

Press Release

21 March 2018

**Dah Sing Financial Holdings Announces 2017 Annual Results**  
Encouraging core banking business performance and profitability

**Highlights**

Dah Sing Financial Holdings (“DSFH”)

- Profit attributable to shareholders increased by 185.7% y-o-y to HK\$5.4 billion
- Normalized profit excluding gain on disposal of life insurance businesses and impairment loss on investment in Bank of Chongqing (“BOCQ”) amounted to HK\$2.4 billion
- Earnings per share: HK\$4.70 (from continuing operations)  
HK\$11.43 (from discontinued operations)
- Return on equity: 23.1% (normalized return on equity excluding gain on disposal of life insurance businesses and the impairment loss on investment in BOCQ: 11.1% )
- Total dividend per share: HK\$1.35 (excluding special dividend already paid)
- The sale of the life assurance businesses had brought a gain of HK\$3.6 billion; a special dividend of around HK\$2.2 billion was paid in July 2017
- Subscribed US\$115 million of Additional Tier 1 capital issued by DSB

Dah Sing Banking Group (“DSBG”)

- Profit attributable to shareholders increased to HK\$2.2 billion
- Normalized profit excluding impairment loss on investment in BOCQ amounted to HK\$3.0 billion
- Operating profit after loan impairment losses up by 33.6% to HK\$2.3 billion
- A non-cash write-down of the investment in BOCQ by about HK\$0.8 billion was made as a result of Value in Use being lower than carrying value
- Earnings per share: HK\$1.56
- Return on equity: 9.1% (normalized return on equity excluding impairment loss on investment in BOCQ: 12.3%)
- Total dividend per share: HK\$0.42
- Net interest margin remained stable at 1.98%
- Net interest income of HK\$3.9 billion, an increase of 7.0% y-o-y
- Net fee and commission income of about HK\$1.1 billion, an increase of 25.9% y-o-y
- Much improved credit quality with loan impairment charges fell by 51.9% y-o-y to HK\$271 million
- Robust capital position with total capital adequacy ratio (“CAR”) of 18.7%, Tier 1 CAR of 14.0% and a Common Equity Tier 1 (“CET1”) CAR of 13.4%
- Prudent loan to deposit ratio of 70.3% as at 31 December 2017

Dah Sing Financial Holdings Limited (“DSFH” or “the Group”; SEHK: 0440) announced today its annual results for the year ended 31 December 2017. Taking into account the gain on disposal of DSFH’s life insurance businesses totaling HK\$3.6 billion, profit attributable to shareholders increased by 185.7% to HK\$5.4 billion for the year. The normalized profit excluding gain on disposal of life insurance businesses and impairment loss on investment in BOCQ amounted to HK\$2.4 billion.

Earnings per share for the year ended 31 December 2017 was HK\$16.13. DSFH generated a return on equity of 23.1%, whilst the normalized return on equity excluding gain on disposal of life insurance businesses and the impairment loss on investment in BOCQ was 11.1%. The board of directors proposed a total dividend of HK\$1.35 per share (excluding special dividend already paid) (2016: HK\$1.32 per share).

Profit attributable to shareholders of Dah Sing Banking Group Limited (“DSBG”; SEHK: 2356) was HK\$2.2 billion for the year ended 31 December 2017, whilst its normalized profit excluding impairment loss on investment in BOCQ was HK\$3.0 billion. Basic earnings per share (after deduction of impairment loss) was HK\$1.56. After exclusion of impairment charge on BOCQ, the normalized return on equity and return on assets were 12.3% and 1.4% respectively. The board of directors proposed a total dividend of HK\$0.42 per share (2016: HK\$0.38 per share).

For the year ended 31 December 2017, the Group’s operating performance continued to improve, with operating profit after loan impairment losses up by 33.6% to HK\$2.3 billion. Net interest income grew by 7.0% to HK\$3.9 billion due to gentle loan growth and stable net interest margin throughout the year. Full year average net interest margin was at 1.98%, the same level as 2016. Net fee and commission income increased by 25.9% to about HK\$1.1 billion. The improved economy also brought better credit quality, with loan impairment charges falling by 51.9% to HK\$271 million.

As at 31 December 2017, DSBG’s gross advances to customers, including trade bills, were about HK\$123.3 billion and customer deposits were about HK\$162.5 billion, up 4.6% and 5.6% respectively as compared to 31 December 2016. The loan to deposit ratio remained prudent at 70.3% as at 31 December 2017.

As at 31 December 2017, the consolidated CET1 CAR of Dah Sing Bank, Limited (“DSB”) strengthened to 13.4%, compared with 12.7% at the end of 2016, driven mainly by higher retained earnings. In December 2017, DSB issued US\$115 million of Additional Tier 1 capital securities to DSFH, further strengthening the overall Tier 1 CAR to 14.0% at the year end. Taking into account DSB’s outstanding Tier 2 subordinated debts, DSBG’s Total CAR at the year end was robust at 18.7%.

Loan impairment charges fell by 51.9% to HK\$271 million, led mainly by decreases in loan impairments in Hong Kong and Mainland based commercial banking businesses. The

improvement continued sequentially in the second half of the year. The credit quality in our retail banking business remained satisfactory throughout the year.

The operating performance of BOCQ remained satisfactory, the Group's share of its profit was about HK\$0.6 billion for the year, around 4.3% higher than the prior year. As at 31 December 2017, the Value in Use of our investment in BOCQ fell below the carrying value of the investment, which resulted in a non-cash impairment charge of about HK\$0.8 billion to such carrying value.

The completion of the sale of the life insurance businesses had brought to the Group an exceptional HK\$3.6 billion gain on the disposal in 2017. A special dividend of HK\$6.6 per share totaling approximately HK\$2.2 billion was paid to the shareholders of the Group on 25 July 2017, whilst approximately HK\$1.5 billion of new capital was injected into general insurance businesses in Hong Kong and Macau.

"With better local and global economic conditions, we are delighted to see that the core operating performance of the Group has continued to improve. The Group has delivered record earnings this year after the disposal of the life assurance businesses. We are very focused on strategy execution in our core banking businesses, which had a good year in a number of areas. With a strengthening economy in 2018, the Group will continue to grow and invest in our banking and insurance businesses, whilst remaining vigilant to risks in the market." said Mr. Derek Wong, Managing Director and Chief Executive of DSFH and DSBG.

### **About DSFH and DSBG**

DSFH (stock code: 0440) has been listed on the Hong Kong Stock Exchange since 1987. It is the holding company of the group's insurance business, as well as the majority shareholder of DSBG (stock code: 2356). DSBG has been listed on the Hong Kong Stock Exchange since 2004, and has three banking subsidiaries (Dah Sing Bank, Limited, Banco Comercial de Macau and Dah Sing Bank (China) Limited), providing banking and financial services through a network of about 70 branches in Hong Kong, Macau and the Mainland, and a securities trading company. DSB holds a strategic 14.7% interest in Bank of Chongqing, which is the leading city commercial bank in Chongqing, the direct-controlled municipality in Western China.

DSB's long term ratings are "A3" (Moody's) and "BBB+" (Fitch).