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Good afternoon, ladies and gentlemen. I am delighted to have the opportunity to speak with you today about Hang Seng Bank's recent performance and our strategy for future sustainable growth.

Before we start, may I draw your attention to the words on forward-looking statements on the screen. All figures are in Hong Kong dollars unless otherwise stated.

I wish to begin with a brief review of market conditions. At an international level, concerns over the eurozone sovereign debt crisis have continued to weigh heavily on investor and consumer sentiment. Signs of recovery in the US economy at the start of the year had lost steam by the second quarter.

Weak external demand led to a marked deceleration in Hong Kong's outward-facing economy in the first half of 2012. Subdued global export activity will remain the major constraining factor in the second half of the year, although this will be partly offset by private consumption and continued investment in fixed capital formation. We expect Hong Kong's GDP growth for the year to be around 2%.

In mainland China, real GDP growth was 7.8% in the first half of 2012 – its slowest rate in almost three years. While external sector conditions pose a significant challenge, reduced inflationary pressures may provide room for further policy easing and supportive fiscal measures in the months ahead, although the Central Government may continue with targeted tightening measures in the property sector. We expect real GDP growth for the year to moderate to about 8%.

At the same time, however, new opportunities are opening up. Recent Central Government measures to support Hong Kong's further development as a centre for offshore renminbi financial services, the promotion of closer economic integration under initiatives such as CEPA, and the continuing growth of middle-class and mass affluent income groups on the Mainland will all help drive future business growth.

In the global arena, recent comments by Chairman of the US Federal Reserve Ben Bernanke indicate that the US central bank is preparing to take new steps to stimulate economic growth. Along with the European Central Bank's latest moves to address the eurozone debt crisis, this may serve to shore up consumer confidence in Hong Kong's major export markets in the short term.

In the challenging operating conditions, Hang Seng produced encouraging results in the first half of 2012. We achieved a 14% rise in both operating profit excluding loan impairment charges and attributable profit compared with a year earlier – recording increases in revenue and profit across all business segments, and growth in both net interest and non-interest income.

Successful steps to deepen existing customer relationships and build new ones helped us increase our market share for deposits. Supported by our strong balance sheet and industry expertise, we also grew our share of business in Hong Kong's competitive mortgage, credit card and corporate loan sectors.

We further diversified income, with non-interest revenue contributing 33% to total operating income.

Wealth management business remained a core revenue driver. In the subdued investment environment, we capitalised on our life insurance proposition to achieve a 15% increase in wealth management income.

We leveraged the strong connectivity between our Hong Kong and Mainland operations and fortified internal and external cross-referral channels to further enhance our position as a preferred bank for cross-border financial needs. The timely launch of innovative renminbi products and services reinforced our reputation as a market leader in this rapidly expanding sector. We strategically deployed resources to extend our reach and service scope on the Mainland.

Taking a closer look at our first-half financial performance, profit attributable to shareholders rose to $9,302 million – up 14% and 7% compared with the first and second halves of 2011. Earnings per share grew by 14% compared with a year earlier to $4.87.

The total dividend distribution per share for the first half of 2012 was $2.20 – the same as in the first half of 2011.

Profit before tax was $10,659 million – an increase of 14% on the first half of last year and 8% on the second half.

Operating profit grew to $8,034 million – up 13% and 14% compared with the first and second halves of last year.

Operating expenses rose by 5% to $4,077 million, driven mainly by the increase in staff-related costs that included performance-based remuneration. Excluding our Mainland business, operating costs were up 3%.

With the 10% growth in net operating income before loan impairment charges outpacing the rise in operating expenses, our cost efficiency ratio improved to 33% – down 1.6 percentage points compared with the first half of 2011.

Return on average shareholders’ funds was 22.9%, compared with 22.8% for the first half of last year and 22.6% for the second half.

Total assets increased by 3% compared with the end of 2011 to $1,005.9 billion. The return on average total assets was 1.9% – up from 1.7% and 1.8% in the first and second halves of 2011.

At 30 June 2012, our capital adequacy ratio was 13.9%, down 0.4 percentage points compared with the end of 2011, reflecting the net effect of growth in capital and in risk-weighted assets. Our core capital ratio was 11.7%, compared with 11.6% at last year-end.

Net interest income grew by 8% to $8,286 million compared with a year earlier, benefitting from the 2% rise in average interest-earning assets, wider loan and deposit spreads, and increased returns from the life insurance investment funds portfolio. Compared with the second half of 2011, net interest income rose by 2%.

Net interest margin improved to 1.85%, compared with 1.75% and 1.80% for the first and second halves of last year.

Non-interest income increased to $4,074 million – up 13% on the first half of 2011 and 26% on the second half.

Net fee income fell by 5% to $2,408 million. Reduced fee income from stockbroking and related services and retail investment fund sales was partly offset by increased fees from credit card business, credit facilities and insurance agency activity. Compared with the second half of 2011, net fee income was up 5%.

Trading income grew by 26% to $1,170 million. Foreign exchange income increased by 51%, reflecting strong customer demand for renminbi foreign exchange-linked structured products. Compared with the second half of 2011, trading income rose by 35%.

Our share of profits from associates grew by 32%, due mainly to the increase in contribution from Industrial Bank on the back of strong loan and fee income growth.

Loan impairment charges were $249 million – up $91 million compared with the first half of last year, but $33 million lower compared with the second half.

Gross advances to customers were up 5% at $506.6 billion compared with the end of 2011. We continued to carefully manage credit risk and maintain a high level of asset quality. Total loan impairment allowances as a percentage of gross advances to customers improved by 2 basis points to 0.33%.

Loans for use in Hong Kong increased by 5% to $358 billion.

We recorded a 5% rise in loans to businesses, with good customer relationship management enabling us to expand lending in most industry sectors.

Lending to individuals – excluding GHOS mortgages – grew by 6%. In a highly competitive market, we achieved an 8% increase in residential mortgage loans.

Loans for use outside Hong Kong rose by 16%.

The slowdown in international trade and the maturing of some short-term loans led to a 13% decline in trade finance. However, as a result of our active portfolio management, trade income only slipped by 1%.

Customer deposits, including certificates of deposit and other debt securities in issue, rose by 4% to $771.8 billion, due largely to an increase in deposits held in savings accounts.

These Bank-wide figures are underpinned by good performances across our core business groups.

Retail Banking and Wealth Management in Hong Kong achieved a 16% increase in profit before tax to $3,986 million. Operating profit excluding loan impairment charges grew by 14% to $4,056 million. Operating profit was up 12% at $3,867 million.

Growth in our credit card business, easing pressure on deposit spreads and increased returns from the life insurance investment funds portfolio supported a 10% rise in net interest income to $4,276 million.

In the challenging conditions for investment business, our diverse range of life insurance products supported the wealth management income stream.

We expanded our life insurance proposition, further tapping the retiree segment and enhancing the features of existing products. Along with streamlining application procedures, these initiatives deepened our market penetration among key customer groups. Life insurance income grew by 63% to $1,616 million, with a 10% rise in total policies in force and a 14% increase in annualised new premiums.

Income from investment services fell by 25% to $1,071 million. The number of securities accounts increased by 4%, but reduced stock-market activity led to a 32% drop in revenue. New Hang Seng retail investment products, including the world's first renminbi-denominated gold exchange-traded fund (ETF), reinforced our reputation as a wealth management leader and a renminbi services pioneer.

Overall, income from wealth management business was $2,780 million – up 11% and 37% compared with the first and second halves of last year.

Using effective marketing and customer acquisition campaigns, we grew the number of credit cards in circulation to 2.3 million. Card spending and receivables increased by 13% and 12% respectively, supporting an 11% rise in credit card business revenue.

The convenience of our one-stop mortgage centre and specialist advice from our professional team of mortgage advisors formed part of the value-added service that led to solid growth in mortgage lending. Product innovations, including Hong Kong's first renminbi/Hong Kong dollar dual-currency-linked mortgage plan, helped attract new business among target customer segments. We were the number two mortgage provider in Hong Kong in terms of new mortgage registrations in the first half of the year.

Corporate and Commercial Banking in Hong Kong achieved a 19% increase in profit before tax to $2,728 million. Operating profit excluding loan impairment charges rose by 16% to $2,694 million. Operating profit grew by 19% to $2,727 million.

Net interest income rose by 12% compared with the first half of 2011 to $2,435 million.

Backed by a refined customer management strategy, we expanded and diversified our loans portfolio while maintaining good credit risk management. We increased our participation in syndicated lending, ranking as the number one mandated arranger in Hong Kong and Macau for the first half of 2012 in terms of the number of transactions. Customer deposits increased by 8%.

Good progress with efforts to further diversify revenue supported a 12% increase in non-interest income to $1,105 million. Net fee income rose by 18%, driven largely by sales of insurance policies and treasury products as we helped customers manage risk and identify yield-enhancement opportunities in the uncertain economic environment.

Corporate wealth management income grew by 19%, supported by both investment and insurance services, contributing 12% to Corporate and Commercial Banking's net operating income.

We built further momentum in customer acquisition and captured a growing share of trade-related business flows. The number of commercial customers grew by 6.3% compared with the end of last year. Mainland companies represented 44% of newly acquired customers in June 2012 – compared with 26% in December last year. The number of renminbi accounts was up 11% on last year-end.

Treasury recorded a 7% increase in both profit before tax and operating profit to $1,313 million.

The low interest rate environment affected returns on financial investments and net interest income dropped by 12% to $852 million. However, this was outweighed by the increase in income from funding swap activities as reported under trading income. Non-interest income grew by 61% to $594 million. With the continuing liberalisation of renminbi business in Hong Kong, we took steps to meet rising customer demand and enhance our position as a market pioneer with the launch of new products, including the ground-breaking Hang Seng RMB Gold ETF.

Hang Seng China's total operating income increased by 29% compared with the same time last year, driven mainly by the 34% rise in net interest income. Operating profit rose by 31%.

Deposits were up 7% on the end of 2011. With a continued emphasis on credit quality, we grew customer advances by 6%. We recorded an improvement in the net interest margin.

Leveraging the strength of our wealth management and commercial banking capabilities, we grew Hang Seng China's personal and business customer bases by 16% and 6% respectively compared with a year earlier.

Since the beginning of the year, Hang Seng China has opened a new branch in Xiamen and new sub-branches in Beijing, Tianjin and Shunde, bringing its network to 43 outlets across 15 cities. We are preparing to open new sub-branches in Zhuhai, Jiangmen and Tianjin before year-end.

Our wholly-owned subsidiary, Hang Seng Securities, has partnered with Guangzhou Securities in Guangdong to establish the first joint venture securities investment advisory company under CEPA.

Guangzhou GuangZheng Hang Seng Securities Investment Advisory Company, which commenced operations in July, enhances our Mainland service scope and will promote our position as a key Greater China financial services provider among target customer groups.

We continue to benefit from the synergies created by close cooperation with our strategic Mainland banking partner, Industrial Bank.

Including our share of profits from associates, Mainland business contributed 23% to profit before tax in the first half of 2012, compared with 18% a year earlier.

Continuing global economic uncertainty will keep market competition keen for the rest of the year as banks work to maintain revenue and market share.

Our mission is to be the leading domestic bank in Hong Kong and the preferred choice of personal and corporate clients for wealth management and trade solutions in the Greater China region.

Building on our excellent Mainland-Hong Kong branch network, good customer loyalty, solid financials and trusted brand, we will maintain our strong position in core banking businesses, expand and diversify our deposit and income bases, and prudently expand lending. We will drive new customer acquisitions and deepen relationships with our existing Hong Kong customer base of more than 3 million individuals – over half the adult population. We will use our time-to-market capabilities and extensive range of service channels to capitalise on cross-border renminbi initiatives and further strengthen our wealth management proposition.

On the Mainland, we will continue with a focused and balanced growth strategy, reflected in our network expansion, targeted customer increase and investment in our people. Leveraging our strong Hong Kong franchise, we will differentiate our positioning via quality service delivery, premium wealth management capabilities and a prudent-but-progressive business approach. We will collaborate effectively with our strategic partners and capitalise on new business opportunities – particularly those that make good use of our cross-border connectivity competitive strength.

We will continue to focus on driving sustainable growth. Service excellence and high business integrity will remain our cornerstone principles, and serve as key differentiators in a competitive market. We will capitalise on our strong cross-border, cross-entity and cross-business connectivity to identify new opportunities to grow our business and customer base.

We will improve operational efficiency, including through investments in IT and enhancements to our online banking platform and branch network. We will further strengthen our capital management framework and optimise our portfolio by striking a good balance between risk and reward. We will continue to uphold high standards of corporate governance and take additional steps to grow the skills and knowledge of our people.

Backed by the support of our loyal customers and the dedication of our staff, we are well-positioned to achieve sustainable growth in Greater China to the benefit of our customers and shareholders.

Thank you.