Dah Sing Financial Holdings Announces 2017 Interim Results

Highlights

Dah Sing Financial Holdings ("DSFH")
- Profit attributable to shareholders increased by 430.1% y-o-y to HK$4,844 million
- Profit attributable to shareholders from continuing operations of HK$995 million, an increase of 23.0% y-o-y
- Basic earnings per share from continuing operations: HK$2.97
- Interim dividend per share: HK$0.32; special dividend per share of HK$6.60 paid on 25 July 2017
- Annualized return on equity of 10.8% excluding gain on disposal of Hong Kong life insurance business
- Net interest income of HK$1,893 million, an increase of 6.5% y-o-y
- Net fee and commission income up 14.8% y-o-y to HK$455 million
- Cost to income ratio: 50.4%
- The sale of Dah Sing Life Assurance Company Limited ("DSLA") and Dah Sing Insurance Services Limited ("DSIS") was completed on 19 June 2017. The sale of our Macau life insurance business expected to be completed in the second half
- The gain on disposal of the Hong Kong life insurance business was HK$3,587 million

Dah Sing Banking Group ("DSBG")
- Profit attributable to shareholders increased by 21.1% to HK$1,299 million
- Basic earnings per share: HK$0.93
- Interim dividend per share: HK$0.11
- Net interest margin remained stable at 1.94%
- Net interest income up 6.3% y-o-y to HK$1,880 million
- Net fee and commission income grew strongly by 14.8% to HK$458 million
- Robust capital position with consolidated total capital adequacy ratio ("CAR") of 17.8%, and a Common Equity Tier 1 ratio ("CET1") of 13.1%
- Annualized return on equity: 11.0%
- Cost to income ratio: 49.8%
- Prudent loan-to-deposit ratio of 71.7% as at 30 June 2017
Dah Sing Financial Holdings Limited (“DSFH” or the “Group”; SEHK: 0440) announced today its interim results for the six months ended 30 June 2017. Profit attributable to shareholders which included the gain on the disposal of Dah Sing Life Assurance Company Limited (“DSLA”) and Dah Sing Insurance Services Limited (“DSIS”) increased by 430.1% to HK$4,844 million. Profit attributable to shareholders from continuing operations reached HK$995 million, representing a 23.0% growth compared with the last corresponding period.

Basic earnings per share from continuing operations for the six months ended 30 June 2017 was HK$2.97. The board of directors declared an interim dividend of HK$0.32 per share (2016: HK$0.29 per share). A special dividend of HK$6.60 per share was distributed in July, following completion of the disposal of the Group’s Hong Kong life insurance business.

Dah Sing Banking Group Limited’s (“DSBG”; SEHK: 2356) profit attributable to shareholders increased by approximately 21.1% to HK$1,299 million for the six months ended 30 June 2017. Basic earnings per share was HK$0.93. The board of directors declared an interim dividend of HK$0.11 per share (2016: HK$0.10 per share).

With a stable net interest margin at 1.94% and higher average interest earning assets, DSBG’s overall net interest income grew by 6.3% to HK$1,880 million for the six months ended 30 June 2017. Net fee and commission income grew strongly by 14.8% to HK$458 million due to a combination of stronger wealth management related revenues, a significant improvement in the local stockbroking business and improvement in fees related to our commercial banking business during the period.

Credit quality continued to improve with a notable reduction in loan impairment losses, which dropped by more than 50.0% to HK$167 million. The improvement in credit quality was particularly notable in our commercial banking business.

Our overseas banking business reported a modestly improved performance as a whole. We saw a modest improvement in the contribution from Bank of Chongqing, although in relative terms, this associate contributed a lower percentage of our overall net profit in the first half of the year.

As at 30 June 2017, Dah Sing Bank’s consolidated CET1 ratio strengthened to 13.1%, compared with 12.7% at the end of 2016, driven by the strong profitability during the period coupled with relatively slow loan asset growth. Consolidated total capital adequacy ratio stood at 17.8%, slightly lower than 18.3% at the end of last year, mainly due to the redemption of two subordinated debts in early 2017, and the phase out of a portion of the non-Basel III compliant subordinated debts as eligible Tier 2 capital base under the transitional arrangement.
DSFH completed the disposal of its Hong Kong life insurance business on 19 June 2017, with the result that both DSLA and DSIS have ceased to be subsidiaries of DSFH. The sale of Macau Life Insurance Company Limited is pending regulatory approval. The Group remains committed to the distribution of life assurance products through a distribution agreement as part of the transaction with the purchaser of the life business.

“The stronger economic performance in the first half of the year was beneficial to our business. With a more favourable economic backdrop in both Hong Kong and the Mainland, we are pleased to see the performance of our banking business improving in most key areas. We are reasonably optimistic about prospects for the second half of the year.” said Mr. Derek Wong, Managing Director and Chief Executive of DSFH and DSBG. “Management is very focused on executing our medium-term strategy and growing our core banking businesses, including retail banking, commercial banking and treasury in Hong Kong, Macau and the PRC.”

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) 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 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).