

Dah Sing Group

2018 Interim Results

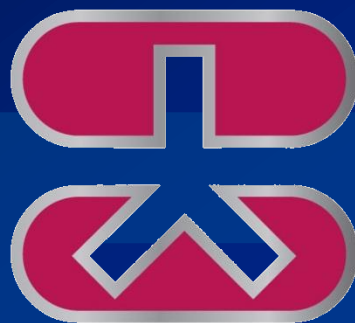


Dah Sing Group

Performance highlights

- **HK\$1.75 billion** and **HK\$1.34 billion** normalized DSBG and DSFH interim profit before BOCQ impairment
- Strong core banking earnings and stable general insurance profitability
- Net interest income growth with mild loan growth and higher net interest margin
- Faster growth in fee and commission income driving higher non-interest income
- Improving cost to income ratio with positive Jaws
- Benign credit quality with low impaired loan ratio and reduced credit impairment losses
- Robust capital adequacy: CET1:13.4%, T1:14.0%, Total:18.4%





Financial Highlights



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Dah Sing Banking Group (2356)

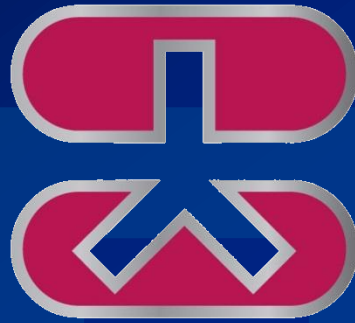
HK\$' million	1H18	1H17	Change
Net interest income	2,114	1,880	+12%
Net fee and commission income	617	458	+35%
Net trading income and other income	149	127	+17%
Total operating income	2,880	2,465	+17%
Operating expenses	(1,281)	(1,226)	+5%
Credit impairment losses	(38)	(167)	-77%
Operating profit after credit impairment losses	1,561	1,071	+46%
Profit shared from BOCQ	410	373	+10%
Impairment loss on investment in BOCQ	(403)	---	
Profit attributable to shareholders	1,347	1,299	+4%
Basic earnings per share (\$)	0.96	0.93	
Dividend per share (\$)	0.13	0.11	



Dah Sing Financial Holdings (0440)

HK\$' million	1H18	1H17	Change
Net interest income	2,143	1,893	+13%
Net fee and commission income	611	455	+34%
Net trading income, net insurance premium and other operating income net of insurance claims and expenses	217	197	+10%
Total operating income net of insurance claims	2,971	2,545	+17%
Operating expenses	(1,334)	(1,281)	+4%
Credit impairment losses	(39)	(167)	-77%
Operating profit after credit impairment losses	1,598	1,096	+46%
Profit shared from BOCQ	410	373	+10%
Impairment loss on investment in BOCQ	(403)	---	
Profit attributable to shareholders from continuing operations	1,041	995	+5%
Profit attributable to shareholders from discontinued operations	---	3,849	
Total profit attributable to shareholders	1,041	4,844	
Basic earnings per share from continuing operations (\$)	3.11	2.97	
Normal dividend per share (\$)	0.38	0.32	
Special dividend per share (\$)	---	6.60	



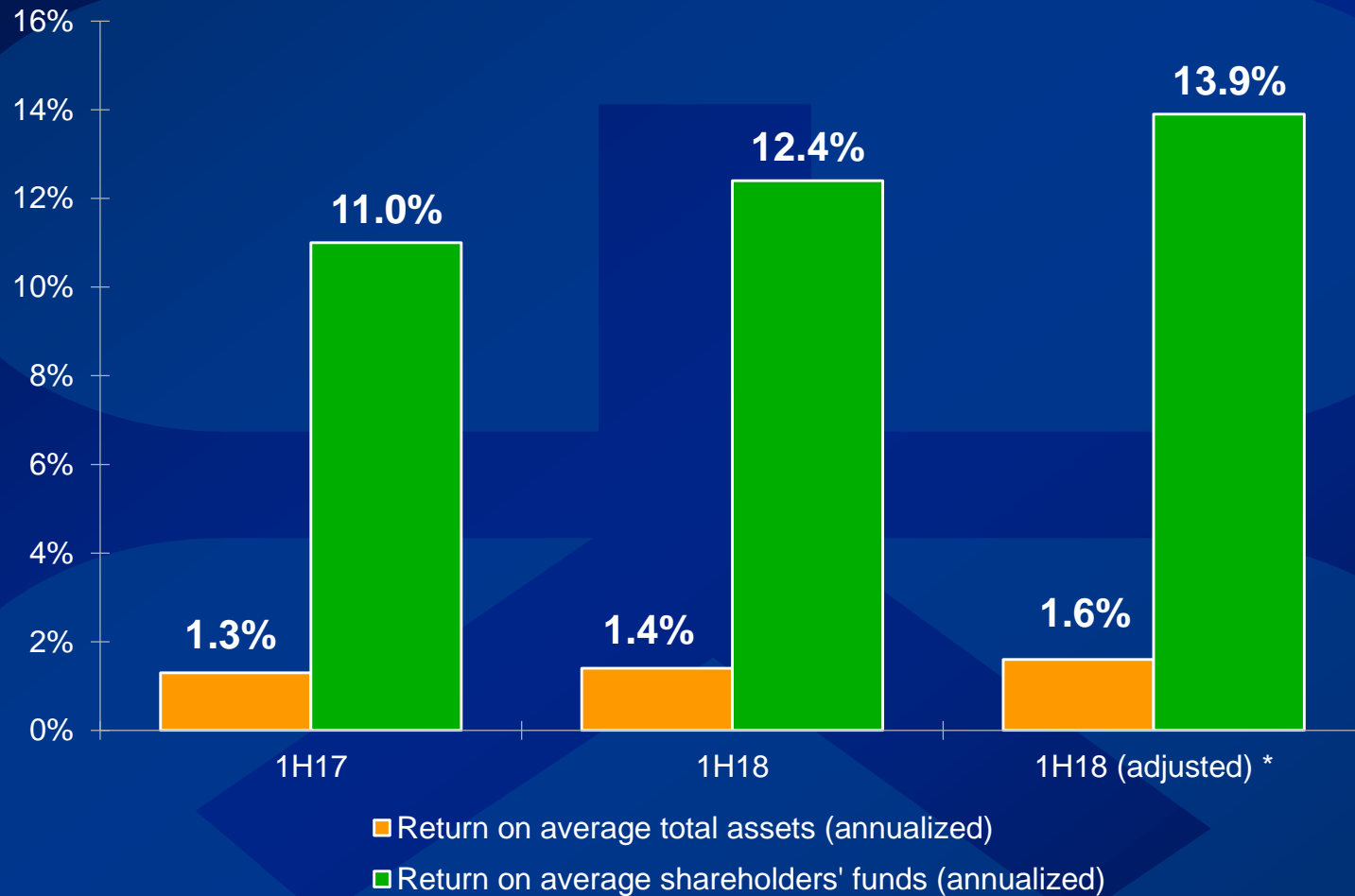


Dah Sing Banking Group



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Key return indicators

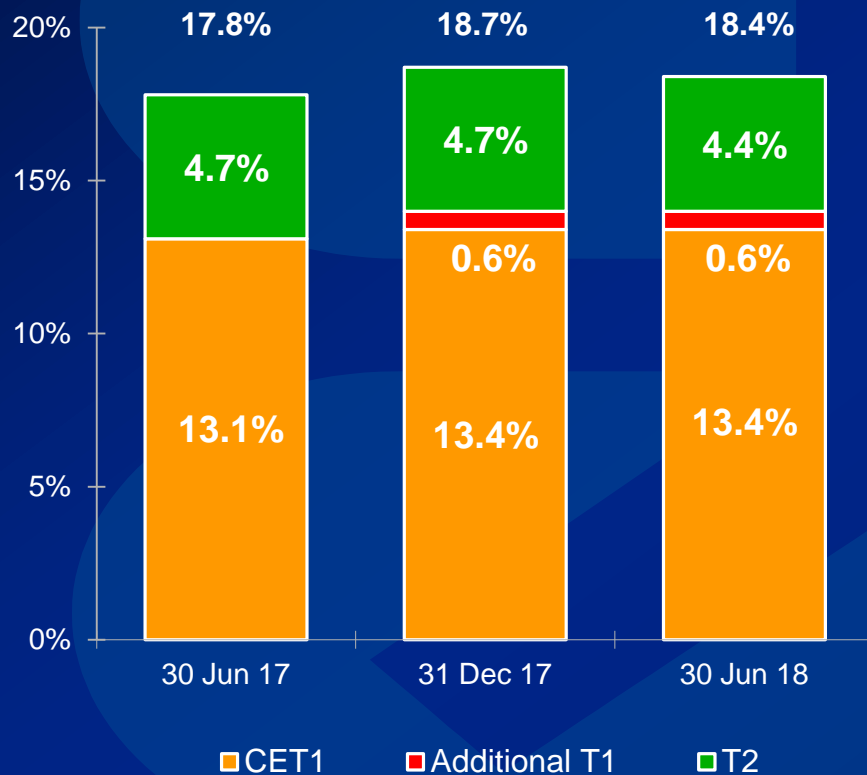


* Impairment loss on investment in BOCQ was excluded from the calculation of normalized business performance

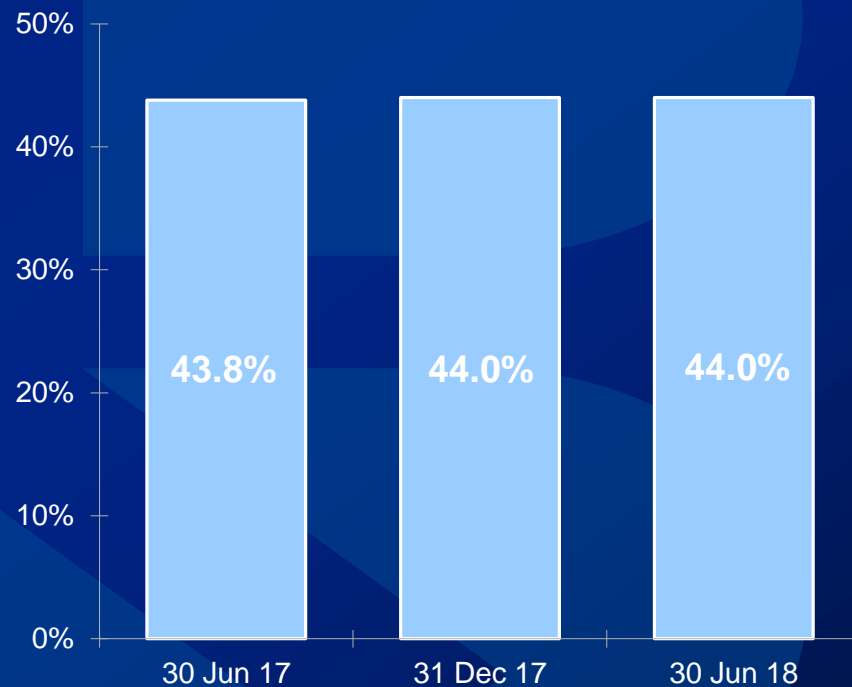


Capital adequacy and liquidity

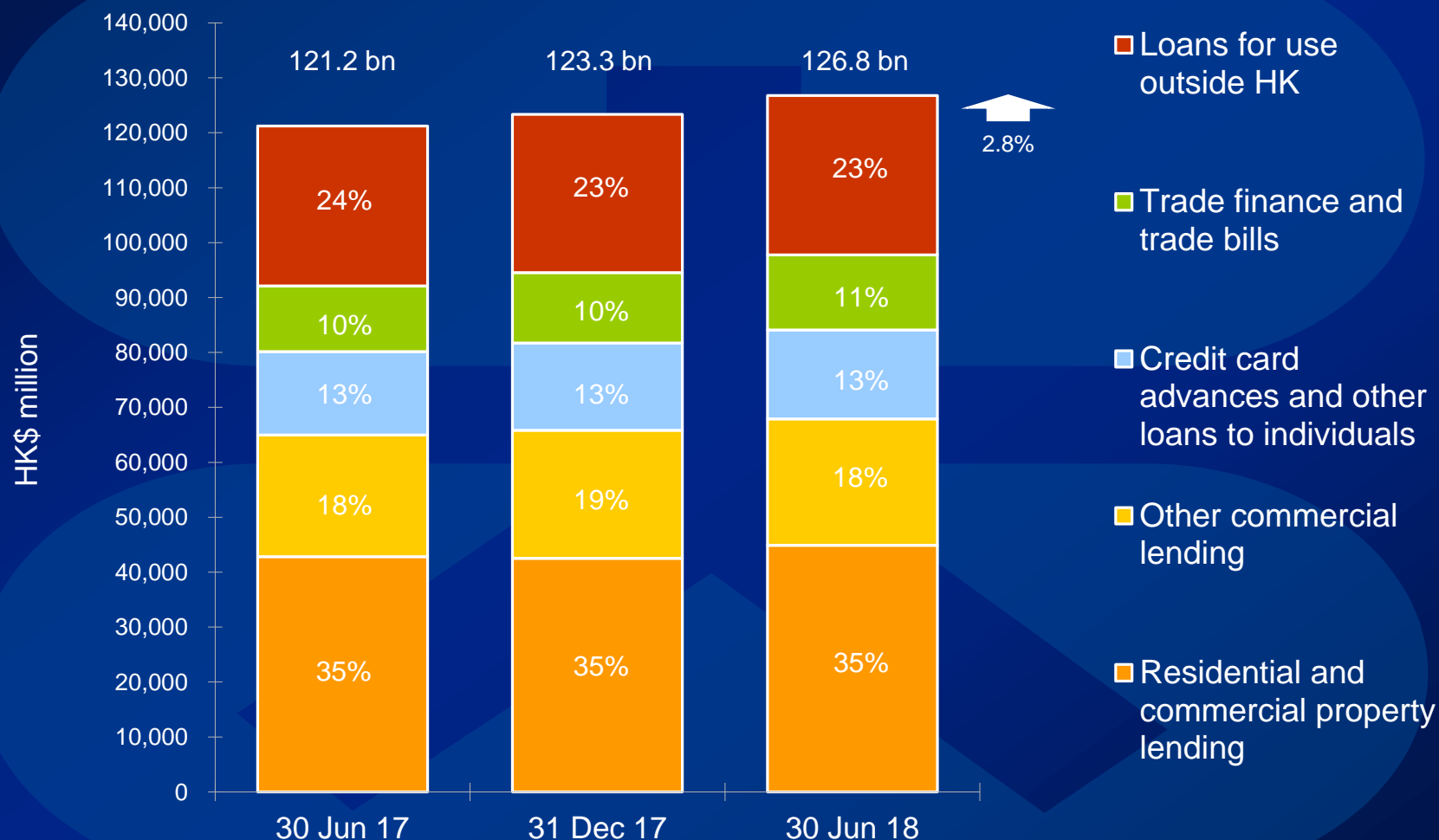
Capital adequacy ratio



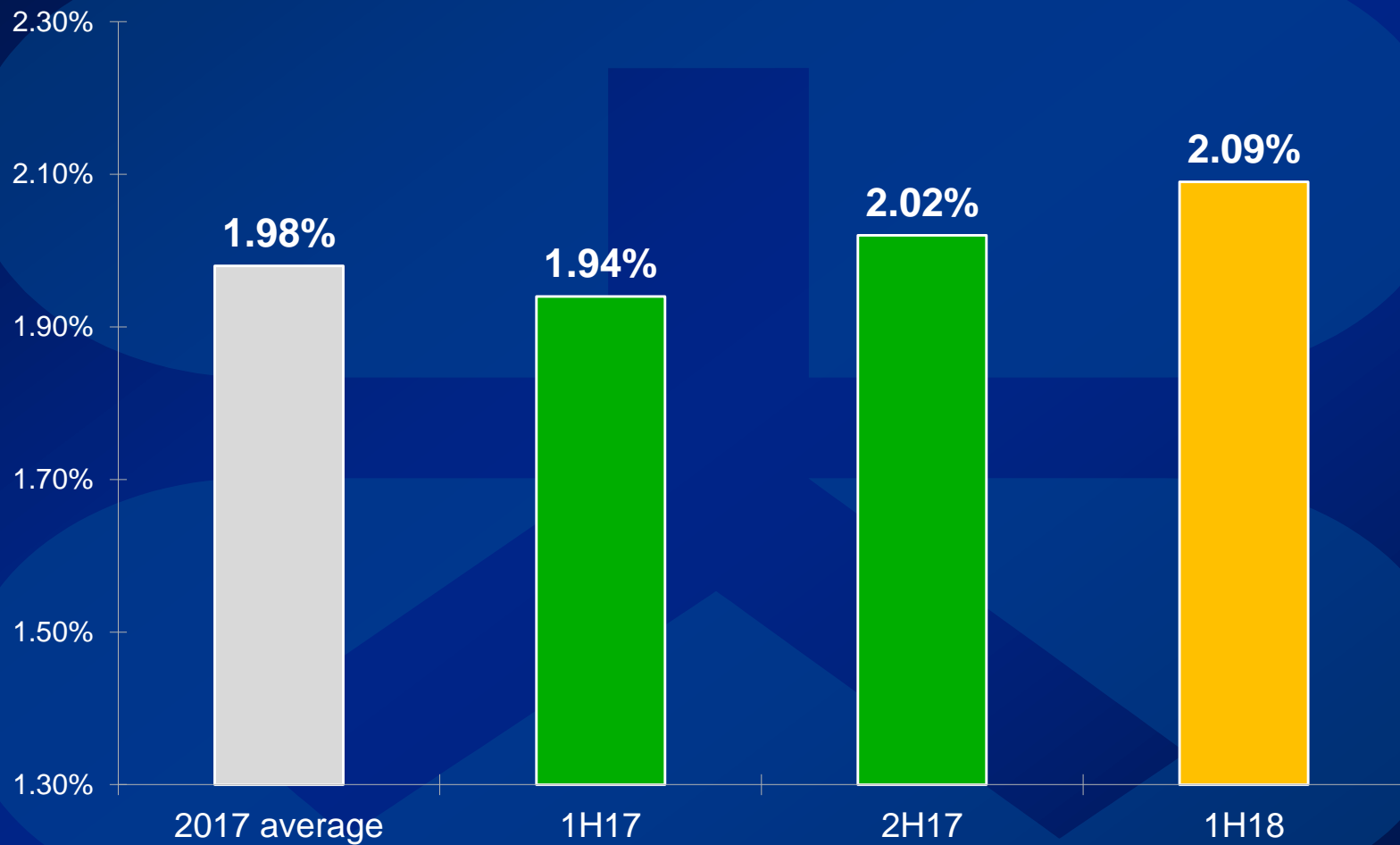
Liquidity maintenance ratio



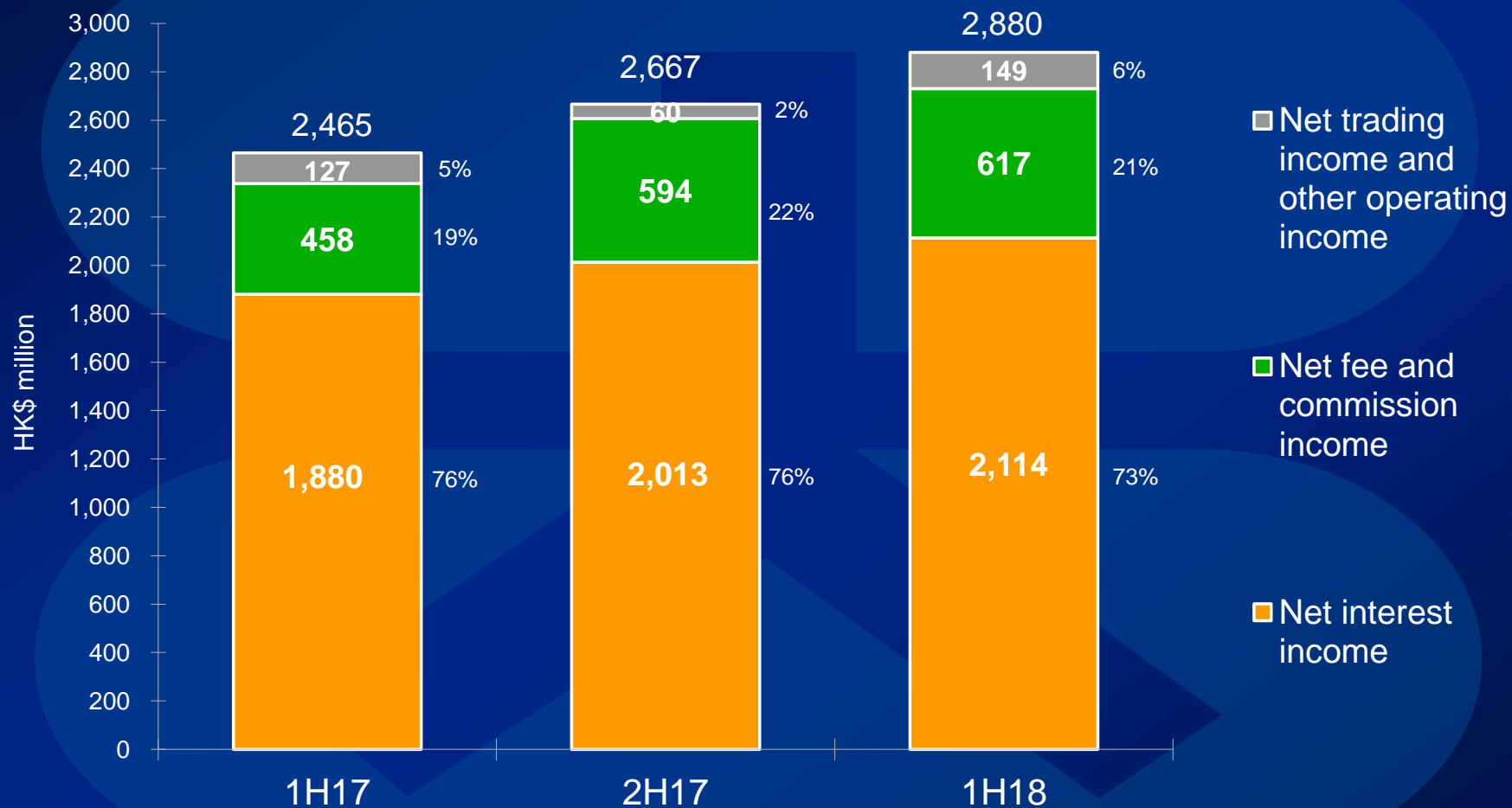
Gross advances to customers and trade bills



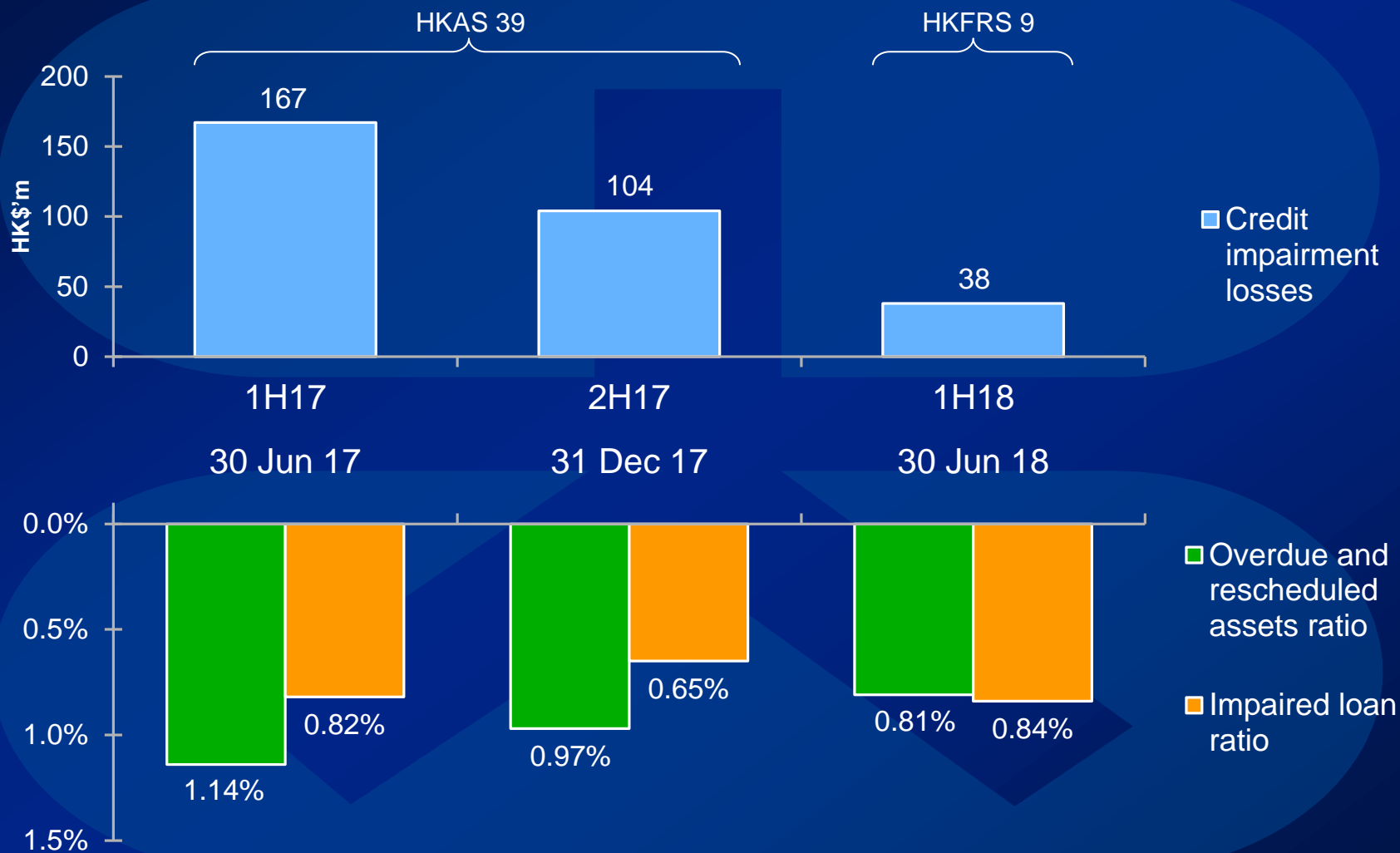
Net interest margin



Income from core businesses



Credit quality



Commercial banking

- Better interim profitability due to growing income and benign credit quality and lower impairment charge under HKFRS9
- Trade finance grew faster than commercial loans, whilst cross-border lending business was modest, overall mild loan growth
- Mild NII growth with stable NIM
- Improving non-interest income with higher credit related and trade related fees
- Focus on enhancing transactional capability and building deposit franchise



Personal banking

- Better interim profitability due mainly to growth of wealth management, stock brokerage and bancassurance income
- Higher net interest income with stable yield and modest loan growth, whilst credit card business was soft
- Focus on funding cost control in the face of higher fixed deposit rates, especially US\$ deposit rates
- Benefited from stable credit quality and lower credit cost under HKFRS9
- Making investments to improve digital and mobile banking customer experience



Treasury

- Better interim profitability due mainly to higher net interest income
- Conservative liquidity management; average Liquidity Maintenance Ratio at around 44% 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

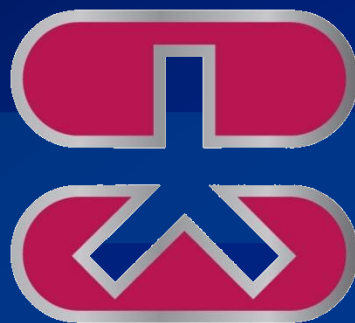
Macau:

- Mild profit growth with modest loan growth and steady NIM
- Consistently benign credit quality
- Market demand was soft, whilst competition was intense

PRC:

- DSB (China): business recovering but profit contribution remains small
- BOCQ contributed net profit of HK\$410 million during the period, but our investment was impacted by a HK\$403 million impairment charge





Dah Sing Financial Holdings



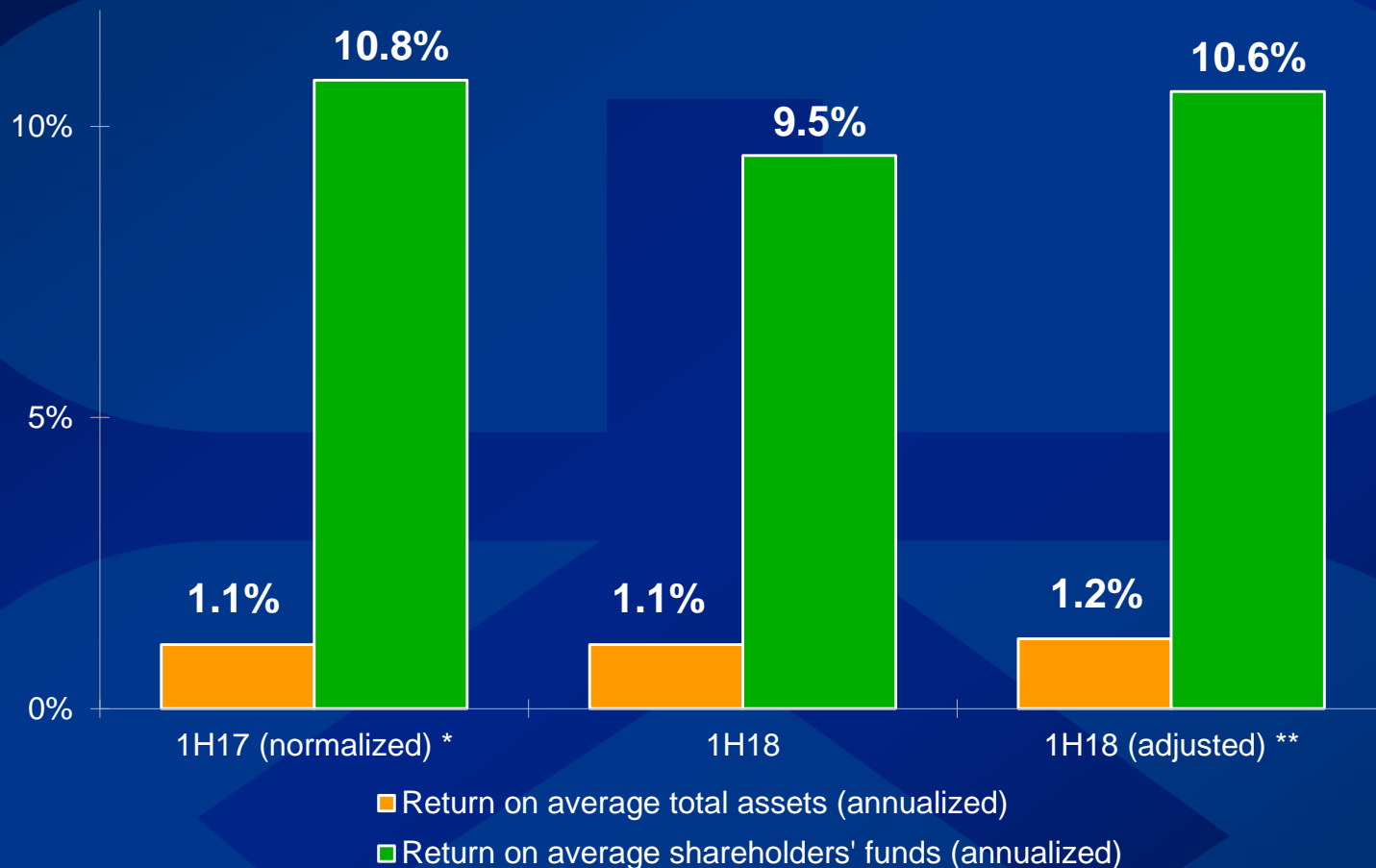
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General insurance

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



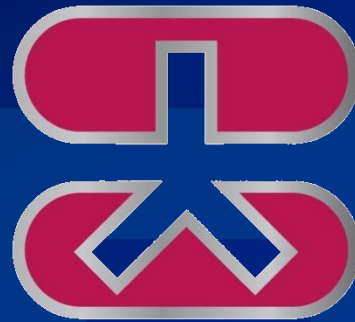
Key return indicators



* Gain on disposal of life insurance businesses was excluded for indication of normalized business performance

** Impairment loss on investment in associated company was excluded for indication of normalized business performance





Conclusions



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Conclusions

- Strong growth in underlying earnings, with bottom line impacted by impairment charge on investment in BOCQ
- Robust capital and liquidity positions
- Healthy asset quality and lower credit cost with favourable market conditions in 1H18
- Strong core banking business resulted in **13.9%** normalized return on equity for DSBG
- Impairment charge on investment in BOCQ was non cash and had no impact on capital adequacy

