



ANNOUNCEMENT OF 2001 FINAL RESULTS

The Directors of Dah Sing Bank, Limited (the “Bank”) are pleased to present the audited consolidated results of the Bank and its subsidiaries (the “Group”) for the year ended 31st December 2001 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December

	<u>2001</u> HK\$'000	<u>2000</u> HK\$'000	<u>Variance</u> %
Interest income	3,143,661	3,746,131	-16.1
Interest expense	(1,475,946)	(2,214,009)	-33.3
Net interest income	1,667,715	1,532,122	8.9
Other operating income	436,346	397,572	9.8
Operating income	2,104,061	1,929,694	9.0
Operating expenses	(836,122)	(778,651)	7.4
Operating profit before provisions	1,267,939	1,151,043	10.2
Charge for bad and doubtful debts	(404,790)	(303,278)	33.5
Operating profit after provisions	863,149	847,765	1.8
Net loss on disposal / revaluation of fixed assets	(11,287)	(4,489)	
Net gain on disposal of held-to-maturity and non-trading securities	169,935	11,101	
Profit on ordinary activities	1,021,797	854,377	19.6
Share of net losses of jointly controlled entities	(20,000)	-	
Share of net (losses) / profits of associates	(27)	4,545	
Profit before taxation	1,001,770	858,922	16.6
Taxation	(117,339)	(99,135)	18.4
Profit attributable to shareholders	884,431	759,787	16.4
Dividends			
Interim dividend paid	200,000	198,360	
Proposed final dividend	240,000	152,720	
	440,000	351,080	25.3

CONSOLIDATED BALANCE SHEET

As at 31st December

	<u>2001</u> HK\$'000	<u>2000</u> HK\$'000
ASSETS		
Cash and short-term funds	6,717,867	6,501,793
Trade bills	535,645	454,826
Certificates of deposit held	524,766	347,882
Trading securities	2,980,255	1,509,439
Advances to customers and other accounts	29,618,979	30,221,156
Held-to-maturity securities	4,433,955	7,106,084
Non-trading securities	5,956,876	782,984
Investments in associates	99,866	101,036
Investments in jointly controlled entities	27,000	29,800
Fixed assets	1,036,184	1,083,063
Total assets	<u>51,931,393</u>	<u>48,138,063</u>
LIABILITIES		
Deposits and balances of banks and other financial institutions	944,154	759,855
Current, fixed, savings and other deposits of customers	31,910,056	31,394,887
Certificates of deposit issued	5,652,190	6,094,799
Other accounts and accruals	7,931,815	5,906,902
Total liabilities	<u>46,438,215</u>	<u>44,156,443</u>
CAPITAL RESOURCES		
Loan capital	974,719	-
Share capital	800,000	800,000
Reserves	3,478,459	3,028,900
Proposed final dividends	240,000	152,720
Shareholders' funds	<u>4,518,459</u>	<u>3,981,620</u>
Total capital resources	<u>5,493,178</u>	<u>3,981,620</u>
Total liabilities and capital resources	<u>51,931,393</u>	<u>48,138,063</u>

Note on accounting policies

The accounting policies used in preparing the 2001 annual financial statements of the Group are consistent with those adopted in the 2000 annual financial statements except for the treatment of dividends. In accordance with the SSAP 9 (revised) "Events after the balance sheet date", the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the new policy.

SHAREHOLDERS' FUNDS

As at 31 December

	<u>2001</u> HK\$'000	<u>2000</u> HK\$'000
Share capital	<u>800,000</u>	<u>800,000</u>
Reserves		
Capital reserve	4,968	4,968
Investment properties revaluation reserve	24,876	29,933
Premises revaluation reserve	308,107	321,002
Investment revaluation reserve	(705)	(23,785)
General reserve	700,254	700,254
Retained earnings	<u>2,440,959</u>	<u>1,996,528</u>
	<u>3,478,459</u>	<u>3,028,900</u>
Proposed dividends	<u>240,000</u>	<u>152,720</u>
Total	<u>4,518,459</u>	<u>3,981,620</u>

CHARGE FOR BAD AND DOUBTFUL DEBTS

For the year ended 31st December

	<u>2001</u> HK\$'000	<u>2000</u> HK\$'000	<u>Variance</u> %
Specific provision charged	414,627	272,858	52.0
General provision (written back) / charged	<u>(9,837)</u>	<u>30,420</u>	
	<u>404,790</u>	<u>303,278</u>	33.5

TAXATION

Hong Kong profits tax has been provided at 16% (2000: 16%) on the estimated assessable profit for the year.

Included in the taxation is the attributable share of estimated Hong Kong profits tax losses arising from investments in limited partnerships. The Group's investments in limited partnerships are written off in the same year as the taxation benefits resulting from those investments are received and utilised.

There is no significant deferred taxation liability not provided for.

ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS

As at 31st December

	<u>2001</u> HK\$'000	<u>2000</u> HK\$'000	Variance %
Advances to customers	28,882,677	29,436,217	-1.9
Provisions for bad and doubtful debts			
Specific	(305,223)	(218,601)	
General	(259,306)	(269,992)	
	<u>28,318,148</u>	28,947,624	-2.2
Accrued interest	363,349	367,348	
Other accounts	937,603	910,673	
Provisions against accrued interest and other accounts			
Specific	-	(4,400)	
General	(121)	(89)	
	<u>29,618,979</u>	<u>30,221,156</u>	-2.0

GROSS ADVANCES TO CUSTOMERS BY INDUSTRY SECTOR

	<u>2001</u> HK\$'000	<u>2000</u> HK\$'000	Variance %
Loans for use in Hong Kong			
Industrial, commercial and financial			
Property development	447,730	247,580	80.8
Property investment	2,366,716	2,040,681	16.0
Financial concerns	363,192	219,453	65.5
Stockbrokers	12,512	13,245	-5.5
Wholesale and retail trade	1,168,226	1,303,074	-10.3
Manufacturing	2,134,177	2,099,579	1.6
Transport and transport equipment	2,180,592	4,669,011	-53.3
Others	888,068	813,579	9.2
	<u>9,561,213</u>	11,406,202	-16.2
Individuals			
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	2,464,066	1,833,809	34.4
Loans for the purchase of other residential properties	8,277,027	8,457,202	-2.1
Credit card advances	2,758,453	2,275,706	21.2
Others	3,498,757	3,049,969	14.7
	<u>16,998,303</u>	15,616,686	8.8
Loans for use in Hong Kong	<u>26,559,516</u>	27,022,888	-1.7
Trade finance	1,879,976	1,989,595	-5.5
Loans for use outside Hong Kong	<u>443,185</u>	423,734	4.6
	<u>28,882,677</u>	<u>29,436,217</u>	-1.9

Over 90% of gross advances to customers were extended to customers located in Hong Kong.

NON-PERFORMING LOANS

	<u>2001</u> HK\$'000	% of Total Advances	<u>2000</u> HK\$'000	% of Total Advances
Gross advances	602,714	2.09	666,535	2.26
Specific provisions made	<u>(264,116)</u>		<u>(164,161)</u>	
	<u>338,598</u>		<u>502,374</u>	
Market value of security held	<u>328,420</u>		<u>442,714</u>	
Interest in suspense	<u>53,123</u>		<u>63,019</u>	

OVERDUE ADVANCES

	<u>2001</u> HK\$'000	% of Total Advances	<u>2000</u> HK\$'000	% of Total Advances
Gross advances overdue for				
Six months or less but over three months	177,754	0.62	256,138	0.87
One year or less but over six months	113,761	0.39	78,746	0.27
Over one year	<u>191,569</u>	0.66	<u>264,913</u>	0.90
	<u>483,084</u>	1.67	<u>599,797</u>	2.04
The amount on which interest is still being accrued	<u>60,536</u>		<u>106,463</u>	
Market value of security held against the secured advances	<u>308,015</u>		<u>405,506</u>	
Secured overdue advances	290,424		402,331	
Unsecured overdue advances	<u>192,660</u>		<u>197,466</u>	
Specific provisions made	<u>182,731</u>		<u>155,858</u>	

OVERDUE ADVANCES ARE RECONCILED TO NON-PERFORMING ADVANCES AS FOLLOWS:

	<u>2001</u> HK\$'000	<u>2000</u> HK\$'000
Advances which are overdue for more than three months	483,084	599,797
Add: non-accrual advances which are overdue for three months or less	107,822	8,425
Add: non-accrual advances which are not yet overdue	20,442	61,426
Add: rescheduled advances net of amount included in overdue advances	51,902	103,350
Less: advances which are overdue for more than three months and on which interest is still being accrued	<u>(60,536)</u>	<u>(106,463)</u>
Non-performing loans	<u>602,714</u>	<u>666,535</u>

Over 90% of non-performing loans and overdue loans were due from customers located in Hong Kong.

RESCHEDULED ADVANCES (net of those which have been overdue for over three months and reported as part of Overdue Advances above)

	<u>2001</u> HK\$'000	% of Total Advances	<u>2000</u> HK\$'000	% of Total Advances
Rescheduled advances	<u>268,364</u>	0.93	<u>460,574</u>	1.56
Specific provisions made	<u>20,349</u>		<u>25,523</u>	

There were no advances to banks and financial institutions that were classified under non-performing, overdue and rescheduled loans as at 31st December 2001 and 31st December 2000.

CONTINGENT LIABILITIES, COMMITMENTS AND DERIVATIVES

As at 31st December

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment:

	<u>2001</u> HK\$'000	<u>2000</u> HK\$'000
Direct credit substitutes	67,087	75,149
Transaction related contingencies	14,014	34,060
Trade-related contingencies	859,371	731,291
Other commitments with an original maturity of:		
- under 1 year or which are unconditionally cancellable	17,741,695	14,984,965
- 1 year and over	<u>740,487</u>	<u>509,360</u>
	<u>19,422,654</u>	<u>16,334,825</u>

The following is a summary of the aggregate notional contract amounts of each significant type of derivatives:

	<u>2001</u> HK\$'000	<u>2000</u> HK\$'000
Exchange rate contracts		
Forward and futures contracts	16,665,041	21,895,764
Currency swaps	57,703	57,718
Foreign exchange options contracts:		
- Currency options purchased	437,773	20,250
- Currency options written	<u>437,853</u>	<u>20,355</u>
	<u>17,598,370</u>	<u>21,994,087</u>
Interest rate contracts		
Forward and futures contracts	9,304,892	7,212,021
Interest rate swaps	3,166,208	1,840,226
Interest rate option contracts:		
- Options written	<u>1,169,663</u>	-
	<u>13,640,763</u>	<u>9,052,247</u>
Other contracts		
Equity index futures contracts	31,331	-
Equity option contracts:		
- Options purchased	71,424	-
- Options written	<u>71,424</u>	<u>50,426</u>
	<u>174,179</u>	<u>50,426</u>

The credit risk weighted amounts and replacement costs of the above off-balance sheet exposures, without taking into account the effect of bilateral netting arrangements, are as follows:

	2001		2000	
	Credit risk weighted amount	Replacement cost	Credit risk weighted amount	Replacement cost
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contingent liabilities and commitments	582,207		395,358	
Derivatives				
Exchange rate contracts	111,927	347,158	75,484	131,837
Interest rate contracts	24,766	89,772	13,398	35,163
Other contracts	1,067	253	-	-
	137,760	437,183	88,882	167,000
	719,967		484,240	

The contract amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date. They do not represent the amounts at risk.

The credit risk weighted amounts are the amounts which have been calculated in accordance with the Third Schedule of the Banking Ordinance and guidelines issued by the Hong Kong Monetary Authority. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

Replacement cost is the cost of replacing all contracts which have a positive value when marked to market (should the counterparty default on its obligations) and is obtained by marking to market contracts with a positive value. Replacement cost is considered to be a close approximation of the credit risk for these contracts at the balance sheet date.

FOREIGN EXCHANGE RISK

As at 31st December

The following is the Group's net foreign exchange position in individual currency that constitutes 10% or more of the total net position in all foreign currencies:

Equivalent in millions of HK\$	2001		2000	
	US\$	Yen	US\$	Yen
Spot assets	20,457	2,555	21,330	1,103
Spot liabilities	(20,295)	(2,570)	(21,250)	(1,125)
Forward purchases	20,832	3,888	24,667	1,409
Forward sales	(19,047)	(3,903)	(24,123)	(1,388)
Net long / (short) position	1,947	(30)	624	(1)

CAPITAL ADEQUACY RATIO

As at 31st December

	<u>2001</u>	<u>2000</u>
Capital adequacy ratio	<u>17.5%</u>	<u>13.0%</u>
Adjusted capital adequacy ratio	<u>17.4%</u>	<u>12.9%</u>

The capital adequacy ratio represents the consolidated ratio of the Group. The capital adequacy ratio of each entity within the Group is computed in accordance with the Third Schedule of the Banking Ordinance.

The adjusted capital adequacy ratio represents the consolidated ratio of the Group. The adjusted capital adequacy ratio of each authorized institution within the Group is computed in accordance with the Guideline "Maintenance of Adequate Capital Against Market Risks" issued by the Hong Kong Monetary Authority. The adjusted ratio takes into account market risk.

The capital base after deductions used in the calculation of the above capital adequacy ratios and reported to the Hong Kong Monetary Authority is analysed as follows:

	<u>2001</u> HK\$'000	<u>2000</u> HK\$'000
Core capital		
Paid up ordinary share capital	800,000	800,000
Reserves	<u>3,128,159</u>	<u>2,681,706</u>
Total core capital	<u>3,928,159</u>	<u>3,481,706</u>
Supplementary capital		
Reserve on revaluation of land and interests in land	229,354	232,084
Reserve on revaluation of holding of securities not held for trading purposes	(705)	(23,785)
General provisions for doubtful debts	264,717	274,586
Term subordinated debts	<u>974,719</u>	<u>-</u>
Total eligible supplementary capital	<u>1,468,085</u>	<u>482,885</u>
Total capital base before deductions	<u>5,396,244</u>	<u>3,964,591</u>
Deductions from total capital base	<u>(119,901)</u>	<u>(122,701)</u>
Total capital base after deductions	<u>5,276,343</u>	<u>3,841,890</u>

LIQUIDITY RATIO

	<u>2001</u>	<u>2000</u>
Liquidity ratio	<u>45.0%</u>	<u>44.4%</u>

The liquidity ratio is calculated as the simple average of each calendar month's average consolidated liquidity ratio for the twelve months of the financial year for the Bank and its deposit-taking subsidiary in accordance with the Fourth Schedule of the Banking Ordinance.

FINANCIAL RATIOS

	<u>2001</u>	<u>2000</u>
Net interest income / operating income	79.3%	79.4%
Cost to income ratio	39.7%	40.4%
Net interest margin	3.79%	3.79%
Loan to deposit (including loan capital) ratio	73.5%	77.2%
Loan to deposit (excluding loan capital) ratio	75.4%	77.2%

REVIEW OF BUSINESS

The Bank performed well in 2001, in a very difficult year for Hong Kong in a general environment of economic weakness and deflation. Operating profit before provisions was 10.2% higher. Due to higher bad debt charges, our operating profit after provisions only increased by 1.8%.

Net interest income grew by 8.9% for the year. Despite the continued tightening in loan margins for most loan products, the growth in higher yielding consumer loans and a higher level of investment in fixed income securities helped boost our net interest income in a year of declining interest rates. Our net interest margin was sustained at 2000's 3.79% level.

Other operating income was 9.8% higher than 2000. The growth was mainly driven by the higher contribution generated by credit card fee and insurance sales commission income.

Operating expenses increased by 7.4% when compared with those in 2000. The higher cost base was caused mainly by higher level of staffing, higher spend on advertising and marketing promotion, and a continued increase in our IT investment. Our cost to income ratio reduced slightly to 39.7% relative to 40.4% in 2000.

The Bank's charge for bad and doubtful debts rose 33.5% when compared with 2000. The charge in 2001 largely reflected specific provision cost, as general provision charge in the year was not required due to the absence of loan growth. The increase in specific provision charge arose mainly from the deterioration in asset quality of our unsecured credit card and consumer loan portfolio brought about by the rise in unemployment and personal bankruptcies. The Bank has adopted the practice of making full specific provisioning for all credit card and consumer loans whenever personal bankruptcy petitions are filed against or by the borrowers. A higher level of delinquency and charge-off was experienced amidst a slowing economy. The asset quality of our commercial banking and hire purchase finance businesses, however, held up well despite the difficult market conditions. These assisted in lowering our non-performing loan ratio to 2.09%.

Reflecting a further fall in property values since the last revaluation of our premises in 1998, our Bank wide property revaluation at the end of 2001 resulted in a net charge of HK\$10.8 million, which has been recognized in our P&L account.

Benefiting from the substantial reduction in interest rates during the year and to preempt a possible increase in interest rates in 2002, we took the decision to realize part of our investment in debt and equity securities during the year and reclassify a substantial amount of held-to-maturity debt securities to fair value (non-trading) during the course of the second half of 2001. These actions produced a total net gain of HK\$169.9 million for the year. At the end of 2001, the debt securities portfolio had been restructured with shorter maturities to allow for more effective interest rate risk management.

Total loans and advances to customers were 1.9% lower than those at the end of 2000. The growth in retail and commercial lending was offset by the contraction in hire purchase lending. We adopted a more conservative pricing in response to the keen competition and repricing in the transport financing market and as a result we experienced a significant reduction in our hire purchase loan book in 2001. Our focus on the retail banking business helped sustain the strong pace of growth in credit card and other consumer loans.

We continued to exercise tight control on deposit pricing with the objective of effectively reducing the cost of our liabilities. Our total deposit base, comprising customer deposits and certificates of deposits, was flat relative to 2000. The small reduction in loan book brought about an easing in the loan to deposit ratio, particularly if we include our US\$125 million subordinated bond issued in March 2001 as part of the funding base. The subordinated bond enabled us to achieve a better capital mix and helped to position us to pursue

added business growth with a stronger capital adequacy ratio. This was the first time that the Bank had issued Tier 2 capital in the international capital market.

Our asset growth in 2001 was achieved mainly through the increase in our investment in high quality debt securities. This diversification and growth strategy is being pursued in a highly controlled and organized manner which seeks to balance and optimize return against interest rate, market and credit risks, whilst the fundamental requirement of managing liquidity risk is met by the high credit rating and marketability of most of the debt securities held by the Bank.

STATEMENT OF COMPLIANCE

In preparing the 2001 financial disclosure, the Bank has fully complied with the recommendations on “Financial Disclosure by Authorized Institutions incorporated in Hong Kong” issued by the Hong Kong Monetary Authority.

By Order of the Board
H.L. Soo
Secretary

Hong Kong, Monday, 4th March 2002