



恒生銀行

HANG SENG BANK



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HANG SENG BANK

2018 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.

2018 Interim Results

Business Overview

Financial Performance

Loans and Deposits

Segment Performance

Delivering Excellence for Progressive Growth

Business Overview



恒生銀行
HANG SENG BANK

Business Overview

- Achieved strong results in 1H 2018
- Grew profit before tax by 28% and recorded growth in revenue and profitability in all business lines
- Achieved balanced growth in lending and deposits, and improvement in the net interest margin
- Recorded double-digit growth in wealth management income
- Invested in technology and operational infrastructure to provide customers with greater flexibility and better service experience
- Enhanced digital services, including introducing AI chatbots, expanding use of biometric authentication and launching mobile security key
- Hang Seng China recorded satisfactory profitability growth despite high cost of RMB funding
- Continued with actions to strengthen staff engagement and enhance their well-being

2018 Interim Results

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Delivering Excellence for Progressive Growth

Financial Performance

HK\$ Mn	1H 18	vs 1H 17	vs 2H 17
Net interest income	14,228	20% ▲	11% ▲
- net interest margin (%)	2.10	16 bp ▲	16 bp ▲
Non-interest income	6,421	10% ▲	30% ▲
Net operating income before change in expected credit losses	20,649	17% ▲	17% ▲
Change in expected credit losses	238	64% ▼	36% ▼
Net operating income	20,411	20% ▲	18% ▲
Operating expenses	5,722	9% ▲	4% ▲
Operating profit	14,662	25% ▲	24% ▲
- excl. change in expected credit losses	14,900	20% ▲	22% ▲
Profit before tax [^]	14,864	28% ▲	24% ▲
Profit attributable to shareholders	12,647	29% ▲	24% ▲
Earnings per share (HK\$)	6.62	29% ▲	29% ▲
Dividends per share (HK\$)*	2.60	0.2 ▲	
Cost efficiency ratio (%)	27.7	2.1 pp ▼	3.4 pp ▼

[^] Including a HK\$124 million gain on share of results from an associated property investment company

* 2nd interim dividend for 2018: HK\$1.30/share

▲ ▼ Favourable

▲ ▼ Unfavourable

Financial Performance

HK\$ Mn	1H 18	vs 1H 17
Non-interest income	6,421	10% ▲
Net fee income	3,989	21% ▲
<i>including gross fee from:</i>		
■ Cards	1,468	14% ▲
■ Retail investment funds	1,070	10% ▲
■ Securities broking and related services	1,049	46% ▲
■ Credit facilities	364	41% ▲
■ Remittances	307	16% ▲
Net trading income and net income from financial instruments designated at fair value	1,140	18% ▼
Net income from assets and liabilities of insurance business measured at fair value	-145	115% ▼

▲ ▼ Favourable ▼ ▲ Unfavourable

Financial Performance

	1H 18	vs 1H 17	vs 2H 17
Return on average ordinary shareholders' equity (%)	17.4	2.8 pp ▲	3.5 pp ▲
Return on average total assets (%)	1.7	0.3 pp ▲	0.3 pp ▲

	30 Jun 18	vs 31 Dec 17
Capital ratio (%)		
Common Equity Tier 1 capital ratio	16.2	0.3 pp ▼
Tier 1 capital ratio	17.4	0.3 pp ▼
Total capital ratio	19.6	0.5 pp ▼

▲ ▼ Favourable ▲ ▼ Unfavourable

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Loans and Deposits

HK\$ Bn	30 Jun 18	vs 31 Dec 17
Gross advances [^]	858	6% ▲
For use in HK	635	7% ▲
■ Businesses	372	8% ▲
■ Individuals	263	5% ▲
Trade finance	44	6% ▼
For use outside HK	179	8% ▲
Impaired advances / gross advances (%)	0.31	4 bp* ▲

HK\$ Bn	30 Jun 18	vs 31 Dec 17	vs 30 Jun 17
Deposits (incl. CDs and other debt securities in issue)	1,162	4% ▲	10% ▲

* Including the additional impaired advances on adoption of HKFRS 9 on 1 January 2018, impaired advances as a percentage of gross loans and advances was 0.27%

[^] Gross advances were up 15% year on year

▲ ▼ Favourable ▲ ▼ Unfavourable

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Segment Performance

Retail Banking and Wealth Management

Segment Performance

Retail Banking and Wealth Management

HK\$ Mn	1H 18	vs 1H 17	vs 2H 17
Net interest income	7,873	19% ▲	12% ▲
Non-interest income	3,396	7% ▲	36% ▲
Net operating income before change in expected credit losses	11,269	15% ▲	18% ▲
Operating profit - excl. change in expected credit losses	7,730	17% ▲	22% ▲
Operating profit	7,561	19% ▲	24% ▲
Profit before tax	7,683	23% ▲	24% ▲

	1H 18 vs 1H 17
Average advances	12% ▲
Average deposits	9% ▲

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Retail Banking and Wealth Management

Customer segmentation

- Strengthened client-centred service proposition by leveraging improved analytical capabilities and refinements to customer segmentation model
- Drove new business by providing needs-based products and services in a timely manner
- Expanded Prestige Signature customer base by 26% year on year

Fintech initiatives and digital platform

- 1st domestic bank in HK to launch AI chatbots to assist customers with a range of enquiries and services
- Launched mobile security key and extended coverage of biometric authentication
- Increased personal e-Banking customers in HK by 8% year on year
- Grew active mobile banking users in HK by 38%

Segment Performance

Retail Banking and Wealth Management

	1H 18 vs 1H 17
Wealth management income	13% ▲
■ Investment income	31% ▲
- Securities turnover	75% ▲
- Securities revenue	66% ▲
- Investment services revenue - excl. securities-related income	17% ▲
■ Insurance income	↔
- New annualised life insurance premiums	27% ▲
- Net interest income and fee income from life insurance business	6% ▲
- Successful total-solution retirement planning propositions	
- Launched new whole-life insurance products	

▲ ▼ Favourable ▲ ▼ Unfavourable

Segment Performance

Retail Banking and Wealth Management

Mortgage balances	30 Jun 18 vs 31 Dec 17
■ Gross advances	4% ▲

Data analytics

- Deepened understanding of the spending and lifestyle priorities of different customer segments
- Achieved a double-digit year-on-year increase in cardholder spending
- Increased personal and tax loan portfolio in HK by 7% compared with 2017 year-end

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Commercial Banking



Segment Performance

Commercial Banking

HK\$ Mn	1H 18	vs 1H 17	vs 2H 17
Net interest income	4,329	32% ▲	16% ▲
Non-interest income	1,767	22% ▲	44% ▲
Net operating income before change in expected credit losses	6,096	29% ▲	23% ▲
Operating profit - excl. change in expected credit losses	4,519	33% ▲	29% ▲
Operating profit	4,439	48% ▲	32% ▲
Profit before tax	4,439	48% ▲	32% ▲

	1H 18 vs 1H 17
Average advances	19% ▲
Average deposits	16% ▲

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Commercial Banking

Solid growth in lending and deposits

- Ranked 1st in Thomson Reuters' Mandated Arranger League Table for HK Syndicated Loans in terms of number of deals completed in 1H 2018
- Leveraged application of data analytics and strengthened customer engagement in the SME segment

Segment Performance

Commercial Banking

Good non-interest income growth

- Launched SWIFT global payments innovation service
- Leveraged sales distribution capabilities and enriched online services

	1H 18 vs 1H 17
■ Non-interest income	22% ▲
- Net insurance income	36% ▲
- Foreign exchange	17% ▲
- Remittance and account-related services	14% ▲

▲ ▼ Favourable ▲ ▼ Unfavourable

Segment Performance

Commercial Banking

Digital platforms

- Introduced 24-hour Business Banking AI chatbot and Live Chat to handle customer enquiries
- Launched online submission of account opening information
- Introduced biometric authentication for mobile app

Segment Performance

Global Banking and Markets



Segment Performance

Global Banking and Markets

HK\$ Mn	1H 18	vs 1H 17	vs 2H 17
Net interest income	2,184	11% ▲	10% ▲
Non-interest income	1,013	↔	32% ▲
Net operating income before change in expected credit losses	3,197	7% ▲	16% ▲
Operating profit - excl. change in expected credit losses	2,723	10% ▲	19% ▲
Operating profit	2,734	11% ▲	20% ▲
Profit before tax	2,734	11% ▲	20% ▲

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Global Banking

HK\$ Mn	1H 18	vs 1H 17	vs 2H 17
Net interest income	1,088	20% ▲	5% ▲
Non-interest income	170	1% ▼	13% ▲
Net operating income before change in expected credit losses	1,258	17% ▲	6% ▲
Operating profit - excl. change in expected credit losses	1,018	21% ▲	8% ▲
Operating profit	1,027	22% ▲	10% ▲
Profit before tax	1,027	22% ▲	10% ▲

	1H 18 vs 1H 17
Average advances	34% ▲
Average deposits	9% ▲

▲▼ Favourable ▼▲ Unfavourable

Segment Performance

Global Markets

HK\$ Mn	1H 18	vs 1H 17	vs 2H 17
Net interest income	1,096	3% ▲	15% ▲
Non-interest income	843	↔	37% ▲
Net operating income before change in expected credit losses	1,939	2% ▲	24% ▲
Operating profit - excl. change in expected credit losses	1,705	5% ▲	26% ▲
Operating profit	1,707	5% ▲	26% ▲
Profit before tax	1,707	5% ▲	26% ▲

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Global Markets

Income growth from Global Markets products

- Drove 31% growth in non-fund income from sales and trading business through collaboration with retail, commercial and global banking teams
- Achieved significant growth in interest rate-related income
- Grew income from equity-linked products by 103% by capturing new business arising from the active stock market in HK

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Delivering Excellence for Progressive Growth

Delivering Excellence for Progressive Growth

- Prepare for more challenging operating conditions created by international trade and geopolitical uncertainties
- Reinforce competitive strengths — trusted brand, large customer base and extensive distribution network — while moving ahead with progressive growth strategy
- Enhance client engagement by data analytics and customer segmentation model
- Support, develop and implement major fintech initiatives, such as industry-wide trade finance blockchain platform
- Adopt technology and operational systems that facilitate quick response to new market opportunities and the provision of value-added services
- Grow core banking business on the Mainland and capitalise on new opportunities, e.g. Greater Bay Area
- Promote working culture and conditions that enable staff to perform at the best, take pride in their work, and feel valued as members of the Hang Seng team



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