



恒生銀行
HANG SENG BANK

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恒生銀行
HANG SENG BANK

2020 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.

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Moving Forward Together for Future Success

Business Overview



Business Overview

- 2020 results adversely affected by the market challenges under pandemic:
 - (1) pressure on net interest income amid continuing low interest rate environment, in particular interest rate down trend in 2H
 - (2) increase in expected credit losses (ECL) despite lower charge in 2H
 - (3) deficit on property revaluation with decline in 2H less severe than that in 1H
- Life insurance business lowered notwithstanding its higher revenue in 2H
- Sustained prudent approach and robust control of balance sheet
- Invested in digital capabilities, including rolling out a large number of digital innovations, including “Branch of the Future” concept that combines technology and service models
- Enhanced agility to respond swiftly to market conditions under pandemic and prepare for new opportunities as economies recover
- Ranked first in HK for customer service, creativity and inclusion in a banking service survey and achieved a notable strengthening of Hang Seng brand appeal among young people
- Hang Seng Indexes Company continued to track pulse of HK market and support development of new sectors, including launch of Hang Seng TECH Index

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HK\$ Mn	2020	vs 2019
Net interest income	26,906	17% ▼
- net interest margin (%)	1.73	47bp ▼
Non-interest income	9,162	19% ▼
Net operating income before change in expected credit losses & other credit impairment charges	36,068	17% ▼
Change in expected credit losses & other credit impairment charges	2,738	49% ▲
Net operating income	33,330	20% ▼
Operating expenses	13,205	1% ▲
Operating profit	20,125	30% ▼
- excl. change in expected credit losses & other credit impairment charges	22,863	25% ▼
Profit before tax	19,414	33% ▼
Profit attributable to shareholders	16,687	33% ▼
Earnings per share (HK\$)	8.36	35% ▼
Dividends per share (HK\$)*	5.50	2.70 ▼
Cost efficiency ratio (%)	36.6	6.6 pp ▲

*4th interim dividend for 2020: HK\$2.80/share

▲▼ Favourable ▲▼ Unfavourable

Financial Overview

HK\$ Mn	2020	vs 2019
Net interest income	26,906	17% ▼
Average interest-earning assets	1,553	6% ▲
Net interest margin (%)	1.73	47bp ▼

▲▼ Favourable ▲▼ Unfavourable

Financial Overview

HK\$ Mn	2020	vs 2019
Non-interest income	9,162	19% ▼
Net fee income	6,367	1% ▼
<i>including gross fee from:</i>		
■ Securities broking and related services	2,155	58% ▲
■ Insurance	591	7% ▼
■ Credit facilities	598	11% ▼
■ Retail investment funds	1,313	14% ▼
■ Account services	391	17% ▼
■ Trade finance	365	18% ▼
Net trading income and net income from financial instruments designated at fair value	2,503	18% ▲
Net income from assets and liabilities of insurance business measured at fair value	823	48% ▼
Net insurance premium income	15,301	2% ▼
Other operating income	2,281	55% ▼

▲ ▼ Favourable ▲ ▼ Unfavourable

Financial Overview

HK\$ Mn	2020	vs 2019
Change in expected credit losses & other credit impairment charges	2,738	49% ▲

	31 Dec 20	vs 31 Dec 19
Gross impaired advances as percentage of gross advances (%)	0.60	0.38 pp ▲

▲▼ Favourable ▲▼ Unfavourable

Financial Overview

	2020	vs 2019
Return on average ordinary shareholders' equity (%)	9.6	5.6 pp ▼
Return on average total assets (%)	1.0	0.5 pp ▼

	31 Dec 20	vs 31 Dec 19
Capital ratio (%)		
Common Equity Tier 1 capital ratio	16.8	0.1 pp ▼
Tier 1 capital ratio	18.5	0.2 pp ▼
Total capital ratio	20.0	0.8 pp ▼

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Loans and Deposits

HK\$ Bn	31 Dec 20	vs 31 Dec 19
Gross advances	950	↔
For use in HK	721	1% ▲
■ Businesses	404	↔
■ Individuals	317	4% ▲
Trade finance	27	20% ▼
For use outside HK	203	↔

HK\$ Bn	31 Dec 20	vs 31 Dec 19
Deposits (incl. CDs and other debt securities in issue)	1,304	4% ▲

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Segment Performance

Wealth and Personal Banking



Segment Performance

Wealth and Personal Banking

HK\$ Mn	2020	vs 2019
Net interest income	14,733	17% ▼
Non-interest income	4,930	22% ▼
Net operating income before change in expected credit losses & other credit impairment charges	19,663	18% ▼
Operating profit - excl. change in expected credit losses & other credit impairment charges	11,519	28% ▼
Operating profit	10,546	31% ▼
Profit before tax	10,470	32% ▼
31 Dec 20 vs 31 Dec 19		
Gross advances	3% ▲	
Customer deposits	7% ▲	

▲ ▼ Favourable ▲ ▼ Unfavourable

Segment Performance

Wealth and Personal Banking

Digital innovations and service enhancements

- Personal e-Banking new registrations increased by 40% year-on-year
- Mobile app log-ons rose by 73%
- Total number of e-Banking and digital transactions grew by 124%
- Launched online and WhatsApp chat channels, integrated budgeting app and SimplyFund
- Collaborated with multiple business partners on API initiatives, including New World CLUB and SmarTone

Strong wealth management brand

- Introduced new Signature service to provide bespoke banking services to high-net-worth customers
- Increased Prestige and Preferred Banking customer base by 15% year-on-year

Segment Performance

Wealth and Personal Banking

	2020 vs 2019
Wealth management income	15% ▼
■ Total Investment services income	19% ▲
- Captured increasing investment activity with our stock trading app and swift adoption of other non face-to-face channels - Enhanced frontline productivity with strong analytics capabilities to understand customer needs amid fluid market conditions	
■ Insurance income	32% ▼
- Recorded 89% increase in terms of online policy count and 59% growth in online new premiums - Launched DigiLife, an online insurance information and policy management platform	

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Wealth and Personal Banking

Mortgages

- Grew mortgage balances in Hong Kong by 5%
- Continued to rank among top three for new mortgage business in Hong Kong
- Collaborated with Midland Realty and mReferral to enhance potential customer contact and streamline application process

Re-focused on credit card spending promotions

- Benefited from the rejuvenation of enJoy cobranded card reward programme in partnership with Dairy Farm
- Expanded Cash Dollars dining rewards network through an API collaboration with OpenRice

Segment Performance

Commercial Banking



Segment Performance

Commercial Banking

HK\$ Mn	2020	vs 2019
Net interest income	8,307	20% ▼
Non-interest income	1,993	23% ▼
Net operating income before change in expected credit losses & other credit impairment charges	10,300	21% ▼
Operating profit - excl. change in expected credit losses & other credit impairment charges	6,872	29% ▼
Operating profit	5,101	42% ▼
Profit before tax	5,101	42% ▼
31 Dec 20 vs 31 Dec 19		
Gross advances	2% ▼	
Customer deposits	5% ▲	

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Commercial Banking

Responded quickly to capture market opportunities

- Increased investment services income from market trading activities by 14%
- Achieved double-digit growth in syndicated loan fees
- Ranked no.2 in the 2020 League Table for Hong Kong Mandated Arranger

Continued to support local businesses

- Introduced new Business Banking Remote Account Opening Service
- Established dedicated online application platform to make it easier for customers to apply for Hong Kong Mortgage Corporation's SME Financing Guarantee Scheme (SFGS) loan guarantee products

Segment Performance

Commercial Banking

Digital innovations

- Offered customers ability to integrate their daily business operations with core banking services using corporate API
- Digital Business Banking platform provides real-time updates on status of payments and receivables

Segment Performance

Global Banking and Markets



Segment Performance

Global Banking and Markets

HK\$ Mn	2020	vs 2019
Net interest income	4,418	2% ▼
Non-interest income	1,728	1% ▲
Net operating income before change in expected credit losses & other credit impairment charges	6,146	2% ▼
Operating profit - excl. change in expected credit losses & other credit impairment charges	4,973	3% ▼
Operating profit	4,979	↔
Profit before tax	4,979	↔
31 Dec 20 vs 31 Dec 19		
Gross advances	1% ▲	
Customer deposits	9% ▼	

▲▼ Favourable ▼▲ Unfavourable

Segment Performance

Global Markets

HK\$ Mn	2020	vs 2019
Net interest income	2,046	2% ▲
Non-interest income	1,368	1% ▲
Net operating income before change in expected credit losses & other credit impairment charges	3,414	2% ▲
Operating profit - excl. change in expected credit losses & other credit impairment charges	2,825	2% ▲
Operating profit	2,829	2% ▲
Profit before tax	2,829	2% ▲

▲ ▼ Favourable ▲ ▼ Unfavourable

Segment Performance

Global Banking

HK\$ Mn	2020	vs 2019
Net interest income	2,372	6% ▼
Non-interest income	360	2% ▲
Net operating income before change in expected credit losses & other credit impairment charges	2,732	5% ▼
Operating profit - excl. change in expected credit losses & other credit impairment charges	2,148	8% ▼
Operating profit	2,150	2% ▼
Profit before tax	2,150	2% ▼
31 Dec 20 vs 31 Dec 19		
Gross advances	1% ▲	
Customer deposits	4% ▼	

▲▼ Favourable ▼▲ Unfavourable

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Moving Forward Together for Future Success

- Maintained solid revenue growth momentum to record 6% increase in net operating income before loan impairment charges
- Wealth and Personal Banking and Global Banking businesses showed particularly strong performances
- Profit before tax was down by 3%

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Moving Forward Together for Future Success

Moving Forward Together for Future Success

- For past 88 years, established strong and deep ties with customers and built a trusted brand by standing with Hong Kong community in good times and in bad
- Continue to transform our business to enhance long-term capacity to positively transform the lives of customers and the community
- Continue to invest in people and technology to offer innovative and best-in-class services
- Remain an active participant in social development and environmental programmes
- Building a more sustainable bank for future generations



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