



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 2024**

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 achieved a strong performance for the six months ended 30 June 2024 with income grew 9% to HK\$8,208 million.

Interest income rose 6% to HK\$5,476 million benefited from higher interest rates despite sluggish loan demand. Loans and advances to customers edged up to HK\$264 billion while deposits and balances from customers were stable at HK\$390 billion from the end of 2023. Net interest margin increased to 2.41% for the first-half 2024. Non-interest income also grew 16% to HK\$2,732 million led by wealth management.

Expenses for the period rose 10% to HK\$3,152 million largely due to a one-off cost recovery in prior period and higher staff costs for the first-half 2024. Cost to income ratio remained healthy at 38%. Operating profits for the period were HK\$5,056 million, a growth of 8% compared to the same period of last year.

Allowances for credit and other losses were HK\$628 million for the period, mainly attributable to higher general allowances while a write back was reported in prior year. Specific allowances were HK\$225 million, 10% higher comparing with the same period of last year. The allowance reserves amounted to HK\$3,851 million, allowance coverage was maintained at an adequate level of 106%.

Net profit was HK\$3,725 million for the six months ended 30 June 2024. Return on equity was at 15.8%.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENT (unaudited)

In HK\$ millions	Note	For the six months ended	
		30 June 2024	30 June 2023
Interest income	3	10,961	9,376
Interest expense	4	(5,485)	(4,186)
Net interest income		5,476	5,190
Net fee and commission income	5	2,095	1,738
Net trading income	6	589	541
Net income from investment securities	7	17	43
Other income	8	31	34
Total income		8,208	7,546
Total expenses	9	(3,152)	(2,869)
Profit before allowances for credit and other losses		5,056	4,677
Allowances for credit and other losses	10	(628)	(185)
Profit before income tax		4,428	4,492
Income tax expense	11	(703)	(701)
Profit attributable to shareholders		3,725	3,791

The notes on page 8 to 32 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 2024	30 June 2023
Profit attributable to shareholders	3,725	3,791
Other comprehensive income:		
Items that may be reclassified subsequently to income statement:		
Debt instruments classified at fair value through other comprehensive income ("FVOCI")		
– Net valuation taken to equity	33	114
– Transferred to income statement	(6)	(8)
– Deferred income tax credited to equity	(5)	(24)
Cash flow hedge		
– Net valuation taken to equity	(331)	(335)
– Transferred to income statement	434	274
– Deferred income tax credited to equity	(17)	10
Items that will not be reclassified to income statement:		
Equity instruments classified at FVOCI		
– Net valuation taken to equity	182	(11)
Other comprehensive income attributable to shareholders, net of tax	290	20
Total comprehensive income attributable to shareholders	4,015	3,811

The notes on page 8 to 32 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 2024	As at 31 December 2023
Assets			
Cash and balances with central banks	13	3,146	1,415
Government securities and treasury bills	14	69,767	63,577
Due from banks	15	90,152	102,247
Derivatives	22	4,250	3,010
Bank and corporate securities	16	35,700	22,169
Loans and advances to customers	17	264,273	262,591
Other assets	18	6,358	8,782
Properties and other fixed assets	19	3,730	3,830
		<u>477,376</u>	<u>467,621</u>
Total assets		<u>477,376</u>	<u>467,621</u>
Liabilities			
Due to banks		12,276	8,560
Deposits and balances from customers	20	390,237	390,599
Derivatives	22	3,853	3,558
Other liabilities		17,965	15,833
Subordinated liability	21	2,342	2,343
		<u>426,673</u>	<u>420,893</u>
Total liabilities		<u>426,673</u>	<u>420,893</u>
Equity			
Share capital		8,995	8,995
Other equity instruments	23	1,400	1,400
Reserves		40,308	36,333
		<u>50,703</u>	<u>46,728</u>
Total equity		<u>50,703</u>	<u>46,728</u>
Total liabilities and equity		<u>477,376</u>	<u>467,621</u>

The notes on page 8 to 32 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 2024	8,995	1,400	(15)	36,348	46,728
Total comprehensive income	–	–	290	3,725	4,015
Dividends (Note 12)	–	–	–	(40)	(40)
Balance as at 30 June 2024	<u>8,995</u>	<u>1,400</u>	<u>275</u>	<u>40,033</u>	<u>50,703</u>
Balance as at 1 January 2023	8,995	1,400	(1,559)	34,607	43,443
Total comprehensive income	–	–	20	3,791	3,811
Dividends (Note 12)	–	–	–	(40)	(40)
Balance as at 30 June 2023	8,995	1,400	(1,539)	38,358	47,214
Total comprehensive income	–	–	1,524	3,490	5,014
Dividends (Note 12)	–	–	–	(5,500)	(5,500)
Balance as at 31 December 2023	<u>8,995</u>	<u>1,400</u>	<u>(15)</u>	<u>36,348</u>	<u>46,728</u>

As at 30 June 2024, HK\$176 million was earmarked from the retained earnings (31 December 2023: HK\$573 million). The regulatory reserve is 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 (“HKMA”).

The notes on page 8 to 32 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 2024	30 June 2023
Cash flows from operating activities			
Profit before income tax		4,428	4,492
Adjustments for non-cash items:			
Allowances for credit and other losses		628	185
Depreciation and amortisation		251	266
Advances and other assets written off		(263)	(214)
Recoveries of advances and other assets written off		33	29
Interest expense for subordinated liability		86	78
Interest expense on lease liabilities	27(a)	11	9
Profit before changes in operating assets and liabilities		5,174	4,845
Increase/(decrease) in:			
Due to banks		3,716	(1,005)
Deposits and balances from customers		(362)	(30,787)
Other liabilities and derivatives		1,905	8,355
Certificates of deposit issued		–	(2,098)
Decrease/(increase) in:			
Due from banks		(7,026)	(1,766)
Government securities and treasury bills		(1,169)	(8,723)
Loans and advances to customers		(2,062)	7,621
Bank and corporate securities		(13,340)	758
Other assets and derivatives		1,217	(788)
Net cash used in operating activities before income tax		(11,947)	(23,588)
Hong Kong profits tax paid		–	(221)
Overseas tax paid		–	(1)
Net cash used in operating activities		(11,947)	(23,810)

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 2024	30 June 2023
Cash flows from investing activities			
Purchase of fixed assets		<u>(166)</u>	<u>(88)</u>
Net cash used in investing activities		<u>(166)</u>	<u>(88)</u>
Cash flows from financing activities			
Principal element of lease payments	27(a)	(131)	(130)
Interest element of lease payments	27(a)	(11)	(9)
Dividends Paid*	12	(40)	(40)
Interest paid for subordinated liability		<u>(86)</u>	<u>(77)</u>
Net cash used in financing activities		<u>(268)</u>	<u>(256)</u>
Exchange differences and other adjustments		<u>(1)</u>	<u>11</u>
Net change in cash and cash equivalents		(12,382)	(24,143)
Cash and cash equivalents as at 1 January		<u>87,867</u>	<u>97,450</u>
Cash and cash equivalents as at 30 June	27(b)	<u>75,485</u>	<u>73,307</u>

* includes distributions paid on capital securities classified as equity (2024: HK\$40 million; 2023: HK\$40 million)

The notes on page 8 to 32 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 <https://www.dbs.com/hongkong/en/financials/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 consolidated financial statements for the year ended 31 December 2023 as disclosed in the Annual Report for 2023.

The adoption of new or amendments to HKFRS and interpretations effective from 1 January 2024 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 2023.

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 2023 that is included in this Group Interim Financial Disclosures Statements 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 2023 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 together with Regulatory Disclosure Statements fulfill the disclosure requirements in accordance with the Banking (Disclosure) Rules.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

3 Interest income

In HK\$ millions	For the six months ended	
	30 June 2024	30 June 2023
Cash and balances with central banks and due from banks	2,583	1,792
Customer non-trade loans	6,278	5,902
Trade assets	285	307
Securities and others	1,815	1,375
Total interest income	<u>10,961</u>	<u>9,376</u>
Comprising:		
Interest income from financial assets at fair value through profit or loss ("FVPL")	172	166
Interest income from financial assets at FVOCI	1,240	900
Interest income from financial assets at amortised cost	9,549	8,310
	<u>10,961</u>	<u>9,376</u>

4 Interest expense

In HK\$ millions	For the six months ended	
	30 June 2024	30 June 2023
Deposits and balances from customers	5,154	3,821
Interest expense on subordinated liability	86	78
Other interest expense	245	287
Total interest expense	<u>5,485</u>	<u>4,186</u>
Comprising:		
Interest expense from financial liabilities at FVPL	329	134
Interest expense from financial liabilities not at FVPL ^(a)	5,156	4,052
	<u>5,485</u>	<u>4,186</u>

^(a) Includes interest expense on lease liabilities of HK\$11 million (2023: HK\$9 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 2024	30 June 2023
Fee and commission income	2,451	2,082
Less: Fee and commission expense	(356)	(344)
Net fee and commission income	2,095	1,738
Comprising:		
– Wealth management	1,297	1,040
– Trade and transaction services ^(a)	469	411
– Cards	162	130
– Loan-related	167	157
	2,095	1,738
^(a) Includes trade & remittances, guarantees and deposit-related fees.		
Of which:		
Fee and commission income arising from:		
– Financial assets or financial liabilities not at FVPL	693	614
– Trust or other fiduciary activities	42	39
Fee and commission expense arising from:		
– Financial assets or financial liabilities not at FVPL	279	258

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 2024	30 June 2023
Net trading income		
– Foreign exchange	520	508
– Interest rates, equities and others	17	(47)
	<u>537</u>	<u>461</u>
Net gain from financial instruments designated at fair value		
	<u>52</u>	<u>80</u>
	<u>589</u>	<u>541</u>

7 Net income from investment securities

In HK\$ millions	For the six months ended	
	30 June 2024	30 June 2023
Debt securities at:		
– FVOCI	9	8
– Amortised cost	2	20
Equity securities at FVOCI	6	15
	<u>17</u>	<u>43</u>
Total	<u>17</u>	<u>43</u>
Of which:		
Dividend income from:		
– Unlisted investments	6	15
	<u>6</u>	<u>15</u>
Total	<u>6</u>	<u>15</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 2024	30 June 2023
Rental income	11	10
Others	20	24
Total	<u>31</u>	<u>34</u>

9 Total expenses

In HK\$ millions	For the six months ended	
	30 June 2024	30 June 2023
Employee benefits		
– Salaries and other short-term employee benefits	2,036	1,862
– Pensions	116	108
– Share-based compensation	50	50
Premises and equipment expenses excluding depreciation		
– Expenses relating to short-term leases and low-value assets	3	2
– Others	107	87
Depreciation expenses		
– Owned properties and other fixed assets	121	137
– Leased properties and other fixed assets	130	129
Auditor's remuneration	5	5
Computerisation expenses	177	160
Other operating expenses	407	329
Total	<u>3,152</u>	<u>2,869</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 2024	30 June 2023
Specific allowances		
Loans and advances to customers	225	204
Off-balance sheet credit exposures and other assets	–	1
General allowances		
Loans and advances to customers	386	(3)
Off-balance sheet credit exposures and other assets	17	(17)
Total	<u>628</u>	<u>185</u>

11 Income tax expense

In HK\$ millions	For the six months ended	
	30 June 2024	30 June 2023
Hong Kong profits tax	759	661
Overseas tax	1	3
Current income tax	760	664
Deferred income tax	(57)	37
	<u>703</u>	<u>701</u>

Hong Kong profits tax has been provided at 16.5% (first half of 2023: 16.5%) on the estimated assessable profits for the period. Taxation for an overseas branch is charged at the appropriate current rate of taxation ruling in the jurisdiction in which it operates.

12 Dividends

The distributions paid on Perpetual Capital Securities (“PCS”) were HK\$40 million during 2024.

Interim dividend of HK\$5,500 million for ordinary shareholders and distributions of HK\$40 million for holder of PCS were paid during 2023.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

13 Cash and balances with central banks

In HK\$ millions	As at 30 June 2024	As at 31 December 2023
Cash in hand	591	631
Balances with central banks	<u>2,555</u>	<u>784</u>
	<u>3,146</u>	<u>1,415</u>

14 Government securities and treasury bills

In HK\$ millions	As at 30 June 2024	As at 31 December 2023
Mandatorily at FVPL	6,561	2,950
FVOCI	53,271	50,460
Amortised cost	<u>9,935</u>	<u>10,168</u>
	69,767	63,578
Allowances for credit and other losses	<u>—</u>	<u>(1)</u>
	<u>69,767</u>	<u>63,577</u>

As at 30 June 2024, there were no impaired, overdue or rescheduled FVOCI and amortised cost financial assets (31 December 2023: Nil).

As at 30 June 2024, the fair value of the above debt securities classified as amortised cost was HK\$9,741 million (31 December 2023: HK\$10,037 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 2024	As at 31 December 2023
Balances with banks	6,626	7,342
Placements with and advances to banks	<u>83,527</u>	<u>94,906</u>
Gross amount due from banks	90,153	102,248
Allowances for credit and other losses	<u>(1)</u>	<u>(1)</u>
Net amount due from banks	<u><u>90,152</u></u>	<u><u>102,247</u></u>

As at 30 June 2024, there were no impaired, overdue or rescheduled placements with and advances to banks (31 December 2023: Nil).

16 Bank and corporate securities

In HK\$ millions	As at 30 June 2024	As at 31 December 2023
Mandatorily at FVPL	9,316	793
FVOCI	14,095	11,802
Amortised cost	<u>12,293</u>	<u>9,575</u>
	35,704	22,170
Allowances for credit and other losses	<u>(4)</u>	<u>(1)</u>
	<u><u>35,700</u></u>	<u><u>22,169</u></u>

As at 30 June 2024, there were no impaired, overdue or rescheduled FVOCI and amortised cost financial assets (31 December 2023: Nil).

As at 30 June 2024, the fair value of the above debt securities classified as amortised cost was HK\$12,141 million (31 December 2023: HK\$9,494 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 2024	As at 31 December 2023
Gross loans and advances to customers	267,842	265,880
Reverse repurchase agreements	119	–
Less: Allowances for credit and other losses		
– Specific allowances	(1,253)	(1,240)
– General allowances	(2,435)	(2,049)
	<u>264,273</u>	<u>262,591</u>
Comprising:		
– Trade bills	4,325	1,374
– Loans	259,829	261,217
– Reverse repurchase agreements	119	–
	<u>264,273</u>	<u>262,591</u>

Impaired advances

	As at 30 June 2024		As at 31 December 2023	
	HK\$ millions	% of gross loans and advances to customers	HK\$ millions	% of gross loans and advances to customers
Gross impaired advances	3,493	1.30	2,938	1.11
Specific allowances	(1,253)		(1,240)	
	<u>2,240</u>		<u>1,698</u>	
Impaired advances covered by collateral	<u>1,971</u>		<u>1,357</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
2024						
Specific allowances						
Loans and advances to customers	1,240	225	33	(263)	18	1,253
Others ^(a)	7	-	-	-	1	8
Total specific allowances	1,247	225	33	(263)	19	1,261
General allowances						
Loans and advances to customers	2,049	386	-	-	-	2,435
Others ^(a)	138	17	-	-	-	155
Total general allowances	2,187	403	-	-	-	2,590
Total allowances for credit and other losses	3,434	628	33	(263)	19	3,851

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 30 June
2023						
Specific allowances						
Loans and advances to customers	1,459	204	29	(214)	28	1,506
Others ^(a)	8	1	-	-	-	9
Total specific allowances	1,467	205	29	(214)	28	1,515
General allowances						
Loans and advances to customers	2,005	(3)	-	-	-	2,002
Others ^(a)	156	(17)	-	-	-	139
Total general allowances	2,161	(20)	-	-	-	2,141
Total allowances for credit and other losses	3,628	185	29	(214)	28	3,656

^(a) Includes allowances for off-balance sheet exposures, other assets, government securities and treasury bills, bank and corporate securities and due from banks.

18 Other assets

The balance as at 30 June 2024 included allowances for credit and other losses of HK\$11 million (31 December 2023: HK\$9 million).

19 Properties and other fixed assets

In HK\$ millions	As at 30 June 2024	As at 31 December 2023
Owned properties and other fixed assets (a)	2,167	2,122
Leased properties and other fixed assets (b)	1,563	1,708
	3,730	3,830

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 2024	23	2,335	2,848	5,206	33	5,239
Additions	–	2	164	166	–	166
Disposals/written off	–	(4)	(30)	(34)	–	(34)
As at 30 June 2024	<u>23</u>	<u>2,333</u>	<u>2,982</u>	<u>5,338</u>	<u>33</u>	<u>5,371</u>
Accumulated depreciation and impairment						
As at 1 January 2024	17	977	2,102	3,096	21	3,117
Charge for the period	–	7	114	121	–	121
Disposals/written off	–	(4)	(30)	(34)	–	(34)
As at 30 June 2024	<u>17</u>	<u>980</u>	<u>2,186</u>	<u>3,183</u>	<u>21</u>	<u>3,204</u>
Net book value						
As at 30 June 2024	<u><u>6</u></u>	<u><u>1,353</u></u>	<u><u>796</u></u>	<u><u>2,155</u></u>	<u><u>12</u></u>	<u><u>2,167</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 2023	23	2,350	2,643	5,016	33	5,049
Additions	–	25	247	272	–	272
Disposals/written off	–	(40)	(42)	(82)	–	(82)
As at 31 December 2023	23	2,335	2,848	5,206	33	5,239
Accumulated depreciation and impairment						
As at 1 January 2023	17	997	1,895	2,909	21	2,930
Charge for the year	–	20	248	268	–	268
Disposals/written off	–	(40)	(41)	(81)	–	(81)
As at 31 December 2023	17	977	2,102	3,096	21	3,117
Net book value						
As at 31 December 2023	6	1,358	746	2,110	12	2,122

(b) Leased properties and other fixed assets

In HK\$ millions	Properties	Other fixed assets	Total
As at 1 January 2024	1,586	122	1,708
Additions of right-of-use assets during the period	5	–	5
Changes of lease terms	(20)	–	(20)
Depreciation charge for the period	(120)	(10)	(130)
Balance as at 30 June 2024	1,451	112	1,563

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 2023	1,602	141	1,743
Additions of right-of-use assets during the year	186	–	186
Changes of lease terms	43	–	43
Depreciation charge for the year	(245)	(19)	(264)
Balance as at 31 December 2023	<u>1,586</u>	<u>122</u>	<u>1,708</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 2024	As at 31 December 2023
Deposits from customers at amortised cost	382,037	381,519
Structured investment deposits classified as financial liabilities designated at FVPL	8,200	9,080
	<u>390,237</u>	<u>390,599</u>
Analysed by:		
– Demand deposits and current accounts	45,423	49,561
– Savings deposits	140,046	140,563
– Time, call and notice deposits	204,768	200,475
	<u>390,237</u>	<u>390,599</u>

21 Subordinated liability

On 13 December 2022, the Bank issued a new subordinated loan (the "Loan") of US\$300 million to DBS Group Holdings Ltd ("DBSH"). Interest on the Loan is payable quarterly at USD 3-month Secured Overnight Financing Rate ("SOFR") plus 1.87% per annum. The Loan has a repayment date of 13 December 2032 and may be prepaid on 13 December 2027 or any date thereafter. The terms require the Loan 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 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 qualifies 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)

22 Derivatives

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

In HK\$ millions	Contract/ notional amount	Positive fair values	Negative fair values
As at 30 June 2024			
Interest rate derivatives			
– Interest rate swaps	81,921	835	2,556
Sub-total	<u>81,921</u>	<u>835</u>	<u>2,556</u>
Foreign exchange (FX) derivatives			
– FX contracts	78,195	454	393
– Currency swaps	26,476	2,391	337
– Currency options	46,408	455	455
Sub-total	<u>151,079</u>	<u>3,300</u>	<u>1,185</u>
Equity derivative contracts	4,025	101	101
Credit derivative contracts	4,474	5	2
Commodity derivative contracts	186	9	9
Gross total derivatives	<u>241,685</u>	<u>4,250</u>	<u>3,853</u>
Included in the above are derivatives held for:			
Fair value hedges			
– Interest rate swaps	165	–	1
Sub-total	<u>165</u>	<u>–</u>	<u>1</u>
Cash flow hedges			
– Interest rate swaps	30,300	–	1,792
– FX contracts	2,679	22	–
– Currency swaps	9,291	2,054	–
Sub-total	<u>42,270</u>	<u>2,076</u>	<u>1,792</u>
Total derivatives held for hedging	<u>42,435</u>	<u>2,076</u>	<u>1,793</u>

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

22 Derivatives (continued)

In HK\$ millions	Contract/ notional amount	Positive fair values	Negative fair values
As at 31 December 2023			
Interest rate derivatives			
– Interest rate swaps	76,073	849	2,663
Sub-total	<u>76,073</u>	<u>849</u>	<u>2,663</u>
Foreign exchange (FX) derivatives			
– FX contracts	88,798	640	516
– Currency swaps	18,005	1,329	186
– Currency options	42,935	149	150
Sub-total	<u>149,738</u>	<u>2,118</u>	<u>852</u>
Equity derivative contracts	1,444	40	40
Credit derivative contracts	–	–	–
Commodity derivative contracts	172	3	3
Gross total derivatives	<u>227,427</u>	<u>3,010</u>	<u>3,558</u>
Included in the above are derivatives held for:			
Fair value hedges			
– Interest rate swaps	–	–	–
Sub-total	<u>–</u>	<u>–</u>	<u>–</u>
Cash flow hedges			
– Interest rate swaps	30,600	–	1,882
– FX contracts	–	–	–
– Currency swaps	9,387	1,207	65
Sub-total	<u>39,987</u>	<u>1,207</u>	<u>1,947</u>
Total derivatives held for hedging	<u>39,987</u>	<u>1,207</u>	<u>1,947</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)

23 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.

24 Contingent liabilities and commitments

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

In HK\$ millions	As at 30 June 2024	As at 31 December 2023
Direct credit substitutes	139	151
Transaction-related contingencies	5,243	5,327
Trade-related contingencies	5,831	6,145
Forward forward deposits placed	1,562	–
Other commitments with an original maturity of not more than one year	7,012	4,754
Other commitments with an original maturity of more than one year	24,143	25,718
Other commitments which are unconditionally cancellable	<u>189,188</u>	<u>199,441</u>
	<u>233,118</u>	<u>241,536</u>
Credit risk-weighted amount	<u>26,626</u>	<u>25,138</u>

The information is prepared with reference to the Banking (Capital) Rules.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

25 Fair Value of financial instruments

(a) Valuation process

The valuation processes within the Group are governed by the Valuation Policy and Supporting Standards. These policy and standards apply to financial assets and liabilities where mark-to-market or model valuation is required. The overall framework is endorsed by Group Market and Liquidity Risk Committee and Risk Executive Committee before approval by the Board Risk Management Committee.

The Valuation policy and Supporting Standards govern the revaluation of all financial assets and liabilities that are fair value measured, covering both market prices as well as model inputs. Financial assets and liabilities are marked directly using reliable and independent market prices or by using reliable and independent market parameters (as model inputs) in conjunction with a valuation model. Products with a liquid market or those traded via an exchange will fall under the former while most over-the-counter (“OTC”) products will form the latter. Market parameters include interest rate yield curves, credit spreads, exchange prices, dividend yields, option volatilities and foreign exchange rates.

Valuation models go through an assurance process carried out by the Risk Management Group, independent of the model developers. This assurance process would review 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.

The majority of OTC derivatives are traded in active markets. Valuations are determined using generally accepted models (discounted cash flows, Black-Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlying instruments or market parameters.

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 sources or market consensus providers. The results of the IPV are reviewed by independent control functions on a monthly basis.

For illiquid financial instruments where mark-to-market is not possible, the Group will value these products using an approved valuation model. Prices and parameters used as inputs to the model or to any intermediate technique involving a transformation process must be derived using approved market reliable sources. Where possible, the inputs must be checked against multiple sources for reliability and accuracy. Reliance will be placed on the model assurance process established by Risk Management Group for assurance of valuation models as fit for purpose.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

25 Fair Value of financial instruments (continued)

(a) Valuation process (continued)

The Group uses various market accepted benchmark interest rates such as SOFR and Swap Offer Rates to determine the fair value of the financial instruments.

Where unobservable inputs are used in these models resulting in Level 3 classification, valuation adjustments or reserves will be taken for the purpose of adjusting for uncertainty in valuations. Valuation adjustment or reserve methodologies are used to substantiate the unobservable inputs and attempt to quantify the level of uncertainty in valuations. Such methodologies are governed by the Valuation Policy and Supporting Standards and require approval by the Group Market and Liquidity Risk Committee.

The main valuation adjustments and reserves are described below:

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.

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, 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 2024, there was no Day 1 P&L reserve (31 December 2023: Nil).

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

25 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, instruments valued using other approximations and stale quoted security prices.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

25 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
As at 30 June 2024				
Assets				
Financial assets at FVPL				
– Government securities and treasury bills	6,561	–	–	6,561
– Bank and corporate securities	–	9,316	–	9,316
– Loans and advances to customers	–	119	–	119
FVOCI financial assets				
– Government securities and treasury bills	53,271	–	–	53,271
– Bank and corporate securities	8,069	4,699	1,327	14,095
Derivatives	–	4,250	–	4,250
Liabilities				
Financial liabilities at FVPL				
– Payable in respect of short sale of securities	3,724	–	–	3,724
– Deposits and balances from customers	–	8,200	–	8,200
– Due to banks	–	4,052	–	4,052
Derivatives	–	3,853	–	3,853

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

25 Fair value of financial instruments (continued)

(b) Fair value hierarchy (continued)

In HK\$ millions	Level 1	Level 2	Level 3	Total
As at 31 December 2023				
Assets				
Financial assets at FVPL				
– Government securities and treasury bills	2,950	–	–	2,950
– Bank and corporate securities	–	793	–	793
– Loans and advances to customers	–	–	–	–
FVOCI financial assets				
– Government securities and treasury bills	50,460	–	–	50,460
– Bank and corporate securities	8,143	3,295	364	11,802
Derivatives	–	3,010	–	3,010
Liabilities				
Financial liabilities at FVPL				
– Payable in respect of short sale of securities	1,793	–	–	1,793
– Deposits and balances from customers	–	9,080	–	9,080
– Due to banks	–	2,733	–	2,733
Derivatives	–	3,558	–	3,558

During the period, there was transfer of financial assets of HK\$781 million from Level 2 to Level 3 due to no active market quote in the past 90 days (31 December 2023: Nil).

(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 condensed consolidated financial statements, the Group has ascertained that their fair values were not materially different from their 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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

25 Fair Value of financial instruments (continued)

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

(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.

(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) 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.

26 Material related party transactions

During the period ended 30 June 2024, the Group acquired a portfolio of loans and advances to customers of HK\$1.3 billion (financial year ended 31 December 2023: HK\$12.2 billion) and undrawn commitment of HK\$0.2 billion (financial year ended 31 December 2023: HK\$1.0 billion) from DBS Bank Ltd., HK Branch through funded risk participation (financial year ended 31 December 2023: direct purchase or 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 2023 Annual Report that have had a material impact on the financial position or performance of the Group in the six months ended 30 June 2024.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

27 Notes to the condensed consolidated cash flow statement

a. Analysis of changes in financing activities during the period

In HK\$ millions	Lease liabilities	
	2024	2023
Balance as at 1 January	1,790	1,823
Cash outflow from financing activities	(142)	(139)
Interest element of lease liabilities	11	9
Net changes due to addition and changes of lease terms	(15)	–
Balance as at 30 June	<u>1,644</u>	<u>1,693</u>

b. Analysis of the balances of cash and cash equivalents

In HK\$ millions	As at	As at
	30 June 2024	30 June 2023
Cash and balances with central banks	3,146	2,583
Due from banks		
– Balances with banks	6,626	5,694
– Placements with and advances to banks repayable with original maturity within three months	48,638	44,690
Bills and notes repayable with original maturity within three months	17,075	20,340
	<u>75,485</u>	<u>73,307</u>