

Dah Sing Group

2018 Final Results

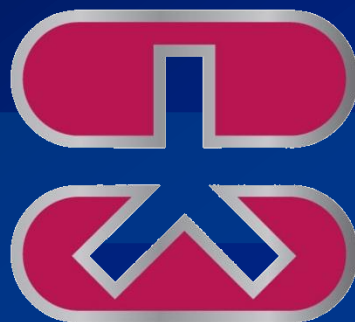


Dah Sing Group

Performance highlights

- 13% growth in profit attributable to shareholders of DSBG and 22% growth for DSFH despite BOCQ impairment
- Robust core banking earnings and growth in our general insurance business
- Net interest income growth driven by volume growth with overall stable net interest margin
- Growth in fee and commission income driven by higher non-interest income with strong market conditions in 1H18
- Improving cost to income ratio with positive Jaws
- Benign credit quality with low impaired loan ratio and lower credit impairment losses yoy, despite higher charge in 2H18
- Robust capital adequacy: CET1:13.1%, T1:13.7%, Total:18.1%





Financial Highlights



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Dah Sing Banking Group (2356)

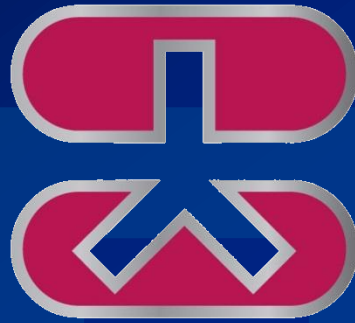
HK\$' million	2018	2017	Change
Net interest income	4,164	3,893	+7%
Net fee and commission income	1,161	1,052	+10%
Net trading income and other income	405	187	+116%
Total operating income	5,730	5,132	+12%
Operating expenses	(2,700)	(2,513)	+8%
Credit impairment losses	(233)	(271)	-14%
Operating profit after credit impairment losses	2,796	2,349	+19%
Profit shared from BOCQ	660	628	+5%
Impairment loss on investment in BOCQ	(633)	(815)	
Profit attributable to shareholders	2,480	2,186	+13%
Basic earnings per share (\$)	1.77	1.56	
Dividend per share (\$)	0.48	0.42	



Dah Sing Financial Holdings (0440)

HK\$' million	2018	2017	Change
Net interest income	4,215	3,935	+7%
Net fee and commission income	1,151	1,049	+10%
Net trading income, net insurance premium and other operating income net of insurance claims and expenses	540	337	+60%
Total operating income net of insurance claims	5,906	5,320	+11%
Operating expenses	(2,812)	(2,633)	+7%
Credit impairment losses	(233)	(271)	-14%
Operating profit after credit impairment losses	2,860	2,416	+18%
Profit shared from BOCQ	660	628	+5%
Impairment loss on investment in BOCQ	(633)	(815)	
Profit attributable to shareholders from continuing operations	1,915	1,574	+22%
Profit attributable to shareholders from discontinued operations	---	3,831	
Total profit attributable to shareholders	1,915	5,405	
Basic earnings per share from continuing operations (\$)	5.72	4.70	
Normal dividend per share (\$)	1.47	1.35	
Special dividend per share (\$)	---	6.60	



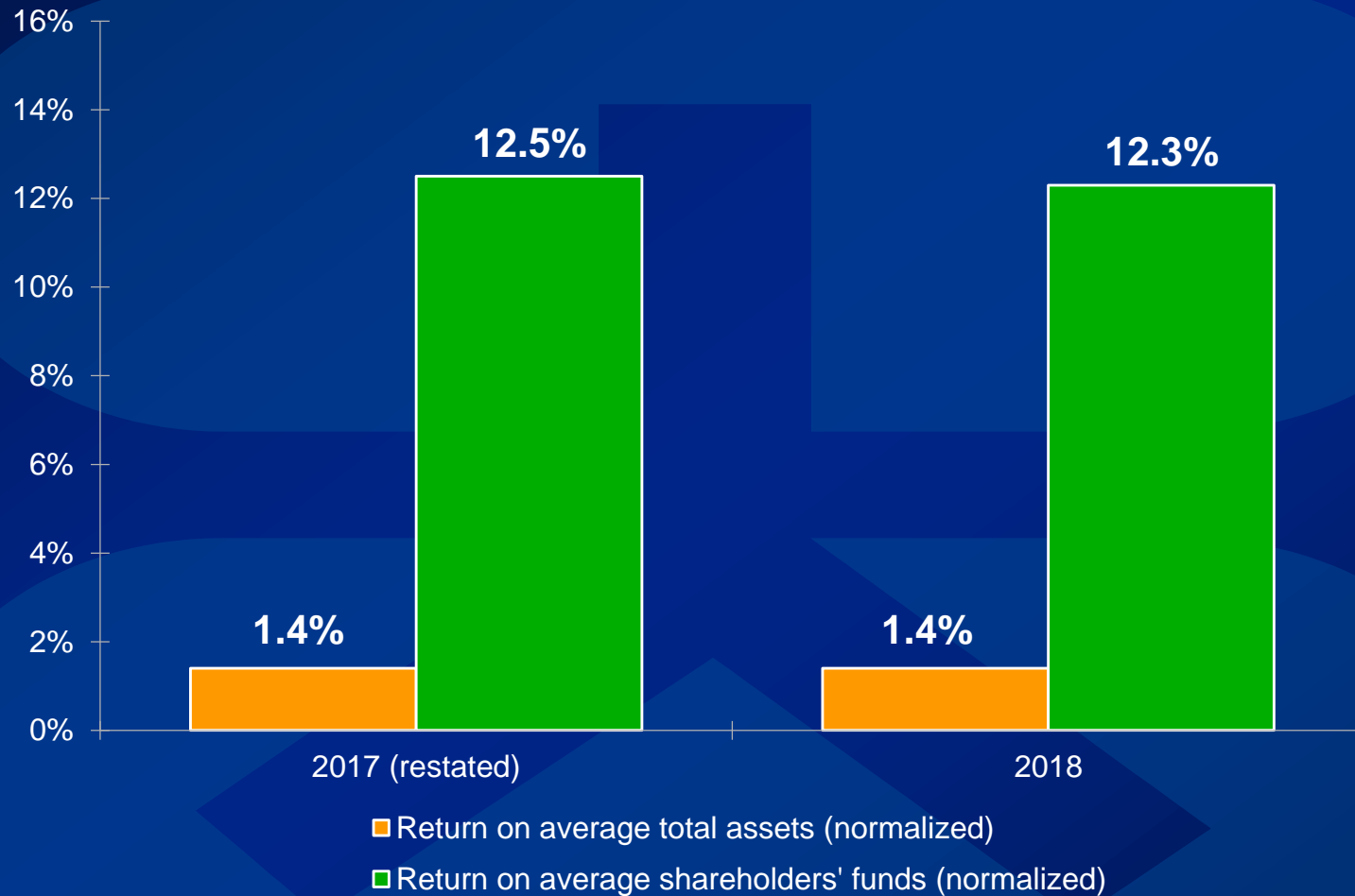


Dah Sing Banking Group



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Key return indicators

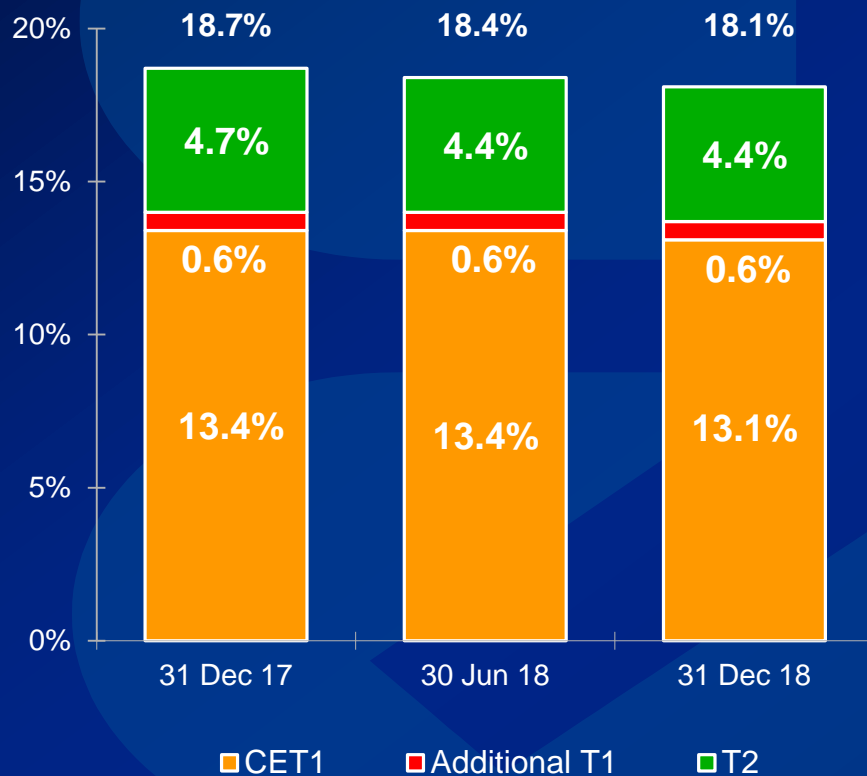


* Impairment charge on investment in BOCQ was excluded from the calculation of normalized business performance

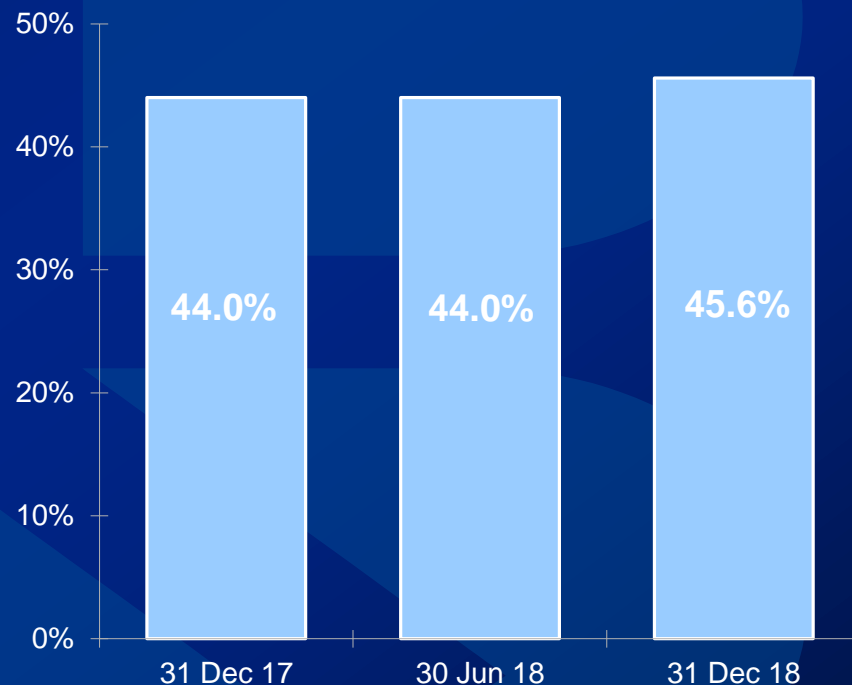


Capital adequacy and liquidity

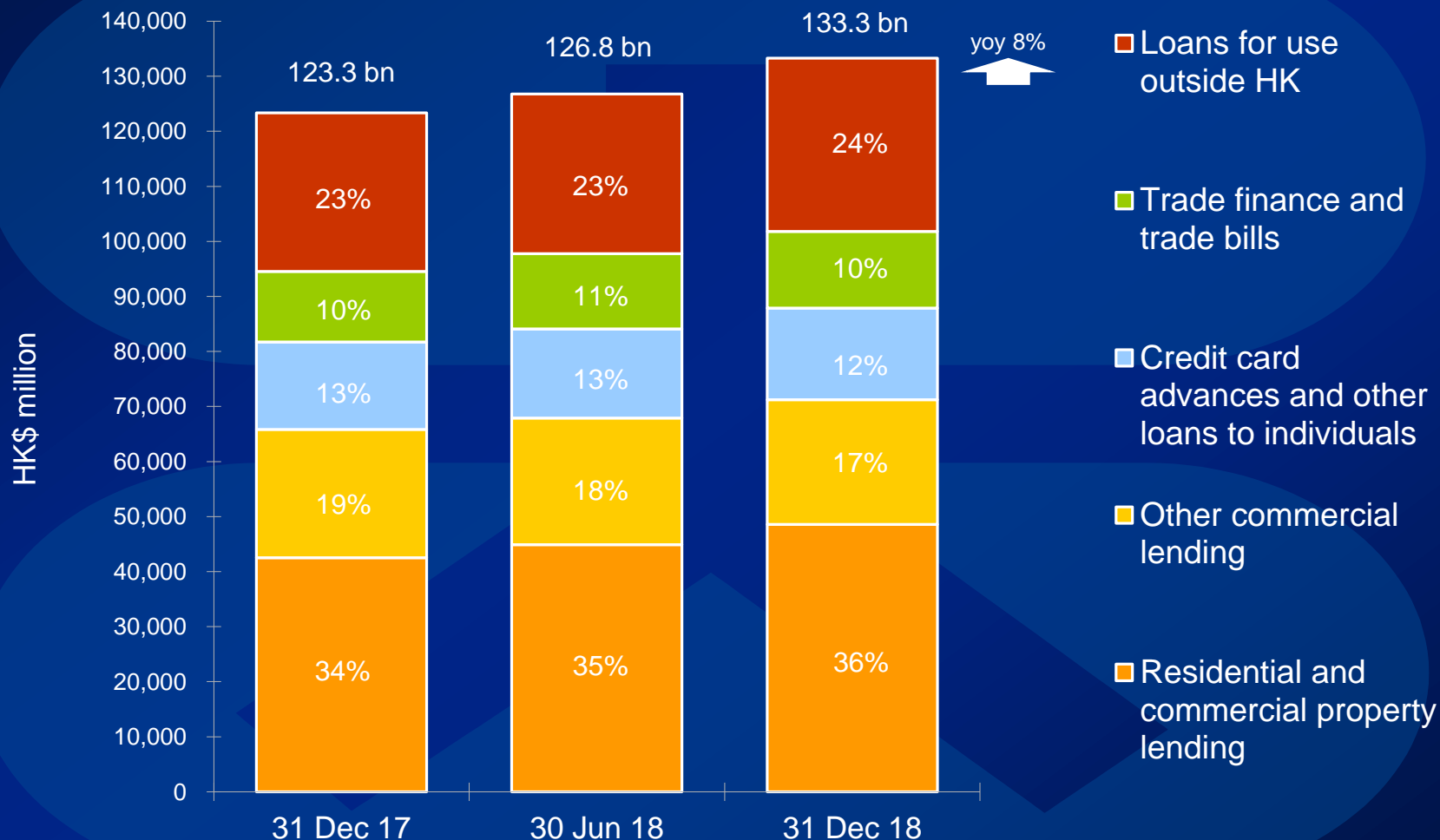
Capital adequacy ratio



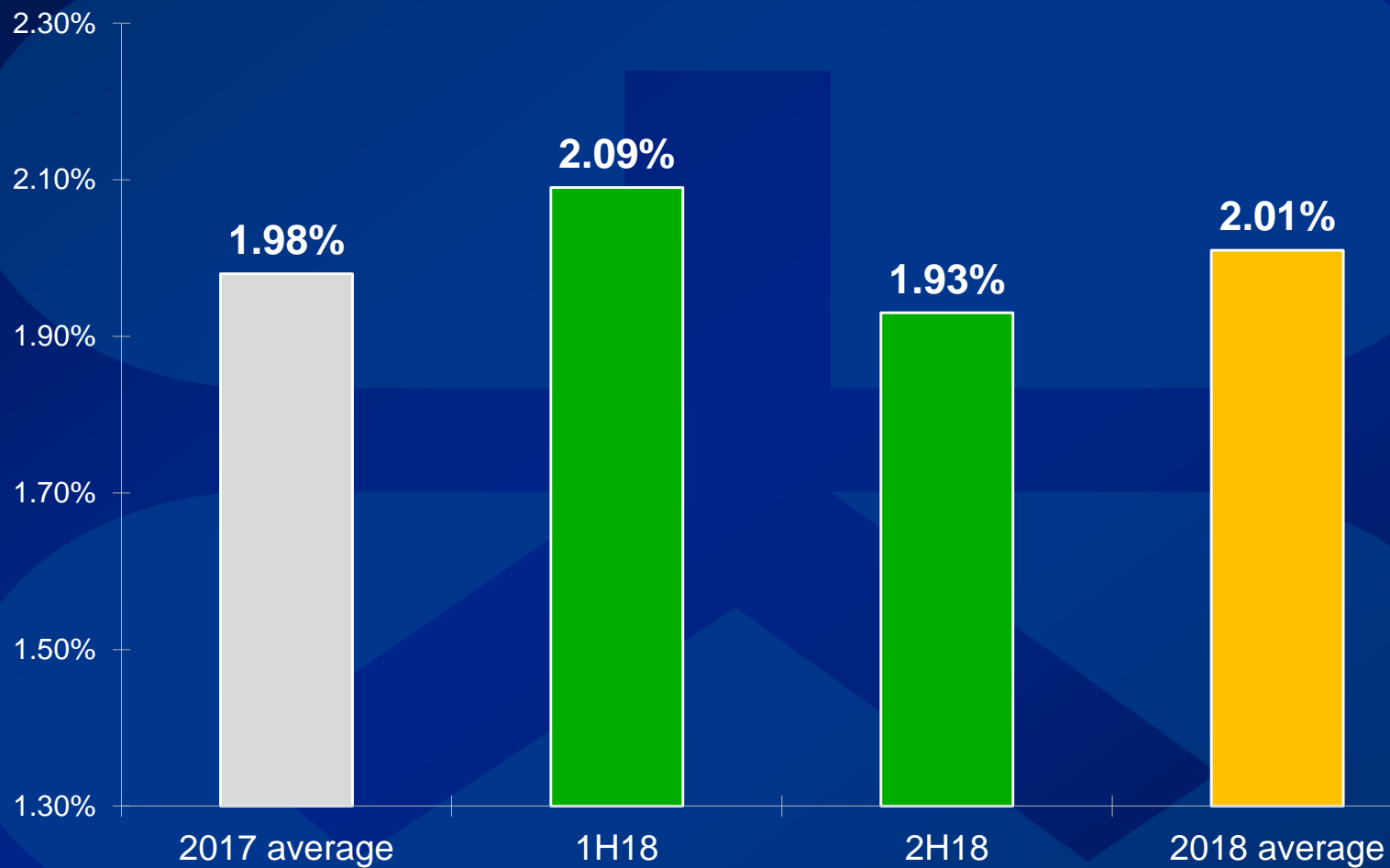
Liquidity maintenance ratio



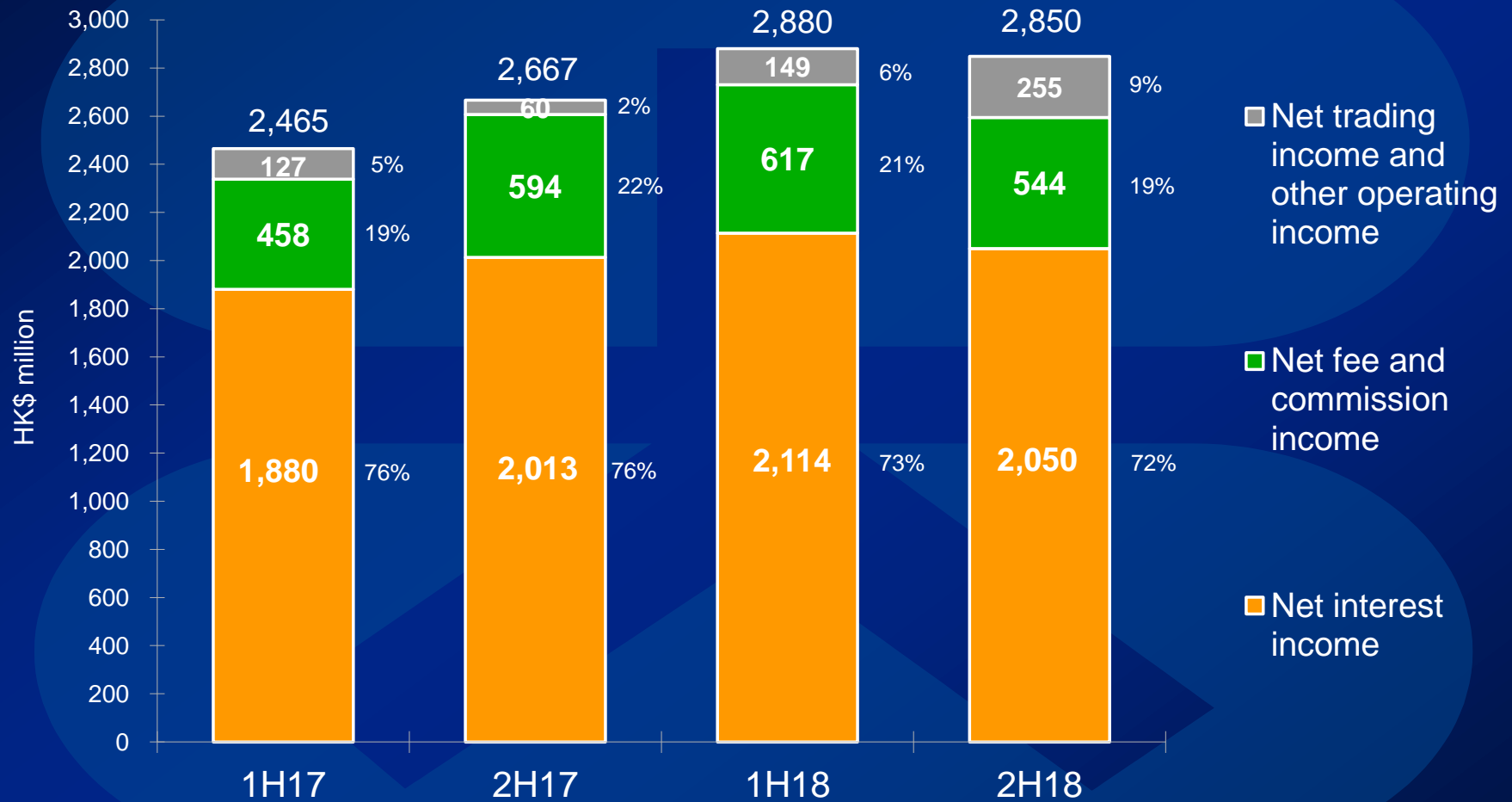
Gross advances to customers and trade bills



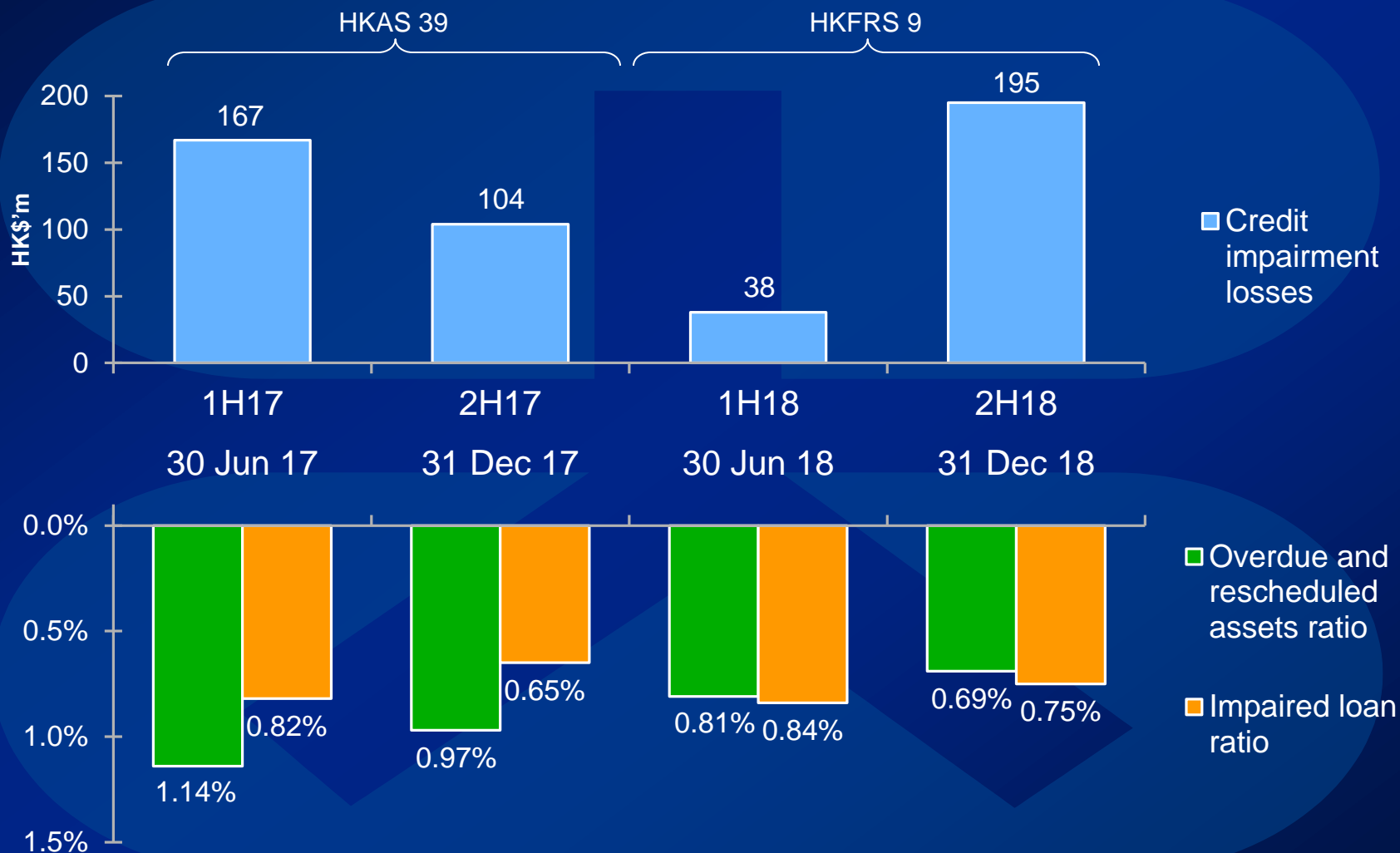
Net interest margin



Income from core businesses



Credit quality



Commercial banking

- Better profitability due to steadily growing income and benign credit quality with impairment write-back under HKFRS9
- Growth driven by commercial loans, with slower growth in our trade finance business in 2H18, achieving overall 8% yoy growth
- Mild non-interest income trend with focus on trade, transaction, FX and credit related fee income
- Faster deposit growth than loan growth
- Continuing enhancement of transactional capability and building deposit franchise



Personal banking

- Higher overall fee income yoy, with faster growth in 1H18 and softer trend in 2H18
- Modest net interest income growth yoy due mainly to higher overall funding cost
- Focus on funding cost control in the face of higher fixed deposit rates, especially HK\$ and US\$ deposit rates
- Maintained stable credit quality and overall low credit cost under HKFRS9
- Making investments to improve digital and mobile banking customer experience



Treasury

- Softer profitability due mainly to unfavorable HK\$-US\$ rate differential, partly compensated by improved performance of customer business, particularly FX
- Conservative liquidity management; average Liquidity Maintenance Ratio at around 45.6% was well above statutory requirement
- Prudent treasury portfolio with high average credit rating and relatively short duration to manage credit and interest rate risk



Overseas banking

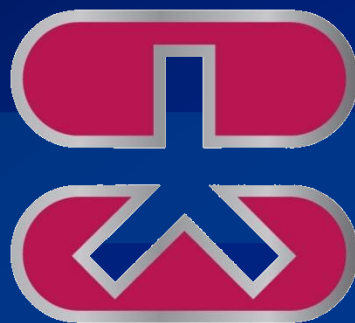
Macau:

- Modest loan growth with benign credit quality
- Profit under pressure due to narrower NIM
- Loan demand was soft, and competition was intense

PRC:

- DSB (China): business recovering but profit contribution remains small
- BOCQ contributed modestly improved net profit during the year, but our investment was impacted by a further impairment charge





Dah Sing Financial Holdings



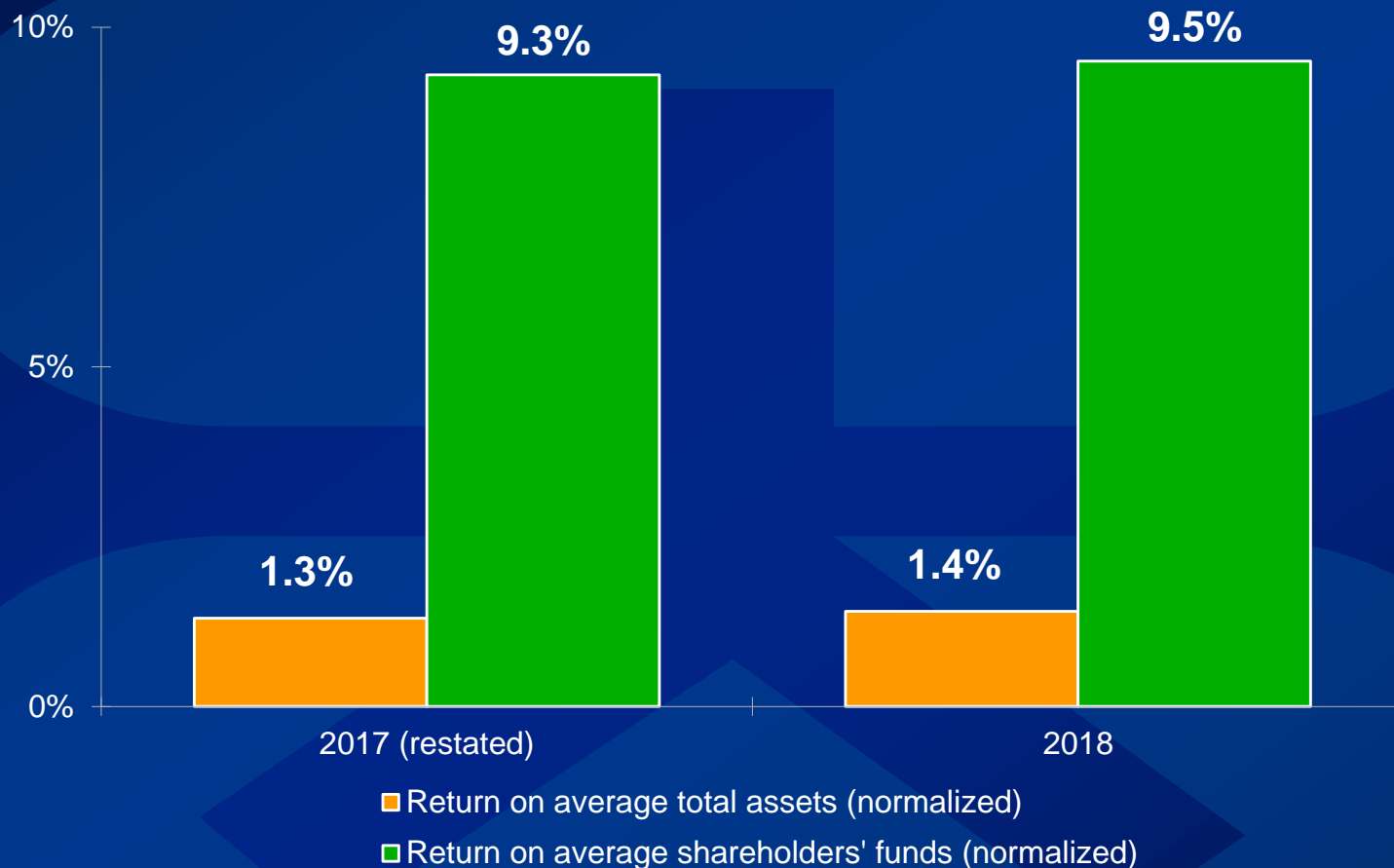
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General insurance

- Meaningful net premium growth after reinsurance, with higher gross premium recorded
- Steady profitability with higher premium offset by higher investment for expansion after the disposal of Dah Sing Life and Macau Life in 2017
- Improving claims management, with overall claims under control
- With increased financial strength in our general insurance businesses after the capital injection in 2017, we are focusing on improving underwriting capability, strengthening distribution and diversifying lines of business

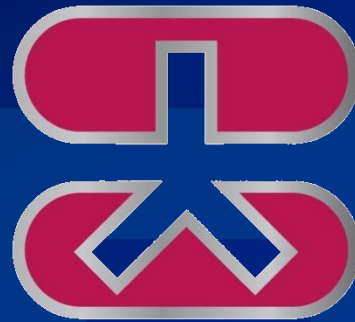


Key return indicators



* Gain on disposal of life insurance businesses in 2017 and impairment charge on investment in BOCQ were excluded for indication of normalized business performance





Conclusions



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Conclusions

- Growth in underlying earnings for the year, although performance in 2H18 was slower than 1H18
- Robust capital and liquidity positions maintained
- Healthy asset quality and lower credit cost
- Robust core banking business resulted in more than 12% normalized return on equity for DSBG
- Impairment charge on investment in BOCQ was non cash and had no impact on capital adequacy
- Risk management a key focus in 2019
- Development of Greater Bay Area offers promising prospects for the Group's banking and insurance businesses

