



恒生銀行  
HANG SENG BANK



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HANG SENG BANK

# 2014 Annual Results



# Forward-looking Statements

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of Hang Seng. These forward-looking statements represent Hang Seng's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Past performance cannot be relied on as a guide to future performance.

# 2014 Annual Results

## Business Overview

## Financial Performance

## Loans & Deposits

## HK & Other Businesses

## Mainland Business

## Charting Future Growth

# Business Overview



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# Business Overview

- Achieved income & profit growth in core businesses
- Sustained balanced growth in assets & liabilities, interest & non-interest income
- Enhanced customer experience through channels & services upgrade to grow wealth income
- Partnered with BUPA to offer medical insurance services
- Strengthened Mainland infrastructure & cross-border connectivity to capture onshore & offshore business opportunities from policy relaxation

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# Financial Performance

| HK\$ Mn                                             | 2014   | vs 2013          |
|-----------------------------------------------------|--------|------------------|
| Net interest income                                 | 19,871 | 6.8 % ▲          |
| - net interest margin (%)                           | 1.90   | 1 bp ▲           |
| Non-interest income                                 | 10,336 | 9.3 % ▲          |
| Net operating income before loan impairment charges | 30,207 | 7.6 % ▲          |
| Operating expenses                                  | 9,613  | 5.6% ▲           |
| Operating profit - excl. loan impairment charges    | 20,594 | 8.7 % ▲          |
| Loan impairment charges                             | 1,144  | 113.4% ▲         |
| Operating profit                                    | 19,450 | 5.6 % ▲          |
| Profit before tax                                   | 18,049 | 36.7% ▼ (5.1% ▲) |
| Profit attributable to shareholders                 | 15,131 | 43.3% ▼ (5.8% ▲) |
| Earnings per share (HK\$)                           | 7.91   | 43.3% ▼ (5.8% ▲) |
| Dividends per share (HK\$)*                         | 5.60   | 0.1 ▲            |
| Cost efficiency ratio (%)                           | 31.8   | 60 bp ▼          |

(excl. IB accounting gain in 2013, impairment loss in 2014 & gains from property disposal & revaluation)

\* 4th interim dividend for 2014: HK\$2.30/share

▲ ▼ Favourable    ▲ ▼ Unfavourable

# Financial Performance

| HK\$ Mn                                 | 2014   | vs 2013  |
|-----------------------------------------|--------|----------|
| Non-interest income                     | 10,336 | 9.3 % ▲  |
| Net fee income                          | 6,249  | 6.1 % ▲  |
| including gross fee from:               |        |          |
| ■ Cards                                 | 2,196  | 2.5 % ▲  |
| ■ Credit facilities                     | 403    | 8.9 % ▲  |
| ■ Insurance-related services            | 466    | 5.7 % ▲  |
| ■ Remittances                           | 404    | 16.1 % ▲ |
| ■ Retail investment funds               | 1,681  | 8.6 % ▲  |
| ■ Securities broking & related services | 1,355  | 9.2 % ▲  |
| Net trading income                      | 1,944  | 4.9% ▼   |

▲▼ Favourable    ▲▼ Unfavourable

# Financial Performance

|                                           | 2014        | vs 2013              |
|-------------------------------------------|-------------|----------------------|
| Return on average shareholders' funds (%) | 13.4 (16.3) | 12.0 pp ▼ (1.3 pp ▼) |
| Return on average total assets (%)        | 1.3 (1.4)   | 1.1 pp ▼ (0.1 pp ▼)  |

(excl. IB accounting gain in 2013 & impairment loss in 2014)

| HK\$ Bn      | 31 Dec 14 | vs 31 Dec 13 |
|--------------|-----------|--------------|
| Total assets | 1,264     | 10.5% ▲      |

▲▼ Favourable    ▲▼ Unfavourable

# Financial Performance

|                                    | 31 Dec 14 | vs 31 Dec 13 |
|------------------------------------|-----------|--------------|
| Capital ratio under Basel III (%)  |           |              |
| Common Equity Tier 1 capital ratio | 15.6      | 1.8 pp ▲     |
| Tier 1 capital ratio               | 15.6      | 1.8 pp ▲     |
| Total capital ratio                | 15.7      | 0.1 pp ▼     |

▲▼ Favourable    ▲▼ Unfavourable

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# Loans & Deposits

| HK\$ Bn                                | 31 Dec 14 | vs 31 Dec 13 |
|----------------------------------------|-----------|--------------|
| Gross advances                         | 660.3     | 12.4% ▲      |
| Impaired advances / gross advances (%) | 0.32      | 10 bp ▲      |

| HK\$ Bn                                                  | 31 Dec 14 | vs 31 Dec 13 |
|----------------------------------------------------------|-----------|--------------|
| Deposits<br>(incl. CDs & other debt securities in issue) | 956.5     | 10.0% ▲      |

▲▼ Favourable    ▲▼ Unfavourable

# Loans & Deposits

| HK\$ Bn                                      | 31 Dec 14 | vs 31 Dec 13 |
|----------------------------------------------|-----------|--------------|
| Gross advances                               | 660.3     | 12.4% ▲      |
| For use in HK                                | 454.7     | 13.8% ▲      |
| ■ Industrial, commercial & financial sectors | 254.2     | 16.7% ▲      |
| incl. - property development & investment    | 154.3     | 17.4% ▲      |
| - wholesale & retail trade                   | 27.6      | 25.7% ▲      |
| - manufacturing                              | 21.5      | 23.8% ▲      |
| ■ Individuals                                | 200.5     | 10.4% ▲      |
| incl. - residential mortgages                | 143.5     | 9.3% ▲       |
| - credit cards                               | 24.2      | 12.9% ▲      |
| - other loans to personal customers          | 17.0      | 18.1% ▲      |
| Trade finance                                | 41.5      | 20.3% ▼      |
| For use outside HK                           | 164.1     | 20.5% ▲      |

▲▼ Favourable    ▲▼ Unfavourable

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# HK & Other Businesses

Retail Banking & Wealth Management



# HK & Other Businesses

## Retail Banking & Wealth Management

| HK\$ Mn                                             | 2014   | vs 2013 |
|-----------------------------------------------------|--------|---------|
| Net interest income                                 | 10,036 | 0.8% ▲  |
| Non-interest income                                 | 4,811  | 11.0% ▲ |
| Net operating income before loan impairment charges | 14,847 | 3.9% ▲  |
| Operating profit - excl. loan impairment charges    | 9,302  | 3.7% ▲  |
| Operating profit                                    | 8,771  | 3.4% ▲  |
| Profit before tax                                   | 9,017  | 0.9% ▲  |

|                | vs 31 Dec 13 |
|----------------|--------------|
| Gross advances | 9.1% ▲       |
| Deposits       | 5.0% ▲       |

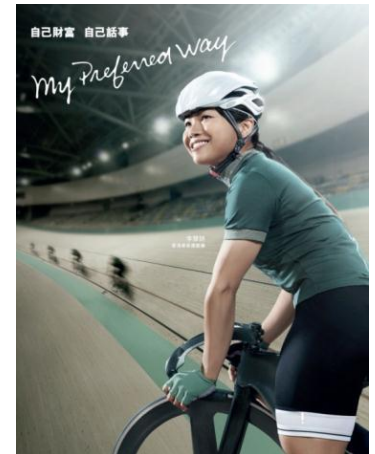
▲ ▼ Favourable    ▲ ▼ Unfavourable

# HK & Other Businesses

## Retail Banking & Wealth Management

### Tailored service propositions

- Opened more Prestige & Preferred Banking Centres
- Increased Prestige & Preferred customers by 7%



## Retail Banking & Wealth Management

### Served tech-savvy clients better

- Opened more 'iPoint' sales & service centres
- Enhanced online & mobile services
- Increased e-Banking users by 8%

# HK & Other Businesses

## Retail Banking & Wealth Management

| Wealth management                | vs 2013 |
|----------------------------------|---------|
| ■ Wealth management income       | 3.7% ▲  |
| - Investment services income     | 8.2% ▲  |
| - Retail investment funds income | 8.3% ▲  |
| - Securities-related income      | 9.0% ▲  |
| - Insurance income               | ↔       |



# HK & Other Businesses

## Retail Banking & Wealth Management

| Credit cards     | vs 2013      |
|------------------|--------------|
| ■ Spending       | 9.4% ▲       |
| Personal loans   | vs 31 Dec 13 |
| ■ Gross advances | 26.8% ▲      |
| Mortgages        | vs 31 Dec 13 |
| ■ Gross advances | 8.0% ▲       |



# HK & Other Businesses

Commercial Banking



# HK & Other Businesses

## Commercial Banking

| HK\$ Mn                                             | 2014  | vs 2013 |
|-----------------------------------------------------|-------|---------|
| Net interest income                                 | 4,894 | 17.3% ▲ |
| Non-interest income                                 | 2,066 | 2.6% ▼  |
| Net operating income before loan impairment charges | 6,960 | 10.6% ▲ |
| Operating profit - excl. loan impairment charges    | 5,206 | 11.5% ▲ |
| Operating profit                                    | 5,078 | 9.7% ▲  |
| Profit before tax                                   | 5,079 | 9.6% ▲  |

|                | vs 31 Dec 13 |
|----------------|--------------|
| Gross advances | 20.2% ▲      |
| Deposits       | 14.8% ▲      |

▲▼ Favourable    ▲▼ Unfavourable

## Commercial Banking

| Non-interest income       | vs 2013 |
|---------------------------|---------|
| ■ Non-interest income     | 2.6% ▼  |
| - Remittance income       | 22.2% ▲ |
| - Investment funds income | 15.3% ▲ |
| - Insurance income        | 8.6% ▲  |
| - Trade-related income    | 6.7% ▼  |
| - Foreign exchange income | 2.5% ▲  |



# HK & Other Businesses

## Commercial Banking

### Enrichment in SME service proposition

- Growth in SME customer deposits
- 15% rise in non-interest income

### Enhancement in:

- Business Banking Centres
- Cross-border services
- Online platform



# HK & Other Businesses

Global Banking & Markets



# HK & Other Businesses

## Global Banking & Markets

| HK\$ Mn                                             | 2014  | vs 2013 |
|-----------------------------------------------------|-------|---------|
| Net interest income                                 | 3,378 | 4.4% ▲  |
| Non-interest income                                 | 1,403 | 3.7% ▲  |
| Net operating income before loan impairment charges | 4,781 | 4.2% ▲  |
| Operating profit - excl. loan impairment charges    | 4,186 | 2.7% ▲  |
| Operating profit                                    | 4,181 | 2.8% ▲  |
| Profit before tax                                   | 4,185 | 2.8% ▲  |



▲▼ Favourable    ▲▼ Unfavourable

# HK & Other Businesses

## Global Banking

| HK\$ Mn                                             | 2014  | vs 2013 |
|-----------------------------------------------------|-------|---------|
| Net interest income                                 | 1,681 | 4.7% ▲  |
| Non-interest income                                 | 243   | 3.4% ▲  |
| Net operating income before loan impairment charges | 1,924 | 4.5% ▲  |
| Operating profit - excl. loan impairment charges    | 1,684 | 3.1% ▲  |
| Operating profit                                    | 1,679 | 3.3% ▲  |
| Profit before tax                                   | 1,682 | 3.3% ▲  |

|                | vs 31 Dec 13 |
|----------------|--------------|
| Gross advances | 5.5% ▲       |
| Deposits       | 54.1% ▲      |

▲ ▼ Favourable    ▲ ▼ Unfavourable

# HK & Other Businesses

## Global Markets

| HK\$ Mn                                             | 2014  | vs 2013 |
|-----------------------------------------------------|-------|---------|
| Net interest income                                 | 1,697 | 4.1% ▲  |
| Non-interest income                                 | 1,160 | 3.8% ▲  |
| Net operating income before loan impairment charges | 2,857 | 4.0% ▲  |
| Operating profit - excl. loan impairment charges    | 2,502 | 2.5% ▲  |
| Operating profit                                    | 2,502 | 2.5% ▲  |
| Profit before tax                                   | 2,503 | 2.5% ▲  |

▲▼ Favourable    ▲▼ Unfavourable

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# Mainland Business



## Hang Seng China

| HK\$ Mn                                             | 2014  | vs 2013  |
|-----------------------------------------------------|-------|----------|
| Net interest income                                 | 1,760 | 20.6% ▲  |
| Non-interest income                                 | 349   | 47.9% ▲  |
| Net operating income before loan impairment charges | 2,109 | 24.4% ▲  |
| Operating profit - excl. loan impairment charges    | 596   | 175.9% ▲ |
| Operating profit                                    | 116   | 44.2% ▼  |
| Profit before tax                                   | 114   | 44.9% ▼  |

|                | vs 31 Dec 13 |
|----------------|--------------|
| Total assets   | 8.0% ▲       |
| Gross advances | 6.7% ▲       |
| Deposits       | 3.6% ▲       |

▲ ▼ Favourable    ▲ ▼ Unfavourable

# Mainland Business

## Hang Seng China

### Enhancement in cross-border initiatives

- 35% increase in net fee & commission income
- 75% rise in non-fund income (excl. revaluation of structured deposits)

### Prudent cost management

- 2% rise in operating expenses



## Strengthened Mainland business network

### ■ 50 outlets

### ■ New strategic locations

- Branch in Chengdu
- Sub-branch in the Shanghai Free Trade Zone
- Branch in Jinan & sub-branch at Shanghai Jing An Kerry Centre

will commence operations in 1H 2015



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# Charting Future Growth



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# Charting Future Growth

- Deepen customer relationships
- Position for sustainable growth in wealth & health business
- Invest in people & technology
- Strengthen credit risk management & corporate governance
- Enhance portfolio management & return on risk capital
- Capture cross-border opportunities from policy relaxation & continuous RMB internationalisation



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