



恒生銀行

HANG SENG BANK



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HANG SENG BANK

2017 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.

2017 Interim Results

Business Overview

Financial Performance

Loans and Deposits

Segment Performance

Positioning for Sustainable Growth

Business Overview



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Business Overview

- Returned strong results for 1H 2017
- Achieved solid growth in net interest income and non-interest income
- Recorded increases in income and profitability for all business segments
- Grew wealth management income
- New deposits acquisition, lending expansion with active assets and liabilities management drove increase in net interest margin
- Recorded solid growth in balance sheet of Hang Seng China albeit lower return affected by rise in RMB funding cost
- Launched the first public fund of Hang Seng Qianhai Fund Management JV
- Maintained competitive cost structure and improved cost efficiency

2017 Interim Results

Business Overview

Financial Performance

Loans and Deposits

Segment Performance

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Financial Performance

HK\$ Mn	1H 17	vs 1H 16	vs 2H 16
Net interest income	11,814	7% ▲	5% ▲
- net interest margin (%)	1.94	9 bp ▲	8 bp ▲
Non-interest income	5,843	39% ▲	41% ▲
Net operating income before loan impairment charges	17,657	16% ▲	15% ▲
Loan impairment charges	670	7% ▼	13% ▲
Net operating income	16,987	17% ▲	15% ▲
Operating expenses	5,255	6% ▲	↔
Operating profit	11,732	23% ▲	23% ▲
- excl. loan impairment charges	12,402	21% ▲	23% ▲
Profit before tax	11,646	23% ▲	21% ▲
Profit attributable to shareholders	9,838	23% ▲	20% ▲
Earnings per share (HK\$)	5.15	23% ▲	25% ▲
Dividends per share (HK\$)*	2.4	0.2 ▲	
Cost efficiency ratio (%)	29.8	2.9pp ▼	4.5pp ▼

* 2nd interim dividend for 2017: HK\$1.2/share

▲ ▼ Favourable ▲ ▼ Unfavourable

Financial Performance

HK\$ Mn	1H 17	vs 1H 16	vs 2H 16
Non-interest income	5,843	39% ▲	41% ▲
Net fee income	3,294	15% ▲	7% ▲
including gross fee from:			
■ Cards	1,289	9% ▲	3% ▼
■ Retail investment funds	969	31% ▲	16% ▲
■ Securities broking and related services	720	32% ▲	14% ▲
Net trading income	1,388	205% ▲	13% ▲
Net income from financial instruments designated at fair value	988	n.a.*	859% ▲

* Net income from financial instruments designated at fair value recorded a gain of \$988 million for 1H 17, compared with a loss of \$30 million for the same period in 2016

▲ ▼ Favourable ▼ ▲ Unfavourable

Financial Performance

	1H 17	vs 1H 16	vs 2H 16
Return on average ordinary shareholders' equity (%)	14.6	2.2 pp ▲	2.7 pp ▲
Return on average total assets (%)	1.4	0.2 pp ▲	0.2 pp ▲

	30 Jun 17	vs 31 Dec 16
Capital ratio under Basel III (%)		
Common Equity Tier 1 capital ratio	16.2	0.4 pp ▼
Tier 1 capital ratio	17.4	0.5 pp ▼
Total capital ratio	20.2	0.6 pp ▼

▲ ▼ Favourable ▼ ▲ Unfavourable

2017 Interim Results

Business Overview

Financial Performance

Loans and Deposits

Segment Performance

Positioning for Sustainable Growth

Loans and Deposits

HK\$ Bn	30 Jun 17	vs 31 Dec 16
Gross advances	745	6% ▲
For use in HK	555	8% ▲
■ Businesses	319	10% ▲
Incl. - property development & investment	187	9% ▲
- wholesale and retail trade	27	2% ▲
- manufacturing	24	6% ▲
- other	56	20% ▲
■ Individuals	236	4% ▲
Incl. - residential mortgages	166	3% ▲
- other loans to individuals	24	19% ▲
Trade finance	43	↔
For use outside HK	147	3% ▲
Impaired advances / gross advances (%)	0.42	0.04 pp ▼
HK\$ Bn	30 Jun 17	vs 31 Dec 16
Deposits (incl. CDs and other debt securities in issue)	1,057	3% ▲
■ Current and Savings	819	4% ▲

▲ ▼ Favourable ▲ ▼ Unfavourable

2017 Interim Results

Business Overview

Financial Performance

Loans and Deposits

Segment Performance

Positioning for Sustainable Growth

Segment Performance

Retail Banking and Wealth Management



Segment Performance

Retail Banking and Wealth Management

HK\$ Mn	1H 17	vs 1H 16	vs 2H 16
Net interest income	6,619	10% ▲	7% ▲
Non-interest income	3,186	74% ▲	74% ▲
Net operating income before loan impairment charges	9,805	25% ▲	22% ▲
Operating profit - excl. loan impairment charges	6,635	40% ▲	41% ▲
Operating profit	6,374	46% ▲	46% ▲
Profit before tax	6,238	41% ▲	42% ▲

	30 Jun 17 vs 31 Dec 16
Gross advances	4% ▲
Deposits	4% ▲

▲ ▼ Favourable ▲ ▼ Unfavourable

Segment Performance

Retail Banking and Wealth Management

Non-interest income increased in 1H 17

- Fee income grew by 18%
 - Increased stockbroking services, retail investment fund, insurance and credit card business
- Wealth management income grew by 42%
 - Driven by swift response to investment and insurance needs of customers
 - All-weather product portfolio, deepened customer segmentation and strong time-to-market capabilities

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Retail Banking and Wealth Management

	1H 17 vs 1H 16
Wealth management income	42% ▲
■ Investment income	31% ▲
- Securities income	28% ▲
- Other investment products income	33% ▲
- Broadened investment product offerings and launched FX 2 to meet needs and risk appetites of different customer segments	
■ Insurance income	50% ▲
- New annualised life insurance premiums grew by 15%	
- Offered flexible insurance products and planning solutions to meet customer needs	

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Retail Banking and Wealth Management

Unsecured lending

- Increased credit card receivables year-on-year

Mortgage balances

30 Jun 17 vs 31 Dec 16

- Gross advances

4% ▲

Customer base and digital platforms

- Continuous investment in data analytics and digital platform to enrich customer experience
- Prestige Signature customer base grew 25% year-on-year with refinement on high-value proposition
- Personal e-banking customers grew 8% year-on-year

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Commercial Banking



Segment Performance

Commercial Banking

HK\$ Mn	1H 17	vs 1H 16	vs 2H 16
Net interest income	3,288	9% ▲	5% ▲
Non-interest income	1,452	36% ▲	27% ▲
Net operating income before loan impairment charges	4,740	16% ▲	11% ▲
Operating profit - excl. loan impairment charges	3,403	19% ▲	14% ▲
Operating profit	2,993	21% ▲	8% ▲
Profit before tax	2,993	21% ▲	8% ▲

	30 Jun 17 vs 31 Dec 16
Gross advances	7% ▲
Deposits	2% ▲

▲ ▼ Favourable ▲ ▼ Unfavourable

Segment Performance

Commercial Banking

	1H 17 vs 1H 16
■ Non-interest income	36% ▲
- Remittance and account-related services	20% ▲
- Foreign exchange	41% ▲
- Credit-related fees	23% ▲
■ Wealth management income	28% ▲
- Investment income	55% ▲
- Insurance income	19% ▲

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Commercial Banking

Achieved balanced income growth in 1H17

- Achieved good growth in SME business through strengthened service proposition and deepened customer relationship
- Strengthened transactional banking and cross-border infrastructure to drive deposit and loan growth
- Partnered with Sinosure to offer wider range of insurance and export banking services to customers
- Enhanced digital channels to provide customers with greater convenience in financial management

Segment Performance

Global Banking and Markets



Segment Performance

Global Banking and Markets

HK\$ Mn	1H 17	vs 1H 16	vs 2H 16
Net interest income	1,969	3% ▼	↔
Non-interest income	1,010	15% ▲	20% ▲
Net operating income before loan impairment charges	2,979	3% ▲	6% ▲
Operating profit - excl. loan impairment charges	2,472	1% ▲	5% ▲
Operating profit	2,473	↔	6% ▲
Profit before tax	2,473	↔	6% ▲

	30 Jun 17 vs 31 Dec 16
Gross advances	9% ▲
Deposits	8% ▼
■ Current and Savings	4% ▲

▲▼ Favourable ▼▲ Unfavourable

Segment Performance

Global Banking and Markets

Growth in non-interest income	1H 17 vs 1H 16
■ Vanilla foreign exchange	51% ▲
■ Credit-related	47% ▲
■ Insurance	23% ▲
■ Trade finance-related	6% ▲

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Global Banking and Markets

Achieved growth and captured good synergies

- Managed interest rate risk proactively to capture opportunities
- Offered comprehensive products to support customer investments and corporate financing needs
- Drove transactional banking services growth with effective marketing and enhancement to digital platform
- Collaborated closely across businesses to facilitate cross-selling of Global Markets products
- Enhanced synergies across business segments to drive new account acquisition
- Delivered growth in mortgage business with active participation in property development financing

2017 Interim Results

Business Overview

Financial Performance

Loans and Deposits

Segment Performance

Positioning for Sustainable Growth

Positioning for Sustainable Growth

- Achieve sustainable growth through reinforcing trusted brand, customer base and distribution network
- Invest in digital technology and data analytics to increase engagement with customers and capture more business
- Collaborate closely with core business segments to facilitate effective cross-selling and business development
- Strengthen SME service proposition with enhancement in transactional banking and liquidity management services
- Leverage well-integrated cross-border infrastructure to capture opportunities and meet financial management needs of customers
- Invest in enhancing efficiency
- Maintain strong capital base and healthy liquidity position



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