

Press Release

24 August 2016

## Dah Sing Financial Holdings Announces 2016 Interim Results

### Highlights

#### Dah Sing Financial Holdings (“DSFH”)

- Profit attributable to shareholders decreased by 14.9% y-o-y to HK\$914 million
- Earnings per share: HK\$2.73
- Interim dividend per share: HK\$0.29
- Return on average shareholders’ funds (annualized): 8.7%
- Net interest income of HK\$1,947 million, an increase of 11.7% y-o-y
- Net fee and commission income down 27.0% y-o-y to HK\$352 million
- Cost to income ratio: 50.5%

#### Dah Sing Banking Group (“DSBG”)

- Profit attributable to shareholders decreased by 13.9% y-o-y to HK\$1,073 million
- Earnings per share: HK\$0.77
- Interim dividend per share: HK\$0.10
- Return on average shareholders’ funds (annualized): 9.7%
- Cost to income ratio: 49.3%
- Net interest margin improved from 1.76% to 1.94%
- Net interest income up 11.0% y-o-y to HK\$1,769 million
- Net fee and commission income decreased by 23.5% y-o-y to HK\$399 million
- Strong capital position with total capital adequacy ratio (“CAR”) of 16.7%, and a Common Equity Tier 1 ratio (“CET1”) of 12.4% reported by Dah Sing Bank
- Prudent loan-to-deposit ratio of 70.9% as at 30 June 2016
- A campaign to promote our brand with the theme of “Together we progress and prosper”.

Dah Sing Financial Holdings Limited (“DSFH” or the “Group”; SEHK: 0440) announced today its interim results for the six months ended 30 June 2016. Profit attributable to shareholders decreased by 14.9% to HK\$914 million. The decrease in profit was driven both by lower profit from our banking business and by lower results from our insurance business, which reported a decrease in operating profit of 16.7% to HK\$122 million.

Earnings per share for the six months ended 30 June 2016 was HK\$2.73. The board of directors declared an interim dividend of HK\$0.29 per share (2015: HK\$0.32 per share).

Dah Sing Banking Group Limited’s (“DSBG”; SEHK: 2356) profit attributable to shareholders decreased by approximately 13.9% to HK\$1,073 million for the six months ended 30 June 2016. Basic earnings per share was HK\$0.77. The board of directors declared an interim dividend of HK\$0.10 per share (2015: HK\$0.11 per share).

For the six months ended 30 June 2016, DSBG’s net interest income improved by 11.0% to HK\$1,769 million, net fee and commission income was down by 23.5% to HK\$399 million due to much softer market conditions in the first half of 2016 relative to the exceptionally strong market in the same period last year. Fee income contribution was generally weaker from our securities trading and wealth management business, commercial banking and trade finance business, and treasury product sales. The net interest margin improved from 1.76% in the first half of 2015, 1.90% in the second half of 2015, to 1.94% in the period under review, mainly due to continued low funding costs in the domestic Hong Kong market.

Credit costs were up, led mainly by increases in loan impairments in some of our commercial banking customers against the backdrop of a slowing Mainland economy, as well as some increases in collective impairment charges in our retail and commercial banking businesses, driven mainly by increased volumes in certain loan portfolios, and a mild deterioration in the collectively assessed loan assets.

While our share of the net profit of Bank of Chongqing (“BOCQ”) dropped following the dilution in our shareholding from approximately 17% to approximately 14.7%, a steady increase in the underlying net profit of BOCQ by around 10% in the period, and the HK\$32 million provision for the expected dilution loss included in our interim results for the first half of 2015, resulted in a mild 1% decrease in the overall contribution from BOCQ recognized in DSBG’s consolidated results.

As at 30 June 2016, Dah Sing Bank’s CET1 ratio strengthened to 12.4%, compared with 12.2% at the end of 2015, driven by slower asset growth coupled with higher retained earnings. Total consolidated capital adequacy ratio stood at 16.7%, same as at the end of last year.

In line with our vision and strategy to grow with our customers, Dah Sing Bank launched in July a campaign in the second half of the year to promote our brand with the theme of “Together we progress and prosper”.

For DSFH’s insurance business, while sales in our life business was slightly lower during the period, we saw a much improved investment performance, due mainly to lower long-term interest rates during the period driving an improved mark-to-market valuation for our fixed income portfolio. However, the lower interest rates also resulted in higher transfers to reserves in our life insurance business, and a lower expected future level of investment returns, resulting in aggregate a lower embedded value profit for our insurance business overall, with profit dropping by 16.7% to HK\$122 million.

Dah Sing Financial Group (“DSFG”) announced in June 2016 that an agreement was reached to sell the life insurance businesses of DSFH in Hong Kong and Macau to Fujian Thai Hot Investment Company, Limited (“Thai Hot”) for HK\$8 billion in cash. Thai Hot will pay HK\$8 billion as consideration for Dah Sing Life Assurance Company Limited and Dah Sing Insurance Services Limited (collectively “Dah Sing Life”) as well as Macau Life Insurance Company Limited (“Macau Life”). In separate bancassurance agreements that will commence upon the completion of the sale of Dah Sing Life and Macau Life, Dah Sing Life and Macau Life will pay HK\$2.6 billion in aggregate to DSBG in exchange for 15-year exclusive bancassurance partnerships with Dah Sing Bank and its wholly owned subsidiary Banco Comercial de Macau, S.A. (“BCM”). A portion of the HK\$2.6 billion payment will be paid in annual installments over the first ten years of the agreements. Under the new bancassurance agreements, Dah Sing Bank and BCM will be compensated by Dah Sing Life and Macau Life on insurance commission, sales incentives and cost reimbursement for distributing the life insurance products of Dah Sing Life and Macau Life in a manner similar to the current arrangements. The transaction is subject to regulatory and shareholders’ approvals as well as the satisfaction of certain customary closing conditions.

“Business conditions are expected to remain sluggish in the second half of the year. We will continue to be focused in risk management and will also manage costs appropriately, whilst remaining ready to grow our business in line with our strategy.” said Mr. Harold Wong, Group General Manager of DSFH and Managing Director and Chief Executive of DSBG. “Continued engagement with our customers remains key, and we will look for opportunities to ensure that we can provide quality service to our customers, satisfy their needs and help them succeed financially.”

## **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).

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