



恒生銀行

HANG SENG BANK



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HANG SENG BANK

2016 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.

2016 Annual Results

Business Overview

Financial Performance

Loans and Deposits

Segment Performance

Recognising Challenges, Responding to Change

Business Overview



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Business Overview

- Achieved solid growth in net interest income and operating income from core businesses
- Maintained strong capital base, healthy liquidity position and asset quality
- Improved net interest margin through effective assets and liabilities management
- Expanded Prestige* and Preferred customer segments and deepened customer penetration
- Enhanced digital platforms to improve customer experience, cost efficiency and support sales and service distribution
- Established investment servicing hub in Qianhai and Pearl River Delta to complement cross-border wealth management initiatives
- Increased transaction banking income with enhanced cross-border liquidity management capabilities

*including Prestige Signature customers

2016 Annual Results

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Financial Performance

HK\$ Mn	2016	vs 2015	
Net interest income	22,254	5%	▲
- net interest margin (%)	1.85	2 bp	▲
Non-interest income	8,345	16%	▼
Net operating income before loan impairment charges	30,599	1%	▼
Operating expenses	10,252	2%	▼
Operating profit - excl. loan impairment charges	20,347	1%	▼
Loan impairment charges	1,313	19%	▲
Operating profit	19,034	2%	▼
Profit before tax	19,090	37%	▼
Profit attributable to shareholders	16,212	41%	▼
Earnings per share (HK\$)	8.30	42%	▼
Dividends per share (HK\$)#	6.10	0.40	▲
Cost efficiency ratio (%)	33.5	0.3 pp	▼

^excl. 2015 Industrial Bank disposal gain

#4th interim dividend for 2016: HK\$2.80/share

*special dividend for 2015: HK\$3.00/share

▲▼ Favourable ▲▼ Unfavourable

Financial Performance

HK\$ Mn	2016	vs 2015
Non-interest income	8,345	16% ▼
Net fee income	5,939	16% ▼
including gross fee from:		
■ Securities broking and related services	1,175	37% ▼
■ Retail investment funds	1,573	11% ▼
■ Insurance	674	43% ▲
■ Remittances	481	8% ▲
■ Cards	2,503	5% ▲
Net trading income	1,685	17% ▼
■ Foreign exchange-related	1,564	26% ▼
Dividend income	190	34% ▲

▲▼ Favourable ▲▼ Unfavourable

Financial Performance

	2016	vs 2015
Return on average ordinary shareholders' equity (%)	12.1	8.6 pp ▼ 0.5 pp^ ▼
Return on average total assets (%)	1.2	0.9 pp ▼ 0.1 pp^ ▼

^excl. 2015 Industrial Bank disposal gain

HK\$ Bn	2016	vs 2015
Total assets	1,377	3.2% ▲

	31 Dec 16	vs 31 Dec 15
Capital ratio under Basel III (%)		
Common Equity Tier 1 capital ratio	16.6	1.1 pp ▼
Tier 1 capital ratio	17.9	1.2 pp ▼
Total capital ratio	20.8	1.3 pp ▼

▲ ▼ Favourable ▲ ▼ Unfavourable

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Loans and Deposits

HK\$ Bn	31 Dec 16	vs 31 Dec 15
Gross advances	701	1% ▲
For use in HK	516	7% ▲
■ Businesses	289	10% ▲
■ Individuals	226	3% ▲
Incl. - residential mortgages	161	2% ▲
- credit cards	27	4% ▲
- other loans to individuals	20	3% ▲
Trade finance	43	8% ▼
For use outside HK	142	11% ▼
Impaired advances / gross advances (%)	0.46	0.06 pp ▲
HK\$ Bn	31 Dec 16	vs 31 Dec 15
Deposits (incl. CDs and other debt securities in issue)	1,029	3% ▲
■ Current and Savings	785	12% ▲

▲ ▼ Favourable ▲ ▼ Unfavourable

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Segment Performance

Retail Banking and Wealth Management

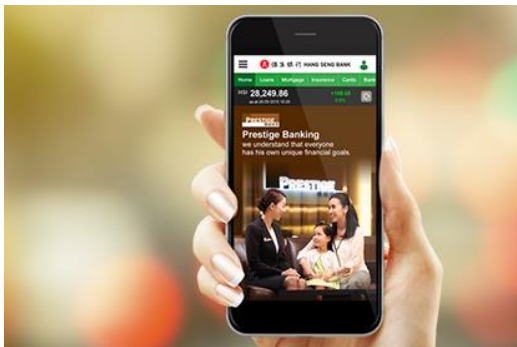


Segment Performance

Retail Banking and Wealth Management

Enhanced capabilities to capture opportunities in a volatile market

- Strengthened analytics and refined client segmentation to increase affluent customer base
- Enhanced portfolio management capabilities together with all-weather wealth management products to deepen customer relationships and product penetration
- Embedded digital and mobile platforms for better customer experience to meet customers' changing lifestyles



Segment Performance

Retail Banking and Wealth Management

HK\$ Mn	2016	vs 2015
Net interest income	12,195	8% ▲
Non-interest income	3,669	28% ▼
Net operating income before loan impairment charges	15,864	3% ▼
Operating profit - excl. loan impairment charges	9,507	2% ▼
Operating profit	8,774	4% ▼
Profit before tax	8,867	4% ▼

	31 Dec 16 vs 31 Dec 15
Gross advances	2% ▲
Deposits	6% ▲

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Retail Banking and Wealth Management

Wealth management	2016 vs 2015
■ Wealth management income	13% ▼

Significant improvement in 2H 16

- Driven by swift response to changing needs of customers
 - All-weather portfolio of wealth management products
 - Enhanced continuous customer engagement supported by data analytics



▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Retail Banking and Wealth Management

Unsecured lending

- Increase in credit card spending

Mortgage balances

31 Dec 16 vs 31 Dec 15

- Gross advances (HK)

1% ▲

- Gross advances (Mainland)

11% ▲



▲ ▼ Favourable ▲ ▼ Unfavourable

Segment Performance

Retail Banking and Wealth Management

Wealth management income	2016 vs 2015
Wealth management income	13% ▼
■ Investment income	23% ▼
- Securities	43% ▼
- Other investment products	6% ▼
■ Insurance income	2% ▼
- New annualised insurance premiums increased by 13%	
- Enriched range of wealth-and-health offerings	

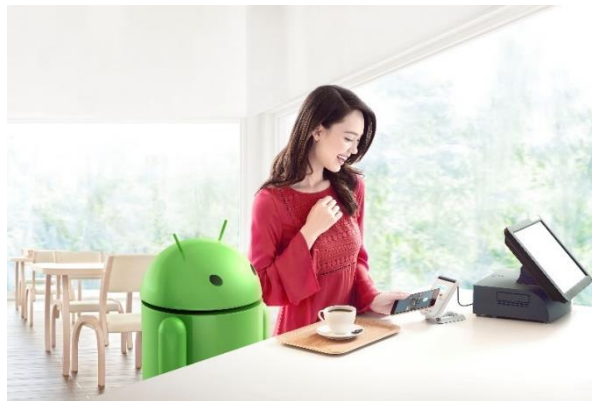
▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Retail Banking and Wealth Management

Customer segmentation and digital platforms

- Further investment in online and mobile platforms to provide personalised experience
- Refinement to our customer segmentation strategy strengthened our ability to respond to evolving wealth customer need
- 41% year-on-year increase in Prestige Signature customer base in Hong Kong



Segment Performance

Commercial Banking



Segment Performance

Commercial Banking

Maintained business momentum in 2016 despite challenging economic conditions

- Sustained growth in loans and deposits while upholding asset quality and returns
- Achieved good growth in SME business through deepened customer relationships, upgraded physical service channels and enhanced digital capabilities
- Strengthened transaction banking service offerings, including two-way RMB sweeping, Global Liquidity Engine and Supply Chain Finance solutions
- Continued to deepen corporate wealth management penetration



Segment Performance

Commercial Banking

HK\$ Mn	2016	vs 2015
Net interest income	6,132	3% ▲
Non-interest income	2,208	3% ▼
Net operating income before loan impairment charges	8,340	2% ▲
Operating profit - excl. loan impairment charges	5,869	2% ▲
Operating profit	5,279	1% ▲
Profit before tax	5,279	1% ▲

	31 Dec 16 vs 31 Dec 15
Gross advances	1% ▲
Deposits	1% ▲

▲ ▼ Favourable ▼ ▲ Unfavourable

Segment Performance

Commercial Banking

Non-interest income	2016 vs 2015
■ Non-interest income	3% ▼
- Insurance	36% ▲
- Vanilla foreign exchange	33% ▲
- Remittances	14% ▲
- Structured foreign exchange	77% ▼



▲ Favourable ▼ Unfavourable

Segment Performance

Global Banking and Markets



Segment Performance

Global Banking and Markets

HK\$ Mn	2016	vs 2015
Net interest income	3,993	14% ▲
Non-interest income	1,722	10% ▼
Net operating income before loan impairment charges	5,715	6% ▲
Operating profit - excl. loan impairment charges	4,806	8% ▲
Operating profit	4,816	7% ▲
Profit before tax	4,816	7% ▲

	31 Dec 16 vs 31 Dec 15
Gross advances	1% ▲
Deposits	9% ▼

▲ ▼ Favourable ▼ ▲ Unfavourable

Segment Performance

Global Banking

Diversified loan growth and enhanced customer value by providing comprehensive financial services

- Drove loan growth to capture opportunities in 'One Belt, One Road' infrastructure, environmental projects and IT technologies
- Offered comprehensive treasury products to facilitate foreign exchange and interest rate hedging
- Strengthened corporate wealth management sales by building a common platform for investment products
- Enhanced customer value through collaboration with Retail and Commercial Banking in offering total solutions



Segment Performance

Global Banking

HK\$ Mn	2016	vs 2015
Net interest income	1,989	5% ▲
Non-interest income	340	12% ▼
Net operating income before loan impairment charges	2,329	2% ▲
Operating profit - excl. loan impairment charges	1,867	3% ▲
Operating profit	1,877	1% ▲
Profit before tax	1,877	1% ▲

	31 Dec 16 vs 31 Dec 15
Gross advances	1% ▲
Deposits	10% ▼

▲ ▼ Favourable ▼ ▲ Unfavourable

Segment Performance

Global Markets

Achieved growth and captured market opportunities

- Managed balance sheet proactively to boost net interest income
- Collaborated closely with retail, commercial and global banking teams to increase cross-selling

HK\$ Mn	2016	vs 2015
Net interest income	2,004	24% ▲
Non-interest income	1,382	10% ▼
Net operating income	3,386	8% ▲
Operating profit	2,939	11% ▲
Profit before tax	2,939	11% ▲

▲ ▼ Favourable ▲ ▼ Unfavourable

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Recognising Challenges, Responding to Change

- Further strengthen competitiveness leveraging brand, network, deepened customer segmentation and cost efficiency
- Enhance ongoing customer engagement and experience to diversify wealth management solutions in response to market volatility and evolving customer needs
- Leverage financial servicing platforms in Qianhai and Pearl River Delta to expand cross-border capabilities to drive investment and insurance businesses
- Invest in digital technology to enhance customer engagement with online products and interactive lifestyle partnerships
- Strengthen internal controls, risk management and corporate governance
- Embed value-based corporate culture and invest in talent management to drive sustainable growth



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