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大新銀行集團有限公司

DAH SING BANKING GROUP LIMITED

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

The holding company of Dah Sing Bank, Limited

(Stock Code: 2356)

ANNOUNCEMENT OF 2021 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 2021.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

HK\$'000	Note	2021	2020	Variance %
Interest income	4	5,170,260	6,210,429	
Interest expense	4	(1,225,984)	(2,514,627)	
Net interest income		3,944,276	3,695,802	6.7
Fee and commission income	5	1,406,822	1,381,782	
Fee and commission expense	5	(209,399)	(199,981)	
Net fee and commission income		1,197,423	1,181,801	1.3
Net trading income	6	178,997	310,435	
Other operating income	7	63,496	60,772	
Operating income		5,384,192	5,248,810	2.6
Operating expenses	8	(3,021,199)	(2,832,936)	6.6
Operating profit before impairment losses		2,362,993	2,415,874	(2.2)
Credit impairment losses	9	(373,343)	(646,968)	(42.3)
Operating profit before gains and losses on certain investments and fixed assets		1,989,650	1,768,906	12.5
Net loss on disposal of other fixed assets		(7,412)	(3,027)	
Net gain/ (loss) on fair value adjustment of investment properties		4,636	(84,240)	
Loss on deemed disposal of investment in an associate		(31,202)	-	
Net gain on disposal of financial assets at fair value through other comprehensive income		4,993	13,448	
Impairment loss on goodwill	10	-	(98,239)	
Share of results of an associate		697,954	710,370	
Impairment loss on the investment in an associate	11	(726,000)	(531,000)	
Share of results of jointly controlled entities		33,060	33,190	
Profit before taxation		1,965,679	1,809,408	8.6
Taxation	12	(308,123)	(316,398)	
Profit for the year		1,657,556	1,493,010	11.0
Loss attributable to non-controlling interests		-	116	
Profit attributable to Shareholders of the Company		1,657,556	1,493,126	11.0
Dividends				
Interim dividend paid		140,575	112,460	
Proposed final dividend/ final dividend paid		337,381	309,265	
		477,956	421,725	
Earnings per share				
Basic and diluted	13	HK\$1.18	HK\$1.06	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

HK\$'000	2021	2020
Profit for the year	<u>1,657,556</u>	<u>1,493,010</u>
Other comprehensive 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	69,682	(78,722)
Share of other comprehensive income of an associate accounted for using the equity method	44,040	382
Net change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	7,388	6,423
Net gain realised and transferred to income statement upon:		
- Disposal of debt instruments at fair value through other comprehensive income	(4,993)	(13,448)
Deferred income tax related to the above	(12,091)	18,910
	<u>104,026</u>	<u>(66,455)</u>
Exchange differences arising on translation of the financial statements of foreign entities	<u>207,165</u>	<u>387,964</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	(1,176)	(1,387)
Deferred income tax related to the above	(5,271)	2,516
	<u>(6,447)</u>	<u>1,129</u>
Other comprehensive income for the year, net of tax	<u>304,744</u>	<u>322,638</u>
Total comprehensive income for the year, net of tax	<u>1,962,300</u>	<u>1,815,648</u>
Attributable to:		
Non-controlling interests	-	(90)
Shareholders of the Company	<u>1,962,300</u>	<u>1,815,738</u>
Total comprehensive income for the year, net of tax	<u>1,962,300</u>	<u>1,815,648</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

HK\$'000	Note	2021	2020
ASSETS			
Cash and balances with banks		12,007,753	15,262,452
Placements with banks maturing between one and twelve months		4,531,863	5,355,765
Trading securities	14	4,425,384	5,080,047
Financial assets at fair value through profit or loss	14	14,119	-
Derivative financial instruments	15	621,056	1,135,814
Advances and other accounts	16	152,457,789	146,844,457
Financial assets at fair value through other comprehensive income	17	41,433,811	41,815,998
Financial assets at amortised cost	18	24,539,822	22,842,879
Investment in an associate	11	4,230,951	4,277,927
Investments in jointly controlled entities		114,373	105,553
Goodwill	10	713,451	713,451
Intangible assets		58,252	58,252
Premises and other fixed assets		2,953,797	3,006,039
Investment properties		756,351	682,909
Deferred income tax assets		120,418	124,680
Total assets		248,979,190	247,306,223
LIABILITIES			
Deposits from banks		1,703,197	3,500,442
Derivative financial instruments	15	1,425,365	3,191,188
Trading liabilities		1,511,927	1,570,675
Deposits from customers		196,134,565	190,339,807
Certificates of deposit issued		6,589,717	8,125,802
Subordinated notes		4,128,446	3,828,458
Other accounts and accruals		6,496,242	6,996,407
Current income tax liabilities		160,313	383,696
Deferred income tax liabilities		17,915	14,561
Total liabilities		218,167,687	217,951,036
EQUITY			
Non-controlling interests		-	15,296
Equity attributable to the Company's shareholders			
Share capital		6,894,438	6,894,438
Other reserves (including retained earnings)		23,018,478	21,546,866
Shareholders' funds	19	29,912,916	28,441,304
Additional equity instruments		898,587	898,587
Total equity		30,811,503	29,355,187
Total equity and liabilities		248,979,190	247,306,223

Note:

1. Statutory Financial Statements

The information set out in this results announcement does not constitute statutory 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 2021 (the "2021 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 financial statements in their report dated 31 March 2022.

2. Basis of Preparation and Accounting Policies

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs" is a collective term which includes all applicable 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 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.

Except as described below, the accounting policies and methods of computation used in the preparation of the 2021 consolidated financial statements are consistent with those used and described in the Group's annual audited financial statements for the year ended 31 December 2020.

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

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The Group has applied the following amendments for the first time for their annual reporting periods commencing on 1 January 2021:

Interest Rate Benchmark Reform – Phase 2, amendments to HKAS 39 "Financial Instruments: Recognition and Measurement", HKFRS 4 "Insurance Contracts", HKFRS 7 "Financial Instruments: Disclosures", HKFRS 9 "Financial Instruments" and HKFRS 16 "Leases"

The amendments address issues that may affect financial reporting as a result of the interest rate benchmark reform and relate to:

- (i) changes to contractual cash flows – financial instruments will not be derecognised, but the effective interest rate will be updated to reflect the change to the alternative benchmark rate;
- (ii) hedge accounting – hedge accounting will not be discontinued solely because changes are required to be made by the reform, if the hedge meets other hedge accounting criteria; and
- (iii) disclosures – information relating to new risks arising from the reform and disclosure of how the transition to alternative benchmark rates is managed.

2. Basis of Preparation and Accounting Policies (Continued)

(a) New and amended standards adopted by the Group (Continued)

Interest rate benchmark reform is the market-wide initiative to replace or reform interbank offered rates (“IBORs”) that are commonly used to determine interest cash flows on financial instruments such as loans and advances to customers, deposits from banks and customers, debt securities and derivatives. The objective of the reform is to replace IBORs with alternative risk-free interest rates (“RFRs”) that are based on actual market transactions. Consequently, financial contracts which currently make reference to IBORs may need to be amended such that they will make reference to the alternative RFRs in the applicable currency going forward. Amendments to HKFRS 9, HKAS 39 and HKFRS 7 modify some specific hedge accounting requirements to provide relief (the “temporary relief”) from the potential effects of the uncertainties caused by the interest rate benchmark reform.

The Group has certain outstanding interest rate swaps which are exposed to different types of IBORs, (predominantly US Dollar London Interbank Offered Rate (“LIBOR”) and Hong Kong Interbank Offered Rate (“HIBOR”). These interest rate swaps are designated as fair value hedge of certain of the Group's fixed rate financial instruments including debt securities held at fair value through other comprehensive income and amortised cost, bank borrowing, certificates of deposit issued and subordinated notes issued. The notional amount of interest rate swaps designated as subject to hedge accounting relationships and the temporary relief as at 31 December 2021 is approximately HK\$49 billion.

The following table contains details of all of the financial instruments that the Group holds at 31 December 2021 which reference USD LIBOR and have not yet transitioned to Secured Overnight Financing Rate (“SOFR”) or an alternative interest rate benchmark. Notional amount of derivatives and gross carrying value of financial assets are presented below:

	Carrying Value/Notional Amount as at 31 December 2021	Of which : Have yet to transition to an alternative benchmark interest rate as at 31 December 2021
Non-derivative assets exposed to USD LIBOR		
Measured at amortised cost		
Advances and other accounts	8,987,411	8,987,411
Financial assets at amortised cost	577,374	460,424
Measured at fair value through other comprehensive income		
Financial assets at fair value through other comprehensive income	844,228	837,587
Total carrying value of non-derivative assets	10,409,013	10,285,422
Derivatives – Interest rate swap	48,580,973	48,573,176

(b) New and amended standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

There are no other HKFRSs or interpretations that are effective from 1 January 2021 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 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

3. Operating segment reporting (Continued)

For the year ended 31 December 2020

HK\$'000	Personal Banking	Corporate Banking	Treasury and Global Markets	Overseas Banking	Others	Inter- segment	Total
Net interest income/ (expenses)	1,584,254	1,124,905	669,395	486,130	(168,882)	-	3,695,802
Non-interest income/ (expenses)	1,008,393	194,070	197,802	117,623	36,116	(996)	1,553,008
Total operating income/ (expenses)	2,592,647	1,318,975	867,197	603,753	(132,766)	(996)	5,248,810
Operating expenses	(1,630,344)	(504,889)	(185,689)	(507,522)	(5,488)	996	(2,832,936)
Operating profit/ (loss) before credit impairment losses	962,303	814,086	681,508	96,231	(138,254)	-	2,415,874
Credit impairment losses	(342,197)	(151,822)	(20,102)	(131,768)	(1,079)	-	(646,968)
Operating profit/ (loss) after credit impairment losses	620,106	662,264	661,406	(35,537)	(139,333)	-	1,768,906
Net loss on disposal and fair value adjustment of investment properties and other fixed assets	(2,902)	-	-	(68)	(84,297)	-	(87,267)
Net gain on disposal of financial assets at fair value through other comprehensive income	-	-	13,448	-	-	-	13,448
Impairment loss on goodwill	-	(98,239)	-	-	-	-	(98,239)
Share of results of an associate	-	-	-	710,370	-	-	710,370
Impairment loss on the investment in an associate	-	-	-	(531,000)	-	-	(531,000)
Share of results of jointly controlled entities	-	-	-	-	33,190	-	33,190
Profit/ (loss) before taxation	617,204	564,025	674,854	143,765	(190,440)	-	1,809,408
Taxation (expenses)/ credit	(101,353)	(110,166)	(111,368)	(19,217)	25,706	-	(316,398)
Profit/ (loss) for the year	515,851	453,859	563,486	124,548	(164,734)	-	1,493,010
For the year ended 31 December 2020							
Depreciation and amortisation	74,976	14,965	7,135	56,312	227,363	-	380,751
At 31 December 2020							
Segment assets	53,965,730	66,782,037	84,562,197	38,200,663	8,820,927	(5,025,331)	247,306,223
Segment liabilities	112,788,974	46,684,129	16,220,032	29,899,300	17,383,932	(5,025,331)	217,951,036

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 2021 and 2020, 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	2021	2020
Interest income		
Cash and balances with banks	148,094	267,438
Investments in securities	1,000,982	1,360,604
Advances and other accounts	4,021,184	4,582,387
	<u>5,170,260</u>	<u>6,210,429</u>
Interest expense		
Deposits from banks/ Deposits from customers	1,066,428	2,189,791
Certificates of deposit issued	43,284	126,852
Subordinated notes	103,308	137,815
Lease liabilities	9,654	10,574
Others	3,310	49,595
	<u>1,225,984</u>	<u>2,514,627</u>
Included within interest income		
- Trading securities and financial assets at fair value through profit or loss	2,508	53,199
- Financial assets at fair value through other comprehensive income	465,524	850,703
- Financial assets at amortised cost	4,702,228	5,306,527
	<u>5,170,260</u>	<u>6,210,429</u>
Included within interest expense		
- Financial liabilities not at fair value through profit or loss	1,225,008	2,471,800

For the year ended 31 December 2021 and 2020, there was no interest income recognised on impaired assets.

5. Net fee and commission income

HK\$'000	2021	2020
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	170,138	170,451
- Trade finance	80,739	78,218
- Credit card	276,816	255,002
Other fee and commission income		
- Securities brokerage	215,359	192,396
- Insurance distribution and others	218,564	284,293
- Retail investment and wealth management services	303,980	269,056
- Bank services and handling fees	70,770	65,587
- Other fees	70,456	66,779
	<u>1,406,822</u>	<u>1,381,782</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	201,717	189,919
- Other fees paid	7,682	10,062
	<u>209,399</u>	<u>199,981</u>

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 financial statements.

6. Net trading income

HK\$'000	2021	2020
Net gain arising from dealing in foreign currencies	186,064	285,844
Net (loss)/ gain on trading securities	(23)	14,133
Net gain from derivatives entered into for trading purpose	4,241	2,443
Net (loss)/ gain arising from financial instruments subject to fair value hedge	(7,310)	895
Net (loss)/ gain on financial instruments at fair value through profit or loss	(3,975)	7,120
	<u>178,997</u>	<u>310,435</u>

7. Other operating income

HK\$'000	2021	2020
Dividend income from investments in equity instruments at fair value through other comprehensive income, held at the end of the year		
- Listed investments	1,323	1,612
- Unlisted investments	13,920	4,330
Gross rental income from investment properties	17,831	22,965
Other rental income	16,470	15,445
Others	13,952	16,420
	<u>63,496</u>	<u>60,772</u>

8. Operating expenses

HK\$'000	2021	2020
Employee compensation and benefit expenses		
- Salaries and other staff costs	1,873,517	1,880,090
- Government grant - Employment Support Scheme	-	(65,686)
- Provision for share-based compensation charged	480	821
- Pension costs - defined contribution plans	97,749	103,690
Premises and other fixed assets expenses, excluding depreciation		
- Rental of premises	3,804	3,307
- Others	229,980	211,227
Depreciation		
- Premises and other fixed assets	202,160	186,078
- Right-of-use properties	192,366	194,673
Advertising and promotion costs	75,791	77,138
Printing, stationery and postage	45,869	52,426
Auditors' remuneration	10,982	9,661
Others	288,501	179,511
	3,021,199	2,832,936

9. Credit impairment losses

HK\$'000	2021	2020
New allowances net of allowance releases	461,635	745,612
Recoveries of amounts previously written off	(88,292)	(98,644)
	373,343	646,968
Attributable to:		
- Advances to customers	394,119	603,479
- Other financial assets	14,590	36,162
- Loan commitments and financial guarantees	(35,366)	7,327
	373,343	646,968

10. Impairment loss on goodwill

Goodwill represents the excess of the cost of the Group's acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the acquiree as at the date of acquisition. Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segments in line with the internal management reporting structure.

Goodwill is tested annually for impairment losses by comparing the recoverable amount of CGU determined based on value in use ("VIU") calculation. The calculations use discounted cash flow projections prepared by the Senior Management based on the latest 5-year business plan, taking into account projected annual growth rate of net profit, and in perpetuity with 2% constant growth rate after the fifth year. The 5-year business plan was developed by the Senior Management based on their evaluation of the businesses and associated projected discounted cash flow of net profit of the relevant CGU and the conditions in which such businesses will operate over the projection period.

No impairment loss on goodwill was identified in the year. During 2020, the Senior Management had decided to recognise a goodwill impairment charge of HK\$98,239,000 for the CGU of the equipment finance business of Corporate Banking given that the recoverable amount of the equipment finance business under this CGU is lower than the carrying value.

11. Impairment loss on the investment in an associate

At 31 December 2021, the fair value of the Group's investment in Bank of Chongqing ("BOCQ") had been below the carrying amount for approximately 8 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 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 2021, 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 2020) and valuation assumptions, remained below the carrying amount. The latest impairment test performed by the Group for the position as at 31 December 2021 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 2020 of HK\$2,266 million, by HK\$726 million. As a result, an additional impairment charge of HK\$726 million was recognised in the year of 2021 to reduce the value of the investment to HK\$4,231 million.

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.

12. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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	2021	2020
Current income tax:		
- Hong Kong profits tax	282,406	283,017
- Overseas taxation	41,567	22,793
- Over-provision in prior years	(10,978)	(218)
Deferred income tax:		
- Origination and reversal of timing differences	<u>(4,872)</u>	<u>10,806</u>
Taxation	<u>308,123</u>	<u>316,398</u>

13. Basic and diluted earnings per share

The calculation of basic earnings per share and fully dilutive earnings is based on earnings of HK\$1,657,556,000 (2020: HK\$1,493,126,000) and the weighted average number of 1,405,752,132 (2020: 1,405,752,132) ordinary shares in issue during the year. The share options outstanding during the year and at the year end have no dilutive effect on the weighted average number of ordinary shares.

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

HK\$'000	As at 31 Dec 2021	As at 31 Dec 2020
Trading securities:		
Debt securities:		
- Listed in Hong Kong	12,285	30,089
- Unlisted	4,413,099	5,049,958
	<u>4,425,384</u>	<u>5,080,047</u>
Financial assets at fair value through profit or loss:		
Investment funds:		
- Listed in Hong Kong	14,119	-
	<u>14,119</u>	<u>-</u>
Total	<u>4,439,503</u>	<u>5,080,047</u>
Included within debt securities are:		
- Treasury bills which are cash equivalents	2,304,220	482,991
- Other treasury bills	2,108,879	4,566,967
- Government bonds	12,285	30,089
	<u>4,425,384</u>	<u>5,080,047</u>
By issuers:		
- Central governments and central banks	4,425,384	5,080,047
- Corporate entities	14,119	-
	<u>4,439,503</u>	<u>5,080,047</u>

As at 31 December 2021 and 2020, there were no certificates of deposit held included in the above balances.

15. Derivative financial instruments

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. Derivative financial instruments (Continued)

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2020 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	63,546,714	857,935	(815,861)
Currency options purchased and written	9,794,008	16,681	(16,661)
b) <i>Interest rate derivatives</i>			
Interest rate swaps	5,149,560	48,888	(44,691)
c) <i>Equity derivatives</i>			
Equity options purchased and written	742,444	22,479	(22,457)
Total derivative assets/ (liabilities) held for trading	79,232,726	945,983	(899,670)
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	41,984,638	189,831	(2,291,518)
Total derivative assets/ (liabilities) held for hedging	41,984,638	189,831	(2,291,518)
Total recognised derivative financial assets/ (liabilities)	121,217,364	1,135,814	(3,191,188)

16. Advances and other accounts

HK\$'000	As at 31 Dec 2021	As at 31 Dec 2020
Gross advances to customers	144,313,339	137,577,384
Less: impairment allowances		
- Stage 1	(469,184)	(486,431)
- Stage 2	(354,154)	(208,225)
- Stage 3	(547,609)	(556,508)
	<u>(1,370,947)</u>	<u>(1,251,164)</u>
	142,942,392	136,326,220
Trade bills	4,253,850	3,791,124
Less: impairment allowances		
- Stage 1	(7,347)	(8,848)
- Stage 2	-	(11)
	<u>(7,347)</u>	<u>(8,859)</u>
	4,246,503	3,782,265
Other assets	5,294,452	6,758,655
Less: impairment allowances		
- Stage 1	(11,298)	(10,287)
- Stage 2	(489)	(547)
- Stage 3	(13,771)	(11,849)
	<u>(25,558)</u>	<u>(22,683)</u>
	5,268,894	6,735,972
Advances and other accounts	<u>152,457,789</u>	<u>146,844,457</u>

16. Advances and other accounts (Continued)

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

HK\$'000	As at 31 Dec 2021		As at 31 Dec 2020	
	Outstanding balance	% of gross advances	Outstanding balance	% of gross advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	5,467,229	3.8	5,611,830	4.1
- Property investment	19,253,002	13.3	17,221,674	12.5
- Financial concerns	4,661,129	3.2	5,756,814	4.2
- Stockbrokers	1,642,984	1.1	1,733,867	1.3
- Wholesale and retail trade	5,401,435	3.7	6,004,660	4.4
- Manufacturing	1,987,035	1.4	1,790,941	1.3
- Transport and transport equipment	2,269,160	1.6	2,512,559	1.8
- Recreational activities	59,895	0.1	96,223	0.1
- Information technology	59,058	0.1	51,827	0.0
- Others	6,970,986	4.8	6,003,396	4.3
	47,771,913	33.1	46,783,791	34.0
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	529,218	0.4	558,428	0.4
- Loans for the purchase of other residential properties	33,473,466	23.2	31,260,619	22.8
- Credit card advances	3,670,096	2.5	3,610,141	2.6
- Others	13,105,677	9.1	13,079,682	9.5
	50,778,457	35.2	48,508,870	35.3
Loans for use in Hong Kong	98,550,370	68.3	95,292,661	69.3
Trade finance (Note (1))	8,123,088	5.6	8,115,481	5.9
Loans for use outside Hong Kong (Note (2))	37,639,881	26.1	34,169,242	24.8
	144,313,339	100.0	137,577,384	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\$485,128,000 (31 December 2020: HK\$260,328,000) 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.

16. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets

(i) Impaired loans

HK\$'000	As at 31 Dec 2021	As at 31 Dec 2020
Gross loans and advances	144,313,339	137,577,384
Less: total impairment allowances	(1,370,947)	(1,251,164)
Net	<u>142,942,392</u>	<u>136,326,220</u>
Credit-impaired loans and advances	1,398,836	1,573,803
Less: Stage 3 impairment allowances	(547,609)	(556,508)
Net	<u>851,227</u>	<u>1,017,295</u>
Fair value of collateral held*	<u>758,124</u>	<u>787,030</u>
Credit-impaired loans and advances as a % of total loans and advances to customers	<u>0.97%</u>	<u>1.14%</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 2021		As at 31 Dec 2020	
	Gross amount of overdue loans	% of total	Gross amount of overdue loans	% of total
Gross advances to customers which have been overdue for:				
- six months or less but over three months	103,435	0.07	240,472	0.17
- one year or less but over six months	126,868	0.09	136,656	0.10
- over one year	583,423	0.40	525,674	0.38
	<u>813,726</u>	<u>0.56</u>	<u>902,802</u>	<u>0.65</u>
Market value of securities held against the secured overdue advances	<u>888,796</u>		<u>930,016</u>	
Secured overdue advances	456,744		593,229	
Unsecured overdue advances	<u>356,982</u>		<u>309,573</u>	
Stage 3 impairment allowances	<u>350,828</u>		<u>302,651</u>	

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

16. Advances and other accounts (Continued)

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

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

HK\$'000	As at 31 Dec 2021	% of total	As at 31 Dec 2020	% of total
Advances to customers	<u>350,761</u>	<u>0.24</u>	<u>374,963</u>	<u>0.27</u>
Stage 3 impairment allowances	<u>141,673</u>		<u>141,869</u>	

(c) Trade bills

	As at 31 Dec 2021	As at 31 Dec 2020
Trade bills which have been overdue for:		
- one year or less but over six months	-	-
- over one year	<u>-</u>	<u>607</u>
	<u>-</u>	<u>607</u>
Stage 3 impairment allowances	<u>-</u>	<u>-</u>

The overdue trade bills are fully secured.

(d) Repossessed collateral

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

Nature of assets	As at 31 Dec 2021	As at 31 Dec 2020
Repossessed properties	208,090	304,514
Others	<u>1,090</u>	<u>24,923</u>
	<u>209,180</u>	<u>329,437</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\$64,984,000 (2020: HK\$63,158,000), 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.

17. Financial assets at fair value through other comprehensive income

HK\$'000	As at 31 Dec 2021	As at 31 Dec 2020
Debt securities:		
- Listed in Hong Kong	16,676,005	14,072,696
- Listed outside Hong Kong	16,208,367	16,750,257
- Unlisted	8,459,857	10,892,365
	<u>41,344,229</u>	<u>41,715,318</u>
Equity securities:		
- Listed in Hong Kong	481	18,196
- Unlisted	89,101	82,484
	<u>89,582</u>	<u>100,680</u>
Total	<u>41,433,811</u>	<u>41,815,998</u>
Included within debt securities are:		
- Certificates of deposit held	489,774	344,348
- Treasury bills which are cash equivalents	2,439,243	3,551,262
- Other treasury bills	5,459,898	6,026,161
- Government bonds	708,540	123,458
- Other debt securities	32,246,774	31,670,089
	<u>41,344,229</u>	<u>41,715,318</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	7,987,115	9,700,881
- Public sector entities	789,164	134,779
- Banks and other financial institutions	6,792,715	7,582,172
- Corporate entities	25,775,160	24,297,411
- Others	75	75
	<u>41,344,229</u>	<u>41,715,318</u>
Equity securities:		
- Corporate entities	89,582	100,680
	<u>89,582</u>	<u>100,680</u>
	<u>41,433,811</u>	<u>41,815,998</u>

18. Financial assets at amortised cost

HK\$'000	As at 31 Dec 2021	As at 31 Dec 2020
Debt securities		
- Listed in Hong Kong	9,748,480	8,751,193
- Listed outside Hong Kong	9,869,613	9,297,525
- Unlisted	4,951,845	4,818,383
	<u>24,569,938</u>	<u>22,867,101</u>
Less: impairment allowance		
- Stage 1	(30,116)	(24,222)
Total	<u>24,539,822</u>	<u>22,842,879</u>
Included within debt securities are:		
- Certificates of deposit held	1,537,364	1,745,601
- Treasury bills	921,707	1,308,909
- Government bonds	242,800	248,395
- Other debt securities	21,868,067	19,564,196
	<u>24,569,938</u>	<u>22,867,101</u>
Financial assets at amortised cost are analysed by categories of issuers as follows:		
- Central governments and central banks	1,164,507	1,557,304
- Public sector entities	529,658	293,469
- Banks and other financial institutions	7,880,487	7,681,769
- Corporate entities	14,984,197	13,323,470
- Others	11,089	11,089
	<u>24,569,938</u>	<u>22,867,101</u>

19. Shareholders' funds

HK\$'000	As at 31 Dec 2021	As at 31 Dec 2020
Share capital	6,894,438	6,894,438
Consolidation reserve	(220,986)	(220,986)
Premises revaluation reserve	270,120	270,120
Investment revaluation reserve	467,046	335,848
Exchange reserve	225,364	18,199
General reserve	700,254	700,254
Reserve for share-based compensation	4,690	4,210
Retained earnings	<u>21,571,990</u>	<u>20,439,221</u>
	<u>29,912,916</u>	<u>28,441,304</u>
 Proposed final dividend/ final dividend paid included in retained earnings	 <u>337,381</u>	 <u>309,265</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 2021, DSB has earmarked a regulatory reserve of HK\$432,194,000 (2020: HK\$502,278,000) first against its consolidated general reserve; and for any excess amount, the balance is earmarked against its consolidated retained earnings.

20. Contingent liabilities and commitments (Continued)

(c) Assets pledged

HK\$'000	As at 31 Dec 2021	As at 31 Dec 2020
Trading assets and financial investments pledged to secure liabilities	2,593,024	3,077,937
- of which: under repurchase agreements	<u>1,518,732</u>	<u>1,506,126</u>
Amount of liabilities secured	2,585,362	3,123,207
- of which: under repurchase agreements	<u>1,510,862</u>	<u>1,551,207</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 collateralized 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 2021	As at 31 Dec 2020
Within 1 year	14,584	16,180
Between 1 and 2 years	3,721	11,521
Between 2 and 3 years	891	839
	<u>19,196</u>	<u>28,540</u>

In addition, the Group has, as a lessee, entered into a number of leases as at 31 December 2021 and 2020 that have not yet commenced. The aggregate lease payments payable under these leases amount to HK\$28,982,000 (2020: HK\$28,953,000).

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1. Additional analysis on claims and exposures of the Group

- (a) Gross 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 2021		As at 31 Dec 2020	
	Outstanding balance	% of gross advances covered by collateral	Outstanding balance	% of gross advances covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	5,467,229	75.2	5,611,830	66.5
- Property investment	19,253,002	93.2	17,221,674	92.4
- Financial concerns	4,661,129	14.9	5,756,814	5.8
- Stockbrokers	1,642,984	61.6	1,733,867	46.7
- Wholesale and retail trade	5,401,435	91.8	6,004,660	90.4
- Manufacturing	1,987,035	60.7	1,790,941	56.4
- Transport and transport equipment	2,269,160	79.2	2,512,559	80.1
- Recreational activities	59,895	99.1	96,223	99.6
- Information technology	59,058	91.1	51,827	86.5
- Others	6,970,986	74.4	6,003,396	68.4
	47,771,913	77.5	46,783,791	71.6
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	529,218	100.0	558,428	100.0
- Loans for the purchase of other residential properties	33,473,466	100.0	31,260,619	100.0
- Credit card advances	3,670,096	-	3,610,141	-
- Others	13,105,677	51.0	13,079,682	51.6
	50,778,457	80.1	48,508,870	79.5
Loans for use in Hong Kong	98,550,370	78.8	95,292,661	75.6
Trade finance (Note (1))	8,123,088	67.3	8,115,481	61.5
Loans for use outside Hong Kong (Note (2))	37,639,881	58.4	34,169,242	63.7
	144,313,339	72.9	137,577,384	71.8

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\$485,128,000 (31 December 2020: HK\$260,328,000) 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 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 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 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>
	As at 31 Dec 2020				
	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	17,221,674	59,373	41,590	4,705	95,584
Individuals					
- Loans for the purchase of other residential properties	31,260,619	62,747	92,630	7,826	40,076
Loans for use outside Hong Kong	<u>34,169,242</u>	<u>520,305</u>	<u>400,017</u>	<u>187,244</u>	<u>154,835</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
2021			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (“JV”s)	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>		

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
2020			
1. Central government, central government-owned entities and their subsidiaries and JVs	9,723,405	124,954	9,848,359
2. Local governments, local government-owned entities and their subsidiaries and JVs	1,405,599	274,501	1,680,100
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	12,076,834	1,745,392	13,822,226
4. Other entities of central government not reported in item 1 above	2,221,324	36,918	2,258,242
5. Other entities of local governments not reported in item 2 above	1,609,556	283,753	1,893,309
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	11,647,569	592,157	12,239,726
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	1,100,005	-	1,100,005
	<u>39,784,292</u>	<u>3,057,675</u>	<u>42,841,967</u>
Total assets of DSB and its Mainland subsidiary bank after provision	<u>230,973,725</u>		
On-balance sheet exposures as percentage of total assets	<u>17.22%</u>		

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

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

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 advances to customers, impaired advances to customers (Stage 3), overdue advances to customers, Stage 3, and Stage 1 and Stage 2 impairment allowances by geographical area.

As at 31 Dec 2021

HK\$'000	Gross advances to customers	Impaired advances to customers (Stage 3)	Overdue 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

As at 31 Dec 2020

	Gross advances to customers	Impaired advances to customers (Stage 3)	Overdue advances to customers	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Hong Kong	115,234,954	1,239,712	600,421	467,445	595,174
China	7,630,058	63,294	28,269	1,119	50,382
Macau	13,686,148	270,797	270,797	87,944	42,121
Others	1,026,224	-	3,315	-	6,979
	137,577,384	1,573,803	902,802	556,508	694,656

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 2021 In millions of HK\$	Banks	Official sector	Non-bank private sector		Total claims
			Non-bank financial institutions	Non- financial private sector	
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
Non-bank private sector					
At 31 Dec 2020 In millions of HK\$	Banks	Official sector	Non-bank financial institutions	Non- financial private sector	Total claims
Offshore centres	6,928	15,016	6,727	143,869	172,540
- of which: Hong Kong	6,441	13,595	6,727	128,137	154,900
Developing Asia and Pacific	27,306	1,060	880	17,681	46,927
- of which: Mainland China	19,036	894	526	14,159	34,615

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 2021 and the corresponding comparative balances.

The Group did not have any structural foreign exchange position as at 31 December 2021 and 2020.

	At 31 December 2021				
Equivalent in HK\$ millions	US dollars	Renminbi	Macau Pataca	Other foreign currencies	Total foreign currencies
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	<u>133</u>	<u>119</u>	<u>(1,361)</u>	<u>(23)</u>	<u>(1,132)</u>

	At 31 December 2020				
Equivalent in HK\$ millions	US dollars	Renminbi	Macau Pataca	Other foreign currencies	Total foreign currencies
Spot assets	75,606	17,846	9,931	7,825	111,208
Spot liabilities	(53,937)	(16,796)	(11,453)	(8,594)	(90,780)
Forward purchases	21,686	12,044	-	3,113	36,843
Forward sales	(42,823)	(12,993)	-	(2,352)	(58,168)
Net options position	-	-	-	-	-
Net long/ (short) position	<u>532</u>	<u>101</u>	<u>(1,522)</u>	<u>(8)</u>	<u>(897)</u>

3. Capital adequacy ratio

	As at 31 Dec 2021	As at 31 Dec 2020
Capital adequacy ratio		
- Common Equity Tier 1	14.2%	13.8%
- Tier 1	14.7%	14.3%
- Total	<u>18.1%</u>	<u>17.6%</u>

The capital adequacy ratio as at 31 December 2021 and 31 December 2020 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 2021	As at 31 Dec 2020
Leverage ratio	<u>9.9%</u>	<u>9.4%</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

	2021	2020
Liquidity maintenance ratio	<u>46.9%</u>	<u>47.8%</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 2021	Year ended 31 Dec 2020
Net interest income/ operating income	73.3%	70.4%
Cost to income ratio	56.1%	54.0%
Return on average total assets	0.7%	0.6%
Return on average shareholders' funds	5.7%	5.4%
Net interest margin	1.72%	1.63%
	As at 31 Dec 2021	As at 31 Dec 2020
Loan to deposit ratio	71.2%	69.3%

FINAL DIVIDEND

At the forthcoming annual general meeting ("AGM") of the Company to be held on Friday, 27 May 2022, the Directors will propose a final dividend of HK\$0.24 per share for 2021 to shareholders whose names are on the Register of Shareholders as at the close of business on Wednesday, 8 June 2022. Subject to shareholders' approval at the AGM, the final dividend will be payable on Thursday, 16 June 2022.

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 23 May 2022 (Monday)
Closure of Register of Shareholders (both days inclusive)	24 May 2022 (Tuesday) to 27 May 2022 (Friday)
Record date	27 May 2022 (Friday)
AGM	27 May 2022 (Friday)

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

Latest time to lodge transfers	4:30 p.m. on 2 June 2022 (Thursday)
Closure of Register of Shareholders (both days inclusive)	6 June 2022 (Monday) to 8 June 2022 (Wednesday)
Record date	8 June 2022 (Wednesday)

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 2021 were generally better than those in 2020. In 2021, Hong Kong real GDP grew by 6.4%, the fastest pace since 2010, although the size of the economy was still about 2% below that of 2018 after two years of severe recession. The economic recovery, however, remained uneven. Whilst exports of goods grew strongly, due both to the recovery in major export markets, as well as much improved regional trade, the export of services was slow. Tourism remained in the doldrums due to the pandemic and continued travel restrictions.

The Hong Kong economy is expected to expand further in 2022, but the pandemic remains a key uncertainty. Taking into account support from the Government's various measures, the Hong Kong economy is forecast to grow by 2% to 3.5% in 2022. However, this forecast is subject to greater than usual uncertainty due to the current fifth wave of the pandemic and the related slowdown in economic activities. Underlying consumer price inflation is expected to pick up, but is forecast to remain moderate at 2% for the year as a whole. The labour market continued to improve in 2021, with seasonally adjusted unemployment falling to 3.9% by the year end, but again the outlook in 2022 remains uncertain.

Mainland China economic growth continued to rebound strongly, with growth in GDP of 8.1% in 2021. Trade in particular grew very strongly, with imports and exports up by 30%. Both inflation and unemployment remained under control at 0.9% and 5.1% respectively. Target GDP growth for 2022 is around 5.5%.

Whilst global financial markets, particularly US markets, performed very strongly during the year, Hong Kong was a laggard, with weaker performance than most major markets. Short term interest rates in HKD and USD remained generally low during the year, although there was some upward pressure on medium and longer term US rates in the latter part of the year, given the expectation of interest rate rises in the medium term. Short term RMB interest rates, after falling somewhat in the first half of the year, stabilised in the second half.

With improved economic conditions overall during the year, our profit attributable to shareholders grew by 11% for the year ended 31 December 2021 to HK\$1,658 million, despite the somewhat weakening trend in the second half of the year.

For the second half of the year, a dividend of HK\$0.24 per share was declared, making the full year dividend HK\$0.34 per share, an increase of 13.3%.

BUSINESS AND FINANCIAL REVIEW

We reported an increase in profit attributable to shareholders of 11%, mainly caused by lower impairment charges on loans and improved net interest income. Underlying business performance improved, with better credit quality and stable net interest margin. Operating profit before impairment charges was slightly lower than the prior year, which was down 2% compared with 2020. Net interest income grew by 7% during the year both due to the improved net interest margin and to somewhat higher balances of interest earning assets, despite relatively subdued demand conditions in our core loan markets. After a strong year in 2020, non-interest income fell modestly in 2021, down by 7% for the year.

Loan demand remained weak across most business lines. Overall loan growth was 5%, with modest growth in each of our commercial and retail banking businesses. Our trade finance business rebounded somewhat after a very difficult year in 2020, and our domestic residential mortgage and consumer lending businesses were able to report modest growth despite domestic business conditions remaining challenging. Net interest margin grew by 9 basis points due both to our efforts to control our funding cost during the year, and to some upward movement in interest rates towards the end of the year.

Although overall non-interest income fell slightly, there was stronger growth in non-interest income in our commercial banking business, and our wealth management business (excluding insurance distribution), which grew revenues by 8% and 13% for the year respectively. In line with the medium term strategy to strengthen customer relationship and cross-selling, results from collaboration among business functions recorded meaningful growth.

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

With the improvement in the local economy, albeit off a low base in the prior year, we saw notable improvement in credit quality, with credit impairment charges falling by 42%. However, whilst overall credit quality improved, there was some credit deterioration in the Mainland China real estate sector. Both our Macau and Mainland China subsidiary banks reported an increase in profit for the year. To promote our banking services to individual customers in the GBA, Dah Sing Bank (China) has successfully launched its new mobile banking app to meet the customers' banking needs, with plans to introduce more comprehensive functions and services in the coming year.

Our associate, Bank of Chongqing, reported a modest increase in profit attributable to shareholders for the year. However, due to a reduction in its valuation in our regular year end revaluation, we made a further provision of HK\$475 million in the second half after a provision of HK\$251 million in the first half, bringing the total impairment charge for the year to HK\$726 million. It should be noted that the provision made relating to Bank of Chongqing is non-cash and does not affect our capital adequacy. Bank of Chongqing completed its A-share IPO in early February 2021, raising new equity to support its business growth. However, due to the deemed dilution to our interest in Bank of Chongqing, this resulted in a loss on the deemed disposal of this investment of HK\$31 million.

As at 31 December 2021, Dah Sing Bank's consolidated Common Equity Tier 1 ratio and total consolidated capital adequacy ratio were 14.2% and 18.1% respectively.

PROSPECTS

At present it is even more difficult than usual to have a clear view as to events in the coming year. Whilst some trends are positive, notably the increase in interest rates led by the US, others are more uncertain. Increasing efforts are being made by the Hong Kong government to rein in the latest wave of COVID infections, but it remains unclear at present how long this will take, and how much impact there will be on the economy. The global impact of the war in Ukraine is also not yet fully known, but in the short term it has already caused significant market volatility and increases in energy prices, amongst others. Whilst in general terms credit conditions are stable, there are still sectors in our core markets that have not yet stabilized, notably the Mainland China real estate sector, although the bulk of our business remains domestic Hong Kong business. Again, at this stage it is difficult to predict the impact on credit quality of the current anti-COVID measures domestically in Hong Kong. At present, loan demand remains sluggish overall, and our retail operations have been affected by social distancing and temporary closures of some branches.

We continue to invest in technology. Whilst this had been a direction for us for some time, we believe that current changes in customer behaviour caused by COVID will accelerate this trend, and therefore that the ability for our customers to access our services via remote channels has become increasingly important.

Our capital adequacy and liquidity both remain robust, enabling us not only to meet the challenges of a difficult business environment, but also to position us for growth should market conditions allow. Liquidity conditions domestically in Hong Kong, and our funding base, mainly comprising domestic Hong Kong deposits, have stayed strong even through the recent challenging times, and we expect that to continue.

Whilst it is clear that there are many challenges to be faced in the current difficult times, we believe that over the longer term economic and business conditions will recover, and we will be prepared to move back to a more growth focused strategy at the appropriate time. With the dedication of our staff, and the loyalty of our customers, we have navigated through difficult times before, and we very much expect to do so again, despite the current headwinds.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code (“CG Code”) under Appendix 14 of the Listing Rules which are applicable to the Company in respect of the financial year ended 31 December 2021 (“2021 CG Code”), with the exception of code provisions A.4.1 and E.1.2 of the 2021 CG Code.

Pursuant to code provision A.4.1 of the 2021 CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The Non-Executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Company’s Articles of Association.

Pursuant to code provision E.1.2 of the 2021 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 quarantine measures for inbound travellers, Mr. David Shou-Yeh Wong, the Chairman of the Board, was unable to attend the 2021 Annual General Meeting (the “2021 AGM”) of the Company held in Hong Kong on 2 June 2021 as he was required to comply with compulsory quarantine requirements in 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 2021 AGM. Due to the lockdown measures 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 2021 AGM. A member of the NRC of the Company was present and available to answer questions from shareholders at the 2021 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 2021.

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 2021.

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 2021.

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 2021 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 2021 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 2022.

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

Doris W. N. Wong
Company Secretary

Hong Kong, Thursday, 31 March 2022