



恒生銀行

HANG SENG BANK



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2019 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.

2019 Annual Results

Business Overview

Financial Performance

Loans and Deposits

Segment Performance

Driving Stronger Connections in an Era of Change

Business Overview



Business Overview

- Grew revenue* by 6% in challenging operating environment
- Recorded 5% increase in operating profit excluding change in expected credit losses (ECL) and other credit impairment charges
- Maintained good momentum in balance sheet expansion – loans ▲ 8% and deposits ▲ 5%
- Increased revenue and bottom-line in all business lines except Global Markets
- Proactively managed credit risk to result in lower ECL movement related to actual impaired loans (Stage 3), notwithstanding higher overall ECL movement following prudent adjustments to forward-looking portfolio assessment model based on current global and regional economic outlooks
- Rolled out more than 100 digital innovations and enhancements, including first use in HK of NFC technology to allow ATM cash withdrawals using mobile phones; e-ticketing; standalone stock trading app; and mobile real-time payment tracking service for commercial customers
- Widened customer access with lower thresholds for online investment products and waiving minimum balance fees
- Strong cross-border connectivity helped maintain good momentum for future growth in Mainland-related businesses
- Hang Seng China achieved 17% increase in revenue* and near doubling of profit before tax

* Net operating income before change in expected credit losses and other credit impairment charges

▲▼ Favourable

▲▼ Unfavourable

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Financial Performance

HK\$ Mn	2019	vs 2018
Net interest income	32,255	7% ▲
- net interest margin (%)	2.20	2 bp ▲
Non-interest income	11,259	1% ▲
Net operating income before change in expected credit losses & other credit impairment charges	43,514	6% ▲
Change in expected credit losses & other credit impairment charges	1,837	84% ▲
Net operating income	41,677	4% ▲
Operating expenses	13,057	7% ▲
Operating profit	28,610	2% ▲
- excl. change in expected credit losses & other credit impairment charges	30,447	5% ▲
Profit before tax	28,813	1% ▲
Profit attributable to shareholders	24,840	3% ▲
Earnings per share (HK\$)	12.77	2% ▲
Dividends per share (HK\$)*	8.20	0.7 ▲
Cost efficiency ratio (%)	30.0	0.5 pp ▲

*4th interim dividend for 2019: HK\$4.00/share

▲ ▼ Favourable ▲ ▼ Unfavourable

Financial Performance

HK\$ Mn	2019	vs 2018
Net interest income	32,255	7% ▲
Average interest-earning assets	1,466,871	7% ▲
Net interest margin (%)	2.20	2 bp ▲

▲ ▼ Favourable ▲ ▼ Unfavourable

Financial Performance

HK\$ Mn	2019	vs 2018
Non-interest income	11,259	1% ▲
Net fee income	6,453	9% ▼
<i>including gross fee from:</i>		
■ Credit facilities	672	12% ▲
■ Cards	3,013	↔
■ Trade services	446	↔
■ Securities broking and related services	1,365	20% ▼
■ Retail investment funds	1,534	9% ▼
■ Remittances	493	20% ▼
Net trading income and net income from financial instruments designated at fair value	2,123	1% ▼
Net income from assets and liabilities of insurance business measured at fair value	1,589	464% ▲

▲▼ Favourable ▼▲ Unfavourable

Financial Performance

HK\$ Mn	2019	vs 2018
Change in expected credit losses & other credit impairment charges	1,837	84% ▲

	31 Dec 19	vs 31 Dec 18
Gross impaired advances as percentage of Gross advances (%)	0.22	0.03 pp ▼

▲▼ Favourable ▲▼ Unfavourable

Financial Performance

	2019	vs 2018
Return on average ordinary shareholders' equity (%)	15.2	0.8 pp ▼
Return on average total assets (%)	1.5	0.1 pp ▼
HK\$ Bn	31 Dec 19	vs 31 Dec 18
Total assets	1,677	7% ▲
	31 Dec 19	vs 31 Dec 18
Capital ratio (%)		
Common Equity Tier 1 capital ratio	16.9	0.3 pp ▲
Tier 1 capital ratio	18.7	0.9 pp ▲
Total capital ratio	20.8	0.6 pp ▲

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Loans and Deposits

HK\$ Bn	31 Dec 19	vs 31 Dec 18
Gross advances	946	8% ▲
For use in HK	711	7% ▲
■ Businesses	405	6% ▲
■ Individuals	306	9% ▲
Trade finance	33	7% ▼
For use outside HK	202	13% ▲

HK\$ Bn	31 Dec 19	vs 31 Dec 18
Deposits (incl. CDs and other debt securities in issue)	1,250	5% ▲

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Loans and Deposits

Segment Performance

Driving Stronger Connections in an Era of Change

Segment Performance

Retail Banking and Wealth Management



Segment Performance

Retail Banking and Wealth Management

HK\$ Mn	2019	vs 2018
Net interest income	17,717	7% ▲
Non-interest income	6,342	13% ▲
Net operating income before change in expected credit losses & other credit impairment charges	24,059	9% ▲
Operating profit - excl. change in expected credit losses & other credit impairment charges	16,035	9% ▲
Operating profit	15,199	6% ▲
Profit before tax	15,371	6% ▲
31 Dec 19 vs 31 Dec 18		
Gross advances	8% ▲	
Customer deposits	3% ▲	

▲ ▼ Favourable ▲ ▼ Unfavourable

Segment Performance

Retail Banking and Wealth Management

Improved customer segmentation and analytics

- Built stronger relationships with clients and gained deeper understanding of their financial objectives
- More timely delivery of customised needs-based solutions through online and physical channels
- Achieved 9% growth in Prestige Signature customer base in Hong Kong

Segment Performance

Retail Banking and Wealth Management

Digital innovations and service enhancements

- Upgraded mobile banking and Personal e-Banking platforms
- Mobile-first digital service strategy, MPOWER card enhancements and lower online investment thresholds drove 74% increase in young segment customers
- Launched Hang Seng Invest Express Stock Trading App
- Expanded AI chatbot capabilities and launch of live chat customer support improved service efficiency
- Personal e-Banking customers increased by 8%
- Grew active mobile banking users by 38%

Online-offline service integration

- Launched Mobile Cash ATM Withdrawal service
- Promoted e-Ticketing system for branch services for all segments

Segment Performance

Retail Banking and Wealth Management

	2019 vs 2018
Wealth management income	10% ▲
■ Investment services income	15% ▼
■ Insurance income	31% ▲
- Improved investment return from life insurance investment portfolio	
- Launched new products to enrich retirement planning and healthcare solutions	
- Enhanced life insurance proposition to improve product mix	

Mortgage

- Increased mortgage balances by 11%
- Achieved 16% market share for new mortgage business, ranked among top three in HK for the year

▲▼ Favourable ▼▲ Unfavourable

Segment Performance

Commercial Banking



Segment Performance

Commercial Banking

HK\$ Mn	2019	vs 2018
Net interest income	10,439	12% ▲
Non-interest income	2,574	16% ▼
Net operating income before change in expected credit losses & other credit impairment charges	13,013	5% ▲
Operating profit - excl. change in expected credit losses & other credit impairment charges	9,652	5% ▲
Operating profit	8,795	3% ▲
Profit before tax	8,795	3% ▲
31 Dec 19 vs 31 Dec 18		
Gross advances	6% ▲	
Customer deposits	2% ▼	

▲▼ Favourable ▼▲ Unfavourable

Segment Performance

Commercial Banking

Proactively supported local businesses

- Extended participation in Hong Kong Mortgage Corporation's SME Financing Guarantee Scheme
- Maintained an approval rate of over 90% for loan applications

Digital innovations and service enhancements

- Revamped Business e-Banking platform to reduce navigation times
- Introduced Linkscreen, a screen-sharing technology for online customer support
- AI chatbot capabilities expanded to cover broader range of foreign exchange services

Greater participation in syndicated loans market

- Increased credit facilities fee income by 12%
- Ranked third in the Mandated Arranger League Table for Hong Kong and Macau syndicated loans

Segment Performance

Commercial Banking

Made cash flow management easier for customers

- Introduced fast and simple mobile payment tracking application
- Extended service reach of award-winning integrated point-of-sale terminal, One Collect

Support for fintech and innovation

- Strategic alliance with Hong Kong Science and Technology Parks Corporation
- Launched 'Inno Booster' to offer innovation and technology companies preferential banking services
- Achieved 17% penetration rate among HKSTP tenants

Segment Performance

Global Banking and Markets



Segment Performance

Global Banking and Markets

HK\$ Mn	2019	vs 2018
Net interest income	4,527	1% ▼
Non-interest income	1,713	7% ▼
Net operating income before change in expected credit losses & other credit impairment charges	6,240	3% ▼
Operating profit - excl. change in expected credit losses & other credit impairment charges	5,104	4% ▼
Operating profit	4,960	7% ▼
Profit before tax	4,960	7% ▼
31 Dec 19 vs 31 Dec 18		
Gross advances	11% ▲	
Customer deposits	49% ▲	

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Global Banking

HK\$ Mn	2019	vs 2018
Net interest income	2,525	9% ▲
Non-interest income	354	11% ▲
Net operating income before change in expected credit losses & other credit impairment charges	2,879	9% ▲
Operating profit - excl. change in expected credit losses & other credit impairment charges	2,332	9% ▲
Operating profit	2,193	4% ▲
Profit before tax	2,193	4% ▲
31 Dec 19 vs 31 Dec 18		
Gross advances	11% ▲	
Customer deposits	32% ▲	

▲ ▼ Favourable ▲ ▼ Unfavourable

Segment Performance

Global Markets

HK\$ Mn	2019	vs 2018
Net interest income	2,002	11% ▼
Non-interest income	1,359	11% ▼
Net operating income before change in expected credit losses & other credit impairment charges	3,361	11% ▼
Operating profit - excl. change in expected credit losses & other credit impairment charges	2,772	14% ▼
Operating profit	2,767	14% ▼
Profit before tax	2,767	14% ▼

▲▼ Favourable ▲▼ Unfavourable

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Loans and Deposits

Segment Performance

Driving Stronger Connections in an Era of Change

Driving Stronger Connections in an Era of Change

- Committed to supporting customers and staff in challenging operating environment in 2020
- Continue to move ahead with progressive, customer-centric strategy for transforming business
- Combine digital innovations and competitive strengths to deliver simple and convenient banking, more personalised offerings, greater flexibility and choice, and high security standards
- Focus on effective engagement and building stronger connections with customers, strategic partners, and with and among staff, and continue to integrate online and offline offerings
- Remain actively involved in community initiatives that promote social mobility and well-being, particularly among younger generations e.g. Hang Seng Table Tennis Academy programmes
- Invest heavily in the professional development and personal well-being of staff to attract and nurture talented individuals and strengthen Hang Seng's competitive advantages



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