



恒生銀行

HANG SENG BANK



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HANG SENG BANK

2018 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.

2018 Annual Results

Business Overview

Financial Performance

Loans and Deposits

Segment Performance

A Dynamic Approach for Driving Future Growth

Business Overview



Business Overview

- Recorded strong results for 2018 with 21% attributable profit growth
- Achieved increases in revenue and profitability across all business lines
- Adopted a dynamic, yet strategic, approach to capture and drive businesses
- Deepened customer relationship and won new customers through enhanced data analytics
- Expanded digitisation of services and distribution channels with focus on mobile platforms
- Introduced new digital services including all-in-one payment platforms and AI chatbots
- Collaborated with industry peers and strategic partners to advance fintech development
- Achieved strong profit growth in Hang Seng China
- Enhanced working environment and employee benefits to improve staff engagement and well-being
- Received 'Best Domestic Bank in Hong Kong' award for 19 consecutive years by *The Asset*

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Financial Performance

HK\$ Mn	2018	vs 2017
Net interest income	30,047	22% ▲
- net interest margin (%)	2.18	24 bp ▲
Non-interest income	11,168	4% ▲
Net operating income before change in expected credit losses & other credit impairment charges	41,215	17% ▲
Change in expected credit losses & other credit impairment charges	996	4% ▼
Net operating income	40,219	17% ▲
Operating expenses	12,168	13% ▲
Operating profit	27,947	19% ▲
- excl. change in expected credit losses & other credit impairment charges	28,943	18% ▲
Profit before tax	28,432	20% ▲
Profit attributable to shareholders	24,211	21% ▲
Earnings per share (HK\$)	12.48	21% ▲
Dividends per share (HK\$)*	7.50	0.8 ▲
Cost efficiency ratio (%)	29.5	1 pp ▼

*4th interim dividend for 2018: HK\$3.60/share

▲ ▼ Favourable ▲ ▼ Unfavourable

Financial Performance

HK\$ Mn	2018	vs 2017
Net interest income	30,047	22% ▲
Average interest-earning assets	1,376,091	9% ▲
Net interest margin (%)	2.18	24 bp ▲

▲ ▼ Favourable ▲ ▼ Unfavourable

Financial Performance

HK\$ Mn	2018	vs 2017
Non-interest income	11,168	4% ▲
Net fee income	7,067	5% ▲
<i>including gross fee from:</i>		
■ Credit facilities	600	30% ▲
■ Cards	3,014	10% ▲
■ Remittances	619	10% ▲
■ Trade services	446	6% ▲
■ Securities broking and related services	1,704	2% ▲
■ Retail investment funds	1,682	11% ▼
Net income from financial instruments measured at fair value	1,705	59% ▼

▲ ▼ Favourable ▼ ▲ Unfavourable

Financial Performance

	2018	vs 2017
Return on average ordinary shareholders' equity (%)	16.0	1.8 pp ▲
Return on average total assets (%)	1.6	0.2 pp ▲

HK\$ Bn	2018	vs 2017
Total assets	1,571	6% ▲

	31 Dec 18	vs 31 Dec 17
Capital ratio (%)		
Common Equity Tier 1 capital ratio	16.6	0.1 pp ▲
Tier 1 capital ratio	17.8	0.1 pp ▲
Total capital ratio	20.2	0.1 pp ▲

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Loans and Deposits

HK\$ Bn	31 Dec 18	vs 31 Dec 17
Gross advances	877	9% ▲
For use in HK	663	11% ▲
■ Businesses	382	11% ▲
■ Individuals	281	12% ▲
Trade finance	36	23% ▼
For use outside HK	178	8% ▲
Impaired advances / gross advances* (%)	0.25	0.1 pp ▲

HK\$ Bn	31 Dec 18	vs 31 Dec 17
Deposits (incl. CDs and other debt securities in issue)	1,191	7% ▲

*2018 impaired advances are based on adoption of HKFRS 9 and 2017 impaired advances are based on HKAS 39

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Segment Performance

Retail Banking and Wealth Management



Segment Performance

Retail Banking and Wealth Management

HK\$ Mn	2018	vs 2017
Net interest income	16,515	21% ▲
Non-interest income	5,600	1% ▼
Net operating income before change in expected credit losses & other credit impairment charges	22,115	14% ▲
Operating profit - excl. change in expected credit losses & other credit impairment charges	14,724	15% ▲
Operating profit	14,353	16% ▲
Profit before tax	14,557	18% ▲
31 Dec 18 vs 31 Dec 17		
Gross advances	10% ▲	
Customer deposits	9% ▲	

▲▼ Favourable ▼▲ Unfavourable

Segment Performance

Retail Banking and Wealth Management

Fintech and digital infrastructure

- Focused on 'mobile-first' strategy
- >50% mobile banking customers using biometric authentication
- Achieved 35% growth in active mobile banking users
- Launched Hang Seng P.P Payment Platform, driving a four-fold increase in mobile-based transfer transactions
- Enhanced capabilities of our first-to-market AI chatbots
- Increased Personal e-Banking customers in Hong Kong by 8%

Customer segmentation

- Enhanced data analytics for providing more personalised financial solutions
- Achieved 25% growth in Prestige Signature customer base in Hong Kong

Segment Performance

Retail Banking and Wealth Management

	2018 vs 2017
Wealth management income	3% ▲
■ Investment services income	2% ▼
- Securities turnover	1% ▲
- Securities income	3% ▲
- Investment services revenue – excl. securities-related income	5% ▼
■ Insurance income	8% ▲
- New annualised life insurance premiums	25% ▲

▲▼ Favourable ▼▲ Unfavourable

Segment Performance

Retail Banking and Wealth Management

Mortgage

- Strengthened mortgage distribution capabilities
- Gross advances in Hong Kong grew by 11%
- Remained among top three for new Hong Kong mortgage business

Unsecured Loans

- Leverage enhanced analytics to better understand the needs and spending patterns of different customer segments
- Achieved 9% increase in cardholder spending
- Increased personal and tax loan portfolio in Hong Kong by 12%

Segment Performance

Commercial Banking



Segment Performance

Commercial Banking

HK\$ Mn	2018	vs 2017
Net interest income	9,331	33% ▲
Non-interest income	3,051	14% ▲
Net operating income before change in expected credit losses & other credit impairment charges	12,382	28% ▲
Operating profit - excl. change in expected credit losses & other credit impairment charges	9,177	33% ▲
Operating profit	8,575	35% ▲
Profit before tax	8,575	35% ▲
31 Dec 18 vs 31 Dec 17		
Gross advances	11% ▲	
Customer deposits	6% ▲	

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Commercial Banking

Diversified income stream	2018 vs 2017
■ Credit facilities fee income	33% ▲
■ Insurance income	24% ▲
■ Remittances	16% ▲

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Commercial Banking

Investments in digital services

- Offered 24/7 banking services through AI chatbot and Live Chat online messaging service
- Provided instant mobile updates via WeChat Account and online account opening service
- Launched Hang Seng mobile banking app in mainland China

Enhanced transactional banking services

- Developed eTradeConnect, a trade finance platform in partnership with HKMA and industry peers
- Introduced Hang Seng One Collect, an all-in-one payment collection merchant service

Strengthened customer engagement

- Leveraged data analytics to further support for SMEs
- Upgraded Kwun Tong Business Banking Centre to enhance customer experience

Segment Performance

Global Banking and Markets



Segment Performance

Global Banking and Markets

HK\$ Mn	2018	vs 2017
Net interest income	4,566	16% ▲
Non-interest income	1,848	4% ▲
Net operating income before change in expected credit losses & other credit impairment charges	6,414	12% ▲
Operating profit - excl. change in expected credit losses & other credit impairment charges	5,343	12% ▲
Operating profit	5,320	12% ▲
Profit before tax	5,320	12% ▲
31 Dec 18 vs 31 Dec 17		
Gross advances	4% ▲	
Customer deposits	2% ▼	

▲▼ Favourable ▼▲ Unfavourable

Segment Performance

Global Banking

HK\$ Mn	2018	vs 2017
Net interest income	2,318	20% ▲
Non-interest income	318	1% ▼
Net operating income before change in expected credit losses & other credit impairment charges	2,636	17% ▲
Operating profit - excl. change in expected credit losses & other credit impairment charges	2,135	20% ▲
Operating profit	2,110	19% ▲
Profit before tax	2,110	19% ▲

▲▼ Favourable ▼▲ Unfavourable

Segment Performance

Global Markets

HK\$ Mn	2018	vs 2017
Net interest income	2,248	12% ▲
Non-interest income	1,530	5% ▲
Net operating income before change in expected credit losses & other credit impairment charges	3,778	9% ▲
Operating profit - excl. change in expected credit losses & other credit impairment charges	3,208	8% ▲
Operating profit	3,210	8% ▲
Profit before tax	3,210	8% ▲

▲ ▼ Favourable ▲ ▼ Unfavourable

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Segment Performance

A Dynamic Approach for Driving Future Growth

A Dynamic Approach for Driving Future Growth

- Invest in staff, technology and operational infrastructure to maintain high standards of service excellence in new era of banking
- Invest in customer-centric initiatives and opportunities to support future growth and deliver long-term returns
- Act as a driving force for fintech innovation
- Launch products and services (e.g. Green Financing Promotion Scheme) that meet new priorities and concerns of customers
- Contribute to the future growth of Hong Kong as a good corporate citizen
- Carry out new workspace model to drive innovation and create a more dynamic corporate culture
- Provide working conditions that ensure employees can reach their potential and play an active role in business growth



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