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

The holding company of Dah Sing Bank, Limited

(Stock Code: 2356)

ANNOUNCEMENT OF 2023 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 2023.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

HK\$'000	Note	2023	2022	Variance %
Interest income	4	11,485,605	6,964,602	
Interest expense	4	(6,670,170)	(2,581,542)	
Net interest income		4,815,435	4,383,060	9.9
Fee and commission income	5	1,078,967	2,432,747	
Fee and commission expense	5	(212,165)	(183,652)	
Net fee and commission income		866,802	2,249,095	(61.5)
Net trading income	6	164,843	142,852	
Other operating income	7	69,004	51,263	
Operating income		5,916,084	6,826,270	(13.3)
Operating expenses	8	(3,168,897)	(3,016,010)	5.1
Operating profit before impairment losses		2,747,187	3,810,260	(27.9)
Credit impairment losses	9	(731,311)	(803,100)	(8.9)
Operating profit before gains and losses on certain investments and fixed assets		2,015,876	3,007,160	(33.0)
Net gain/ (loss) on disposal of premises and other fixed assets		2,828	(2,451)	
Net loss on fair value adjustment of investment properties		(41,087)	(38,311)	
Net gain on disposal of financial assets at amortised cost		-	24	
Share of results of an associate		688,957	656,691	
Impairment loss on the investment in an associate	10	(552,000)	(1,683,000)	
Loss on deemed disposal of investment in an associate		(10)	(10)	
Share of results of jointly controlled entities		27,014	29,879	
Profit before taxation		2,141,578	1,969,982	8.7
Taxation	11	(281,272)	(361,182)	
Profit for the year attributable to shareholders of the Company		1,860,306	1,608,800	15.6
Dividends				
Interim dividend paid		154,633	140,575	
Proposed final dividend/ final dividend paid		688,819	407,668	
		843,452	548,243	
Earnings per share				
Basic	12	HK\$1.32	HK\$1.14	
Diluted	12	HK\$1.23	HK\$1.07	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

HK\$'000	2023	2022
Profit for the year	1,860,306	1,608,800
Other comprehensive income/ (loss) 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	298,270	(834,317)
Share of other comprehensive income/ (loss) of an associate accounted for using the equity method	248,924	(226,037)
Net change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	33,612	7,109
Deferred income tax related to the above	(43,181)	132,583
	<u>537,625</u>	<u>(920,662)</u>
Exchange differences arising on translation of the financial statements of foreign entities	(156,209)	(719,179)
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	1,086,307	586,378
Deferred income tax related to the above	(65,481)	(35,153)
	<u>1,020,826</u>	<u>551,225</u>
Other comprehensive income/ (loss) for the year, net of tax	<u>1,402,242</u>	<u>(1,088,616)</u>
Total comprehensive income for the year, net of tax	<u>3,262,548</u>	<u>520,184</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

HK\$'000	Note	2023	2022
ASSETS			
Cash and balances with banks		16,395,770	17,800,880
Placements with banks maturing between one and twelve months		3,151,814	8,616,565
Trading securities	13	1,739,841	562,161
Financial assets at fair value through profit or loss	13	8,216	9,303
Derivative financial instruments	14	3,566,149	3,901,236
Advances and other accounts	15	149,113,954	142,712,617
Financial assets at fair value through other comprehensive income	16	40,525,842	38,617,851
Financial assets at amortised cost	17	39,372,378	32,926,090
Investment in an associate	10	2,215,131	2,159,290
Investments in jointly controlled entities		129,946	123,072
Goodwill		713,451	713,451
Intangible assets		69,715	69,715
Premises and other fixed assets		2,813,187	2,808,838
Investment properties		761,604	802,691
Current income tax assets		1,273	-
Deferred income tax assets		165,823	262,273
Total assets		260,744,094	252,086,033
LIABILITIES			
Deposits from banks		2,485,044	4,112,493
Derivative financial instruments	14	1,279,419	997,637
Trading liabilities		99,853	730,491
Deposits from customers		207,233,698	199,792,201
Certificates of deposit issued		2,428,028	4,228,983
Subordinated notes		5,916,645	3,801,495
Other accounts and accruals		8,020,654	7,873,950
Current income tax liabilities		287,611	284,504
Deferred income tax liabilities		103,699	39,131
Total liabilities		227,854,651	221,860,885
EQUITY			
Equity attributable to the Company's shareholders			
Share capital		6,894,438	6,894,438
Other reserves (including retained earnings)		25,683,589	23,019,294
Shareholders' funds	18	32,578,027	29,913,732
Additional equity instruments		311,416	311,416
Total equity		32,889,443	30,225,148
Total equity and liabilities		260,744,094	252,086,033

Note:

1. Statutory Consolidated Financial Statements

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

Certain financial information in this results announcement is extracted from the Group's statutory consolidated financial statements for the year ended 31 December 2023 (the "2023 consolidated financial statements") which will be delivered to the Registrar of Companies and will be available from the website of the Hong Kong Exchanges and Clearing Limited in due course. The auditors of the Group have expressed an unqualified opinion on those consolidated financial statements in their report dated 28 March 2024.

2. Basis of Preparation and Accounting Policies

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

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

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

Except as described below, the accounting policies and methods of computation used in the preparation of the 2023 consolidated financial statements are consistent with those used and described in the Group's annual audited consolidated financial statements for the year ended 31 December 2022.

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

The Group has applied the following new and amended standards to its annual reporting period commencing 1 January 2023:

- HKAS 1 and HKFRS Practice Statement 2 (Amendments) -Disclosure of Accounting Policies
- HKAS 8 (Amendments) - Definition of Accounting Estimates
- International Tax Reform – Pillar Two Model Rules – amendments to HKAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to HKAS 12

None of these has a significant effect on the consolidated financial statements of the Group.

2. Basis of Preparation and Accounting Policies (Continued)

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

• Adoption of amendments to HKAS 12 International Tax Reform

Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules apply to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“OECD”). The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation has been enacted in some tax jurisdictions in the world and will be implemented in Hong Kong in 2025. Under the legislation, the Group is liable to pay a top-up tax for the difference between the Global Anti-Base Erosion Proposal (‘GloBE’) effective tax rate for each tax jurisdiction and the 15% minimum tax rate. The Group has applied the exception to recognising and disclosing information about deferred income tax assets and liabilities related to Pillar Two income taxes and there is no current tax expenses for the year ended 31 December 2023 under Pillar Two legislation.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the legislation on the Group is not yet reasonably estimable. The Group plans to conduct further analyses and may engage tax specialists to assist it in applying the legislation.

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

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group:

- HKAS 1 (Amendments) - Classification of Liabilities as Current or Non-current
- HKAS 1 (Amendments) - Non-current Liabilities with Covenants
- HKFRS 16 (Amendments) - Lease Liability in a Sale and Leaseback
- HK Interpretation 5 (Revised) - Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
- HKAS 7 and HKFRS 7 (Amendments) - Supplier Finance Arrangements
- HKAS 21 (Amendments) - Lack of Exchangeability
- HKFRS 10 and HKAS 28 (Amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

These amendments are not expected to have 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 2023 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 banking businesses in Mainland China and Macau. Operating performances are analysed by business activities for local banking business, and on business entity basis for banking businesses in Mainland China and Macau.

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.
- Mainland China and Macau banking businesses include personal banking, corporate banking business activities provided by subsidiaries in Mainland China and Macau, and the Group’s interest in a commercial bank in Mainland 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 2023

HK\$'000	Personal Banking	Corporate Banking	Treasury and Global Markets	Mainland China and Macau Banking	Others	Inter- segment	Total
Net interest income/ (expenses)	2,015,027	1,183,911	1,124,749	478,004	13,908	(164)	4,815,435
Non-interest income/ (expenses)	748,390	203,211	(26,453)	148,483	37,560	(10,542)	1,100,649
Total operating income/ (expenses)	2,763,417	1,387,122	1,098,296	626,487	51,468	(10,706)	5,916,084
Operating expenses	(1,855,232)	(533,440)	(232,540)	(547,755)	(10,636)	10,706	(3,168,897)
Operating profit before credit impairment (losses)/ written back	908,185	853,682	865,756	78,732	40,832	-	2,747,187
Credit impairment (losses)/ written back	(311,830)	(350,600)	27,560	(98,244)	1,803	-	(731,311)
Operating profit/ (loss) before gains and losses on certain investments and fixed assets	596,355	503,082	893,316	(19,512)	42,635	-	2,015,876
Net (loss)/ gain on disposal and fair value adjustment of investment properties, premises and other fixed assets	(874)	-	-	1,794	(39,179)	-	(38,259)
Share of results of an associate	-	-	-	688,957	-	-	688,957
Impairment loss on the investment in an associate	-	-	-	(552,000)	-	-	(552,000)
Loss on deemed disposal of investment in an associate	-	-	-	(10)	-	-	(10)
Share of results of jointly controlled entities	-	-	-	-	27,014	-	27,014
Profit before taxation	595,481	503,082	893,316	119,229	30,470	-	2,141,578
Taxation (expenses)/ credit	(98,487)	(82,320)	(147,363)	(16,346)	63,244	-	(281,272)
Profit for the year	496,994	420,762	745,953	102,883	93,714	-	1,860,306
For the year ended 31 December 2023							
Depreciation and amortisation	73,020	18,407	10,177	57,666	189,744	-	349,014
At 31 December 2023							
Segment assets	59,462,117	65,445,748	93,997,176	38,706,673	7,889,172	(4,756,792)	260,744,094
Segment liabilities	121,866,174	49,354,251	12,902,840	31,848,027	16,640,151	(4,756,792)	227,854,651

3. Operating segment reporting (Continued)

For the year ended 31 December 2022

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

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 2023 and 2022, 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	2023	2022
Interest income		
Cash and balances with banks	704,047	327,255
Investments in securities	3,846,823	1,882,200
Advances and other accounts	6,934,735	4,755,147
	<u>11,485,605</u>	<u>6,964,602</u>
Interest expense		
Deposits from banks/ Deposits from customers	6,068,633	2,266,792
Certificates of deposit issued	184,061	104,812
Subordinated notes	328,257	164,346
Lease liabilities	7,669	8,201
Others	81,550	37,391
	<u>6,670,170</u>	<u>2,581,542</u>
Included within interest income		
- Trading securities and financial assets at fair value through profit or loss	13,110	6,258
- Financial assets at fair value through other comprehensive income	2,560,848	1,052,753
- Financial assets at amortised cost	8,911,647	5,905,591
	<u>11,485,605</u>	<u>6,964,602</u>
Included within interest expense		
- Financial liabilities at fair value through profit or loss	5,098	7,086
- Financial liabilities at amortised cost	6,665,072	2,574,456
	<u>6,670,170</u>	<u>2,581,542</u>

For the year ended 31 December 2023 and 2022, there was no interest income recognised on impaired assets.

5. Net fee and commission income

HK\$'000	2023	2022
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	158,987	156,941
- Trade finance	49,475	57,761
- Credit card	272,664	250,016
Other fee and commission income		
- Securities brokerage	100,840	144,653
- Insurance distribution and others (Note (a))	163,961	1,518,633
- Retail investment and wealth management services	131,980	157,757
- Bank services and handling fees	72,258	70,096
- Other fees	128,802	76,890
	<u>1,078,967</u>	<u>2,432,747</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	202,974	176,750
- Other fees paid	9,191	6,902
	<u>212,165</u>	<u>183,652</u>

Note:

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

6. Net trading income

HK\$'000	2023	2022
Net gain arising from dealing in foreign currencies	125,667	143,034
Net gain/ (loss) on trading securities	2,819	(452)
Net gain from derivatives entered into for trading purpose	34,947	8,035
Net gain/ (loss) arising from financial instruments subject to fair value hedge	2,222	(3,785)
Net loss on financial instruments at fair value through profit or loss	(812)	(3,980)
	<u>164,843</u>	<u>142,852</u>

7. Other operating income

HK\$'000	2023	2022
Dividend income from investments in equity instruments at fair value through other comprehensive income, held at the end of the year		
- Listed investments	609	716
- Unlisted investments	32,137	3,410
Gross rental income from investment properties	14,580	18,310
Other rental income	15,994	16,763
Others	5,684	12,064
	<u>69,004</u>	<u>51,263</u>

8. Operating expenses

HK\$'000	2023	2022
Employee compensation and benefit expenses		
- Salaries and other staff costs	1,996,824	1,939,833
- Government grant - Employment Support Scheme	-	(3,848)
- Provision for share-based compensation charged	14,108	239
- Pension costs - defined contribution plans	118,599	107,554
Premises and other fixed assets expenses, excluding depreciation		
- Rental of premises	2,338	2,956
- Others	223,948	249,018
Depreciation		
- Premises and other fixed assets	203,168	232,025
- Right-of-use properties	145,846	148,144
Advertising and promotion costs	85,050	89,824
Printing, stationery and postage	48,171	41,565
Auditors' remuneration	16,355	11,359
Others	314,490	197,341
	<u>3,168,897</u>	<u>3,016,010</u>

9. Credit impairment losses

HK\$'000	2023	2022
New allowances net of allowance releases	851,311	868,342
Recoveries of amounts previously written off	(120,000)	(65,242)
	<u>731,311</u>	<u>803,100</u>
Attributable to:		
- Loans and advances to customers	798,335	784,312
- Other financial assets	(36,369)	40,419
- Loan commitments and financial guarantees	(30,655)	(21,631)
	<u>731,311</u>	<u>803,100</u>

10. Impairment loss on the investment in an associate

At 31 December 2023, the fair value of the Group's investment in Bank of Chongqing ("BOCQ") had been below the carrying amount for approximately 10 years. On this basis, the Group continues to perform an impairment test on the carrying amount of the investment in BOCQ to assess the recoverable amount.

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

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

Based on the assessment conducted for the position up to 31 December 2023, which takes into account the sensitivity of the key inputs shown above and the effects of possible interaction of these inputs, the recoverable amount, as determined by the VIU calculation and after considering all relevant factors (including the cumulative impairment charge having been recognised as of 31 December 2022) and valuation inputs, remained below the carrying amount. The latest impairment test performed by the Group for the position as at 31 December 2023 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 2022 of HK\$4,675 million, by HK\$552 million. As a result, an additional impairment charge of HK\$552 million was recognised in the year of 2023 to reduce the value of the investment to HK\$2,215 million at 31 December 2023.

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

11. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year. Taxation on profits in Mainland China and Macau 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	2023	2022
Current income tax:		
- Hong Kong profits tax	231,268	352,450
- Mainland China's and Macau's taxation	38,320	37,772
- (Over)/ under-provision in prior years	(39,522)	4
Deferred income tax:		
- Origination and reversal of timing differences	51,301	(29,044)
- Recognition of tax losses	(95)	-
Taxation	<u>281,272</u>	<u>361,182</u>

12. Earnings per share

The calculation of basic earnings per share is based on earnings of HK\$1,860,306,000 (2022: HK\$1,608,800,000) and the weighted average number of 1,405,752,132 (2022: 1,405,752,132) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on earnings of HK\$1,723,528,000 (2022: HK\$1,507,448,000) after taking into account of the dilutive effect of share of profits in an associate in HK\$140,032,000 (2022: HK\$101,352,000) and the weighted average number of 1,405,752,132 (2022: 1,405,752,132) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential ordinary shares. The share options outstanding during the year and at the year end have no dilutive effect on the weighted average number of ordinary shares.

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

HK\$'000	As at 31 Dec 2023	As at 31 Dec 2022
Trading securities:		
Debt securities:		
- Listed in Hong Kong	14,406	16,866
- Unlisted	<u>1,725,435</u>	<u>545,295</u>
	<u>1,739,841</u>	<u>562,161</u>
Financial assets at fair value through profit or loss:		
Investment funds:		
- Listed in Hong Kong	8,216	9,303
	<u>8,216</u>	<u>9,303</u>
Total	<u>1,748,057</u>	<u>571,464</u>
Included within debt securities are:		
- Treasury bills which are cash equivalents	1,725,135	89,278
- Other treasury bills	-	455,887
- Government bonds	<u>14,706</u>	<u>16,996</u>
	<u>1,739,841</u>	<u>562,161</u>
By issuers:		
- Central governments and central banks	1,739,841	562,161
- Corporate entities	<u>8,216</u>	<u>9,303</u>
	<u>1,748,057</u>	<u>571,464</u>

As at 31 December 2023 and 2022, there were no certificates of deposit held included in the above balances.

14. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2023 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	183,067,007	878,718	(885,411)
Currency options purchased and written	20,696,124	128,874	(121,144)
Cross currency interest rate swaps	874,545	13,361	(12,907)
b) <i>Interest rate derivatives</i>			
Interest rate swaps	3,689,125	34,352	(30,717)
c) <i>Equity derivatives</i>			
Equity options purchased and written	433,584	6,779	(6,797)
d) <i>Commodity derivatives</i>			
Commodity forward and swaps	56,593	304	(327)
Total derivative assets/ (liabilities) held for trading	208,816,978	1,062,388	(1,057,303)
2) Derivatives held for hedging			
a) <i>Derivatives designated as fair value hedges</i>			
Interest rate swaps	46,874,243	2,503,761	(222,116)
Total derivative assets/ (liabilities) held for hedging	46,874,243	2,503,761	(222,116)
Total recognised derivative financial assets/ (liabilities)	255,691,221	3,566,149	(1,279,419)

14. Derivative financial instruments (Continued)

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

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

15. Advances and other accounts

HK\$'000	As at 31 Dec 2023	As at 31 Dec 2022
Gross loans and advances to customers	143,049,476	136,530,235
Less: impairment allowances		
- Stage 1	(364,345)	(406,618)
- Stage 2	(263,656)	(342,731)
- Stage 3	(485,255)	(887,053)
	<u>(1,113,256)</u>	<u>(1,636,402)</u>
	141,936,220	134,893,833
Trade bills	2,060,317	3,666,988
Less: impairment allowances		
- Stage 1	(2,981)	(5,569)
- Stage 2	-	(1)
	<u>(2,981)</u>	<u>(5,570)</u>
	2,057,336	3,661,418
Other assets	5,141,313	4,182,559
Less: impairment allowances		
- Stage 1	(6,979)	(10,169)
- Stage 2	(2,907)	(2,238)
- Stage 3	(11,029)	(12,786)
	<u>(20,915)</u>	<u>(25,193)</u>
	5,120,398	4,157,366
Advances and other accounts	149,113,954	142,712,617

15. Advances and other accounts (Continued)

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

HK\$'000	As at 31 Dec 2023		As at 31 Dec 2022	
	Outstanding balance	% of gross loans and advances	Outstanding balance	% of gross loans and advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	6,908,262	4.8	5,194,440	3.8
- Property investment	23,767,506	16.6	21,406,840	15.7
- Financial concerns	3,607,794	2.5	2,564,573	1.9
- Stockbrokers	1,240,252	0.9	842,926	0.6
- Wholesale and retail trade	4,791,670	3.4	4,825,599	3.5
- Manufacturing	1,684,066	1.2	1,954,317	1.4
- Transport and transport equipment	2,662,549	1.9	2,247,726	1.7
- Recreational activities	62,840	-	79,708	0.1
- Information technology	29,760	-	22,048	-
- Others	6,062,815	4.2	6,054,928	4.4
	50,817,514	35.5	45,193,105	33.1
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	467,752	0.3	484,470	0.4
- Loans for the purchase of other residential properties	34,954,353	24.4	33,911,826	24.8
- Credit card advances	3,841,087	2.7	3,674,222	2.7
- Others	13,530,504	9.5	12,181,304	8.9
	52,793,696	36.9	50,251,822	36.8
Loans for use in Hong Kong	103,611,210	72.4	95,444,927	69.9
Trade finance (Note (1))	5,624,799	3.9	5,752,611	4.2
Loans for use outside Hong Kong (Note (2))	33,813,467	23.7	35,332,697	25.9
	143,049,476	100.0	136,530,235	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”).
- (2) Loans for use outside Hong Kong include loans extended to customers located in Hong Kong with the finance used outside Hong Kong.

15. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets

(i) Impaired loans

HK\$'000	As at 31 Dec 2023	As at 31 Dec 2022
Gross loans and advances	143,049,476	136,530,235
Less: total impairment allowances	<u>(1,113,256)</u>	<u>(1,636,402)</u>
Net	<u>141,936,220</u>	<u>134,893,833</u>
Credit-impaired loans and advances	2,779,561	2,539,012
Less: Stage 3 impairment allowances	<u>(485,255)</u>	<u>(887,053)</u>
Net	<u>2,294,306</u>	<u>1,651,959</u>
Fair value of collateral held*	<u>1,707,443</u>	<u>1,056,118</u>
Credit-impaired loans and advances as a % of total loans and advances to customers	<u>1.94%</u>	<u>1.86%</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 2023		As at 31 Dec 2022	
	Gross amount of overdue loans	% of total	Gross amount of overdue loans	% of total
Gross loans and advances to customers which have been overdue for:				
- six months or less but over three months	344,615	0.24	535,376	0.39
- one year or less but over six months	664,811	0.46	987,443	0.72
- over one year	<u>1,158,163</u>	<u>0.81</u>	<u>332,525</u>	<u>0.25</u>
	<u>2,167,589</u>	<u>1.51</u>	<u>1,855,344</u>	<u>1.36</u>
Market value of securities held against the secured overdue loans and advances	<u>2,615,092</u>		<u>1,715,178</u>	
Secured overdue loans and advances	1,553,890		888,975	
Unsecured overdue loans and advances	<u>613,699</u>		<u>966,369</u>	
Stage 3 impairment allowances	<u>228,158</u>		<u>632,380</u>	

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

15. Advances and other accounts (Continued)

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

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

HK\$'000	As at 31 Dec 2023	% of total	As at 31 Dec 2022	% of total
Loans and advances to customers	<u>405,780</u>	<u>0.28</u>	<u>339,249</u>	<u>0.25</u>
Stage 3 impairment allowances	<u>115,036</u>		<u>123,023</u>	

(c) Trade bills

As at 31 December 2023 and 2022, there were no balance of trade bills that were overdue for more than 3 months.

(d) Repossessed collateral

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

Nature of assets	As at 31 Dec 2023	As at 31 Dec 2022
Repossessed properties	252,687	125,262
Others	<u>925</u>	<u>5,560</u>
	<u>253,612</u>	<u>130,822</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\$58,181,000 (2022: HK\$59,356,000), which had been foreclosed and repossessed by the Group pursuant to orders issued by courts in the Mainland China, represent assets held by the Group for resale and have been reported under "Other assets". The relevant loans had been derecognised.

16. Financial assets at fair value through other comprehensive income

HK\$'000	As at 31 Dec 2023	As at 31 Dec 2022
Debt securities:		
- Listed in Hong Kong	10,976,354	13,609,856
- Listed outside Hong Kong	15,729,976	15,742,345
- Unlisted	12,057,957	8,590,336
	<u>38,764,287</u>	<u>37,942,537</u>
Equity securities:		
- Listed in Hong Kong	268	337
- Unlisted	1,761,287	674,977
	<u>1,761,555</u>	<u>675,314</u>
Total	<u>40,525,842</u>	<u>38,617,851</u>
Included within debt securities are:		
- Certificates of deposit held	361,139	234,493
- Treasury bills which are cash equivalents	1,489,951	897,617
- Other treasury bills	1,878,367	3,867,536
- Government bonds	1,198,230	635,348
- Other debt securities	33,836,600	32,307,543
	<u>38,764,287</u>	<u>37,942,537</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	8,338,984	9,160,937
- Public sector entities	1,799,394	802,807
- Banks and other financial institutions	9,422,100	5,902,047
- Corporate entities	19,203,809	22,076,746
	<u>38,764,287</u>	<u>37,942,537</u>
Equity securities:		
- Corporate entities	1,761,555	675,314
	<u>1,761,555</u>	<u>675,314</u>
	<u>40,525,842</u>	<u>38,617,851</u>

17. Financial assets at amortised cost

HK\$'000	As at 31 Dec 2023	As at 31 Dec 2022
Debt securities		
- Listed in Hong Kong	13,549,372	11,895,925
- Listed outside Hong Kong	15,977,711	12,981,228
- Unlisted	9,886,223	8,108,343
	<u>39,413,306</u>	<u>32,985,496</u>
Less: impairment allowance		
- Stage 1	(40,928)	(59,406)
Total	<u>39,372,378</u>	<u>32,926,090</u>
Included within debt securities are:		
- Certificates of deposit held	3,918,269	3,120,178
- Treasury bills	1,577,781	1,121,950
- Government bonds	222,317	214,612
- Other debt securities	33,694,939	28,528,756
	<u>39,413,306</u>	<u>32,985,496</u>
Financial assets at amortised cost are analysed by categories of issuers as follows:		
- Central governments and central banks	1,800,098	1,336,562
- Public sector entities	2,031,319	1,410,432
- Banks and other financial institutions	13,394,699	10,420,964
- Corporate entities	22,187,190	19,817,538
	<u>39,413,306</u>	<u>32,985,496</u>

18. Shareholders' funds

HK\$'000	As at 31 Dec 2023	As at 31 Dec 2022
Share capital	6,894,438	6,894,438
Consolidation reserve	(220,986)	(220,986)
Premises revaluation reserve	270,120	270,120
Investment revaluation reserve	1,656,060	97,609
Exchange reserve	(650,024)	(493,815)
General reserve	700,254	700,254
Reserve for share-based compensation	4,984	4,929
Retained earnings	<u>23,923,181</u>	<u>22,661,183</u>
	<u>32,578,027</u>	<u>29,913,732</u>
 Proposed final dividend/ final dividend paid included in retained earnings	 <u>688,819</u>	 <u>407,668</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 2023, DSB has earmarked a regulatory reserve of HK\$616,530,000 (2022: HK\$438,466,000) first against its consolidated general reserve; and for any excess amount, the balance is earmarked against its consolidated retained earnings.

19. Contingent liabilities and commitments

(a) Capital commitments

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

HK\$'000	As at 31 Dec 2023	As at 31 Dec 2022
Expenditure contracted but not provided for	<u>50,729</u>	<u>71,857</u>

(b) Credit commitments

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

	Contract amount	
	As at 31 Dec 2023	As at 31 Dec 2022
Direct credit substitutes	1,572,787	2,135,043
Transaction-related contingencies	356,134	495,616
Trade-related contingencies	393,322	247,910
Commitments that are unconditionally cancellable without prior notice	62,066,805	66,596,620
Other commitments	4,383,439	4,814,077
Forward forward deposits placed	-	317,824
	<u>68,772,487</u>	<u>74,607,090</u>
	Credit risk weighted amount	
	As at 31 Dec 2023	As at 31 Dec 2022
Contingent liabilities and commitments	<u>2,119,544</u>	<u>2,657,818</u>

19. Contingent liabilities and commitments (Continued)

(c) Assets pledged

HK\$'000	As at 31 Dec 2023	As at 31 Dec 2022
Trading assets and financial investments pledged to secure liabilities	2,473,697	3,185,206
- of which: under repurchase agreements	<u>2,373,752</u>	<u>2,453,089</u>
Amount of liabilities secured	2,397,069	2,678,069
- of which: under repurchase agreements	<u>2,297,216</u>	<u>1,946,069</u>

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

(d) Operating lease commitments

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

	As at 31 Dec 2023	As at 31 Dec 2022
Within 1 year	12,260	12,165
Between 1 and 2 years	8,470	7,941
Between 2 and 3 years	<u>834</u>	<u>6,083</u>
	<u>21,564</u>	<u>26,189</u>

In addition, the Group has, as a lessee, entered into a number of leases as at 31 December 2023 and 2022 that have not yet commenced. The aggregate lease payments payable under these leases amount to HK\$10,259,000 (2022: HK\$16,596,000).

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1. Additional analysis on claims and exposures of the Group

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

HK\$'000	As at 31 Dec 2023		As at 31 Dec 2022	
	Outstanding balance	% of gross loans and advances covered by collateral	Outstanding balance	% of gross loans and advances covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	6,908,262	60.1	5,194,440	63.5
- Property investment	23,767,506	91.4	21,406,840	88.0
- Financial concerns	3,607,794	14.0	2,564,573	16.0
- Stockbrokers	1,240,252	46.9	842,926	56.9
- Wholesale and retail trade	4,791,670	88.5	4,825,599	92.7
- Manufacturing	1,684,066	67.7	1,954,317	44.5
- Transport and transport equipment	2,662,549	80.8	2,247,726	78.2
- Recreational activities	62,840	99.1	79,708	99.8
- Information technology	29,760	50.8	22,048	59.8
- Others	6,062,815	75.7	6,054,928	80.1
	50,817,514	77.1	45,193,105	77.6
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	467,752	99.3	484,470	99.7
- Loans for the purchase of other residential properties	34,954,353	99.9	33,911,826	100.0
- Credit card advances	3,841,087	-	3,674,222	-
- Others	13,530,504	50.4	12,181,304	45.0
	52,793,696	79.9	50,251,822	79.3
Loans for use in Hong Kong	103,611,210	78.5	95,444,927	78.5
Trade finance (Note (1))	5,624,799	73.1	5,752,611	72.5
Loans for use outside Hong Kong (Note (2))	33,813,467	56.8	35,332,697	61.4
	143,049,476	73.2	136,530,235	73.8

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

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

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

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

HK\$'000	As at 31 Dec 2023				
	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	23,767,506	470,739	546,729	31,720	64,506
Individuals					
- Loans for the purchase of other residential properties	34,954,353	170,938	179,532	31,933	27,440
Loans for use outside Hong Kong	<u>33,813,467</u>	<u>1,269,535</u>	<u>995,898</u>	<u>147,671</u>	<u>149,084</u>
	As at 31 Dec 2022				
	Outstanding balance	Impaired loans (Stage 3)	Gross advances overdue for over 3 months	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property investment	21,406,840	34,299	92,035	2,095	138,453
Individuals					
- Loans for the purchase of other residential properties	33,911,826	81,842	92,156	11,350	24,518
Loans for use outside Hong Kong	<u>35,332,697</u>	<u>1,685,840</u>	<u>1,413,348</u>	<u>618,858</u>	<u>261,878</u>

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
2023			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (“JV”s)	5,335,030	-	5,335,030
2. Local governments, local government-owned entities and their subsidiaries and JVs	767,841	599,965	1,367,806
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	9,281,772	1,578,580	10,860,352
4. Other entities of central government not reported in item 1 above	4,812,981	69,574	4,882,555
5. Other entities of local governments not reported in item 2 above	760,676	135,329	896,005
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	9,777,277	274,183	10,051,460
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	475,299	344	475,643
	<u>31,210,876</u>	<u>2,657,975</u>	<u>33,868,851</u>
Total assets of DSB and its Mainland subsidiary bank after provision	<u>242,059,031</u>		
On-balance sheet exposures as percentage of total assets	<u>12.89%</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
2022			
1. Central government, central government-owned entities and their subsidiaries and JVs	7,328,050	106,667	7,434,717
2. Local governments, local government-owned entities and their subsidiaries and JVs	631,492	592,303	1,223,795
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	10,500,933	1,932,334	12,433,267
4. Other entities of central government not reported in item 1 above	3,753,802	71,984	3,825,786
5. Other entities of local governments not reported in item 2 above	943,649	170,022	1,113,671
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credits are granted for use in Mainland China	11,535,421	593,574	12,128,995
7. Other counterparties where the exposures are considered to be non-bank Mainland China exposures	440,041	-	440,041
	<u>35,133,388</u>	<u>3,466,884</u>	<u>38,600,272</u>
Total assets of DSB and its Mainland subsidiary bank after provision	<u>237,109,784</u>		
On-balance sheet exposures as percentage of total assets	<u>14.82%</u>		

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

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

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

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

As at 31 Dec 2023

HK\$'000	Gross loans and advances to customers	Impaired loans and advances to customers (Stage 3)	Overdue loans and advances to customers	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Hong Kong	119,759,434	2,259,148	1,771,878	422,162	552,353
Mainland China	7,546,867	334,757	205,675	27,347	46,698
Macau	14,012,453	185,656	185,656	35,746	19,272
Others	1,730,722	-	4,380	-	9,678
	143,049,476	2,779,561	2,167,589	485,255	628,001

As at 31 Dec 2022

	Gross loans and advances to customers	Impaired loans and advances to customers (Stage 3)	Overdue loans and advances to customers	Stage 3 impairment allowances	Stage 1 and Stage 2 impairment allowances
Hong Kong	115,359,550	1,605,378	1,084,661	538,724	682,729
Mainland China	6,387,927	688,723	525,772	259,363	36,674
Macau	13,466,251	244,911	244,911	88,966	20,320
Others	1,316,507	-	-	-	9,626
	136,530,235	2,539,012	1,855,344	887,053	749,349

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 2023 In millions of HK\$	Banks	Official sector	Non-bank private sector		Total claims
			Non-bank financial institutions	Non- financial private sector	
Offshore centres	5,913	8,819	7,129	158,640	180,501
- of which: Hong Kong	5,197	7,109	6,728	142,097	161,131
Developing Asia and Pacific	25,060	1,271	3,173	16,882	46,386
- of which: Mainland China	15,920	1,100	3,016	11,550	31,586
			Non-bank private sector		
			Non-bank financial institutions	Non- financial private sector	
At 31 Dec 2022 In millions of HK\$	Banks	Official sector			Total claims
Offshore centres	6,660	8,643	5,483	152,869	173,655
- of which: Hong Kong	5,822	7,398	5,399	137,402	156,021
Developing Asia and Pacific	27,231	1,094	1,375	17,580	47,280
- of which: Mainland China	19,734	949	1,106	12,901	34,690

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 2023 and the corresponding comparative balances.

The Group did not have any structural foreign exchange position as at 31 December 2023 and 2022.

	At 31 December 2023					
	US dollars	Euro	Renminbi	Macau Pataca	Other foreign currencies	Total foreign currencies
Equivalent in HK\$ millions						
Spot assets	80,496	1,054	16,286	10,028	10,091	117,955
Spot liabilities	(56,183)	(1,580)	(15,414)	(10,625)	(7,521)	(91,323)
Forward purchases	87,748	2,429	31,383	-	19,741	141,301
Forward sales	(110,039)	(1,577)	(32,820)	-	(22,389)	(166,825)
Net options position	(420)	(34)	532	-	3	81
Net long/ (short) position	<u>1,602</u>	<u>292</u>	<u>(33)</u>	<u>(597)</u>	<u>(75)</u>	<u>1,189</u>

	At 31 December 2022				
	US dollars	Renminbi	Macau Pataca	Other foreign currencies	Total foreign currencies
Equivalent in HK\$ millions					
Spot assets	72,101	16,890	9,502	9,356	107,849
Spot liabilities	(55,594)	(15,503)	(10,912)	(10,016)	(92,025)
Forward purchases	41,010	5,859	-	16,671	63,540
Forward sales	(56,946)	(6,958)	-	(16,027)	(79,931)
Net options position	<u>33</u>	<u>3</u>	<u>-</u>	<u>(17)</u>	<u>19</u>
Net long/ (short) position	<u>604</u>	<u>291</u>	<u>(1,410)</u>	<u>(33)</u>	<u>(548)</u>

3. Capital adequacy ratio

	As at 31 Dec 2023	As at 31 Dec 2022
Capital adequacy ratio		
- Common Equity Tier 1	16.2%	15.2%
- Tier 1	16.9%	15.9%
- Total	<u>21.2%</u>	<u>19.3%</u>

The capital adequacy ratio as at 31 December 2023 and 31 December 2022 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 the Mainland banking regulations.

4. Leverage ratio

	As at 31 Dec 2023	As at 31 Dec 2022
Leverage ratio	<u>11.2%</u>	<u>10.6%</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

	2023	2022
Liquidity maintenance ratio	<u>64.0%</u>	<u>50.4%</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 the Mainland banking regulations.

FINANCIAL RATIOS

	Year ended 31 Dec 2023	Year ended 31 Dec 2022
Net interest income/ operating income	81.4%	64.2%
Cost to income ratio	53.6%	44.2%
Return on average total assets	0.7%	0.6%
Return on average shareholders' funds	6.0%	5.4%
Net interest margin	2.01%	1.85%
	As at 31 Dec 2023	As at 31 Dec 2022
Loan to deposit ratio	68.2%	66.9%

FINAL DIVIDEND

At the forthcoming annual general meeting ("AGM") of the Company to be held on Friday, 31 May 2024, the Directors will propose a final dividend of HK\$0.49 per share for 2023 to shareholders whose names are on the Register of Shareholders as at the close of business on Wednesday, 12 June 2024. Subject to shareholders' approval at the AGM, the final dividend will be payable on Thursday, 20 June 2024.

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 27 May 2024 (Monday)
Closure of Register of Shareholders (both days inclusive)	28 May 2024 (Tuesday) to 31 May 2024 (Friday)
Record date	31 May 2024 (Friday)
AGM	31 May 2024 (Friday)

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

Latest time to lodge transfers	4:30 p.m. on 6 June 2024 (Thursday)
Closure of Register of Shareholders (both days inclusive)	7 June 2024 (Friday) to 12 June 2024 (Wednesday)
Record date	12 June 2024 (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

In 2023 we continued our efforts to make progress in our business while maintaining financial stability and sustaining the quality development of our core businesses amidst external challenges in our major markets. We have grown our businesses in line with our strategy to leverage our franchises in Hong Kong, Macau and Mainland China, and continue to seek opportunities in the Greater Bay Area.

During the year, we saw a material improvement in net interest income and net trading income and other income, whilst net fee and commission income, excluding the gain on the termination of our previous insurance distribution agreement in the previous year, was higher than 2022. Moreover, we achieved key milestones in developing and growing our businesses in the year including an exclusive 15-Year Bancassurance Partnership with Sun Life in Hong Kong; and the opening of the new Shenzhen Branch.

We were delighted to announce in January 2023 that we had entered into an exclusive 15-year bancassurance partnership in Hong Kong with Sun Life Group for the distribution of Sun Life products starting from July 2023. The new bancassurance agreement has offered our wealth management customers the choice of a diverse range of life and protection products through our strong franchise and distribution network of over 40 branches in Hong Kong.

Dah Sing Bank, Limited (“DSB”) celebrated the official opening of its new Shenzhen Branch in Qianhai on 1 August 2023. We became the first foreign bank in Mainland China to be granted a dual operating licence and set up a local branch in addition to our locally incorporated wholly-owned bank, Dah Sing Bank (China) Limited.

In line with our GBA strategy, the new Shenzhen Branch focuses on Renminbi lending, deposits and remittance services for corporate customers onshore, which also better positions the Group against the backdrop of RMB internationalisation.

For 2023, a final dividend of HK\$0.49 per share was declared, representing a total dividend for the whole year of HK\$0.60, an increase of 54% compared to the HK\$0.39 in 2022.

BUSINESS AND FINANCIAL REVIEW

The Hong Kong economy expanded by 3.2% in 2023, recovering from the 3.7% contraction recorded in 2022. The reopening of the border amidst an easing of the COVID pandemic helped bolster the domestic economy, while external demand continued to be weighed down by a sharp increase in interest rates globally and a weaker than expected rebound in Mainland China’s economy. Mainland China reported GDP growth of 5.2% in 2023, up from 3.0% in 2022. However, a continued cooling in the property market and uncertain economic outlook hampered both consumption and investment growth.

Although the pace of economic recovery was slower than expected in 2023 and the business environment remained challenging, our Group’s profit attributable to shareholders in 2023 increased 16% to HK\$1,860 million.

Benefiting from the rebound of interest rates during the year, DSB’s net interest margin has widened, resulting in an increase in net interest income by 12% as compared to 2022. The net interest margin rose by 16 basis points due both to higher market interest rates and to our efforts to control our funding cost during the year. Despite relatively subdued loan demand in our core markets, loan balances rose slightly across most business lines, and our overall loan balances grew by 5%.

Our FX related business for customers was robust with improved business from customers in both Personal Banking and Corporate Banking. Overall, net fee and commission income recorded a modest increase of 1% as compared to last year excluding the HK\$1,394 million one-off gain recognised upon termination of the previous bancassurance distribution agreement in 2022. As the 15-Year Bancassurance Partnership with Sun Life became effective on 1 July 2023, the distribution of insurance products to our retail customers has resumed in the second half of 2023 and the results to date are encouraging.

Operating profit before impairment losses of our banking business decreased by 28% mainly due to the one-off gain of HK\$1,394 million in 2022, as mentioned above. Excluding this item, operating profit before impairment losses was up by 14%, and non-interest income was up by 5% for the year. Our credit cost fell by 9% as compared to 2022 although it remained somewhat high during the year, with credit impairment losses at HK\$731 million. A large part of the reduction was attributable to our corporate banking business as we continued to take proactive risk management measures in the current business environment.

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

We recorded an increase in our share of the net profit of our associate, Bank of Chongqing (“BOCQ”), for the year to HK\$689 million. After we updated the impairment model in 2022 to reflect the latest economic conditions and projection of BOCQ’s future performance, recording an impairment charge of HK\$1,683 million, the total impairment charge on the basis of the updated model for the 2023 year was HK\$552 million. It should be noted that the provision made relating to BOCQ is non-cash and does not affect our capital adequacy.

FUTURE PROSPECTS

In 2023, economic growth in Hong Kong remained relatively sluggish, with subdued loan demand and generally higher market interest rates. The continued rate increases had an impact on the capacity of certain borrowers to repay debts, and on loan demand amongst customers, and resulted in weak performance in loan growth in the banking industry during the year. The rate hikes also led to challenges in terms of more expensive funding and higher interest expenses, as customers switched their placement of funds to higher rate deposits. The rate hike cycle is expected to end in 2024 and a reduction in rates may start to take place later this year. However, there are market expectations that a somewhat higher interest rate level will potentially remain for some time, which should continue to be of benefit to our net interest margin. Furthermore, in response to the weak property sectors in both China and Hong Kong, policy changes have been made to ease market conditions, which hopefully will provide the market with some stabilisation.

With the increasing integration and rapid development of the Greater Bay Area, consumer sentiment has improved and is expected to support the increase in outbound and inbound travel from and to Hong Kong. That said, Hong Kong as our core market continues to maintain its stable economic conditions and competitive advantages, including well-developed infrastructure, low taxation, strong institutions and robust banking system. We expect the banking sector of Hong Kong to remain stable under a stringent regulatory environment with generally very high levels of bank capital and liquidity.

Our strategy aligns with the development of the Greater Bay Area, with Dah Sing Bank operating both a branch in Shenzhen and a wholly-owned subsidiary bank in the Mainland to serve our target customers. The “dual operating licence” allows us to gradually expand our cross-boundary business to gain a wider footprint in the Greater Bay Area. At the same time, the life insurance sales to our retail banking customers was resumed in mid-2023. This is very important in serving our customers with a range of financial services and products throughout different stages in their lives. As a result, we have increased our team of financial planning managers to support the relaunch of bancassurance business. We are glad to achieve these two important milestones in 2023. We have enhanced our capabilities in wealth management business and corporate banking business in the Greater Bay Area as two key drivers of our long-term growth.

During 2023, we successfully completed the implementation of our new core banking system. We continue to invest in technology and the digitalization of our banking services, both to improve our service to customers, and to improve efficiency. This is an ongoing process as a greater proportion of our transactions move from branch based to online/remote channels.

Looking forward, we expect challenges to remain with the banking industry in the near term. In particular, higher credit risk is one of the considerations, with credit cost expected to remain relatively high across banks and the financial system as a whole. In order to maintain healthy asset quality, we are managing credit risk in our loan and asset portfolios in a prudent manner.

Both our capital adequacy and liquidity 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 in spite of the recent challenging times, and we expect that to continue. We are ready to accelerate the growth of our business over the medium and longer term.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code (“CG Code”) under Part 2 of Appendix C1 of the Listing Rules throughout the year ended 31 December 2023, with the exception of code provision F.2.2.

Pursuant to code provision F.2.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. David Shou-Yeh Wong, the Chairman of the Board, was unable to attend the 2023 Annual General Meeting (the “2023 AGM”) of the Company held in Hong Kong on 2 June 2023 as he was away from Hong Kong at that time. Mr. Hon-Hing Wong (Derek Wong), Vice Chairman, Managing Director and Chief Executive of the Company, took the chair of the 2023 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 C3 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 2023.

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 2023.

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 2023.

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 2023 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 2023 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 2024.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Mr. David Shou-Yeh Wong (Chairman), Mr. Hon-Hing Wong (Derek Wong) (Vice Chairman, Managing Director and Chief Executive), Mr. Gary Pak-Ling Wang and Mr. Nicholas John Mayhew (Deputy Chief Executive) as Executive Directors; Mr. Robert Tsai-To Sze, Mr. Blair Chilton Pickerell, Mr. Paul Franz Winkelmann, Mr. David Wai-Hung Tam, Ms. Nancy Ha-Fong Chan and Mr. Kin-Sang Cheung (Alex Cheung) as Independent Non-Executive Directors.

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

Hong Kong, Thursday, 28 March 2024