Dah Sing Banking Group Limited

The holding company of Dah Sing Bank, Limited

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

(Stock Code: 2356)

ANNOUNCEMENT OF 2013 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 2013.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

HK$'000	Note	**2013**	Restated 2012	Variance %
Interest income		**4,363,209**	3,871,798	
Interest expense		**(1,565,713)**	(1,667,405)	
Net interest income	5	**2,797,496**	2,204,393	26.9
Fee and commission income		**935,902**	741,781	
Fee and commission expense		**(233,989)**	(211,149)	
Net fee and commission income	6	**701,913**	530,632	32.3
Net trading income	7	**260,077**	178,043	
Other operating income	8	**57,688**	47,602	
Operating income		**3,817,174**	2,960,670	28.9
Operating expenses	9	**(1,975,568)**	(1,760,979)	12.2
Operating profit before impairment losses		**1,841,606**	1,199,691	53.5
Loan impairment losses and other credit provisions	10	**(309,806)**	(143,681)	115.6
Operating profit after impairment losses		**1,531,800**	1,056,010	45.1
Net (loss)/ gain on disposal and revaluation of premises and other fixed assets	11	**(2,715)**	2,600	
Net gain on fair value adjustment of investment properties	12	**34,785**	140,572	
Net loss on disposal of investments in securities	13	**(100,341)**	(64,127)	
Loss on deemed disposal of investment in an associate		**(56,971)**	-	
Share of results of an associate		**578,556**	490,806	
Share of results of jointly controlled entities		**17,311**	13,385	
Profit before taxation		**2,002,425**	1,639,246	22.2
Taxation	14	**(245,987)**	(158,831)	
Profit for the year		**1,756,438**	1,480,415	18.6
Profit for the year is apportioned as follows:				
- Loss attributable to non-controlling interests		**(32)**	(24)	
- Profit attributable to Shareholders of the Company		**1,756,470**	1,480,439	18.6
Dividends				
Interim dividend paid		**112,623**	100,110	
Proposed final dividend		**300,329**	287,815	
		412,952	387,925	
Earnings per share				
Basic	15	**HK$1.40**	HK$1.20	
Diluted	15	**HK$1.40**	HK$1.20	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

HK$'000	**2013**	Restated 2012
Profit for the year	**1,756,438**	1,480,415
Other comprehensive income for the year		
Items that will not be reclassified to the consolidated income statement:		
Premises		
Reserve arising from reclassification of premises to investment properties	**122,248**	134
Items that may be reclassified subsequently to the consolidated income statement:		
Investments in securities		
Fair value gains on available-for-sale securities recognised in equity	**50,413**	815,998
Fair value gains recognised in equity upon reclassification of certain investments in securities included in the loans and receivables category to the available-for-sale category	**-**	54,621
Fair value (gain)/ loss realised and transferred to income statement upon:		
- Disposal of available-for-sale securities	**(107,287)**	(75,738)
- 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	**135,647**	87,025
- Impairment of investments in securities included in the loans and receivables category which were previously reclassified from the available-for-sale category	**-**	3,723
Deferred income tax assets released on movements in investment revaluation reserve	**(20,539)**	(149,529)
	58,234	736,100
Exchange differences arising on translation of the financial statements of foreign entities	**105,918**	28,040
Other comprehensive income for the year, net of tax	**286,400**	764,274
Total comprehensive income for the year, net of tax	**2,042,838**	2,244,689
Total comprehensive income for the year is apportioned as follows:		
- Comprehensive loss attributable to non-controlling interests	**(32)**	(24)
- Comprehensive income attributable to Shareholders of the Company	**2,042,870**	2,244,713

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

HK$'000	Note	**2013**	Restated 2012
ASSETS			
Cash and balances with banks		**8,270,886**	13,473,250
Placements with banks maturing between one and twelve months		**4,101,293**	3,990,627
Trading securities	16	**6,335,788**	5,797,742
Financial assets designated at fair value through profit or loss	16	**56,081**	23,525
Derivative financial instruments	17	**687,069**	643,246
Advances and other accounts	18	**108,198,395**	97,309,097
Available-for-sale securities	20	**27,128,417**	21,920,524
Held-to-maturity securities	21	**5,669,289**	7,047,540
Investment in an associate		**3,304,993**	2,437,031
Investments in jointly controlled entities		**59,657**	54,246
Goodwill		**811,690**	811,690
Intangible assets		**65,242**	69,320
Premises and other fixed assets		**1,861,452**	1,475,081
Investment properties		**653,921**	772,513
Current income tax assets		**-**	51
Deferred income tax assets		**22,975**	13,881
Total assets		**167,227,148**	155,839,364
LIABILITIES			
Deposits from banks		**1,995,297**	2,645,620
Derivative financial instruments	17	**1,117,256**	1,498,692
Trading liabilities		**3,362,473**	2,278,044
Deposits from customers		**129,843,151**	117,936,402
Certificates of deposit issued		**6,132,561**	5,752,462
Issued debt securities		**775,385**	2,712,907
Subordinated notes		**3,762,471**	3,979,470
Other accounts and accruals		**2,928,230**	3,499,086
Current income tax liabilities		**210,451**	111,840
Deferred income tax liabilities		**34,304**	5,913
Total liabilities		**150,161,579**	140,420,436
EQUITY			
Non-controlling interests		**15,448**	15,480
Equity attributable to the Company's shareholders			
Share capital		**1,251,371**	1,251,371
Reserves	22	**15,498,421**	13,864,262
Proposed final dividend		**300,329**	287,815
Shareholders' funds		**17,050,121**	15,403,448
Total equity		**17,065,569**	15,418,928
Total equity and liabilities		**167,227,148**	155,839,364

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 2013 but is derived from those statutory financial statements. The consolidated financial statements of the Group for the year ended 31 December 2013 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 26 March 2014.

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

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.

With the exception described in Note 3 below, the accounting policies and methods of computation used in the preparation of the 2013 consolidated financial statements are consistent with those used and described in the Group's annual audited financial statements for the year ended 31 December 2012.

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

3. Change in Accounting Policy Elected by the Group and New and Interpretations to Existing HKFRSs

(a) Change in accounting policy elected by the Group

During the year, the Group has elected to change its accounting policy in respect of premises. In the past, leasehold properties comprising land and buildings held on which a reliable estimate was not available on the split of the carrying value attributable to each of the land and building elements were accounted for as finance leases and shown at fair value less subsequent depreciation.

In view of market developments, and a review of the relevant accounting policy adopted by peer banks in Hong Kong, the Group has decided to change from revaluation to historical cost based accounting for its premises with effect from 1 January 2013. The Group has also applied this change in accounting policy retrospectively.

In assessing this change in accounting policy, the Group has considered the requirements set out in HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". HKAS 8 specifies that, amongst other things, for an entity to justify a change in accounting policy that is not mandatorily required by a new accounting standard or amendment to an existing accounting standard issued by the HKICPA, the entity must demonstrate that the change will result in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

3. Change in Accounting Policy Elected by the Group and New and Interpretations to Existing HKFRSs (Continued)

(a) Change in accounting policy elected by the Group (Continued)

The Group is satisfied that this change in accounting policy is justified by the relevant circumstances and therefore complies with HKAS 8.

The effect of the change on the relevant items in the consolidated statement of financial position and the consolidated income statement is shown below:

HK$'000	As previously reported	As restated	Change
Consolidated statement of financial position			
As at 1 January 2013			
Premises	3,916,895	1,163,736	(2,753,159)
Premises revaluation reserve	2,619,372	80,019	(2,539,353)
Retained earnings as at 1 January 2013	8,954,907	9,000,839	45,932
Deferred income tax assets	7,259	13,881	6,622
Deferred income tax liabilities	259,028	5,913	(253,115)
As at 1 January 2012			
Premises	2,924,758	1,034,093	(1,890,665)
Premises revaluation reserve	1,812,389	79,885	(1,732,504)
Retained earnings as at 1 January 2012	7,824,038	7,865,097	41,059
Deferred income tax assets	50,069	183,730	133,661
Deferred income tax liabilities	73,153	7,595	(65,558)
Consolidated income statement			
For the year ended 31 December 2012			
Depreciation	174,426	102,041	(72,385)
Taxation	154,677	158,831	4,154

In respect of the Group's financial position as at, and results for the year ended, 31 December 2013, the impact from this change in accounting policy is a reduction of depreciation charge by HK$97,148,000 and an increase in deferred tax charge of HK$8,321,000.

(b) New and amended standards adopted by the Group

Amendments to HKAS 1 "Presentations of Financial Statements"

Amendments to HKAS 1, "Presentations of Financial Statements", regarding other comprehensive income ("OCI"), require entities to aggregate items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendments do not have any material impact on the Group.

Amendments to HKFRS 7 "Disclosures - Offsetting Financial Assets and Financial Liabilities"

Amendments to HKFRS 7, "Disclosures - Offsetting Financial Assets and Financial Liabilities", issued in December 2011 requires disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. There is no material impact to the financial statements of the Group as a result of this amendment.

3. Change in Accounting Policy Elected by the Group and New and Interpretations to Existing HKFRSs (Continued)

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

HKFRS 10 “Consolidated financial statements”

HKFRS 10, “Consolidated financial statements”, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. It has been assessed that there is no change in the consolidation status of entities within the Group.

HKFRS 11 “Joint arrangements”

HKFRS 11, “Joint arrangements”, establishes principles for financial reporting by parties to a joint arrangement, and requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard requires a joint operator to recognise and measure the assets and liabilities (and recognise the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant HKFRSs applicable to the particular assets, liabilities, revenues and expenses. It requires a joint venturer to recognise an investment and to account for that investment using the equity method in accordance with HKAS 28, “Investments in Associates and Joint Ventures”, unless the entity is exempted from applying the equity method as specified in that standard. There is no impact to the financial statements of the Group as a result of this standard as the Group has adopted equity method of accounting to account for the investments in associate and jointly controlled entities.

HKFRS 12 “Disclosures of interests in other entities”

HKFRS 12, “Disclosures of interests in other entities”, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. There is no impact to the financial statements of the Group as the Group has no unconsolidated structured entities.

HKFRS 13 “Fair value measurement”

HKFRS 13, “Fair value measurement”, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. There is no material impact to the financial statements of the Group as a result of this standard.

There are no other new standards and amendments to standards effective for the first time for the financial year beginning 1 January 2013.

4. Operating segment reporting

Segment reporting by the Group is prepared in accordance with HKFRS 8 "Operating Segments". Information reported to the chief operating decision maker, including the Chief Executive and other Executive Committee members, for the purposes of resource allocation and performance assessment, is determined on the basis of personal banking, 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. Starting from 2013, hire purchase finance and leasing related to vehicle and transport financing are included under personal banking business. Certain comparative amounts have been revised to conform with the current year's presentation.

- 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 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 2013

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter-segment	Total
Net interest income/ (expenses)	1,233,273	914,331	372,738	524,456	(247,302)	-	2,797,496
Non-interest income/ (expenses)	444,435	239,291	286,112	120,380	(35,478)	(35,062)	1,019,678
Total operating income	1,677,708	1,153,622	658,850	644,836	(282,780)	(35,062)	3,817,174
Operating expenses	(1,091,660)	(296,834)	(138,141)	(443,201)	(40,794)	35,062	(1,975,568)
Operating profit/ (loss) before impairment losses	586,048	856,788	520,709	201,635	(323,574)	-	1,841,606
Loan impairment losses and other credit provisions (charged)/ written back	(140,949)	(92,699)	25,000	(101,158)	-	-	(309,806)
Operating profit/ (loss) after impairment losses	445,099	764,089	545,709	100,477	(323,574)	-	1,531,800
Net (loss)/ gain on disposal and fair value adjustment of premises, investment properties and other fixed assets	(2,167)	-	-	30	34,207	-	32,070
Net (loss)/ gain on disposal of investments in securities	-	-	(127,876)	-	27,535	-	(100,341)
Loss on deemed disposal of investment in an associate	-	-	-	(56,971)	-	-	(56,971)
Share of results of an associate	-	-	-	578,556	-	-	578,556
Share of results of jointly controlled entities	-	-	-	-	17,311	-	17,311
Profit/ (loss) before taxation	442,932	764,089	417,833	622,092	(244,521)	-	2,002,425
Taxation (expenses)/ credit	(73,989)	(126,075)	(68,942)	(27,460)	50,479	-	(245,987)
Profit/ (loss) after taxation	368,943	638,014	348,891	594,632	(194,042)	-	1,756,438
For the year ended 31 December 2013							
Depreciation and amortisation	41,266	6,467	5,047	38,062	28,280	-	119,122
At 31 December 2013							
Segment assets	39,558,463	49,216,979	47,675,728	32,018,112	3,405,174	(4,647,308)	167,227,148
Segment liabilities	69,442,368	32,237,167	14,025,526	24,726,047	14,377,779	(4,647,308)	150,161,579

4. Operating segment reporting (Continued)

For the year ended 31 December 2012 (Restated)

HK$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Others	Inter-segment	Total
Net interest income/ (expenses)	1,058,562	719,304	305,964	392,840	(272,277)	-	2,204,393
Non-interest income	342,658	148,262	208,250	78,224	11,198	(32,315)	756,277
Total operating income	1,401,220	867,566	514,214	471,064	(261,079)	(32,315)	2,960,670
Operating expenses	(1,039,119)	(251,659)	(128,918)	(351,116)	(22,482)	32,315	(1,760,979)
Operating profit/ (loss) before impairment losses	362,101	615,907	385,296	119,948	(283,561)	-	1,199,691
Loan impairment losses and other credit provisions (charged)/ written back	(84,382)	23,462	(61,966)	(20,857)	62	-	(143,681)
Operating profit/ (loss) after impairment losses	277,719	639,369	323,330	99,091	(283,499)	-	1,056,010
Net (loss)/ gain on disposal and fair value adjustment of premises, investment properties and other fixed assets	(1,549)	-	-	4,120	140,601	-	143,172
Net loss on disposal of investments in securities	-	-	(64,127)	-	-	-	(64,127)
Share of results of an associate	-	-	-	490,806	-	-	490,806
Share of results of jointly controlled entities	-	-	-	-	13,385	-	13,385
Profit/ (loss) before taxation	276,170	639,369	259,203	594,017	(129,513)	-	1,639,246
Taxation (expenses)/ credit	(44,651)	(105,517)	(42,799)	(18,265)	52,401	-	(158,831)
Profit/ (loss) after taxation	231,519	533,852	216,404	575,752	(77,112)	-	1,480,415
For the year ended 31 December 2012							
Depreciation and amortisation	43,652	11,907	7,452	39,270	4,323	-	106,604
At 31 December 2012							
Segment assets	35,107,245	44,346,608	49,757,413	26,306,191	3,188,857	(2,866,950)	155,839,364
Segment liabilities	65,621,598	28,882,670	13,101,445	20,031,758	15,649,915	(2,866,950)	140,420,436

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 2013				
Operating income	**3,483,086**	**334,688**	**(600)**	**3,817,174**
Profit before taxation	**1,847,307**	**155,118**	**-**	**2,002,425**
At 31 December 2013				
Total assets	**153,726,608**	**15,868,862**	**(2,368,322)**	**167,227,148**
Total liabilities	**138,645,357**	**13,884,544**	**(2,368,322)**	**150,161,579**
Intangible assets and goodwill	**318,667**	**558,265**	**-**	**876,932**
Contingent liabilities and commitments	**73,083,535**	**1,886,809**	**-**	**74,970,344**

	Hong Kong and Others	Macau	Inter-segment elimination	Total
For the year ended 31 December 2012 (Restated)				
Operating income	2,707,000	254,261	(591)	2,960,670
Profit before taxation	1,541,707	97,530	9	1,639,246
At 31 December 2012 (Restated)				
Total assets	143,562,280	13,805,842	(1,528,758)	155,839,364
Total liabilities	129,985,031	11,964,163	(1,528,758)	140,420,436
Intangible assets and goodwill	318,667	562,343	-	881,010
Contingent liabilities and commitments	64,318,306	2,056,644	-	66,374,950

5. Net interest income

HK$'000	**2013**	2012
Interest income		
Cash and balances with banks	**337,526**	342,753
Investments in securities	**668,661**	670,009
Advances and other accounts	**3,357,022**	2,859,036
	4,363,209	3,871,798
Interest expense		
Deposits from banks/ Deposits from customers	**1,297,433**	1,426,763
Certificates of deposit issued	**90,181**	43,706
Issued debt securities	**35,793**	48,446
Subordinated notes	**133,513**	141,109
Others	**8,793**	7,381
	1,565,713	1,667,405
Included within interest income		
Interest income on listed investments	**589,638**	582,943
Interest income on unlisted investments	**79,023**	87,066
	668,661	670,009
Interest income on financial assets not at fair value through profit or loss	**4,342,315**	3,848,528
Interest income on impaired assets	**1,204**	3,688
Included within interest expense		
Interest expenses on financial liabilities not at fair value through profit or loss	**1,563,680**	1,499,859

6. Net fee and commission income

HK$'000	**2013**	2012
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	**103,855**	74,661
- Trade finance	**68,237**	51,203
- Credit card	**302,699**	276,929
Other fee and commission income		
- Securities brokerage	**85,557**	59,061
- Insurance distribution and others	**98,528**	67,517
- Retail investment and wealth management services	**130,846**	85,829
- Bank services and handling fees	**51,175**	44,537
- Other fees	**95,005**	82,044
	935,902	741,781

6. Net fee and commission income (Continued)

HK$'000	**2013**	2012
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	**218,330**	198,586
- Other fees paid	**15,659**	12,563
	233,989	211,149

The Group provides custody, trustee, corporate administration, and investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements.

7. Net trading income

HK$'000	**2013**	2012
Net gain arising from dealing in foreign currencies	**211,663**	235,177
Net (loss)/ gain on trading securities	**(772)**	4,201
Net gain from derivatives entered into for trading purpose	**56,317**	13,878
Net loss arising from financial instruments subject to fair value hedge	**(39,677)**	(65,960)
Net gain/ (loss) arising from financial instruments designated at fair value through profit or loss	**32,546**	(9,253)
	260,077	178,043

8. Other operating income

HK$'000	**2013**	2012
Dividend income from investments in available-for-sale securities		
- Listed investments	**6,516**	4,719
- Unlisted investments	**6,805**	6,673
Gross rental income from investment properties	**19,111**	18,654
Other rental income	**8,658**	6,815
Others	**16,598**	10,741
	57,688	47,602

9. Operating expenses

HK$'000	**2013**	Restated 2012
Employee compensation and benefit expenses (including directors' remuneration)	**1,213,760**	1,068,038
Premises and other fixed assets expenses, excluding depreciation		
- Rental of premises	**153,769**	118,034
- Others	**117,895**	99,733
Depreciation	**115,044**	102,041
Advertising and promotion costs	**86,101**	77,050
Printing, stationery and postage	**48,637**	45,450
Amortisation expenses of intangible assets	**4,078**	4,563
Auditors' remuneration	**7,213**	6,995
Others	**229,071**	239,075
	1,975,568	1,760,979

10. Loan impairment losses and other credit provisions

HK$'000	**2013**	2012
Loan impairment losses		
Net charge/ (reversal) of impairment losses on advances and other accounts		
- Trade bills	**937**	1,067
- Advances to customers	**334,188**	80,523
- Accrued interest and other accounts	**(319)**	117
	334,806	81,707
Net charge/ (reversal) of impairment losses on advances and other accounts		
- Individually assessed	**161,796**	(1,496)
- Collectively assessed	**173,010**	83,203
	334,806	81,707
Of which		
- new and additional allowances (including amounts directly written off in the year)	**413,155**	176,026
- releases	**(30,259)**	(38,954)
- recoveries	**(48,090)**	(55,365)
	334,806	81,707
Other credit provisions		
Net (reversal)/ charge of impairment losses on investments in securities included in the loans and receivables category		
- Individually assessed	**-**	61,974
- Collectively assessed	**(25,000)**	-
	(25,000)	61,974
Net charge to income statement	**309,806**	143,681

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

HK$'000	**2013**	Restated 2012
Deficit reversed on revaluation of premises	**-**	390
Net gain on disposal of premises	**-**	4,318
Net loss on disposal of other fixed assets	**(2,715)**	(2,108)
	(2,715)	2,600

12. Net gain on fair value adjustment of investment properties

HK$'000	**2013**	2012
Net gain on fair value adjustment of investment properties	**34,785**	140,572
	34,785	140,572

13. Net loss on disposal of investments in securities

HK$'000	**2013**	2012
Net gain on disposal of available-for-sale securities	**107,287**	75,738
Net loss on disposal of investments in securities included in the loans and receivables category	**(172,413)**	(107,284)
Net loss on disposal of held-to-maturity securities (Note)	**(35,215)**	(32,581)
	(100,341)	(64,127)

Note:
The disposals in 2013 and 2012 were made after considering risk and external factors.

14. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised.

HK$'000	**2013**	Restated 2012
Current income tax:		
- Hong Kong profits tax	**198,757**	124,228
- Overseas taxation	**48,528**	16,814
- Over-provision in prior years	**(394)**	(849)
Deferred income tax:		
- Origination and reversal of temporary differences	**(1,445)**	22,263
- Reversal/ (recognition) of tax losses	**541**	(3,625)
Taxation	**245,987**	158,831

15. Basic and diluted earnings per share

The calculation of basic earnings per share is based on earnings of HK$1,756,470,000 (2012: HK$1,480,439,000) and the weighted average number of 1,251,371,105 (2012: 1,236,919,845) ordinary shares in issue during the year.

The calculation of fully diluted earnings per share is based on earnings of HK$1,756,470,000 (2012: HK$1,480,439,000) and the weighted average number of 1,253,800,465 (2012: 1,236,919,845) 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 2013**	As at 31 Dec 2012
Trading securities:		
Debt securities:		
- Listed in Hong Kong	**1,211,300**	548,781
- Unlisted	**5,124,488**	5,248,961
Total trading securities	**6,335,788**	5,797,742
Financial assets designated at fair value through profit or loss:		
Debt securities:		
- Listed outside Hong Kong	**56,081**	23,525
Total trading securities and financial assets designated at fair value through profit or loss	**6,391,869**	5,821,267
Included within debt securities are:		
- Government bonds included in trading securities	**6,335,548**	5,795,924
- Other debt securities	**56,321**	25,343
	6,391,869	5,821,267

As at 31 December 2013 and 2012, there were no certificates of deposit held included in the above balances of trading or fair value 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 2013	As at 31 Dec 2012
- Central governments and central banks	**6,335,548**	5,795,924
- Public sector entities	**240**	1,409
- Banks and other financial institutions	**-**	409
- Corporate entities	**56,081**	23,525
	6,391,869	5,821,267

17. Derivative financial instruments

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2013 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	**49,420,058**	**80,348**	**(136,686)**
Currency options purchased and written	**74,747,110**	**205,612**	**(203,254)**
b) *Interest rate derivatives*			
Interest rate futures	**821,908**	**600**	**(19)**
Interest rate swaps	**10,700,774**	**10,486**	**(116,874)**
c) *Equity derivatives*			
Equity options purchased and written	**228,285**	**2,528**	**(2,528)**
Total derivative assets/ (liabilities) held for trading	**135,918,135**	**299,574**	**(459,361)**
2) Derivatives held for hedging			
a) *Derivatives designated as fair value hedges*			
Interest rate swaps	**19,947,380**	**387,495**	**(623,816)**
Currency swaps	**1,379,471**	**-**	**(34,079)**
Total derivative assets/ (liabilities) held for hedging	**21,326,851**	**387,495**	**(657,895)**
Total recognised derivative financial assets/ (liabilities)	**157,244,986**	**687,069**	**(1,117,256)**

17. Derivative financial instruments (Continued)

The notional principal amounts of outstanding derivatives contracts and their fair values as of 31 December 2012 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	64,252,866	130,837	(66,258)
Currency options purchased and written	43,336,993	71,746	(71,809)
b) *Interest rate derivatives*			
Interest rate futures	1,550,230	116	-
Interest rate swaps	7,487,004	10,177	(103,140)
c) *Equity derivatives*			
Equity options purchased and written	39,874	621	(621)
Total derivative assets/ (liabilities) held for trading	116,666,967	213,497	(241,828)
2) Derivatives held for hedging			
a) *Derivatives designated as fair value hedges*			
Interest rate swaps	18,685,659	397,412	(1,256,864)
Currency swaps	1,427,468	32,337	-
Total derivative assets/ (liabilities) held for hedging	20,113,127	429,749	(1,256,864)
Total recognised derivative financial assets/ (liabilities)	136,780,094	643,246	(1,498,692)

The effect of bilateral netting agreements, where applicable, 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 as at 31 December 2013 and 31 December 2012 calculated under Basel III and Basel II basis respectively and, where applicable, without taking into account the effect of bilateral netting arrangements that the Group entered into, are as follows:

HK$'000	**As at 31 Dec 2013**	As at 31 Dec 2012
Exchange rate contracts	**1,170,774**	963,492
Interest rate contracts	**209,991**	183,695
Other contracts	**7,809**	1,586
	1,388,574	1,148,773

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 Hong Kong Monetary Authority ("HKMA"). The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

18. Advances and other accounts

HK$'000	**As at 31 Dec 2013**	As at 31 Dec 2012
Gross advances to customers	**97,977,520**	86,173,581
Trade bills	**5,925,648**	4,329,872
Other assets		
- Other accounts receivable and prepayments	**3,678,102**	3,822,960
	107,581,270	94,326,413
Less: impairment allowances		
- Individually assessed	**(244,294)**	(90,726)
- Collectively assessed	**(201,212)**	(170,578)
	(445,506)	(261,304)
Investments in securities included in the loans and receivables category (Note 19)	**1,062,631**	3,243,988
Advances and other accounts	**108,198,395**	97,309,097

18. Advances and other accounts (Continued)

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

HK$'000	**As at 31 Dec 2013**		As at 31 Dec 2012	
	Outstanding balance	**% of gross advances**	Outstanding balance	% of gross advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	**2,015,552**	**2.1**	1,662,651	1.9
- Property investment	**15,122,078**	**15.4**	14,047,519	16.3
- Financial concerns	**740,178**	**0.8**	336,280	0.4
- Stockbrokers	**109,264**	**0.1**	100,240	0.1
- Wholesale and retail trade	**4,006,724**	**4.1**	3,219,507	3.7
- Manufacturing	**1,975,672**	**2.0**	1,996,894	2.3
- Transport and transport equipment	**5,050,680**	**5.2**	4,635,150	5.4
- Recreational activities	**300,505**	**0.3**	287,610	0.3
- Information technology	**24,916**	**-**	8,703	-
- Others	**3,571,083**	**3.6**	2,894,403	3.4
	32,916,652	**33.6**	29,188,957	33.8
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,080,873**	**1.1**	1,123,393	1.3
- Loans for the purchase of other residential properties	**18,041,141**	**18.4**	16,026,972	18.6
- Credit card advances	**3,949,544**	**4.0**	4,240,329	4.9
- Others	**6,880,302**	**7.1**	5,465,362	6.4
	29,951,860	**30.6**	26,856,056	31.2
Loans for use in Hong Kong	**62,868,512**	**64.2**	56,045,013	65.0
Trade finance (Note (1))	**5,918,454**	**6.0**	5,024,007	5.8
Loans for use outside Hong Kong (Note (2))	**29,190,554**	**29.8**	25,104,561	29.2
	97,977,520	**100.0**	86,173,581	100.0

Note:

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

Trade finance loans not involving Hong Kong (including trade finance extended by DSB's overseas subsidiary banks) totalling HK$992,627,000 (31 December 2012: HK$336,534,000) are classified under Loans for use outside Hong Kong.

(2) 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, advances to customers (as set out below) against which full individual impairment allowances had been made, there were no trade bills or other assets which were individually impaired, overdue for over 3 months or rescheduled as at 31 December 2013 and 31 December 2012. In respect of advances to customers, the relevant amounts are analysed below:

(i) Impaired loans

HK$'000	**As at 31 Dec 2013**	As at 31 Dec 2012
Impaired loans and advances		
- Individually impaired (Note (a))	**380,940**	283,292
- Collectively impaired (Note (b))	**15,355**	16,251
	396,295	299,543
Impairment allowances made		
- Individually assessed (Note (c))	**(244,294)**	(90,726)
- Collectively assessed (Note (b))	**(13,838)**	(14,948)
	(258,132)	(105,674)
	138,163	193,869
Fair value of collaterals held*	**92,205**	221,109
Impaired loans and advances as a % of total loans and advances to customers	**0.40%**	0.35%

* 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) Gross amount of overdue loans

HK$'000	**As at 31 Dec 2013**		As at 31 Dec 2012	
	Gross amount of overdue loans	**% of total**	Gross amount of overdue loans	% of total
Gross advances to customers which have been overdue for:				
- six months or less but over three months	**100,260**	**0.10**	70,549	0.08
- one year or less but over six months	**69,831**	**0.07**	33,986	0.04
- over one year	**127,380**	**0.13**	195,040	0.23
	297,471	**0.30**	299,575	0.35
Market value of securities held against the secured overdue advances	**177,543**		379,646	
Secured overdue advances	**121,065**		242,553	
Unsecured overdue advances	**176,406**		57,022	
Individual impairment allowances	**160,454**		78,668	

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

	As at 31 Dec 2013	**% of total**	As at 31 Dec 2012	% of total
Advances to customers	**148,512**	**0.15**	147,594	0.17
Impairment allowances	**-**		-	

(c) Repossessed collateral

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

	As at 31 Dec 2013	As at 31 Dec 2012
Nature of assets		
- Repossessed properties	**87,660**	73,702
- Others	**85**	6,760
	87,745	80,462

Repossessed collaterals are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness of the borrowers concerned.

Certain other properties in the Mainland China with a total estimated realisable value of HK$67,860,000 (2012: HK$72,342,000), which had been foreclosed and repossessed by the Group pursuant to orders issued by courts in the Mainland China, represent assets held by the Group for resale and have been reported under "Other assets". The relevant loans had been derecognised.

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

HK$'000	**As at 31 Dec 2013**	As at 31 Dec 2012
Investments in securities reclassified from the available-for-sale category		
- At fair value under fair value hedge (for hedging interest rate risk)	**548,651**	2,227,771
- At amortised cost	**588,939**	1,117,929
	1,137,590	3,345,700
Less: impairment allowances		
- Individually assessed	**-**	(58,251)
- Collectively assessed	**(75,000)**	(100,000)
	(75,000)	(158,251)
	1,062,590	3,187,449
Investments in securities classified as loans and receivables upon initial recognition (Note)	**41**	56,539
	1,062,631	3,243,988

Note:
Investments in securities classified as loans and receivables upon initial recognition were overdue at the time of recognition. As at 31 December 2013 and 2012, 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 2013	As at 31 Dec 2012
Debt securities:		
- Listed outside Hong Kong	**1,137,590**	3,102,803
- Unlisted	**41**	299,436
	1,137,631	3,402,239
Less: impairment allowances		
- Individually assessed	**-**	(58,251)
- Collectively assessed	**(75,000)**	(100,000)
	(75,000)	(158,251)
	1,062,631	3,243,988
Market value of listed securities	**1,020,565**	2,770,374

As at 31 December 2013 and 2012, there were no certificates of deposit held included in the above balances of investments in debt securities.

19. Investments in securities included in the loans and receivables category (Continued)

HK$'000	**As at 31 Dec 2013**	As at 31 Dec 2012
Investments in securities included in the loans and receivables category are analysed by categories of issuers as follows:		
- Banks and other financial institutions	**668,806**	2,282,015
- Corporate entities	**468,825**	1,120,224
	1,137,631	3,402,239

20. Available-for-sale securities

HK$'000	**As at 31 Dec 2013**	As at 31 Dec 2012
Debt securities:		
- Listed in Hong Kong	**12,073,723**	8,919,452
- Listed outside Hong Kong	**13,067,076**	11,599,410
- Unlisted	**1,711,066**	1,068,197
	26,851,865	21,587,059
Equity securities:		
- Listed in Hong Kong	**70,288**	73,026
- Listed outside Hong Kong	**-**	72,610
- Unlisted	**206,264**	187,829
	276,552	333,465
Total available-for-sale securities	**27,128,417**	21,920,524

As at 31 December 2013 and 2012, there were no certificates of deposit held included in the above balances of investments in debt securities.

Available-for-sale securities are analysed by categories of issuers as follows:		
- Central governments and central banks	**3,181,651**	2,867,068
- Public sector entities	**205,067**	294,279
- Banks and other financial institutions	**6,559,368**	6,060,201
- Corporate entities	**17,179,803**	12,697,448
- Others	**2,528**	1,528
	27,128,417	21,920,524

21. Held-to-maturity securities

HK$'000	**As at 31 Dec 2013**	As at 31 Dec 2012
Debt securities		
- Listed in Hong Kong	**731,541**	711,921
- Listed outside Hong Kong	**2,799,824**	4,797,430
- Unlisted	**2,137,924**	1,538,189
	5,669,289	7,047,540
Market value of listed securities	**3,602,160**	5,536,303

21. Held-to-maturity securities (Continued)

HK$'000	**As at 31 Dec 2013**	As at 31 Dec 2012
Included within debt securities are:		
- Certificates of deposit held	**1,106,272**	399,701
- Other debt securities	**4,563,017**	6,647,839
	5,669,289	7,047,540

Held-to-maturity securities are analysed by issuer as follows:		
- Central governments and central banks	**935,473**	910,343
- Public sector entities	**193,788**	193,620
- Banks and other financial institutions	**3,154,149**	3,914,755
- Corporate entities	**1,385,879**	2,028,822
	5,669,289	7,047,540

22. Reserves

HK$'000	**As at 31 Dec 2013**	Restated As at 31 Dec 2012
Share premium	**4,404,692**	4,404,692
Consolidation reserve	**(220,986)**	(220,986)
Premises revaluation reserve	**202,267**	80,019
Investment revaluation reserve	**(40,409)**	(98,643)
Exchange reserve	**391,690**	285,772
General reserve	**700,254**	700,254
Reserve for share-based compensation	**4,371**	130
Retained earnings	**10,356,871**	9,000,839
	15,798,750	14,152,077
Proposed final dividends included in retained earnings	**300,329**	287,815

The Group's Hong Kong banking subsidiaries 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 2013, DSB has earmarked a regulatory reserve of HK$1,433,269,000 (2012: HK$1,286,675,000) first against its general reserve; and for any excess amount, the balance is earmarked against its retained earnings.

23. Contingent liabilities and commitments

(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:

HK$'000	**As at 31 Dec 2013**	As at 31 Dec 2012
Expenditure		
- Authorised but not contracted for	**22,109**	43,423
- Contracted but not provided for	**153,260**	153,073
	175,369	196,496

(b) Credit commitments

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

	Contract amounts	
	As at 31 Dec 2013	As at 31 Dec 2012
Direct credit substitutes	**1,858,669**	478,535
Transaction-related contingencies	**285,002**	507,025
Trade-related contingencies	**651,824**	1,759,318
Commitments that are unconditionally cancellable without prior notice	**60,823,138**	52,779,971
Other commitments with an original maturity of:		
- under 1 year	**5,401,515**	5,604,862
- 1 year and over	**1,497,268**	1,602,379
Forward forward deposits placed	**12,457**	-
	70,529,873	62,732,090

	Credit risk weighted amounts	
	As at 31 Dec 2013	As at 31 Dec 2012
Contingent liabilities and commitments	**2,474,576**	2,589,868

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:

HK$'000	**As at 31 Dec 2013**	As at 31 Dec 2012
Assets pledged with HKMA:		
Trading securities	**3,132,132**	2,548,496
Available-for-sale securities	**169,051**	132,544
	3,301,183	2,681,040
Associated liabilities:		
Trading liabilities	**3,362,473**	2,278,044

The carrying amounts of the non-government bonds pledged with unrelated financial institutions under repurchase agreements and the associated liabilities are as follows:

	As at 31 Dec 2013	As at 31 Dec 2012
Assets pledged under repurchase agreements:		
Available-for-sale securities	**512,318**	256,838
Held-to-maturity securities	**16,882**	51,970
	529,200	308,808
Associated liabilities:		
Deposits from banks	**408,051**	259,386
Other accounts and accruals	**97,862**	36,569
	505,913	295,955

(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 2013	As at 31 Dec 2012
Not later than 1 year	**159,051**	144,870
Later than 1 year and not later than 5 years	**214,007**	253,485
Later than 5 years	**61,661**	58,161
	434,719	456,516

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 2013	As at 31 Dec 2012
Not later than 1 year	**31,230**	15,850
Later than 1 year and not later than 5 years	**49,936**	856
	81,166	16,706

24. Cross-border claims

Equivalent in HK$ millions

	As at 31 Dec 2013			
	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
Asia Pacific excluding Hong Kong	**20,456**	**254**	**17,165**	**37,875**
North and South America	**213**	**775**	**2,332**	**3,320**
Europe	**2,544**	**-**	**867**	**3,411**
	23,213	**1,029**	**20,364**	**44,606**

	As at 31 Dec 2012			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Hong Kong	20,697	154	15,317	36,168
North and South America	2,109	-	2,854	4,963
Europe	3,751	80	1,475	5,306
	26,557	234	19,646	46,437

The 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

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

HK$'000	**As at 31 Dec 2013**		As at 31 Dec 2012	
	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	**2,015,552**	**72.8**	1,662,651	70.4
- Property investment	**15,122,078**	**98.3**	14,047,519	98.4
- Financial concerns	**740,178**	**46.5**	336,280	36.4
- Stockbrokers	**109,264**	**90.7**	100,240	90.0
- Wholesale and retail trade	**4,006,724**	**95.7**	3,219,507	92.9
- Manufacturing	**1,975,672**	**91.5**	1,996,894	94.7
- Transport and transport equipment	**5,050,680**	**95.9**	4,635,150	96.3
- Recreational activities	**300,505**	**12.2**	287,610	1.5
- Information technology	**24,916**	**82.1**	8,703	47.7
- Others	**3,571,083**	**82.5**	2,894,403	80.8
	32,916,652	**92.0**	29,188,957	92.1
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**1,080,873**	**100.0**	1,123,393	100.0
- Loans for the purchase of other residential properties	**18,041,141**	**99.9**	16,026,972	99.9
- Credit card advances	**3,949,544**	**-**	4,240,329	-
- Others	**6,880,302**	**31.0**	5,465,362	28.2
	29,951,860	**70.9**	26,856,056	69.6
Loans for use in Hong Kong	**62,868,512**	**81.9**	56,045,013	81.3
Trade finance (Note (1))	**5,918,454**	**61.3**	5,024,007	61.0
Loans for use outside Hong Kong (Note (2))	**29,190,554**	**63.8**	25,104,561	64.8
	97,977,520	**75.3**	86,173,581	75.3

Note:

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

Trade finance loans not involving Hong Kong (including trade finance extended by DSB's overseas subsidiary banks) totalling HK$992,627,000 (31 December 2012: HK$336,534,000) are classified under Loans for use outside Hong Kong.

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

HK$'000	**As at 31 Dec 2013**				
	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	**15,122,078**	**-**	**-**	**-**	**8,614**
Individuals					
- Loans for the purchase of other residential properties	**18,041,141**	**-**	**-**	**-**	**674**
Loans for use outside Hong Kong	**29,190,554**	**273,679**	**216,275**	**177,723**	**109,982**

	As at 31 Dec 2012				
	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	14,047,519	-	-	-	6,657
Individuals					
- Loans for the purchase of other residential properties	16,026,972	-	541	-	7,594
Loans for use outside Hong Kong	25,104,561	259,672	263,750	82,863	82,218

1. Loans and advances to customers (Continued)

(b) Non-bank Mainland exposures

HK$'000				
	As at 31 Dec 2013			
Type of counterparties	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Total**	**Individually assessed impairment allowances**
Mainland entities	**15,977,192**	**2,878,378**	**18,855,570**	**114,235**
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	**8,432,247**	**249,666**	**8,681,913**	**79,011**
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	**239,374**	**-**	**239,374**	**-**

	As at 31 Dec 2012			
Type of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total	Individually assessed impairment allowances
Mainland entities	11,852,148	1,483,651	13,335,799	37,119
Companies and individuals outside Mainland where the credits are granted for use in the Mainland	10,294,395	329,327	10,623,722	37,873
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	76,028	-	76,028	-

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 2013

HK$'000	**Gross advances to customers**	**Individually impaired advances to customers**	**Overdue advances to customers**	**Individually assessed impairment allowances**	**Collectively assessed impairment allowances**
Hong Kong	**77,492,360**	**212,953**	**180,209**	**120,956**	**100,032**
China	**8,890,132**	**140,535**	**83,166**	**111,850**	**50,788**
Macau	**10,187,485**	**27,369**	**34,013**	**11,431**	**44,572**
Others	**1,407,543**	**83**	**83**	**57**	**2,340**
	97,977,520	**380,940**	**297,471**	**244,294**	**197,732**

As at 31 Dec 2012

	Gross advances to customers	Individually impaired advances to customers	Overdue advances to customers	Individually assessed impairment allowances	Collectively assessed impairment allowances
Hong Kong	68,780,111	100,985	112,919	42,602	90,151
China	8,144,601	152,742	152,742	37,124	39,072
Macau	8,412,400	29,513	33,862	10,979	36,223
Others	836,469	52	52	21	2,270
	86,173,581	283,292	299,575	90,726	167,716

2. Currency concentrations

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 2013 and the corresponding comparative balances.

	As at 31 December 2013				
Equivalent in HK$ millions	**US dollars**	**Renminbi**	**Macau pataca**	**Other foreign currencies**	**Total foreign currencies**
Spot assets	**45,668**	**26,788**	**5,712**	**3,678**	**81,846**
Spot liabilities	**(23,461)**	**(26,038)**	**(7,218)**	**(9,068)**	**(65,785)**
Forward purchases	**16,805**	**2,097**	**250**	**9,140**	**28,292**
Forward sales	**(37,282)**	**(2,261)**	**-**	**(3,756)**	**(43,299)**
Net long/ (short) position	**1,730**	**586**	**(1,256)**	**(6)**	**1,054**

	As at 31 December 2012					
Equivalent in HK$ millions	US dollars	Renminbi	Macau pataca	Euro	Other foreign currencies	Total foreign currencies
Spot assets	40,839	21,000	4,739	3,359	4,095	74,032
Spot liabilities	(27,282)	(20,991)	(6,382)	(1,018)	(8,879)	(64,552)
Forward purchases	26,892	569	-	418	6,912	34,791
Forward sales	(38,198)	(416)	-	(2,829)	(2,146)	(43,589)
Net long/ (short) position	2,251	162	(1,643)	(70)	(18)	682

The Group did not have any structural foreign exchange position as at 31 December 2013 and 2012.

3. Capital adequacy ratio

	As at 31 Dec 2013 Basel III basis	Restated As at 31 Dec 2012 Basel II basis
Capital adequacy ratio		
- Common Equity Tier 1 ("CET1")	**10.4%**	N.A.
- Tier 1	**10.4%**	10.4%
- Overall	**14.5%**	14.9%

The capital adequacy ratio as at 31 December 2013 and 31 December 2012 represents the consolidated position of DSB (covering BCM and DSB China) computed on Basel III and Basel II basis respectively with reference to the Banking (Capital) Rules. This capital adequacy ratio takes into account market risk and operational risk. The capital base as at 31 December 2012 has been restated to reflect the change in the accounting policy for premises to the cost basis.

DSB as a locally incorporated bank in Hong Kong is subject to the minimum capital adequacy ratio requirement under the Hong Kong Banking Ordinance. BCM is subject to Macau banking regulations and DSB China is subject to China banking regulations. The above ratios of the Group are calculated for reference only.

4. Liquidity ratio

	2013	2012
Liquidity ratio	**46.2%**	50.1%

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.

DSB as a locally incorporated bank in Hong Kong is subject to the minimum liquidity 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.

FINANCIAL RATIOS

	Year ended 31 Dec 2013	Year ended 31 Dec 2012
Net interest income/ operating income	**73.3%**	74.5%
Cost to income ratio	**51.8%**	59.5%
Return on average total assets	**1.1%**	1.0%
Return on average shareholders' funds	**10.8%**	10.3%
Net interest margin	**1.79%**	1.54%
	As at 31 Dec 2013	As at 31 Dec 2012
Loan to deposit ratio	**72.1%**	69.7%

FINAL DIVIDEND

At the forthcoming annual general meeting ("AGM") of the Company to be held on Tuesday, 27 May 2014, the Directors will propose a final dividend of HK$0.24 per share for 2013 to shareholders whose names are on the Register of Shareholders as at the close of business on Wednesday, 11 June 2014. The final dividend is payable on or about Friday, 20 June 2014.

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 AGM, the Register of Shareholders will be closed from Wednesday, 21 May 2014 to Tuesday, 27 May 2014, both days inclusive. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 May 2014.

(2) For the purpose of determining shareholders who are entitled to receive the final dividend in respect of the year ended 31 December 2013, the Register of Shareholders will be closed from Thursday, 5 June 2014 to Wednesday, 11 June 2014, both days inclusive. In order to qualify for the said final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 4 June 2014.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

In 2013, the Group reported its highest ever core profit, with profit attributable to shareholders increasing by 18.6% to HK$1,756 million. There were a number of key growth drivers relating to the core business which were particularly encouraging, including 27% growth in net interest income, 32% growth in net fee and commission income, and 54% growth in overall pre-provision operating income, despite more modest volume growth, with loans and advances to customers increasing by 13.7%. With higher credit cost, operating profit after impairment losses increased by 45% and profit attributable to shareholders by 18.6%, reflecting, amongst others, higher disposal losses on investment and lower revaluation gains on property during the year.

Business conditions were reasonable, with modest growth in the Hong Kong economy, and somewhat slower growth in the Mainland economy, although with a still above estimate growth of 7.7% in GDP. Credit quality remained very solid in both our core Hong Kong and Macau markets, and the increase in provisions was caused mainly by a small number of Mainland and Mainland related loans.

The Group once again generated a particularly strong improvement in earnings relative to 2012. At the end of 2013, our associated company Bank of Chongqing was successful in its IPO, and ends the year with a much stronger equity capital base to fund its future growth.

Overall, we made good progress in 2013, with much improved financial performance. Our core businesses all experienced growth in volumes, and overall conditions were fairly stable, despite fears a year or more ago that the Mainland market in particular could experience much more difficult conditions in 2013.

BUSINESS AND FINANCIAL REVIEW

Growth in all core revenue lines was strong during the year. Net interest income was up by 27% from HK$2,204 million to HK$2,797 million due to a combination of growth in volumes and improvement in net interest margin. Net fee and commission income increased by 32% from HK$531 million to HK$702 million driven largely by improvements in wealth management and bancassurance revenues, increases in our sales of treasury products to customers, securities services and general banking related fees. Net trading income increased by 46% from HK$178 million to HK$260 million underpinned by much stronger trading results.

Operating income improved by 28.9% from HK$2,961 million to HK$3,817 million, much ahead of the increase in operating expenses of 12.2%.

Loan impairment losses and other credit provisions increased from HK$144 million to HK$310 million. Whilst credit conditions in our core Hong Kong and Macau markets remained benign, we experienced some increase in credit cost overall due to a small number of Mainland and Mainland related loans over the period.

Bank of Chongqing ("BOCQ") continued to perform well with a contribution of HK$579 million for the year, an increase of 18% over the prior year. With the IPO of BOCQ in the year causing a dilution in our interest (to 16.95% from 20%) which in accounting terms is a deemed partial divestment, an accounting loss of HK$57 million is recognized from such dilution (given the setting of the IPO price at a slight discount to net asset value).

We experienced improvement in a number of key financial performance indicators during the year:

- Net interest margin ("NIM") was up from 1.54% to 1.79% during the year, driven largely by lower deposit costs, resulting from improved market liquidity and a sharp focus on deposit cost management, and higher asset yields, including Treasury business investment yields, as well as upward repricing of our loan products in general.
- ROE was up from 10.3% to 10.8%.
- Cost to income ratio was down from 59.5% to 51.8%.

As at 31 December 2013 our total capital adequacy ratio was 14.5%, a little lower than the prior year due to strong volume growth and an increase in risk weighted assets by 14%, and our CET1 was 10.4%, the same as the prior year. In absolute dollar terms our consolidated capital base was higher by HK$1.7 billion to HK$16.8 billion.

PROSPECTS

The outlook for 2014 remains mixed. Whilst the US continues to forecast growth in GDP during the year, economic growth in Europe remains very slow, and emerging markets also face some pressure. The Mainland economy continues to grow rapidly compared with overall global growth rates, but at a somewhat slower pace than its past trajectory. In the early part of the year, we have already seen uncertainty caused by the beginning of tapering down of assets purchased by the US Federal Reserve, volatility in Emerging Markets, instability in Ukraine, and an unexpected depreciation in the value of the RMB. All of these uncertainties remind us to take a cautious approach to growth and capital in the year ahead.

As well as market and credit risk, we are also mindful of the possible effect on liquidity of the US tapering in our local markets, and therefore continue to build our deposit base and maintain an adequate liquidity ratio, and cash and liquid asset reserves.

Prospects in the Pearl River Delta and Macau remain good in the long term, and we look forward to solidifying the foundations that we have built in those locations. Our self-owned Mainland business has now built a base, and we look forward to continued growth with close attention to credit risk management. Domestically in Hong Kong and Macau, whilst current trends in volume growth are slower than in Mainland and Mainland related business, credit quality remains excellent. Bank of Chongqing continues to perform well, and we note the outlook for stronger growth in the Western part of the Mainland, compared with the country as a whole.

We continue to see opportunities for growth in all of our core markets, and core businesses. With various uncertainties in the market, we will pursue those opportunities and growth in a cautious manner, and with proper attention to risk.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2013, with the exception of code provisions A.4.1, A.4.2 and A.6.7.

Pursuant to code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The Non-Executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Company's Articles of Association.

Pursuant to code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Under the Company's Articles of Association, the managing director shall not be subject to retirement by rotation or taken into account in determining the number of directors to retire. The Board considers that the exemption of the managing director from such retirement by rotation provisions would provide the Group with knowledgeable and consistent leadership and allow more effective planning and execution of long-term business strategy.

Pursuant to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Andrew Kwan-Yuen Leung, an Independent Non-Executive Director and Mr. Kazutake Kobayashi, a Non-Executive Director who resigned on 14 August 2013, were unable to attend the last Annual General Meeting of the Company held on 28 May 2013 due to other engagement at the relevant time.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct for directors' securities dealing ("Directors' Dealing Code") on terms no less exacting than the prevailing required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules. Following specific enquiry, the Directors of the Company confirmed that they have complied with the required standard set out in the Model Code and the Directors' Dealing Code throughout the year ended 31 December 2013.

COMPLIANCE WITH THE BANKING (DISCLOSURE) RULES

In preparing the statutory financial statements for the year ended 31 December 2013, the Group's Hong Kong banking subsidiary has fully complied with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.

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 2013.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company during the year ended 31 December 2013.

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposes to make certain amendments to the Company's existing Memorandum and Articles of Association ("Articles") to align them with the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which has come into effect on 3 March 2014.

The proposed amendments to the Articles are subject to approval by shareholders by way of a special resolution at the forthcoming AGM.

Details of the proposed amendments to the Articles will be set out in the circular to be despatched by the Company in respect of the 2014 AGM.

ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

Copies of this announcement may be obtained from Company Secretarial Division of the Group at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong, or download from Dah Sing Bank's website at <http://www.dahsing.com> free of charge.

The 2013 Annual Report of the Group containing all the information required by the Listing Rules will be published on the websites of the Hong Kong Stock Exchange and Dah Sing Bank in due course. Printed copies of the 2013 Annual Report will be sent to shareholders before the end of April 2014.

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) and Gary Pak-Ling Wang as Executive Directors; Mr. Shoji Hirai as Non-Executive Director; Messrs. Robert Tsai-To Sze, Andrew Kwan-Yuen Leung, Seng-Lee Chan and Yuen-Tin Ng as Independent Non-Executive Directors.

By Order of the Board
Doris W. N. Wong
Company Secretary

Hong Kong, Wednesday, 26 March 2014