

Dah Sing Financial Holdings Announces 2018 Annual Results
Robust core banking business performance

Highlights

Dah Sing Financial Holdings (“DSFH”)

- Profit attributable to shareholders from continuing operations increased by 21.7% y-o-y to HK\$1.9 billion
- Normalized profit excluding impairment charge on investment in Bank of Chongqing (“BOCQ”) amounted to HK\$2.4 billion
- Earnings per share: HK\$5.72
- Normalized return on equity from continuing operations after exclusion of impairment charge on investment in BOCQ improved from 9.3% to 9.5% in 2018
- With growth in revenue faster than operating expenses, cost to income ratio improved to 47.6%
- Final dividend per share: HK\$1.09

Dah Sing Banking Group (“DSBG”)

- Profit attributable to shareholders increased by 13.4% to HK\$2.5 billion
- Normalized profit excluding impairment charge on investment in BOCQ amounted to HK\$3.1 billion
- Operating profit after impairment losses up by 19.0% to HK\$2.8 billion
- A non-cash write-down of the investment in BOCQ of HK\$633 million was made
- Earnings per share: HK\$1.77
- Normalized return on equity excluding the impairment charge on investment in BOCQ maintained at 12.3%
- Final dividend per share: HK\$0.35
- Net interest margin improved slightly to 2.01%
- Net interest income of HK\$4.2 billion, an increase of 7.0% y-o-y
- Net fee and commission income of HK\$1.2 billion, an increase of 10.3% y-o-y
- Good credit quality with low impaired loan ratio of 0.75% and 14% lower credit impairment charge
- Robust capital position with total capital adequacy ratio (“CAR”) of 18.1%, Tier 1 CAR of 13.7% and a Common Equity Tier 1 (“CET1”) CAR of 13.1%
- Prudent loan to deposit ratio of 71.7% as at 31 December 2018

Dah Sing Financial Holdings Limited (“DSFH” or “the Group”; SEHK: 0440) announced today its annual results for the year ended 31 December 2018. Normalized profit from continuing operations attributable to shareholders amounted to HK\$2.4 billion for the year after excluding an impairment charge on investment in BOCQ of HK\$633 million. Reported profit attributable to shareholders from continuing operations increased by 21.7% to HK\$1.9 billion.

Earnings per share for the year ended 31 December 2018 was HK\$5.72. DSFH generated a normalized return on equity from continuing operations of 9.5%, excluding the impairment charge on BOCQ. The board of directors proposed a final dividend of HK\$1.09 per share (2017: HK\$1.03 per share, excluding special dividend).

Profit attributable to shareholders of Dah Sing Banking Group Limited (“DSBG”; SEHK: 2356) was up by 13.4% to HK\$2.5 billion for the year ended 31 December 2018, whilst its normalized profit excluding the impairment charge on BOCQ was HK\$3.1 billion. Basic earnings per share (after deduction of BOCQ impairment charge) was HK\$1.77. Excluding the impairment charge on BOCQ, the normalized return on equity and return on assets were maintained at 12.3% and 1.4% respectively. The board of directors proposed a final dividend of HK\$0.35 per share (2017: HK\$0.31 per share).

For the year ended 31 December 2018, the Group’s operating profit after impairment losses was HK\$2.8 billion. Driven by modest loan growth and stable net interest margin, net interest income increased by 7.0% to HK\$4.2 billion. Growth in non-interest income softened in the second half of last year, but with a very strong performance in the first half, the full year non-interest income grew by 10.3% to HK\$1.2 billion.

As at 31 December 2018, DSBG’s gross advances to customers, including trade bills, were HK\$133.3 billion and customer deposits were HK\$173.0 billion, up 8.1% and 6.5% respectively as compared to 31 December 2017. The loan to deposit ratio remained prudent at 71.7% as at 31 December 2018.

As at 31 December 2018, the consolidated CET1 CAR of Dah Sing Bank, Limited (“DSB”) was 13.1%. The overall Tier 1 CAR was 13.7% and total CAR at the year end of 2018 was robust at 18.1%.

Credit quality was generally good with a low impaired loan ratio of 0.75%. Credit impairment charge decreased by 13.8% to HK\$233 million under the new accounting standard, HKFRS9. The total credit impairment charge was lower than in 2017, due mainly to the low expected credit loss charge in the first half of 2018 as a result of better recoveries of bad debts and release of the required expected credit loss allowances, which was partly offset by higher expected credit losses in the second half due mainly to the correction in property values in late 2018 and additional provisions to reflect the outlook of a slower rate of economic growth.

The profit contribution from BOCQ improved to HK\$660 million. However, an impairment charge of HK\$633 million was made since the Value in Use of our investment in BOCQ fell below its carrying value, which has now been marked down to HK\$3.6 billion, which is still well above our cost of investment of HK\$1.2 billion.

On 15 March 2019, the independent shareholders of the Group has passed a special resolution to approve the off-market buy-back of 15,500,000 shares held by MUFG Bank, representing approximately 4.63% of the total number of issued shares of DSFH.

“Despite an increasingly challenging external environment, we are delighted to see that the core operating performance of the Group continued to improve in 2018. We are very focused on strategy execution in our core banking businesses. Against a backdrop of heightened uncertainties, the Group will continue to grow 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, 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 in Western China.

Dah Sing Bank’s long term ratings are “A2” (Moody’s) and “BBB+” (Fitch).

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