



恒生銀行

HANG SENG BANK



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HANG SENG BANK

2021 Annual 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.

2021 Annual Results

Business Overview

Segment Performance

Hang Seng China

Financial Overview

2022 Outlook

Business Overview



2021: A Year of Continuity and Change

- Solid balance sheet growth
- Healthy increase in non-interest income
- Strong momentum in mortgage, trade and green loans portfolios
- Advanced digital developments
- Focused on ESG to support transition to a low-carbon economy
- Strong wealth management businesses in first half but dampened investor and business sentiment from Omicron and increased refinancing risk in the Mainland commercial real estate sector in second half
- Higher expected credit losses based on uncertainties in mainland China real estate sector despite stable quality of lending portfolio

Financial Overview

HK\$ Mn	2021	vs 2020
Net interest income	23,822	11% ▼
- net interest margin (%)	1.49	24bp ▼
Non-interest income	9,360	2% ▲
Net operating income before change in expected credit losses & other credit impairment charges	33,182	8% ▼
Change in expected credit losses & other credit impairment charges	2,807	3% ▲
Net operating income	30,375	9% ▼
Operating expenses	14,134	7% ▲
Operating profit	16,231	19% ▼
- excl. change in expected credit losses & other credit impairment charges	19,038	17% ▼
Profit before tax	16,385	16% ▼
Profit attributable to shareholders	13,960	16% ▼
Earnings per share (HK\$)	6.93	17% ▼
Dividends per share (HK\$)*	5.10	0.40 ▼
Cost efficiency ratio (%)	42.6	6.0 pp ▲

*4th interim dividend for 2021: HK\$1.80/share

▲▼ Favourable ▲▼ Unfavourable

2021 Annual Results

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Segment Performance

Hang Seng China

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2022 Outlook

Segment Performance

Wealth and Personal Banking



Segment Performance

Wealth and Personal Banking

Achieved strong growth in wealth management business

- 11% year-on-year increase in wealth management income
- Strengthened data analytics, uplifted digital banking capabilities and diversified investment and insurance products
- First bank in Hong Kong to extend equity-linked investment product subscription services to US securities for retail investors
- Launching the first ESG ETF based on Hang Seng Index

Participated in Wealth Management Connect ('WMC') Scheme

- One of the first banks to launch cross-boundary investment services under the WMC Scheme
- Designated WMC team to provide seamless support to customers for their north- and south-bound investments

Segment Performance

Wealth and Personal Banking

Insurance business achieved strong growth

- Insurance business income increased by 17%
- Launched new products to meet growing customer needs such as lifetime protection, legacy planning and long-term asset growth

Captured improved market sentiment to grow mortgage and credit card businesses

- New mortgage drawdowns outpaced the market, up 34% year-on-year
- 10% increase in card spending by leveraging improved consumption sentiment

Segment Performance

Wealth and Personal Banking

Digital innovations and service enhancements

- Launched 415 digital innovations and enhancements for Personal Banking, including 'Pay with Hang Seng' online payment channel
- Mobile banking app users up by 12%, log-ons up 26% and total number of online transactions up 44%

Continued to invest in 'Future Branch' concept

- Opened new landmark Central Branch

Segment Performance

Commercial Banking, Global Banking and Global Markets



Segment Performance

Commercial Banking, Global Banking and Global Markets

Continued to strengthen support for Commercial Banking customers

- Commercial Banking's trade finance lending up 41%
- Customer advances up 2% and customer deposits up 8%
- 10% increase in credit facilities fees; active in syndicated loan market
- Captured opportunities to grow foreign exchange and trade fee incomes

Segment Performance

Commercial Banking, Global Banking and Global Markets

ESG

- Introduced sustainability-linked loans and enhanced existing trade finance products with green and sustainable features
- Stepped up collaboration with Hong Kong Quality Assurance Agency to help green financing customers to capitalise on opportunities in the GBA
- Approved HKD7.3 billion green loans, 15 times more than 2020
- Green bond investment portfolio up 83% year-on-year
- Began accepting green bonds as collateral for Repo Trading

Segment Performance

Commercial Banking, Global Banking and Global Markets

Fintech provided customers with greater convenience

- Introduced over 250 digital innovations and enhancements
- Launched new Virtual Account
- Leveraged blockchain technology to support digital trade documentation and finance activities
- More than doubling in average monthly customer acquisitions

Collaboration with external partners

- Co-create “InnoClub”, a one-stop platform to help SMEs digitalise their operations, with Hong Kong Trade Development Council

Segment Performance

Commercial Banking, Global Banking and Global Markets

Industry-specific solutions for Global Banking clients

- 21% increase current and savings deposits and 11% growth in loan balance
- 22% of total transactions migrated from in-branch counters to online channels

Global Markets developments

- Expanded Repo Trading business
- Maintained market-making role for Hong Kong government bills and bonds
- Actively participated in issuance of Hong Kong Monetary Authority's first one-year HONIA-indexed Floating Rate Note
- Launched replacement financial products referencing new risk-free rates to support regulatory transition of LIBOR

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Segment Performance

Hang Seng China

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2022 Outlook

- Maintained strong growth momentum
- Profit before tax ('PBT') increased by 23%
- PBT of Personal Banking business increased by 268% while Commercial and Global Banking businesses up 29% and 10% respectively
- Solid increase in lending
- Record high wholesale trade loans
- One of the most active foreign banks in the syndication segment, maintaining a top ranking in the industry

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Dividends per share (HK\$)*	5.10	0.40 ▼
Cost efficiency ratio (%)	42.6	6.0 pp ▲

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Financial Overview

HK\$ Mn	2021 vs 2020					
	WPB		CMB		GB&M	
Net interest income	13,013	11% ▼	7,037	15% ▼	4,161	6% ▼
Non-interest income	5,493	8% ▲	1,899	↔	1,265	25% ▼
Net operating income before change in expected credit losses & other credit impairment charges	18,506	6% ▼	8,936	12% ▼	5,426	11% ▼
Operating profit	9,610	9% ▼	4,147	18% ▼	2,965	40% ▼
Profit before tax	9,682	8% ▼	4,147	18% ▼	2,965	40% ▼

	31 Dec 21 vs 31 Dec 20		
	WPB	CMB	GB&M
Gross advances	6% ▲	2% ▲	11% ▲
Customer deposits	↔	8% ▲	22% ▲

▲▼ Favourable ▲▼ Unfavourable

Financial Overview

HK\$ Mn	2021	vs 2020
Net interest income	23,822	11% ▼
Average interest-earning assets	1,595,483	2.7% ▲
Net interest margin (%)	1.49	24bp ▼

	2021
Return on average ordinary shareholders' equity (%)	7.7
Return on average total assets (%)	0.8

	31 Dec 21
Capital ratio (%)	
Common Equity Tier 1 capital ratio	15.9
Tier 1 capital ratio	17.5
Total capital ratio	18.9

▲▼ Favourable ▲▼ Unfavourable

Financial Overview

HK\$ Bn	31 Dec 21	vs 31 Dec 20
Gross advances	1,004	6% ▲
For use in HK	742	3% ▲
■ Businesses	401	1% ▼
■ Individuals	341	8% ▲
Trade finance	42	57% ▲
For use outside HK	220	9% ▲

HK\$ Bn	31 Dec 21	vs 31 Dec 20
Customer deposits (incl. CDs and other debt securities in issue)	1,339	3% ▲

▲▼ Favourable ▼▲ Unfavourable

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2022 Outlook

- Focus on growing business and capturing new opportunities in strategic customer segments and in the Greater Bay Area
- Boost contribution from non-fund income and digital channels
- Market expectation of Interest rate hike shall benefit net interest margin and net interest income
- Continue to adopt a prudent risk management approach whilst growing loans portfolio
- Innovation remains a top priority, equip staff with future skills
- Embrace fintech to integrate banking services more seamlessly into people's business and everyday lives
- Focus and drive action on ESG:
 - Expand green loans and sustainability-linked investment products
 - Enhance ESG performance in operations
 - Continue to remain on track to meet target of being carbon neutral by 2030
 - Commit in community investment programmes to support sustainable, long-term development of Hong Kong



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