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 2011 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 2011.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

HK$'000	Note	**2011**	2010	Variance %
Interest income		**3,312,848**	2,755,816	
Interest expense		**(1,393,614)**	(800,284)	
Net interest income	5	**1,919,234**	1,955,532	-1.9
Fee and commission income		**633,326**	556,589	
Fee and commission expense		**(216,630)**	(169,117)	
Net fee and commission income	6	**416,696**	387,472	7.5
Net trading income	7	**132,004**	49,782	
Other operating income	8	**37,466**	32,890	
Operating income		**2,505,400**	2,425,676	3.3
Operating expenses	9	**(1,527,126)**	(1,278,418)	19.5
Operating profit before impairment losses		**978,274**	1,147,258	-14.7
Loan impairment losses and other credit provisions	10	**(181,082)**	(97,787)	85.2
Operating profit after impairment losses		**797,192**	1,049,471	
Net loss on disposal and revaluation of premises and other fixed assets	11	**(1,179)**	(100)	
Net gain on disposal of and fair value adjustment on investment properties	12	**93,159**	77,270	
Net loss on disposal and repurchase of financial instruments	13	**(28,175)**	(116,115)	
Share of results of an associate		**353,404**	249,001	
Share of results of jointly controlled entities		**12,687**	8,029	
Profit before income tax		**1,227,088**	1,267,556	-3.2
Income tax expense	14	**(149,522)**	(193,534)	
Profit for the year		**1,077,566**	1,074,022	0.3
Profit for the year is apportioned as follows:				
– Loss attributable to non-controlling interests		**(734)**	(88)	
– Profit attributable to Shareholders of the Company		**1,078,300**	1,074,110	0.4
Dividends				
Interim dividend paid		**97,835**	77,823	
Proposed final dividend		**244,587**	244,587	
		342,422	322,410	
Earnings per share				
Basic	15	**HK$0.88**	HK$0.92	
Diluted	15	**HK$0.88**	HK$0.92	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

HK$'000	**2011**	2010
Profit of the year	**1,077,566**	1,074,022
Other comprehensive income for the year		
Investment in securities		
Fair value gains recognised in equity	**9,135**	226,777
Fair value (gain)/loss realised and transferred to income statement upon:		
– Disposal of available-for-sale securities	**(7,847)**	(3,468)
– Disposal of held-to-maturity securities and investments in securities included in the loans and receivables category which were previously reclassified from the available-for-sale category	**36,054**	120,803
Deferred income tax assets recognised/(released) on movements in investment revaluation reserve	**15,324**	(71,642)
	52,666	272,470
Premises		
Fair value gains recognised in equity	**528,319**	436,341
Deferred income tax liabilities recognised on fair value gains and disposal of premises	**(23,149)**	(24,517)
	505,170	411,824
Exchange differences arising on translation of the financial statements of foreign entities	**118,946**	73,738
Other comprehensive income for the year, net of tax	**676,782**	758,032
Total comprehensive income for the year, net of tax	**1,754,348**	1,832,054
Total comprehensive income for the year is apportioned as follows:		
– Comprehensive loss attributable to non-controlling interests	**(689)**	(24)
– Comprehensive income attributable to Shareholders of the Company	**1,755,037**	1,832,078

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

HK$'000	Note	**2011**	2010
ASSETS			
Cash and balances with banks		**11,904,817**	8,741,123
Placements with banks maturing between one and twelve months		**5,164,914**	3,249,320
Trading securities	16	**5,406,176**	5,362,955
Financial assets designated at fair value through profit or loss	16	**8,776**	1,377
Derivative financial instruments	17	**639,631**	624,214
Advances and other accounts	18	**91,760,160**	82,095,288
Available-for-sale securities	20	**17,286,806**	17,225,662
Held-to-maturity securities	21	**8,171,987**	8,876,572
Investment in an associate		**1,961,365**	1,558,791
Investments in jointly controlled entities		**68,650**	60,248
Goodwill		**811,690**	811,690
Intangible assets		**73,883**	88,436
Premises and other fixed assets		**3,166,932**	2,418,339
Investment properties		**748,893**	718,913
Current income tax assets		**4,372**	342
Deferred income tax assets		**8,896**	5,406
Total assets		**147,187,948**	131,838,676
LIABILITIES			
Deposits from banks		**2,384,503**	1,523,547
Derivative financial instruments	17	**1,541,553**	1,285,385
Trading liabilities		**3,045,202**	4,700,893
Deposits from customers		**113,369,268**	97,280,942
Certificates of deposit issued		**3,164,067**	4,746,054
Issued debt securities		**2,718,320**	1,943,342
Subordinated notes		**3,697,610**	4,684,364
Other accounts and accruals		**2,189,983**	1,962,850
Current income tax liabilities		**27,156**	87,606
Deferred income tax liabilities		**93,689**	77,744
Total liabilities		**132,231,351**	118,292,727
EQUITY			
Non-controlling interests		**15,504**	17,471
Equity attributable to the Company's shareholders			
Share capital		**1,222,935**	1,222,935
Reserves	22	**13,473,571**	12,060,956
Proposed final dividend		**244,587**	244,587
Shareholders' funds		**14,941,093**	13,528,478
Total equity		**14,956,597**	13,545,949
Total equity and liabilities		**147,187,948**	131,838,676

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 2011 but is derived from those statutory financial statements. The consolidated financial statements of the Group for the year ended 31 December 2011 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 21 March 2012.

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, and 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 2011 consolidated financial statements are consistent with those used and described in the Group's annual audited financial statements for the year ended 31 December 2010.

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 2011 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 centralised cash management for deposit taking and lending, interest rate risk management, management of investment in securities and the overall funding of the Group.

- Overseas banking businesses include personal banking, 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 2011

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter-segment	Total
Net interest income/(expenses)	**876,561**	**616,468**	**246,998**	**388,200**	**(208,993)**	**–**	**1,919,234**
– external customers	**221,406**	**857,364**	**642,439**	**376,363**	**(178,338)**	**–**	**1,919,234**
– inter-segments	**655,155**	**(240,896)**	**(395,441)**	**11,837**	**(30,655)**	**–**	**–**
Non-interest income/(expenses)	**248,624**	**126,323**	**112,171**	**74,643**	**54,309**	**(29,904)**	**586,166**
Total operating income/(expenses)	**1,125,185**	**742,791**	**359,169**	**462,843**	**(154,684)**	**(29,904)**	**2,505,400**
Operating expenses	**(809,793)**	**(259,537)**	**(107,740)**	**(326,285)**	**(53,675)**	**29,904**	**(1,527,126)**
Operating profit/(loss) before impairment losses	**315,392**	**483,254**	**251,429**	**136,558**	**(208,359)**	**–**	**978,274**
Loan impairment losses and other credit provisions (charged)/written back	**(73,046)**	**43,815**	**(100,000)**	**(51,851)**	**–**	**–**	**(181,082)**
Operating profit/(loss) after impairment losses	**242,346**	**527,069**	**151,429**	**84,707**	**(208,359)**	**–**	**797,192**
Net (loss)/gain on disposal of and fair value adjustment on investment properties, premises and other fixed assets	**(11)**	**–**	**–**	**(177)**	**92,168**	**–**	**91,980**
Net loss on disposal of investments in securities	**–**	**–**	**(28,175)**	**–**	**–**	**–**	**(28,175)**
Share of results of an associate	**–**	**–**	**–**	**353,404**	**–**	**–**	**353,404**
Share of results of jointly controlled entities	**–**	**–**	**–**	**–**	**12,687**	**–**	**12,687**
Profit/(loss) before income tax	**242,335**	**527,069**	**123,254**	**437,934**	**(103,504)**	**–**	**1,227,088**
Income tax (expense)/credit	**(39,195)**	**(86,987)**	**(20,499)**	**(13,414)**	**10,573**	**–**	**(149,522)**
Profit/(loss) after income tax	**203,140**	**440,082**	**102,755**	**424,520**	**(92,931)**	**–**	**1,077,566**
For the year ended 31 December 2011							
Depreciation and amortisation	**54,110**	**19,469**	**12,283**	**48,751**	**21,499**	**–**	**156,112**
As at 31 December 2011							
Segment assets	**28,558,556**	**43,816,296**	**48,481,204**	**23,954,589**	**5,681,153**	**(3,303,850)**	**147,187,948**
Segment liabilities	**67,216,050**	**22,917,174**	**14,610,339**	**18,477,379**	**12,314,259**	**(3,303,850)**	**132,231,351**

4. Operating segment reporting (Continued)

For the year ended 31 December 2010

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter-segment	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	(6,636)	(26,005)	470,144
Total operating income/(expenses)	1,078,067	850,170	301,785	366,598	(144,939)	(26,005)	2,425,676
Operating expenses	(654,054)	(241,562)	(82,477)	(273,521)	(52,809)	26,005	(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) after impairment losses	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	20,460,700	5,807,460	(4,582,188)	131,838,676
Segment liabilities	61,005,220	16,086,411	16,362,311	15,792,272	13,628,701	(4,582,188)	118,292,727

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 2011				
Operating income	**2,275,074**	**230,669**	**(343)**	**2,505,400**
Profit before income tax	**1,167,508**	**59,580**	**–**	**1,227,088**
As at 31 December 2011				
Total assets	**135,044,208**	**13,731,520**	**(1,587,780)**	**147,187,948**
Total liabilities	**122,345,445**	**11,473,686**	**(1,587,780)**	**132,231,351**
Intangible assets and goodwill	**318,667**	**566,906**	**–**	**885,573**
Contingent liabilities and commitments	**58,998,608**	**1,953,302**	**–**	**60,951,910**

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

5. Net interest income

HK$'000	**2011**	2010
Interest income		
Cash and balances with banks	**336,652**	118,527
Investments in securities	**572,200**	546,191
Advances to customers and banks	**2,403,996**	2,091,087
Others	**–**	11
	3,312,848	2,755,816
Interest expense		
Deposits from banks/Deposits from customers	**1,222,296**	664,367
Certificates of deposit issued	**38,977**	18,355
Issued debt securities	**40,459**	9,478
Subordinated notes	**81,020**	89,953
Others	**10,862**	18,131
	1,393,614	800,284
Included within interest income		
Interest income on listed investments	**486,473**	426,261
Interest income on unlisted investments	**85,727**	119,930
	572,200	546,191
Interest income on financial assets not at fair value through profit or loss	**3,359,945**	2,802,913
Interest income on impaired assets	**9,296**	11,679
Included within interest expense		
Interest expenses on financial liabilities not at fair value through profit or loss	**1,227,964**	647,334

6. Net fee and commission income

HK$'000	**2011**	2010
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	**69,741**	88,127
– Trade finance	**44,327**	38,997
– Credit card	**286,611**	251,804
Other fee and commission income		
– Securities brokerage	**49,602**	46,100
– Insurance distribution and services	**41,971**	33,544
– Retail investment and wealth management services	**65,466**	16,819
– Other fees	**75,608**	81,198
	633,326	556,589
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	**203,833**	157,402
– Other fees paid	**12,797**	11,715
	216,630	169,117

7. Net trading income

HK$'000	2011	2010
Net gain arising from dealing in foreign currencies	**245,497**	266,204
Net gain on trading securities	**1,177**	99
Net loss from derivatives entered into for trading purpose	**(42,775)**	(82,926)
Net loss arising from financial instruments subject to fair value hedge	**(61,379)**	(58,620)
Net loss arising from financial instruments designated at fair value through profit or loss	**(10,516)**	(74,975)
	132,004	49,782

8. Other operating income

HK$'000	2011	2010
Dividend income from investments in available-for-sale securities		
– Listed investments	**2,389**	946
– Unlisted investments	**4,638**	5,394
Gross rental income from investment properties	**19,238**	12,198
Other rental income	**5,448**	5,331
Others	**5,753**	9,021
	37,466	32,890

9. Operating expenses

HK$'000	2011	2010
Employee compensation and benefit expenses (including directors' remuneration)	**935,532**	823,270
Premises and other fixed assets expenses, excluding depreciation	**188,361**	170,255
Depreciation	**141,559**	112,099
Advertising and promotion costs	**101,050**	89,446
Printing, stationery and postage	**65,239**	60,244
Amortisation expenses of intangible assets	**14,553**	21,996
Auditors' remuneration	**6,493**	5,780
Others (Note)	**74,339**	(4,672)
	1,527,126	1,278,418

Note:

Operating expenses included in "Others" were stated net of certain reversals of expenses and provisions previously incurred on Lehman Brothers related products.

10. Loan impairment losses and other credit provisions

HK$'000	**2011**	2010
Loan impairment losses		
Advances to customers	**81,082**	21,477
Advances to banks	**–**	(155)
	81,082	21,322
Net charge/(reversal) of impairment losses on advances and other accounts		
– Individually assessed	**108,772**	1,556
– Collectively assessed	**(27,690)**	19,766
	81,082	21,322
Of which		
– new and additional allowances (including amounts directly written off in the year)	**191,205**	181,793
– releases	**(35,389)**	(90,277)
– recoveries	**(74,734)**	(70,194)
	81,082	21,322
Other credit provisions		
Net charge of impairment losses on investment in securities included in the loans and receivables category		
– Individually assessed	**–**	76,465
– Collectively assessed	**100,000**	–
	100,000	76,465
Net charge to income statement	**181,082**	97,787

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

HK$'000	**2011**	2010
Deficit charged on revaluation of premises	**(991)**	(161)
Net gain on disposal of premises	**–**	2,409
Net loss from disposal of other fixed assets	**(188)**	(2,348)
	(1,179)	(100)

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

HK$'000	**2011**	2010
Net gain on fair value adjustment on investment properties	**93,423**	74,726
Net (loss)/gain on disposal of investment properties	**(264)**	2,544
	93,159	77,270

13. Net loss on disposal and repurchase of financial instruments

HK$'000	**2011**	2010
Net gain on repurchase of subordinated notes (Note (a))	**–**	82,784
Net gain on disposal of available-for-sale securities	**7,847**	3,468
Net loss on disposal of investments in securities included in the loans and receivables category	**(38,515)**	(136,530)
Net gain/(loss) on disposal of held-to-maturity securities (Note (b))	**2,493**	(65,837)
	(28,175)	(116,115)

Note:

(a) During 2010, the Group, after receiving the prior consent of the HKMA, repurchased a total of US$75 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 totalling US$75 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 part of the Notes, previously qualified as upper supplementary capital of DSB, were cancelled and de-recognised as DSB's liability and also supplementary capital upon the completion of the repurchase.

(b) The disposals in 2011 and 2010 were made after considering risk and external factors.

14. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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% (2010: 16.5%).

HK$'000	**2011**	2010
Current income tax:		
– Hong Kong profits tax	**128,044**	129,552
– Overseas taxation	**14,479**	13,723
– Under-provision in prior years	**2,369**	3,781
Deferred income tax:		
– Origination and reversal of temporary differences	**4,630**	46,478
	149,522	193,534

15. Basic and diluted earnings per share

The calculation of basic earnings per share is based on earnings of HK$1,078,300,000 (2010: HK$1,074,110,000) and the weighted average number of 1,222,934,755 (2010: 1,162,588,278) ordinary shares in issue during the year.

The calculation of fully diluted earnings per share is based on earnings of HK$1,078,300,000 (2010: HK$1,074,110,000) and the weighted average number of 1,222,980,081 (2010: 1,162,588,278) ordinary 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 2011**	As at 31 Dec 2010
Trading securities:		
Debt securities:		
– Listed in Hong Kong	**533,415**	781,231
– Unlisted	**4,872,761**	4,581,724
Total trading securities	**5,406,176**	5,362,955
Financial assets designated at fair value through profit or loss:		
Debt securities:		
– Listed outside Hong Kong	**8,776**	1,377
Total trading securities and financial assets designated at fair value through profit or loss	**5,414,952**	5,364,332
Included within debt securities are:		
– Government bonds included in trading securities	**5,404,319**	5,354,258
– Other debt securities	**10,633**	10,074
	5,414,952	5,364,332

As at 31 December 2011 and 2010, 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 2011	As at 31 Dec 2010
– Central governments and central banks	**5,404,319**	5,354,258
– Public sector entities	**1,433**	4,114
– Banks and other financial institutions	**424**	4,583
– Corporate entities	**8,776**	1,377
	5,414,952	5,364,332

17. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2011 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	**42,691,478**	**231,257**	**(89,675)**
Currency swaps	**189,270**	**–**	**(21,753)**
Currency options purchased and written	**1,554,859**	**4,317**	**(4,299)**
b) *Interest rate derivatives*			
Interest rate futures	**3,300,805**	**270**	**–**
Interest rate swaps	**9,735,389**	**7,297**	**(87,910)**
c) *Equity derivatives*			
Equity options purchased and written	**–**	**–**	**–**
Total derivative assets/(liabilities) held for trading	**57,471,801**	**243,141**	**(203,637)**
2) Derivatives held for hedging			
a) *Derivatives designated as fair value hedges*			
Interest rate swaps	**15,288,995**	**366,613**	**(1,337,916)**
Total derivative assets/(liabilities) held for hedging	**15,288,995**	**366,613**	**(1,337,916)**
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	**–**	**–**	**–**
Interest rate swaps	**1,164,990**	**29,877**	**–**
Total derivative assets not qualified as hedges	**1,164,990**	**29,877**	**–**
Total recognised derivative financial assets/(liabilities)	**73,925,786**	**639,631**	**(1,541,553)**

17. Derivative financial instruments (Continued)

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)

The effect of 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 2011	As at 31 Dec 2010
Derivatives		
Exchange rate contracts	**435,921**	417,812
Interest rate contracts	**181,052**	155,217
Other contracts	**–**	92
	616,973	573,121

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 2011	As at 31 Dec 2010
Gross advances to customers	**82,634,033**	72,748,988
Other assets	**2,711,680**	2,024,277
Less: impairment allowances		
– Individually assessed	**(190,859)**	(92,044)
– Collectively assessed	**(193,994)**	(303,693)
	(384,853)	(395,737)
Investments in securities included in the loans and receivables category (Note 19)	**6,799,300**	7,717,760
Advances and other accounts	**91,760,160**	82,095,288

Included in gross advances to customers above are trade bills of HK$1,766,805,000 (2010: HK$849,125,000).

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 2011		As at 31 Dec 2010	
	Outstanding balance	**% of gross advances**	Outstanding balance	% of gross advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	**902,519**	**1.1**	646,018	0.9
– Property investment	**14,857,643**	**18.0**	14,418,054	19.8
– Financial concerns	**916,269**	**1.1**	596,330	0.8
– Stockbrokers	**31,372**	**–**	116,122	0.2
– Wholesale and retail trade	**2,020,735**	**2.4**	1,026,092	1.4
– Manufacturing	**1,647,656**	**2.0**	725,323	1.0
– Transport and transport equipment	**4,192,698**	**5.1**	4,173,376	5.8
– Recreational activities	**302,656**	**0.4**	246,262	0.3
– Information technology	**2,864**	**–**	2,721	–
– Others	**2,678,926**	**3.2**	2,592,101	3.6
	27,553,338	**33.3**	24,542,399	33.8
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,147,664**	**1.4**	1,264,406	1.7
– Loans for the purchase of other residential properties	**15,935,118**	**19.3**	15,372,119	21.1
– Credit card advances	**4,107,677**	**5.0**	3,654,569	5.0
– Others (Note (a))	**4,413,867**	**5.3**	3,990,957	5.5
	25,604,326	**31.0**	24,282,051	33.3
Loans for use in Hong Kong	**53,157,664**	**64.3**	48,824,450	67.1
Trade finance (Note (b))	**6,851,646**	**8.3**	4,042,434	5.6
Loans for use outside Hong Kong (Note (c))	**22,624,723**	**27.4**	19,882,104	27.3
	82,634,033	**100.0**	72,748,988	100.0

Note:

(a) To align with market practice, refinancing residential mortgage loans which were previously included under "Individuals - Others" are now reported under "Individuals - Loans for the purchase of other residential properties". Comparative figures have been restated accordingly.

(b) Included in trade finance above are trade bills of HK$1,766,805,000 (2010: HK$849,125,000).

(c) Loans for use outside Hong Kong include loans extended to customers located in Hong Kong with the finance used outside Hong Kong. Trade financing loans not involving Hong Kong totalling HK$138,684,000 (2010: HK$505,818,000) are classified under Loans for use 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 2010: 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 2011 and 2010. In respect of advances to customers, the relevant amounts are analysed below:

(i) Impaired loans

	As at 31 Dec 2011	As at 31 Dec 2010
Impaired loans and advances		
– Individually impaired (Note (a))	**372,032**	169,261
– Collectively impaired (Note (b))	**13,652**	13,181
	385,684	182,442
Impairment allowances made		
– Individually assessed (Note (c))	**(190,220)**	(91,405)
– Collectively assessed (Note (b))	**(12,392)**	(12,554)
	(202,612)	(103,959)
	183,072	78,483
Fair value of collaterals held*	**213,682**	84,547
Impaired loans and advances as a % of total loans and advances to customers	**0.47%**	0.25%

* 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 2011	**% of total advances to customers**	As at 31 Dec 2010	% of total advances to customers
Gross advances to customers which have been overdue for:				
– six months or less but over three months	**49,794**	**0.06**	69,776	0.10
– one year or less but over six months	**254,138**	**0.30**	22,615	0.03
– over one year	**78,912**	**0.10**	116,304	0.16
	382,844	**0.46**	208,695	0.29
Market value of collateral held against the secured overdue advances	**320,045**		185,117	
Secured overdue advances	**235,326**		129,463	
Unsecured overdue advances	**147,518**		79,232	
Individual impairment allowances	**173,957**		71,569	

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

	As at 31 Dec 2011	**% of total advances to customers**	As at 31 Dec 2010	% of total advances to customers
Advances to customers	**169,644**	**0.21**	198,105	0.27
Impairment allowances	**900**		6,812	

(c) Repossessed collateral

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

	As at 31 Dec 2011	As at 31 Dec 2010
Nature of assets		
– Repossessed properties	**19,400**	5,820
– Others	**5,804**	2,695
	25,204	8,515

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

HK$'000	**As at 31 Dec 2011**	As at 31 Dec 2010
Investments in securities reclassified from the available-for-sale category		
– At fair value under fair value hedge (for hedging interest rate risk)	**4,580,292**	5,289,027
– At amortised cost	**2,259,567**	2,080,910
	6,839,859	7,369,937
Less: impairment allowances		
– Individually assessed	**–**	(78,221)
– Collectively assessed	**(100,000)**	–
	6,739,859	7,291,716
Investments in securities classified as loan and receivables upon initial recognition	**59,441**	426,044
	6,799,300	7,717,760

Individual impairment allowances as at 31 December 2010 were maintained in respect of an investment in debt security with a carrying value of HK$96,672,000. The security had been disposed of in 2011.

Investments in securities classified as loans and receivables upon initial recognition were overdue at the time of recognition. As at 31 December 2011 and 2010, 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 2011	As at 31 Dec 2010
Debt securities:		
– Listed in Hong Kong	**667,871**	737,579
– Listed outside Hong Kong	**6,099,453**	6,522,236
– Unlisted	**131,976**	536,166
	6,899,300	7,795,981
Less: impairment allowances		
– Individually assessed	**–**	(78,221)
– Collectively assessed	**(100,000)**	–
	6,799,300	7,717,760
Market value of listed securities	**5,692,801**	6,636,402

As at 31 December 2011 and 2010, there were no certificates of deposit held included in the above balances of investments in debt securities.

	As at 31 Dec 2011	As at 31 Dec 2010
Investments in securities included in the loans and receivables category are analysed by categories of issuers as follows:		
– Banks and other financial institutions	**3,614,285**	4,127,967
– Corporate entities	**3,285,015**	3,668,014
	6,899,300	7,795,981

20. Available-for-sale securities

HK$'000	**As at 31 Dec 2011**	As at 31 Dec 2010
Debt securities:		
– Listed in Hong Kong	**6,532,001**	5,759,973
– Listed outside Hong Kong	**9,233,246**	5,288,174
– Unlisted	**1,175,502**	5,968,831
	16,940,749	17,016,978
Equity securities:		
– Listed in Hong Kong	**110,572**	867
– Listed outside Hong Kong	**84,599**	80,019
– Unlisted	**150,886**	127,798
	346,057	208,684
Total available-for-sale securities	**17,286,806**	17,225,662
Included within debt securities are:		
– Certificates of deposit held	**24,270**	47,205
– Other debt securities	**16,916,479**	16,969,773
	16,940,749	17,016,978

	As at 31 Dec 2011	As at 31 Dec 2010
Available-for-sale securities are analysed by categories of issuers as follows:		
– Central governments and central banks	**5,814,123**	9,530,291
– Public sector entities	**199,393**	88,278
– Banks and other financial institutions	**4,874,427**	3,221,041
– Corporate entities	**6,397,335**	4,384,524
– Others	**1,528**	1,528
	17,286,806	17,225,662

21. Held-to-maturity securities

HK$'000	As at 31 Dec 2011	As at 31 Dec 2010
Debt securities		
– Listed in Hong Kong	**263,814**	193,973
– Listed outside Hong Kong	**5,734,221**	6,643,580
– Unlisted	**2,173,952**	2,039,019
	8,171,987	8,876,572
Market value of listed securities	**5,624,025**	6,641,001
Included within debt securities are:		
– Certificates of deposit held	**6,126**	–
– Other debt securities	**8,165,861**	8,876,572
	8,171,987	8,876,572

	As at 31 Dec 2011	As at 31 Dec 2010
Held-to-maturity securities are analysed by issuer as follows:		
– Central governments and central banks	**1,691,869**	1,494,925
– Public sector entities	**193,906**	193,973
– Banks and other financial institutions	**4,367,632**	4,911,485
– Corporate entities	**1,918,580**	2,276,189
	8,171,987	8,876,572

22. Reserves

HK$'000	As at 31 Dec 2011	As at 31 Dec 2010
Reserves		
Share premium	**4,241,183**	4,241,183
Consolidation reserve	**(220,986)**	(220,986)
Premises revaluation reserve	**1,809,094**	1,328,869
Investment revaluation reserve	**(834,743)**	(887,414)
Exchange reserve	**257,732**	138,836
General reserve	**700,254**	700,254
Retained earnings	**7,765,624**	7,004,801
	13,718,158	12,305,543
Proposed final dividends included in retained earnings	**244,587**	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 in the form of regulatory reserve. 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 2011, DSB has earmarked a regulatory reserve of HK$1,158,201,000 (2010: HK$538,474,000) first against its general reserve; and for any excess amount, the balance is earmarked against its retained earnings. Mevas has earmarked a regulatory reserve of HK$4,279,000 (2010: HK$3,701,000) in its retained earnings.

23. Contingent liabilities and commitments

HK$'000

(a) Capital commitments

Capital expenditure in respect of projects and acquisition of fixed assets at the end of reporting date but not yet incurred is as follows:

	As at 31 Dec 2011	As at 31 Dec 2010
Expenditure		
– Authorised but not contracted for	**88,320**	1,047
– Contracted but not provided for	**130,126**	114,875
	218,446	115,922

(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 2011	As at 31 Dec 2010
Direct credit substitutes	**461,738**	406,247
Transaction related contingencies	**247,862**	37,977
Trade-related contingencies	**1,781,429**	854,486
Commitments that are unconditionally cancellable without prior notice	**50,057,972**	44,732,958
Other commitments with an original maturity of:		
– under 1 year	**3,109,602**	4,267,809
– 1 year and over	**1,112,384**	1,685,241
Forward forward deposits placed	**5,760**	6,982
	56,776,747	51,991,700

	Credit risk weighted amount	
	As at 31 Dec 2011	As at 31 Dec 2010
Contingent liabilities and commitments	**1,338,349**	1,746,053

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 2011	As at 31 Dec 2010
Trading securities	**3,103,841**	1,686,155
Available-for-sale securities	**155**	61,989
	3,103,996	1,748,144

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

	As at 31 Dec 2011	As at 31 Dec 2010
Available-for-sale securities	**428,356**	–
Held-to-maturity securities	**37,896**	–
Investments in securities included in the loans and receivables category	**65,655**	85,152
	531,907	85,152

(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 2011	As at 31 Dec 2010
Not later than 1 year	**111,119**	91,499
Later than 1 year and not later than 5 years	**130,749**	112,212
Later than 5 years	**78,946**	63,298
	320,814	267,009

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 2011	As at 31 Dec 2010
Not later than 1 year	**14,928**	15,079
Later than 1 year and not later than 5 years	**13,234**	20,621
	28,162	35,700

24. Cross-border claims

Equivalent in HK$ millions

	As at 31 Dec 2011			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Hong Kong	**19,028**	**147**	**12,457**	**31,632**
North and South America	**1,393**	**–**	**2,776**	**4,169**
Europe	**4,581**	**89**	**2,228**	**6,898**
	25,002	**236**	**17,461**	**42,699**

	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

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. Loans and 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 2011		As at 31 Dec 2010	
	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	**902,519**	**46.2**	646,018	39.2
– Property investment	**14,857,643**	**94.6**	14,418,054	94.7
– Financial concerns	**916,269**	**32.2**	596,330	47.9
– Stockbrokers	**31,372**	**52.2**	116,122	62.1
– Wholesale and retail trade	**2,020,735**	**97.1**	1,026,092	95.1
– Manufacturing	**1,647,656**	**96.7**	725,323	94.7
– Transport and transport equipment	**4,192,698**	**96.7**	4,173,376	96.3
– Recreational activities	**302,656**	**–**	246,262	–
– Information technology	**2,864**	**75.8**	2,721	78.8
– Others	**2,678,926**	**95.9**	2,592,101	96.2
	27,553,338	**90.6**	24,542,399	91.5
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,147,664**	**100.0**	1,264,406	100.0
– Loans for the purchase of other residential properties	**15,935,118**	**99.9**	15,372,119	99.9
– Credit card advances	**4,107,677**	**–**	3,654,569	–
– Others (Note (a))	**4,413,867**	**28.1**	3,990,957	30.5
	25,604,326	**71.5**	24,282,051	73.5
Loans for use in Hong Kong	**53,157,664**	**81.4**	48,824,450	82.5
Trade finance (Note (b))	**6,851,646**	**46.2**	4,042,434	63.4
Loans for use outside Hong Kong (Note (c))	**22,624,723**	**69.0**	19,882,104	72.9
	82,634,033	**75.1**	72,748,988	78.8

Note

(a) To align with market practice, refinancing residential mortgage loans which were previously included under "Individuals - Others" are now reported under "Individuals - Loans for the purchase of other residential properties". Comparative figures have been restated accordingly.

(b) Included in trade finance above are trade bills of HK$1,766,805,000 (2010: HK$849,125,000).

(c) Loans for use outside Hong Kong include loans extended to customers located in Hong Kong with the finance used outside Hong Kong. Trade financing loans not involving Hong Kong totalling HK$138,684,000 (2010: HK$505,818,000) are classified under Loans for use outside Hong Kong.

1. Loans and 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 2011				
	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	**14,857,643**	**–**	**–**	**–**	**7,531**
Individuals					
– Loans for the purchase of other residential properties	**15,935,118**	**–**	**649**	**–**	**808**

	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	15,372,119	1,520	893	104	6,460

1. Loans and advances to customers (Continued)

(b) Non-bank Mainland exposures

Type of counterparties	**As at 31 Dec 2011** On-balance sheet exposure	Off-balance sheet exposure	Total	Individually assessed impairment allowances
Mainland entities	**8,610,976**	**1,219,140**	**9,830,116**	**42,497**
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	**12,183,169**	**345,278**	**12,528,447**	**131,514**
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	**160,624**	**–**	**160,624**	**–**

Type of counterparties	As at 31 Dec 2010 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	–

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

1. Loans and 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, overdue advances to customers, and individually and collectively assessed impairment allowances by geographical area.

As at 31 Dec 2011	**Gross advances to customers**	**Individually impaired advances to customers**	**Overdue advances to customers**	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Hong Kong	**66,944,541**	**194,817**	**200,530**	**140,187**	**129,754**
China	**6,927,228**	**152,271**	**153,209**	**36,861**	**22,447**
Macau	**7,585,300**	**19,778**	**23,939**	**10,325**	**38,469**
Others	**1,176,964**	**5,166**	**5,166**	**2,847**	**3,324**
	82,634,033	**372,032**	**382,844**	**190,220**	**193,994**

As at 31 Dec 2010	Gross advances to customers	Individually impaired advances to customers	Overdue advances to customers	Individually assessed impairment allowances	Collectively assessed impairment allowances
Hong Kong	61,040,284	133,302	152,686	74,416	253,777
China	3,859,451	6,364	1,770	3,934	11,305
Macau	6,699,625	24,422	42,352	10,326	36,068
Others	1,149,628	5,173	11,887	2,729	2,543
	72,748,988	169,261	208,695	91,405	303,693

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 2011 and the corresponding comparative balances.

Equivalent in HK$ millions	As at 31 December 2011 US dollars	Renminbi	Macau pataca	Australian dollars	Singapore dollars	South African Rands	Other foreign currencies	Total foreign currencies
Spot assets	**36,984**	**18,698**	**5,098**	**1,198**	**5**	**5**	**6,741**	**68,729**
Spot liabilities	**(23,693)**	**(18,627)**	**(6,190)**	**(4,750)**	**(90)**	**(317)**	**(4,696)**	**(58,363)**
Forward purchases	**15,900**	**3,723**	**–**	**4,127**	**85**	**346**	**3,672**	**27,853**
Forward sales	**(28,220)**	**(3,611)**	**–**	**(604)**	**(8)**	**–**	**(5,725)**	**(38,168)**
Net long/(short) position	**971**	**183**	**(1,092)**	**(29)**	**(8)**	**34**	**(8)**	**51**
Net structural position	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Equivalent in HK$ millions	As at 31 December 2010 US dollars	Renminbi	Macau pataca	Other foreign currencies	Total foreign currencies
Spot assets	28,966	12,354	4,176	7,327	52,823
Spot liabilities	(21,425)	(12,043)	(5,628)	(9,965)	(49,061)
Forward purchases	22,551	255	–	9,138	31,944
Forward sales	(29,492)	(285)	–	(6,542)	(36,319)
Net long/(short) position	600	281	(1,452)	(42)	(613)
Net structural position	–	118	–	–	118

3. Capital adequacy ratio

	As at 31 Dec 2011	As at 31 Dec 2010
Capital adequacy ratio		
– Core	**10.5%**	10.2%
– Overall	**15.2%**	16.3%

The capital adequacy ratio represents the combined ratio of the consolidated position of Dah Sing Bank Limited ("DSB") (covering Banco Comercial de Macau, S.A. ("BCM") and Dah Sing Bank (China) Limited, ("DSB China")) and MEVAS Bank Limited ("Mevas") 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 2011**	As at 31 Dec 2010
Core capital		
Paid up ordinary share capital	**5,000,000**	4,007,749
Share premium	**–**	55,519
Reserves	**5,715,673**	5,776,580
Less: goodwill	**(811,690)**	(811,690)
Less: other intangible assets	**(73,883)**	(88,436)
Less: net deferred tax assets	**(9,877)**	(4,648)
	9,820,223	8,935,074
Less: 50% of total amount of deductible items	**(457,803)**	(454,103)
Core capital	**9,362,420**	8,480,971
Supplementary capital		
Reserves on revaluation of holding of land and building	**238,403**	238,403
Eligible amount of collective impairment allowances for impaired assets and regulatory reserve	**1,130,931**	845,869
Revaluation reserve for available-for-sale investments	**949**	514
Perpetual subordinated debt	**427,163**	427,532
Term subordinated debt	**2,912,475**	4,079,467
Total Supplementary capital	**4,709,921**	5,591,785
Less: 50% of total amount of deductible items	**(457,803)**	(454,104)
Supplementary capital	**4,252,118**	5,137,681
Total capital base	**13,614,538**	13,618,652

4. **Liquidity ratio**

	2011	2010
Liquidity ratio	**44.7%**	45.7%

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

	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Net interest income/operating income	**76.6%**	80.6%
Cost to income ratio	**61.0%**	52.7%
Return on average total assets	**0.8%**	0.9%
Return on average shareholders' funds	**7.6%**	8.8%
Net interest margin	**1.41%**	1.68%

	As at 31 Dec 2011	As at 31 Dec 2010
Loan to deposit ratio (Note)	**69.4%**	70.5%

Note:

Loan to deposit ratio is calculated as the ratio of total advances to customers (excluding trade bills) to total deposits (including certificates of deposit issued).

FINAL DIVIDENDS

At the forthcoming annual general meeting of the Company to be held on Friday, 25 May 2012 ("2012 AGM"), the Directors will propose a final dividend of HK$0.20 per share for 2011 with an option to receive newly issued and fully paid shares in lieu of cash dividend to Shareholders whose names are on the Register of Shareholders as at the close of business on 4 June 2012.

The scrip dividend scheme is subject to the approval of Shareholders at the 2012 AGM, and the approval of the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and the permission to deal in the new shares to be issued under the scrip dividend scheme. Details of the scrip dividend scheme and the election form will be sent to the shareholders on or about 8 June 2012. Dividend warrants for cash dividend or share certificates of the scrip dividend will be sent to Shareholders by ordinary mail on or about 5 July 2012.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Shareholders of the Company will be closed for the following periods:

(1) For the purpose of determining Shareholders who are entitled to attend and vote at the 2012 AGM, the Register of Shareholders will be closed from Monday, 21 May 2012 to Friday, 25 May 2012, both days inclusive. In order to qualify for attending and voting at the 2012 AGM, 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 Friday, 18 May 2012.

(2) For the purpose of determining Shareholders who are entitled to receive the 2011 final dividend, the Register of Shareholders will be closed from Thursday, 31 May 2012 to Monday, 4 June 2012, both days inclusive. In order to qualify for the 2011 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 Wednesday, 30 May 2012.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

2011 was a mixed year. After a strong start in the first half, with rapid loan growth, mainly driven by demand from Mainland China related business, conditions became more difficult into the second half of the year, with a slow-down in growth, increased pressure on funding costs, and a much more volatile global market environment, as events in Europe continued to unfold. Inflation remained heightened during the course of the year, which led to meaningful pressure on costs, adding to the cost increases incurred, particularly in the first half of the year as we grew our business. Despite the overall difficult conditions experienced during the year, we were able to report a small growth in net profit attributable to shareholders to HK$1,078 million.

Performance in terms of volume was stronger than improvement in profit. Loan growth was encouraging, up 14% during the year, mainly driven by Mainland China related business, particularly cross-border trade finance, as we continued to position our growth in line with the overall development of RMB related business in Hong Kong. This was broadly matched by deposit growth (up 16% year on year), which meant that we were able to continue to fund our business growth without having to raise external funding from wholesale market sources, resulting in a lowering in the balance of certificates of deposit issued, and therefore total customer deposits and certificates of deposit issued only increased 14%. Asset yields remained broadly unchanged, although with mild improvement noted towards the latter part of the year. However, the strong competition for deposits, particularly in the second half of the year pushed up deposit costs significantly, thus reducing our net interest margin, and placing our overall net interest income under pressure, notwithstanding the relatively strong business growth. Net fee and commission income showed some progress for the year, particularly in relation to income from our wealth management business, albeit from a low base in the prior year.

Our Group's capital and liquidity positions remained strong. Consolidated capital adequacy ratio for our banking businesses at the year end was 15.2%, split as to 10.5% Core Capital, and 4.7% Supplementary Capital. Our average liquidity ratio during the year was maintained at 45%.

BUSINESS AND FINANCIAL REVIEW

Net interest income was down slightly for the year at HK$1,919 million, due to a combination of business volume growth, offset by net interest margin ("NIM") contraction during the year. NIM decreased year on year from 1.68% to 1.41%, mainly due to increased funding cost, particularly in the second half of the year, which more than offset the gains brought by the significantly higher average loan balances, and some modest recovery in asset yields. In addition, we continued to maintain a liquid balance sheet, with relatively high levels of short term liquid assets, which whilst prudent, had some negative impact on margins.

Net fee and commission income was up by around 7.5% for the year, driven mainly by progress in the Group's wealth management and bancassurance businesses. Trading income was up sharply, mainly as a result of a much smaller fair value losses relating to changes in the value of our own issued debt. Underlying trading performance was relatively stable compared with the prior year.

BUSINESS AND FINANCIAL REVIEW (Continued)

Loan impairment losses and other credit provisions increased from HK$98 million to HK$181 million, relating both to a small number of problem loans in our commercial banking business, and to the collective impairment charge on certain securities investments.

We continued to invest in our businesses, with headcount increase in the first half of the year, although this slowed in the second half due to the weaker business conditions in the market. This expansion, coupled with the relatively high inflation in our core markets, led to growth in operating expenses of 19.5% from HK$1.28 billion to HK$1.53 billion. Part of the expense increase also related to the continued expansion of our Mainland China business, Dah Sing Bank (China).

Our associate company in Mainland China, Bank of Chongqing ("BOCQ"), continued to generate record profits during the year, and our share of its earnings was HK$353 million, an increase of 42% over the prior year. During the year, we called and retired the entire previously issued US$150 million Lower Tier 2 subordinated debt, which was callable in June 2011.

PROSPECTS

2011 was a mixed year. Relatively rapid loan growth, particularly in the first half of the year, was balanced by contraction in net interest margin, and weaker market conditions and greater volatility in the second half of the year, mainly in response to the deterioration of market conditions and sentiment in Europe. Coming into the beginning of 2012, we have seen relatively positive sentiment in major financial markets, whilst economic prospects globally remain subdued. There are leadership elections and forthcoming changes in a number of major countries during the year, and it is likely that major policy developments in those countries will not be seen until the new leaderships are in place. Closer to home, we have seen some softening in outlook for economic growth in Mainland China.

Taking all of this into account, we maintain a cautious outlook, and anticipate that business growth may slow down. The development of our business in Mainland China, both through our own wholly owned subsidiary DSB China, as well as through BOCQ, remains important both for 2012 and beyond. In Hong Kong, we expect the current stable but relatively slow growing market conditions to maintain for a period of time. At present, liquidity conditions in Hong Kong remain benign, and funding cost is under control. Strategically, with the rapid development of RMB related business in Hong Kong and Macau, we will strive to grow our RMB related lending and fee income businesses, and provide integrated services across Hong Kong, China and Macau to our customers.

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 2011.

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 2011, the Group's Hong Kong banking subsidiaries have 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 2011.

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 2011.

BOARD OF DIRECTORS

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

By Order of the Board
H L Soo
Company Secretary

Hong Kong, Wednesday, 21 March 2012

Website: http://www.dahsing.com