



恒生銀行

HANG SENG BANK



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HANG SENG BANK

2020 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.

2020 Interim Results

Business Overview

Financial Overview

Loans and Deposits

Segment Performance

Other Businesses

Continuing to Drive For Future Success

Business Overview



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HANG SENG BANK

Business Overview

- Economic and social effects of COVID-19 pandemic and international trade tensions adversely affected the Bank's financial performance in 1H 2020, as reflected in the following four main areas:
 - (1) contraction in net interest income and net interest margin in the low interest rate environment;
 - (2) a drop in insurance business income, reflecting significantly lower investment returns due to market volatility and a decline in new business sales;
 - (3) increase in expected credit losses; and
 - (4) net deficit on property revaluation
- Key priorities in 1H 2020: protect health and safety of customers and employees, provide uninterrupted banking and wealth management services, and offer fast and hassle-free support to clients facing hardships
- Continued to invest in technology (around 210 new digital innovations and enhancements), build new segments and drive business expansion, achieving top rating on brand attributes among younger and Mainland customers
- Supported customers through various economic relief schemes

2020 Interim Results

Business Overview

Financial Overview

Loans and Deposits

Segment Performance

Other Businesses

Continuing to Drive For Future Success

Financial Overview

HK\$ Mn	1H 20	vs 1H 19	vs 2H 19
Net interest income	14,792	7% ▼	10% ▼
- net interest margin (%)	1.96	25bp ▼	23bp ▼
Non-interest income	4,395	33% ▼	7% ▼
Net operating income before change in expected credit losses & other credit impairment charges	19,187	14% ▼	9% ▼
Change in expected credit losses & other credit impairment charges	1,760	245% ▲	33% ▲
Net operating income	17,427	20% ▼	12% ▼
Operating expenses	6,293	1% ▼	6% ▼
Operating profit	11,134	28% ▼	15% ▼
- excl. change in expected credit losses & other credit impairment charges	12,894	20% ▼	10% ▼
Profit before tax	10,619	33% ▼	18% ▼
Profit attributable to shareholders	9,143	33% ▼	18% ▼
Earnings per share (HK\$)	4.64	34% ▼	20% ▼
Dividends per share (HK\$)*	1.90	0.9 ▼	
Cost efficiency ratio (%)	32.8%	4.6.pp ▲	0.9.pp ▲

* 2nd interim dividend for 2020: HK\$0.80/share

▲▼ Favourable ▲▼ Unfavourable

Financial Overview

HK\$ Mn	1H 20	vs 1H 19
Non-interest income	4,395	33% ▼
Net fee income	3,175	9% ▼
<i>including gross fee from:</i>		
■ Cards	1,132	26% ▼
■ Securities broking and related services	978	36% ▲
■ Retail investment funds	656	20% ▼
■ Credit facilities	377	16% ▼
■ Insurance	317	6% ▼
Net trading income and net income from financial instruments designated at fair value through P/L	1,237	27% ▲
Net income / (expenses) from assets and liabilities of insurance business measured at fair value through P/L	(1,284)	221% ▼
Net insurance premium income	7,171	22% ▼
Net insurance claims and benefits paid and movement in liabilities to policyholders	(8,072)	29% ▼
Other operating income	2,147	30% ▼
<i>of which: movement in present value of in-force long term insurance business</i>	2,106	23% ▼

Financial Overview

	1H 20	vs 1H 19	vs 2H 19
Return on average ordinary shareholders' equity (%)	10.7	6.3 pp ▼	2.7pp ▼
Return on average total assets (%)	1.1	0.6 pp ▼	0.2pp ▼

	30 Jun 20	vs 31 Dec 19
Capital ratio (%)		
Common equity tier 1 capital ratio	16.3	0.6 pp ▼
Tier 1 capital ratio	18.0	0.7 pp ▼
Total capital ratio	19.7	1.1 pp ▼

	30 Jun 20	vs 31 Dec 19
Gross impaired advances as percentage of gross advances	0.32%	0.1pp ▲

▲▼ Favourable ▲▼ Unfavourable

2020 Interim Results

Business Overview

Financial Overview

Loans and Deposits

Segment Performance

Other Businesses

Continuing to Drive For Future Success

Loans and Deposits

HK\$ Bn	30 Jun 20	vs 31 Dec 19
Gross advances	958	1% ▲
For use in HK	727	2% ▲
■ Businesses	416	3% ▲
■ Individuals	311	2% ▲
Trade finance	31	8% ▼
For use outside HK	200	1% ▼

HK\$ Bn	30 Jun 20	vs 31 Dec 19	vs 30 Jun 19
Deposits (incl. CDs and other debt securities in issue)	1,302	4% ▲	5% ▲

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2020 Interim Results

Business Overview

Financial Overview

Loans and Deposits

Segment Performance

Other Businesses

Continuing to Drive For Future Success

Segment Performance

Wealth and Personal Banking



Segment Performance

Wealth and Personal Banking

HK\$ Mn	1H 20	vs 1H 19	vs 2H 19
Net interest income	8,138	6% ▼	10% ▼
Non-interest income	2,078	46% ▼	16% ▼
Net operating income before change in expected credit losses & other credit impairment charges	10,216	18% ▼	12% ▼
Operating profit - excl. change in expected credit losses & other credit impairment charges	6,297	26% ▼	16% ▼
Operating profit	5,557	33% ▼	20% ▼
Profit before tax	5,468	35% ▼	22% ▼

	1H 20 vs 1H 19
Average customer advances	7% ▲
Average customer deposits	3% ▲

▲ ▼ Favourable ▲ ▼ Unfavourable

Segment Performance

Wealth and Personal Banking

	1H 20 vs 1H 19
Wealth management income	40% ▼
■ Insurance income	60% ▼
- enriched and expanded product, including those that leverage government's tax concession measures	
- supported customers by providing additional coverage for COVID-19 with no extra premium required	
■ Securities revenue	40% ▲
■ Securities turnover	58% ▲

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Wealth and Personal Banking

Enhanced data analytic

- Advanced data analytic capabilities enable us to act swiftly to changing customers' expectations
- Prestige and Preferred Banking customer base increased by 13% year-on-year

Enhanced digital services and platform

- Personal Banking Mobile App recorded substantial growth in number of general banking transactions and key product transactions conducted
- Received the 'Best Mobile Banking App' award in The Asian Banker's International Excellence in Retail Financial Services Awards 2020
- Introduced 'Savings Planner', 'SmartInvest', and 'SimplyFund', designed to make savings and investment simple and inclusive, particularly for younger customers
- Increased digital investment customer base by 23% year-on-year

Segment Performance

Wealth and Personal Banking

Mortgage	30 Jun 20 vs 31 Dec 19
■ Mortgage balances in Hong Kong	2% ▲
■ Remained among top three for new mortgage business in Hong Kong	

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Commercial Banking



Segment Performance

Commercial Banking

HK\$ Mn	1H 20	vs 1H 19	vs 2H 19
Net interest income	4,532	13% ▼	14% ▼
Non-interest income	1,145	26% ▼	12% ▲
Net operating income before change in expected credit losses & other credit impairment charges	5,677	16% ▼	9% ▼
Operating profit - excl. change in expected credit losses & other credit impairment charges	4,048	21% ▼	11% ▼
Operating profit	3,227	35% ▼	16% ▼
Profit before tax	3,227	35% ▼	16% ▼
		1H 20 vs 1H 19	
Average loan balances	5% ▲		

▲ ▼ Favourable ▲ ▼ Unfavourable

Segment Performance

Commercial Banking

Active participation in syndicated lending

- Ranked number one in Mandated Arranger League Table for Hong Kong and Macau Syndicated Loans in terms of number of deals

Facilitated by more agile operational infrastructure

- Deep understanding of customers' businesses enabled us to move swiftly and offer appropriate solutions in highly challenging environment
- Market share of deferred principal repayment loan approvals was 21% in April

Segment Performance

Commercial Banking

Digital services enhancements

- Launched first-in-market online application platform for SME Financing Guarantee Scheme to reduce 'time to cash' for customers
- Expanded capabilities of AI chatbot, BERI, to provide advice on trade-related matters
- One-Click Time Deposit allows customers to place time deposits at pre-approved preferential interest rates with just a single click

Segment Performance

Global Banking and Markets



Segment Performance

Global Banking and Markets

HK\$ Mn	1H 20	vs 1H 19	vs 2H 19
Net interest income	2,420	7% ▲	7% ▲
Non-interest income	963	26% ▲	1% ▲
Net operating income before change in expected credit losses & other credit impairment charges	3,383	12% ▲	5% ▲
Operating profit - excl. change in expected credit losses & other credit impairment charges	2,845	15% ▲	8% ▲
Operating profit	2,646	9% ▲	4% ▲
Profit before tax	2,646	9% ▲	4% ▲

▲▼ Favourable ▲▼ Unfavourable

Segment Performance

Global Banking

HK\$ Mn	1H 20	vs 1H 19	vs 2H 19
Net interest income	1,224	↔	6% ▼
Non-interest income	179	10% ▼	15% ▲
Net operating income before change in expected credit losses & other credit impairment charges	1,403	1% ▼	4% ▼
Operating profit - excl. change in expected credit losses & other credit impairment charges	1,142	2% ▼	3% ▼
Operating profit	994	11% ▼	7% ▼
Profit before tax	994	11% ▼	7% ▼

▲▼ Favourable ▼▲ Unfavourable

Segment Performance

Global Markets

HK\$ Mn	1H 20	vs 1H 19	vs 2H 19
Net interest income	1,196	15% ▲	24% ▲
Non-interest income	784	39% ▲	1% ▼
Net operating income before change in expected credit losses & other credit impairment charges	1,980	24% ▲	13% ▲
Operating profit - excl. change in expected credit losses & other credit impairment charges	1,703	30% ▲	16% ▲
Operating profit	1,652	27% ▲	13% ▲
Profit before tax	1,652	27% ▲	13% ▲

▲▼ Favourable ▼▲ Unfavourable

2020 Interim Results

Business Overview

Financial Overview

Loans and Deposits

Segment Performance

Other Businesses

Continuing to Drive For Future Success

Other Businesses

- Maintained good momentum in Mainland-related business
- Hang Seng China recorded 12% year-on-year increase in net operating income before loan impairment charges and grew profit before tax by 11%
- Hang Seng Indexes Company Limited launched Hang Seng TECH Index with aim of it becoming another flagship index for Hong Kong market, alongside Hang Seng Index and Hang Seng China Enterprises Index

2020 Interim Results

Business Overview

Financial Overview

Loans and Deposits

Segment Performance

Other Businesses

Continuing to Drive For Future Success

Continuing to Drive For Future Success

- Uphold vigilance in containing costs, proactive credit risk management and central operating principle of providing high quality banking and wealth management services to customers
- Confident in customer-centric growth strategy, driven by ongoing service innovations and proactive approach
- Continue to invest wisely for the future – in technology, new markets, new segments and new products
- Encourage greater collaboration and creativity in supporting performance potential of our people and continue to invest in talent development and in employee well-being



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