大新銀行集團有限公司
DAH SING BANKING GROUP LIMITED

The holding company of Dah Sing Bank, Limited and MEVAS Bank Limited

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

(Stock Code: 2356)

ANNOUNCEMENT OF 2009 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 2009.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

HK$'000	Note	**2009**	2008	Variance %
Interest income		**3,020,122**	4,612,468	
Interest expense		**(885,368)**	(2,404,882)	
Net interest income	5	**2,134,754**	2,207,586	-3.3
Fee and commission income		**476,843**	637,000	
Fee and commission expense		**(128,562)**	(104,736)	
Net fee and commission income	6	**348,281**	532,264	-34.6
Net trading (loss)/income	7	**(174,926)**	211,060	
Other operating income	8	**27,952**	63,265	
Operating income		**2,336,061**	3,014,175	-22.5
Operating expenses	9	**(1,726,125)**	(1,555,157)	11.0
Operating profit before impairment losses		**609,936**	1,459,018	-58.2
Loan impairment losses and other credit provisions	10	**(427,660)**	(658,535)	-35.1
Operating profit before gains or losses on certain investments and fixed assets		**182,276**	800,483	-77.2
Net gain on disposal and revaluation of premises and other fixed assets	11	**2,751**	854	
Net gain/(loss) on disposal of and fair value adjustment on investment properties	12	**78,306**	(78,923)	
Net (loss)/gain on disposal of available-for-sale securities		**(24,519)**	18,490	
Share of results of an associate		**195,770**	120,589	
Share of results of jointly controlled entities		**5,103**	5,674	
Net gain on repurchase of subordinated debts	13	**243,983**	–	
Impairment losses charged on held-to-maturity securities		**–**	(357,684)	
Impairment losses charged on available-for-sale securities		**–**	(297,618)	
Profit before income tax		**683,670**	211,865	222.7
Income tax expense	14	**(82,789)**	(21,288)	
Profit for the year		**600,881**	190,577	215.3
Profit for the year is apportioned as follows:				
– Profit attributable to non-controlling interests		**55**	1,935	
– Profit attributable to Shareholders of the Company		**600,826**	188,642	
Dividends				
Interim dividend paid		**–**	167,897	
Earnings per share				
Basic	15	**HK$0.60**	HK$0.20	
Diluted	15	**HK$0.60**	HK$0.20	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

HK$'000	**2009**	2008
Profit of the year	**600,881**	190,577
Other comprehensive income/(loss) for the year		
Available-for-sale securities		
Fair value gains/(losses) recognised in equity	**428,735**	(1,397,233)
Reclassification adjustments for amounts transferred to profit or loss		
– Disposal	**24,519**	(18,490)
– Impairment	**16,048**	297,618
Related income tax (expense)/credit	**(76,677)**	177,582
	392,625	(940,523)
Premises		
Fair value gains/(losses) recognised in equity	**326,407**	(106,874)
Deferred income tax (recognised)/released on fair value gains/(losses) and disposal of premises	**(18,106)**	49,965
	308,301	(56,909)
Exchange differences arising on translation of the financial statements of foreign entities	**(3,007)**	39,157
Other comprehensive income/(loss) for the year, net of tax	**697,919**	(958,275)
Total comprehensive income/(loss) for the year	**1,298,800**	(767,698)
Total comprehensive income/(loss) for the year is apportioned as follows:		
– Comprehensive income attributable to non-controlling interests	**701**	1,548
– Comprehensive income/(loss) attributable to Shareholders of the Company	**1,298,099**	(769,246)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

HK$'000	Note	**2009**	2008
ASSETS			
Cash and balances with banks		**10,453,366**	12,665,167
Placements with banks maturing between one and twelve months		**4,282,749**	1,656,950
Trading securities	16	**5,595,316**	1,875,564
Financial assets designated at fair value through profit or loss	16	**11,232**	565,290
Derivative financial instruments	17	**588,778**	1,066,439
Advances and other accounts	18	**66,983,952**	69,507,336
Available-for-sale securities	20	**12,086,178**	14,247,299
Held-to-maturity securities	21	**8,598,408**	6,159,264
Investment in an associate		**1,299,257**	1,132,461
Investments in jointly controlled entities		**60,791**	59,973
Goodwill		**811,690**	811,690
Intangible assets		**110,432**	126,875
Premises and other fixed assets		**1,950,180**	1,666,499
Investment properties		**657,235**	546,172
Current income tax assets		**61,916**	139,860
Deferred income tax assets		**77,268**	159,380
Total assets		**113,628,748**	112,386,219
LIABILITIES			
Deposits from banks		**1,435,136**	2,443,594
Derivative financial instruments	17	**1,213,734**	2,267,640
Trading liabilities		**2,068,300**	1,791,419
Deposits from customers designated at fair value through profit or loss		**–**	471,065
Deposits from customers		**89,572,204**	81,890,447
Certificates of deposit issued		**2,060,010**	4,654,985
Issued debt securities		**–**	2,803,640
Subordinated notes		**4,602,235**	5,671,716
Other accounts and accruals		**1,861,540**	2,183,662
Current income tax liabilities		**17,485**	12,682
Deferred income tax liabilities		**6,969**	1,575
Total liabilities		**102,837,613**	104,192,425
EQUITY			
Non-controlling interests		**17,495**	20,593
Equity attributable to the Company's shareholders			
Share capital		**1,111,759**	932,759
Reserves	22	**9,661,881**	7,240,442
Shareholders' funds		**10,773,640**	8,173,201
Total equity		**10,791,135**	8,193,794
Total equity and liabilities		**113,628,748**	112,386,219

Note:

1. **Statutory Financial Statements**

The financial information set out in this results announcement does not constitute the Group's statutory consolidated financial statements for the year ended 31 December 2009 but is derived from those statutory financial statements. The consolidated financial statements of the Group for the year ended 31 December 2009 will be available from the website of The Stock Exchange of Hong Kong Limited in due course. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2010.

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 which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties (including investment properties), available-for-sale financial assets, fair value-hedged loans and receivables, financial assets and financial liabilities held for trading, financial assets and financial liabilities (including derivative instruments) designated at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The accounting policies and methods of computation used in the preparation of the 2009 consolidated financial statements are consistent with those used and described in the Group's annual audited financial statements for the year ended 31 December 2008.

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

3. **New and Interpretations to Existing HKFRSs**

The Group has adopted the new HKFRSs and the amendments and interpretations to existing HKFRSs issued by the HKICPA which are effective in 2009 and which are relevant to the Group's operation.

4. Operating segment reporting

In prior years, the Group determined the segment information on the basis of business segments, which are distinguishable business divisions of the Group that provide products and services to customers base or dealing with the market that are different to those of other business segments (e.g. personal banking, commercial banking, treasury & others). Business segments information was presented as the primary reporting format while geographical segment information, which was grouped by the location of the principal operations of the Group as the secondary reporting format (e.g. Hong Kong and others, and Macau).

In the 2009 financial year, segment reporting by the Group was prepared for the first time in accordance with HKFRS 8 "Operating Segments". Information reported to the chief operating decision maker ("CODM"), which includes the Chief Executive and other executive committee members, for the purposes of resource allocation and assessment of performance, is determined on the basis of personal banking, commercial banking, treasury and overseas banking business. Operating performances are analyzed by business activities for local banking business, and on business entity basis for overseas banking business.

Considering the customer groups, products and services of local businesses, the economic environment, and regulations, we group 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 and credit card services, the provision of insurance sales and investment services.

- Commercial 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. Hire purchase finance and leasing related to equipment, vehicle and transport financing are included.

- Treasury activities are mainly the provision of foreign exchange services and centralized cash management for deposit taking and lending, interest rate risk management, management of investment in securities and the overall funding of the Group.

- Overseas banking businesses includes personal banking, commercial banking business activities provided by overseas subsidiaries in Macau and China, and the Group's interest in a commercial bank in China.

- Others include results of operations not directly identified under other reportable segments, corporate investments and debt funding (including subordinated notes).

For the purpose of segment reporting, revenue derived from customers, products and services directly identifiable with individual segments are reported directly under respective segments, while revenue and funding cost arising from inter-segment funding operation and funding resources are allocated to segments by way of transfer pricing mechanism with reference to market interest rates. Transactions within segments are priced based on similar terms offered to or transacted with external parties. Inter-segment income or expenses are eliminated on consolidation.

All direct costs incurred by different segments are grouped under respective segments. Indirect costs and support functions' costs are allocated to various segments and products based on effort and time spent as well as segments' operating income depending on the nature of costs incurred. Costs related to corporate activities that cannot be reasonably allocated to segments, products and support functions are grouped under Others as unallocated corporate expenses.

4. Operating segment reporting (Continued)

For the year ended 31 December 2009

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Total
Net interest income/(expenses)						
– external customers	**548,671**	**862,120**	**741,014**	**244,845**	**(261,896)**	**2,134,754**
– inter-segments	**304,023**	**22,822**	**(344,351)**	**(5,413)**	**22,919**	**–**
Non-interest income/(expenses)	**217,516**	**88,333**	**59,085**	**61,092**	**(224,719)**	**201,307**
Total operating income/(expenses)	**1,070,210**	**973,275**	**455,748**	**300,524**	**(463,696)**	**2,336,061**
Operating expenses	**(1,152,377)**	**(243,345)**	**(90,275)**	**(223,061)**	**(17,067)**	**(1,726,125)**
Operating (loss)/profit before impairment losses	**(82,167)**	**729,930**	**365,473**	**77,463**	**(480,763)**	**609,936**
Loan impairment losses and other credit provisions	**(121,425)**	**(278,401)**	**(17,941)**	**(9,254)**	**(639)**	**(427,660)**
Operating (loss)/profit before gains or losses on certain investments and fixed assets	**(203,592)**	**451,529**	**347,532**	**68,209**	**(481,402)**	**182,276**
Net (loss)/gain on disposal of and fair value adjustment on investment properties, premises and other fixed assets	**(21)**	**–**	**–**	**1,193**	**79,885**	**81,057**
Net (loss)/gain on disposal of investment in securities	**(368)**	**–**	**(31,279)**	**–**	**7,128**	**(24,519)**
Share of results of an associate	**–**	**–**	**–**	**195,770**	**–**	**195,770**
Share of results of jointly controlled entities	**–**	**–**	**–**	**–**	**5,103**	**5,103**
Net gain on repurchase of subordinated debts	**–**	**–**	**–**	**–**	**243,983**	**243,983**
(Loss)/profit before income tax	**(203,981)**	**451,529**	**316,253**	**265,172**	**(145,303)**	**683,670**
Income tax credit/(expense)	**30,025**	**(74,946)**	**(52,262)**	**(6,754)**	**21,148**	**(82,789)**
(Loss)/profit after income tax	**(173,956)**	**376,583**	**263,991**	**258,418**	**(124,155)**	**600,881**
For the year ended 31 December 2009						
Depreciation and amortisation	**35,518**	**16,040**	**7,525**	**40,564**	**14,467**	**114,114**
As at 31 December 2009						
Segment assets	**23,774,539**	**27,743,861**	**46,356,147**	**14,782,608**	**971,593**	**113,628,748**
Segment liabilities	**53,914,872**	**14,216,278**	**18,416,822**	**11,452,134**	**4,837,507**	**102,837,613**

4. Operating segment reporting (Continued)

For the year ended 31 December 2008

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Total
Net interest income/(expenses)						
– external customers	(21,086)	1,191,927	1,314,110	201,031	(478,396)	2,207,586
– inter-segments	884,739	(352,032)	(993,537)	32,452	428,378	–
Non-interest income	373,703	122,376	84,862	90,424	135,224	806,589
Total operating income	1,237,356	962,271	405,435	323,907	85,206	3,014,175
Operating expenses	(1,018,147)	(196,505)	(78,098)	(214,457)	(47,950)	(1,555,157)
Operating profit before impairment losses	219,209	765,766	327,337	109,450	37,256	1,459,018
Loan impairment losses and other credit provisions	(135,609)	(477,229)	–	(45,364)	(333)	(658,535)
Operating profit before gains or losses on certain investments and fixed assets	83,600	288,537	327,337	64,086	36,923	800,483
Net gain/(loss) on disposal of and fair value adjustment on investment properties, premises and other fixed assets	20	–	–	617	(78,706)	(78,069)
Net gain on disposal of investment in securities	5,920	–	1,414	815	10,341	18,490
Share of results of an associate	–	–	–	120,589	–	120,589
Share of results of jointly controlled entities	–	–	–	–	5,674	5,674
Impairment losses charged on investment in securities	–	–	(357,684)	(39,098)	(258,520)	(655,302)
Profit/(loss) before income tax	89,540	288,537	(28,933)	147,009	(284,288)	211,865
Income tax (expense)/credit	(14,030)	(48,273)	4,841	(19,633)	55,807	(21,288)
Profit/(loss) after income tax	75,510	240,264	(24,092)	127,376	(228,481)	190,577
For the year ended 31 December 2008						
Depreciation and amortisation	31,333	21,513	8,681	39,552	13,449	114,528
As at 31 December 2008						
Segment assets	23,734,377	31,700,062	41,297,573	13,674,867	1,979,340	112,386,219
Segment liabilities	54,608,881	13,389,663	13,800,615	10,655,281	11,737,985	104,192,425

4. Operating segment reporting (Continued)

Revenues from external customers were contributed from banking subsidiaries in Hong Kong, Macau and People's Republic of China, with major products and services including deposit taking, extension of credit, asset-based finance, securities investment services offered to customers.

The following tables provide information by geographical area, which was determined with reference to the domicile of the legal entities within the group with business dealing and relationship with, and services to external customers.

HK$'000	**Hong Kong and Others**	**Macau**	**Inter-segment elimination**	**Total**
For the year ended 31 December 2009				
Operating income	**2,104,965**	**231,438**	**(342)**	**2,336,061**
Profit before income tax	**615,439**	**68,231**	**–**	**683,670**
As at 31 December 2009				
Total assets	**104,659,088**	**11,548,778**	**(2,579,118)**	**113,628,748**
Total liabilities	**95,627,966**	**9,788,765**	**(2,579,118)**	**102,837,613**
Intangible assets and goodwill	**318,667**	**603,455**	**–**	**922,122**
Contingent liabilities and commitments	**42,727,433**	**1,379,709**	**–**	**44,107,142**

HK$'000	Hong Kong and Others	Macau	Inter-segment elimination	Total
For the year ended 31 December 2008				
Operating income	2,758,069	256,381	(275)	3,014,175
Profit before income tax	194,594	17,271	–	211,865
As at 31 December 2008				
Total assets	103,304,945	11,253,411	(2,172,137)	112,386,219
Total liabilities	96,783,058	9,581,504	(2,172,137)	104,192,425
Intangible assets and goodwill	321,223	617,342	–	938,565
Contingent liabilities and commitments	37,094,520	1,485,131	–	38,579,651

5. Net interest income

HK$'000	**2009**	2008
Interest income		
Cash and balances with banks	**131,632**	375,003
Investments in securities	**683,506**	1,290,235
Advances to customers and banks	**2,204,848**	2,945,973
Others	**136**	1,257
	3,020,122	4,612,468
Interest expense		
Deposits from banks/Deposits from customers	**607,143**	1,839,600
Certificates of deposit issued	**42,663**	200,175
Issued debt securities	**90,611**	89,399
Subordinated notes	**102,216**	209,819
Others	**42,735**	65,889
	885,368	2,404,882
Included within interest income		
Interest income on listed investments	**422,892**	1,108,681
Interest income on unlisted investments	**260,614**	181,554
	683,506	1,290,235
Interest income on financial assets not at fair value through profit or loss	**2,935,812**	3,842,283
Interest income on impaired assets	**15,429**	16,069
Included within interest expense		
Interest expenses on financial liabilities not at fair value through profit or loss	**712,851**	2,075,646

6. Net fee and commission income

HK$'000	**2009**	2008
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	**73,394**	65,262
– Trade finance	**38,066**	57,520
– Credit card	**209,743**	198,634
Other fee and commission income		
– Securities brokerage and investment services	**46,569**	149,772
– Insurance distribution and others	**33,003**	46,367
– Retail investment funds and fiduciary services	**9,337**	44,490
– Other fees	**66,731**	74,955
	476,843	637,000
Fee and commission expense		
Handling fees and commission	**115,672**	92,947
Other fees paid	**12,890**	11,789
	128,562	104,736

7. Net trading (loss)/income

HK$'000	**2009**	2008
Net gain arising from dealing in foreign currencies	**159,615**	258,603
Net (loss)/gain from trading securities	**(2,369)**	12,449
Net gain/(loss) from derivatives entered into for trading purpose	**2,065**	(137,357)
Net loss arising from financial instruments subject to fair value hedge	**(60,476)**	(15,511)
Net (loss)/gain arising from financial instruments designated at fair value through profit or loss	**(273,761)**	92,876
	(174,926)	211,060

8. Other operating income

HK$'000	**2009**	2008
Dividend income from investments in available-for-sale securities		
– Listed investments	**970**	1,720
– Unlisted investments	**4,803**	4,174
Gross rental income from investment properties	**8,424**	11,720
Other rental income	**5,752**	5,462
Others	**8,003**	40,189
	27,952	63,265

9. Operating expenses

HK$'000	**2009**	2008
Employee compensation and benefit expenses (including directors' remuneration)	**753,549**	677,835
Premises and other fixed assets expenses, excluding depreciation	**163,157**	158,445
Depreciation	**97,671**	95,492
Advertising costs	**60,632**	76,110
Amortisation expenses of intangible assets	**16,443**	19,036
Auditors' remuneration	**5,780**	5,780
Others (Note)	**628,893**	522,459
	1,726,125	1,555,157

Note:

A substantial portion of other operating expenses included in "Others" in 2009 and 2008 was expenses incurred on Lehman Brothers related products distributed by the Group, possible settlement costs and voluntary offers based on the Group's judgment as at 31 December 2008, and subsequently settlements with customers pursuant to a voluntary repurchase scheme announced in July 2009 (together with another 14 banks in Hong Kong) on the repurchase of Lehman Brothers minibonds, followed by another voluntary repurchase scheme announced by the Group in December 2009 on certain principal protected notes issued by Lehman Brothers, and further assessment for position as at 31 December 2009.

10. Loan impairment losses and other credit provisions

HK$'000	**2009**	2008
Loan impairment losses		
Advances to customers	**408,925**	658,535
Advances to banks	**155**	–
Accrued interest and other accounts	**639**	–
	409,719	658,535
Net charge of impairment losses on advances and other accounts		
– Individually assessed	**176,416**	476,335
– Collectively assessed	**233,303**	182,200
	409,719	658,535
Of which		
– new allowances (including amounts directly written off in the year)	**681,034**	784,634
– releases	**(207,391)**	(46,678)
– recoveries	**(63,924)**	(79,421)
	409,719	658,535
Other credit provisions		
Individual impairment losses on		
– Investment in securities included in the loans and receivables category	**17,941**	–
	17,941	–
Net charge to income statement	**427,660**	658,535

11. Net gain on disposal and revaluation of premises and other fixed assets

HK$'000	**2009**	2008
Deficit recovered/(charged) on revaluation of premises	**1,453**	(819)
Net gain from disposal of premises	**1,463**	1,857
Net loss from disposal of other fixed assets	**(165)**	(184)
	2,751	854

12. Net gain/(loss) on disposal of and fair value adjustment on investment properties

HK$'000	**2009**	2008
Net gain/(loss) from fair value adjustment on investment properties	**75,016**	(78,923)
Net gain from disposal of investment properties	**3,290**	–
	78,306	(78,923)

13. Net gain on repurchase of subordinated debts

During 2009, the Group, after receiving the prior consent of the Hong Kong Monetary Authority, repurchased a total of US$70 million notional principal value of the Perpetual Subordinated Fixed Rate Notes issued by Dah Sing Bank ("DSB") on 16 February 2007 (the "Notes") at a discount. Notional contract amount of the associated interest rate swap totaling US$70 million originally taken to swap the interest rate of the Notes to a floating rate basis was also terminated upon the repurchase. The net gain recorded is the net realized gain arising from the repurchase of the Notes and the termination of the related interest rate swap. The repurchased Notes, previously qualified as upper supplementary capital of DSB, were cancelled and de-recognised as DSB's liability or supplementary capital after the completion of the purchase.

14. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2008: 16.5%).

HK$'000	**2009**	2008
Current income tax:		
– Hong Kong profits tax	**80,945**	3,844
– Overseas taxation	**11,422**	19,803
– (Over)/under provision in prior years	**(2,304)**	7,533
Deferred income tax		
– Impact of change of Hong Kong tax rate	**–**	(2,143)
– Origination and reversal of temporary differences	**(7,274)**	(7,749)
	82,789	21,288

15. Basic and diluted earnings per share

The calculation of basic earnings per share is based on earnings of HK$600,826,000 (2008: HK$188,642,000) and the weighted average number of 1,004,520,513 (2008: 932,193,954) shares in issue during the year.

The calculation of diluted earnings per share is based on earnings of HK$600,826,000 (2008: HK$188,642,000) and the weighted average number of 1,004,520,513 (2008: 932,193,954) shares in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

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

HK$'000	**As at 31 Dec 2009**	As at 31 Dec 2008
Trading securities:		
Debt securities:		
– Listed in Hong Kong	**1,051,938**	923,292
– Listed outside Hong Kong	**–**	17,034
– Unlisted	**4,543,378**	935,238
Total trading securities	**5,595,316**	1,875,564
Financial assets designated at fair value through profit or loss:		
Debt securities:		
– Listed outside Hong Kong	**11,232**	135,364
– Unlisted	**–**	429,926
Total financial assets designated at fair value through profit or loss	**11,232**	565,290
Total trading securities and financial assets designated at fair value through profit or loss	**5,606,548**	2,440,854
Included within debt securities are:		
– Government bonds included in trading securities	**5,570,751**	1,812,779
– Other debt securities	**35,797**	628,075
	5,606,548	2,440,854

Trading securities and financial assets designated at fair value through profit or loss are analysed by categories of issuers as follows:

	As at 31 Dec 2009	As at 31 Dec 2008
– Central governments and central banks	**5,570,751**	1,812,779
– Public sector entities	**3,706**	24,414
– Banks and other financial institutions	**20,859**	38,371
– Corporate entities	**11,232**	565,290
	5,606,548	2,440,854

17. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2009 were as follows:

HK$'000	Contract/ notional amount	Fair values Assets	Fair values Liabilities
1) Derivatives held for trading			
a) *Foreign exchange derivatives*			
Forward and future contracts	**72,533,088**	**231,805**	**(105,511)**
Currency swaps	**464,225**	**3,525**	**(47,588)**
Currency options purchased and written	**1,378,430**	**1,660**	**(1,639)**
b) *Interest rate derivatives*			
Interest rate swaps	**8,764,261**	**62,674**	**(149,351)**
c) *Equity derivatives*			
Equity options purchased and written	**66,449**	**531**	**(531)**
Total derivative assets/(liabilities) held for trading	**83,206,453**	**300,195**	**(304,620)**
2) Derivatives held for hedging			
a) *Derivatives designated as fair value hedges*			
Interest rate swaps	**11,688,807**	**130,395**	**(909,114)**
Total derivative assets/(liabilities) held for hedging	**11,688,807**	**130,395**	**(909,114)**
3) Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss			
Currency swaps	**448,815**	**66,392**	**–**
Interest rate swaps	**1,233,235**	**91,796**	**–**
Total derivative assets not qualified as hedges	**1,682,050**	**158,188**	**–**
Total recognised derivative financial assets/(liabilities)	**96,577,310**	**588,778**	**(1,213,734)**

17. Derivative financial instruments (Continued)

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2008 were as follows:

HK$'000	Contract/ notional amount	Fair values Assets	Fair values Liabilities
1) Derivatives held for trading			
a) *Foreign exchange derivatives*			
Forward and future contracts	61,684,583	263,311	(297,452)
Currency swaps	1,045,229	8,362	(39,759)
Currency options purchased and written	23,321,550	40,001	(38,141)
b) *Interest rate derivatives*			
Interest rate swaps	16,493,221	176,103	(284,236)
Interest rate options purchased and written	1,489,445	20,447	(20,447)
c) *Equity derivatives*			
Equity options purchased and written	79,323	4,944	(4,936)
Total derivative assets/(liabilities) held for trading	104,113,351	513,168	(684,971)
2) Derivatives held for hedging			
a) *Derivatives designated as fair value hedges*			
Interest rate swaps	13,402,453	397,443	(1,568,246)
Total derivative assets/(liabilities) held for hedging	13,402,453	397,443	(1,568,246)
3) Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss			
Currency swaps	368,499	491	(14,423)
Interest rate swaps	3,658,750	155,337	–
Total derivative assets/(liabilities) not qualified as hedges	4,027,249	155,828	(14,423)
Total recognised derivative financial assets/(liabilities)	121,543,053	1,066,439	(2,267,640)

The effect of valid bilateral netting agreements has been taken into account in disclosing the fair value of derivatives.

17. Derivative financial instruments (Continued)

The credit risk weighted amounts of the above off-balance sheet exposures calculated under Basel II basis and without taking into account the effect of bilateral netting arrangement that the Group entered into, are as follows:

HK$'000	**As at 31 Dec 2009**	As at 31 Dec 2008
Derivatives		
Exchange rate contracts	**460,239**	530,361
Interest rate contracts	**200,384**	401,681
Other contracts	**1,979**	5,023
	662,602	937,065

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

The credit risk weighted amounts are the amounts that have been calculated with reference to the Banking (Capital) Rules issued by the Hong Kong Monetary Authority ("HKMA"). The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

18. Advances and other accounts

HK$'000	**As at 31 Dec 2009**	As at 31 Dec 2008
Gross advances to customers	**57,165,159**	60,999,073
Gross advances to banks	**150,000**	179,226
	57,315,159	61,178,299
Other assets	**1,544,674**	2,281,945
Less: Impairment allowances		
– Individually assessed	**(317,017)**	(550,909)
– Collectively assessed	**(358,212)**	(298,645)
	(675,229)	(849,554)
Investments in securities included in the loans and receivables category (Note 19)	**8,799,348**	6,896,646
Advances and other accounts	**66,983,952**	69,507,336

18. Advances and other accounts (Continued)

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

	As at 31 Dec 2009		As at 31 Dec 2008	
	Outstanding balance	**% of gross advances**	Outstanding balance	% of gross advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	**611,218**	**1.1**	448,282	0.7
– Property investment	**11,209,001**	**19.6**	10,102,405	16.6
– Financial concerns	**333,243**	**0.6**	373,243	0.6
– Stockbrokers	**52,265**	**0.1**	9,707	–
– Wholesale and retail trade	**1,001,216**	**1.8**	1,187,833	2.0
– Manufacturing	**657,570**	**1.1**	885,724	1.5
– Transport and transport equipment	**3,207,328**	**5.6**	4,241,249	7.0
– Recreational activities	**157,565**	**0.3**	23,507	–
– Information technology	**902**	**–**	418	–
– Others	**1,847,970**	**3.2**	2,140,815	3.5
	19,078,278	**33.4**	19,413,183	31.9
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,398,373**	**2.5**	1,625,129	2.7
– Loans for the purchase of other residential properties	**10,462,174**	**18.3**	10,715,925	17.6
– Credit card advances	**3,173,620**	**5.6**	3,371,802	5.5
– Others	**6,510,864**	**11.3**	6,513,226	10.6
	21,545,031	**37.7**	22,226,082	36.4
Loans for use in Hong Kong	**40,623,309**	**71.1**	41,639,265	68.3
Trade finance	**3,136,776**	**5.5**	4,457,618	7.3
Loans for use outside Hong Kong	**13,405,074**	**23.4**	14,902,190	24.4
	57,165,159	**100.0**	60,999,073	100.0

18. **Advances and other accounts (Continued)**

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

(i) Impaired loans

	As at 31 Dec 2009	As at 31 Dec 2008
Impaired loans and advances		
– Individually impaired (Note (a))	**529,399**	1,013,179
– Collectively impaired (Note (b))	**17,767**	23,571
	547,166	1,036,750
Impairment allowances made		
– Individually assessed (Note (c))	**(316,378)**	(550,909)
– Collectively assessed (Note (b))	**(16,941)**	(22,367)
	(333,319)	(573,276)
	213,847	463,474
Fair value of collaterals held*	**215,514**	463,556
Impaired loans and advances as a % of total loans and advances to customers	**0.96%**	1.70%

* Fair value of collaterals is determined as the lower of the market value of collateral and outstanding loan balance.

Note:

(a) Individually impaired loans are defined as those loans having objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated cash flows of the loans that can be reliably estimated.

(b) Collectively impaired loans and advances refer to those unsecured loans and advances assessed for impairment on a collective basis and which have become overdue for more than 90 days as at the reporting date. The collective impairment allowance for these impaired loans, which is a part of the overall collective impairment allowances, is shown above.

(c) The above individual impairment allowances were made after taking into account the value of collaterals in respect of such advances as at 31 December.

(ii) Overdue loans

	As at 31 Dec 2009	**% of total advances to customers**	As at 31 Dec 2008	% of total advances to customers
Gross advances to customers which have been overdue for:				
– six months or less but over three months	**102,346**	**0.18**	203,430	0.33
– one year or less but over six months	**185,079**	**0.32**	143,438	0.23
– over one year	**267,141**	**0.47**	131,592	0.22
	554,566	**0.97**	478,460	0.78
Market value of collateral held against the secured overdue advances	**350,867**		202,978	
Secured overdue advances	**256,960**		141,593	
Unsecured overdue advances	**297,606**		336,867	
Individual impairment allowances	**282,455**		305,217	

18. Advances and other accounts (Continued)

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

(iii) Rescheduled advances net of amounts included in advances overdue for more than 3 months:

	As at 31 Dec 2009	**% of total advances to customers**	As at 31 Dec 2008	% of total advances to customers
Advances to customers	**236,637**	**0.41**	294,506	0.48
Impairment allowances	**24,242**		18,504	

There were no advances to banks and other financial institutions, which were individually impaired, overdue for over 3 months or rescheduled as at 31 December 2009 and 31 December 2008.

(c) Repossessed collateral

The repossessed collateral held at the year-end is as follows:

	As at 31 Dec 2009	As at 31 Dec 2008
Nature of assets		
– Repossessed properties	**49,109**	53,075
– Others	**8,240**	26,090
	57,349	79,165

19. Investments in securities included in the loans and receivables category

HK$'000	**As at 31 Dec 2009**	As at 31 Dec 2008
Investments in securities reclassified from the available-for-sale category		
– At fair value under fair value hedge (for hedging interest rate risk)	**6,509,995**	5,113,559
– At amortised cost	**1,989,010**	1,783,087
	8,499,005	6,896,646
Individual impairment allowances	**(1,893)**	–
	8,497,112	6,896,646
Investments in securities classified as loan and receivables upon initial recognition	**302,236**	–
	8,799,348	6,896,646

During the year, available-for-sale securities with a market value at the time of reclassification of HK$1,640,590,000 (2008: HK$6,519,483,000) were reclassified into the loans and receivables category.

Investments in securities included in the loans and receivables category are analysed as follows.

	As at 31 Dec 2009	As at 31 Dec 2008
Debt securities:		
– Listed in Hong Kong	**945,484**	187,820
– Listed outside Hong Kong	**6,319,540**	5,496,534
– Unlisted	**1,536,217**	1,212,292
	8,801,241	6,896,646
Less: individual impairment allowances	**(1,893)**	–
	8,799,348	6,896,646
Market value of listed securities	**6,415,120**	4,828,680

As at 31 December 2009 and 2008, there were no certificates of deposit held included in the above balances of investments in debt securities.

	As at 31 Dec 2009	As at 31 Dec 2008
Investments in securities included in the loans and receivables category are analysed by categories of issuers as follows:		
– Banks and other financial institutions	**4,729,417**	4,763,102
– Corporate entities	**4,071,824**	2,133,544
	8,801,241	6,896,646

20. Available-for-sale securities

HK$'000	**As at 31 Dec 2009**	As at 31 Dec 2008
Debt securities:		
– Listed in Hong Kong	**381,931**	1,408,161
– Listed outside Hong Kong	**4,298,062**	7,620,884
– Unlisted	**7,231,327**	5,055,866
	11,911,320	14,084,911
Equity securities:		
– Listed in Hong Kong	**646**	4,119
– Listed outside Hong Kong	**70,804**	80,960
– Unlisted	**103,408**	77,309
	174,858	162,388
Total available-for-sale securities	**12,086,178**	14,247,299

As at 31 December 2009 and 2008, there were no certificates of deposit held included in the above balances of investments in debt securities.

Available-for-sale securities are analysed by categories of issuers as follows:		
– Central governments and central banks	**2,841,211**	1,037,592
– Public sector entities	**426,487**	91,063
– Banks and other financial institutions	**4,585,024**	5,506,728
– Corporate entities	**4,231,928**	7,610,388
– Others	**1,528**	1,528
	12,086,178	14,247,299

21. Held-to-maturity securities

HK$'000	**As at 31 Dec 2009**	As at 31 Dec 2008
Debt securities		
– Listed in Hong Kong	**193,414**	–
– Listed outside Hong Kong	**6,114,930**	4,094,474
– Unlisted	**2,290,064**	2,064,790
	8,598,408	6,159,264
Market value of listed securities	**5,846,622**	3,572,127
Included within debt securities are:		
– Certificates of deposit held	**–**	265,000
– Other debt securities	**8,598,408**	5,894,264
	8,598,408	6,159,264
Held-to-maturity securities are analysed by issuer as follows:		
– Central governments and central banks	**1,100,627**	1,135,177
– Public sector entities	**193,414**	–
– Banks and other financial institutions	**5,178,356**	4,404,317
– Corporate entities	**2,126,011**	619,770
	8,598,408	6,159,264

During the year, the Group reclassified available-for-sale debt securities with a total market value at the time of reclassification of HK$3,259,762,000 (2008: HK$1,201,087,000) as held-to-maturity securities, reflecting a change in the Group's intention on holding these securities to maturity.

22. Reserves

HK$'000	**As at 31 Dec 2009**	As at 31 Dec 2008
Reserves		
Share premium	**3,351,776**	2,228,436
Consolidation reserve	**(220,986)**	(220,986)
Premises revaluation reserve	**953,217**	694,534
Investment revaluation reserve	**(1,159,862)**	(1,551,854)
Exchange reserve	**65,140**	68,160
General reserve	**700,254**	700,254
Retained earnings	**5,972,342**	5,321,898
	9,661,881	7,240,442

The Group's Hong Kong banking subsidiaries, Dah Sing Bank, Limited ("DSB") and MEVAS Bank Limited ("MEVAS"), are required to maintain regulatory reserve to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. At 31 December 2009, each of DSB and MEVAS has earmarked a regulatory reserve of HK$305,774,000 (2008: HK$472,301,000) and HK$18,343,000 (2008: HK$12,714,000) in the consolidated general reserve and retained profits respectively. Movements in the regulatory reserve are made directly through equity reserve and in consultation with the HKMA.

23. Contingent liabilities and commitments

HK$'000

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at 31 Dec 2009	As at 31 Dec 2008
Expenditure		
– Authorised but not contracted for	**97**	766
– Contracted but not provided for	**92,823**	98,821
	92,920	99,587

(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 amounts	
	As at 31 Dec 2009	As at 31 Dec 2008
Direct credit substitutes	**628,899**	704,420
Transaction related contingencies	**14,104**	6,898
Trade-related contingencies	**536,962**	364,258
Commitments that are unconditionally cancellable without prior notice	**32,030,819**	32,922,775
Other commitments with an original maturity of:		
– under 1 year	**3,859,558**	2,673,642
– 1 year and over	**933,340**	938,980
Forward forward deposits placed	**61,508**	73,547
	38,065,190	37,684,520

23. Contingent liabilities and commitments (Continued)

(b) Credit commitments (Continued)

	Credit risk weighted amount	
	As at 31 Dec 2009	As at 31 Dec 2008
Contingent liabilities and commitments	**1,459,809**	1,286,256

(c) Assets pledged

Assets pledged as collateral with the HKMA and with unrelated financial institutions under repurchase agreements are as follows:

	As at 31 Dec 2009	As at 31 Dec 2008
Trading securities	**4,689,792**	–
Available-for-sale securities	**781,976**	399,022
Held-to-maturity securities	**148,065**	178,918
Investments in securities included in loans and receivables category	**93,603**	57,429
	5,713,436	635,369

(d) Operating lease commitments

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

	As at 31 Dec 2009	As at 31 Dec 2008
Not later than 1 year	**88,794**	81,619
Later than 1 year and not later than 5 years	**113,410**	54,256
Later than 5 years	**33,392**	24,300
	235,596	160,175

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

	As at 31 Dec 2009	As at 31 Dec 2008
Not later than 1 year	**14,544**	17,791
Later than 1 year and not later than 5 years	**840**	14,529
	15,384	32,320

24. Cross-border claims

Equivalent in HK$ millions

	As at 31 Dec 2009			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Hong Kong	**9,965**	**98**	**8,120**	**18,183**
North and South America	**552**	**–**	**3,116**	**3,668**
Europe	**13,870**	**–**	**2,910**	**16,780**
	24,387	**98**	**14,146**	**38,631**

	As at 31 Dec 2008			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Hong Kong	9,415	240	9,761	19,416
North and South America	602	–	3,051	3,653
Europe	13,628	–	2,761	16,389
	23,645	240	15,573	39,458

The above information of cross-border 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 cross-border claims are disclosed.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1. Advances to customers

HK$'000

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

	As at 31 Dec 2009		As at 31 Dec 2008	
	Outstanding balance	**% of gross advances covered by collateral**	Outstanding balance	% of gross advances covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	**611,218**	**65.0**	448,282	83.6
– Property investment	**11,209,001**	**89.2**	10,102,405	92.4
– Financial concerns	**333,243**	**47.7**	373,243	91.4
– Stockbrokers	**52,265**	**100.0**	9,707	53.4
– Wholesale and retail trade	**1,001,216**	**96.3**	1,187,833	87.3
– Manufacturing	**657,570**	**86.9**	885,724	78.3
– Transport and transport equipment	**3,207,328**	**97.4**	4,241,249	93.5
– Recreational activities	**157,565**	**–**	23,507	25.7
– Information technology	**902**	**42.2**	418	–
– Others	**1,847,970**	**92.7**	2,140,815	88.7
	19,078,278	**89.0**	19,413,183	90.9
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,398,373**	**100.0**	1,625,129	99.9
– Loans for the purchase of other residential properties	**10,462,174**	**99.9**	10,715,925	99.7
– Credit card advances	**3,173,620**	**–**	3,371,802	–
– Others	**6,510,864**	**62.9**	6,513,226	58.5
	21,545,031	**74.0**	22,226,082	72.5
Loans for use in Hong Kong	**40,623,309**	**81.0**	41,639,265	81.1
Trade finance	**3,136,776**	**68.4**	4,457,618	64.0
Loans for use outside Hong Kong	**13,405,074**	**83.3**	14,902,190	82.2
	57,165,159	**80.9**	60,999,073	80.1

The loan outstanding balances reported above are audited information, and are the same as those balance reported in Note 18(a).

1. Advances to customers (Continued)

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

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

	As at 31 Dec 2009				
	Outstanding balance	**Impaired loans**	**Gross advances overdue for over 3 months**	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Loans for use in Hong Kong					
Industrial, commercial and financial					
– Property investment	**11,209,001**	**15,802**	**–**	**1,063**	**60,825**
Individuals					
– Loans for the purchase of other residential properties	**10,462,174**	**6,765**	**8,406**	**1,358**	**8,836**

	As at 31 Dec 2008				
	Outstanding balance	Impaired loans	Gross advances overdue for over 3 months	Individually assessed impairment allowances	Collectively assessed impairment allowances
Loans for use in Hong Kong					
Industrial, commercial and financial					
– Property investment	10,102,405	14,785	–	5,429	17,862
Individuals					
– Loans for the purchase of other residential properties	10,715,925	1,111	1,839	407	3,211

1. Advances to customers (Continued)

(b) Non-bank Mainland exposures

	As at 31 Dec 2009			
Type of counterparties	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Total**	**Individually assessed impairment allowances**
Mainland entities	**3,046,123**	**–**	**3,046,123**	**–**
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	**5,543,273**	**578,294**	**6,121,567**	**164,245**
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	**214,212**	**–**	**214,212**	**–**

	As at 31 Dec 2008			
Type of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total	Individually assessed impairment allowances
Mainland entities	2,484,332	–	2,484,332	–
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	8,184,005	420,865	8,604,870	314,368
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	50,138	–	50,138	–

Note: The balances of exposures reported above include gross advances and other balances of claims on the customers.

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

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

The following table analyses gross advances to customers by geographical area. The position presented for 2008 has been restated to incorporate the effect of transfer of risk under guarantee arrangements described above.

	As at 31 Dec 2009	As at 31 Dec 2008
Gross advances to customers		
– Hong Kong	**48,779,171**	52,094,469
– China	**1,479,379**	1,229,503
– Macau	**6,151,486**	6,578,169
– Others	**755,123**	1,096,932
	57,165,159	60,999,073

In relation to the Group's impaired advances and overdue advances, over 90% of the outstanding balance as at 31 December 2009 and 2008 were classified under Hong Kong after taking into account the effect of transfer of risk.

2. Currency concentrations

Equivalent in HK$ millions

The following sets out the Group's 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 2009 and the corresponding comparative balances.

At 31 Dec 2009	**USD**	**CNY**	**MOP**
Spot assets	**27,339**	**4,060**	**3,026**
Spot liabilities	**(25,918)**	**(4,056)**	**(4,921)**
Forward purchases	**39,005**	**34**	**–**
Forward sales	**(38,163)**	**(28)**	**–**
Net long/(short) position	**2,263**	**10**	**(1,895)**
Net structural position	**–**	**113**	**–**

At 31 Dec 2008	USD	CNY	MOP
Spot assets	32,558	2,156	2,895
Spot liabilities	(28,104)	(2,208)	(4,526)
Forward purchases	30,681	107	1
Forward sales	(32,991)	(111)	–
Net options position	(1,063)	(2)	–
Net long/(short) position	1,081	(58)	(1,630)
Net structural position	–	114	–

3. Capital adequacy ratio

	As at 31 Dec 2009	As at 31 Dec 2008
Capital adequacy ratio		
– Core	**10.2%**	6.8%
– Overall	**16.8%**	13.6%

The capital adequacy ratio represents the combined ratio of DSB, Banco Comercial de Macau, S.A. ("BCM"), Dah Sing Bank (China) Limited ("DSB China"), MEVAS and D.A.H. Hambros Bank (Channel Islands) Limited ("DAHCI") computed on Basel II basis with reference to the Banking (Capital) Rules. This capital adequacy ratio takes into account market risk and operational risk.

Only the Hong Kong incorporated banking subsidiaries within the Group are subject to the minimum capital adequacy ratio requirement under the Hong Kong Banking Ordinance. Banco Comercial de Macau, S.A. is subject to Macau banking regulations and DSB China is subject to China banking regulations. The above ratios of the Group are calculated for reference only.

The capital base after deductions used in the calculation of the above capital adequacy ratios as at 31 December is analysed as follows:

HK$'000	**As at 31 Dec 2009**	As at 31 Dec 2008
Core capital		
Paid up ordinary share capital	**4,007,749**	2,707,749
Share premium	**55,519**	55,519
Reserves	**5,054,929**	3,808,200
Less: goodwill	**(811,690)**	(811,690)
Less: other intangible assets	**(140,432)**	(126,875)
Less: net deferred tax assets	**(4,830)**	(4,150)
	8,161,245	5,628,753
Less: 50% of total amount of deductible items	**(453,449)**	(454,040)
Core capital	**7,707,796**	5,174,713
Supplementary capital		
Reserves on revaluation of holding of land and building	**237,355**	197,762
Eligible amount of collective impairment allowances for impaired assets and regulatory reserve	**682,329**	783,661
Revaluation reserve for available-for-sale investments	**741**	237
Perpetual subordinated debt	**1,008,137**	1,953,000
Term subordinated debt	**3,488,193**	2,814,377
Total Supplementary capital	**5,416,755**	5,749,037
Eligible amount of supplementary capital	**5,416,755**	5,628,753
Less: 50% of total amount of deductible items	**(453,449)**	(454,040)
Supplementary capital	**4,963,306**	5,174,713
Total capital base	**12,671,102**	10,349,426

4. Liquidity ratio

	2009	2008
Liquidity ratio	**57.3%**	48.9%

The liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio of the Group's banking subsidiaries for the twelve months of the financial year. The liquidity ratio is computed with reference to the methods set out in the Fourth Schedule of the Hong Kong Banking Ordinance.

Only the locally incorporated banking subsidiaries within the Group are subject to the minimum liquidity ratio requirement under the Hong Kong Banking Ordinance. The above ratios of the Group are calculated for reference only.

FINANCIAL RATIOS

	2009	2008
Net interest income/operating income	**91.4%**	73.2%
Cost to income ratio	**73.9%**	51.6%
Loan to deposit (including certificates of deposit) ratio	**62.4%**	70.1%
Return on average total assets	**0.5%**	0.2%
Return on average shareholders' funds	**6.3%**	2.2%
Net interest margin	**1.95%**	2.11%

FINAL DIVIDENDS

The Directors, after considering the desirability to further strengthen the capital position of its banking subsidiaries, have agreed not to propose a final dividend for the year ended 31 December 2009, and therefore there will not be a proposal for a final dividend for 2009 at the forthcoming annual general meeting of the Company to be held on Friday, 28 May 2010. It is, however, the Company's intention to resume the dividend payments at the appropriate time.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders will be closed from Monday, 24 May 2010 to Friday, 28 May 2010, both days inclusive. In order to qualify for voting at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 May 2010.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

During 2009, economic conditions broadly improved, with Hong Kong benefitting from stronger economic growth and lower unemployment, as well as positive economic conditions in the Mainland continuing, in part due to the stimulus measures promoted by the central government. Macau also followed a similar trend. Globally, following the unprecedented and substantial monetary and fiscal stimulus measures implemented by many leading countries in late 2008 in response to the global financial crisis, and improved conditions in the banking industry following large scale recapitalisation, there were signs of economic stabilisation, and also evidences of a broad-based recovery in the second half of 2009. The global economy and financial market appear to have passed the worst point of the cycle.

In line with the stabilising and slightly more favourable economic conditions, our performance improved substantially over 2008, with profit attributable to shareholders rising from HK$189 million in 2008 to HK$601 million in 2009. Our capital position also strengthened notably, both due to the stronger operating performance, as well as due to a number of capital raising initiatives during the year, with Tier 1 capital adequacy and total capital adequacy of our Group increasing from 6.8% and 13.6% as at 31 December 2008 to 10.2% and 16.8% respectively as at 31 December 2009.

Operating income was down by 22% from HK$3,014 million to HK$2,336 million, mainly due to weaker net fee and commission income and a net trading loss due mainly to the higher price of our own issued subordinated debt, and subsequent reversal of part of the gain that had been recognised in 2008. Operating profit was also down significantly due to higher operating expenses, mainly due to provisions made for claims from and settlement with customers of Lehman related retail bonds. However, this was mitigated to some extent by a sizable reduction in bad debt charges, with loan impairment losses and other credit provisions reducing by 35% from HK$659 million to HK$428 million.

A gain of HK$244 million was recognised on the repurchase of our own issued subordinated debt. This helped to lift profit attributable to shareholders by more than two times to HK$601 million. Earnings per share increased from HK$0.20 to HK$0.60. The Board of Directors does not propose a final dividend for the year.

Core lending performance was steady, with a slightly lower loan book and a very modest decrease in net interest income for the year. However, fee and commission income and the trading income were significantly weaker.

Our 20% associate, Bank of Chongqing, achieved very strong results in the year, contributing HK$196 million to our profit, representing 62% growth when compared with 2008.

BUSINESS AND FINANCIAL REVIEW

Net interest income in the year was slightly lower than 2008 with a mild reduction in the loan book during 2009. Due to lower market interest rates, both the yield on loans and interest earning assets, and the funding cost decreased. Our net interest margin for 2009 full year dropped to 1.95%, compared with 2.11% in 2008.

Fee and commission income continued to trend downwards, falling by 35% during the year to HK$348 million. This was largely due to continued declines in the fee income from our wealth management business as a result of both market conditions, and our own caution in distributing investment products to retail investors until we ensured compliance with the various new and enhanced compliance and regulatory requirements for this business. Loan related fee income was also soft due to the loan contraction experienced generally.

We reported a trading loss for the year, mainly due to the loss incurred through the mark-to-market improvement in the valuation of certain of our own issued subordinated debt. The losses incurred in 2009 have largely reversed the profits booked on this item in 2008.

Operating expenses for our core businesses were slightly higher than 2008. However, due to the operating expense provisions, relating mainly to the settlement of various claims in respect of Lehman Brothers related investment products, total operating expenses increased by 11% to HK$1.73 billion. The higher operating expenses, coupled with the lower other income, as well as the lower fee and commission income led to a decrease in operating profit before impairment charges of 58% to HK$610 million.

There was notable improvement in credit quality, with loan impairment and other credit provisions dropping by 35% from HK$659 million to HK$428 million, largely as a result of the improved economic conditions leading to better performance of our commercial banking and retail lending portfolios, particularly in relation to our SME lending and equipment finance portfolios, which had suffered significant losses through the financial crisis.

We recognised a revaluation gain of HK$75 million in aggregate on our property assets due to improved property prices during the year. In addition to this, we realised a profit of HK$244 million on the repurchase of a portion of our own issued subordinated debt liabilities at below par value during the year. These, coupled with a strong performance from our associate company Bank of Chongqing and our sharing of 20% of its robust profit in the year, resulted in a significant improvement in profit before tax to HK$684 million.

BUSINESS AND FINANCIAL REVIEW (Continued)

After a tax charge of HK$83 million, profit attributable to shareholders of the Group increased by 219% to HK$601 million.

As at 31 December 2009, the Group's total gross loans and advances amounted to HK$57 billion, down by around 6% relative to the end of 2008. The major areas of contraction were trade finance, affected by the fall in global trade volumes, and equipment and vehicle finance. Equipment finance in particular had been an area of weak performance due to the export oriented nature of many of our manufacturing customers, and was reduced as part of a risk reduction exercise to mitigate the high credit cost in the business experienced in the recent downturn. In aggregate, the retail lending portfolio including credit card advances and personal loans remained relatively stable.

Customers' deposits totalled HK$91.6 billion, representing an increase of around 5% over the previous year. The strong deposit growth reflected ample liquidity in the Hong Kong market during the year.

There were a number of capital actions relating to the Group during the year. A term loan of HK$1 billion was extended from our holding company, Dah Sing Financial Holdings Limited ("DSFH"), to DSBG in March 2009, which was injected as additional equity capital into DSB. In September, this loan was capitalised, and new shares of DSBG were issued to DSFH in consideration for the capitalisation of the loan, at a price of HK$8.00 per share, which had the effect of increasing DSFH's shareholding in DSBG from 70.86% to 74.13%. In addition, in April 2009, DSBG placed 54 million new shares to third party investors at a price of HK$5.60, raising net proceeds of HK$300 million, which was then injected into DSB. The result of these capital raising exercises, together with profit retention in the year, was to increase the combined core capital adequacy ratio and total capital adequacy ratio of the Group from 6.8% and 13.6% as at 31st December 2008 (and on a proforma basis, 8.1% and 15.2% as at 31st December 2008, after considering the capital injection to Dah Sing Bank announced in early 2009) to 10.2% and 16.8% respectively as at 31st December 2009.

PROSPECTS

2008 and 2009 were two of the most difficult years for the global financial industry in recent history. Whilst Asia was less badly affected than Europe or the US, the past two years had also been very challenging. We are optimistic that the improvement in our results in 2009 under the healthier economic backdrop, as well as the steps we have taken to strengthen our capital position, mean that we are now through the worst of the storm.

Therefore, our strategy into 2010 will be one of cautious optimism. We believe that the prospects for the Greater China region are still promising, and that over the medium to long term will present many opportunities. However, in the short term we are still mindful that the crisis is not fully over, and that we will still need to operate with caution.

Above all, we look forward to the continued growth and prosperity of our Group during this new decade.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2009.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors (Appendix 10 of the Main Board Rules). After having made specific enquiry of all Directors, the Company confirmed that the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions have been fully complied with.

COMPLIANCE WITH THE BANKING (DISCLOSURE) RULES

In preparing the statutory financial statements for the year ended 31 December 2009, the Group has fully complied with the requirements set out in the Banking (Disclosure) Rules issued by the HKMA.

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 this financial report and the consolidated financial statements of the Group for the year ended 31 December 2009.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Annual Report of the Company containing all the information required by Appendix 16 of the Listing Rules will be published on the websites of the Hong Kong Stock Exchange and the Company in due course.

DEALINGS IN THE COMPANY'S SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the year ended 31 December 2009.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Managing Director and Chief Executive), Lung-Man Chiu (John Chiu), Gary Pak-Ling Wang, Harold Tsu-Hing Wong and Frederic Suet-Chiu Lau as Executive Directors; Mr. Kazutake Kobayashi as Non-executive Director; Messrs. John William Simpson, David Richard Hinde, Robert Tsai-To Sze, Andrew Kwan-Yuen Leung and Seng-Lee Chan as Independent Non-executive Directors.

By Order of the Board
H L Soo
Company Secretary

Hong Kong, Wednesday, 24 March 2010

Website: http://www.dahsing.com