



恒生銀行

HANG SENG BANK



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HANG SENG BANK

2019 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.

2019 Interim Results

Business Overview

Financial Performance

Loans and Deposits

Segment Performance

Transforming the Future of Banking for Customers

Business Overview



恒生銀行
HANG SENG BANK

Business Overview

- Grew revenue* by 9% in 1H 2019
- Increased attributable profit by 8% year on year and 18% compared with 2H 2018
- Recorded 11% increase in net interest income on the back of good balance sheet growth
- Introduced new service concept at branches and changes to workplace environment to support transformation of services provision to make banking easier, faster and more convenient for customers
- Continued investment in technology and enhancement in data analytics
- Maintained solid growth momentum in non-interest revenue through providing more fixed-income products and tailored insurance solutions
- Supported commercial customers with new and enhanced services to offer faster transaction and processing times (incl. One Collect – an all-in-one digital payment collection solution, and AI chatbot – BERI)
- Hang Seng China achieved increase in operating profit by 50% year on year and 174% compared with 2H 2018

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

2019 Interim Results

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Transforming the Future of Banking for Customers

Financial Performance

HK\$ Mn	1H 19	vs 1H 18	vs 2H 18
Net interest income	15,853	11% ▲	↔
- net interest margin (%)	2.21	11bp ▲	3bp ▲
Non-interest income	6,556	2% ▲	38% ▲
Net operating income before change in expected credit losses & other credit impairment charges	22,409	9% ▲	9% ▲
Change in expected credit losses & other credit impairment charges	510	114% ▲	33% ▼
Net operating income	21,899	7% ▲	11% ▲
Operating expenses	6,328	11% ▲	2% ▼
Operating profit	15,561	6% ▲	17% ▲
- excl. change in expected credit losses & other credit impairment charges	16,071	8% ▲	14% ▲
Profit before tax	15,894	7% ▲	17% ▲
Profit attributable to shareholders	13,656	8% ▲	18% ▲
Earnings per share (HK\$)	6.98	5% ▲	19% ▲
Dividends per share (HK\$)*	2.80	0.2 ▲	
Cost efficiency ratio (%)	28.2%	0.5pp ▲	3.1pp ▼

* 2nd interim dividend for 2019: HK\$1.40/share

▲ ▼ Favourable ▲ ▼ Unfavourable

Financial Performance

HK\$ Mn	1H 19	vs 1H 18
Non-interest income	6,556	2% ▲
Net fee income	3,485	13% ▼
<i>including gross fee from:</i>		
■ Cards	1,520	4% ▲
■ Retail investment funds	816	24% ▼
■ Securities broking and related services	718	32% ▼
■ Credit facilities	448	23% ▲
■ Remittances	262	15% ▼
Net trading income and net income from financial instruments designated at fair value	972	15% ▼
Net income from assets and liabilities of insurance business measured at fair value	1,064	834% ▲

▲ ▼ Favourable ▼ ▲ Unfavourable

Financial Performance

	1H 19	vs 1H 18	vs 2H 18
Return on average ordinary shareholders' equity (%)	17.0	0.4pp ▼	2.1pp ▲
Return on average total assets (%)	1.7	↔	0.2pp ▲

	30 Jun 19	vs 31 Dec 18
Capital ratio (%)		
Common Equity Tier 1 capital ratio	16.4	0.2pp ▼
Tier 1 capital ratio	18.2	0.4pp ▲
Total capital ratio	20.4	0.2pp ▲

▲ ▼ Favourable ▼ ▲ Unfavourable

2019 Interim Results

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Loans and Deposits

Segment Performance

Transforming the Future of Banking for Customers

Loans and Deposits

HK\$ Bn	30 Jun 19	vs 31 Dec 18
Gross advances [^]	923	5% ▲
For use in HK	693	5% ▲
■ Businesses	398	5% ▲
■ Individuals	295	5% ▲
Trade finance	39	8% ▲
For use outside HK	190	7% ▲
Gross impaired advances as percentage of Gross advances	0.22%	0.03pp ▼

HK\$ Bn	30 Jun 19	vs 31 Dec 18	vs 30 Jun 18
Deposits (incl. CDs and other debt securities in issue)	1,241	4% ▲	7% ▲

[^] Gross advances were up 8% year on year

▲ ▼ Favourable ▲ ▼ Unfavourable

2019 Interim Results

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Segment Performance

Transforming the Future of Banking for Customers

Segment Performance

Retail Banking and Wealth Management



Segment Performance

Retail Banking and Wealth Management

HK\$ Mn	1H 19	vs 1H 18	vs 2H 18
Net interest income	8,644	10% ▲	↔
Non-interest income	3,867	14% ▲	75% ▲
Net operating income before change in expected credit losses & other credit impairment charges	12,511	11% ▲	15% ▲
Operating profit - excl. change in expected credit losses & other credit impairment charges	8,564	11% ▲	22% ▲
Operating profit	8,249	9% ▲	21% ▲
Profit before tax	8,396	9% ▲	22% ▲

	30 Jun 19 vs 31 Dec 18
Gross advances	5% ▲
Customer deposits	2% ▲

▲ ▼ Favourable ▲ ▼ Unfavourable

Segment Performance

Retail Banking and Wealth Management

Customer relationships

- Offered more personalised financial products and services to deepen customer relationships
- Expanded Hong Kong Prestige Signature customer base by 14% year on year
- Prestige customer base increased by 5% year on year in mainland China

Fintech initiatives and digital platform

- Used new push notification service and streamlined online application and transaction processes
- Enriched digital foreign exchange and insurance offerings
- Increased Personal e-Banking customers in Hong Kong by 8% year on year
- Grew active mobile banking users in Hong Kong by 40% year on year

Segment Performance

Retail Banking and Wealth Management

	1H 19 vs 1H 18
Wealth management income	12% ▲
■ Investment services income	28% ▼
- Securities turnover	43% ▼
- Securities revenue	34% ▼
■ Insurance income	51% ▲
- Successful total-solution retirement planning propositions	
- Launched new insurance products, incl. PrimeLife Deferred Annuity Life Insurance Plan	

▲▼ Favourable ▼▲ Unfavourable

Segment Performance

Retail Banking and Wealth Management

Mortgage balances	30 Jun 19 vs 31 Dec 18
■ Gross advances	6% ▲
■ Remained among top three for new mortgage business in Hong Kong	

Data analytics

- Achieved 6% year-on-year increase in card receivables

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Commercial Banking



Segment Performance

Commercial Banking

HK\$ Mn	1H 19	vs 1H 18	vs 2H 18
Net interest income	5,195	20% ▲	4% ▲
Non-interest income	1,552	12% ▼	21% ▲
Net operating income before change in expected credit losses & other credit impairment charges	6,747	11% ▲	7% ▲
Operating profit - excl. change in expected credit losses & other credit impairment charges	5,120	13% ▲	10% ▲
Operating profit	4,964	12% ▲	20% ▲
Profit before tax	4,964	12% ▲	20% ▲

	30 Jun 19 vs 31 Dec 18
Gross advances*	6% ▲
Customer deposits	2% ▲

* Impaired advances / Gross advances: 0.35% (as of 30 Jun 19)

▲▼ Favourable ▼▲ Unfavourable

Segment Performance

Commercial Banking

Digital platforms

- Extended our One Collect integrated POS terminals to online as well as offline merchants
- Extended bill payment service to cover use of FPS QR codes
- Upgraded BERI (AI chatbot) to handle broader range of general enquiries
- Implemented technology-driven solutions to improve speed and documentation clarity of trade-related transactions
- Leveraging strategic alliance with Hong Kong Science and Technology Parks, launched 'Inno Booster', which enables eligible tech-related companies to enjoy preferential banking service offers
- Upgraded Tsim Sha Tsui Business Banking Centre

Segment Performance

Global Banking and Markets



Segment Performance

Global Banking and Markets

HK\$ Mn	1H 19	vs 1H 18	vs 2H 18
Net interest income	2,256	3% ▲	5% ▼
Non-interest income	764	25% ▼	9% ▼
Net operating income before change in expected credit losses & other credit impairment charges	3,020	6% ▼	6% ▼
Operating profit - excl. change in expected credit losses & other credit impairment charges	2,465	9% ▼	6% ▼
Operating profit	2,426	11% ▼	6% ▼
Profit before tax	2,426	11% ▼	6% ▼
30 Jun 19 vs 31 Dec 18			
Gross advances		4% ▲	
Customer deposits		32% ▲	

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Global Banking

HK\$ Mn	1H 19	vs 1H 18	vs 2H 18
Net interest income	1,219	12% ▲	↔
Non-interest income	199	17% ▲	34% ▲
Net operating income before change in expected credit losses & other credit impairment charges	1,418	13% ▲	3% ▲
Operating profit - excl. change in expected credit losses & other credit impairment charges	1,160	14% ▲	4% ▲
Operating profit	1,123	9% ▲	4% ▲
Profit before tax	1,123	9% ▲	4% ▲

▲ ▼ Favourable ▲ ▼ Unfavourable

Segment Performance

Global Markets

HK\$ Mn	1H 19	vs 1H 18	vs 2H 18
Net interest income	1,037	5% ▼	10% ▼
Non-interest income	565	33% ▼	18% ▼
Net operating income before change in expected credit losses & other credit impairment charges	1,602	17% ▼	13% ▼
Operating profit - excl. change in expected credit losses & other credit impairment charges	1,305	23% ▼	13% ▼
Operating profit	1,303	24% ▼	13% ▼
Profit before tax	1,303	24% ▼	13% ▼

▲▼ Favourable ▲▼ Unfavourable

2019 Interim Results

Business Overview

Financial Performance

Loans and Deposits

Segment Performance

Transforming the Future of Banking for Customers

Transforming the Future of Banking for Customers

- Continue to provide innovative new product and service propositions
- Partner with fintech innovators to strengthen digital capabilities, create new business opportunities, gain early exposure to technological advancements and spearhead development of customer-centred banking solutions
- Focus to offer easier, faster and more convenient customised services for customers to manage daily banking needs and achieve financial goals
- Make further investments in personal development of staff and workplace enhancements to drive service excellence



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