



恒生銀行

HANG SENG BANK



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HANG SENG BANK

2016 Interim 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 Interim Results

Business Overview

Financial Performance

Loans and Deposits

Segment Performance

The 'Ever-growing Bank'

Business Overview



恒生銀行
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Business Overview

- Reported solid results in 1H 2016 and recorded satisfactory growth against 2H 2015
- Maintained strong capital and liquidity positions in response to evolving regulatory requirement
- Maintained satisfactory net interest margin with enhanced asset and liability management
- Expanded target customer base and deepened customer engagement
- Enhanced cost efficiency and revenue growth with upgrade in technology and digital platform
- Launched Northbound Hang Seng China H-Share Index Fund
- Secured approval for majority owned fund management JV company in Qianhai

2016 Interim Results

Business Overview

Financial Performance

Loans and Deposits

Segment Performance

The 'Ever-growing Bank'

Financial Performance

HK\$ Mn	1H 16	vs 1H 15	vs 2H 15
Net interest income	11,003	5% ▲	3% ▲
- net interest margin (%)	1.85	1 bp ▼	5 bp ▲
Non-interest income	4,214	31% ▼	12% ▲
Net operating income before loan impairment charges	15,217	8% ▼	5% ▲
Operating expenses	4,980	3% ▼	7% ▼
Operating profit - excl. loan impairment charges	10,237	10% ▼	12% ▲
Loan impairment charges	721	21% ▲	40% ▲
Operating profit	9,516	12% ▼	10% ▲
Profit before tax	9,499	56% ▼ (14% ▼)	8% ▲
Profit attributable to shareholders	8,005	60% ▼ (15% ▼)	8% ▲
Earnings per share (HK\$)	4.19	60% ▼ (15% ▼)	12% ▲
Dividends per share (HK\$)*	2.2	↔	
Cost efficiency ratio (%)	32.7	1.7 pp ▲	4.2 pp ▼

* 2nd interim dividend for 2016: HK\$1.10/share

(excl. 2015 Industrial Bank disposal gain)

▲▼ Favourable ▲▼ Unfavourable

Financial Performance

HK\$ Mn	1H 16	vs 1H 15	vs 2H 15
Non-interest income	4,214	31% ▼	12% ▲
Net fee income	2,853	27% ▼	10% ▼
including gross fee from:			
■ Cards	1,180	3% ▲	5% ▼
■ Retail investment funds	741	29% ▼	4% ▲
■ Securities broking and related services	545	53% ▼	23% ▼
■ Insurance	262	5% ▲	17% ▲
■ Remittances	234	13% ▲	1% ▼
■ Account services	229	6% ▲	3% ▲
Net trading income	455	67% ▼	30% ▼

▲▼ Favourable ▼▲ Unfavourable

Financial Performance

	1H 16	vs 1H 15 ⁽¹⁾	vs 2H 15
Return on average ordinary shareholders' equity (%)	12.4	2.1 pp ▼	1.8 pp ▲
Return on average total assets (%)	1.2	0.3 pp ▼	0.1 pp ▲

⁽¹⁾ excl. 2015 Industrial Bank disposal gain

	30 Jun 16	vs 31 Dec 15
Capital ratio under Basel III (%)		
Common Equity Tier 1 capital ratio	16.8	0.9 pp ▼
Tier 1 capital ratio	18.1	1.0 pp ▼
Total capital ratio	21.2	0.9 pp ▼

▲▼ Favourable ▲▼ Unfavourable

2016 Interim Results

Business Overview

Financial Performance

Loans and Deposits

Segment Performance

The 'Ever-growing Bank'

Loans and Deposits

HK\$ Bn	30 Jun 16	vs 31 Dec 15
Gross advances	680	2% ▼
For use in HK	492	2% ▲
Trade finance	41	13% ▼
For use outside HK	147	8% ▼
Impaired advances / gross advances (%)	0.55	0.15 pp ▲

HK\$ Bn	30 Jun 16	vs 31 Dec 15
Deposits (incl. CDs and other debt securities in issue)	991	1% ▼

▲ ▼ Favourable ▲ ▼ Unfavourable

2016 Interim Results

Business Overview

Financial Performance

Loans and Deposits

Segment Performance

The 'Ever-growing Bank'

Segment Performance

Retail Banking and Wealth Management

Segment Performance

Retail Banking and Wealth Management

HK\$ Mn	1H 16	vs 1H 15	vs 2H 15
Net interest income	6,016	9% ▲	4% ▲
Non-interest income	1,836	47% ▼	16% ▲
Net operating income before loan impairment charges	7,852	13% ▼	7% ▲
Operating profit - excl. loan impairment charges	4,766	16% ▼	18% ▲
Operating profit	4,400	18% ▼	18% ▲
Profit before tax	4,460	18% ▼	17% ▲

	30 Jun 16 vs 31 Dec 15
Gross advances	↔
Deposits	3% ▲

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Retail Banking and Wealth Management

Growth in 1H 2016

- Increased credit cards spending
- Expanded personal loans portfolio in Hong Kong
- Enhanced deposit mix with refined client strategy



Segment Performance

Retail Banking and Wealth Management

Wealth management	1H 16 vs 1H 15
■ Wealth management income	32% ▼
- Investment	41% ▼
- Insurance	21% ▼



Segment Performance

Retail Banking and Wealth Management

Deepened customer relationships

- Leveraged our large customer base, strong analytic and segmentation capability to deepen customer relationship
- Premium customer base grew 32% through high valued proposition and tailored products and services
- Health proposition was strengthened by the successful partnership with Bupa



Segment Performance

Retail Banking and Wealth Management

Digital banking

- Invested in technology to deepen customer relationship with greater choice of products: Investment, Insurance, Card Spending and Personal Loan
- Broadened customer engagement and brought better value with interactive lifestyle partnerships



Segment Performance

Commercial Banking



Segment Performance

Commercial Banking

HK\$ Mn	1H 16	vs 1H 15	vs 2H 15
Net interest income	3,011	1% ▲	2% ▲
Non-interest income	1,064	15% ▼	2% ▲
Net operating income before loan impairment charges	4,075	4% ▼	2% ▲
Operating profit - excl. loan impairment charges	2,864	4% ▼	4% ▲
Operating profit	2,492	8% ▼	↔
Profit before tax	2,492	8% ▼	↔
		30 Jun 16 vs 31 Dec 15	
Gross advances		4% ▼	
Deposits		7% ▼	

▲ ▼ Favourable ▼ ▲ Unfavourable

Segment Performance

Commercial Banking

Non-interest income	1H 16 vs 1H 15
■ Non-interest income	15% ▼
- Insurance	31% ▲
- Vanilla foreign exchange	31% ▲
- Remittance	15% ▲
- Securities-related services	12% ▼
- Structured foreign exchange	86% ▼



Segment Performance

Commercial Banking

Core business focus

- Continued to drive core business growth in loans and deposits while upholding asset quality and return
- Built sustainable growth in SME business with transformed business banking platform, comprehensive product offerings and better customer experience
- Enhanced digital banking and product capabilities to grow transaction banking income and offer greater convenience to customers
- Deepened corporate wealth management penetration with comprehensive product suite and tailored solutions to high-end customers
- Strengthened cross-border payment and cash management service offering, including two-way RMB sweeping solutions and free-trade zone accounts

Segment Performance

Global Banking and Markets



Segment Performance

Global Banking and Markets

HK\$ Mn	1H 16	vs 1H 15	vs 2H 15
Net interest income	2,020	18% ▲	13% ▲
Non-interest income	878	15% ▼	1% ▼
Net operating income before loan impairment charges	2,898	6% ▲	8% ▲
Operating profit - excl. loan impairment charges	2,457	8% ▲	12% ▲
Operating profit	2,474	10% ▲	10% ▲
Profit before tax	2,474	10% ▲	10% ▲



▲ Favourable ▼ Unfavourable

Segment Performance

Global Banking

HK\$ Mn	1H 16	vs 1H 15	vs 2H 15
Net interest income	988	1% ▲	9% ▲
Non-interest income	169	12% ▼	14% ▼
Net operating income before loan impairment charges	1,157	1% ▼	5% ▲
Operating profit - excl. loan impairment charges	936	1% ▼	7% ▲
Operating profit	953	2% ▲	3% ▲
Profit before tax	953	2% ▲	3% ▲

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

▲ ▼ Favourable ▲ ▼ Unfavourable

Segment Performance

Global Markets

HK\$ Mn	1H 16	vs 1H 15	vs 2H 15
Net interest income	1,032	42% ▲	17% ▲
Non-interest income	709	16% ▼	3% ▲
Net operating income before loan impairment charges	1,741	11% ▲	11% ▲
Operating profit - excl. loan impairment charges	1,521	15% ▲	14% ▲
Operating profit	1,521	15% ▲	14% ▲
Profit before tax	1,521	15% ▲	14% ▲

▲ ▼ Favourable ▼ ▲ Unfavourable

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Segment Performance

The 'Ever-growing Bank'

The 'Ever-growing Bank'



The 'Ever-growing Bank'

- Strengthen competitiveness leveraging brand, network, customer base and cost effectiveness
- Deepen customer segmentation and reinforce core banking customer relationships with integrated retail and wholesale banking solutions
- Strengthen customer engagement to offer time-to-market wealth management solutions in response to market volatility and evolving customer needs
- Leverage leading domestic bank position to pursue cross-border opportunities in investment and insurance business
- Invest in digital technology to broaden customer engagement with products and interactive lifestyle partnerships
- Strengthen internal control, risk management and corporate governance
- Embed value-based corporate culture and invest in talent management to drive sustainable growth



*“.....The IMD World Competitiveness Yearbook 2016 edition ranks **China Hong Kong** first, Switzerland second and the USA third, with Singapore, Sweden, Denmark, Ireland, the Netherlands, Norway and Canada completing the top 10.....”*



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