

集團財務撮要

Highlights of Group Financial Performance

以百萬港元位列示	HK\$ Million	重列		變動
		二零零三年 2003	Restated 二零零二年 2002	
扣除準備前之營運溢利	Operating profit before provisions	1,558.0	1,587.6	-1.9%
扣除準備後之營運溢利	Operating profit after provisions	1,023.3	883.4	15.8%
股東應佔溢利	Profit attributable to shareholders	992.6	852.3	16.5%
資產總值	Total assets	63,756	60,129	6.0%
負債合計(不包括借貸資本)	Total liabilities (excluding loan capital)	55,942	53,017	5.5%
股東資金	Shareholders' funds	6,789	6,088	11.5%
淨利息收入對營運收入	Net interest income/operating income	71.7%	74.1%	
成本對收入比率	Cost to income ratio	33.7%	35.7%	
平均總資產回報率	Return on average total assets	1.6%	1.5%	
平均股東資金回報率	Return on average shareholders' funds	15.4%	14.8%	

財務省覽

集團扣除準備前之營運溢利較二零零二年減少百分之一點九，反映核心銀行業務的盈利稍微下降。人壽保險業務營運表現有顯著改善，主要源自強勁的銷售與較高的投資回報。

貸款平均結餘下降，淨息差收窄，令年內淨利息收入下跌百分之七點八。較高息率之客戶借貸平均結餘減少與短期債務證券總額增加，使淨息差由二零零二年的百分之三點七四下調至二零零三年的百分之三點零五。

其他營運收入較二零零二年增加百分之三點九，主要由於財富管理業務收費收入增加、人壽保險業務收益增長與投資獲利所致，抵銷信用卡及零售借貸業務收費與佣金之收縮。

營運支出較二零零二年減少百分之九點九。二零零三年一月，集團重組個人銀行業務，豐明銀行所有營運及支援平台均歸入大新銀行內，以改善整體經濟效益，並提高運作效率。厲行削減成本措施，有效節省其他營運支出，令成本進一步降低。成本對收入比率於年內由二零零二年的百分之三十五點七下調至本年度的百分之三十三點七。

Financial Review

The Group's operating profit before provisions was 1.9% lower than 2002, reflecting a slightly lower contribution from the core banking activities. The life insurance business' operating results improved significantly due mainly to stronger sales and higher investment returns.

Net interest income declined 7.8% in the year due to lower average loan balances and contraction in the net interest margin. The net interest margin narrowed from 3.74% in 2002 to 3.05% in 2003 as a result of lower average balances of higher yielding consumer lending and a larger pool of short-term debt securities.

Other operating income was 3.9% higher than 2002. The growth was largely attributable to fee income increases from the wealth management business, a higher contribution from the life insurance business and investment gains, which offset the lower fee and commission from the credit card and retail lending business.

Operating expenses decreased by 9.9% when compared with 2002. As part of the reorganisation of our personal banking business in January 2003, all operations and support platforms of MEVAS Bank were integrated with those of Dah Sing Bank which enabled us to achieve improved economies of scale and better efficiency. Rigorous cost containment measures also resulted in savings in other operating expenses so producing a lower cost base. The cost to income ratio fell from 35.7% in 2002 to 33.7% in the year.

業務回顧

Review of Operations

財務省覽(續)

集團壞賬及呆賬支出較二零零二年減少百分之二十四點一，乃由於信用卡與無抵押個人借貸業務撇賬支出下降，更進一步收緊信貸審批，並加緊追討逾期還款，加上二零零三年下半年物業價格回升所致。全線貸款業務(尤以個人銀行業務而言)的壞賬及呆賬普遍均得到改善。不履行貸款比率於二零零三年底跌至百分之一點五五(二零零二年為百分之一點六七)。

由於壞賬及呆賬減少，扣除準備後之營運溢利錄得十億二千三百萬港元，較二零零二年上升百分之十五點八。

集團繼續積極加強剩餘資金管理，投資廣泛類別債務證券與貨幣市場資產。在維持審慎流動資金水平之餘，也在低息環境下賺取穩定計息收益，並掌握市場機遇，出售投資獲利。因應市況，並考慮年內的利率走勢，集團出售若干中期債務證券，獲利一億九千六百萬港元。由於若干非持作買賣用途的證券信貸質素轉壞，本年內集團已調撥二千七百萬港元作準備。

鑑於物業價格在過往兩年持續下滑，集團最後於二零零一年底進行的行產價值重估迄今已累積相當跌幅。本年度，集團再作行產價值重估，連同投資物業的按年重估後，錄得六千七百萬港元之重估虧損，已記入二零零三年度集團損益結算表內。

新會計準則採用新遞延稅款計入賬法，令二零零二年度遞延稅款扣減增加。由於二零零二年度重列稅項支出減少，加上本年度香港利得稅率由百分之十六調升至百分之十七點五，二零零三年度稅項支出因此而增加。

二零零三年度下半年貸款需求有復甦徵兆，尤以與貿易融資、物業借貸與客戶證券投資有關。由於市況好轉及最優惠利率對本港銀行同業拆息差擴大，集團的信貸擴展亦變得更積極。下半年集團銀行業務的新增貸款差不多全面扭轉上半年貸款總額下降之數額。

Financial Review (Continued)

The Group's charge for bad and doubtful debts reduced by 24.1% when compared with 2002, due to lower charge-offs in the credit card and unsecured personal lending businesses, tightened credit underwriting, vigorous collection efforts, and a recovery in property prices in the second half of 2003. A general improvement in bad and doubtful charges was experienced in all lending businesses, and particularly in personal banking. At the end of 2003, the non-performing loan ratio dropped to 1.55% (2002: 1.67%).

As a result of the lower charge for bad and doubtful debts, operating profit after provisions for the year was HK\$1,023 million, 15.8% higher than 2002.

We continued to manage actively our surplus funds by investing in a wide variety of debt securities and money market assets with the objectives of sustaining prudent liquidity, generating solid accrual income in a low interest rate environment, and capturing market opportunities by realising disposal gains. We took advantage of opportunities in the market during the year to dispose of some of our holdings of medium-term debt securities which enabled us to realise a total net gain of HK\$196 million. To reflect the credit deterioration of certain non-trading securities, a provision of HK\$27 million was made in the year.

In the light of the persistent fall in property prices over the last two years, the cumulative depreciation in the values of the bank premises since the last revaluation conducted at the end of 2001 had become material. A revaluation of the Group's bank premises was performed at the end of the year, together with the annual revaluation of the investment properties. A revaluation deficit charge of HK\$67 million was recognised in the 2003 profit and loss account.

The adoption of new deferred tax accounting treatment under a new accounting standard necessitated the recognition of a larger deferred tax credit for 2002. The restated lower taxation costs in 2002 together with the increase in the current year's local profits tax rate from 16% to 17.5% explained the higher taxation expense in the year.

There were some signs of recovery in loan demand in the second half of the year especially in relation to trade finance, property lending and securities financing. In view of the improving market conditions and a widening in the Prime/Hibor spread, we became more active in credit underwriting. New loan acquisitions in our banking business in the second half had almost fully reversed the loan contraction in the first half of the year.

財務省覽(續)

集團存款總額(包括客戶存款及存款證)增長百分之八點四。處於低息的一年，集團加緊吸納存款以擴大客戶群、推展交叉銷售財富管理服務、鎖定更多年期較長資金以加強剩餘資金投資。零售存款證成為集團中期資金的新來源，於二零零三年底總額達致四十三億港元。此等款項使集團可進一步減低資金成本，並延長其運用時限。

豐明銀行於二零零一年四月開業，致力拓展個人銀行業務，並不斷擴展客戶群與改善業務收益。由二零零三年一月起，所有營運及行政支援已外判予大新銀行，使豐明銀行可分享集團的規模經濟效益。豐明銀行二零零三年錄得首年盈利，淨溢利為一百五十萬港元，較開業三年內錄取盈利的原定目標略早達成。

集團人壽保險業務於二零零三年業績理想，根據潛在價值會計入賬法，集團長期人壽保險業務收益為九千六百萬港元，較二零零二年增加百分之二十點三。主要由於下半年銷售增加、於年中推出目標儲蓄人壽保障計劃與從股票及債券市場取得較高投資回報所致。

銀行業務

Financial Review (Continued)

We achieved an 8.4% growth in total deposits, which comprised both customer deposits and certificates of deposit. In a year of low interest rates, we increased our deposit acquisition efforts, with the objectives of growing the customer base, cross-selling wealth management services and locking in additional term funding to support more active surplus fund investment. Our retail certificates of deposit have become a new source of medium term funding and totalled HK\$4.3 billion as at the end of 2003. This enabled us to reduce further our funding cost whilst extending the maturity.

MEVAS Bank, launched in April 2001, maintained its focus on the personal banking sector and continued to increase its customer base and revenue. From January 2003, all operations and administrative support have been outsourced to Dah Sing Bank to enable MEVAS Bank to share the benefits from the Group's economies of scale. MEVAS Bank achieved its first profitable year and reported a net profit of HK\$1.5 million in 2003, slightly ahead of the original target of profitability within three years of its launch.

Our life assurance business generated a stronger set of results in 2003, with a contribution, using the embedded value accounting treatment, of HK\$96 million, up 20.3% compared with 2002. The improved results were attributable to higher sales, driven by the introduction of endowment savings plans in the second half of the year, and stronger investment returns from both equity and bond markets.

Banking Business

		二零零三年 2003	二零零二年 2002	變動 Variance
淨利息差	Net interest margin	3.05%	3.74%	
以百萬港元位列示	HK\$ Million			
各項客戶貸款減準備	Advances to customers less provisions	27,417	27,636	-0.8%
各項客戶存款	Customers' deposits	40,000	37,287	7.3%
已發行的存款證	Certificates of deposit issued	7,868	6,888	14.2%
存款合計	Total deposits	47,868	44,175	8.4%
貸款對存款比率 (不包括借貸資本)	Loan to deposit ratio (excluding loan capital)	57.3%	62.6%	
平均流動資產比率	Average liquidity ratio	65.9%	54.9%	

業務回顧

Review of Operations

銀行業務(續)

二零零三年上半年與下半年的業務情況截然不同。上半年沙士疫症爆發、失業率攀升，經營環境惡劣；下半年頹勢扭轉，市場氣氛改善，經濟亦開始復甦。二零零三年，美元持續疲弱，促進本港的出口及轉口業務，並有助舒緩通縮情況。此外，股票市場向好，物業價格上升，本地消費及失業情況改善，皆有利本地經濟在下半年的復甦。

年內，信用卡及無抵押個人貸款需求仍然疲弱，幸踏入下半年，按揭市道漸次好轉。隨著下半年經濟開始復甦，資產質素持續改善，無抵押個人貸款尤為顯著。由於各大銀行紛紛致力擴展業務，令眾多銀行服務產品的價格競爭越趨激烈。

儘管處於如斯競爭激烈市況，集團仍繼續致力提昇業務盈利，同時，維持健全的風險合理回報與業務發展兩者的平衡。年內，集團擴大存款基礎，穩定貸款組合，維持嚴謹借貸審批條件，大幅減低借貸虧損，擴展財富管理服務，增強剩餘資金管理，在債券方面加大投資。集團關注成本控制，並於二零零三年初併合大新銀行與豐明銀行的個人銀行業務，大幅節省本年度經營成本。

銀行業務的淨利息收入較二零零二年輕微下降，主要由於較高息率的無抵押消費貸款下降所致。集團亦透過財資活動增加高流動性與主要為短年期的投資。故此，二零零三年度淨息差收窄。

銀行業務的其他營運收入較二零零二年減少百分之三。儘管財富管理服務賺取可觀的收入，惟未足以抵銷年內因信用卡交易量減少而導致的信用卡費用收入下降及財資交易收益的跌幅。

成本乃本年度關注重點之一。集團已厲行減省成本措施，包括併合個人銀行業務的各項支援職能、削減廣告和推廣活動開銷、節省資訊科技及各類開支。

Banking Business (Continued)

Business conditions changed significantly between the first half and second half of 2003. The depressed operating environment in the first half, affected by SARS and rising unemployment, was dramatically reversed in the second half as sentiment improved and the economy began to recover. The continued weakening in the US dollar in 2003 assisted in boosting Hong Kong's exports and re-exports, and worked to alleviate deflation. The rebound in the local economy in the second half was also assisted by a stronger stock market and property prices, and improvements in local consumption and unemployment.

Demand for credit card and unsecured personal loans during the year remained weak, whilst demand for mortgages began to improve in the second half of the year. Asset quality, especially for unsecured consumer lending, improved steadily, particularly in the second half of the year as the economy began to recover. Pricing competition for many banking products intensified as banks increased efforts to grow their businesses.

Against this challenging market environment, we continued to seek to grow our business profit whilst sustaining a sound balance between risk-adjusted returns and business development. During the year we increased the deposit base, stabilized our loan book, maintained our prudent lending criteria, significantly reduced loan losses, grew our wealth management services, and pursued more active surplus funds management with additional bond investment. Our emphasis on cost control and the integration of the personal banking business of Dah Sing Bank and MEVAS Bank at the beginning of 2003 led to significant cost savings in the year.

The net interest income of our banking business declined modestly relative to 2002. The reduction in the higher yielding unsecured consumer loans was the main cause of this decline. We also increased our investment in liquid and predominantly short-dated investments through our treasury activities. These resulted in a tighter net interest margin in 2003.

Other operating income of the banking business dropped 3% relative to 2002. The stronger income generated from wealth management services was more than offset by the drop in credit card fee income due to a lower volume of card transactions, and lower treasury dealing gains in the year.

Cost was an important focus during the year. Actions taken to reduce costs included integrating the support functions of Personal Banking, lower expenditure on advertising and promotion, and savings in IT and a variety of expenses.

銀行業務(續)

下半年本地經濟好轉，失業率下降，使資產質素得以改善，尤以個人銀行業務而言。下半年住宅及商用物業價格回升，令負資產按揭結餘減少，資產質素提高。總體各項業務的呆壞賬支出均見下調。

個人銀行業務

個人銀行業務包括零售銀行、顯客理財及私人銀行業務。

儘管下半年資產質素有所改善，營商環境仍然艱難。上半年，資產質素欠佳，部份原因是失業率高企，沙士疫症肆虐，以及個人破產及債務重整個案激增，影響集團的信用卡及無抵押借貸業務。年中之後，集團力求加快零售銀行業務的發展，進行多項嶄新推廣活動以吸引信用卡客戶，並更積極爭取按揭貸款業務。這些努力推動集團於下半年的貸款業務增長。

本年度客戶存款息率偏低，致使財富管理服務需求增加。有見及此，集團加強推銷、分銷及交叉銷售單位信託、零售債券及人壽保險，並發行更多零售存款證，務求能配合上述需求增長。財富管理業務增長使集團於本年度取得較可觀的費用及佣金收入。

縱然信用卡市場挑戰巨大，年內集團仍欣然獲多個獎項。二零零三年，大新銀行獲萬事達國際頒發「2003年度全港最高持卡人商務產品消費額(每卡計)大獎」、「2003年度全港最佳聯營卡計劃大獎」及「2003年度全港最高商務卡消費額增長大獎」。豐明銀行亦獲威士國際頒發「2002/2003年度香港/澳門最高數目之新VISA專屬聯營卡計劃大獎」。

Banking Business (Continued)

The improvement in the local economy and the lower unemployment rate in the second half of the year contributed to the improvement in asset quality, particularly in the personal banking business. The upturn in property prices, both residential and commercial, in the second half led to lower negative equity mortgage balances and contributed to improvement in asset quality. Overall, we saw a reduction in the charge for bad and doubtful debts across all business segments.

Personal Banking

Our personal banking business comprises retail banking, VIP banking and private banking.

Business conditions remained difficult despite the improvement in asset quality in the second half of the year. In the first half of the year, asset quality was weak, due partly to high unemployment and SARS, and high levels of personal bankruptcies and debt restructuring particularly affecting our credit card and unsecured lending businesses. Shortly after the mid year, we attempted to accelerate the growth of our retail banking by launching new promotions to acquire credit card customers and by more actively pursuing mortgage lending. These efforts assisted us to achieve positive loan growth in the second half.

In a year of low deposit rates for customers, demand for wealth management services increased. We attempted to serve this increase in demand by growing sales, distribution and cross-selling of unit trusts, retail bonds, and life insurance policies, and issued more retail certificates of deposit. The increase in our wealth management business enabled us to report higher fee and commission income for the year.

Despite the significant challenges encountered in the credit card market, we were pleased to have received further awards during the year. In 2003, Dah Sing Bank was recognized by MasterCard International as achieving "The Highest Cardholder Spending per Card in Commercial Products in 2003 in Hong Kong", "The Best Co-Branded Program Launched in 2003 in Hong Kong", and "The Highest Growth Rate in 2003, Commercial Products Volume in Hong Kong". MEVAS Bank was also recognized by Visa with the award "The Highest Number of New VISA Exclusive Cobrand/Affinity Card Programs — Hong Kong/Macau 2002/2003".

業務回顧

Review of Operations

個人銀行業務(續)

集團私人銀行業務於年內錄得較高盈利，成功擴大客戶基礎、增加客戶資產管理額及客戶投資交易額。私人銀行業務因年內全球股票市場向好而受惠。

集團堅信個人銀行業務應透過多類型的分銷渠道運作，並以零售分行網絡作為分銷及客戶服務等活動的基礎。二零零三年底，集團在本港經營四十三家零售分行及三所銷售服務中心、在海峽群島格恩西島經營一間附屬公司，並在中國深圳設有一代表處。

商業銀行業務

商業銀行業務(包括貿易融資、商業借貸、租購貸款及器材融資)的溢利高於二零零二年水平。整體貿易融資業務雖然表現強勁，惟本年度集團的商業銀行借貸結餘與去年仍相約。集團透過積極市場推廣，吸納中小型企業客戶，促使該業務收入有所增長。

至於租購運輸融資業務方面，雖然市場競爭激烈，但仍能取得理想表現。器材融資業務的目標客戶為在本港及華南地區經營的製造業公司，年內承中國的製造及出口業持續增長而受惠，借貸結餘錄得溫和增長。

中小型企業商業銀行業務及租購貸款融資業務方面的資產質素維持穩健，在本年度後段因經濟復甦及市場氣氛好轉而令資產質素有輕微提升。

財資業務

財資業務於年內錄得較佳的盈利。雖然買賣收益下降導致營運收入低於二零零二年度，惟是年內出售證券獲利增加，使財資業務本年度錄得盈利新高。

Personal Banking (Continued)

Our private banking business reported a higher profit for the year, and was successful in increasing its customer base, customer assets under management, and client investment dealing turnover. Private banking was a beneficiary of the improvement in global stock markets during the year.

We continue to believe strongly in a multi distribution channel for our personal banking business, with our retail branch network as the foundation of our distribution and customer service activities. At the end of 2003, we operated 43 retail branches and 3 sales and services centres in Hong Kong, one subsidiary in Guernsey, Channel Islands and one representative office in Shenzhen, China.

Commercial Banking

Commercial banking, which includes trade finance, commercial lending, hire purchase and equipment finance, reported a higher profit relative to 2002. Overall, our commercial banking lending balance was flat for the year, despite a stronger trade finance performance. Active marketing and acquisition of SME customers led to growth in income generated from this business.

Our hire purchase transport financing, despite the highly competitive market, continued to post solid performance. Our equipment finance business, targeting manufacturing companies operating in both Hong Kong and in the southern part of Mainland China, registered a mild increase in loan balances in the year, benefiting from the continuing growth in China's manufacturing and export sectors.

The asset quality of both SME commercial banking and hire purchase finance remained stable, with signs of modest improvement in the latter part of the year amidst a recovering economy and improving market sentiment.

Treasury

Our treasury division delivered stronger profitability in the year. Although operating income was lower than 2002 due to lower trading gains, the higher securities disposal gains realized in the year led to a record level of profit from this business.

財資業務(續)

集團存款總額升幅強勁，貸款增幅放緩，令集團可透過財資業務調配的剩餘資金上升。投資組合內仍以主權機關、銀行、公共機構、資產抵押債務證券為主，但是年內集團已逐步擴展投資於批發式企業債券。集團策略之一乃透過挑選穩健海外信貸項目以達致進一步分散信貸風險與使收入多元化。集團繼續致力管理風險，包括透過使用利率掉期產生浮息資產，以對沖較長期固定收入證券的投資風險。

集團亦繼續積極管理債券組合，保持資產的充裕流動現金水平，賺取合理的計息收入，並掌握市場機遇出售套利。年內又進一步縮短債券組合的平均期限，以減低利率風險水平。

不斷提昇集團在市場風險及利率風險方面的風險管理能力乃財資營運策略不可或缺的一環，其演進過程多變，與集團整體資產與負債管理、及投資策略連繫密切。

豐明銀行

豐明銀行乃集團以獨立品牌經營的個人銀行業務附屬公司，二零零三年為其首個全年獲利年度，錄得純利一百五十萬港元。豐明銀行年內的營運業績主要因收入改善及明顯較低的經營支出而獲致。豐明銀行與大新銀行透過於二零零三年初進行的一項更全面外判安排，將所有支援職能合併，令支出大幅削減，並受惠於大新銀行的規模經濟效益。

自二零零三年中，由於本地經濟復甦，失業率與個人破產情況改善，因此壞賬支出顯著降低，令銀行於年內錄得盈利。

Treasury (Continued)

The strong growth in the Group's deposit base and subdued loan growth resulted in a higher level of surplus funds which we were able to deploy through our treasury business. Our investment portfolio continued to comprise mainly sovereign, bank, public sector entities and asset backed debt securities, although exposures to wholesale corporate sector gradually expanded in the year. This development is part of our strategy to achieve additional credit risk and revenue diversification by selectively investing in sound overseas wholesale credits. We are continuing our efforts to manage risk, including hedging investments in longer dated fixed income securities through the use of interest rate swaps to produce floating rate assets.

We continued to actively manage our bond portfolio to accomplish sound liquidity, generate reasonable accrual income and take advantage of market opportunities to realise disposal gains. We further reduced the average duration of our bond portfolio in the year to mitigate the level of interest rate risk.

An integral and critical part of our treasury strategy is the continuing upgrade of our risk management capabilities in managing market risk and interest rate risk. This is a dynamic and evolving process interlinked closely with our overall asset and liability management and investment strategies.

MEVAS Bank

MEVAS Bank ("MEVAS"), the Group's separately branded personal banking subsidiary, achieved its first full year of profitability in 2003 with a net profit of HK\$1.5 million. The operating results of MEVAS in the year were largely driven by higher revenue and significantly lower operating expenses. The integration of all of MEVAS' support functions with those of Dah Sing Bank, through a more extensive outsourcing arrangement implemented in early 2003, enabled it to significantly reduce its expense base and benefit from the economies of scale of Dah Sing Bank.

Bad debt charge eased notably since mid 2003 due to the recovery in the local economy and improvements in unemployment and personal bankruptcies. This assisted the Bank to achieve profitability in the year.

業務回顧

Review of Operations

深圳代表處將升格為分行

二零零三年六月底宣佈實施「更緊密經貿關係安排」，包括放寬本港註冊成立銀行於中國申請設立分行的資產限額要求，大新銀行已合乎資格並於二零零三年下半年向中國銀行業監督管理委員會（「中國銀監會」）遞交將集團深圳代表處升格為分行的申請。二零零四年二月獲中國銀監會答應批准籌辦深圳分行，預期該分行可於短期內開業。

待中國銀監會批准後，深圳分行會首先著眼擴大及加強與現有在深圳及珠江三角洲經營企業及廠商客戶的關係。集團亦會致力與新客戶建立聯繫，主要對象為在華南地區經營的商行及合資企業。

保險業務

集團的人壽保險附屬機構大新人壽於年內錄得理想的業績。經歷上半年沙士疫症肆虐、經濟疲憊的困難營商環境，業績表現顯得猶為鼓舞。年內推出一系列新產品（特別是目標儲蓄人壽保險），因其作為儲蓄形式的產品而頗受客戶歡迎，為新銷售業務額帶來強勁增幅。新保單銷售較二零零二年上升百分之六十三，下半年增長強勁，足以抵銷上半年疲弱的新業務銷量有餘。

投資組合主要仍為固定收入投資項目，惟年內亦增持股票。債券回報穩定加上股票價值上升，投資表現令人滿意。

整體營運收益連同投資回報在內增幅相當可觀，惟總盈利增長卻因潛在價值增長下降而減低。潛在價值下降的主因是年內推出目標儲蓄人壽保險，令新銷售業務組合有所改變，以及上半年經濟情況惡劣，導致退保個案數目上升影響長期保單續保率。長期人壽保險業務總盈利達九千五百六十萬港元，較二零零二年的七千九百四十萬港元，上升百分之二十。

根據諮詢獨立精算師後，於二零零三年底有效人壽保單總值釐定為五億九千六百一十萬港元（二零零二年：五億七千一百四十萬港元）。

Upgrading Shenzhen Representative Office to Branch

Following the announcement of CEPA at the end of June 2003 which included the reduction in the asset threshold requirement for Hong Kong incorporated banks to apply for the establishment of branches in China, Dah Sing Bank, being qualified, submitted an application to the China Banking Regulatory Commission ("CBRC") in the second half of the year for approval to upgrade our representative office in Shenzhen to a branch. Consent from CBRC to commence the preparation of our Shenzhen branch was granted in February 2004. We expect that the Shenzhen branch will commence business in the near future.

Upon the approval from CBRC, our Shenzhen branch will initially focus on expanding and strengthening our relationships with existing commercial and manufacturing customers operating in Shenzhen and the Pearl River Delta. We will also seek to develop relationships with new customers, which will predominantly be commercial and joint-venture companies operating in Southern China.

Insurance Business

Our life assurance subsidiary Dah Sing Life Assurance Company delivered record results in the year. Its performance was particularly encouraging after a very difficult first half year due to SARS and the weak economy. The introduction of a range of new products during the year, particularly endowment policies which appealed to customers as savings products, contributed to stronger new business growth. New sales were up 63% relative to 2002, with the strong growth achieved in the second half year more than offsetting the weak new business volumes in the first half.

The investment portfolio remained predominantly in fixed income investments, although holdings of equities increased during the year. Investment performance, driven by stable bond returns and stronger equity values, was satisfactory.

The overall trading profit, incorporating investment returns, increased significantly. Total profit growth was however depressed by a lower embedded value increase. The latter was caused mainly by the change in the mix of new sales with the launch of endowment policies in the year, and a higher volume of surrenders due to the difficult economic conditions in the first half of the year adversely affecting the longer term persistency. The total profit from the long-term life business amounted to HK\$95.6 million, up 20% from 2002's HK\$79.4 million.

As at the end of 2003, the total value of policies in force as calculated in conjunction with the independent actuary was HK\$596.1 million (2002: HK\$571.4 million).

保險業務(續)

集團佔百分之五十一權益與英傑華(前稱CGNU)合營之綜合保險附屬機構大新保險有限公司於二零零三年度取得較高盈利,營運表現與投資回報亦見理想。

總結長期人壽業務成績,人壽保險附屬機構剩餘股本投資回報與綜合保險附屬機構業務表現,集團保險業務為集團錄得稅前溢利總計為一億二千五百六十萬港元(二零零二年:八千一百一十萬港元),約佔集團稅前溢利百分之十一。

風險管理

鑑於集團擴充業務(尤其在集團財資及投資活動方面),加強風險管理乃日益備受關注的一環。年內集團活動包括提昇風險管理政策及限額、進一步建立風險監控流程及工具、推行「風險數值」風險計量系統以記錄、量度及控制集團在買賣倉的市場風險。集團將繼續致力進一步提昇風險管理能力,以巴塞爾II條約所提供之指引與落實方案為楷模,務求可更有效控制市場風險、利率風險及信貸風險。

年內市場成立全面消費信貸資料庫,提供更全面的消費信貸資訊,對銀行業實為一項積極的發展。加上更為嚴謹的零售信貸審批准則,包括持續改善消費信貸評分模式,集團深信可繼續提高信貸風險管理能力,以配合無抵押零售借貸組合業務的增長。

Insurance Business (Continued)

Our 51% owned general insurance subsidiary, Dah Sing General Insurance Company, a joint venture with Aviva (formerly CGNU), achieved a higher level of profit in 2003 on the back of a better operating performance and stronger investment returns.

Aggregating the results of the long-term life business, the investment results of the surplus capital of our life subsidiary and the results of the general insurance subsidiary, our insurance business contributed a total profit before taxation of HK\$125.6 million (2002: HK\$81.1 million) to the Group, or approximately 11% of the Group's pre-tax profit.

Risk Management

Strengthening risk management is an area of increasing focus given our business expansion especially related to our treasury and investment activities. Our activities in the year included the upgrading of risk management policies and limits, further development of our risk monitoring and control process and tools, and the implementation of "Value at Risk" risk measurement system to track, quantify and control our market risk exposures in the trading book. We will pursue further enhancements in our risk management capabilities to manage and control market risk, interest rate risk and credit risk as an ongoing development along the direction and implementation plan of Basel II.

The introduction of a consumer credit bureau in the year providing more comprehensive consumer credit information is a very positive development for the banking industry. Coupled with our more stringent retail credit underwriting criteria including the ongoing upgrade of our consumer credit scoring model, we believe we will be able to continue to advance our credit risk management capabilities to support the growth of our unsecured retail lending portfolios.

業務回顧

Review of Operations

資產質素

Asset Quality

以百萬港元列示	HK\$ Million	二零零三年 2003	二零零二年 2002	變動 Variance
壞賬及呆賬準備調撥	Charge for bad and doubtful debts			
• 特殊準備支出	• Specific provision charge	539.6	686.0	-21.3%
• 一般準備(撥回)/支出	• General provision (write-back)/charge	(4.9)	18.1	
本年度準備總支出	Total charge for the year	534.7	704.1	-24.1%
年內平均貸款結餘	Average loan balance for the year	28,033	28,707	-2.3%
特別準備百分比	Specific provision rate	1.92%	2.39%	
十二月三十一日：	As at 31 December:			
不履行貸款：	Non-performing loans:	433.3	469.1	-7.6%
減：	Less:			
已撥出特殊準備	Specific provisions made	210.0	202.8	3.6%
持有抵押品市值	Market value of security held	228.3	249.3	-8.4%
未提撥準備之風險淨額約數	Estimated net exposures not yet provided	–	17.0	N/A
不履行貸款比率	Non-performing loan ratio	1.55%	1.67%	
逾期及經重組貸款比率	Overdue and reschedule loan ratio	2.06%	2.03%	

由於上半年經濟低迷，加上沙士疫症爆發，失業情況惡化，導致個人破產及個人債務自願重組的數字上升，壞賬支出高企，嚴重影響集團的零售借貸業務。消費借貸的信貸質素因下半年經濟情況好轉及失業率下降而有顯著改善。

Due to the depressed economy and outbreak of SARS in the first half year, our retail lending portfolio was adversely affected by charge-offs brought about by the high level of personal bankruptcies and individual voluntary arrangements as a result of a worsening unemployment. The credit quality of consumer lending significantly improved in the second half, assisted by an improving economy and falling unemployment.

於二零零三年，商業銀行業務及租購貸款業務的資產質素皆見平穩，原因是大部份中小型企業客戶的現金流量表現良好，其抵押品價值亦維持穩定。

The asset quality of our commercial banking and hire purchase businesses was stable in 2003 due to good cash flow performance of and stabilization in collateral values maintained by most SME customers.

年底經營環境好轉，集團的不履行貸款比率較二零零二年有所改善。

With an improved operating environment at the end of the year, we achieved a further improvement in the NPL ratio relative to 2002.

資本及流動資產

Capital and Liquidity

集團銀行系	Banking Group	重列	
		二零零三年 2003	Restated 二零零二年 2002
資本基礎 (以百萬港元位列示)	Capital base (HK\$ million)		
— 核心資本	— Core capital	5,130	4,756
— 附加資本與扣減項目	— Supplementary capital and deductions	1,477	1,503
扣減後的資本基礎總額	Total capital base after deductions	6,607	6,259
資本充足比率 (於年結日)	Capital adequacy ratio (as at year end)		
— 一級	— Tier 1	15.8%	15.1%
— 一級及二級 (扣減後)	— Tier 1 and Tier 2 (after deductions)	20.4%	19.9%
流動資產比率 (全年平均數)	Liquidity ratio (average for the year)	65.9%	54.9%

年內集團的資本充足比率進一步改善。穩健的資本基礎讓集團可在日益改善的經營環境下更積極發展業務及收購資產。

Our capital adequacy ratio further improved in the year. Our stronger capital base will enable us to pursue more active business growth and asset acquisitions under an improving operating environment.

集團增加債務證券組合的投資，使高流動性投資不斷增加，集團銀行系全年均維持高企的流動資產比率。

With an increasing pool of liquid investments as we grow our debt securities portfolios, a high level of liquidity was maintained throughout the year by our Banking Group.

人力資源

二零零三年初，豐明銀行的支援職能與大新銀行合併，節省不少人力資源，使集團得以在二零零三年首數個月，在經濟低谷與沙士疫症肆虐期間仍能抵禦種種困難。集團繼續致力改善工作流程及重新分配資源，務求達致更高生產效率。

Human Resources

With the integration of the support functions of MEVAS Bank with those of Dah Sing Bank at the beginning of 2003, we achieved a lower level of headcount early in the year to enable us to respond to the challenges caused by the depressed economy aggravated by SARS in the first few months in 2003. We continued our process streamlining and resource reallocation efforts to attain higher productivity.

隨著市況改善，為了支援業務增長，集團於下半年選擇性地增聘人手以保持客戶服務質素，爭取更高的銷售額及業務增長。

With the improvement in market conditions and to support business growth, we selectively increased our headcount over the course of the second half to sustain our customer service quality and generate higher sales and new business.

業務回顧

Review of Operations

人力資源 (續)

二零零三年，集團悉力提倡加強整個機構的卓越服務文化，籌辦各類型的社會、社區及員工福利活動，提倡良好勞資關係、關注社會責任與推動健康意識。集團欣喜再次獲得香港社會服務聯會確認為香港傑出關懷僱主之一。此外集團亦因健全的人力管理制度及過去數年所付出的努力而獲得肯定，由惠悅及多家知名機構贊助，並由 CCH Hong Kong Limited「China Staff」雜誌頒發，集團的人力資源主管獲膺選為二零零三年「本年度香港最傑出人力資源經理」。

二零零三年底，集團聘有僱員共一千二百七十一名，較二零零二年底之一千三百九十四名，減少一百二十三名。

資訊科技

集團仍會貫徹投放資訊科技之資源承諾，以支援創新產品、改善流程、提昇服務質素、增強風險管理、加固資訊系統保安，以致最終能貢獻未來盈利。

縱然二零零三年上半年經營環境艱難，集團仍致力提昇資訊科技的能力、基礎設施及分銷系統，並精簡現有核心操作平台。集團深信在新資訊科技上的投資，有助加深了解客戶的行為模式、提昇集團的實力及服務質素。為求進一步加強業務持續性計劃，集團在改善科技風險管理的過程中將進一步提高資訊科技災難應變能力。

Human Resources (Continued)

In 2003, we continued our effort in promoting a stronger service excellence culture throughout the organization. We organized different social, community and staff well-being events to promote better staff relationships, social responsibility and health awareness. We are pleased to be recognised again by the Hong Kong Council of Social Service as one of the Hong Kong caring employers in 2003. We are also honoured to have received recognition of our sound people management practices and efforts made in the past few years, and that our head of Human Resources was voted in 2003 as the "Hong Kong HR Manager of the Year" presented by the "China Staff" magazine of CCH Hong Kong Limited, sponsored by Watson Wyatt and a number of leading organizations.

At the end of 2003, the total number of employees of the Group was 1,271, down 123 from 1,394 at the end of 2002.

Information Technology

Investment in IT continued as a key resource commitment of our Group to support product innovation, process automation, service quality improvement, risk management, IT security and ultimately to contribute to our future profitability.

Despite the difficult operating environment especially in the first half of 2003, we continued our efforts to upgrade our IT capabilities, infrastructure and delivery systems whilst rationalizing some of our existing core operating platforms. We believe our new IT investments will assist us to better understand our customers' behaviour, and improve our capabilities and service quality. To upgrade our business continuity plan, our IT disaster recovery readiness will be further strengthened as we progress on improvements in relation to technology risk management.