



Rating  
**Buy**

Asia  
Hong Kong

Banking / Finance  
Banks

Company  
**Dah Sing Financial  
Alert**

Reuters 0440.HK    Bloomberg 440 HK    Exchange HKG    Ticker 0440  
ADR Ticker DSGY    ISIN US23376M1099

Date  
25 March 2015

**Results**

Price at 25 Mar 2015 (HKD)	44.30
Price target - 12mth (HKD)	58.50
52-week range (HKD)	51.50 - 32.30
HANG SENG INDEX	24,400

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**Stock data**

Market cap (HKDm)	14,844
Market cap (USDm)	1,914
Shares outstanding (m)	315.8
Major shareholders	David Wong (37%)
Free float (%)	63
Avg daily value traded (USDm)	0.9

Source: Deutsche Bank

**Key data**

FYE 12/31	2013A	2014E	2015E
Provisioning (HKDm)	309.8	518.2	708.4
Pre-prov profit (HKDm)	1,981	2,211	2,419
EPS (HKD)	5.05	5.07	4.84
PER (x)	7.9	8.7	9.1
Yield (net) (%)	3.0	2.5	2.9

Source: Deutsche Bank

## 2H14 results: Dragged down by lower trading/investment gains

### Lower trading profits cloud an otherwise steady set of results

DSF reported weak set of 2H14 earnings of HK\$714mn (-13% YoY, -29% HoH), mainly due to lower investment gain/MTM gains. For the banking operation, net interest income rose +4% HoH offset by NIM contraction of 6bp HoH and weak lending growth 1% HoH as LDR remained stable at 75%. Deposits grew 2% HoH, with slight improvement in CASA. Overall non-interest income fell, due to lower trading gains, while net fee income grew 3% HoH. Overall annualized credit cost was at 42bp (1H14: 40bp) while the key deterioration came mainly from onshore Mainland exposure. Capital remains adequate, at 11.4% CET 1 capital (+50bps HoH). BCQ earnings accounted for 36% of DSF results (1H14: 36%). For more details on the banking operation, please refer to our DSB result note.

### Insurance business dragged by lower investment returns, change in VIF

Insurance earnings fell to HKD23m (-90% HoH, -86% YoY), after recording robust profits in 1H14. The fall was mainly due to lower investment income (-40% HoH), and a decrease in value of in-force (-89% HoH). This was partially offset by lower claims and transfer to reserves (-17% HoH). Solvency margin was 320% (1H14: 352%), with investment portfolio improving to HK\$12.92bn (3% HoH), net worth (including value of in-force) at HK\$4.08bn (1H14: HK\$4.04bn). Insurance earnings accounted for 3% of DSF earnings (1H14: 23%). The table below shows the key highlights of insurance business.

Figure 1: Insurance business: Key highlights

HKD m	2H14	1H14	2H13	% HoH	% YoY
Net premium income	1,007	936	903	7.6	11.5
Investment income and other income	316	525	320	(39.8)	(1.3)
Change in value of in-force	32	280	217	(88.6)	(85.3)
<b>Total income</b>	<b>1,355</b>	<b>1,741</b>	<b>1,440</b>	<b>(22.2)</b>	<b>(5.9)</b>
Commission and other expenses (incl. tax)	(266)	(228)	(279)	16.7	(4.7)
Claims and transfer to reserves	(1,066)	(1,284)	(997)	(17.0)	6.9
<b>Net profit (including EV profit)</b>	<b>23</b>	<b>229</b>	<b>164</b>	<b>(90.0)</b>	<b>(86.0)</b>
Solvency margin cover - DSLA	320%	352%	392%	-32%	-72%

Source: Deutsche Bank, Company data

Deutsche Bank AG/Hong Kong

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