

業務回顧 Review of Operations

集團概覽

於二零零六年，本集團透過內部增長擴展業務，全面融合澳門及香港之收購項目，亦開始進一步拓展中國大陸市場之策略，包括協議待取得監管批准後購入重慶市商業銀行百分之十七之權益和開始分析成立於中國境內註冊附屬公司以擴展中國銀行業務之益處。

本集團之業務取得強勁表現，年度貸款總額增長百分之十一，超越香港市場百分之六點七增長率。商業銀行業務承接持續多年之強勁增長帶動了上半年的增長，而零售銀行業務於首六個月的表現則相對較弱。於下半年，因本集團於香港按揭市場積極的努力，加上無抵押貸款及信用卡業務持續的增長，零售銀行業務表現有所改善，於年底，本集團核心之商業及零售銀行業務均錄得優於市場的顯著增幅。

於二零零五年的兩項收購(怡泰富財務(香港)有限公司(「怡泰富財務」)及澳門商業銀行有限公司(「澳門商業銀行」))之整合已如預期於二零零六年順利完成。此兩間公司於是年度表現良好，為本集團盈利增長提供貢獻，及對本集團是年度溢利提供明顯之貢獻。

怡泰富財務之業務已於二零零六年中完全轉移及併入大新銀行貸款組合，亦自二零零六年已不再以一個別業務機構匯報其業務表現。然而，作為一個業務單位，怡泰富財務業務於二零零六年提供八千六百萬港元之淨溢利，相對於二零零五年所記錄經調整之正常化溢利(不包括特殊利率對沖合約收益)，呈現大幅增長。

相對於二零零五年，澳門商業銀行之淨溢利增長百分之三十至一億一千七百萬澳門幣。此顯赫表現乃為較高貸款餘額及較強勁收入增長(包括淨利息收入和淨服務費用及佣金收入)而致。

Corporate Overview

In 2006, we grew our business organically, fully integrated our acquisitions in Macau and Hong Kong, and embarked on the next stage of our Mainland expansion strategy through the agreement to purchase, subject to regulatory approvals, a 17% stake in Chongqing Commercial Bank, as well as starting work to analyse the benefits of expanding our Mainland banking business under a PRC subsidiary.

Our business achieved a strong performance in 2006, with total loan growth for the year of 11%, against growth in the Hong Kong market of 6.7%. Commercial banking led growth in the first half of the year, continuing several years of strong growth, with a relatively weaker performance from our retail banking business. In the second half of the year, renewed efforts in the Hong Kong domestic mortgage market, coupled with continuing growth in the unsecured loan and credit card businesses resulted in an improved performance from retail banking, and by the year end, both our core commercial and retail banking businesses reported growth significantly ahead of the market.

The integrations of the two acquisitions made in 2005, Pacific Finance (Hong Kong) Limited ("PF") and Banco Comercial de Macau, S.A. ("BCM"), were smoothly completed in 2006 as planned. Both performed well during the year, were earnings enhancing and produced meaningful contributions to the Group's profit in the year.

PF's loans were fully transferred to and integrated into DSB's loan portfolio by mid 2006 and PF no longer reports its business performance on a separate business entity basis starting 2006, PF, as a business portfolio, generated HK\$86 million net profit in 2006, a significant growth relative to the normalized earnings (excluding exceptional interest rate hedging gain) recorded in 2005.

BCM achieved a net profit of MOP117 million in 2006, up 30% relative to 2005. Its stronger performance was driven by higher loan balance and stronger income growth (both net interest income and net fee and commission income).

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集團概覽(續)

是年度集團財務表現撮要概列於下表：

Corporate Overview (Continued)

The highlights of the Group's financial performance for the year are summarised in the table below:

		二零零六年 2006	二零零五年 2005	變動 Variance
淨息差	Net interest margin	2.36%	1.98%	
百萬港元	HK\$ Million			
扣除貸款及墊款減值提撥前 之營運溢利	Operating profit before impairment losses on loans and advances	1,426.3	991.7	43.8%
若干投資及固定資產 收益前之營運溢利	Operating profit before gains on certain investments and fixed assets	1,264.9	861.2	46.9%
股東應佔溢利	Profit attributable to shareholders	1,196.0	978.8	22.2%
客戶貸款	Advances to customers	49,909	44,919	11.1%
客戶存款	Customers' deposits	67,279	58,354	15.3%
已發行之存款證	Certificates of deposit issued	8,768	7,713	13.7%
存款合計	Total deposits	76,047	66,067	15.1%
已發行之債務證券	Issued debt securities	2,300	2,287	0.6%
後償債務	Subordinated notes	3,480	3,290	5.8%
貸款對存款 (包括存款證)比率	Loan to deposit (including certificates of deposit) ratio	65.6%	68.0%	
成本對收入比率	Cost to income ratio	45.3%	48.2%	
平均總資產回報	Return on average total assets	1.2%	1.2%	
平均股東資金回報	Return on average shareholders' funds	13.3%	12.0%	

財務回顧

本集團處於較利好之港元利率環境及整體良好資產質素狀況，於是年度錄得較高業績。儘管營運支出上升，較佳之淨利息收入及淨服務費用及佣金收入出色表現為本集團帶來較高之營運溢利。

相對於二零零五年度，本集團貸款和存款及業務分項之溢利反映各項業務達到穩固及強勁之內部增長。

本集團截至二零零六年十二月三十一日止之年度股東應佔溢利為十一億九千六百萬港元。此增長主要由顯著較高之淨利息收入與淨服務費用及佣金收入所帶動。

Financial Review

Against the backdrop of a more benign HK\$ interest rate environment and good asset quality in general, our Group posted a set of stronger results for the year. Improved net interest income, and a strong performance in net fee and commission income, led to an improved operating profit despite higher operating expenses and loan impairment charges in the year.

All of our business segments achieved solid organic growth, as reflected in loans and deposits, and business segment profit when compared with 2005.

Profit attributable to shareholders of the Group for the year ended 31 December 2006 was HK\$1,196 million. The increase was driven mainly both by significantly higher net interest income and net fee and commission income.

業務回顧 Review of Operations

財務回顧(續)

本年度之淨利息收入由二零零五年之十三億三千三百萬港元上升百分之四十二至十八億九千九百九十九萬港元。此強勁的增長乃因(1)較闊之最優惠利率與本港同業拆息之息差，(2)平均貸款結餘增加及(3)怡泰富財務及澳門商業銀行業務之貢獻。該等正面因素之影響足以抵銷資金成本上漲對淨利息收入(尤其源自定息資產)所造成之負面影響。本公司之銀行集團之淨息差由二零零五年百分之一點九八上升至百分之二點三六。儘管二零零六年首六個月美元短期利率穩步上調，相對利好之港元貨幣市場有助抑制港元同業拆息的升勢。最優惠利率與本港同業拆息之息差擴闊，對按最優惠利率定價之貸款特別有利。經調整於二零零五年因支付收購成本對利息收入之影響後，怡泰富財務及澳門商業銀行仍帶來可觀的淨利息收入貢獻。

淨服務費用及佣金收入上升百分之三十一，主要由於商業及零售銀行業務之內部增長帶動貸款費用及佣金收入上升，以及較高之財富管理及投資服務收入，尤其是因單位信託基金銷售增長令佣金收入增加。併入怡泰富財務及澳門商業銀行之淨服務費用及佣金收入，亦有助推高整體增幅。此增幅被淨買賣收入之跌幅部份抵銷。

營運開支上升百分之二十八乃由於併入了於二零零五年下半年收購之附屬公司怡泰富財務及澳門商業銀行之營運成本及於此等收購而被確認之無形資產之攤銷費用。無形資產攤銷費用達三千五百萬港元，而所收購新附屬公司於二零零六年之成本(包括收購之相關成本)總額達至一億八千一百萬港元。倘不包括該等費用並相應正常化二零零五年之成本基礎，營運支出按內部增長基礎計算，較二零零五年上升百分之七點九。

年內，成本對收入比率為百分之四十五點三，較二零零五年之百分之四十八點二為低。

扣除貸款減值支出前之營運溢利為十四億二千六百萬港元，較二零零五年上升百分之四十四。

Financial Review (Continued)

Net interest income for the year increased by 42% to HK\$1,899 million from HK\$1,333 million in 2005. The strong increase was the result of (1) wider Prime-Hibor spread, (2) higher average loan balance and (3) contribution from PF and BCM portfolios. The impact of these positive factors more than outweighed the negative impact of rising funding costs to net interest income, especially from fixed-rate assets. The net interest margin of the Group was 2.36%, up from 1.98% in 2005. Relatively benign HK\$ money market conditions helped contain the rise in HK\$ interbank interest rates, despite steady increases in US\$ short-term rates during the first six months of 2006. A wider Prime-Hibor spread was particularly favourable for loans priced on a Prime rate basis. PF and BCM made a meaningful contribution to net interest income after adjusting for the interest income foregone on the acquisition capital paid in 2005.

Net fee and commission income increased by 31%, mainly due to higher loan fee and commission income from the organic growth of our Commercial and Retail banking businesses, and higher income from wealth management and investment services, in particular stronger commission income on higher unit trust sales. The consolidation of PF and BCM net fee and commission income also helped to boost the overall increase. The increase was partially offset by the drop in net trading income.

Operating expenses rose 28% mainly as a result of consolidating the expenses of the subsidiaries acquired in the second half of 2005 and the amortisation costs for the intangible assets recognized in acquiring PF and BCM. Intangible amortization costs amounted to HK\$35 million whilst the newly acquired subsidiaries' costs (including acquisition related costs) in 2006 totaled HK\$181 million. Excluding these expenses, operating expenses on an organic growth basis increased by 7.9% when compared with 2005.

Cost income ratio for the year was 45.3%, lower than 48.2% in 2005.

Operating profit before loan impairment charges was HK\$1,426 million, up 44% relative to 2005.

業務回顧

Review of Operations

財務回顧(續)

年內錄得較高貸款減值支出，主要由於須為多名商業銀行、運輸及設備融資的客戶增加個別減值撥備。儘管平均貸款結餘增加，但資產組合質素有所改善，促使綜合減值支出較二零零五年輕微下降。併入怡泰富財務及澳門商業銀行之貸款組合並未對本集團年內之整體貸款虧損造成任何重大影響，本集團於二零零六年十二月三十一日持續較低之減值貸款比率和逾期及重組貸款總比率(分別為百分之零點五一及百分之零點七)反映整體信貸質素依然理想。

扣除減值支出後營運溢利為十二億六千五百萬港元，較二零零五年上升百分之四十七。

本集團有關投資物業重估及過往銀行行產減值之回撥錄得五千六百萬港元收益。出售證券之收益八千八百萬港元，主要受惠於年內收窄之債券息差環境的債券投資收益及回撥一項二千六百萬港元投資減值支出。此等收益已於年度內全數確認。

本年度除稅前溢利為十四億四千六百萬港元，較去年上升百分之二十五。

股東應佔溢利上升百分之二十二至十一億九千六百萬港元。

於二零零六年十二月三十一日，銀行集團之貸款及墊款總額達四百九十九億港元，較二零零五年底上升百分之十一。商業銀行及零售銀行業務均錄得增幅，主要由貿易融資、銀團貸款、物業融資、無抵押個人貸款、信用卡及按揭業務的帶動。特別令人鼓舞的是經過了多年無抵押貸款業務困難經營環境後，本集團整體的無抵押借貸業務恢復雙位數字的增長。

客戶存款(包括結構性存款)合共為六百七十億港元，較二零零五年底上升百分之十五。已發行之存款證達八十八億港元，當中零售存款證為三十七億港元。其他已發行之債務證券合共為二十三億港元。貸款對存款比率由二零零五年十二月三十一日之百分之六十八下降至二零零六年十二月三十一日之百分之六十五點六。

Financial Review (Continued)

Higher loan impairment charges were recorded during the year, mainly resulting from bigger individual impairment allowances required on a number of Commercial Banking, transport and equipment finance customers. Collective impairment charges, despite higher average loan balances, were slightly lower than 2005 as a result of improvement in portfolio asset quality. The consolidation of the loan portfolios of PF and BCM did not lead to any material effect in our overall loan losses in the year, and overall credit quality remained strong, as demonstrated by the continuing low impaired loan ratio of 0.51%, and a total overdue and rescheduled loan ratio of 0.70% as of 31 December 2006.

Operating profit after impairment charges was HK\$1,265 million, 47% higher than 2005.

We recorded a gain of HK\$56 million relating to the revaluation of our investment properties and reversal of past impairment on bank premises, a gain of HK\$88 million on disposal of securities, mainly relating to profits on investments in bonds which benefited from a tighter credit spread environment during the year, and a write-back of HK\$26 million impairment charge on an investment, which was fully realized during the year.

Profit before taxation for the year was HK\$1,446 million, an increase of 25% over the previous year.

Profit attributable to shareholders, increased by 22% to HK\$1,196 million.

As at 31 December 2006, the Group's total gross loans and advances amounted to HK\$49.9 billion, up 11% relative to the end of 2005. Growth was recorded both in the Commercial Banking and Retail Banking sectors, and was led by trade finance, syndicated loans, property finance, unsecured personal loans, credit cards and mortgages. It was particularly encouraging to see a return to double-digit growth in our overall unsecured lending business, after a number of years of difficult market conditions in this business.

Customers' deposits including structured deposits totaled HK\$67 billion, an increase of 15% relative to the end of 2005. Issued certificates of deposit amounted to HK\$8.8 billion of which retail certificates of deposit accounted for HK\$3.7 billion. Other issued debt securities totalled HK\$2.3 billion. The loan to deposit ratio decreased from 68.0% as at 31 December 2005 to 65.6% as at 31 December 2006.

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財務回顧 (續)

於二零零六年三月，大新銀行有限公司（「大新銀行」）行使其提早贖回權，全數贖回其首批於二零零一年三月發行之「一億二千五百萬美元」的後償債券。為了增強其次級資本基礎以支持業務增長，大新銀行於二零零六年六月發行了一億五千萬美元可於五年後贖回之十年期新的後償債券。

個人銀行

本集團之個人銀行業務專注於香港及澳門之零售銀行業務、顯客理財及私人銀行服務，二零零六年之溢利明顯增加。盈利能力上升，原因是貸款、存款及財富管理服務錄得理想之增長，以及較強勁之營運溢利，抵銷了營運支出及貸款減值支出之增加。併入怡泰富財務及澳門商業銀行個人銀行業務之全年貢獻於綜合賬亦帶動整體個人銀行業務之收入、支出及溢利之增長。

最優惠利率與港元同業拆息之息差較闊，帶來更為有利之利率環境，為推動本集團個人銀行業務淨利息收入增長之主要因素，惟價格競爭仍然劇烈，尤以住宅按揭市場為然。透過推出一系列產品、宣傳及具針對性之市場推廣活動，本集團之信用卡及無抵押個人貸款業務錄得理想之增長。本集團致力提供更優秀之顯客理財及投資服務，加上股市暢旺，以及二零零六年之投資環境改善令市場情緒變得更為樂觀，導致本集團之財富管理費用及證券佣金收入錄得穩建之增長。

本集團之信用卡推廣活動及成就受到業內之認同，二零零六年本集團獲得之獎項包括：大新銀行獲中國銀聯頒發「記賬卡發行金獎」、VISA頒發之「預付卡成就獎」、及萬事達卡頒發之「批發購貨量最高增長季軍」，令本集團大受鼓舞。

Financial Review (Continued)

Dah Sing Bank, Limited (“DSB”) exercised its call option to fully redeem its first US\$125 million subordinated debt (issued in March 2001) in March 2006. To strengthen its tier 2 capital base to support business growth, DSB issued a new US\$150 million 10-year subordinated debt (callable in 5 years) in June 2006.

Personal Banking

Our personal banking business, targeting and serving the retail banking, VIP banking and private banking segments of Hong Kong and Macau, recorded a significantly higher profit in 2006. The higher level of profitability was brought about by satisfactory growth in loans, deposits and wealth management services, stronger operating income offset to an extent by higher operating expenses and loan impairment charges. The consolidation of the full-year contribution of the PF and BCM personal banking businesses also boosted growth in income, expenses and profit of the overall personal banking business.

The more favourable interest rate environment, as reflected in a wider HK\$ Prime rate and HIBOR spread, was a significant factor in driving the net interest income growth of our Personal Banking businesses despite intense price competition, particularly in the residential mortgage market. Through a variety of product launches, promotions and focused marketing, we are pleased to see a satisfactory growth in our credit card and unsecured personal loan portfolios. Our drive to deliver better VIP banking and investment services, and the more favourable stock market and improved sentiment towards investment in 2006, led to a healthy increase in our wealth management fee and securities commission income.

We were very encouraged that our card promotion efforts and accomplishments were recognised by industry bodies with awards we received in 2006 including Dah Sing Bank having been recognised by China UnionPay with “Golden Award in Debit Card Issuance”, VISA “Prepaid Card Achievement”, and MasterCard “Second Runner-up in Highest Growth in Merchant Purchase Volume”.



▲ Dah Sing Bank received the “Golden Award in Debit Card Issuance” from China UnionPay in 2006.
於年內，大新銀行獲中國銀聯頒發「記賬卡發行金獎」。

業務回顧

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財務回顧(續)

個人銀行(續)

員工、租金及業務推廣費用增加，加上在收購怡泰富財務及澳門商業銀行後，於二零零六年將彼等之個人銀行業務之全年費用綜合入賬（相對二零零五年之較小數額），令此業務之營運開支大幅上升。

於二零零六年，香港之經濟增長依然穩健，失業率亦持續改善。本集團個人銀行業務之貸款資產質素仍然非常良好，信用卡及個人貸款之撇賬率相對偏低。本年度之貸款減值支出上升，主要因較高貸款結餘令綜合減值支出增加所致。

本集團之私人銀行業務於本年度之業績遜色於本集團之預期。本集團已採取措施，強化該業務之管理及投資顧問能力，預期來年之表現將會有所改善。

於二零零六年年終時，本集團之分行網絡包括於香港以大新銀行及豐明銀行經營之四十八間零售分行、於澳門以澳門商業銀行經營之十六間分行，以及於海峽群島格恩西島之一間附屬私人銀行。

商業銀行

商業銀行包括貿易融資、商業借貸、銀團借貸、設備融資及車輛融資、中國業務及綜合原本由怡泰富財務經營之業務以及澳門商業銀行經營之相若業務，於二零零六年錄得強勁業績。由於出口及轉口之表現普遍向好，以及物業融資之需求增加，加上本集團商業銀行部努力增加客戶及貸款資產，本集團商業銀行貸款業務在物業相關及銀團借貸、批發及零售貿易、以及進口及出口貿易融資之帶動下，錄得非常好之表現，其於二零零六年之增長率較本集團之整體貸款增長率為高。

本集團之設備融資及車輛融資業務之貸款增長率雖然穩健，但並不急速，原因為對的士融資之借貸更為審慎所致。

Financial Review (Continued)

Personal Banking (Continued)

Increases in staff, rental and business promotion costs, and the consolidation of the full-year costs of personal banking of PF and BCM portfolios in 2006 versus relatively small amount in 2005 (subsequent to their acquisitions) resulted in a significant increase in operating expenses of this business.

Local economic growth in 2006 remained robust whilst a continued improvement in the unemployment rate in Hong Kong was recorded. Our personal banking division's loan asset quality remained very sound and charge-off ratios for credit card and personal loans were relatively low. The higher loan impairment charges recorded in the year was mainly caused by higher collective impairment charges, largely resulting from higher loan balances.

Our private banking business achieved a set of results lower than our expectation in the year. We have taken action to strengthen the management and investment advisory capabilities of this business, and expect improvement in performance in the coming year.

As of the end of 2006, our branch network includes 48 retail branches in Hong Kong under the name of Dah Sing Bank and MEVAS Bank, and 16 branches in Macau under BCM, and one subsidiary private bank in Guernsey, Channel Islands.

Commercial Banking

Commercial banking, which includes trade finance, commercial lending, syndicated lending, equipment finance and vehicle finance, China businesses, and consolidating those businesses originally operating under PF and similar businesses operated by BCM, reported a set of strong results in 2006. Against the background of a generally favourable export and re-export performance and demand for property finance, and with our commercial banking division's effort in growing customer base and loan assets, our commercial banking loan book, led by property related and syndicated lending, wholesale and retail trade, and import and export trade finance, achieved a very good performance and a growth rate faster than the Group's overall loan growth in 2006.

Our equipment finance and vehicle finance businesses achieved solid but not rapid loan growth due to our more cautious lending in the taxi finance sector.

業務回顧

Review of Operations

財務回顧(續)

商業銀行(續)

拖欠貸款及信貸損失之款額微升，主要是由於二零零六年之個人減值支出上升所致。受惠於經濟持續復甦及製造及貿易業表現穩健，以及本集團持續積極之信貸監督及控制，本集團商業銀行、設備融資及車輛融資業務之整體資產質素於本年度仍然良好。

本集團繼續推廣企業信用卡服務，此項業務之進展於二零零六年獲得表揚，榮獲萬事達卡國際頒發「二零零六年香港最佳跨國企業卡計劃合作夥伴」獎項。

財資業務

儘管孳息曲線平緩，甚至略為倒向，以及年內利率上升，但本集團財資業務於二零零六年之溢利相對二零零五年仍錄得大幅增長。此較佳之業績由於淨利息收入增加，以及買賣及公平值收入上升而帶動。出售證券所變現之收益較二零零五年為低。儘管本集團大部分投資於二零零六年之債券息差因信貸市場普遍利好而穩步收窄，但由於過去多年債券息差持續收窄，令本集團為達到理想之多元化投資組合、分配及轉換須面對更多挑戰。由於孳息曲線平緩及利率風險增加，本集團大部份剩餘資金均投資於短期債券，以降低利率風險。

本集團繼續執行既定政策，保持投資組合多元化，以平衡投資回報、市場風險、流動資產風險及信貸風險等因素，並繼續持有主要由投資級別債券組成之債券組合，以及投資於短期債券或轉換為浮息為基礎之債券。

Financial Review (Continued)

Commercial Banking (Continued)

A slightly higher amount of loan defaults and credit losses was experienced, mainly caused by higher individual impairment charge in 2006. Benefiting from the continued economic recovery and solid business performance in the manufacturing and trading sectors, and our ongoing vigilant credit monitoring and control, the overall asset quality of our commercial banking, equipment finance and vehicle finance businesses remained sound in the year.

We continued to promote the growth of our corporate card service, and had received recognition of such a development in 2006 from MasterCard International as “The Best Multinational Corporate Card Program Partner In 2006 In Hong Kong”.

Treasury

Our treasury division, despite the very flat and even slightly inverted yield curves and rising interest rates in the year, generated a substantially higher level of profit in 2006 relative to 2005. The better results were driven by improvement in net interest income, and higher trading and fair value gains. Gains realized on securities disposal were lower than 2005.

Although credits were generally favourable with steady credit spread tightening for most of our investment positions in 2006, the continued credit spread tightening over the past few years made it increasingly challenging to achieve good portfolio diversification, allocations and switches. A large part of our surplus funds investments was deployed in shorter duration bonds to reduce interest rate exposure, against the flat yield curve and challenging interest rate environment.

We continued our strategy of maintaining a diversified investment portfolio to balance investment return, market risk, liquidity risk and credit risk, and continued to hold a bond portfolio comprised predominantly of investment grade debt securities, and bond investments in shorter duration or swapped to floating rate basis.



▲ Dah Sing Bank is recognized by MasterCard International as “The Best Multinational Corporate Card Program Partner In 2006 In Hong Kong”.

於年內，大新銀行榮獲萬事達卡國際頒發「二零零六年香港最佳跨國企業卡計劃合作夥伴」獎項。

業務回顧

Review of Operations

財務回顧 (續)

財資業務 (續)

鑑於須符合香港會計準則第39號之特定要求而被列作以公平值計量且其變動計入損益之資產及負債持續增加，本集團注意到於收益表確認與金融工具(包括衍生工具)公平值變動有關之收益或虧損之變化較大。隨著市場利率及債券息差持續波動及改變，本集團預期，與買賣及公平值資產及負債有關之買賣及公平值收入於未來會更為波動。

中國銀行業務之發展

本集團於中國之深圳分行主要集中於泛珠江三角洲之商業銀行業務，自二零零四年中開業以來，經過往兩年之發展，已是第二年錄得穩健增長及溢利。

繼開業滿兩年後，本集團深圳分行已於二零零六年向監管部門提交經營人民幣業務牌照之申請，預備在獲得監管批准後透過深圳分行經營人民幣業務，並相信此發展將為本集團發展中國業務帶來額外之商機。

本集團亦繼續於中國銀行市場開拓投資機會之策略，及去年底時公佈待取得監管批准後，將購入設於重慶市(中國西部最大城市)之主要城市銀行重慶市商業銀行百分之十七之權益，費用約為六億九千四百萬元人民幣。本集團更注意到中國銀行業監督管理委員會於去年底頒佈允許在中國境內經營銀行業務附屬公司之新管理辦法。本集團正積極制定建議書及發展計劃，努力取得監管部門之批准，期望於二零零七年在中國設立於當地註冊之銀行附屬公司。

Financial Review (Continued)

Treasury (Continued)

Due to an increasing amount of assets and liabilities designated at fair value through profit or loss to comply with the technical requirements of Hong Kong Accounting Standard no. 39, we note a higher degree of variability in our gains or losses associated with the fair value changes of financial instruments including derivatives recognised in our income statement. With the ongoing volatility and changes in market interest rates and credit spreads, we expect our trading and fair value income associated with trading and fair value assets and liabilities will be more volatile going forward.

Development of Banking Operation in China

Our Shenzhen branch in Mainland China, focussing on the commercial banking business in the Pan Pearl River Delta Area, has achieved another year of solid growth and profit making following development in the past two years since commencing business in mid 2004.

After attaining two full-year operation, our Shenzhen branch submitted an application for RMB license to regulatory authority in 2006. We are making preparation to operate RMB business through our Shenzhen branch when we receive regulatory approvals, and believe this development will provide us additional opportunities to grow our business in China.

We also pursued the strategy to explore investment opportunities in the banking market in China and towards the end of the year we announced that we had agreed to purchase, subject to regulatory approvals, a 17% stake in Chongqing Commercial Bank, the leading city bank in Chongqing, the largest city in Western China, and at a cost of approximately RMB694 million. We also noted the changes announced by the China Banking Regulatory Commission towards the year end allowing for the incorporation of a local subsidiary in the PRC to conduct banking business. We are actively working on the proposal and development plan to seek to procure regulatory approvals and to move forward towards the establishment of our locally incorporated subsidiary bank in China in 2007.

業務回顧 Review of Operations

財務回顧 (續)

怡泰富財務 (「怡泰富財務」)

隨怡泰富財務所有業務與大新銀行全面融合，並於二零零六年中完成轉讓其貸款組合及業務予大新銀行後，怡泰富財務不再以獨立業務附屬公司之方式運作。

怡泰富財務之原本業務專注車輛融資、設備融資、按揭及消費者貸款，與大新銀行之業務相輔相成，且於二零零六年上半年順利完成整合。該等業務按備考基準計算，其貸款餘額及所產生之溢利取得強勁之增長。

怡泰富財務於二零零六年之備考淨溢利(未扣除無形資產成本攤銷前)為八千六百萬港元，相對於二零零五年所記錄經調整之正常化溢利(不包括於二零零五年入賬之利率對沖合約收益)五千九百萬港元，呈現大幅增長，主要是由於減省成本及貸款減值支出較低所帶動。此項收購對本集團之價值有所貢獻，並有助本集團拓展收益較高之特定貸款市場之規模。

澳門商業銀行 (「澳門商業銀行」)

收購澳門商業銀行為本集團於二零零五年之主要策略性拓展舉措，令本集團可進入發展迅速、日益富裕之澳門市場，並使本集團可於澳門之銀行業務佔有重大之市場率。於二零零六年，受惠於博彩及旅遊業迅速發展、消費及物業投資及建築增長，澳門本地生產總值增幅達百分之十六以上。

澳門商業銀行於二零零六年錄得淨溢利為一億一千七百萬澳門幣(約一億一千四百萬港元)，較二零零五年升百分之三十。由於貸款增長強勁、銀行保險業務之銷售上升、淨利息收入及非利息收入大幅增加、有效之成本控制措施及貸款減值費用下降，澳門商業銀行於二零零六年錄得強勁表現。

Financial Review (Continued)

Pacific Finance ("PF")

With the full integration of all of PF's businesses within DSB and with the completion of the transfer of its loan portfolio and businesses to DSB before mid 2006, PF is no longer operating as a separate business subsidiary.

PF's original businesses, focusing on vehicle finance, equipment finance, mortgages and consumer lending, are businesses very complimentary to those of DSB and a smooth integration was accomplished in the first half of 2006. These businesses, on a pro-forma basis, achieved strong growth in terms of loan balances and profit generated.

PF's pro-forma net profit of HK\$86 million (before amortization of intangible costs) in 2006, driven mainly by cost saving and lower loan impairment charges, substantially increased when compared with the normalised PF net profit of HK\$59 million in 2005 after excluding interest rate hedging gains booked in 2005. This acquisition was value enhancing to our Group, and contributed to expand our scale in selected lending areas which are also higher yielding.

Banco Comercial de Macau ("BCM")

The acquisition of BCM is a significant strategic expansion for the Group in 2005, as this provided the Group entry into the fast growing and increasingly affluent Macau market, and allows the Group to gain significant market share in the banking business in Macau. In 2006, Macau sustained its record of rapid growth and achieved a GDP growth of over 16%, underpinned by the rapid expansion of its gaming and tourism industry, and growth in consumption and property investment and construction.

BCM reported a net profit MOP117 million (approximately HK\$114 million) in 2006, up 30% relative to 2005. Its stronger performance in 2006 was driven by solid loan growth, higher bancassurance sales, strong increase in net interest income and non-interest income, good expense control and lower loan impairment cost.

業務回顧

Review of Operations

財務回顧(續)

豐明銀行

豐明銀行(「豐明」)是銀行集團旗下以獨立銀行品牌經營之附屬公司。於二零零六年，豐明錄得淨溢利二千萬港元，相對二零零五年則為一千四百萬港元。豐明於二零零六年錄得強勁表現，是由於貸款結餘較高及收入(利息收入及服務費用收入)大幅增加所致，惟主要由於貸款結餘較高導致綜合貸款減值支出上升，而需要作出較高之貸款撥備。

於二零零六年，豐明開始透過參與銀團借貸，從事有限度之商業銀行業務。此新業務令豐明可分散其貸款風險，並使其可更有效運作龐大之剩餘資金，在承擔合理之信貸風險，並在大新銀行之專業知識及支持下，賺取穩定之回報。

風險管理及合規監督

為於競爭及需求日益熾烈之金融服務市場有效競爭，並在本集團持續擴展其業務、規模及地區營運時符合不斷提高標準之監管要求，加強及提升風險管理成為倍受重視之工作及持續之投資。此等工作及投資需要董事會及高級管理層之監督、清楚界定及結構分明之風險管理架構，政策及風險控制程序，明確理解健全之風險及回報平衡，加上分配充足資源以提升可應付業務擴展及風險增加之風險管理之專門知識及技術。

Financial Review (Continued)

MEVAS Bank

MEVAS Bank (“MEVAS”), the separately branded banking subsidiary under the Group, recorded a net profit in 2006 of HK\$20 million relative to the HK\$14 million earned in 2005. The stronger performance in 2006 was the result of higher loan balances and significantly higher income (both net interest income and fee income), despite a higher collective loan impairment charge caused mainly by the much higher loan balances, and therefore a higher level of loan provisions required.

In 2006, MEVAS started to participate in limited commercial banking lending via sub-participation in syndicated loans. This new business avenue provides MEVAS diversification in loan exposures and enables it to better deploy its large pool of surplus funds to earn stable returns with reasonable credit risk, drawing on expertise and support provided by DSB.

Risk Management and Compliance

To compete effectively in the increasingly competitive and demanding financial services market, and to meet higher standards of regulatory requirements whilst the Group continues to expand its businesses, scale and geographical operations, strengthening and upgrading risk management is an ongoing emphasis and continuing investment. These require oversight at the Board and senior management level, well defined and structured risk management framework, policies and risk control processes, clear understanding of sound risk and return balance, allocation of sufficient resources to upgrade risk management expertise and technologies to be commensurate with business expansion and increases in risk exposures.

業務回顧

Review of Operations

風險管理及合規監督(續)

於二零零六年，本集團盡力準備過渡至自二零零七年一月起根據新監管及資本規定之巴塞爾資本協定II之標準化計算法。本集團並致力評估不同之風險管理資訊科技解決方案，以協助本集團提升其資產及負債管理、風險評估及控制、市場風險及信貸風險分析，以符合更為嚴格之巴塞爾資本協定內部評級基準計算法之規定。為使本集團可於數年內符合基礎內部評級基準計算法的目標，本集團已同意委聘專門進行風險數據模型及統計評分之外界顧問，開始為本集團之零售信貸組合開發信貸模型應用軟件，並已開始為本集團大部分貸款系統進行數據歸檔，以便為未來之信貸分析及系統模型進行數據儲存及提取。本集團預期，執行風險管理系統之開發程序，以有系統之方式儲存及使用數據以提供可接受之信貸風險評估(藉持續估計違約之可能性)、更為細微之風險區分及更為精密之資本配置以應付不同之風險，以及加強本集團之風險政策及程序(包括分析及模型程序)，將需數年之時間，並需作出重大承擔、努力及投資。

於二零零六年，本集團進一步強化其合規之功能，並採取措施提升其合規之效能，包括增加資源、監察及培訓本集團於香港、澳門及中國之業務。此等措施，加上本集團越加重視內部監控，將有助本集團在有妥善監控之情況下進行長期發展及增長。

Risk Management and Compliance (Continued)

During 2006, we made significant effort to prepare ourselves to transition to Basel II standardized approach reporting under the new regulatory and capital regime starting January 2007. We also made efforts to evaluate different risk management IT solutions that will assist us to upgrade our asset and liability management, risk assessment and control, market risk and credit risk analysis to meet the more sophisticated requirements of Basel II internal-ratings based (“IRB”) approach. To enable us to move towards the foundation IRB target in a few years time, we had agreed to engage external consultants specialising in risk data model and statistical scoring to start developing credit modelling applications for our retail credit portfolios, and had already started data archiving for most of our loan systems to facilitate data storage and extraction for future credit analysis and system modelling. We anticipate the development process on risk management system implementation, storing and utilising data on a systematic basis to generate acceptable credit risk assessment (by way of ongoing estimate of probability of default) and more refined risk differentiation with more sophisticated capital allocation to cover different risk exposures, and upgrading our risk management policies and procedures (including analytical and modelling processes) will take a number of years, and will also require significant commitment, effort and investment.

During 2006, we further strengthened our compliance function and took steps to upgrade our compliance effectiveness including increasing resources, monitoring and training covering our Hong Kong, Macau and China operations. These, together with our increased emphasis on internal control, will assist the Group its pursuit of long-term development and growth, by progressing in a sound and controlled manner.

業務回顧

Review of Operations

資本及流動資產

Capital and Liquidity

銀行集團(巴塞爾資本協定I基準)	Banking Group (Basel I basis)	二零零六年 2006	二零零五年 2005
附屬銀行之資本基礎 (以百萬港元計)	Capital base of banking subsidiaries (HK\$ million)		
- 核心資本	- Core capital	7,463	6,136
- 附加資本及扣減	- Supplementary capital and deductions	2,712	3,369
扣減後之資本基礎總額	Total capital base after deductions	10,175	9,505
資本充足比率(年終)	Capital adequacy ratio (as at year end)		
- 一級資本	- Tier 1	12.2%	10.7%
- 一級和二級資本(扣減後)	- Tier 1 and Tier 2 (after deductions)	16.6%	16.6%
流動資產比率(年度平均)	Liquidity ratio (average for the year)	58.0%	55.2%

銀行集團之資本充足比率與二零零五年相若，維持在理想之水平，一級資本之比率較高，原因為保留溢利及大新銀行集團於二零零六年初注入股本所致。根據巴塞爾資本協定 II 就報告信貸風險之標準化計算方法基準，銀行集團於二零零六年十二月完結時之資本充足比率大致與根據巴塞爾資本協定 I 基準釐定並已於上文披露之比率相若。

大新銀行已於二零零六年三月按計劃全數償還其首批總額為一億二千五百萬美元之可贖回後償債券。為使大新銀行之營運有充足之備用資本，以進行新業務及作出策略性收購，大新銀行於二零零六年六月發行新一億五千萬美元可於五年後贖回之十年後償債券。

鑑於本集團擁有龐大之剩餘資金，及部份藉存款增長及新有期債項(包括大新銀行發行之後償債券)作為資金之多元化流動投資，儘管貸款增長穩健，本集團仍可維持其較高水平之流動資產比率。該有利之流動資金狀況將支持本集團追求更高之貸款及投資增長之業務計劃。

穆迪及惠譽於二零零六年分別再度確定其授予大新銀行「A3」級及「A-」級之長期信貸評級。

The Group's capital adequacy ratio remained similar to 2005 and was maintained at a healthy level. The higher Tier 1 ratio was the result of both profit retention and equity capital injection by the Company to DSB in the early part of 2006. On a Basel II standardized approach basis for reporting credit risk, the Group's capital adequacy ratio as of the end of December 2006 was broadly similar to the ratio determined on the Basel I basis as disclosed above.

DSB fully repaid its first US\$125 million callable subordinated debt in March 2006 as planned. To enable DSB to operate with sufficient capital buffer to undertake new business and pursue acquisition for strategic purpose, DSB issued a new 10-year (and callable after 5 years) US\$150 million subordinated debt in June 2006.

With our strong pool of surplus funds and diversified liquid investments funded in part by deposit growth and new term borrowing including the new subordinated debt issued by DSB, we were able to maintain our liquidity ratio at high levels despite our robust loan growth. This favourable liquidity position will support our business plan to pursue more loan and investment growth.

DSB's long-term credit rating, at "A3" and "A-" assigned by Moody's and Fitch respectively, was affirmed in 2006.

業務回顧

Review of Operations

人力資源

為提升本集團員工之素質及能力，及確保向本集團前線員工(尤其是與銀行服務、證券及保險業務有關者)提供充足之持續專業培訓，本集團繼續提供針對員工不同需要之培訓計劃，並於年內為中層管理人員提供強化管理及發展計劃之培訓。本集團亦欣然注意到，本集團之畢業生見習培訓計劃過去三年已取得理想成果，為本集團提供幹勁十足之年青管理人員及銀行家，亦為見習生提供發展機會以穩步前進，並承擔管理責任。本集團相信，該投資將為本集團帶來長遠利益。

於二零零六年，本集團繼續致力提升集團內部之優質服務，團隊精神、關心及信任之文化。本集團之高級管理人員及大部分員工均參與本集團之年度會議，以促進溝通及了解本集團之目標及挑戰。本集團之員工社交俱樂部提供一系列之活動，包括家庭、康樂及體育活動，以促進彼此之關係、友誼及健康。

由於本集團之業務增長及人力資源持續需求，以加強本集團之銷售、客戶服務、風險管理及合規之能力，故本集團之人手持續增加。本集團僱員之總人數(包括於澳門及中國之員工)由二零零五年年終時之一千六百八十九人增加至二零零六年年終時之一千七百零一人。

Human Resources

To improve the quality and skills of our staff, and to ensure sufficient continuing professional training of our front-line staff particularly in relation to banking services, securities and insurance businesses, we continued our training programmes to meet different needs of our staff, and to reinforce management and development programmes for middle level managers in the year. We are also pleased to note that our graduate trainees development programme over the past three years has produced good results, providing the Group with highly motivated young officers and bankers, and growth opportunities for the trainees to steadily progress and take up managerial responsibilities. We believe such an investment will produce long-term benefit to the Group.

In 2006, we continued our work to improve the service excellence, teamwork, caring and trust culture throughout the organization. Senior management and most staff of the Group participated in the annual Group Conference to promote communication and sharing of our Group's vision and challenges. Our staff social club arranged a variety of programs including family, well-being and sports activities to help promote affinity, friendship and health.

The Group's headcount continued to increase as a result of our business growth and increasing demand for human resources to strengthen our capabilities on sales, customer services, risk management and compliance. The total number of employees of our Group, including our staff in Macau and China, increased from 1,689 at the end of 2005 to 1,701 at the end of 2006.

業務回顧

Review of Operations

資訊科技

於二零零六年，本集團於資訊科技之主要成就為將本集團之主機操作系統順利及成功過渡至更為強化及穩定之資訊科技平台，並將澳門商業銀行之若干系統與大新銀行之系統集成，以達致協同效應及更佳之系統支援；致力籌備執行新櫃員機平台系統、證券買賣系統及零售信貸評分系統；以及評估不同之風險管理及巴塞爾資本協定 II 系統，包括資訊科技結構及數據倉儲技術，以支援銀行集團之風險管理升級。在本集團於二零零六年作出之努力及發展下，本集團預期於二零零七年開展及執行連串之新應用系統。

隨著本集團於澳門之業務及本集團計劃於中國達致大幅內部增長，本集團預期，本集團需要繼續投資於資訊科技應用系統及基建，以達致更為一致及協同作用，並提升本集團之能力，應付業務需要及日益嚴格之監管規定。本集團預期，在本集團之增長策略帶動及指引下，未來數年之資訊科技投資將會增加。

Information Technology

During 2006, our major accomplishments in the information technology area were a smooth and successful migration of our mainframe operating system to a much enhanced and robust technology platform, and the integration of a number of BCM systems with those of DSB to achieve synergy and better system support; work and preparation to implement new teller platform system, securities trading system and retail credit scoring system; and evaluation of different risk management and Basel II systems, including IT architecture and data warehouse technologies, to support the Group's risk management upgrade. Riding on the effort and development we made in 2006, we expect to roll out and implement a number of new application systems during 2007.

With our operations in Macau, and our plan to achieve significant organic growth in China, we anticipate we will need to continue investing in IT application systems and infrastructure to achieve more alignment and synergy, and to upgrade our capabilities to meet both business needs and increasing regulatory requirements. We anticipate higher IT investments in the years to come, driven and guided by our growth strategy.