

Press Release – For Immediate Release

Hong Kong, 26 August 2020

Dah Sing Financial Holdings Announces 2020 Interim Results
Prudently Poised to Navigate Economic Uncertainties in the Near Term

Highlights

Dah Sing Financial Holdings (“DSFH”)

- Profit attributable to shareholders down 33% y-o-y to HK\$745 million
- Respectable growth in net insurance premium income
- Earnings per share: HK\$2.33
- Final dividend per share: HK\$0.27

Dah Sing Banking Group (“DSBG”)

- Robust capital position with total capital adequacy ratio of 16.9%, Tier 1 ratio of 13.6% and Common Equity Tier 1 (“CET1”) ratio of 13.1%
- Profit attributable to shareholders down 30% y-o-y to HK\$946 million
- Net interest margin of 1.66% with prudent loan to deposit ratio of 70.5% as at 30 June 2020; net interest income down 9% y-o-y to HK\$1,857 million
- Net fee and commission income stable at HK\$578 million
- Significantly higher net trading income
- Total operating income slightly down by 2% y-o-y to HK\$2,618 million
- Credit quality remained manageable, with overall impaired loan ratio at 1.02%
- Operating profit after impairment losses down 28% y-o-y to HK\$861 million
- Impairment charge of investment in BOCQ increased to \$200 million
- Earnings per share: HK\$0.67
- Annualised return on average shareholders’ funds at 7.0%
- Final dividend per share: HK\$0.08

Dah Sing Financial Holdings Limited (“DSFH” or “the Group”; SEHK: 0440) today announced its interim results for the six months ended 30 June 2020. Profit attributable to shareholders fell by 33% to HK\$745 million against a backdrop of severe macroeconomic shocks and significant market volatilities. Earnings per share for the first half of 2020 was HK\$2.33. The Board of Directors declared an interim dividend of HK\$0.27 per share (2019: HK\$0.39 per share).

Dah Sing Banking Group Limited (“DSBG”; SEHK: 2356) reported a 30% year-on-year decline in profit attributable to shareholders at HK\$946 million for the six months ended 30 June 2020, riding on the back of a stable performance in total operating income despite the challenging economic conditions. Earnings per share was HK\$0.67. The Board of Directors declared an interim dividend of HK\$0.08 per share (2019: HK\$0.13 per share).

During the period, economic activities and global trade declined sharply as the impact of the Covid-19 global pandemic continued to be felt. In Hong Kong, escalating Sino-US tensions and lingering domestic social unrest put further pressure on the already weakened local economy. Notwithstanding various economic relief measures by the government and the banking industry as a whole, overall business and consumer sentiment remained weak while unemployment climbed sharply.

Rapid decline in market interest rates depressed asset yields in the first half of the year, while funding costs reduced at a somewhat slower pace. As a result, DSBG’s net interest margin contracted by 18 bps to 1.66%. Prudent management of its deposit mix and loans to deposit ratio helped mitigate in part the negative impact of the narrowing NIM, resulting in a 9% decline in net interest income to HK\$1,857 million for the period under review.

Net fee and commission income was maintained at the same level as last year at HK\$578 million, supported by a healthy growth in stock brokerage fee income and stable wealth management fee income performance. Net trading income was boosted both by a much higher profit on funding swap activities as well as healthy volume and income growth in customer-driven FX activities.

The worsening economic outlook drove credit impairment charges up given the Group’s cautious economic outlook and prudent risk management. Overall loan quality was monitored tightly with overall impaired loan ratio maintained at a manageable level of 1.02%. However, credit impairment charges of HK\$365 million were significantly higher especially when compared to the low base in the first half of 2019.

Profit contribution from our associated company Bank of Chongqing for the period was HK\$412 million, although a further impairment charge of HK\$200 million was made in accordance with our semi-annual Value in Use assessment on this investment.

As at 30 June 2020, Dah Sing Bank’s total consolidated capital adequacy ratio was strong at 16.9%, with Common Equity Tier 1 ratio at 13.1% and Tier 1 ratio at 13.6%.

The performance of the Group's general insurance business was satisfactory overall in the first half of 2020. Net premium income recorded respectable growth. Meanwhile, profit after tax also improved, mainly driven by better underwriting results in Macau. More significantly, robust solvency is expected to provide capacity for the business to generate growth in premiums and investment income over time.

"The economic outlook for the remainder of 2020 remains weak, given the lack of uncertainty over the Covid-19 pandemic and its repercussions on global economies. Escalating tensions between China and the US over trade and other political issues are likely to be long drawn-out. Although these exogenous factors put pressure on our net interest margin, loan growth and other revenue drivers, negatively impacting the performances of both DSFH and DSBG, the Group remained focussed on strengthening our business franchise, paying close attention to improving both the competitiveness of our products and services, as well as our overall customer experience in an increasingly digitalised banking era. Risk management will continue to be a key focus in the second half of the year, and we shall stay alert for both market and credit risks," said Mr. Derek Wong, Managing Director and Chief Executive of DSFH and DSBG.

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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, Banco Comercial de Macau and Dah Sing Bank (China)), providing banking and financial services through a network of about 70 branches in Hong Kong, Macau and the Mainland, and a securities trading company. Dah Sing Bank holds a strategic interest in Bank of Chongqing, which is the leading city commercial bank in Chongqing, the direct-controlled municipality in Western China.

Dah Sing Bank's long term ratings are "A2" (Moody's) and "BBB+" (Fitch).

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Link to Financial Results: http://www.dahsing.com/html/en/about_us/financial.html