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(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

The holding company of Dah Sing Bank, Limited

(Stock Code: 2356)

ANNOUNCEMENT OF 2022 FINAL RESULTS

The Directors of Dah Sing Banking Group Limited (“DSBG” or the “Company”) are pleased to present the consolidated audited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

HK\$'000	Note	2022	2021	Variance %
Interest income	4	6,964,602	5,170,260	
Interest expense	4	<u>(2,581,542)</u>	<u>(1,225,984)</u>	
Net interest income		4,383,060	3,944,276	11.1
Fee and commission income	5	2,432,747	1,406,822	
Fee and commission expense	5	<u>(183,652)</u>	<u>(209,399)</u>	
Net fee and commission income		2,249,095	1,197,423	87.8
Net trading income	6	142,852	178,997	
Other operating income	7	<u>51,263</u>	<u>63,496</u>	
Operating income		6,826,270	5,384,192	26.8
Operating expenses	8	<u>(3,016,010)</u>	<u>(3,021,199)</u>	(0.2)
Operating profit before impairment losses		3,810,260	2,362,993	61.2
Credit impairment losses	9	<u>(803,100)</u>	<u>(373,343)</u>	115.1
Operating profit before gains and losses on certain investments and fixed assets		3,007,160	1,989,650	51.1
Net loss on disposal of other fixed assets		(2,451)	(7,412)	
Net (loss)/ gain on fair value adjustment of investment properties		(38,311)	4,636	
Net gain on disposal of financial assets at fair value through other comprehensive income		-	4,993	
Net gain on disposal of financial assets at amortised cost		24	-	
Share of results of an associate		656,691	697,954	
Impairment loss on the investment in an associate	10	(1,683,000)	(726,000)	
Loss on deemed disposal of investment in an associate		(10)	(31,202)	
Share of results of jointly controlled entities		<u>29,879</u>	<u>33,060</u>	
Profit before taxation		1,969,982	1,965,679	0.2
Taxation	11	<u>(361,182)</u>	<u>(308,123)</u>	
Profit for the year attributable to Shareholders of the Company		1,608,800	1,657,556	(2.9)
Dividends				
Interim dividend paid		140,575	140,575	
Proposed final dividend/ final dividend paid		<u>407,668</u>	<u>337,380</u>	
		548,243	477,955	
Earnings per share				
Basic	12	HK\$1.14	HK\$1.18	
Diluted	12	HK\$1.07	HK\$1.18	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

HK\$'000	2022	2021
Profit for the year	1,608,800	1,657,556
Other comprehensive (loss)/ income for the year		
Items that may be reclassified to the consolidated income statement:		
Investments in securities		
Net change in fair value of debt instruments at fair value through other comprehensive income	(834,317)	69,682
Share of other comprehensive (loss)/ income of an associate accounted for using the equity method	(226,037)	44,040
Net change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	7,109	7,388
Net gain realised and transferred to consolidated income statement upon:		
- Disposal of debt instruments at fair value through other comprehensive income	-	(4,993)
Deferred income tax related to the above	132,583	(12,091)
	<u>(920,662)</u>	<u>104,026</u>
Exchange differences arising on translation of the financial statements of foreign entities	<u>(719,179)</u>	<u>207,165</u>
Items that will not be reclassified to the consolidated income statement:		
Net change in fair value of equity instruments at fair value through other comprehensive income	586,378	(1,176)
Deferred income tax related to the above	(35,153)	(5,271)
	<u>551,225</u>	<u>(6,447)</u>
Other comprehensive (loss)/ income for the year, net of tax	<u>(1,088,616)</u>	<u>304,744</u>
Total comprehensive income for the year, net of tax	520,184	1,962,300

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

HK\$'000	Note	2022	2021
ASSETS			
Cash and balances with banks		17,800,880	12,007,753
Placements with banks maturing between one and twelve months		8,616,565	4,531,863
Trading securities	13	562,161	4,425,384
Financial assets at fair value through profit or loss	13	9,303	14,119
Derivative financial instruments	14	3,901,236	621,056
Advances and other accounts	15	142,712,617	152,457,789
Financial assets at fair value through other comprehensive income	16	38,617,851	41,433,811
Financial assets at amortised cost	17	32,926,090	24,539,822
Investment in an associate	10	2,159,290	4,230,951
Investments in jointly controlled entities		123,072	114,373
Goodwill		713,451	713,451
Intangible assets		69,715	58,252
Premises and other fixed assets		2,808,838	2,953,797
Investment properties		802,691	756,351
Deferred income tax assets		262,273	120,418
Total assets		252,086,033	248,979,190
LIABILITIES			
Deposits from banks		4,112,493	1,703,197
Derivative financial instruments	14	997,637	1,425,365
Trading liabilities		730,491	1,511,927
Deposits from customers		199,792,201	196,134,565
Certificates of deposit issued		4,228,983	6,589,717
Subordinated notes		3,801,495	4,128,446
Other accounts and accruals		7,873,950	6,496,242
Current income tax liabilities		284,504	160,313
Deferred income tax liabilities		39,131	17,915
Total liabilities		221,860,885	218,167,687
EQUITY			
Equity attributable to the Company's shareholders			
Share capital		6,894,438	6,894,438
Other reserves (including retained earnings)		23,019,294	23,018,478
Shareholders' funds	18	29,913,732	29,912,916
Additional equity instruments		311,416	898,587
Total equity		30,225,148	30,811,503
Total equity and liabilities		252,086,033	248,979,190

Note:

1. Statutory Consolidated Financial Statements

The information set out in this results announcement does not constitute statutory consolidated financial statements.

Certain financial information in this results announcement is extracted from the Group's statutory consolidated financial statements for the year ended 31 December 2022 (the "2022 consolidated financial statements") which will be delivered to the Registrar of Companies and will be available from the website of the Hong Kong Exchanges and Clearing Limited in due course. The auditors have expressed an unqualified opinion on those consolidated financial statements in their report dated 31 March 2023.

2. Basis of Preparation and Accounting Policies

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs" is a collective term which includes individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance Cap.622.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income, financial assets and financial liabilities held for trading, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies.

The accounting policies and methods of computation used in the preparation of the 2022 consolidated financial statements are consistent with those used and described in the Group's annual audited consolidated financial statements for the year ended 31 December 2021.

The financial information in this results announcement is presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated.

There are no HKFRSs or interpretations that are effective from 1 January 2022 or not yet effective that would be expected to have a material impact on the Group.

3. Operating segment reporting

Segment reporting by the Group is prepared in accordance with HKFRS 8 “Operating Segments”. Information reported to the chief operating decision maker, including the Chief Executive and other Executive Committee members, for the purposes of resource allocation and performance assessment, is determined on the basis of personal banking, corporate banking, treasury and global markets and overseas banking business. Operating performances are analysed by business activities for local banking business, and on business entity basis for overseas banking business.

Considering the customer groups, products and services of local businesses, the economic environment and regulations, the Group splits the operating segments of the Group into the following reportable segments:

- Personal banking business includes the acceptance of deposits from individual customers and the extension of residential mortgage lending, personal loans, overdraft, vehicle financing and credit card services, and the provision of insurance sales and investment services.
- Corporate banking business includes the acceptance of deposits from and the advance of loans and working capital finance to commercial, industrial and institutional customers, and the provision of trade financing.
- Treasury and global markets activities are mainly the provision of foreign exchange services and centralised cash management for deposit taking and lending, interest rate risk management, management of investment in securities and the overall funding of the Group.
- Overseas banking businesses include personal banking, corporate banking business activities provided by overseas subsidiaries in Macau and China, and the Group’s interest in a commercial bank in China.
- Others include results of operations not directly identified under other reportable segments, corporate investments and debt funding (including subordinated notes).

For the purpose of segment reporting, revenue derived from customers, products and services directly identifiable with individual segments are reported directly under respective segments, while revenue and funding cost arising from inter-segment funding operation and funding resources are allocated to segments by way of transfer pricing mechanism with reference to market interest rates. Transactions within segments are priced based on similar terms offered to or transacted with external parties. Inter-segment income or expenses are eliminated on consolidation.

All direct costs incurred by different segments are grouped under respective segments. Indirect costs and support functions’ costs are allocated to various segments and products based on effort and time spent as well as segments’ operating income depending on the nature of costs incurred. Costs related to corporate activities that cannot be reasonably allocated to segments, products and support functions are grouped under Others as unallocated corporate expenses.

3. Operating segment reporting (Continued)

For the year ended 31 December 2022

HK\$'000	Personal Banking	Corporate Banking	Treasury and Global Markets	Overseas Banking	Others	Inter- segment	Total
Net interest income/ (expenses)	1,890,619	1,183,415	918,047	485,207	(94,263)	35	4,383,060
Non-interest income/ (expenses)	2,102,346	188,591	33,839	114,999	10,157	(6,722)	2,443,210
Total operating income/ (expenses)	3,992,965	1,372,006	951,886	600,206	(84,106)	(6,687)	6,826,270
Operating expenses	(1,747,004)	(485,425)	(199,218)	(543,714)	(47,336)	6,687	(3,016,010)
Operating profit/ (loss) before credit impairment (losses)/ written back	2,245,961	886,581	752,668	56,492	(131,442)	-	3,810,260
Credit impairment (losses)/ written back	(192,606)	(468,865)	(36,388)	(107,358)	2,117	-	(803,100)
Operating profit/ (loss) after credit impairment (losses)/ written back	2,053,355	417,716	716,280	(50,866)	(129,325)	-	3,007,160
Net loss on disposal and fair value adjustment of investment properties and other fixed assets	(2,337)	(60)	-	(29)	(38,336)	-	(40,762)
Net gain on disposal of financial assets at amortised cost	-	-	24	-	-	-	24
Share of results of an associate	-	-	-	656,691	-	-	656,691
Impairment loss on the investment in an associate	-	-	-	(1,683,000)	-	-	(1,683,000)
Loss on deemed disposal of investment in an associate	-	-	-	(10)	-	-	(10)
Share of results of jointly controlled entities	-	-	-	-	29,879	-	29,879
Profit/ (loss) before taxation	2,051,018	417,656	716,304	(1,077,214)	(137,782)	-	1,969,982
Taxation (expenses)/ credit	(338,200)	(68,936)	(118,357)	(14,879)	179,190	-	(361,182)
Profit/ (loss) for the year	1,712,818	348,720	597,947	(1,092,093)	41,408	-	1,608,800
For the year ended 31 December 2022							
Depreciation and amortisation	74,355	15,862	8,150	58,725	223,077	-	380,169
At 31 December 2022							
Segment assets	56,274,744	63,748,997	93,451,822	35,908,242	7,426,257	(4,724,029)	252,086,033
Segment liabilities	117,229,213	48,743,485	14,526,149	29,279,831	16,806,236	(4,724,029)	221,860,885

3. Operating segment reporting (Continued)

For the year ended 31 December 2021

HK\$'000	Personal Banking	Corporate Banking	Treasury and Global Markets	Overseas Banking	Others	Inter- segment	Total
Net interest income/ (expenses)	1,637,016	1,194,462	747,645	494,999	(129,846)	-	3,944,276
Non-interest income/ (expenses)	991,658	208,776	69,980	133,646	39,358	(3,502)	1,439,916
Total operating income/ (expenses)	2,628,674	1,403,238	817,625	628,645	(90,488)	(3,502)	5,384,192
Operating expenses	(1,724,721)	(520,859)	(206,615)	(537,204)	(35,302)	3,502	(3,021,199)
Operating profit/ (loss) before credit impairment losses	903,953	882,379	611,010	91,441	(125,790)	-	2,362,993
Credit impairment losses	(178,654)	(126,488)	(15,475)	(51,283)	(1,443)	-	(373,343)
Operating profit/ (loss) after credit impairment losses	725,299	755,891	595,535	40,158	(127,233)	-	1,989,650
Net (loss)/ gain on disposal and fair value adjustment of investment properties and other fixed assets	(2,326)	(1,034)	(16)	(29)	629	-	(2,776)
Net gain on disposal of financial assets at fair value through other comprehensive income	-	-	4,993	-	-	-	4,993
Share of results of an associate	-	-	-	697,954	-	-	697,954
Impairment loss on the investment in an associate	-	-	-	(726,000)	-	-	(726,000)
Loss on deemed disposal of investment in an associate	-	-	-	(31,202)	-	-	(31,202)
Share of results of jointly controlled entities	-	-	-	-	33,060	-	33,060
Profit/ (loss) before taxation	722,973	754,857	600,512	(19,119)	(93,544)	-	1,965,679
Taxation (expenses)/ credit	(119,336)	(124,561)	(98,914)	(34,927)	69,615	-	(308,123)
Profit/ (loss) for the year	603,637	630,296	501,598	(54,046)	(23,929)	-	1,657,556
For the year ended 31 December 2021							
Depreciation and amortisation	76,645	15,500	8,070	59,364	234,947	-	394,526
At 31 December 2021							
Segment assets	56,651,282	70,473,506	80,791,990	38,977,756	7,440,156	(5,355,500)	248,979,190
Segment liabilities	114,634,275	49,555,753	12,777,503	30,182,181	16,373,475	(5,355,500)	218,167,687

Geographical information

Geographical segment information is based on the domicile of the legal entities within the Group with business dealing and relationship with, and services to external customers. For the period ended 31 December 2022 and 2021, no single country or geographical segment other than Hong Kong contributed 10% or more of the Group's assets, liabilities, operating income, or profit before taxation.

4. Net interest income

HK\$'000	2022	2021
Interest income		
Cash and balances with banks	327,255	148,094
Investments in securities	1,882,200	1,000,982
Advances and other accounts	4,755,147	4,021,184
	<u>6,964,602</u>	<u>5,170,260</u>
Interest expense		
Deposits from banks/ Deposits from customers	2,266,792	1,066,428
Certificates of deposit issued	104,812	43,284
Subordinated notes	164,346	103,308
Lease liabilities	8,201	9,654
Others	37,391	3,310
	<u>2,581,542</u>	<u>1,225,984</u>
Included within interest income		
- Trading securities and financial assets at fair value through profit or loss	6,258	2,508
- Financial assets at fair value through other comprehensive income	1,052,753	465,524
- Financial assets at amortised cost	5,905,591	4,702,228
	<u>6,964,602</u>	<u>5,170,260</u>
Included within interest expense		
- Financial liabilities not at fair value through profit or loss	<u>2,574,456</u>	<u>1,225,008</u>

For the year ended 31 December 2022 and 2021, there was no interest income recognised on impaired assets.

5. Net fee and commission income

HK\$'000	2022	2021
Fee and commission income		
Fee and commission income from financial assets and liabilities not at fair value through profit or loss		
- Credit related fees and commissions	156,941	170,138
- Trade finance	57,761	80,739
- Credit card	250,016	276,816
Other fee and commission income		
- Securities brokerage	144,653	215,359
- Insurance distribution and others (Note (a))	1,518,633	218,564
- Retail investment and wealth management services	157,757	303,980
- Bank services and handling fees	70,096	70,770
- Other fees	76,890	70,456
	<u>2,432,747</u>	<u>1,406,822</u>
Fee and commission expense		
Fee and commission expense from financial assets and liabilities not at fair value through profit or loss		
- Handling fees and commission	176,750	201,717
- Other fees paid	6,902	7,682
	<u>183,652</u>	<u>209,399</u>

Note:

- (a) The amount reported for 2022 includes recognition of the unamortised upfront payment and deferred payments totalling HK\$1,394,149,000 upon termination of the Hong Kong Distribution Agreement announced by the Group on 8 July 2022.
- (b) The Group provides custody, trustee, corporate administration, and investment management services to third parties. The assets subject to these services are held in a fiduciary capacity and are not included in these consolidated financial statements.

6. Net trading income

HK\$'000	2022	2021
Net gain arising from dealing in foreign currencies	143,034	186,064
Net loss on trading securities	(452)	(23)
Net gain from derivatives entered into for trading purpose	8,035	4,241
Net loss arising from financial instruments subject to fair value hedge	(3,785)	(7,310)
Net loss on financial instruments at fair value through profit or loss	(3,980)	(3,975)
	<u>142,852</u>	<u>178,997</u>

7. Other operating income

HK\$'000	2022	2021
Dividend income from investments in equity instruments at fair value through other comprehensive income, held at the end of the year		
- Listed investments	716	1,323
- Unlisted investments	3,410	13,920
Gross rental income from investment properties	18,310	17,831
Other rental income	16,763	16,470
Others	12,064	13,952
	<u>51,263</u>	<u>63,496</u>

8. Operating expenses

HK\$'000	2022	2021
Employee compensation and benefit expenses		
- Salaries and other staff costs	1,939,833	1,873,517
- Government grant - Employment Support Scheme	(3,848)	-
- Provision for share-based compensation charged	239	480
- Pension costs - defined contribution plans	107,554	97,749
Premises and other fixed assets expenses, excluding depreciation		
- Rental of premises	2,956	3,804
- Others	249,018	229,980
Depreciation		
- Premises and other fixed assets	232,025	202,160
- Right-of-use properties	148,144	192,366
Advertising and promotion costs	89,824	75,791
Printing, stationery and postage	41,565	45,869
Auditors' remuneration	11,359	10,982
Others	197,341	288,501
	3,016,010	3,021,199

9. Credit impairment losses

HK\$'000	2022	2021
New allowances net of allowance releases	868,342	461,635
Recoveries of amounts previously written off	(65,242)	(88,292)
	803,100	373,343
Attributable to:		
- Loans and advances to customers	784,312	394,119
- Other financial assets	40,419	14,590
- Loan commitments and financial guarantees	(21,631)	(35,366)
	803,100	373,343

10. Impairment loss on the investment in an associate

At 31 December 2022, the fair value of the Group's investment in Bank of Chongqing ("BOCQ") had been below the carrying amount for approximately 9 years. On this basis, the Group continues to perform an impairment test on the carrying amount of the investment in BOCQ to assess the recoverable amount.

The impairment test is performed by comparing the recoverable amount of BOCQ, determined by a value in use ("VIU") calculation, with the carrying amount of the investment. The VIU calculation uses discounted cash flow projections based on management's estimates of BOCQ's earnings and dividends to be paid in future, and the estimated probable exit value in future after considering the growth of BOCQ and its net asset value for the medium and longer term. The discount rate applied to the VIU calculation was estimated with reference to BOCQ's cost of equity, which is publicly available in the market.

In performing the VIU calculation to arrive at the recoverable amount of the investment, the Group considers all relevant factors including market views and qualitative factors to ensure that the inputs to the VIU calculation are appropriate. Adjustments need to be made to reflect the latest situation affecting BOCQ and also market outlook for the medium and longer term that are relevant in projecting BOCQ's future performance. Significant management judgement is required in estimating the future cash flows of BOCQ.

Based on the assessment conducted for the position up to 31 December 2022, which takes into account the sensitivity of the key inputs shown above and the effects of possible interaction of these inputs, the recoverable amount, as determined by the VIU calculation and after considering all relevant factors (including the cumulative impairment charge having been recognised as of 31 December 2021) and valuation inputs, remained below the carrying amount. The latest impairment test performed by the Group for the position as at 31 December 2022 concludes that the recoverable amount, based on the VIU calculation, is assessed as lower than the carrying amount, after deducting the cumulative impairment allowance made up to 31 December 2021 of HK\$2,992 million, by HK\$1,683 million. As a result, an additional impairment charge of HK\$1,683 million was recognised in the year of 2022 to reduce the value of the investment to HK\$2,159 million at 31 December 2022.

The calculation of Dah Sing Bank, Limited ("DSB")'s capital adequacy does not include the retained earnings from the investment, except for BOCQ cash dividend received by DSB. Provided that the investment continues to be held at or above the original cost of the investment of HK\$1,213 million, impairment made on the investment does not affect DSB's capital adequacy.

11. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Deferred taxation is calculated in full on temporary differences under the liability method at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised.

HK\$'000	2022	2021
Current income tax:		
- Hong Kong profits tax	352,450	282,406
- Overseas taxation	37,772	41,567
- Under/ (over)-provision in prior years	4	(10,978)
Deferred income tax:		
- Origination and reversal of timing differences	<u>(29,044)</u>	<u>(4,872)</u>
Taxation	<u>361,182</u>	<u>308,123</u>

12. Earnings per share

The calculation of basic earnings per share is based on earnings of HK\$1,608,800,000 (2021: HK\$1,657,556,000) and the weighted average number of 1,405,752,132 (2021: 1,405,752,132) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on earnings of HK\$1,507,448,000 (2021: HK\$1,657,556,000) after taking into account of the dilutive effect of share of profits in an associate in HK\$101,352,000 (2021: Nil) and the weighted average number of 1,405,752,132 (2021: 1,405,752,132) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential ordinary shares. The share options outstanding during the year and at the year end have no dilutive effect on the weighted average number of ordinary shares.

13. Trading securities and financial assets at fair value through profit or loss

HK\$'000	As at 31 Dec 2022	As at 31 Dec 2021
Trading securities:		
Debt securities:		
- Listed in Hong Kong	16,866	12,285
- Unlisted	545,295	4,413,099
	<u>562,161</u>	<u>4,425,384</u>
Financial assets at fair value through profit or loss:		
Investment funds:		
- Listed in Hong Kong	9,303	14,119
	<u>9,303</u>	<u>14,119</u>
Total	<u>571,464</u>	<u>4,439,503</u>
Included within debt securities are:		
- Treasury bills which are cash equivalents	89,278	2,304,220
- Other treasury bills	455,887	2,108,879
- Government bonds	16,996	12,285
	<u>562,161</u>	<u>4,425,384</u>
By issuers:		
- Central governments and central banks	562,161	4,425,384
- Corporate entities	9,303	14,119
	<u>571,464</u>	<u>4,439,503</u>

As at 31 December 2022 and 2021, there were no certificates of deposit held included in the above balances.

14. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2022 were as follows:

HK\$'000	Contract/ notional amount	Fair values	
		Assets	Liabilities
1) Derivatives held for trading			
a) <i>Foreign exchange derivatives</i>			
Forward and futures contracts	89,702,960	619,726	(517,746)
Currency options purchased and written	15,996,882	54,410	(55,034)
Cross currency interest rate swaps	258,108	8,646	(8,565)
b) <i>Interest rate derivatives</i>			
Interest rate swaps	2,546,183	61,362	(56,702)
c) <i>Equity derivatives</i>			
Equity options purchased and written	229,616	2,400	(2,400)
Total derivative assets/ (liabilities) held for trading	<u>108,733,749</u>	<u>746,544</u>	<u>(640,447)</u>
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	47,823,185	3,154,692	(357,190)
Total derivative assets/ (liabilities) held for hedging	<u>47,823,185</u>	<u>3,154,692</u>	<u>(357,190)</u>
Total recognised derivative financial assets/ (liabilities)	<u>156,556,934</u>	<u>3,901,236</u>	<u>(997,637)</u>

14. Derivative financial instruments (Continued)

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2021 were as follows:

HK\$'000	Contract/ notional amount	Fair values	
		Assets	Liabilities
1) Derivatives held for trading			
a) <i>Foreign exchange derivatives</i>			
Forward and futures contracts	73,866,338	305,938	(266,003)
Currency options purchased and written	8,296,314	5,106	(5,275)
Cross currency interest rate swaps	404,909	4,734	(4,491)
b) <i>Interest rate derivatives</i>			
Interest rate swaps	4,953,683	25,773	(21,335)
c) <i>Equity derivatives</i>			
Equity options purchased and written	472,050	18,854	(18,855)
Total derivative assets/ (liabilities) held for trading	87,993,294	360,405	(315,959)
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	49,477,473	260,651	(1,109,406)
Total derivative assets/ (liabilities) held for hedging	49,477,473	260,651	(1,109,406)
Total recognised derivative financial assets/ (liabilities)	137,470,767	621,056	(1,425,365)

15. Advances and other accounts

HK\$'000	As at 31 Dec 2022	As at 31 Dec 2021
Gross loans and advances to customers	136,530,235	144,313,339
Less: impairment allowances		
- Stage 1	(406,618)	(469,184)
- Stage 2	(342,731)	(354,154)
- Stage 3	(887,053)	(547,609)
	<u>(1,636,402)</u>	<u>(1,370,947)</u>
	134,893,833	142,942,392
Trade bills	3,666,988	4,253,850
Less: impairment allowances		
- Stage 1	(5,569)	(7,347)
- Stage 2	(1)	-
	<u>(5,570)</u>	<u>(7,347)</u>
	3,661,418	4,246,503
Other assets	4,182,559	5,294,452
Less: impairment allowances		
- Stage 1	(10,169)	(11,298)
- Stage 2	(2,238)	(489)
- Stage 3	(12,786)	(13,771)
	<u>(25,193)</u>	<u>(25,558)</u>
	4,157,366	5,268,894
Advances and other accounts	<u>142,712,617</u>	<u>152,457,789</u>

15. Advances and other accounts (Continued)

(a) Gross loans and advances to customers by industry sector classified according to the usage of loans

HK\$'000	As at 31 Dec 2022		As at 31 Dec 2021	
	Outstanding balance	% of gross loans and advances	Outstanding balance	% of gross loans and advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	5,194,440	3.8	5,467,229	3.8
- Property investment	21,406,840	15.7	19,253,002	13.3
- Financial concerns	2,564,573	1.9	4,661,129	3.2
- Stockbrokers	842,926	0.6	1,642,984	1.1
- Wholesale and retail trade	4,825,599	3.5	5,401,435	3.7
- Manufacturing	1,954,317	1.4	1,987,035	1.4
- Transport and transport equipment	2,247,726	1.7	2,269,160	1.6
- Recreational activities	79,708	0.1	59,895	0.1
- Information technology	22,048	-	59,058	0.1
- Others	6,054,928	4.4	6,970,986	4.8
	45,193,105	33.1	47,771,913	33.1
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	484,470	0.4	529,218	0.4
- Loans for the purchase of other residential properties	33,911,826	24.8	33,473,466	23.2
- Credit card advances	3,674,222	2.7	3,670,096	2.5
- Others	12,181,304	8.9	13,105,677	9.1
	50,251,822	36.8	50,778,457	35.2
Loans for use in Hong Kong	95,444,927	69.9	98,550,370	68.3
Trade finance (Note (1))	5,752,611	4.2	8,123,088	5.6
Loans for use outside Hong Kong (Note (2))	35,332,697	25.9	37,639,881	26.1
	136,530,235	100.0	144,313,339	100.0

Note:

(1) Trade finance shown above represents loans covering finance of imports to Hong Kong, exports and re-exports from Hong Kong and merchandising trade classified with reference to the relevant guidelines issued by the Hong Kong Monetary Authority (“HKMA”).

Trade finance loans not involving Hong Kong (including trade finance extended by the overseas subsidiary banks of DSB) totalling HK\$281,123,000 (31 December 2021: HK\$485,128,000) are classified under Loans for use outside Hong Kong.

(2) Loans for use outside Hong Kong include loans extended to customers located in Hong Kong with the finance used outside Hong Kong.

15. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets

(i) Impaired loans

HK\$'000	As at 31 Dec 2022	As at 31 Dec 2021
Gross loans and advances	136,530,235	144,313,339
Less: total impairment allowances	<u>(1,636,402)</u>	<u>(1,370,947)</u>
Net	<u>134,893,833</u>	<u>142,942,392</u>
Credit-impaired loans and advances	2,539,012	1,398,836
Less: Stage 3 impairment allowances	<u>(887,053)</u>	<u>(547,609)</u>
Net	<u>1,651,959</u>	<u>851,227</u>
Fair value of collateral held*	<u>1,056,118</u>	<u>758,124</u>
Credit-impaired loans and advances as a % of total loans and advances to customers	<u>1.86%</u>	<u>0.97%</u>

* Fair value of collateral is determined at the lower of the market value of collateral and outstanding loan balance.

(ii) Gross amount of overdue loans

	As at 31 Dec 2022		As at 31 Dec 2021	
	Gross amount of overdue loans	% of total	Gross amount of overdue loans	% of total
Gross loans and advances to customers which have been overdue for:				
- six months or less but over three months	535,376	0.39	103,435	0.07
- one year or less but over six months	987,443	0.72	126,868	0.09
- over one year	<u>332,525</u>	<u>0.25</u>	<u>583,423</u>	<u>0.40</u>
	<u>1,855,344</u>	<u>1.36</u>	<u>813,726</u>	<u>0.56</u>
Market value of securities held against the secured overdue loans and advances	<u>1,715,178</u>		<u>888,796</u>	
Secured overdue loans and advances	888,975		456,744	
Unsecured overdue loans and advances	<u>966,369</u>		<u>356,982</u>	
Stage 3 impairment allowances	<u>632,380</u>		<u>350,828</u>	

Collateral held mainly represented pledged deposits, mortgages over properties and charges over other fixed assets such as equipment.

15. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets (Continued)

(iii) Rescheduled advances net of amounts included in overdue loans and advances shown above

HK\$'000	As at 31 Dec 2022	% of total	As at 31 Dec 2021	% of total
Loans and advances to customers	<u>339,249</u>	<u>0.25</u>	<u>350,761</u>	<u>0.24</u>
Stage 3 impairment allowances	<u>123,023</u>		<u>141,673</u>	

(c) Trade bills

As at 31 December 2022 and 2021, there were no balance of trade bills that were overdue for more than 3 months.

(d) Repossessed collateral

Repossessed collateral held at the year-end is as follows:

Nature of assets	As at 31 Dec 2022	As at 31 Dec 2021
Repossessed properties	125,262	208,090
Others	<u>5,560</u>	<u>1,090</u>
	<u>130,822</u>	<u>209,180</u>

Repossessed collaterals are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness of the borrowers concerned.

Certain other properties in the Mainland China with a total estimated realisable value of HK\$59,356,000 (2021: HK\$64,984,000), which had been foreclosed and repossessed by the Group pursuant to orders issued by courts in the Mainland China, represent assets held by the Group for resale and have been reported under "Other assets". The relevant loans had been derecognised.

16. Financial assets at fair value through other comprehensive income

HK\$'000	As at 31 Dec 2022	As at 31 Dec 2021
Debt securities:		
- Listed in Hong Kong	13,609,856	16,676,005
- Listed outside Hong Kong	15,742,345	16,208,367
- Unlisted	8,590,336	8,459,857
	<u>37,942,537</u>	<u>41,344,229</u>
Equity securities:		
- Listed in Hong Kong	337	481
- Unlisted	674,977	89,101
	<u>675,314</u>	<u>89,582</u>
Total	<u>38,617,851</u>	<u>41,433,811</u>
Included within debt securities are:		
- Certificates of deposit held	234,493	489,774
- Treasury bills which are cash equivalents	897,617	2,439,243
- Other treasury bills	3,867,536	5,459,898
- Government bonds	635,348	708,540
- Other debt securities	32,307,543	32,246,774
	<u>37,942,537</u>	<u>41,344,229</u>
Financial assets at fair value through other comprehensive income are analysed by categories of issuers as follows:		
Debt securities:		
- Central governments and central banks	9,160,937	7,987,115
- Public sector entities	802,807	789,164
- Banks and other financial institutions	5,902,047	6,792,715
- Corporate entities	22,076,746	25,775,160
- Others	-	75
	<u>37,942,537</u>	<u>41,344,229</u>
Equity securities:		
- Corporate entities	<u>675,314</u>	<u>89,582</u>
	<u>38,617,851</u>	<u>41,433,811</u>

17. Financial assets at amortised cost

HK\$'000	As at 31 Dec 2022	As at 31 Dec 2021
Debt securities		
- Listed in Hong Kong	11,895,925	9,748,480
- Listed outside Hong Kong	12,981,228	9,869,613
- Unlisted	8,108,343	4,951,845
	<u>32,985,496</u>	<u>24,569,938</u>
Less: impairment allowance		
- Stage 1	(59,406)	(30,116)
Total	<u>32,926,090</u>	<u>24,539,822</u>
Included within debt securities are:		
- Certificates of deposit held	3,120,178	1,537,364
- Treasury bills	1,121,950	921,707
- Government bonds	214,612	242,800
- Other debt securities	28,528,756	21,868,067
	<u>32,985,496</u>	<u>24,569,938</u>
Financial assets at amortised cost are analysed by categories of issuers as follows:		
- Central governments and central banks	1,336,562	1,164,507
- Public sector entities	1,410,432	529,658
- Banks and other financial institutions	10,420,964	7,880,487
- Corporate entities	19,817,538	14,984,197
- Others	-	11,089
	<u>32,985,496</u>	<u>24,569,938</u>

18. Shareholders' funds

HK\$'000	As at 31 Dec 2022	As at 31 Dec 2021
Share capital	6,894,438	6,894,438
Consolidation reserve	(220,986)	(220,986)
Premises revaluation reserve	270,120	270,120
Investment revaluation reserve	97,609	467,046
Exchange reserve	(493,815)	225,364
General reserve	700,254	700,254
Reserve for share-based compensation	4,929	4,690
Retained earnings	<u>22,661,183</u>	<u>21,571,990</u>
	<u>29,913,732</u>	<u>29,912,916</u>
 Proposed final dividend/ final dividend paid included in retained earnings	 <u>407,668</u>	 <u>337,380</u>

Note:

DSB as a locally incorporated bank in Hong Kong is required to maintain minimum impairment provisions in excess of those required under HKFRS in the form of regulatory reserve. The regulatory reserve, which also covers Banco Comercial de Macau S.A. ("BCM") and Dah Sing Bank (China) Limited ("DSB China"), is maintained to satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes. The regulatory reserve restricts the amount of reserves which can be distributed to shareholders. Movements in the regulatory reserve are made directly through equity reserve and in consultation with the HKMA.

As at 31 December 2022, DSB has earmarked a regulatory reserve of HK\$438,466,000 (2021: HK\$432,194,000) first against its consolidated general reserve; and for any excess amount, the balance is earmarked against its consolidated retained earnings.

19. Contingent liabilities and commitments

(a) Capital commitments

Capital expenditure in respect of projects and acquisition of fixed assets as at 31 December but not yet incurred is as follows:

HK\$'000	As at 31 Dec 2022	As at 31 Dec 2021
Expenditure contracted but not provided for	<u>71,857</u>	<u>102,589</u>

(b) Credit commitments

The contract and credit risk weighted amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers are as follows:

	Contract amount	
	As at 31 Dec 2022	As at 31 Dec 2021
Direct credit substitutes	2,135,043	1,383,242
Transaction-related contingencies	495,616	496,192
Trade-related contingencies	247,910	703,597
Commitments that are unconditionally cancellable without prior notice	66,596,620	69,241,096
Other commitments	4,814,077	4,304,623
Forward forward deposits placed	317,824	-
	<u>74,607,090</u>	<u>76,128,750</u>
	Credit risk weighted amount	
	As at 31 Dec 2022	As at 31 Dec 2021
Contingent liabilities and commitments	<u>2,657,818</u>	<u>2,454,143</u>

19. Contingent liabilities and commitments (Continued)

(c) Assets pledged

HK\$'000	As at 31 Dec 2022	As at 31 Dec 2021
Trading assets and financial investments pledged to secure liabilities	3,185,206	2,593,024
- of which: under repurchase agreements	<u>2,453,089</u>	<u>1,518,732</u>
Amount of liabilities secured	2,678,069	2,585,362
- of which: under repurchase agreements	<u>1,946,069</u>	<u>1,510,862</u>

The table above shows assets where a charge has been granted to secure liabilities on a legal and contractual basis. These transactions are conducted under terms that are usual and customary to collateralised transactions including repurchase agreements, and include assets pledged to cover short positions and to facilitate settlement processes with clearing houses.

(d) Operating lease commitments

Where a Group company is the lessor, the future minimum lease payments receivable under non-cancellable building operating leases are as follows:

	As at 31 Dec 2022	As at 31 Dec 2021
Within 1 year	12,165	14,584
Between 1 and 2 years	7,941	3,721
Between 2 and 3 years	<u>6,083</u>	<u>891</u>
	<u>26,189</u>	<u>19,196</u>

In addition, the Group has, as a lessee, entered into a number of leases as at 31 December 2022 and 2021 that have not yet commenced. The aggregate lease payments payable under these leases amount to HK\$16,596,000 (2021: HK\$28,982,000).

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1. Additional analysis on claims and exposures of the Group

- (a) Gross loans and advances to customers by industry sector classified according to the usage of loans and analysed by percentage covered by collateral

HK\$'000	As at 31 Dec 2022		As at 31 Dec 2021	
	Outstanding balance	% of gross loans and advances covered by collateral	Outstanding balance	% of gross loans and advances covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	5,194,440	63.5	5,467,229	75.2
- Property investment	21,406,840	88.0	19,253,002	93.2
- Financial concerns	2,564,573	16.0	4,661,129	14.9
- Stockbrokers	842,926	56.9	1,642,984	61.6
- Wholesale and retail trade	4,825,599	92.7	5,401,435	91.8
- Manufacturing	1,954,317	44.5	1,987,035	60.7
- Transport and transport equipment	2,247,726	78.2	2,269,160	79.2
- Recreational activities	79,708	99.8	59,895	99.1
- Information technology	22,048	59.8	59,058	91.1
- Others	6,054,928	80.1	6,970,986	74.4
	45,193,105	77.6	47,771,913	77.5
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	484,470	99.7	529,218	100.0
- Loans for the purchase of other residential properties	33,911,826	100.0	33,473,466	100.0
- Credit card advances	3,674,222	-	3,670,096	-
- Others	12,181,304	45.0	13,105,677	51.0
	50,251,822	79.3	50,778,457	80.1
Loans for use in Hong Kong	95,444,927	78.5	98,550,370	78.8
Trade finance (Note (1))	5,752,611	72.5	8,123,088	67.3
Loans for use outside Hong Kong (Note (2))	35,332,697	61.4	37,639,881	58.4
	136,530,235	73.8	144,313,339	72.9

Note:

- (1) Trade finance shown above represents loans covering finance of imports to Hong Kong, exports and re-exports from Hong Kong and merchandising trade classified with reference to the relevant guidelines issued by the HKMA.

Trade finance loans not involving Hong Kong (including trade finance extended by the overseas subsidiary banks of DSB) totalling HK\$281,123,000 (31 December 2021: HK\$485,128,000) are classified under Loans for use outside Hong Kong.

- (2) Loans for use outside Hong Kong include loans extended to customers located in Hong Kong with the finance used outside Hong Kong.

1. Additional analysis on claims and exposures of the Group (Continued)

- (a) Gross loans and advances to customers by industry sector classified according to the usage of loans and analysed by percentage covered by collateral (Continued)

For each industry sector reported above with loan balance constituting 10% or more of the total balance of loans and advances to customers, the attributable amount of impaired loans, overdue loans, Stage 3, and Stage 1 and Stage 2 impairment allowances are as follows:

HK\$'000	As at 31 Dec 2022				
	Outstanding balance	Impaired loans (Stage 3)	Gross advances overdue for over 3 months	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property investment	21,406,840	34,299	92,035	2,095	148,453
Individuals					
- Loans for the purchase of other residential properties	33,911,826	81,842	92,156	11,350	24,518
Loans for use outside Hong Kong	<u>35,332,697</u>	<u>1,685,840</u>	<u>1,413,348</u>	<u>618,858</u>	<u>261,878</u>
	As at 31 Dec 2021				
	Outstanding balance	Impaired loans (Stage 3)	Gross advances overdue for over 3 months	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property investment	19,253,002	51,919	38,121	11,729	89,789
Individuals					
- Loans for the purchase of other residential properties	33,473,466	89,902	85,138	9,624	24,502
Loans for use outside Hong Kong	<u>37,639,881</u>	<u>392,169</u>	<u>368,601</u>	<u>163,778</u>	<u>342,823</u>

1. Additional analysis on claims and exposures of the Group (Continued)

(b) Mainland activities exposures

The analysis of Mainland activities exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA Return of Mainland Activities, which includes the Mainland activities exposures extended by DSB and its Mainland subsidiary bank only.

HK\$'000	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
2022			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (“JV”s)	7,328,050	106,667	7,434,717
2. Local governments, local government-owned entities and their subsidiaries and JVs	631,492	592,303	1,223,795
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	10,500,933	1,932,334	12,433,267
4. Other entities of central government not reported in item 1 above	3,753,802	71,984	3,825,786
5. Other entities of local governments not reported in item 2 above	943,649	170,022	1,113,671
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	11,535,421	593,574	12,128,995
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	440,041	-	440,041
	<u>35,133,388</u>	<u>3,466,884</u>	<u>38,600,272</u>
Total assets of DSB and its Mainland subsidiary bank after provision	<u>237,109,784</u>		
On-balance sheet exposures as percentage of total assets	<u>14.82%</u>		

Note: The balances of exposures reported above include gross advances and other balances of claims on the customers.

1. Additional analysis on claims and exposures of the Group (Continued)

(b) Mainland activities exposures (Continued)

HK\$'000

	On-balance sheet exposure	Off-balance sheet exposure	Total exposures
2021			
1. Central government, central government-owned entities and their subsidiaries and JVs	9,094,497	120,098	9,214,595
2. Local governments, local government-owned entities and their subsidiaries and JVs	1,447,842	263,538	1,711,380
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	14,376,645	1,504,435	15,881,080
4. Other entities of central government not reported in item 1 above	2,890,926	10,714	2,901,640
5. Other entities of local governments not reported in item 2 above	1,060,321	249,582	1,309,903
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	11,835,454	806,339	12,641,793
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	732,977	289	733,266
	<u>41,438,662</u>	<u>2,954,995</u>	<u>44,393,657</u>
Total assets of DSB and its Mainland subsidiary bank after provision	<u>233,473,940</u>		
On-balance sheet exposures as percentage of total assets	<u>17.75%</u>		

1. Additional analysis on claims and exposures of the Group (Continued)

(c) Analysis of gross loans and advances to customers and overdue loans by geographical area

Loans and advances to customers by geographical area are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when an advance is guaranteed by a party located in an area which is different from that of the counterparty.

The following table analyses gross loans and advances to customers, impaired loans and advances to customers (Stage 3), overdue loans and advances to customers, Stage 3, and Stage 1 and Stage 2 impairment allowances by geographical area.

As at 31 Dec 2022

HK\$'000	Gross loans and advances to customers	Impaired loans and advances to customers (Stage 3)	Overdue loans and advances to customers	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Hong Kong	115,764,347	1,078,509	665,898	391,365	685,000
China	5,983,130	958,283	685,790	406,722	34,403
Macau	13,466,251	244,911	244,911	88,966	20,320
Others	1,316,507	257,309	258,745	-	9,626
	136,530,235	2,539,012	1,855,344	887,053	749,349

As at 31 Dec 2021

	Gross loans and advances to customers	Impaired loans and advances to customers (Stage 3)	Overdue loans and advances to customers	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Hong Kong	121,821,903	1,114,820	539,610	469,827	676,463
China	7,615,412	72,577	62,677	1,865	62,079
Macau	13,777,935	211,439	211,439	75,917	76,856
Others	1,098,089	-	-	-	7,940
	144,313,339	1,398,836	813,726	547,609	823,338

1. Additional analysis on claims and exposures of the Group (Continued)

(d) International claims

The information of international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, transfer of risk from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country. Only regions constituting 10% or more of the aggregate international claims after taking into account any recognised risk transfer are disclosed.

At 31 Dec 2022 In millions of HK\$	Banks	Official sector	Non-bank private sector		Total claims
			Non-bank financial institutions	Non- financial private sector	
Offshore centres	6,660	8,643	5,483	152,869	173,655
- of which: Hong Kong	5,822	7,398	5,399	137,402	156,021
Developing Asia and Pacific	27,231	1,094	1,375	17,580	47,280
- of which: Mainland China	19,734	949	1,106	12,901	34,690
Non-bank private sector					
At 31 Dec 2021 In millions of HK\$	Banks	Official sector	Non-bank financial institutions	Non- financial private sector	Total claims
Offshore centres	5,278	12,937	5,891	155,733	179,839
- of which: Hong Kong	4,715	11,890	5,813	139,779	162,197
Developing Asia and Pacific	24,731	1,216	795	18,695	45,437
- of which: Mainland China	19,423	1,055	451	14,731	35,660

2. Currency concentrations

The following sets out the net foreign exchange position in USD and other individual currency that constitutes more than 10% of the total net position in all foreign currencies as at 31 December 2022 and the corresponding comparative balances.

The Group did not have any structural foreign exchange position as at 31 December 2022 and 2021.

	At 31 December 2022				
	US dollars	Renminbi	Macau Pataca	Other foreign currencies	Total foreign currencies
Equivalent in HK\$ millions					
Spot assets	72,101	16,890	9,502	9,356	107,849
Spot liabilities	(55,594)	(15,503)	(10,912)	(10,016)	(92,025)
Forward purchases	41,010	5,859	-	16,671	63,540
Forward sales	(56,946)	(6,958)	-	(16,027)	(79,931)
Net options position	33	3	-	(17)	19
Net long/ (short) position	604	291	(1,410)	(33)	(548)
	At 31 December 2021				
	US dollars	Renminbi	Macau Pataca	Other foreign currencies	Total foreign currencies
Equivalent in HK\$ millions					
Spot assets	73,869	16,988	9,917	5,947	106,721
Spot liabilities	(54,003)	(16,632)	(11,278)	(8,594)	(90,507)
Forward purchases	30,077	11,240	-	18,947	60,264
Forward sales	(49,845)	(11,480)	-	(16,318)	(77,643)
Net options position	35	3	-	(5)	33
Net long/ (short) position	133	119	(1,361)	(23)	(1,132)

3. Capital adequacy ratio

	As at 31 Dec 2022	As at 31 Dec 2021
Capital adequacy ratio		
- Common Equity Tier 1	15.2%	14.2%
- Tier 1	15.9%	14.7%
- Total	<u>19.3%</u>	<u>18.1%</u>

The capital adequacy ratio as at 31 December 2022 and 31 December 2021 represents the consolidated position of DSB (covering BCM and DSB China) computed on Basel III basis in accordance with the Banking (Capital) Rules. This capital adequacy ratio takes into account market risk and operational risk.

DSB as a locally incorporated bank in Hong Kong is subject to the minimum capital adequacy ratio requirement under the Hong Kong Banking Ordinance. BCM is subject to Macau banking regulations and DSB China is subject to China banking regulations.

4. Leverage ratio

	As at 31 Dec 2022	As at 31 Dec 2021
Leverage ratio	<u>10.6%</u>	<u>9.9%</u>

The above ratios represent the consolidated position of DSB and are computed on the same consolidated basis as the capital adequacy ratio.

5. Liquidity maintenance ratio

	2022	2021
Liquidity maintenance ratio	<u>50.4%</u>	<u>46.9%</u>

The liquidity maintenance ratio is calculated as the simple average of each calendar month's average consolidated liquidity maintenance ratio of DSB (covering BCM and DSB China) for the financial year. The liquidity maintenance ratio is computed in accordance with the Banking (Liquidity) Rules.

DSB as a locally incorporated bank in Hong Kong is subject to the liquidity requirement under the Hong Kong Banking Ordinance. BCM is subject to Macau banking regulations and DSB China is subject to China banking regulations.

FINANCIAL RATIOS

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Net interest income/ operating income	64.2%	73.3%
Cost to income ratio	44.2%	56.1%
Return on average total assets	0.6%	0.7%
Return on average shareholders' funds	5.4%	5.7%
Net interest margin	1.85%	1.72%
	As at 31 Dec 2022	As at 31 Dec 2021
Loan to deposit ratio	66.9%	71.2%

FINAL DIVIDEND

At the forthcoming annual general meeting ("AGM") of the Company to be held on Friday, 2 June 2023, the Directors will propose a final dividend of HK\$0.29 per share for 2022 to shareholders whose names are on the Register of Shareholders as at the close of business on Tuesday, 13 June 2023. Subject to shareholders' approval at the AGM, the final dividend will be payable on Wednesday, 21 June 2023.

CLOSURE OF REGISTER OF SHAREHOLDERS

For determining shareholders' right to attend and vote at the AGM:

Latest time to lodge transfers	4:30 p.m. on 29 May 2023 (Monday)
Closure of Register of Shareholders (both days inclusive)	30 May 2023 (Tuesday) to 2 June 2023 (Friday)
Record date	2 June 2023 (Friday)
AGM	2 June 2023 (Friday)

For determining shareholders' entitlement to receive the proposed final dividend:

Latest time to lodge transfers	4:30 p.m. on 8 June 2023 (Thursday)
Closure of Register of Shareholders (both days inclusive)	9 June 2023 (Friday) to 13 June 2023 (Tuesday)
Record date	13 June 2023 (Tuesday)

During the periods of the closure of Register of Shareholders, no share transfers will be registered. For registration, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before the relevant latest time to lodge transfers.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

Economic conditions in our core market were generally poor, with Hong Kong experiencing recession once again, after the recovery in 2021. Real GDP fell by 3.5%, as the third recession in Hong Kong in four years. Many areas of the economy were weak, with total export of goods dropping by 13.9% and aviation, hotels and tourism remaining at very low levels of activity with the continuation of the COVID restrictions until the end of the year.

Unemployment, however, was relatively benign, ending the year at 3.5%, compared to the April-peak of 5.4%. Inflation was also less of an issue in Hong Kong than in certain other parts of the world, with consumer price inflation registering an average growth of 1.9% for 2022.

The Mainland China economy was also slow, facing headwinds from the continued zero-COVID policy as well as weak trade figures. GDP growth for the year was below target at 3.0%. Inflation remained under control at 2.0% for 2022, while the unemployment rate stayed elevated at 5.5% at the end of the year. Economic conditions in Macau were also under severe pressure, with GDP falling by 26.8% for the year.

Global financial markets performed poorly, with negative returns for most major equity markets, as well as global bond markets. The Federal Reserve raised interest rates in the US a total of seven times to 4.5% by the end of 2022 in an attempt to dampen rapidly rising inflation. Locally, financial markets also performed poorly, with the Hang Seng Index falling for the third consecutive year.

Against the backdrop of weak economic conditions in our major markets, we reported a decrease in profit attributable to shareholders of 3% to HK\$1,609 million for the year ended 31 December 2022. Our results for the year were impacted by two large items: a gain on the termination of our previous insurance distribution agreement and a larger than usual impairment charge on our investment in Bank of Chongqing due to revisions to some of the inputs used in the impairment assessment model. Excluding these two items, our profit attributable to shareholders would have been HK\$1,695 million, an increase of 2%.

For the second half of the year, a dividend of HK\$0.29 per share was declared, making the full year dividend HK\$0.39 per share, an increase of 14.7%.

BUSINESS AND FINANCIAL REVIEW

Net interest income grew by 11% during the year due both to the improved net interest margin and to higher balances of interest earning assets, despite relatively subdued demand conditions in our core loan markets, mainly driven by higher balances of securities investments. The operating profit before impairment charges of our banking business was substantially higher than the prior year with growth of 61%. However, much of this increase was driven by the gain on the termination of our previous insurance distribution agreement. Excluding this item, operating profit before impairment was up by 2%, and non-interest income was down by 27% for the year.

Loan demand remained weak across most business lines, and our overall loan balances contracted by 5%. The contraction was driven mainly by our corporate banking business, with loan balances in that business segment contracting by 9%. Loan balances in our retail banking business were more stable and we achieved a 4% growth in average loan volume in 2022 as compared to 2021. Net interest margin grew by 13 basis points due to our efforts to control our funding cost during the year, the sharp rise in interest rates during the course of 2022, with asset yields repricing more quickly than deposit costs.

Excluding the gain on the termination of our previous insurance distribution agreement, non-interest income was lower overall by 27%, although performance in various areas diverged. FX-related revenues were somewhat more robust with stable customer business particularly through our retail banking network, whilst other wealth management revenues remained weak due to adverse conditions in most major markets during the year, combined with the continued lack of new life insurance products.

Our credit cost increased substantially during the year, with credit impairment losses increasing by 115% to HK\$803 million. A large part of the increase was reported in our corporate banking business, with one of the key factors in the weaker credit quality being exposures to the Mainland China and in particular the real estate sector. Whilst our overall exposure to those sectors is relatively modest, the rapid worsening in business conditions and credit quality led to a much higher overall credit impairment charge for this business area during the course of the year. In contrast, credit quality in our retail banking business was more stable, despite the recessionary economic conditions in our core markets and the credit impairment charge in this business recorded only a mild increase.

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

We recorded a modest decrease in our share of the net profit of our associate, Bank of Chongqing, for the year to HK\$657 million. However, due to a reduction in the valuation of this associate company in our regular year end revaluation, we made a further provision of HK\$1,544 million in the second half after a provision of HK\$139 million in the first half, bringing the total impairment charge for the year to HK\$1,683 million. It should be noted that the provision made relating to Bank of Chongqing is non-cash and does not affect our capital adequacy.

As at 31 December 2022, the consolidated Common Equity Tier 1 ratio of Dah Sing Bank, Limited (“DSB”) was 15.2%, 1% higher than the level of 14.2% at the end of 2021. Taking into account DSB’s outstanding Tier 2 subordinated debts, DSB’s consolidated capital adequacy level at the year end was 19.3%, higher than the prior year ratio of 18.1%.

PROSPECTS

At the beginning of 2023, we were starting to become somewhat more optimistic about the prospects for the year, with the relaxation of COVID restrictions in Hong Kong, and the full reopening of borders. However, as we near the end of the first quarter of the year, it is clear that there are still many uncertainties and much volatility in global markets. The economic outlook in our core markets of Hong Kong, Macau, and Mainland China is somewhat better than the prior year, although this is in part due to a low base effect, particularly in Hong Kong and Macau, with recessions in both areas last year.

Globally, growth in both the US and Europe is likely to be slow, although earlier concerns about more severe recessionary conditions now appear to be reducing. Against this, global markets have been much more volatile than anticipated, and the global financial system has recently been tested by the failures of a number of banks in the US and Europe. Whilst this does not have a direct impact on us, or more broadly on our peer banks in Asia, it is clear that the current level of volatility and concerns over banking stability in other markets pose additional challenges for banks around the world. That said, Hong Kong, our core market, remains stable, with strong regulation and generally high levels of bank capital and liquidity. We expect that to remain the case.

With the higher levels of uncertainty and volatility in the markets, we are cautious on our business operations. We also note continuing caution from many of our customers, despite the somewhat better economic conditions. This means that whilst we expect to make some progress in developing and growing our core businesses during the course of the year, we do not expect at this stage that the progress will be rapid.

On a more positive note, we expect that our Shenzhen branch will become fully operational during the course of the year, making us the first non-Mainland China banking group to operate both a branch and a subsidiary in the Mainland. This will make it easier for us to serve our customers, and we hope that it will also help us to expand our cross boundary business, particularly in the Greater Bay Area.

Looking forward, we expect the new partnership that we announced with Sun Life in January to become fully operational in the second half of the year. This will enable us to resume service to our customers in the life insurance segment, and we believe that this is very important in helping to serve our customers with a range of financial services products throughout different stages in their lives.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code (“CG Code”) under Part 2 of Appendix 14 of the Listing Rules throughout the year ended 31 December 2022 (“CG Code”), with the exception of code provision F.2.2.

Pursuant to code provision F.2.2 of the CG Code, the chairman of the board should attend the annual general meeting, and he should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In light of the COVID-19 pandemic and border control measures for inbound travellers, Mr. David Shou-Yeh Wong, the Chairman of the Board, was unable to attend the 2022 Annual General Meeting (the “2022 AGM”) of the Company held in Hong Kong on 27 May 2022 as he was away from Hong Kong at that time. Mr. Hon-Hing Wong (Derek Wong), Vice Chairman, Managing Director and Chief Executive of the Company, took the chair of the 2022 AGM. Due to the lockdown measures adopted by his country caused by the COVID-19, Mr. Seng-Lee Chan, Chairman of the Nomination and Remuneration Committee (“NRC”) of the Company, was unable to come to Hong Kong to attend the 2022 AGM. A member of the NRC of the Company was present and available to answer questions from shareholders at the 2022 AGM.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct for directors’ securities dealing (“Directors’ Dealing Code”) on terms no less exacting than the prevailing required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) under Appendix 10 of the Listing Rules. Following specific enquiry, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code and the Directors’ Dealing Code throughout the year ended 31 December 2022.

AUDIT COMMITTEE

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of listed securities of the Company during the year ended 31 December 2022.

ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (“HKEX”) at www.hkexnews.hk and Dah Sing Bank at www.dahsing.com.

The 2022 Annual Report of the Group containing all the information required by the Listing Rules will be published on the websites of HKEX and Dah Sing Bank in due course. Printed copies of the 2022 Annual Report will be sent to shareholders who have elected to receive printed versions of the Company’s corporate communications before the end of April 2023.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Vice Chairman, Managing Director and Chief Executive), Gary Pak-Ling Wang and Nicholas John Mayhew (Deputy Chief Executive) as Executive Directors; Messrs. Robert Tsai-To Sze, Seng-Lee Chan, Blair Chilton Pickerell and David Wai-Hung Tam as Independent Non-Executive Directors.

By Order of the Board
Richard Tsung-Yung Li
Company Secretary

Hong Kong, Friday, 31 March 2023