financial statements. The auditor's report 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 sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

#### 2.4 Compliance with the Banking (Disclosure) Rules

The condensed consolidated financial statements and Regulatory Disclosure Statements fulfill the disclosure requirements in accordance with the Banking (Disclosure) Rules.

#### 3 Interest income

In HK\$ millions	For the six months ended	
	30 June 2022	30 June 2021
Cash and balances with central banks and due from banks	480	980
Customer non-trade loans	2,583	2,146
Trade assets	209	216
Securities and others	398	240
Total interest income	<u>3,670</u>	<u>3,582</u>
Comprising:		
Interest income from financial assets at fair value through profit or loss ("FVPL")	41	19
Interest income from financial assets at FVOCI	164	83
Interest income from financial assets at amortised cost	3,465	3,480
	<u>3,670</u>	<u>3,582</u>

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 4 Interest expense

In HK\$ millions	For the six months ended	
	30 June 2022	30 June 2021
Deposits and balances from customers	451	220
Interest expense on subordinated liability	48	38
Other interest expense	36	32
Total interest expense	<u>535</u>	<u>290</u>
Comprising:		
Interest expense from financial liabilities at FVPL	14	2
Interest expense from financial liabilities not at FVPL <sup>(a)</sup>	521	288
	<u>535</u>	<u>290</u>

<sup>(a)</sup> Includes interest expense on lease liabilities of HK\$11 million (2021: HK\$13 million).

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 5 Net fee and commission income

In HK\$ millions	For the six months ended	
	30 June 2022	30 June 2021
Fee and commission income	1,869	2,169
Less: Fee and commission expense	(276)	(291)
Net fee and commission income	<u>1,593</u>	<u>1,878</u>
Comprising:		
– Wealth management	891	1,108
– Trade and transaction services <sup>(a)</sup>	438	447
– Cards	136	175
– Loan-related	123	133
– Stockbroking	5	15
	<u>1,593</u>	<u>1,878</u>
<sup>(a)</sup> Includes trade & remittances, guarantees and deposit-related fees.		
Of which:		
Fee and commission income arising from:		
– Financial assets or financial liabilities not at FVPL	524	546
– Trust or other fiduciary activities	33	36
Fee and commission expense arising from:		
– Financial assets or financial liabilities not at FVPL	<u>184</u>	<u>190</u>

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 6 Net trading income

In HK\$ millions	For the six months ended	
	30 June 2022	30 June 2021
Net trading income		
– Foreign exchange	587	514
– Interest rates, equities and others	164	12
	<u>751</u>	<u>526</u>
Net gain from financial instruments designated at fair value		
	6	8
	<u>757</u>	<u>534</u>

#### 7 Net (loss)/income from investment securities

In HK\$ millions	For the six months ended	
	30 June 2022	30 June 2021
Debt securities at:		
– FVOCI	(54)	46
– Amortised cost	–	–
Equity securities at FVOCI	9	7
Total	<u>(45)</u>	<u>53</u>
Of which dividend income from:		
– Listed investments	–	–
– Unlisted investments	9	7
Total	<u>9</u>	<u>7</u>

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 8 Other income

In HK\$ millions	For the six months ended	
	30 June 2022	30 June 2021
Gain on disposal of a property	–	64
Rental income	10	11
Others	26	20
Total	<u>36</u>	<u>95</u>

#### 9 Total expenses

In HK\$ millions	For the six months ended	
	30 June 2022	30 June 2021
Employee benefits		
– Salaries and other short-term employee benefits	1,719	1,543
– Pensions	89	91
– Share-based compensation	37	33
Premises and equipment expenses excluding depreciation		
– Expenses relating to short-term leases and low-value assets	3	2
– Others	78	80
Depreciation expenses		
– Owned properties and other fixed assets	140	141
– Leased properties and other fixed assets	131	136
Auditor's remuneration	5	5
Computerisation expenses	165	152
Other operating expenses	286	268
Total	<u>2,653</u>	<u>2,451</u>

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 10 Allowances for credit and other losses

In HK\$ millions	For the six months ended	
	30 June 2022	30 June 2021
<b>Specific allowances</b>		
Loans and advances to customers	266	152
Off-balance sheet credit exposures and other assets	–	(2)
<b>General allowances</b>		
Loans and advances to customers	(32)	44
Off-balance sheet credit exposures and other assets	15	(48)
Total	<u>249</u>	<u>146</u>

#### 11 Income tax expense

In HK\$ millions	For the six months ended	
	30 June 2022	30 June 2021
Hong Kong profits tax	411	531
Overseas tax	–	–
Current income tax	411	531
Deferred income tax	8	2
	<u>419</u>	<u>533</u>

Hong Kong profits tax has been provided at 16.5% (first half of 2021:16.5%) on the estimated assessable profits for the period. Taxation for overseas subsidiaries and branch are charged at the appropriate current rates of taxation ruling in the locations in which they operate.

#### 12 Dividends

Preferential dividend of HK\$45 million (2021: HK\$55 million) was paid to holder of Class A preference shares during the period ended 30 June 2022.



## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 13 Cash and balances with central banks

<b>In HK\$ millions</b>	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>
Cash in hand	691	841
Balances with central banks	<u>8,659</u>	<u>4,706</u>
	<u><u>9,350</u></u>	<u><u>5,547</u></u>

#### 14 Government securities and treasury bills

<b>In HK\$ millions</b>	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>
Mandatorily at FVPL	12,514	4,324
FVOCI	35,628	25,188
Amortised cost	<u>9,801</u>	<u>9,044</u>
	<u><u>57,943</u></u>	<u><u>38,556</u></u>

As at 30 June 2022, there were no impaired, overdue or rescheduled FVOCI and amortised cost financial assets (31 December 2021: Nil).

As at 30 June 2022, the fair value of the above debt securities classified as amortised cost was HK\$9,736 million (31 December 2021: HK\$9,073 million).

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 15 Due from banks

In HK\$ millions	As at 30 June 2022	As at 31 December 2021
Balances with banks	<u>5,872</u>	<u>4,580</u>
Placements with and advances to banks		
Remaining maturity		
– Within one month	79,259	87,902
– One year or less but over one month	16,959	6,644
– Over one year	<u>27,890</u>	<u>44,803</u>
	<u>124,108</u>	<u>139,349</u>
Gross amount due from banks	129,980	143,929
Allowance for credit and other losses	<u>(2)</u>	<u>(1)</u>
Net amount due from banks	<u><u>129,978</u></u>	<u><u>143,928</u></u>

As at 30 June 2022, there were no impaired, overdue or rescheduled placements with and advances to banks (31 December 2021: Nil).

#### 16 Bank and corporate securities

In HK\$ millions	As at 30 June 2022	As at 31 December 2021
Mandatorily at FVPL	851	764
FVOCI	7,503	6,170
Amortised cost	<u>4,788</u>	<u>4,199</u>
	<u>13,142</u>	<u>11,133</u>
Allowance for credit and other losses	<u>(1)</u>	<u>(1)</u>
	<u><u>13,141</u></u>	<u><u>11,132</u></u>

As at 30 June 2022, there were no impaired, overdue or rescheduled FVOCI and amortised cost financial assets (31 December 2021: Nil).

As at 30 June 2022, the fair value of the above debt securities classified as amortised cost was HK\$4,713 million (31 December 2021: HK\$4,218 million).

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 17 Loans and advances to customers

In HK\$ millions	As at 30 June 2022	As at 31 December 2021
Gross loans and advances to customers	270,430	242,401
Less: Allowances for credit and other losses		
– Specific allowances	(1,498)	(1,355)
– General allowances	(2,064)	(2,096)
	<u>266,868</u>	<u>238,950</u>
Comprising:		
– Trade bills	6,704	7,410
– Loans	260,164	231,540
	<u>266,868</u>	<u>238,950</u>

### Impaired advances

	As at 30 June 2022		As at 31 December 2021	
	HK\$ millions	% of gross loans and advances to customers	HK\$ millions	% of gross loans and advances to customers
Gross impaired advances	2,932	1.08	2,687	1.11
Specific allowances	<u>(1,498)</u>		<u>(1,355)</u>	
	<u>1,434</u>		<u>1,332</u>	
Impaired advances covered by collateral	<u>987</u>		<u>1,092</u>	

The specific allowances were made after taking into account the value of collateral in respect of the above advances.

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 17 Loans and advances to customers (continued)

The table below shows the movements in specific and general allowances during the period.

In HK\$ millions	Balance at 1 January	Charge to income statement	Recoveries	Write-off	Exchange and other movements	Balance at 30 June
<b>2022</b>						
<b>Specific allowances</b>						
Loans and advances to customers	1,355	266	25	(167)	19	1,498
Others <sup>(a)</sup>	8	-	-	-	-	8
Total specific allowances	1,363	266	25	(167)	19	1,506
<b>General allowances</b>						
Loans and advances to customers	2,096	(32)	-	-	-	2,064
Others <sup>(a)</sup>	136	15	-	-	-	151
Total general allowances	2,232	(17)	-	-	-	2,215
Total allowances for credit and other losses	3,595	249	25	(167)	19	3,721

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 17 Loans and advances to customers (continued)

In HK\$ millions	Balance at 1 January	Charge to income statement	Recoveries	Write-off	Exchange and other movements	Balance at 31 December
<b>2021</b>						
<b>Specific allowances</b>						
Loans and advances to customers	1,341	394	58	(474)	36	1,355
Others <sup>(a)</sup>	30	(2)	–	(20)	–	8
Total specific allowances	1,371	392	58	(494)	36	1,363
<b>General allowances</b>						
Loans and advances to customers	2,231	(135)	–	–	–	2,096
Others <sup>(a)</sup>	213	(77)	–	–	–	136
Total general allowances	2,444	(212)	–	–	–	2,232
Total allowances for credit and other losses	3,815	180	58	(494)	36	3,595

<sup>(a)</sup> Includes allowances for off-balance sheet exposures, other assets, bank and corporate securities and due from banks.

### Loans and advances to customers by credit quality

In HK\$ millions	As at 30 June 2022			Total
	Stage 1	Stage 2	Stage 3	
Neither past due nor impaired				
– Pass	248,252	15,167	–	263,419
– Special Mention	731	2,555	–	3,286
Past due but not impaired <sup>(a)</sup>	669	124	–	793
Impaired	–	–	2,932	2,932
	249,652	17,846	2,932	270,430

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 17 Loans and advances to customers (continued)

In HK\$ millions	As at 31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
Neither past due nor impaired				
– Pass	222,336	13,789	–	236,125
– Special Mention	426	2,529	–	2,955
Past due but not impaired <sup>(a)</sup>	555	79	–	634
Impaired	–	–	2,687	2,687
	<u>223,317</u>	<u>16,397</u>	<u>2,687</u>	<u>242,401</u>

<sup>(a)</sup> The majority of past due but not impaired assets are classified as “Pass”.

#### 18 Other assets

The balance as at 30 June 2022 included allowance for credit and other losses of HK\$10 million (31 December 2021: HK\$9 million).

#### 19 Properties and other fixed assets

In HK\$ millions	As at 30 June 2022	As at 31 December 2021
Owned properties and other fixed assets (a)	2,095	2,156
Leased properties and other fixed assets (b)	<u>1,808</u>	<u>1,908</u>
	<u>3,903</u>	<u>4,064</u>

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 19 Properties and other fixed assets (continued)

##### (a) Owned properties and other fixed assets

In HK\$ millions	Freehold land and building	Land and buildings	Furniture, fixtures and equipment	Subtotal	Investment properties	Total
Cost						
As at 1 January 2022	23	2,347	2,781	5,151	33	5,184
Additions	–	3	77	80	–	80
Disposals/written off <sup>(a)</sup>	–	(1)	(258)	(259)	–	(259)
As at 30 June 2022	<u>23</u>	<u>2,349</u>	<u>2,600</u>	<u>4,972</u>	<u>33</u>	<u>5,005</u>
Accumulated depreciation and impairment						
As at 1 January 2022	17	983	2,007	3,007	21	3,028
Charge for the period	–	8	132	140	–	140
Disposals/written off <sup>(a)</sup>	–	(1)	(257)	(258)	–	(258)
As at 30 June 2022	<u>17</u>	<u>990</u>	<u>1,882</u>	<u>2,889</u>	<u>21</u>	<u>2,910</u>
Net book value						
As at 30 June 2022	<u><u>6</u></u>	<u><u>1,359</u></u>	<u><u>718</u></u>	<u><u>2,083</u></u>	<u><u>12</u></u>	<u><u>2,095</u></u>

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 19 Properties and other fixed assets (continued)

##### (a) Owned properties and other fixed assets (continued)

In HK\$ millions	Freehold land and building	Land and buildings	Furniture, fixtures and equipment	Subtotal	Investment properties	Total
Cost						
As at 1 January 2021	23	2,406	2,545	4,974	33	5,007
Additions	–	1	267	268	–	268
Disposals/written off <sup>(a)</sup>	–	(60)	(31)	(91)	–	(91)
As at 31 December 2021	23	2,347	2,781	5,151	33	5,184
Accumulated depreciation and impairment						
As at 1 January 2021	17	1,001	1,763	2,781	21	2,802
Charge for the year	–	19	271	290	–	290
Disposals/written off <sup>(a)</sup>	–	(37)	(27)	(64)	–	(64)
As at 31 December 2021	17	983	2,007	3,007	21	3,028
Net book value						
As at 31 December 2021	6	1,364	774	2,144	12	2,156

<sup>(a)</sup> Included amount written off of HK\$1 million (2021: HK\$4 million).

##### (b) Leased properties and other fixed assets

In HK\$ millions	Properties	Other fixed assets	Total
As at 1 January 2022	1,748	160	1,908
Additions of right-of-use assets during the period	–	–	–
Changes of lease terms	31	–	31
Depreciation charge for the period	(121)	(10)	(131)
Balance as at 30 June 2022	1,658	150	1,808



## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 19 Properties and other fixed assets (continued)

##### (b) Leased properties and other fixed assets (continued)

In HK\$ millions	Properties	Other fixed assets	Total
As at 1 January 2021	1,946	179	2,125
Additions of right-of-use assets during the year	1	–	1
Changes of lease terms	53	–	53
Depreciation charge for the year	(252)	(19)	(271)
Balance as at 31 December 2021	<u>1,748</u>	<u>160</u>	<u>1,908</u>

The Group's leases comprise primarily office premises, branches and data centres.

#### 20 Deposits and balances from customers

In HK\$ millions	As at 30 June 2022	As at 31 December 2021
Deposits from customers at amortised cost	<b>390,905</b>	373,505
Structured investment deposits classified as financial liabilities designated at FVPL	<b>5,693</b>	428
	<u><b>396,598</b></u>	<u>373,933</u>
Analysed by:		
– Demand deposits and current accounts	<b>78,984</b>	84,571
– Savings deposits	<b>204,720</b>	224,496
– Time, call and notice deposits	<b>112,894</b>	64,866
	<u><b>396,598</b></u>	<u>373,933</u>

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 21 Certificates of deposit issued

In HK\$ millions	As at 30 June 2022	As at 31 December 2021
Certificates of deposit issued, measured at amortised cost	<u>5,044</u>	<u>–</u>

#### 22 Subordinated liability

On 13 December 2017, the Bank issued a subordinated loan (the “Loan”) of US\$540 million to DBS Group Holdings Ltd. Interest on the Loan is payable quarterly at USD 3-month LIBOR plus 1.62% per annum. The Loan will mature on 13 December 2027 and is repayable on 13 December 2022 or any date thereafter. The terms require the Loan to be written off if and when the Hong Kong Monetary Authority (“HKMA”) notifies the Bank that a write-off, or a public sector injection of capital (or equivalent support), is necessary, without which the Bank would become non-viable. In addition, the lender of the Loan is subject to the exercise of the Hong Kong resolution authority power by the relevant Hong Kong resolution authority. The Loan is qualified as Tier 2 capital of the Bank under the Banking (Capital) Rules made by the HKMA.

# DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 23 Derivatives

The following is a summary of each significant type of derivatives:

In HK\$ millions	Contract/ notional amount	Positive fair values	Negative fair values
<b>As at 30 June 2022</b>			
<b>Derivatives held for trading</b>			
Interest rate derivatives			
– Interest rate swaps	31,856	896	842
– Interest rate futures	11,289	18	36
– Interest rate options	9,414	13	13
Sub-total	<u>52,559</u>	<u>927</u>	<u>891</u>
Foreign exchange derivatives			
– Foreign exchange contracts	118,119	396	846
– Currency swaps	6,921	96	96
– Currency options	56,497	133	133
Sub-total	<u>181,537</u>	<u>625</u>	<u>1,075</u>
Equity derivatives	<u>2,346</u>	<u>59</u>	<u>58</u>
Credit derivatives	<u>566</u>	<u>21</u>	<u>21</u>
Commodity derivatives	<u>1,229</u>	<u>7</u>	<u>7</u>
Total derivatives held for trading	<u><u>238,237</u></u>	<u><u>1,639</u></u>	<u><u>2,052</u></u>
<b>Derivatives held for hedging</b>			
Interest rate swaps held for cash flow hedge	30,600	7	2,168
Currency swaps held for cash flow hedge	<u>11,560</u>	<u>1,060</u>	<u>387</u>
Total derivatives held for hedging	<u><u>42,160</u></u>	<u><u>1,067</u></u>	<u><u>2,555</u></u>
Total derivatives	<u><u><u>280,397</u></u></u>	<u><u><u>2,706</u></u></u>	<u><u><u>4,607</u></u></u>

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 23 Derivatives (continued)

In HK\$ millions	Contract/ notional amount	Positive fair values	Negative fair values
<b>As at 31 December 2021</b>			
<b>Derivatives held for trading</b>			
Interest rate derivatives			
– Interest rate swaps	40,833	372	501
– Interest rate futures	1,209	5	–
– Interest rate options	5,458	7	7
Sub-total	<u>47,500</u>	<u>384</u>	<u>508</u>
Foreign exchange derivatives			
– Foreign exchange contracts	75,703	342	380
– Currency swaps	7,232	47	48
– Currency options	27,248	35	35
Sub-total	<u>110,183</u>	<u>424</u>	<u>463</u>
Equity derivatives	<u>2,582</u>	<u>74</u>	<u>74</u>
Credit derivatives	<u>731</u>	<u>10</u>	<u>10</u>
Commodity derivatives	<u>316</u>	<u>4</u>	<u>4</u>
Total derivatives held for trading	<u><u>161,312</u></u>	<u><u>896</u></u>	<u><u>1,059</u></u>
<b>Derivatives held for hedging</b>			
Interest rate swaps held for cash flow hedge	30,000	–	360
Currency swaps held for cash flow hedge	<u>10,538</u>	<u>492</u>	<u>335</u>
Total derivatives held for hedging	<u><u>40,538</u></u>	<u><u>492</u></u>	<u><u>695</u></u>
Total derivatives	<u><u>201,850</u></u>	<u><u>1,388</u></u>	<u><u>1,754</u></u>

The amounts are shown on a gross basis and do not take into account the effect of bilateral netting arrangements. The contract or notional amounts of these instruments indicate the volume of transactions outstanding as at the end of the reporting period; they do not represent amounts at risk.

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 24 Share capital

	As at 30 June 2022		As at 31 December 2021	
	Number of shares	HK\$ million	Number of shares	HK\$ million
<b>Ordinary shares</b>				
As at 1 January	7,000 million	7,595	7,000 million	7,595
Redemption of preference shares (ii)	–	1,400	–	–
As at end of period	<u>7,000 million</u>	<u>8,995</u>	<u>7,000 million</u>	<u>7,595</u>
<b>Preference shares (i)</b>				
As at 1 January	140	1,400	140	1,400
Redemption of preference shares	<u>(140)</u>	<u>(1,400)</u>	–	–
As at end of period	<u>–</u>	<u>–</u>	<u>140</u>	<u>1,400</u>
Total issued capital (ii)		<u>8,995</u>		<u>8,995</u>

- (i) The Bank issued 140 non-cumulative Class A preference shares to its parent holding company, DBS Group Holdings Ltd. (“DBSH”), on 13 October 2016 for an aggregate issue price of HK\$1,400 million. Dividends are payable annually at the rate of 3.9% per annum at the discretion of the Bank. The preference shares are redeemable on 13 October 2021 or any date thereafter. The terms require the preference shares to be converted into ordinary shares if and when the HKMA notifies the Bank that a conversion of the instrument, or a public sector injection of capital (or equivalent support), is necessary, without which the Bank would become non-viable. In addition, the holder of the preference shares is subject to the exercise of the Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority. The preference shares qualify as Additional Tier 1 capital of the Bank under the Banking (Capital) Rules made by the HKMA.
- (ii) The total issued capital as at 30 June 2022 included preference shares which were redeemed via payment out of distributable profits in accordance with the requirements of the Hong Kong Companies Ordinance.

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 25 Other equity instruments

On 13 January 2022, the Bank issued Perpetual Capital Securities (“PCS”) of HK\$1,400 million to its parent holding company, DBSH. Distributions are payable annually at the rate of 2.86% per annum at the discretion of the Bank. The PCS are redeemable on 13 January 2027 or any date thereafter. The terms require the PCS to be written off if and when the HKMA notifies the Bank that a write-off, or a public sector injection of capital (or equivalent support), is necessary, without which the Bank would become non-viable. In addition, the holder of the PCS is subject to the exercise of the Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority. The PCS qualify as Additional Tier 1 capital of the Bank under the Banking (Capital) Rules made by the HKMA.

#### 26 Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

<b>In HK\$ millions</b>	<b>As at 30 June 2022</b>	As at 31 December 2021
Direct credit substitutes	<b>214</b>	262
Transaction-related contingencies	<b>3,502</b>	3,484
Trade-related contingencies	<b>10,285</b>	9,201
Forward deposits placed	–	–
Other commitments with an original maturity of not more than one year	<b>350</b>	550
Other commitments with an original maturity of more than one year	<b>17,569</b>	19,542
Other commitments which are unconditionally cancellable	<b>183,098</b>	173,834
	<b>215,018</b>	206,873
Credit risk-weighted amount	<b>20,309</b>	21,700

The information is prepared with reference to the Banking (Capital) Rules. For accounting purposes, acceptances are recognised on the statement of financial position in “Other assets” and “Other liabilities” in accordance with HKFRS 9 Financial Instruments. For the purpose of the Banking (Capital) Rules, acceptances are included in the capital adequacy calculation as if they were trade-related contingencies. The contract amount of acceptances included in the table above was HK\$1,432 million (31 December 2021: HK\$1,282 million).

## **DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

#### **27 Fair Value of financial instruments**

##### **(a) Valuation process**

The valuation processes within the Group are governed by the Valuation Policy and Supporting Standards. The overall framework is endorsed by Group Market and Liquidity Risk Committee and Risk Executive Committee before approval by the Board Risk Management Committee.

These policy and standards apply to all financial assets and liabilities that are measured at fair value, covering both market prices as well as model inputs. Financial assets and liabilities are marked directly using reliable and independent quoted market prices or by using reliable and independent market parameters (as model inputs) in conjunction with a valuation model.

Valuation models go through an assurance process carried out by the Risk Management Group, independent of the model developers. This assurance process covers the review of the underlying methodology including its logic and conceptual soundness together with the model inputs and outputs. Model assurances are conducted prior to implementation and subject to regular review or when there are significant changes arising from market or portfolio changes. Where necessary, the Group also imposes model reserves and other adjustments in determining fair value. Models are approved by the Group Market and Liquidity Risk Committee.

A process of independent price verification (“IPV”) is in place to establish the accuracy of the market parameters used when the marking is performed by the Front Office. The IPV process entails independent checks to compare traders’ marks to independent sources such as broker/dealer quotes or market consensus providers.

Where market parameters are sourced independently for the marking of financial assets and liabilities, or used as inputs into a valuation model, these are checked for reliability and accuracy, for example by reviewing large daily movements or by referencing other similar sources, or transactions.

Valuation adjustments and reserves are taken to account for close-out costs, model and market parameter uncertainty, and any other factor that may affect valuations. Valuation adjustment and reserve methodologies are approved by the Group Market and Liquidity Risk Committee and governed by the Valuation Policy.

The valuation adjustments and reserves include but are not limited to:

## **DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

#### **27 Fair Value of financial instruments (continued)**

##### **(a) Valuation process (continued)**

###### ***Model and Parameter Uncertainty Adjustments***

Valuation uncertainties may occur during fair value measurement either due to uncertainties in the required input parameters or uncertainties in the modelling methods used in the valuation process. In such situations, adjustments may be necessary to take these factors into account.

For example, where market data such as prices or rates for an instrument are no longer observable after an extended period of time, these inputs used to value the financial instruments may no longer be relevant in the current market conditions. In such situations, adjustments may be necessary to address the pricing uncertainty arising from the use of stale market data inputs.

###### ***Credit Valuation Adjustments***

Credit valuation adjustments are taken to reflect the impact on fair value of counterparty credit risk. Credit valuation adjustments are based upon the creditworthiness of the counterparties, magnitude of the current or potential exposure on the underlying transactions, netting and collateral arrangements, and the maturity of the underlying transactions.

###### ***Funding Valuation Adjustments***

Funding valuation adjustments represent an estimate of the adjustment to fair value that a market participant would make in incorporating funding costs and benefits that arise in relation to uncollateralised derivatives positions.

###### ***Day 1 Profit or Loss (P&L) Reserve***

In situations where the market for an instrument is not active and its fair value is established using a valuation model based on significant unobservable market parameters, the Day 1 P&L reserve is utilised to defer the P&L arising from the difference between the transaction price and the model value. A market parameter is defined as being significant when its impact on the Day 1 P&L is greater than an internally determined threshold. The Day 1 P&L reserve is released to profit or loss as the parameters become observable or the transaction closed out or amortised over the duration of the transaction. As at 30 June 2022, there was no Day 1 P&L reserve (31 December 2021: Nil).



## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 27 Fair Value of financial instruments (continued)

##### (a) Valuation process (continued)

###### *Bid-Offer Adjustments*

The Group often holds, at varying points in time, both long or short positions in financial instruments which are valued using mid market levels. Bid-offer adjustments are then made to account for close-out costs.

##### (b) Fair value hierarchy

The fair value hierarchy accords the highest level to observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities and the lowest level to unobservable inputs. The fair value measurement of each financial instrument is categorised in accordance to the same level of the fair value hierarchy as the input with the lowest level that is significant to the entire measurement. If unobservable inputs are deemed as significant, the financial instrument will be categorised as Level 3.

Financial instruments that are valued using quoted prices in active markets are classified as Level 1 within the fair value hierarchy. These would include government and sovereign securities, listed equities and corporate debt securities which are actively traded. Derivatives contracts which are traded in an active exchange market are also classified as Level 1 of the valuation hierarchy.

Where fair value is determined using quoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group will determine the fair value based on valuation techniques that use market parameters as inputs including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include corporate debt securities, repurchase, reverse repurchase agreements and most of the Group's over-the-counter derivatives.

The Group classifies financial instruments as Level 3 when there is reliance on unobservable market parameters whether used directly to value a financial asset or liability, or used as inputs to a valuation model, attributing to a significant contribution to the instrument value. These would include all input parameters which are derived from historical data, for example, asset correlations or certain volatilities. Level 3 instruments also include unquoted equity securities which are measured based on the net asset value of the investments. In addition, Level 3 inputs include all stale quoted security prices and other approximations (e.g. bonds valued using credit default swap spreads).

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 27 Fair Value of financial instruments (continued)

##### (b) Fair value hierarchy (continued)

The following table presents assets and liabilities measured at fair value, classified by level of the fair value hierarchies:

In HK\$ millions	Level 1	Level 2	Level 3	Total
<b>As at 30 June 2022</b>				
<b>Assets</b>				
Financial assets at FVPL				
– Government securities and treasury bills	12,514	–	–	12,514
– Due from banks	–	–	–	–
– Bank and corporate securities	839	12	–	851
FVOCI financial assets				
– Government securities and treasury bills	35,298	330	–	35,628
– Bank and corporate securities	7,224	–	279	7,503
Derivatives	18	2,688	–	2,706
<b>Liabilities</b>				
Financial liabilities at FVPL				
– Payable in respect of short sale of securities	11,637	–	–	11,637
– Deposits and balances from customers	–	5,693	–	5,693
– Due to banks	–	1,435	–	1,435
Derivatives	36	4,571	–	4,607

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 27 Fair value of financial instruments (continued)

##### (b) Fair value hierarchy (continued)

In HK\$ millions	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2021</b>				
<b>Assets</b>				
Financial assets at FVPL				
– Government securities and treasury bills	4,324	–	–	4,324
– Due from banks	–	219	–	219
– Bank and corporate securities	752	12	–	764
FVOCI financial assets				
– Government securities and treasury bills	24,761	427	–	25,188
– Bank and corporate securities	5,880	–	290	6,170
Derivatives	5	1,383	–	1,388
<b>Liabilities</b>				
Financial liabilities at FVPL				
– Payable in respect of short sale of securities	2,992	–	–	2,992
– Deposits and balances from customers	–	428	–	428
– Due to banks	–	1,323	–	1,323
Derivatives	–	1,754	–	1,754

There were no transfer between fair value hierarchy (2021: Nil). The bank and corporate securities classified as Level 3 comprised mainly unquoted equity securities which were valued based on net asset value of the investments.

##### (c) Fair value of financial assets and liabilities not carried at fair value

For financial assets and liabilities not carried at fair value in the financial statements, the Group has ascertained that their fair values were not materially different from the carrying amounts at period-end as shown below. The bases of arriving at their fair values are as follows:

###### (i) Due from banks

The estimated fair value of placements with and advances to banks is based on the discounted cash flows using the prevailing money market interest rates for placements and advances with similar remaining maturity.

###### (ii) Loans and advances to customers

The fair value approximates their carrying amount as majority of the loans and advances to customers are on floating rate terms.

## **DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

#### **27 Fair Value of financial instruments (continued)**

##### **(c) Fair value of financial assets and liabilities not carried at fair value (continued)**

(iii) Bank and corporate securities – amortised cost

The fair values are determined based on independent market quotes, where available. Where market prices are not available, fair values are estimated using discounted cash flow method. The fair value is set out in Note 16.

(iv) Due to banks and Deposits and balances from customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of deposits and other borrowings with fixed interest rates is based on discounted cash flows using prevailing interest rates with similar remaining maturity.

(v) Certificates of deposit issued

The estimated fair value of certificates of deposit issued is based on discounted cash flows using the prevailing money market interest rates with similar remaining maturity.

(vi) Subordinated liability

The fair value of subordinated liability approximates its carrying amount as it is on floating rate term and bears interest at prevailing market interest rate.

#### **28 Material related-party transactions**

During the period ended 30 June 2022, the Group acquired loans and advances to customers of HK\$30.2 billion (financial year ended 31 December 2021: HK\$27.8 billion) and undrawn commitment of HK\$6.4 billion (financial year ended 31 December 2021: HK\$6.8 billion) from DBS Bank Ltd., HK Branch through direct purchase and funded risk participation. These transactions were conducted on an arm's length basis.

Apart from the foregoing, there were no changes in the related party transaction described in 2021 Annual Report that have had a material impact on the financial position or performance of the Group in the six months ended 30 June 2022.

## DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 29 Notes to the condensed consolidated cash flow statement

##### (a) Analysis of changes in financing activities during the period

In HK\$ millions	Lease liabilities	
	2022	2021
Balance as at 1 January	1,992	2,208
Cash outflow from financing activities	(141)	(147)
Interest element of lease liabilities	11	13
Net changes due to addition and changes of lease terms	31	50
Balance as at 30 June	1,893	2,124

##### (b) Analysis of the balances of cash and cash equivalents

In HK\$ millions	As at	As at
	30 June 2022	30 June 2021
Cash and balances with central banks	9,350	3,558
Due from banks		
– Balances with banks	5,872	5,676
– Placements with and advances to banks repayable with original maturity within three months	83,232	72,116
Bills and notes repayable with original maturity within three months	13,205	9,529
	111,659	90,879