

# Dah Sing Bank, Limited



## ANNOUNCEMENT OF 2000 FINAL RESULTS

The Directors of Dah Sing Bank, Limited (the “Bank”) announce that the audited results of the Bank and its subsidiaries (the “Group”) for the year ended 31st December 2000 are as follows:

### **CONSOLIDATED PROFIT AND LOSS ACCOUNT**

for the year ended 31st December

	<u>2000</u>	<u>1999</u>	<u>Variance</u>
	HK\$' 000	HK\$' 000	%
Interest income	<b>3,746,131</b>	3,406,824	
Interest expense	<b>(2,214,009)</b>	(2,111,772)	
Net interest income	<b>1,532,122</b>	1,295,052	18.3
Other operating income	<b>397,572</b>	317,913	25.1
Operating income	<b>1,929,694</b>	1,612,965	19.6
Operating expenses	<b>(778,651)</b>	(692,716)	12.4
Operating profit before provisions	<b>1,151,043</b>	920,249	25.1
Charge for bad and doubtful debts	<b>(303,278)</b>	(394,754)	-23.2
Operating profit after provisions	<b>847,765</b>	525,495	61.3
Loss on disposal of fixed assets	<b>(4,489)</b>	(7,688)	
Profit on disposal of held-to-maturity and non-trading securities	<b>11,101</b>	1,458	
Impairment loss on non-trading securities	<b>-</b>	(20,934)	
Profit on ordinary activities	<b>854,377</b>	498,331	71.4
Share of net profits of associated companies	<b>4,545</b>	1,820	
Profit before taxation	<b>858,922</b>	500,151	71.7
Taxation	<b>(99,135)</b>	(64,819)	
Profit attributable to shareholders	<b>759,787</b>	435,332	74.5
Dividends	<b>(351,080)</b>	(165,000)	
Profit for the year retained	<b>408,707</b>	270,332	
Dividends per share	<b>HK\$43.885</b>	HK\$20.625	

**CONSOLIDATED BALANCE SHEET**

As at 31st December

	<b>2000</b>	1999
	<b>HK\$' 000</b>	HK\$' 000
<b>ASSETS</b>		
Cash and short-term funds	<b>6,501,793</b>	7,255,830
Placements with banks and other financial institutions maturing between one and twelve months	-	46,641
Trade bills	<b>454,826</b>	508,995
Certificates of deposit held	<b>347,882</b>	368,231
Trading securities	<b>1,509,439</b>	207,172
Advances to customers and other accounts	<b>30,230,956</b>	26,640,636
Held-to-maturity securities	<b>7,106,084</b>	4,963,944
Non-trading securities	<b>802,984</b>	777,133
Investments in associated companies	<b>101,036</b>	90,539
Fixed assets	<b>1,083,063</b>	1,115,180
Total assets	<b>48,138,063</b>	41,974,301
<b>LIABILITIES</b>		
Deposits and balances of banks and other financial institutions	<b>759,855</b>	581,740
Current, fixed, savings and other deposits of customers	<b>31,394,887</b>	31,942,779
Certificates of deposit issued	<b>6,094,799</b>	4,457,022
Other accounts and provisions	<b>6,059,622</b>	1,584,276
Total liabilities	<b>44,309,163</b>	38,565,817
<b>CAPITAL RESOURCES</b>		
Share capital	<b>800,000</b>	800,000
Reserves	<b>3,028,900</b>	2,608,484
Shareholders' funds	<b>3,828,900</b>	3,408,484
Total liabilities and shareholders' funds	<b>48,138,063</b>	41,974,301

**CHARGE FOR BAD AND DOUBTFUL DEBTS**

for the year ended 31st December

	<u>2000</u> HK\$' 000	<u>1999</u> HK\$' 000	Variance %
Specific provision charged	272,858	370,725	-26.4
General provision charged	<u>30,420</u>	<u>24,029</u>	26.6
	<u>303,278</u>	<u>394,754</u>	-23.2

**TAXATION**

Hong Kong profits tax has been provided at 16% (1999: 16%) on the estimated assessable profit for the year.

Included in the taxation is the attributable share of estimated Hong Kong profits tax losses arising from investments in limited partnerships. The Group's investments in limited partnerships are written off in the same year as the taxation benefits resulting from those investments are received and utilised.

There is no significant deferred taxation liability not provided for.

**ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS**

As at 31st December

	<u>2000</u> HK\$' 000	<u>1999</u> HK\$' 000	Variance %
Advances to customers	29,446,017	26,351,188	11.7
Provisions for bad and doubtful debts			
Specific	(218,601)	(235,706)	
General	<u>(269,992)</u>	<u>(239,044)</u>	
	28,957,424	25,876,438	11.9
Accrued interest	367,348	254,801	
Other accounts	910,673	524,467	
Provisions against accrued interest and other accounts			
Specific	(4,400)	(15,000)	
General	<u>(89)</u>	<u>(70)</u>	
	<u>30,230,956</u>	<u>26,640,636</u>	13.5


**GROSS ADVANCES TO CUSTOMERS BY INDUSTRY SECTOR**

As at 31st December

	<u>2000</u> HK\$' 000	<u>1999</u> HK\$' 000	Variance %
Industrial, commercial and financial			
Property development	247,580	434,959	-43.1
Property investment	2,040,681	2,023,799	0.8
Financial concerns	219,453	92,394	137.5
Stockbrokers	13,245	6,442	105.6
Wholesale and retail trade	1,303,074	1,260,029	3.4
Manufacturing	2,099,579	1,735,885	21.0
Transport and transport equipment	4,669,011	4,540,832	2.8
Others	823,379	545,694	50.9
	<b>11,416,002</b>	10,640,034	7.3
Individuals			
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,833,809	1,898,611	-3.4
Loans for the purchase of other residential properties	8,457,202	7,483,221	13.0
Credit card advances	2,275,706	1,758,982	29.4
Others	3,049,969	1,922,443	58.7
	<b>15,616,686</b>	13,063,257	19.5
Loans for use in Hong Kong	27,032,688	23,703,291	14.0
Trade finance	1,989,595	2,167,506	-8.2
Loans for use outside Hong Kong	423,734	480,391	-11.8
	<b>29,446,017</b>	26,351,188	11.7

**NON-PERFORMING LOANS - ADVANCES ON WHICH INTEREST IS BEING PLACED IN SUSPENSE OR ON WHICH INTEREST ACCRUAL HAS CEASED**

As at 31st December

	<u>2000</u> HK\$' 000	% of Total Advances	<u>1999</u> HK\$' 000	% of Total Advances
Gross advances	666,535	2.26	930,683	3.53
Specific provisions made	(164,161)		(214,660)	
	<b>502,374</b>		716,023	
Market value of security held	<b>442,714</b>		615,355	
Interest in suspense	<b>63,019</b>		56,645	

**OVERDUE ADVANCES**

As at 31st December

	<u>2000</u> HK\$' 000	% of Total Advances	<u>1999</u> HK\$' 000	% of Total Advances
Gross advances overdue for				
Six months or less but over three months	256,138	0.87	259,915	0.99
One year or less but over six months	78,746	0.27	356,003	1.35
Over one year	<u>264,913</u>	0.90	<u>209,155</u>	0.79
	<u>599,797</u>	2.04	<u>825,073</u>	3.13
The amount on which interest is still being accrued	<u>106,463</u>		<u>71,802</u>	
Market value of security held against the secured advances	<u>405,506</u>		<u>568,513</u>	
Secured overdue advances	402,331		534,386	
Unsecured overdue advances	<u>197,466</u>		<u>290,687</u>	
Specific provisions made	<u>155,858</u>		<u>179,822</u>	

**OVERDUE ADVANCES ARE RECONCILED TO NON-ACCRUAL ADVANCES AS FOLLOWS**

As at 31st December

	<u>2000</u> HK\$' 000	<u>1999</u> HK\$' 000
Advances which are overdue for more than three months	599,797	825,073
Add: advances which are overdue for three months or less and on which interest is being placed in suspense or on which interest accrual has ceased	8,425	59,129
Add: advances which are not overdue and on which interest is being placed in suspense or on which interest accrual has ceased	61,426	20,164
Add: rescheduled advances on which interest is being placed in suspense or on which interest accrual has ceased	103,350	98,119
Less: advances which are overdue for more than three months and on which interest is still being accrued	<u>(106,463)</u>	<u>(71,802)</u>
Advances on which interest is being placed in suspense or on which interest accrual has ceased	<u>666,535</u>	<u>930,683</u>

**RESCHEDULED ADVANCES**

As at 31st December

	<u>2000</u> HK\$' 000	% of Total Advances	<u>1999</u> HK\$' 000	% of Total Advances
Rescheduled advances	<u>460,574</u>	1.56	<u>515,729</u>	1.96
Specific provisions made	<u>25,523</u>		<u>30,140</u>	

**RESERVES**

As at 31st December

	<u>2000</u>	<u>1999</u>
	HK\$' 000	HK\$' 000
Capital reserve	4,968	3,170
Investment properties revaluation reserve	29,933	27,105
Premises revaluation reserve	321,002	330,029
Investment revaluation reserve	(23,785)	(36,257)
General reserve	700,254	700,254
Retained earnings	<u>1,996,528</u>	<u>1,584,183</u>
	<u><b>3,028,900</b></u>	<u><b>2,608,484</b></u>

**CONTINGENT LIABILITIES, COMMITMENTS AND DERIVATIVES**

As at 31st December

	<u>2000</u>	<u>1999</u>
	HK\$' 000	HK\$' 000
Direct credit substitutes	75,149	55,604
Transaction related contingencies	34,060	35,377
Trade-related contingencies	731,291	841,621
Assets sold with recourse	-	246,843
Other commitments with an original maturity of :		
- under 1 year or which are unconditionally cancellable	14,984,965	10,453,093
- 1 year and over	<u>509,360</u>	<u>211,410</u>
	<u><b>16,334,825</b></u>	<u><b>11,843,948</b></u>
	<u>2000</u>	<u>1999</u>
	HK\$' 000	HK\$' 000
Exchange rate contracts		
Forward contracts	21,895,764	20,139,322
Currency swaps	57,718	57,524
Foreign exchange options contracts:		
- Currency options purchased	20,250	50,422
- Currency options written	<u>20,355</u>	<u>50,247</u>
	<u><b>21,994,087</b></u>	<u><b>20,297,515</b></u>
Interest rate contracts		
Forward and futures contracts	7,212,021	3,852,658
Interest rate swaps	<u>1,840,226</u>	<u>1,206,970</u>
	<u><b>9,052,247</b></u>	<u><b>5,059,628</b></u>
Equity contracts		
Options written	<u><b>50,426</b></u>	<u><b>-</b></u>



The credit risk weighted amounts and replacement costs of the above off-balance sheet exposures, without taking into account the effect of bilateral netting arrangements, are as follows:

	2000		1999	
	Credit risk weighted amount	Replacement cost	Credit risk weighted amount	Replacement cost
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Contingent liabilities and commitments	<b>395,358</b>		380,487	
Derivatives				
Exchange rate contracts	<b>75,484</b>	<b>131,837</b>	67,351	123,534
Interest rate contracts	<b>13,398</b>	<b>35,163</b>	4,133	13,032
	<b>88,882</b>	<b>167,000</b>	71,484	136,566
	<b>484,240</b>		451,971	

The contract amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date. They do not represent the amounts at risk.

The credit risk weighted amounts are the amounts which have been calculated in accordance with the Third Schedule of the Banking Ordinance and guidelines issued by the Hong Kong Monetary Authority. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

Replacement cost is the cost of replacing all contracts which have a positive value when marked to market (should the counterparty default on its obligations) and is obtained by marking to market contracts with a positive value. Replacement cost is considered to be a close approximation of the credit risk for these contracts at the balance sheet date.

### CAPITAL ADEQUACY RATIOS

As at 31st December

	2000	1999
Capital adequacy ratio	<b>13.0%</b>	13.0%
Adjusted capital adequacy ratio	<b>12.9%</b>	13.0%

The capital adequacy ratio is computed in accordance with the Third Schedule of the Banking Ordinance and on a consolidated basis as specified by the Hong Kong Monetary Authority.

The adjusted capital adequacy ratio represents the consolidated ratio of the Group as at 31st December. The adjusted capital adequacy ratio of each authorized institution within the Group is computed in accordance with the Guideline "Maintenance of Adequate Capital Against Market Risks" issued by the Hong Kong Monetary Authority. The adjusted ratio takes into account market risk as at 31st December.



The capital base after deductions used in the calculation of the above capital adequacy ratios and reported to the Hong Kong Monetary Authority is analysed as follows:

	<b>2000</b>	1999
	<b>HK\$' 000</b>	HK\$' 000
Core capital		
Paid up ordinary share capital	<b>800,000</b>	800,000
Reserves	<b>2,681,706</b>	2,277,269
Total core capital	<b>3,481,706</b>	3,077,269
Supplementary capital		
Reserve on revaluation of land and interests in land	<b>232,084</b>	238,402
Reserve on revaluation of holding of securities not held for trading purposes	<b>(23,785)</b>	(36,257)
General provisions for doubtful debts	<b>274,586</b>	244,186
Total eligible supplementary capital	<b>482,885</b>	446,331
Total capital base before deductions	<b>3,964,591</b>	3,523,600
Deductions from total capital base	<b>(122,701)</b>	(117,901)
Total capital base after deductions	<b>3,841,890</b>	3,405,699

#### LIQUIDITY RATIOS

For the year ended 31st December

	<b>2000</b>	1999
Liquidity ratio	<b>44.4%</b>	47.5%

The liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio for the twelve months of the financial year for the Bank in accordance with the Fourth Schedule of the Banking Ordinance.

#### FINANCIAL RATIOS

	<b>2000</b>	1999
Net interest income / operating income	<b>79.4%</b>	80.3%
Cost to income ratio	<b>40.4%</b>	42.9%
Net interest margin	<b>3.79%</b>	3.37%
Loan to deposit ratio	<b>77.2%</b>	71.1%

#### REVIEW OF BUSINESS

Hong Kong's economy posted a strong recovery in 2000 with a GDP growth of over 10%, a continued easing in unemployment and a gradual improvement in domestic consumption amidst a deflation of close to 3%. Despite the improvement in the local operating environment, 2000 remained a highly challenging year for financial services players in Hong Kong, as competition intensified in a market characterised by sluggish loan demand, margin squeeze for new lending and rising costs. These presented difficulties for banks striving to grow core operating profit before provisions.

Against such a market environment, the Group was able to achieve a stronger performance and profitability. Operating profit before provisions was 25.1% higher. Net interest income grew by 18.3% in the year. Despite the tightening in loan margins for most lending categories in the commercial and retail sectors, and the modest rise in average interbank interest rates over the year, our net interest margin increased to 3.79% which is notably higher than the 3.37% we reported in 1999. The widening in the net interest margin and the increase in net interest income were largely the result of a continued controlled growth in our higher yielding lending business and more effective control of our funding costs.



Our Group's total other operating income was 25.1% higher than 1999, driven by higher credit card fee income, lending related fees, and improved results from treasury activities.

Operating expenses increased by 12.4% when compared with those in 1999, reflecting a higher level of staffing and an increase in our IT investment to support business and e-banking development, and a higher spend on advertising and marketing promotion. With a stronger rate of revenue growth in the year, our cost to income ratio dropped from 1999's 42.9% to 40.4%.

The Group's charge for bad and doubtful debts was 23.2% lower when compared with 1999, reflecting the continued improvement in the asset quality of our loan portfolio amidst the recovery in the local economy. The ratio of overdue and rescheduled loans, as a percentage of total loans, dropped from 5.09% at the end of 1999 to 3.60% at the end of 2000.

Total loans and advances to customers were 11.7% higher than the end of 1999. Except for commercial property lending and trade finance, lending to most sectors registered growth. Reflecting our emphasis on growing higher yielding lending business within acceptable risk parameters, the increase in credit card receivables and other consumer loans continued to grow at a strong pace.

A great deal of attention was devoted to managing down the cost of our liabilities, with the result that our total deposit base, comprising customer deposits and certificates of deposits, came in at a level similar to that of 1999. This resulted from a more careful calibration of deposit pricing and mix to enhance profitability, while at the same time maintaining prudent liquidity.

Relative to the balance sheet at the end of 1999, there was a notable increase in our total assets, and a corresponding increase in other accounts on the liability side at the end of 2000, reflecting a more proactive approach in managing our balance sheet. The increase was brought about by utilizing the facilities afforded to the Bank as a market maker in Exchange Fund bills and notes which enabled us to access cheaper funding for reinvestment at higher rates of return.

Riding on the investment and initiatives made in 1999, the Group continued to make notable progress in delivering on-line e-banking services and new product launches in the year. Our e-banking capabilities now include a host of different on-line applications. We plan to continue to enhance the value and product features of our e-banking services in 2001.

To achieve a better mix of capital structure, we have given mandate to an investment bank to arrange our first subordinated bond issue for an amount of US\$125 million. This is a 10-year issue due in March 2011 with an issuer call option to fully redeem the whole bond at the 5th anniversary in March 2006. Subject to receiving final regulatory approval for the inclusion of this subordinated capital as part of our capital base, the capital adequacy ratio of the Bank will be boosted by more than 2%.

By Order of the Board  
H.L. Soo  
Secretary

Hong Kong, Monday, 5th March 2001