Dah Sing Financial Holdings Announces FY 2013 Annual Results

Highest Ever Bank Profitability Driven by Strong Growth in Core Businesses

Highlights

Dah Sing Financial Holdings

- Profit attributable to shareholders increased by 15.1% y-o-y to HK$1,498 million
- Earnings per share: HK$5.05
- Final dividend per share: HK$0.91
- Net interest income recorded HK$3,108 million, an increase of 24.6% y-o-y
- Net fee and commission income recorded HK$622 million, an increase of 31.7% y-o-y
- Net insurance premium and other insurance income increased by 7.2% y-o-y
- Cost to income ratio was down from 59.0% to 52.7%

Dah Sing Banking Group

- Profit attributable to shareholders increased by 18.6% y-o-y to HK$1,756 million
- Earnings per share: HK$1.40
- Final dividend per share: HK$0.24
- Net interest margin was up 25bp to 1.79%
- Net interest income recorded HK$2,797 million, an increase of 26.9% y-o-y
- Net fee and commission income recorded HK$702 million, an increase of 32.3% y-o-y
- Consolidated capital adequacy ratio (CAR) of Dah Sing Bank remained strong at 14.5%, and a common equity tier 1 CAR of 10.4%
- Maintained a prudent loan-to-deposit ratio of 72.1% as at 31 December 2013
- Bank of Chongqing continued to deliver strong performance after IPO, contributing to the Group’s continued growth in profitability
Dah Sing Financial Holdings Limited ("DSFH" or "the Group"; SEHK: 0440) announced today its annual results for the year ended 31 December 2013. Solid growth in net interest income and strong net fee and commission income drove robust growth in profit attributable to shareholders to HK$1,498 million, a 15.1% increase compared to 2012.

Earnings per share for the year ended 31 December 2013 was HK$5.05, a 14.3% increase compared to 2012. The board of directors proposed a final dividend of HK$0.91 per share (2012: HK$0.89 per share).

“It is most encouraging for the Banking Group to report our highest ever core profit this year.” said Mr. Harold Wong, Group General Manager of DSFH and Managing Director and Chief Executive Officer of DSBG. “Business conditions were reasonable in the past year. The Hong Kong economy recorded modest growth, while the Mainland economy continued to grow quite strongly, although at a somewhat slower pace than previously. Against this backdrop, we made good progress in 2013, with much stronger financial performance from our core businesses.”

Dah Sing Banking Group Limited’s ("DSBG"; SEHK: 2356) profit attributable to shareholders increased by 18.6% to HK$1,756 million. Earnings per share was HK$1.40, an increase of 16.7% compared to 2012. The board of directors proposed a final dividend of HK$0.24 per share (2012: HK$0.23 per share).

As at 31 December 2013, DSBG’s total gross advances to customers were HK$98 billion and total deposits (including CDs issued) were HK$136 billion, up 13.7% and 9.9% respectively as compared to 31 December 2012. Its loan-to-deposit ratio increased mildly to 72.1% as at 31 December 2013, up 2.4% points compared to 31 December 2012.

DSBG’s net interest income grew strongly by 26.9% to HK$2,797 million driven by an improved net interest margin ("NIM"), as well as higher volume. NIM increased from 1.54% in 2012, and 1.77% in the first half of 2013, further to 1.79%. The 25bp year-over-year increase in NIM was driven largely by lower deposit costs, resulting from improved market liquidity and a sharp focus on deposit cost management, as well as higher asset yields, including upward repricing of loan products in general, and better investment yields.

Net fee and commission income increased by 32.3% from HK$531 million to HK$702 million in 2013, driven largely by improvements in wealth management and bancassurance revenues, increases in DSBG’s sales of treasury products to customers, securities services and general banking related fees.
DSBG’s investment in Bank of Chongqing (“BOCQ”) continued to perform well with a contribution of HK$579 million for the year, an increase of 17.9% over the prior year. The IPO of BOCQ during the year led to a dilution in DSBG’s interest from 20% to 17%, and resulted in a deemed disposal loss of HK$57 million. DSBG’s overseas banking business, which includes the operations and investment in both the Mainland and Macau, recorded profit of HK$595 million in 2013, a mild increase of 3.3% as compared to 2012.

As at 31 December 2013 the consolidated capital adequacy ratio (CAR) of Dah Sing Bank was 14.5% and its Common Equity Tier 1 (CET1) was 10.4%. The consolidated capital base of Dah Sing Bank was higher by HK$1.7 billion to HK$16.8 billion.

Mr. David S.Y. Wong, the Chairman of the Group remarked: “Over the past few years, DSBG has embarked on a new strategy for its banking business, with the objective of profitable growth for the long term interests of shareholders. So far this strategy has been successful, and it reported a record profit for 2013. Whilst the current levels of capital are above regulatory requirements, a stronger capital base will better position DSBG to capture the various growth opportunities present in the market. Also, under the new Basel III regime, regulatory capital requirements both in Hong Kong and globally are likely to continue to rise in the coming few years, as the requirements are fully phased in. Therefore, we believe that it is beneficial to shareholders in the long term to strengthen the capital base now. The current equity capital raising exercise is designed to be sufficient for sustainable growth in the coming years.”

DSBG targets to raise HK$ 1.2 billion before expenses by offering 12 rights share for every 100 existing shares, whilst DSFH targets to raise HK$ 900 million before expenses by offering 13 rights share for every 100 existing shares. DSBG will issue about 150,164,532 new shares, representing 10.71% of its total number of shares on an enlarged basis, whilst DSFH will issue about 38,548,462 new shares, representing 11.5% of its total number of shares on an enlarged basis. As a result, the CET1 and CAR of Dah Sing Bank are each expected to increase by about 1%. DSFH, being the single largest shareholder of DSBG, intends to follow its rights in the DSBG rights issue and management also recommended the DSFH rights issue to raise the necessary proceeds to support such capital injection. It is also fully supported by Mr. David S.Y. Wong, whose family interests have given irrevocable undertakings to take up their rights in full.

DSFH’s insurance business reported steady progress in terms of growth in sales of policies. Net insurance premium and other income increased 7.2% to HK$1,659 million.
However, overall results were set back mainly as a result of increases in long term bond yields during the year, which impacted negatively on the mark-to-market performance of the Group’s long term bond holdings.

The improved operating income items led to an overall increase in operating income net of insurance claims by 25.2% from HK$3,336 million to HK$4,179 million in 2013, much ahead of the increase in operating expenses of 11.9%. This led to a significant improvement in cost to income ratio, which reduced to 52.7%, compared with 59.0% in 2012.

Mr. Harold Wong commented on the Group’s outlook for 2014, “The outlook for 2014 remains mixed, but with our solid foundation and strengthened capital position, we are well positioned to grow in our key markets, including the Mainland, Macau and our Hong Kong hub. We continue to see opportunities for growth in all of our core businesses. Given the uncertainties in the macro-environment, we will continue to take a balanced approach in our business growth and deployment of capital, and strive to improve returns for our shareholders.”

**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 life and general 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, BCM 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. Dah Sing Bank holds a strategic 17% interest in Bank of Chongqing, which is the leading city commercial bank in Chongqing, the largest city in Western China.

Dah Sing Bank’s long term ratings are “A3” (Moody’s) and “BBB+” (Fitch).