星展銀行DBS

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 2018

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 profit attributable to shareholders for the six months ended 30 June 2018 amounted to HK$2,935 million, 59% higher than the same period of last year. If property disposal gain of HK$484 million was excluded, profit attributable to shareholders increased by 33% mainly from the 29% increase in net interest income and 35% increase in fee and commission income. The growth in net interest income was driven by deposit franchise, higher asset volume and interest rate hike, while the growth in fee and commission income was driven by wealth and cash management business.

Expenses for the period were HK$2,452 million, 11% higher than last year mainly attributable to the investment in business growth. Cost to income ratio excluding property disposal gain improved to 44.3% from 49.0% a year ago. Credit environment remained benign. Allowances for credit and other losses were HK$134 million for the period.

Comparing to 31 December 2017, loans and advances to customers increased by 5% to HK$161 billion and customer deposits rose by 6% to HK$346 billion.

The Bank's financial position remained strong. Total capital adequacy ratio was solid at 18.8% as at 30 June 2018. Liquidity was ample, with the average liquidity coverage ratio at 135% for the quarter ended 30 June 2018, which was well above the minimum requirement of 90% as stipulated by the Hong Kong Monetary Authority.

DBS BANK (HONG KONG) LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENT (unaudited)

		For the six months ended	
		30 June	30 June
In HK$ million	**Note**	**2018**	2017
Interest income	3	**4,896**	3,612
Interest expense	4	**(1,268)**	(789)
Net interest income		**3,628**	2,823
Net fee and commission income	5	**1,563**	1,158
Net trading income	6	**293**	455
Net income from investment securities	7	**4**	27
Other income	8	**526**	43
Total income		**6,014**	4,506
Total expenses	9	**(2,452)**	(2,209)
Profit before allowances for credit and other losses		**3,562**	2,297
Allowances for credit and other losses	10	**(134)**	(79)
Profit before income tax		**3,428**	2,218
Income tax expense	11	**(493)**	(370)
Profit attributable to shareholders		**2,935**	1,848

The notes of page 8 to 38 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$ million	For the six months ended 30 June 2018	30 June 2017
Profit attributable to shareholders	**2,935**	1,848
Other comprehensive income		
Debt instruments classified at fair value through other comprehensive income/Available-for-sale financial investments		
– Net valuation taken to equity	**(62)**	157
– Transferred to income statement	**4**	(20)
– Deferred income tax charged to equity	**9**	(21)
Other comprehensive income attributable to shareholders, net of tax	**(49)**	116
Total comprehensive income attributable to shareholders	**2,886**	1,964

Items recorded in “Other comprehensive income” above will be reclassified subsequently to the income statement when specific conditions are met, e.g. when debt securities classified as “Fair Value through Other Comprehensive Income” are disposed.

After the adoption of HKFRS 9 on 1 Jan 2018, realised gains or losses on equity instruments classified as “Fair Value through Other Comprehensive Income” are not reclassified to the income statement. Previously, HKAS 39 required realised gains or losses on available-for-sale equity instruments to be reclassified to the income statement.

The notes of page 8 to 38 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$ million	Note	As at 30 June 2018	As at 31 December 2017
Assets			
Cash and balances with central banks	12	**2,816**	2,911
Government securities and treasury bills	13	**37,419**	20,111
Due from banks	14	**214,213**	200,726
Derivatives	22	**769**	1,188
Bank and corporate securities	15	**10,063**	11,095
Loans and advances to customers	16	**160,700**	153,163
Other assets	17	**6,827**	5,471
Properties and other fixed assets	18	**1,952**	1,986
Goodwill and intangibles		**168**	168
Total assets		**434,927**	396,819
Liabilities			
Due to banks		**12,094**	7,666
Deposits and balances from customers	19	**345,556**	327,483
Derivatives	22	**1,167**	883
Certificates of deposit issued	20	**4,383**	4,189
Other liabilities		**27,806**	13,708
Subordinated liability	21	**4,238**	4,220
Total liabilities		**395,244**	358,149
Equity			
Share capital		**8,995**	8,995
Reserves		**30,688**	29,675
Total equity		**39,683**	38,670
Total liabilities and equity		**434,927**	396,819

The notes of page 8 to 38 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$ million	Share capital	Capital reserve	Revaluation reserves	General reserve	Retained earnings	Total equity
Balance as at 1 January 2017	8,995	12	(138)	2,399	23,867	35,135
Total comprehensive income	–	–	116	–	1,848	1,964
Dividend	–	–	–	–	(423)	(423)
Balance as at 30 June 2017	8,995	12	(22)	2,399	25,292	36,676
Total comprehensive income	–	–	(55)	–	2,049	1,994
Balance as at 31 December 2017	8,995	12	(77)	2,399	27,341	38,670
Balance as at 1 January 2018	**8,995**	**12**	**(77)**	**2,399**	**27,341**	**38,670**
Impact of adopting HKFRS 9 on 1 January 2018	**–**	**–**	**96**	**–**	**(414)**	**(318)**
Total comprehensive income	**–**	**–**	**(49)**	**–**	**2,935**	**2,886**
Dividend	**–**	**–**	**–**	**–**	**(1,555)**	**(1,555)**
Balance as at 30 June 2018	**8,995**	**12**	**(30)**	**2,399**	**28,307**	**39,683**

As at 30 June 2018, HK$494 million (31 December 2017: HK$1,031million) was earmarked as the regulatory reserve from the retained earnings. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.

The notes of page 8 to 38 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 2018	30 June 2017
Cash flows from operating activities			
Profit before income tax		**3,428**	2,218
Adjustments for non-cash items:			
Net gain on disposal of asset held for sale		**(484)**	–
Allowances for credit losses		**134**	79
Depreciation and amortisation		**133**	142
Advances written off net of recoveries		**(184)**	(204)
Interest expense for subordinated liability		**75**	75
Profit before changes in operating assets and liabilities		**3,102**	2,310
Increase/(decrease) in:			
Due to banks		**4,428**	(3,184)
Deposits and balances from customers		**18,073**	(2,486)
Other liabilities and derivatives		**13,958**	7,902
Certificates of deposit issued		**194**	(440)
(Increase)/decrease in:			
Due from banks		**(18,919)**	(15,705)
Government securities and treasury bills		**(1,813)**	(122)
Loans and advances to customers		**(8,005)**	3,251
Bank and corporate securities		**1,045**	1,814
Other assets and derivatives		**(927)**	3,305
Net cash generated from/(used in) operating activities before income tax		**11,136**	(3,355)
Hong Kong profits tax payment		**(84)**	–
Net cash generated from/(used in) operating activities		**11,052**	(3,355)
Cash flows from investing activities			
Purchase of fixed assets		**(99)**	(97)
Proceeds from disposal of properties		**594**	–
Net cash generated from/(used in) investing activities		**495**	(97)

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 2018	30 June 2017
Cash flows from financing activities			
Dividend paid		**(1,555)**	(423)
Interest paid for subordinated liability		**(73)**	(79)
Net cash used in financing activities		**(1,628)**	(502)
Exchange differences and other adjustments		**17**	27
Net change in cash and cash equivalents		**9,936**	(3,927)
Cash and cash equivalents as at 1 January		**85,984**	61,983
Cash and cash equivalents as at 30 June	26(b)	**95,920**	58,056

The notes of page 8 to 38 form part of these condensed consolidated financial statements

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.

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 Institution of Certificate Public Accountants and are the same as those applied in preparing the financial statements for the year ended 31 December 2017 as disclosed in the Annual Report and Financial Statements for 2017. Certain comparative figures have been re-presented to conform to current period presentation.

2.2 New and amended standards and interpretations

HKFRS 9 Financial Instruments

During the period, the Group has adopted the HKFRS 9, which replaces the existing guidance in HKAS 39, includes revised guidance on the classification and measurement of financial instruments; more timely recognition of expected credit losses ("ECL") of financial assets; and introduces revised requirements for general hedge accounting. Except for the provisions relating to the presentation of gains and losses on financial liabilities designated at fair value, which were earlier adopted by the Group from 1 January 2017, the requirements of HKFRS 9 were adopted from 1 January 2018.

Classification and subsequent measurement of financial assets

HKFRS 9 replaces the classification and measurement model in HKAS 39 with a model that categorises debt- like financial assets based on the business model within which the assets are managed, and whether the assets constitute a "basic lending arrangement" where their contractual cash flows represent solely payments of principal and interest ("SPPI").

2 Basis of preparation (continued)

2.2 New and amended standards and interpretations (continued)

Classification and subsequent measurement of financial assets (continued)

- Debt instruments are measured at amortised cost when they are in a "hold to collect" ("HTC") business model and have contractual cash flows that are SPPI in nature. The objective of a HTC business model is to collect contractual principal and interest cash flows. Sales are incidental to the objective and expected to be either insignificant or infrequent.

- Debt instruments are measured at fair value through other comprehensive income ("FVOCI") when they are in a "hold to collect & sell" ("HTC&S") business model and have cash flows that are SPPI in nature. Both the collection of contractual cash flows and sales are integral to achieving the objective of the HTC&S business model.

  Unrealised gains or losses on FVOCI debt instruments are recorded in other comprehensive income and accumulated in FVOCI reserves. When they are sold, the accumulated fair value adjustments in FVOCI are reclassified to the income statement as "Net income from investment securities".

- Debt instruments are measured at fair value through profit or loss ("FVPL") when:

  i. the assets are not SPPI in nature;

  ii. the assets are not part of a "HTC" or "HTC & S" business model; or

  iii. the assets are designated at FVPL so as to eliminate or significantly reduce the measurement or recognition inconsistencies that would otherwise arise from measuring assets or liabilities on different bases.

  Realised and unrealised gains or losses on FVPL financial assets, except interest income, are taken to "Net trading income" in the income statement in the period they arise.

- Subsequent changes in fair value of non-trading equity instruments can be taken through profit or loss or other comprehensive income, as elected. The Group generally elects its non-trading equity instruments to be classified as FVOCI. Other than dividend income, gains and losses on FVOCI equity instruments are recorded in other comprehensive income and accumulated in FVOCI reserves, and are not reclassified to profit or loss upon derecognition.

2 Basis of preparation (continued)

2.2 New and amended standards and interpretations (continued)

Classification and subsequent measurement of financial assets (continued)

- Derivatives (including derivatives embedded in financial liabilities but separated for accounting purposes) are also classified as held for trading unless they are designated as hedging instruments. Derivatives are classified as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives other than those designated as hedging instruments in cash flow or net investment hedges are included in "Net trading income".

- Reclassification of financial assets are prohibited unless the Group changes its business model for managing financial assets. In practice, this is expected to be infrequent.

Expected Credit Loss ("ECL")

HKFRS 9 introduces a new impairment model that requires the recognition of ECL for all financial assets, except for financial assets classified or designated as FVPL and equity securities, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include financial guarantees and undrawn loan commitments.

Under HKFRS 9, ECL is assessed using an approach which classifies financial assets into three stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile. A financial asset is classified under:

- Stage 1, if it was not credit-impaired upon origination, and there has not been a significant increase in its credit risk. The ECL of a Stage 1 financial asset will be the credit loss that is expected to result from a default occurring over the next 12 months;

- Stage 2, if it was not credit-impaired upon origination but has since experienced a significant increase in credit risk. The ECL of a Stage 2 financial asset will be the credit loss that is expected over the expected remaining life of the financial asset;

- Stage 3, if it has been credit-impaired with objective evidence of default. The assessed ECL for a Stage 3 financial asset is also the credit loss that is expected over the expected remaining life of the financial asset.

2 Basis of preparation (continued)

2.2 New and amended standards and interpretations (continued)

Expected Credit Loss ("ECL")

The impairment requirements of HKFRS 9 require management judgements, estimates and assumptions, particularly in the areas discussed below.

Measurement of ECLs

ECLs are unbiased probability-weighted estimates of credit losses determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessments of future economic conditions. The measurement of ECL is based primarily on the product of the instrument's probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") discounted using the Effective Interest Rate to the reporting date. The main difference between Stage 1 and Stage 2 ECL is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates these parameters over the expected remaining life of the financial asset.

The Group leverages the models/parameters implemented under the Basel II Internal Ratings-Based ("IRB") framework where feasible and available, with calibration to meet the HKFRS 9 requirements. For portfolio without Basel model/parameter, other relevant historical information, loss experience or proxies are utilised if deemed feasible, with a view to maximise the use of available information that is reliable and supportable.

Expected Life

When measuring the ECL for Stage 2 assets, cashflows over the expected remaining life of the financial asset are considered. For most financial instruments, this is the same as the remaining contractual life which represents the maximum contractual period over which the Group is exposed to the credit risk of the customers.

However, for certain retail revolving products like credit cards, the expected remaining life may exceed the contractual remaining maturity. For such products, a behavioural expected remaining life is estimated using the Group's internal historical data based on the period over which the Group is exposed to the credit risk of such customers.

Assessment of significant increase in credit risk

The analysis underpinning the assessment of whether a financial asset has experienced a significant increase in credit risk since origination is multi-factor in nature, with a range of qualitative and quantitative parameters taken into consideration.

2 Basis of preparation (continued)

2.2 New and amended standards and interpretations (continued)

Assessment of significant increase in credit risk (continued)

For wholesale exposures, financial assets are deemed to have experienced a significant increase in credit risk when: (1) observed changes in the probability of default, as measured in the downgrade in internal credit risk rating for each obligor between initial recognition and reporting date, are more than pre-specified thresholds; and (2) exposures are placed on certain categories of internal credit "watchlists" for closer scrutiny of developing credit issues. For retail exposures, days past due is the main driver, supplemented with a probability of default- based criterion.

Expected Credit Loss ("ECL")

In any event, all retail and wholesale exposures that are more than 30 days past due are considered to have demonstrated a significant increase in credit risk and are classified as Stage 2.

A Stage 2 exposure can migrate back to Stage 1 if it is assessed that there is assurance of a sustainable improvement in its credit profile.

Definition of default for credit-impaired financial assets

Exposures are classified as Stage 3 if deemed to be credit-impaired or have suffered objective evidence of default as at the reporting date. The definition of default that is applied upon adoption of HKFRS 9 is consistent with that specified in the Basel regulatory capital rules.

The Group assesses whether there is evidence that a financial asset or a group of financial assets is impaired at each balance sheet date. The Group carries out regular and systematic reviews of all credit facilities extended to customers. The criteria that the Group uses to determine whether there is evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor, including breach of covenants and/ or financial conditions;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- Granting of a concession to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, that the Group would not otherwise consider;
- High probability of bankruptcy or other financial reorganisation of the borrower.

2 Basis of preparation (continued)

2.2 New and amended standards and interpretations (continued)

Definition of default for credit-impaired financial assets (continued)

In any event, all retail and wholesale exposures that are 90 days past due or more are classified under Stage 3.

A Stage 3 exposure can be upgraded to Stage 2 if there are reasonable grounds to conclude that the obligor is able to service future principal and interest payments on the credit facility in accordance with the restructured terms.

ECL Modelling – Point-in-Time and Forward-Looking Adjustments
Portfolio-specific adjustments are made to the Group's existing credit rating systems, models and processes to meet the requirements of HKFRS 9.

For the wholesale portfolios, credit risk cycle indices have been developed for significant industries and geographies. These are used as inputs to convert the through-the-cycle loss estimates from Basel models/parameters into the point-in-time equivalents and determine the forward-looking estimates. For retail portfolios, adjustments are made to Basel models/parameters to reflect the latest loss experience, as well as outputs from macroeconomic forecast models.

Management overlay and judgements

In determining the final ECL, management evaluates a range of possible outcomes, taking into account past events, current conditions and the economic outlook. Additional considerations that are assessed to have been inadequately addressed in the ECL model estimates are addressed through the application of a structured management overlay framework. This incorporates considerations such as: (1) potential loss assessments on watchlist cases, based on expert credit judgement; (2) observed model limitations; and (3) thematic events.

ECL adjustments arising from the exercise of the management overlay are subject to a robust review and governance process.

Experienced credit judgment is an integral part of ECL quantification in view of the close integration with the credit risk management process of the Group. This includes, for example, risk rating assignment, watchlist process, as well as input into the assessment of significant increase in credit risk, expected remaining life and macroeconomic forecast.

2 Basis of preparation (continued)

2.2 New and amended standards and interpretations (continued)

Hedge accounting

HKFRS 9 introduces a more principles-based approach to assess hedge effectiveness. The Group's existing hedges that are designated in effective hedging relationships as at 31 December 2017 continue to qualify for hedge accounting under HKFRS 9. The Group's policies for accounting for fair value, cash flow and net investment hedges are consistent with those applied for the financial year ended 31 December 2017.

The impact from hedge accounting is not material.

Transition

Comparative information in the prior financial periods is not restated as the Group adopted the optional exemption in HKFRS 1. Similarly, the Group's policies and disclosures for financial instruments up to 31 December 2017 remain unchanged from the Group's 2017 Annual Report.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.

2 Basis of preparation (continued)

2.2 New and amended standards and interpretations (continued)

Transition impact of adopting HKFRS 9 on 1 January 2018

The table below reflects the impact of adopting HKFRS 9 on the Group's opening balance sheet as at 1 January 2018.

In HK$ millions	31 Dec 2017 HKAS 39	Transitional impact of classification and measurement	Transitional impact of ECL	1 Jan 2018 HKFRS 9
Assets				
Cash and balances with central banks	2,911	–	–	2,911
Government securities and treasury bills	20,111	31	–	20,142
Due from banks	200,726	–	(2)	200,724
Derivatives	1,188	–	–	1,188
Bank and corporate securities	11,095	70	(1)	11,164
Loans and advances to customers	153,163	–	(474)	152,689
Other assets	5,471	(5)[1]	82[1]	5,548
Properties and other fixed assets	1,986	–	–	1,986
Goodwill and intangibles	168	–	–	168
Total assets	396,819	96	(395)	396,520
Liabilities				
Due to banks	7,666	–	–	7,666
Deposits and balances from customers	327,483	–	–	327,483
Derivatives	883	–	–	883
Certificates of deposit issued	4,189	–	–	4,189
Other liabilities	13,708	–	19[1]	13,727
Subordinated liability	4,220	–	–	4,220
Total liabilities	358,149	–	19	358,168
Total equity	38,670	96	(414)	38,352

Note:

[1] Include deferred tax impact

2 Basis of preparation (continued)

2.2 New and amended standards and interpretations (continued)

Additional information on impact from classification and measurement

The table below does not reflect reclassifications when the measurement basis between HKAS 39 and HKFRS 9 remains similar. This will include reclassifications from available-for-sale ("AFS") to FVOCI as they are measured at fair value with changes in fair value being generally recorded in other comprehensive income.

	Reclassification				
In HK$ million	From HKAS 39	To HKFRS 9	31 Dec 2017	Remeasurement	1 Jan 2018
Bank and corporate securities			7,479	96	7,575
Debt instruments that are part of a hold to collect business model	AFS (Fair value)	Amortised Cost	6,300	26	6,326
Unquoted equities previously measured at cost remeasured to fair value	AFS (Cost)	FVOCI	29	70	99
Debt instruments that are not SPPI in nature	Amortised cost	FVPL	1,150	–	1,150

Additional information on impact of ECL

The following table is a comparison of impairment allowances determined in accordance with HKAS 39 to the corresponding ECL allowances determined in accordance with HKFRS 9 as at 1 January 2018.

2 Basis of preparation (continued)

2.2 New and amended standards and interpretations (continued)

	31 Dec 2017 HKAS 39		1 Jan 2018 HKFRS 9			
In HK$ million	Collectively assessed	Individually assessed	Stage 1	Stage 2	Stage 3	Impact of ECL
Assets						
Due from banks	–	–	2	–	–	(2)
Bank and corporate securities	–	–	1	–	–	(1)
Loans and advances to customers	837	829	644	501	995	(474)
Other assets	–	206	4	–	206	(4)
Liabilities						
Other liabilities [1]	–	–	13	3	–	(16)
Total	837	1,035	664	504	1,201	(497)
Tax impact	–	–	–	–	–	83
	837	1,035	664	504	1,201	(414)

Note:

[1] The ECL on guarantees and other off balance sheet exposures are recorded in “Other liabilities”

HKFRS 15 Revenue from Contracts with Customers

From 1 January 2018, HKFRS 15 replaced the existing revenue recognition guidance and established a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue is recognised when a performance obligation is satisfied, which could either be at a point in time or when the obligation is satisfied over time. HKFRS 15 applies mainly to “fee and commission income”.

The adoption of HKFRS 15 does not have a material impact on the Group’s consolidated financial statements.

2 Basis of preparation (continued)

2.2 New and amended standards and interpretations (continued)

Other new standards and interpretations

Information on future accounting development and their potential effect on the condensed consolidated financial statements are provided in note 2 on the consolidated financial statements of the Group's 2017 Annual Report.

2.3 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 this 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 2017.

2.4 Condensed consolidated financial statements and statutory financial statements

The financial information relating to the year ended 31 December 2017 that is included in the Interim Report 2018 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 2017 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.

2.5 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

Interest income recognised on financial assets that are not at fair value through profit or loss amounted to HK$4,827 million (first half of 2017: HK$3,557 million).

4 Interest expense

Interest expense recognised on financial liabilities that are not at fair value through profit or loss amounted to HK$1,211 million (first half of 2017: HK$753 million).

5 Net fee and commission income

In HK$ million	For the six months ended 30 June 2018	30 June 2017
Fee and commission income	**1,850**	1,351
Less: Fee and commission expense	**(287)**	(193)
Net fee and commission income	**1,563**	1,158
Comprising:		
– Wealth management	**770**	475
– Trade and transaction services (Note)	**428**	283
– Cards	**166**	186
– Loan-related	**98**	122
– Stockbroking	**26**	16
– Others	**75**	76
	1,563	1,158
Of which:		
Fee and commission income arising from:		
– Financial assets or financial liabilities not at fair value through profit or loss	**621**	509
– Trust or other fiduciary activities	**15**	16
Fee and commission expense arising from:		
– Financial assets or financial liabilities not at fair value through profit or loss	**225**	160

Note: Trade and transaction services includes trade & remittances, guarantees, deposit-related fees and investment banking.

6 Net trading income

In HK$ million	For the six months ended 30 June 2018	30 June 2017
Net trading income		
– Foreign exchange	**288**	424
– Interest rates, equities and others	**22**	80
	310	504
Net loss from financial instruments designated at fair value through profit or loss	**(17)**	(49)
	293	455

7 Net income from investment securities

In HK$ million	For the six months ended 30 June 2018	30 June 2017
Fair value through other comprehensive income/ available-for-sale debt securities	**(4)**	20
Dividend income from unlisted equity securities	**8**	7
	4	27

8 Other income

In HK$ million	For the six months ended 30 June 2018	30 June 2017
Net gain on disposal of asset held for sale	**484**	–
Rental income	**19**	20
Others	**23**	23
	526	43

9 Total expenses

In HK$ million	For the six months ended 30 June 2018	30 June 2017
Employee benefits		
– Salaries and other short term employee benefits	**1,340**	1,206
– Pensions	**79**	74
– Share-based compensation	**28**	28
Premises and equipment expenses excluding depreciation		
– Rental of premises	**167**	152
– Others	**89**	82
Depreciation	**133**	137
Auditor's remuneration	**5**	5
Computerisation expenses	**216**	207
Other operating expenses	**395**	318
	2,452	2,209

10 Allowances for credit and other losses

In HK$ million	For the six months ended 30 June 2018	30 June 2017
Loans and advances to customers	**155**	98
Other assets	**(17)**	(19)
Off-balance sheet credit exposures	**(4)**	–
	134	79
Loans and advances to customers		
– New allowances	**318**	273
– Releases	**(134)**	(147)
– Recoveries	**(29)**	(28)
Other assets		
– New allowances	**1**	2
– Releases	**(18)**	(21)
Off-balance sheet credit exposures		
– Releases	**(4)**	–
	134	79

11 Income tax expense

In HK$ million	For the six months ended 30 June 2018	30 June 2017
Hong Kong profits tax	**505**	375
Overseas tax	**3**	7
Current income tax	**508**	382
Deferred income tax	**(15)**	(12)
	493	370

Hong Kong profits tax has been provided at 16.5% (first half of 2017:16.5%) 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 countries in which they operate.

12 Cash and balances with central banks

In HK$ million	As at 30 June 2018	As at 31 December 2017
Cash in hand	**595**	547
Balances with central banks	**2,221**	2,364
	2,816	2,911

13 Government securities and treasury bills

In HK$ million	As at 30 June 2018	As at 31 December 2017
Held for trading	**18,881**	5,561
Fair value through other comprehensive income/ available-for-sale	**18,538**	14,550
	37,419	20,111

As at 30 June 2018, there were no impaired, overdue or rescheduled fair value through other comprehensive income/available-for-sale financial assets (31 December 2017: Nil).

14 Due from banks

In HK$ million	As at 30 June 2018	As at 31 December 2017
Balances with banks	**3,832**	5,770
Placements with and advances to banks		
Remaining maturity		
– Within one month	**76,203**	79,881
– One year or less but over one month	**36,778**	45,508
– Over one year	**97,402**	69,567
	210,383	194,956
Gross amount due from banks	**214,215**	200,726
Allowance for credit and other losses	**(2)**	–
Net amount due from banks	**214,213**	200,726

As at 30 June 2018, there were no impaired, overdue or rescheduled placements with and advances to banks (31 December 2017: Nil).

15 Bank and corporate securities

In HK$ million	As at 30 June 2018	As at 31 December 2017
Held for trading	**–**	2
Fair value through profit or loss	**1,139**	–
Fair value through other comprehensive income/ available-for-sale	**2,754**	9,943
Amortised cost/loans and receivables	**6,171**	1,150
	10,064	11,095
Allowance for credit and other losses	**(1)**	–
	10,063	11,095

15 Bank and corporate securities (continued)

As at 30 June 2018, there were no impaired, overdue or rescheduled fair value through other comprehensive income and amortised cost /available-for-sale and loans and receivables financial assets (31 December 2017: Nil).

As at 30 June 2018, the fair value of the above debt securities classified as amortised cost/loans and receivables was HK$6,090 million (31 December 2017: HK$1,150 million).

16 Loans and advances to customers

In HK$ million	**As at 30 June 2018**	As at 31 December 2017
Gross loans and advances to customers	**162,835**	154,829
Less: Allowance for credit and other losses		
– Stage 1 & 2 ECL not credit impaired	**(1,225)**	–
– Stage 3 ECL credit impaired	**(910)**	–
– Individually assessed	**–**	(829)
– Collectively assessed	**–**	(837)
	160,700	153,163
Comprising:		
– Trade bills	**8,931**	6,874
– Loans	**151,769**	146,289
	160,700	153,163

16 Loans and advances to customers (continued)

Impaired advances

	As at 30 June 2018		As at 31 December 2017	
	HK$ million	% of gross loans and advances to customers	HK$ million	% of gross loans and advances to customers
Gross impaired advances	**2,340**	**1.44**	2,446	1.58
Allowance for credit and other losses	**(910)**		(829)	
	1,430		1,617	
Impaired advances covered by collateral	**1,193**		1,520	

Impaired advances to customers are individually assessed customer advances with objective evidence of impairment. As of 31 December 2017, impaired advances subjected to collectively assessed impairment under HKAS 39 are not included.

The allowance for credit and other losses were made after taking into account the value of collateral in respect of the above advances.

17 Other assets

The balance as at 30 June 2018 included allowance for credit and other losses of HK$167 million (31 December 2017: HK$206 million).

18 Properties and other fixed assets

In HK$ million	Freehold land and building	Land and buildings	Furniture, fixtures and equipment	Subtotal	Investment properties	Total
Cost or valuation						
As at 1 January 2018	**23**	**2,361**	**1,707**	**4,091**	**8**	**4,099**
Additions	**–**	**7**	**92**	**99**	**–**	**99**
Disposals	**–**	**–**	**(3)**	**(3)**	**–**	**(3)**
As at 30 June 2018	**23**	**2,368**	**1,796**	**4,187**	**8**	**4,195**
Accumulated depreciation and impairment						
As at 1 January 2018	**17**	**928**	**1,168**	**2,113**	**–**	**2,113**
Charge for the period	**–**	**26**	**107**	**133**	**–**	**133**
Disposals	**–**	**–**	**(3)**	**(3)**	**–**	**(3)**
As at 30 June 2018	**17**	**954**	**1,272**	**2,243**	**–**	**2,243**
Net book value						
As at 30 June 2018	**6**	**1,414**	**524**	**1,944**	**8**	**1,952**

The fair value of the investment properties has been determined based on valuations performed by independent valuers as of 31 December 2017. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). It is an estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.

18 Properties and other fixed assets (continued)

In HK$ million	Freehold land and building	Land and buildings	Furniture, fixtures and equipment	Subtotal	Investment properties	Total
Cost or valuation						
As at 1 January 2017	23	2,533	1,545	4,101	5	4,106
Additions	–	10	197	207	–	207
Disposals	–	(7)	(35)	(42)	–	(42)
Transfer to asset held for sale	–	(175)	–	(175)	–	(175)
Fair value adjustment	–	–	–	–	3	3
As at 31 December 2017	23	2,361	1,707	4,091	8	4,099
Accumulated depreciation and impairment						
As at 1 January 2017	17	947	976	1,940	–	1,940
Charge for the year	–	56	221	277	–	277
Disposals	–	(7)	(29)	(36)	–	(36)
Transfer to asset held for sale	–	(68)	–	(68)	–	(68)
As at 31 December 2017	17	928	1,168	2,113	–	2,113
Net book value						
As at 31 December 2017	6	1,433	539	1,978	8	1,986

19 Deposits and balances from customers

In HK$ million	**As at 30 June 2018**	As at 31 December 2017
Deposits from customers		
– Amortised cost	**341,828**	325,572
– Financial liabilities designated at fair value through profit or loss	**3,728**	1,911
	345,556	327,483
Analysed by:		
- Demand deposits and current accounts	**75,869**	65,214
- Savings deposits	**129,982**	131,622
- Time, call and notice deposits	**139,705**	130,647
	345,556	327,483

20 Certificates of deposit issued

In HK$ million	**As at 30 June 2018**	As at 31 December 2017
Certificates of deposit issued, measured at amortised cost	**4,383**	4,189

21 Subordinated liability

The subordinated loan of US$540 million was issued to its parent holding company, DBS Group Holdings Ltd on 13 December 2017. Interest is payable quarterly at USD 3-month LIBOR plus 1.62% per annum. The subordinated loan will mature on 13 December 2027, and is repayable on 13 December 2022 or any date thereafter. The terms require the subordinated 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 subordinated loan is subject to the exercise of the Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority. The subordinated loan is qualified as Tier 2 capital of the Bank under the Banking (Capital) Rules made by the HKMA.

22 Derivatives

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

In HK$ million	Contract/ notional amount	Credit risk-weighted amount	Positive fair values	Negative fair values
As at 30 June 2018				
Derivatives held for trading				
Foreign exchange derivatives				
– Forwards	34,441	159	122	203
– Swaps	80,063	206	259	636
– Options purchased	5,376	19	44	–
– Options written	5,680	1	–	46
	125,560	385	425	885
Interest rate derivatives				
– Swaps	19,594	37	237	221
– Option purchased	1,365	4	–	–
– Option written	1,365	–	–	–
	22,324	41	237	221
Equity derivatives	1,802	77	61	61
Commodity derivatives	14	–	–	–
Total derivatives held for trading	149,700	503	723	1,167
Derivatives designated and qualified as fair value hedges				
Interest rate derivatives				
– Swaps	2,077	23	46	–
Total	151,777	526	769	1,167

22 Derivatives (continued)

In HK$ million	Contract/ notional amount	Credit risk-weighted amount	Positive fair values	Negative fair values
As at 31 December 2017				
Derivatives held for trading				
Foreign exchange derivatives				
– Forwards	33,748	124	99	118
– Swaps	76,872	290	760	498
– Options purchased	4,801	16	21	5
– Options written	5,724	15	5	24
	121,145	445	885	645
Interest rate derivatives				
– Swaps	19,589	80	165	180
– Options purchased	1,448	5	1	–
– Options written	1,448	–	–	1
	22,485	85	166	181
Equity derivatives	1,786	63	57	57
Commodity derivatives	57	2	–	–
Total derivatives held for trading	145,473	595	1,108	883
Derivatives designated and qualified as fair value hedges				
Interest rate derivatives				
– Swaps	2,310	46	80	–
Total	147,783	641	1,188	883

22 Derivatives (continued)

The amounts (except credit-risk weighted 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.

The credit risk-weighted amounts as at 30 June 2018 and 31 December 2017 are the amounts which have been taken into account the effect of bilateral netting arrangements and have been calculated in accordance with the Banking (Capital) Rules.

23 Contingent liabilities and commitments

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

In HK$ million	As at 30 June 2018	As at 31 December 2017
Direct credit substitutes	311	300
Transaction-related contingencies	1,907	1,839
Trade-related contingencies	8,563	10,354
Other commitments with an original maturity of not more than one year	9,114	412
Other commitments with an original maturity of more than one year	1,609	2,012
Other commitments which are unconditionally cancellable	148,083	145,409
	169,587	160,326
Credit risk-weighted amount	17,167	15,703

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$2,034 million (31 December 2017: HK$2,294 million).

24 Fair Value of financial instrument

(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 underlyings 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.

24 Fair Value of financial instrument (continued)

(a) Valuation process (continued)

The Group uses various market accepted benchmark interest rates such as LIBOR 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 modeling 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.

24 Fair Value of financial instrument (continued)

(a) Valuation process (continued)

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 2018, there was no Day 1 P&L reserve (31 December 2017: Nil).

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 of the valuation 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.

24 Fair Value of financial instrument (continued)

(b) Fair value hierarchy (continued)

The Group classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the 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 as well as unquoted equity securities. The fair value of unquoted equity securities is measured in comparison with recent transactions in the equity of the company in question or comparable companies in similar industries. Level 3 inputs also include all quoted security prices that have not been updated for more than 3 months, quoted proxies in active markets for non-similar asset classes (e.g. bonds valued using credit default swap spreads), as well as prices/valuations that are obtained from counterparties. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

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 2018				
Assets				
Financial assets at fair value through profit or loss				
– Government securities and treasury bills	18,881	–	–	18,881
– Bank and corporate securities	–	1,139	–	1,139
Fair value through other comprehensive income				
– Government securities and treasury bills	18,140	398	–	18,538
– Bank and corporate securities	2,544	111	99	2,754
Derivatives	–	769	–	769
Liabilities				
Payable in respect of short sale of securities	15,872	–	–	15,872
Financial liabilities designated at fair value through profit or loss	–	3,728	–	3,728
Derivatives	–	1,167	–	1,167

24 Fair value of financial instrument (continued)

(b) Fair value hierarchy (continued)

In HK$ millions	Level 1	Level 2	Level 3	Total
As at 31 December 2017				
Assets				
Financial assets at fair value through profit or loss				
– Government securities and treasury bills	5,561	–	–	5,561
– Bank and corporate securities	–	2	–	2
Available-for-sale financial assets				
– Government securities and treasury bills	14,199	351	–	14,550
– Bank and corporate securities	9,803	111	–	9,914
Derivatives	–	1,188	–	1,188
Liabilities				
Payable in respect of short sale of securities	4,395	–	–	4,395
Financial liabilities designated at fair value through profit or loss	–	1,911	–	1,911
Derivatives	–	883	–	883

During the first half of 2018, other than the HKFRS 9 transitional adjustment of re-measuring of unquoted equities at cost to fair value and the classification of these equities under Level 3 of the fair value hierarchy, there were no transfers between Level 1, Level 2 and Level 3 financial assets (2017: Nil). The Group's policy is to recognise transfers between the levels of the fair value hierarchy as at the end of the reporting period during the change occurred.

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

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

24 Fair value of financial instrument (continued)

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

(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.

(iii) Bank and corporate securities – amortised cost/loans and receivables

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 15.

(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.

25 Material related-party transactions

There were no changes in the related party transaction described in 2017 Annual report that have had a material impact on the financial position or performance of the Group in the six months ended 30 June 2018.

26 Notes to the condensed consolidated cash flow statement

(a) Analysis of changes in financial activities during the period

In HK$ million	Certificates of deposit issued	Subordinated liability
Balance as at 1 January 2018	**4,189**	**4,220**
Cash inflow from financing activities	**220**	**–**
Revaluation	**(26)**	**–**
Exchange differences and other adjustments	**–**	**18**
Balance as at 30 June 2018	**4,383**	**4,238**
Balance as at 1 January 2017	2,765	4,188
Cash outflow from financing activities	(450)	–
Revaluation	10	–
Exchange differences and other adjustments	–	27
Balance as at 30 June 2017	2,325	4,215

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

In HK$ million	As at 30 June 2018	As at 30 June 2017
Cash and balances with central banks	**2,816**	1,135
Due from banks		
– Balances with banks	**3,832**	7,635
– Placements with and advances to banks repayable with original maturity within three months	**70,801**	36,341
Bills and notes repayable with original maturity within three months	**18,471**	12,945
	95,920	58,056