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 2010 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 2010.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

HK$'000	Note	**2010**	2009	Variance %
Interest income		**2,755,816**	3,020,122	
Interest expense		**(800,284)**	(885,368)	
Net interest income	5	**1,955,532**	2,134,754	-8.4
Fee and commission income		**556,589**	476,843	
Fee and commission expense		**(169,117)**	(128,562)	
Net fee and commission income	6	**387,472**	348,281	11.3
Net trading income/(loss)	7	**49,782**	(174,926)	
Other operating income	8	**32,890**	27,952	
Operating income		**2,425,676**	2,336,061	3.8
Operating expenses	9	**(1,278,418)**	(1,726,125)	-25.9
Operating profit before impairment losses		**1,147,258**	609,936	88.1
Loan impairment losses and other credit provisions	10	**(97,787)**	(427,660)	-77.1
Operating profit before gains or losses on certain investments and fixed assets		**1,049,471**	182,276	
Net (loss)/gain on disposal and revaluation of premises and other fixed assets	11	**(100)**	2,751	
Net gain on disposal of and fair value adjustment on investment properties	12	**77,270**	78,306	
Net gain/(loss) on disposal of available-for-sale securities		**3,468**	(24,519)	
Net (loss)/gain on disposal and repurchase of other financial instruments	13	**(119,583)**	243,983	
Share of results of an associate		**249,001**	195,770	
Share of results of jointly controlled entities		**8,029**	5,103	
Profit before income tax		**1,267,556**	683,670	85.4
Income tax expense	14	**(193,534)**	(82,789)	
Profit for the year		**1,074,022**	600,881	78.7
Profit for the year is apportioned as follows:				
– (Loss)/profit attributable to non-controlling interests		**(88)**	55	
– Profit attributable to Shareholders of the Company		**1,074,110**	600,826	78.8
Dividends				
Interim dividend paid		**77,823**	–	
Proposed final dividend		**244,587**	–	
Earnings per share			Restated	
Basic	15	**HK$0.92**	HK$0.58	
Diluted	15	**HK$0.92**	HK$0.58	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

HK$'000	**2010**	2009
Profit of the year	**1,074,022**	600,881
Other comprehensive income for the year		
Investment in securities		
Fair value gains recognised in equity	**226,777**	428,735
Fair value (gain)/loss realised and transferred to income statement upon:		
– Disposal of available-for-sale securities	**(3,468)**	24,519
– Disposal of investments in securities included in the loans and receivables category and held-to-maturity category which were previously reclassified from the available-for-sale category	**120,803**	–
– Impairment of available-for-sale securities	**–**	16,048
Related income tax expense	**(71,642)**	(76,677)
	272,470	392,625
Premises		
Fair value gains recognised in equity	**436,341**	326,407
Deferred income tax recognised on fair value gains and disposal of premises	**(24,517)**	(18,106)
	411,824	308,301
Exchange differences arising on translation of the financial statements of foreign entities	**73,738**	(3,007)
Other comprehensive income for the year, net of tax	**758,032**	697,919
Total comprehensive income for the year, net of tax	**1,832,054**	1,298,800
Total comprehensive (loss)/income for the year is apportioned as follows:		
– Comprehensive (loss)/income attributable to non-controlling interests	**(24)**	701
– Comprehensive income attributable to Shareholders of the Company	**1,832,078**	1,298,099

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December

HK$'000	Note	**2010**	2009
ASSETS			
Cash and balances with banks		**8,741,123**	10,453,366
Placements with banks maturing between one and twelve months		**3,249,320**	4,282,749
Trading securities	16	**5,362,955**	5,595,316
Financial assets designated at fair value through profit or loss	16	**1,377**	11,232
Derivative financial instruments	17	**624,214**	588,778
Advances and other accounts	18	**82,095,288**	66,983,952
Available-for-sale securities	20	**17,225,662**	12,086,178
Held-to-maturity securities	21	**8,876,572**	8,598,408
Investment in an associate		**1,558,791**	1,299,257
Investments in jointly controlled entities		**60,248**	60,791
Goodwill		**811,690**	811,690
Intangible assets		**88,436**	110,432
Premises and other fixed assets		**2,418,339**	1,950,180
Investment properties		**718,913**	657,235
Current income tax assets		**342**	61,916
Deferred income tax assets		**5,406**	77,268
Total assets		**131,838,676**	113,628,748
LIABILITIES			
Deposits from banks		**1,523,547**	1,435,136
Derivative financial instruments	17	**1,285,385**	1,213,734
Trading liabilities		**4,700,893**	2,068,300
Deposits from customers		**97,280,942**	89,572,204
Certificates of deposit issued		**4,746,054**	2,060,010
Issued debt securities		**1,943,342**	–
Subordinated notes		**4,684,364**	4,602,235
Other accounts and accruals		**1,962,850**	1,861,540
Current income tax liabilities		**87,606**	17,485
Deferred income tax liabilities		**77,744**	6,969
Total liabilities		**118,292,727**	102,837,613
EQUITY			
Non-controlling interests		**17,471**	17,495
Equity attributable to the Company's shareholders			
Share capital		**1,222,935**	1,111,759
Reserves	22	**12,060,956**	9,661,881
Proposed final dividend		**244,587**	–
Shareholders' funds		**13,528,478**	10,773,640
Total equity		**13,545,949**	10,791,135
Total equity and liabilities		**131,838,676**	113,628,748

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 2010 but is derived from those statutory financial statements. The consolidated financial statements of the Group for the year ended 31 December 2010 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 23 March 2011.

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 which are carried at fair value.

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

The accounting policies and methods of computation used in the preparation of the 2010 consolidated financial statements are consistent with those used and described in the Group's annual audited financial statements for the year ended 31 December 2009.

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 2010 and which are relevant to the Group's operation.

4. Operating segment reporting

Segment reporting by the Group was prepared in accordance with HKFRS 8 "Operating Segments". Information reported to the chief operating decision maker, which includes the Chief Executive and other Executive Committee members, for the purposes of resource allocation and performance assessment, is determined on the basis of personal banking, commercial banking, treasury and overseas banking business. Operating performances are analysed by business activities for local banking business, and on business entity basis for overseas banking business.

Considering the customer groups, products and services of local businesses, the economic environment, and regulations, the Group splits the operating segments of the Group into the following reportable segments:

- Personal banking business includes the acceptance of deposits from individual customers and the extension of residential mortgage lending, personal loans, overdraft 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 2010

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Total
Net interest income/(expenses)	**866,702**	**744,733**	**196,901**	**285,499**	**(138,303)**	**1,955,532**
– external customers	**451,449**	**801,492**	**528,129**	**305,858**	**(131,396)**	**1,955,532**
– inter-segments	**415,253**	**(56,759)**	**(331,228)**	**(20,359)**	**(6,907)**	**–**
Non-interest income/(expenses)	**211,365**	**105,437**	**104,884**	**81,099**	**(32,641)**	**470,144**
Total operating income/(expenses)	**1,078,067**	**850,170**	**301,785**	**366,598**	**(170,944)**	**2,425,676**
Operating expenses	**(654,054)**	**(241,562)**	**(82,477)**	**(273,521)**	**(26,804)**	**(1,278,418)**
Operating profit/(loss) before impairment losses	**424,013**	**608,608**	**219,308**	**93,077**	**(197,748)**	**1,147,258**
Loan impairment losses and other credit provisions (charged)/written back	**(51,789)**	**48,534**	**(76,465)**	**(18,067)**	**–**	**(97,787)**
Operating profit/(loss) before gains or losses on certain investments and fixed assets	**372,224**	**657,142**	**142,843**	**75,010**	**(197,748)**	**1,049,471**
Net (loss)/gain on disposal of and fair value adjustment on investment properties, premises and other fixed assets	**(359)**	**(2)**	**–**	**(140)**	**77,671**	**77,170**
Net loss on disposal of investments in securities	**–**	**–**	**(192,598)**	**(6,301)**	**–**	**(198,899)**
Share of results of an associate	**–**	**–**	**–**	**249,001**	**–**	**249,001**
Share of results of jointly controlled entities	**–**	**–**	**–**	**–**	**8,029**	**8,029**
Net gain on repurchase of subordinated notes	**–**	**–**	**–**	**–**	**82,784**	**82,784**
Profit/(loss) before income tax	**371,865**	**657,140**	**(49,755)**	**317,570**	**(29,264)**	**1,267,556**
Income tax (expense)/credit	**(57,704)**	**(110,384)**	**8,208**	**(14,323)**	**(19,331)**	**(193,534)**
Profit/(loss) after income tax	**314,161**	**546,756**	**(41,547)**	**303,247**	**(48,595)**	**1,074,022**
For the year ended 31 December 2010						
Depreciation and amortisation	**38,850**	**11,784**	**14,716**	**51,696**	**17,049**	**134,095**
As at 31 December 2010						
Segment assets	**26,616,109**	**35,878,097**	**47,658,498**	**19,626,090**	**2,059,882**	**131,838,676**
Segment liabilities	**61,005,220**	**16,086,411**	**16,362,311**	**15,792,272**	**9,046,513**	**118,292,727**

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)	852,694	884,942	396,663	239,432	(238,977)	2,134,754
– 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 investments 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 notes	–	–	–	–	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)

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.

HK$'000	**Hong Kong and Others**	**Macau**	**Inter-segment elimination**	**Total**
For the year ended 31 December 2010				
Operating income	**2,195,456**	**230,563**	**(343)**	**2,425,676**
Profit before income tax	**1,228,456**	**39,100**	**–**	**1,267,556**
As at 31 December 2010				
Total assets	**121,166,525**	**12,534,560**	**(1,862,409)**	**131,838,676**
Total liabilities	**109,547,782**	**10,607,354**	**(1,862,409)**	**118,292,727**
Intangible assets and goodwill	**318,667**	**581,459**	**–**	**900,126**
Contingent liabilities and commitments	**52,309,393**	**1,898,534**	**–**	**54,207,927**

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

5. Net interest income

HK$'000	**2010**	2009
Interest income		
Cash and balances with banks	**118,527**	131,632
Investments in securities	**546,191**	683,506
Advances to customers and banks	**2,091,087**	2,204,848
Others	**11**	136
	2,755,816	3,020,122
Interest expense		
Deposits from banks/Deposits from customers	**664,367**	607,143
Certificates of deposit issued	**18,355**	42,663
Issued debt securities	**9,478**	90,611
Subordinated notes	**89,953**	102,216
Others	**18,131**	42,735
	800,284	885,368
Included within interest income		
Interest income on listed investments	**426,261**	422,892
Interest income on unlisted investments	**119,930**	260,614
	546,191	683,506
Interest income on financial assets not at fair value through profit or loss	**2,802,913**	2,935,812
Interest income on impaired assets	**11,679**	15,429
Included within interest expense		
Interest expenses on financial liabilities not at fair value through profit or loss	**647,334**	712,851

6. Net fee and commission income

HK$'000	**2010**	2009
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	**88,127**	73,394
– Trade finance	**38,997**	38,066
– Credit card	**251,804**	209,743
Other fee and commission income		
– Securities brokerage and investment services	**49,827**	46,569
– Insurance distribution and others	**33,544**	33,003
– Retail investment funds and fiduciary services	**13,092**	9,337
– Other fees	**81,198**	66,731
	556,589	476,843
Fee and commission expense		
Fee and commission expense from financial assets and liabilities not at fair value through profit or loss		
– Handling fees and commission	**157,402**	115,672
– Other fees paid	**11,715**	12,890
	169,117	128,562

7. Net trading income/(loss)

HK$'000	**2010**	2009
Net gain arising from dealing in foreign currencies	**266,204**	159,615
Net gain/(loss) from trading securities	**99**	(2,369)
Net (loss)/gain from derivatives entered into for trading purpose	**(82,926)**	2,065
Net loss arising from financial instruments subject to fair value hedge	**(58,620)**	(60,476)
Net loss arising from financial instruments designated at fair value through profit or loss	**(74,975)**	(273,761)
	49,782	(174,926)

8. Other operating income

HK$'000	**2010**	2009
Dividend income from investments in available-for-sale securities		
– Listed investments	**946**	970
– Unlisted investments	**5,394**	4,803
Gross rental income from investment properties	**12,198**	8,424
Other rental income	**5,331**	5,752
Others	**9,021**	8,003
	32,890	27,952

9. Operating expenses

HK$'000	**2010**	2009
Employee compensation and benefit expenses (including directors' remuneration)	**823,270**	753,549
Premises and other fixed assets expenses, excluding depreciation	**170,255**	163,157
Depreciation	**112,099**	97,671
Advertising and promotion costs	**89,446**	60,632
Amortisation expenses of intangible assets	**21,996**	16,443
Auditors' remuneration	**5,780**	5,780
Others (Note)	**55,572**	628,893
	1,278,418	1,726,125

Note:

A substantial portion of operating expenses included in "Others" in 2009 was expenses and provisions incurred on Lehman Brothers related products in relation to the repurchase schemes and settlement arrangements agreed with customers in 2009.

10. Loan impairment losses and other credit provisions

HK$'000	2010	2009
Loan impairment losses		
Advances to customers	**21,477**	408,925
Advances to banks	**(155)**	155
Accrued interest and other accounts	**–**	639
	21,322	409,719
Net charge of impairment losses on advances and other accounts		
– Individually assessed	**1,556**	176,416
– Collectively assessed	**19,766**	233,303
	21,322	409,719
Of which		
– new allowances (including amounts directly written off in the year)	**181,793**	681,034
– releases	**(90,277)**	(207,391)
– recoveries	**(70,194)**	(63,924)
	21,322	409,719
Other credit provisions		
Individual impairment losses on:		
– Investment in securities included in the loans and receivables category	**76,465**	17,941
	76,465	17,941
Net charge to income statement	**97,787**	427,660

11. Net (loss)/gain on disposal and revaluation of premises and other fixed assets

HK$'000	2010	2009
Deficit (charged)/recovered on revaluation of premises	**(161)**	1,453
Net gain from disposal of premises	**2,409**	1,463
Net loss from disposal of other fixed assets	**(2,348)**	(165)
	(100)	2,751

12. Net gain on disposal of and fair value adjustment on investment properties

HK$'000	2010	2009
Net gain from fair value adjustment on investment properties	**74,726**	75,016
Net gain from disposal of investment properties	**2,544**	3,290
	77,270	78,306

13. Net (loss)/gain on disposal and repurchase of other financial instruments

HK$'000	**2010**	2009
Net gain on repurchase of subordinated notes (Note (a))	**82,784**	243,983
Net loss on disposal of investments in securities included in the loans and receivables category	**(136,530)**	–
Net loss on disposal of a held-to-maturity security (Note (b))	**(65,837)**	–
	(119,583)	243,983

Note:

(a) During 2010 and 2009, the Group, after receiving the prior consent of the Hong Kong Monetary Authority ("HKMA"), repurchased a total of US$75 million (2009: US$70 million) notional principal value of the Perpetual Subordinated Fixed Rate Notes issued by the Bank on 16 February 2007 (the "Notes") at a discount. Notional contract amount of the associated interest rate swap totalling US$75 million (2009: 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 realised 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 the Bank, were cancelled and de-recognised as the Bank's liability and also supplementary capital upon the completion of the purchase in 2010 and 2009.

(b) The disposal was made pursuant to the acceptance by the Group of an offer made by the issuer of the security to redeem the security at a discount.

14. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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% (2009: 16.5%).

HK$'000	**2010**	2009
Current income tax:		
– Hong Kong profits tax	**129,552**	80,945
– Overseas taxation	**13,723**	11,422
– Under/(over) provision in prior years	**3,781**	(2,304)
Deferred income tax:		
– Origination and reversal of temporary differences	**46,478**	(7,274)
	193,534	82,789

15. Basic and diluted earnings per share

The calculation of basic earnings per share and fully diluted earnings per share for 2010 is based on earnings of HK$1,074,110,000 and the weighted average number of 1,162,588,278 ordinary shares in issue during 2010.

The calculation of basic earnings per share and fully diluted earnings per share for 2009 is based on earnings of HK$600,826,000 and the restated weighted average number of 1,043,356,994 ordinary shares in issue during 2009 after adjusting for the effects of the rights issue of the Company completed in December 2010.

The share options outstanding during the years ended 31 December 2010 and 31 December 2009 have no dilutive effect on the weighted average number of ordinary shares.

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

HK$'000	**As at 31 Dec 2010**	As at 31 Dec 2009
Trading securities:		
Debt securities:		
– Listed in Hong Kong	**781,231**	1,051,938
– Unlisted	**4,581,724**	4,543,378
Total trading securities	**5,362,955**	5,595,316
Financial assets designated at fair value through profit or loss:		
Debt securities:		
– Listed outside Hong Kong	**1,377**	11,232
Total trading securities and financial assets designated at fair value through profit or loss	**5,364,332**	5,606,548
Included within debt securities are:		
– Government bonds included in trading securities	**5,354,258**	5,570,751
– Other debt securities	**10,074**	35,797
	5,364,332	5,606,548

As at 31 December 2010 and 2009, there were no certificates of deposit held included in the above balances of investments in debt securities.

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 2010	As at 31 Dec 2009
– Central governments and central banks	**5,354,258**	5,570,751
– Public sector entities	**4,114**	3,706
– Banks and other financial institutions	**4,583**	20,859
– Corporate entities	**1,377**	11,232
	5,364,332	5,606,548

17. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2010 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	**49,623,010**	**264,539**	**(114,276)**
Currency swaps	**189,434**	**–**	**(21,773)**
Currency options purchased and written	**389,362**	**1,225**	**(1,218)**
b) *Interest rate derivatives*			
Interest rate futures	**8,161,965**	**533**	**(4,992)**
Interest rate swaps	**5,858,913**	**18,595**	**(142,617)**
c) *Equity derivatives*			
Equity options purchased and written	**2,809**	**43**	**(43)**
Total derivative assets/(liabilities) held for trading	**64,225,493**	**284,935**	**(284,919)**
2) Derivatives held for hedging			
a) *Derivatives designated as fair value hedges*			
Interest rate swaps	**14,132,574**	**149,620**	**(1,000,466)**
Total derivative assets/(liabilities) held for hedging	**14,132,574**	**149,620**	**(1,000,466)**
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	**395,603**	**112,779**	**–**
Interest rate swaps	**1,235,995**	**76,880**	**–**
Total derivative assets not qualified as hedges	**1,631,598**	**189,659**	**–**
Total recognised derivative financial assets/(liabilities)	**79,989,665**	**624,214**	**(1,285,385)**

17. Derivative financial instruments (Continued)

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 futures	–	–	–
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)

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 2010**	As at 31 Dec 2009
Derivatives		
Exchange rate contracts	**417,812**	460,239
Interest rate contracts	**155,217**	200,384
Other contracts	**92**	1,979
	573,121	662,602

The contract amounts of these instruments indicate the volume of transactions outstanding as at the end of the reporting period, 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 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 2010**	As at 31 Dec 2009
Gross advances to customers	**72,748,988**	57,165,159
Gross advances to banks	**–**	150,000
	72,748,988	57,315,159
Other assets	**2,024,277**	1,544,674
Less: Impairment allowances		
– Individually assessed	**(92,044)**	(317,017)
– Collectively assessed	**(303,693)**	(358,212)
	(395,737)	(675,229)
Investments in securities included in the loans and receivables category (Note 19)	**7,717,760**	8,799,348
Advances and other accounts	**82,095,288**	66,983,952

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 2010		As at 31 Dec 2009	
	Outstanding balance	**% of gross advances**	Outstanding balance	% of gross advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	**646,018**	**0.9**	611,218	1.1
– Property investment	**14,418,054**	**19.8**	11,209,001	19.6
– Financial concerns	**596,330**	**0.8**	333,243	0.6
– Stockbrokers	**116,122**	**0.2**	52,265	0.1
– Wholesale and retail trade	**1,026,092**	**1.4**	1,001,216	1.8
– Manufacturing	**725,323**	**1.0**	657,570	1.1
– Transport and transport equipment	**4,173,376**	**5.8**	3,207,328	5.6
– Recreational activities	**246,262**	**0.3**	157,565	0.3
– Information technology	**2,721**	**–**	902	–
– Others	**2,592,101**	**3.6**	1,847,970	3.2
	24,542,399	**33.8**	19,078,278	33.4
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,264,406**	**1.7**	1,398,373	2.5
– Loans for the purchase of other residential properties	**10,790,753**	**14.8**	10,462,174	18.3
– Credit card advances	**3,654,569**	**5.0**	3,173,620	5.6
– Others	**8,572,323**	**11.8**	6,510,864	11.3
	24,282,051	**33.3**	21,545,031	37.7
Loans for use in Hong Kong	**48,824,450**	**67.1**	40,623,309	71.1
Trade finance (Note (a))	**4,042,434**	**5.6**	3,136,776	5.5
Loans for use outside Hong Kong (Note (b))	**19,882,104**	**27.3**	13,405,074	23.4
	72,748,988	**100.0**	57,165,159	100.0

Note:

(a) Trade finance shown above represents loans covering finance of imports to Hong Kong, exports and re-exports from Hong Kong and merchandising trade classified with reference to the relevant guidelines issued by the HKMA.

Trade financing loans not involving Hong Kong totalling HK$505,818,000 (2009: HK$144,756,000) are classified under Loans for use outside Hong Kong.

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

18. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets

Apart from the investments in certain securities included in the loans and receivables category described in Note 19, other assets of HK$639,000 (31 December 2009: HK$639,000) against which full individual impairment had been made, and advances to customers (as set out below), there were no advances to banks or other assets which were individually impaired, overdue for over 3 months or rescheduled as at 31 December 2010 and 2009. In respect of advances to customers, the relevant amounts are analysed below:

(i) Impaired loans

	As at 31 Dec 2010	As at 31 Dec 2009
Impaired loans and advances		
– Individually impaired (Note (a))	**169,261**	529,399
– Collectively impaired (Note (b))	**13,181**	17,767
	182,442	547,166
Impairment allowances made		
– Individually assessed (Note (c))	**(91,405)**	(316,378)
– Collectively assessed (Note (b))	**(12,554)**	(16,941)
	(103,959)	(333,319)
	78,483	213,847
Fair value of collaterals held*	**84,547**	215,514
Impaired loans and advances as a % of total loans and advances to customers	**0.25%**	0.96%

* 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.

18. Advances and other accounts (Continued)

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

(ii) Overdue loans

	As at 31 Dec 2010	**% of total advances to customers**	As at 31 Dec 2009	% of total advances to customers
Gross advances to customers which have been overdue for:				
– six months or less but over three months	**69,776**	**0.10**	102,346	0.18
– one year or less but over six months	**22,615**	**0.03**	185,079	0.32
– over one year	**116,304**	**0.16**	267,141	0.47
	208,695	**0.29**	554,566	0.97
Market value of collateral held against the secured overdue advances	**185,117**		350,867	
Secured overdue advances	**129,463**		256,960	
Unsecured overdue advances	**79,232**		297,606	
Individual impairment allowances	**71,569**		282,455	

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

	As at 31 Dec 2010	**% of total advances to customers**	As at 31 Dec 2009	% of total advances to customers
Advances to customers	**198,105**	**0.27**	236,637	0.41
Impairment allowances	**6,812**		24,242	

(c) Repossessed collateral

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

	As at 31 Dec 2010	As at 31 Dec 2009
Nature of assets		
– Repossessed properties	**5,820**	49,109
– Others	**2,695**	8,240
	8,515	57,349

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

HK$'000	**As at 31 Dec 2010**	As at 31 Dec 2009
Investments in securities reclassified from the available-for-sale category		
– At fair value under fair value hedge (for hedging interest rate risk)	**5,289,027**	6,509,995
– At amortised cost	**2,080,910**	1,989,010
	7,369,937	8,499,005
Individual impairment allowances	**(78,221)**	(1,893)
	7,291,716	8,497,112
Investments in securities classified as loan and receivables upon initial recognition	**426,044**	302,236
	7,717,760	8,799,348

The individual impairment allowances were made in respect of an investment in a security with a carrying value of HK$96,672,000 as at 31 December 2010 (2009: HK$102,758,000) which was assessed as individually impaired since 31 December 2009.

Investments in securities classified as loans and receivables upon initial recognition were overdue at the time of recognition. As at 31 December 2010 and 2009, these investments were overdue for more than one year.

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

	As at 31 Dec 2010	As at 31 Dec 2009
Debt securities:		
– Listed in Hong Kong	**737,579**	945,484
– Listed outside Hong Kong	**6,522,236**	6,319,540
– Unlisted	**536,166**	1,536,217
	7,795,981	8,801,241
Less: individual impairment allowances	**(78,221)**	(1,893)
	7,717,760	8,799,348
Market value of listed securities	**6,636,402**	6,415,120

As at 31 December 2010 and 2009, there were no certificates of deposit held included in the above balances of investments in debt securities.

	As at 31 Dec 2010	As at 31 Dec 2009
Investments in securities included in the loans and receivables category are analysed by categories of issuers as follows:		
– Banks and other financial institutions	**4,127,967**	4,729,417
– Corporate entities	**3,668,014**	4,071,824
	7,795,981	8,801,241

20. Available-for-sale securities

HK$'000	**As at 31 Dec 2010**	As at 31 Dec 2009
Debt securities:		
– Listed in Hong Kong	**5,759,973**	381,931
– Listed outside Hong Kong	**5,288,174**	4,298,062
– Unlisted	**5,968,831**	7,231,327
	17,016,978	11,911,320
Equity securities:		
– Listed in Hong Kong	**867**	646
– Listed outside Hong Kong	**80,019**	70,804
– Unlisted	**127,798**	103,408
	208,684	174,858
Total available-for-sale securities	**17,225,662**	12,086,178
Included within debt securities are:		
– Certificates of deposit held	**47,205**	–
– Other debt securities	**16,969,773**	11,911,320
	17,016,978	11,911,320

	As at 31 Dec 2010	As at 31 Dec 2009
Available-for-sale securities are analysed by categories of issuers as follows:		
– Central governments and central banks	**9,530,291**	2,841,211
– Public sector entities	**88,278**	426,487
– Banks and other financial institutions	**3,221,041**	4,585,024
– Corporate entities	**4,384,524**	4,231,928
– Others	**1,528**	1,528
	17,225,662	12,086,178

21. Held-to-maturity securities

HK$'000	**As at 31 Dec 2010**	As at 31 Dec 2009
Debt securities		
– Listed in Hong Kong	**193,973**	193,414
– Listed outside Hong Kong	**6,643,580**	6,114,930
– Unlisted	**2,039,019**	2,290,064
	8,876,572	8,598,408
Market value of listed securities	**6,641,001**	5,846,622

As at 31 December 2010 and 2009, there were no certificates of deposit held included in the above balances of investments in debt securities.

	As at 31 Dec 2010	As at 31 Dec 2009
Held-to-maturity securities are analysed by issuer as follows:		
– Central governments and central banks	**1,494,925**	1,100,627
– Public sector entities	**193,973**	193,414
– Banks and other financial institutions	**4,911,485**	5,178,356
– Corporate entities	**2,276,189**	2,126,011
	8,876,572	8,598,408

22. Reserves

HK$'000	**As at 31 Dec 2010**	As at 31 Dec 2009
Reserves		
Share premium	**4,241,183**	3,351,776
Consolidation reserve	**(220,986)**	(220,986)
Premises revaluation reserve	**1,328,869**	953,217
Investment revaluation reserve	**(887,414)**	(1,159,862)
Exchange reserve	**138,836**	65,140
General reserve	**700,254**	700,254
Retained earnings	**7,004,801**	5,972,342
	12,305,543	9,661,881
Proposed final dividends included in retained earnings	**244,587**	–

The Group's Hong Kong banking subsidiaries, Dah Sing Bank, Limited ("DSB") and Mevas Bank Limited ("Mevas"), are required to maintain minimum impairment provisions in excess of those required under HKFRS. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes. The regulatory reserve restricts the amount of reserves which can be distributed to shareholders. Movements in the regulatory reserve are made directly through equity reserve and in consultation with the HKMA.

As at 31 December 2010, DSB has earmarked a regulatory reserve of HK$538,474,000 (2009: HK$305,774,000) in its consolidated general reserve. Mevas has earmarked a regulatory reserve of HK$3,701,000 (2009: HK$18,343,000) in its retained profits.

23. Contingent liabilities and commitments

HK$'000

(a) Capital commitments

Capital expenditure at the end of reporting date but not yet incurred is as follows:

	As at 31 Dec 2010	As at 31 Dec 2009
Expenditure		
– Authorised but not contracted for	**1,047**	97
– Contracted but not provided for	**114,875**	92,823
	115,922	92,920

(b) Credit commitments

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

	Contract amount	
	As at 31 Dec 2010	As at 31 Dec 2009
Direct credit substitutes	**406,247**	628,899
Transaction related contingencies	**37,977**	14,104
Trade-related contingencies	**854,486**	536,962
Commitments that are unconditionally cancellable without prior notice	**44,732,958**	32,030,819
Other commitments with an original maturity of:		
– under 1 year	**4,267,809**	3,859,558
– 1 year and over	**1,685,241**	933,340
Forward forward deposits placed	**6,982**	61,508
	51,991,700	38,065,190

	Credit risk weighted amount	
	As at 31 Dec 2010	As at 31 Dec 2009
Contingent liabilities and commitments	**1,746,053**	1,459,809

23. Contingent liabilities and commitments (Continued)

(c) Assets pledged

Exchange Fund debts pledged with the HKMA to facilitate the Group's trading and market-marking activities in Exchange Fund debts are as follows:

	As at 31 Dec 2010	As at 31 Dec 2009
Trading securities	**1,686,155**	4,689,792
Available-for-sale securities	**61,989**	684,429
	1,748,144	5,374,221

Non-government bonds pledged with unrelated financial institutions under repurchase agreements are as follows:

	As at 31 Dec 2010	As at 31 Dec 2009
Available-for-sale securities	**–**	97,547
Held-to-maturity securities	**–**	148,065
Investments in securities included in the loans and receivables category	**85,152**	93,603
	85,152	339,215

(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 2010	As at 31 Dec 2009
Not later than 1 year	**91,499**	88,794
Later than 1 year and not later than 5 years	**112,212**	113,410
Later than 5 years	**63,298**	33,392
	267,009	235,596

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 2010	As at 31 Dec 2009
Not later than 1 year	**15,079**	14,544
Later than 1 year and not later than 5 years	**20,621**	840
	35,700	15,384

24. Cross-border claims

Equivalent in HK$ millions

	As at 31 Dec 2010			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Hong Kong	**14,008**	**93**	**8,918**	**23,019**
North and South America	**313**	**–**	**3,120**	**3,433**
Europe	**5,040**	**89**	**2,813**	**7,942**
	19,361	**182**	**14,851**	**34,394**

	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

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.

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 2010		As at 31 Dec 2009	
	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	**646,018**	**39.2**	611,218	65.0
– Property investment	**14,418,054**	**94.7**	11,209,001	89.2
– Financial concerns	**596,330**	**47.9**	333,243	47.7
– Stockbrokers	**116,122**	**62.1**	52,265	100.0
– Wholesale and retail trade	**1,026,092**	**95.1**	1,001,216	96.3
– Manufacturing	**725,323**	**94.7**	657,570	86.9
– Transport and transport equipment	**4,173,376**	**96.3**	3,207,328	97.4
– Recreational activities	**246,262**	**–**	157,565	–
– Information technology	**2,721**	**78.8**	902	42.2
– Others	**2,592,101**	**96.2**	1,847,970	92.7
	24,542,399	**91.5**	19,078,278	89.0
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,264,406**	**100.0**	1,398,373	100.0
– Loans for the purchase of other residential properties	**10,790,753**	**99.9**	10,462,174	99.9
– Credit card advances	**3,654,569**	**–**	3,173,620	–
– Others	**8,572,323**	**67.6**	6,510,864	62.9
	24,282,051	**73.5**	21,545,031	74.0
Loans for use in Hong Kong	**48,824,450**	**82.5**	40,623,309	81.0
Trade finance	**4,042,434**	**63.4**	3,136,776	68.4
Loans for use outside Hong Kong	**19,882,104**	**72.9**	13,405,074	83.3
	72,748,988	**78.8**	57,165,159	80.9

The loan outstanding balances reported above are audited information, and are the same as those balances 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 2010				
	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	**14,418,054**	**–**	**–**	**–**	**50,394**
Individuals					
– Loans for the purchase of other residential properties	**10,790,753**	**1,520**	**893**	**104**	**5,930**

	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

1. Advances to customers (Continued)

(b) Non-bank Mainland exposures

	As at 31 Dec 2010			
Type of counterparties	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Total**	**Individually assessed impairment allowances**
Mainland entities	**5,574,796**	**215,605**	**5,790,401**	**5,418**
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	**8,549,542**	**458,733**	**9,008,275**	**35,582**
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	**197,026**	**–**	**197,026**	**–**

	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	–

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

1. Advances to customers (Continued)

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

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

The following table analyses gross advances to customers, individually impaired advances to customers and overdue advances to customers by geographical area.

As at 31 Dec 2010	**Gross advances to customers**	**Individually impaired advances to customers**	**Overdue advances to customers**
Hong Kong	**61,040,284**	**133,302**	**152,686**
China	**3,859,451**	**6,364**	**1,770**
Macau	**6,699,625**	**24,422**	**42,352**
Others	**1,149,628**	**5,173**	**11,887**
	72,748,988	**169,261**	**208,695**

As at 31 Dec 2009	Gross advances to customers	Individually impaired advances to customers	Overdue advances to customers
Hong Kong	48,779,171	477,443	501,569
China	1,479,379	5,832	3,307
Macau	6,151,486	40,921	44,487
Others	755,123	5,203	5,203
	57,165,159	529,399	554,566

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 2010 and the corresponding comparative balances.

At 31 Dec 2010	**USD**	**CNY**	**MOP**
Spot assets	**28,966**	**12,354**	**4,176**
Spot liabilities	**(21,425)**	**(12,043)**	**(5,628)**
Forward purchases	**22,551**	**255**	**–**
Forward sales	**(29,492)**	**(285)**	**–**
Net long/(short) position	**600**	**281**	**(1,452)**
Net structural position	**–**	**118**	**–**

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	–

3. Capital adequacy ratio

	As at 31 Dec 2010	As at 31 Dec 2009
Capital adequacy ratio		
– Core	**10.2%**	10.2%
– Overall	**16.3%**	16.8%

The capital adequacy ratio represents the combined ratio of the consolidated position of DSB (covering Banco Comercial de Macau, S.A. ("BCM") and Dah Sing Bank (China) Limited, ("DSB China")), MEVAS and D.A.H. Hambros Bank (Channel Islands) Limited 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. BCM 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 2010**	As at 31 Dec 2009
Core capital		
Paid up ordinary share capital	**4,007,749**	4,007,749
Share premium	**55,519**	55,519
Reserves	**5,776,580**	5,054,929
Less: goodwill	**(811,690)**	(811,690)
Less: other intangible assets	**(88,436)**	(140,432)
Less: net deferred tax assets	**(4,648)**	(4,830)
	8,935,074	8,161,245
Less: 50% of total amount of deductible items	**(454,103)**	(453,449)
Core capital	**8,480,971**	7,707,796
Supplementary capital		
Reserves on revaluation of holding of land and building	**238,403**	237,355
Eligible amount of collective impairment allowances for impaired assets and regulatory reserve	**845,869**	682,329
Revaluation reserve for available-for-sale investments	**514**	741
Perpetual subordinated debt	**427,532**	1,008,137
Term subordinated debt	**4,079,467**	3,488,193
Total Supplementary capital	**5,591,785**	5,416,755
Eligible amount of supplementary capital	**5,591,785**	5,416,755
Less: 50% of total amount of deductible items	**(454,104)**	(453,449)
Supplementary capital	**5,137,681**	4,963,306
Total capital base	**13,618,652**	12,671,102

The Company raised HK$1 billion from its shareholders in its rights issue concluded in December 2010. This sum of new equity raised from the rights issue was not yet injected to the Company's banking subsidiaries as of 31 December 2010, and therefore does not form part of the capital base of the Company's banking subsidiaries as shown above.

4. Liquidity ratio

	2010	2009
Liquidity ratio	**45.7%**	57.3%

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

	2010	2009
Net interest income/operating income	**80.6%**	91.4%
Cost to income ratio	**52.7%**	73.9%
Loan to deposit (including certificates of deposit) ratio	**71.3%**	62.4%
Return on average total assets	**0.9%**	0.5%
Return on average shareholders' funds	**8.8%**	6.3%
Net interest margin	**1.68%**	1.95%

FINAL DIVIDENDS

At the forthcoming annual general meeting of the Company to be held on Friday, 27 May 2011, the Directors will propose a final dividend of HK$0.2 per share for 2010 to Shareholders whose names are on the Register of Shareholders as at the close of business on Friday, 27 May 2011. Dividend warrants will be sent to Shareholders by ordinary mail on or about Tuesday, 31 May 2011.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders will be closed from Friday, 20 May 2011 to Friday, 27 May 2011, both days inclusive. In order to qualify for the final dividend, 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, 19 May 2011.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

2010 was a year of recovery from the aftermath of the global financial tsunami. With the benefit of robust economic growth in Hong Kong and Mainland China, loan demand was strong, liquidity in the market was ample and credit costs were benign. Against a more favourable economic backdrop, our performance in 2010 was much stronger than in 2009. Our businesses in Hong Kong and Macau enjoyed steady growth during the year. The growth of our business in China, including both our own banking subsidiary and our associated company, Bank of Chongqing ("BOCQ"), was particularly robust, thanks to the strong economic performance of China during the year.

In 2010, loan growth in our banking businesses was rapid, with loan balances increasing by 27% relative to the end of 2009, and credit quality improved, with an impaired loan ratio of 0.25%. To fund the strong loan growth, we also made efforts to increase our deposit balances, and achieved growth of 11% in customer deposits year on year. As a result of more rapid growth in loans than deposits, our loan-to-deposit ratio (including certificates of deposit issued) increased from 62.4% to 71.3% during the year.

We have devoted effort not only to grow our business volumes, but also to improve the quality of our services, design of our products and to ensure compliance with the more stringent post-crisis regulatory requirements during the year. Our efforts in 2010 were rewarded, with profit attributable to shareholders increasing from HK$601 million to HK$1,074 million, an increase of 79%.

BOCQ reported strong performance in 2010 and its contribution to our profit increased substantially from HK$196 million to HK$249 million, an increase of 27%.

To help fund our business growth and strengthen our shareholders' equity, the Company completed its rights issues in December 2010, raising new capital of HK$1 billion (the "Rights Issues").

The Core Tier 1 capital adequacy and total capital adequacy ratios of the Company's banking business stood at levels largely similar to those at the end of 2009, as the new equity raised by the Rights Issue had not yet been injected by the Company to its banking subsidiaries as additional regulatory capital at the end of 2010. Our Core Tier 1 capital adequacy and total capital adequacy ratios were 10.2% and 16.3% respectively as at 31 December 2010, not including the proceeds of the Rights Issue, which will be injected into Dah Sing Bank during 2011.

BUSINESS AND FINANCIAL REVIEW

Net interest income reduced mildly by about 8% from HK$2,135 million to HK$1,956 million, as a result of a narrowing in the net interest margin from 1.95% in 2009 to 1.68% in 2010. The adverse impact of the margin contraction was substantially mitigated by a 27% growth in loans to customers during the year. Net interest margin was lower than 2009 due to intense competitive pressure on loan pricing, higher deposit costs in the second half of 2010 due to the maintenance of relatively high levels of liquidity and lower yields for short-term liquid assets during the year.

Net fee and commission income increased by 11% to HK$387 million in 2010, mainly driven by the higher volume of lending business. Net trading income also improved substantially from a net loss of HK$175 million to a profit of HK$50 million.

BUSINESS AND FINANCIAL REVIEW (Continued)

Loan impairment losses and other credit provisions reduced significantly from HK$428 million to HK$98 million, down by 77%. Impairment costs were low in 2010 as a result of improvement in credit quality for both of our commercial and retail banking businesses, and we also benefited from the write-back of individual impairment charges in the year.

Total operating expenses were down by 26%, mainly due to the absence of further provision charges relating to the repurchases of Lehman related retail investment products from our customers, and effective cost control during the year. Although the costs for business development in China increased, we have improved our operational efficiency since late 2008, which enabled us to keep a tight control on our core operating costs.

BOCQ continued to perform strongly in 2010 and therefore its contribution to our profit increased substantially. The share of net profit from BOCQ attributable to our 20% shareholding interest increased from HK$196 million to HK$249 million, an increase of 27%.

Dah Sing Bank's wholly owned subsidiary, Dah Sing Bank (China) Limited ("DSB China"), now operates in four cities in China, with a network comprising the Shenzhen headquarters, Shanghai branch, Nanchang branch and Zhenjiang branch. We are expecting the new Guangzhou branch to open in the first half of 2011 whilst the opening of other branches is under active consideration. Notwithstanding its relatively small profit contribution to the Group at present, DSB China's growth momentum, both of loan volumes and deposits in 2010, gives us confidence in its potential in the future.

For prudent capital management, we issued US$225 million Lower Tier 2 10-year subordinated bond in the first quarter of 2010, and called the entire previously issued US$150 million Lower Tier 2 subordinated debt, which was callable in May 2010.

PROSPECTS

2010 was a year of global recovery from the unprecedented financial tsunami that had threatened international financial stability. Although Asia, particularly China, appeared resilient, there were still many issues facing economies in other parts of the world around the end of 2010. The post-crisis regulatory environment has become much more stringent, with further regulatory changes expected in coming years. Although we do not see immediate major problems ahead for the economy in the Greater China Region, there are a number of challenges such as continuing market volatility, rising inflation and the timing of the increases in interest rates, which may result in moderating the growth of the global economy.

However, we see attractive prospects from the continuing economic development of the Mainland, together with the closer economic interaction and cooperation between Hong Kong, Macau and Guangdong province. Hong Kong is already developing rapidly as an offshore RMB centre, with increasing cross border trade flows denominated in RMB, as well as increasing pools of RMB liquidity building in Hong Kong. We are optimistic that this economic development, closer regional cooperation, and offshore RMB business will continue to increase, and that this will bring opportunities to the banking sector in Hong Kong.

We are geographically well situated, with business and branch network coverage in Hong Kong, Macau and Guangdong province. We shall continue to upgrade our services and products to our customers in the region, enhance the quality and skills of our staff, and further strengthen our information technology and risk management capabilities, all of which are crucial to creating value to our shareholders and customers, and are consistent with our strategy of "Growing with the Asian Region".

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 2010.

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 2010, 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 2010.

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 2010.

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 and Harold Tsu-Hing Wong as Executive Directors; Messrs. Kazutake Kobayashi and Frederic Suet-Chiu Lau as Non-executive Directors; Messrs. John William Simpson, David Richard Hinde, Robert Tsai-To Sze, Andrew Kwan-Yuen Leung, Seng-Lee Chan and Lon Dounn (Lonnie Dounn) as Independent Non-executive Directors.

By Order of the Board
H L Soo
Company Secretary

Hong Kong, Wednesday, 23 March 2011

Website: http://www.dahsing.com