

2022 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.

2022 Annual Results

Business Overview

Segment Performance

Hang Seng China

Financial Overview

Values

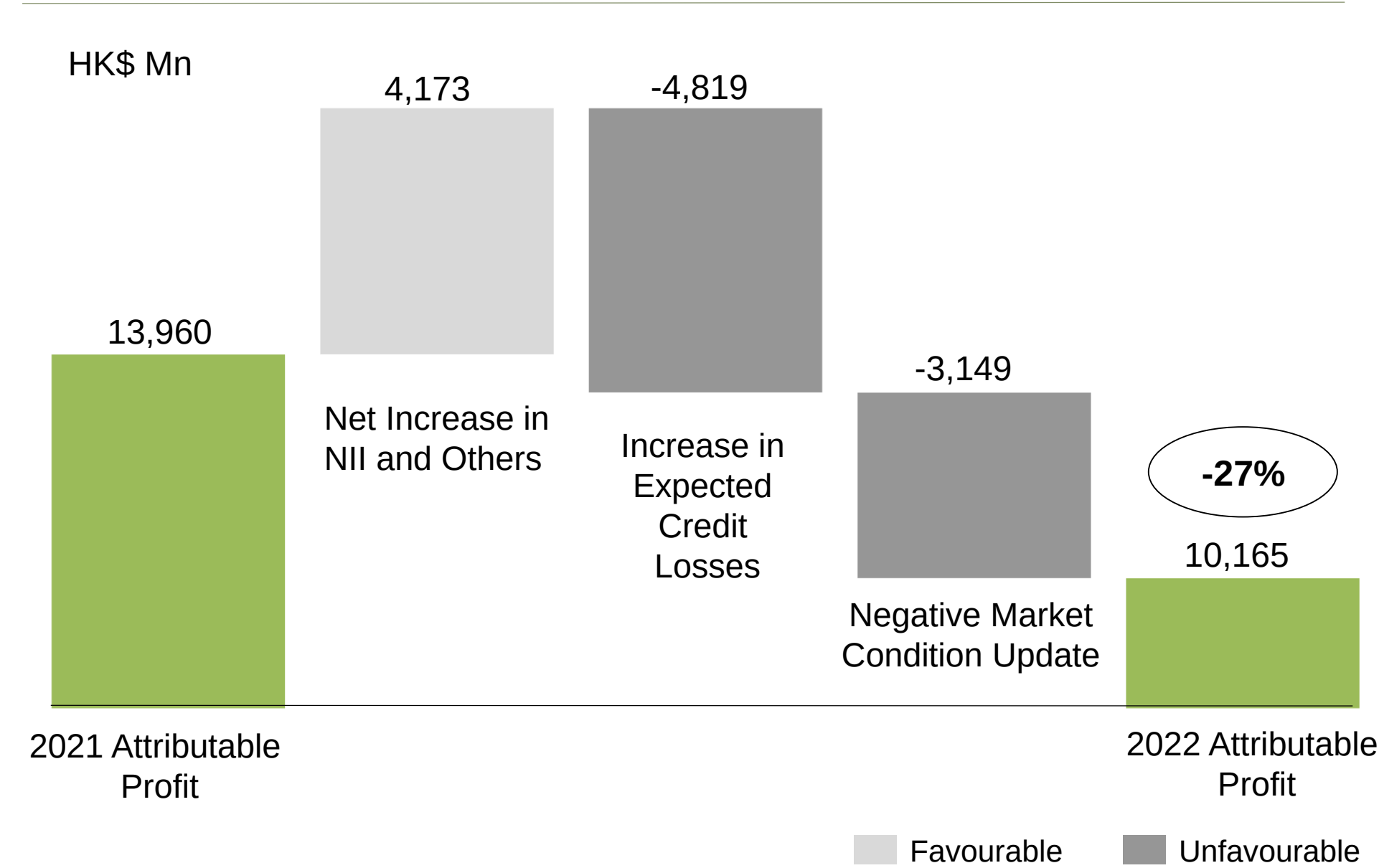
Business Overview



Business Overview – Financial

4th Interim **HK\$2.0** per share
Full-year **HK\$4.1** per share (-20% vs 2021)
77% of attributable profit is distributed to shareholders

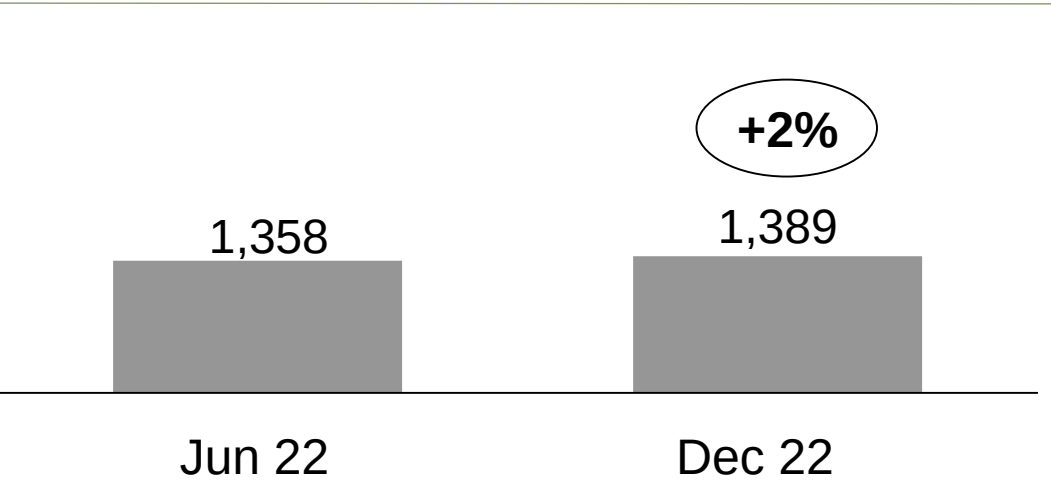
Increased Net Operating Income Before ECL by 12%
(excl. life insurance investment portfolio)



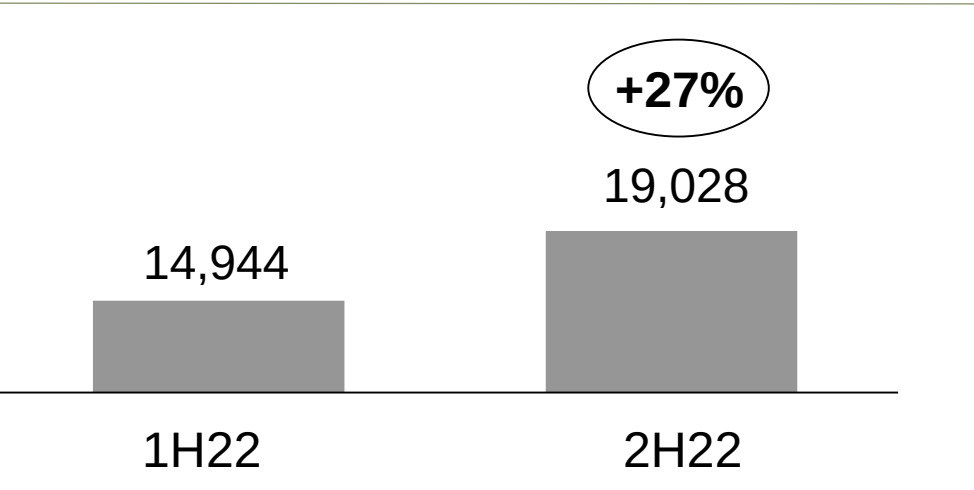
Attributable Profit -27% (vs 2021)

Encouraging results in 2H22
2H22 Attributable Profit vs 1H22 **+16%**

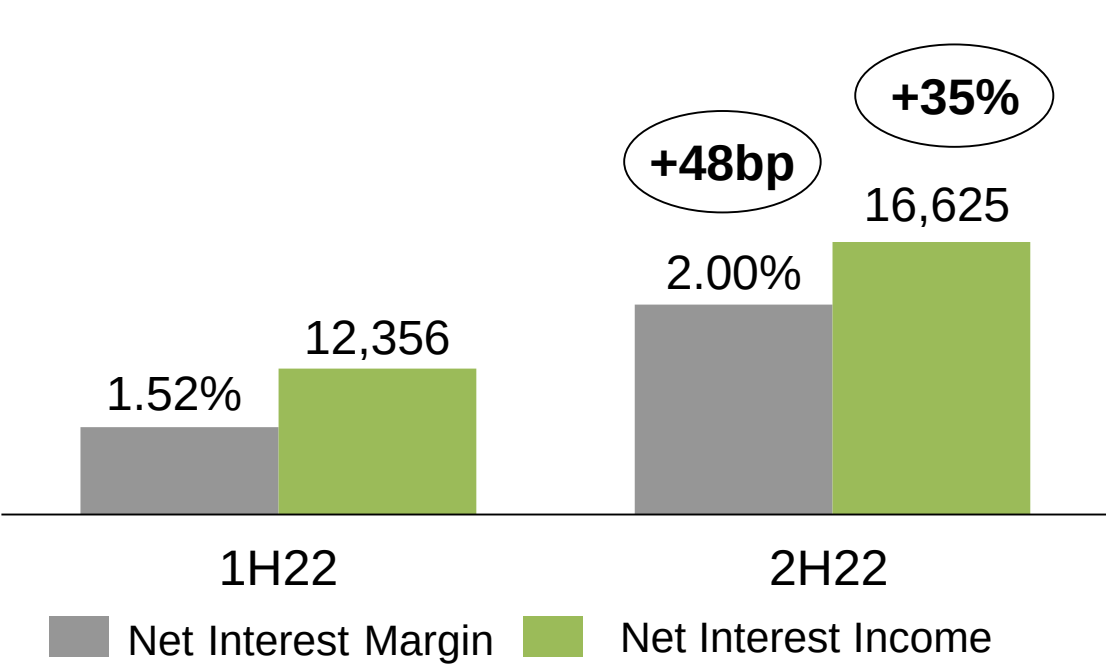
Grew Deposits, HK\$ Bn



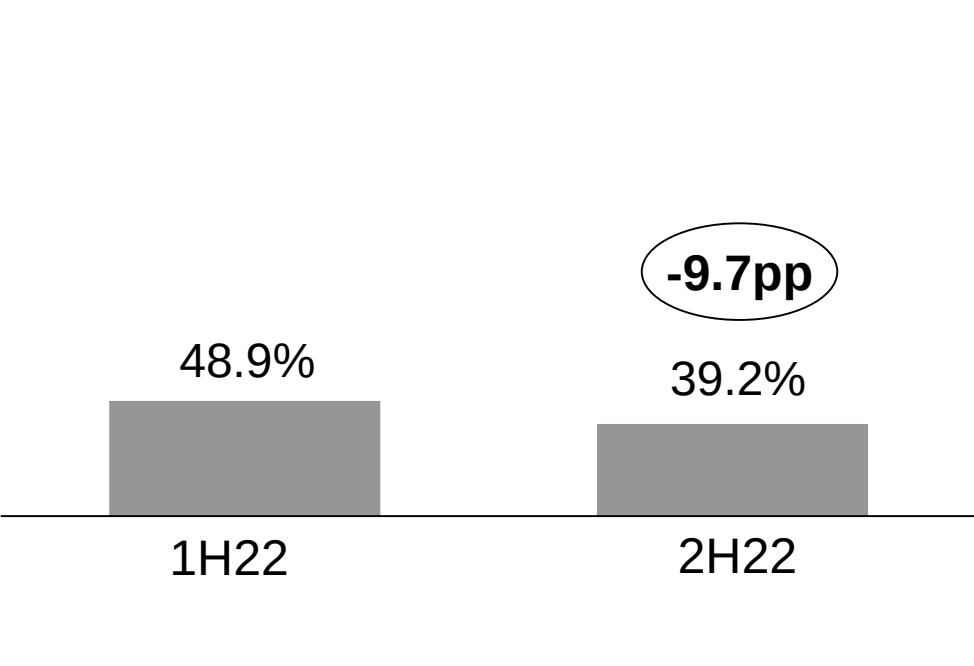
Increased Net Operating Income Before ECL, HK\$ Mn



Increased NIM / NII, HK\$ Mn



Improved Cost Efficiency Ratio



Business Overview – Non-Financial

Growth



Hang Seng Investment Management **became manager of The Tracker Fund of HK**

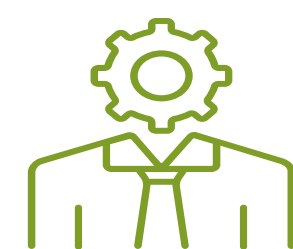


Double-digit growth in targeted customer groups in HK



Manage 2 of first 4 funds available in ETF Connect Scheme southbound link

Innovation



Leading advocate for fintech development e.g. e-CNY in mainland, active participant in HKMA’s e-HKD pilot projects



First in HK to launch **Mobile Cheque Deposit** service and **US equity-linked investments on mobile / e-Banking platforms**

Sustainability



Significantly increased total amount of **newly approved green and sustainability-linked loans** for corporates



Launched several **green products / services** for personal customers



New infrastructure to support major emerging business themes e.g. Cross-boundary Wealth Management Centre and a Business Banking Centre with an **ESG-focused service concept**

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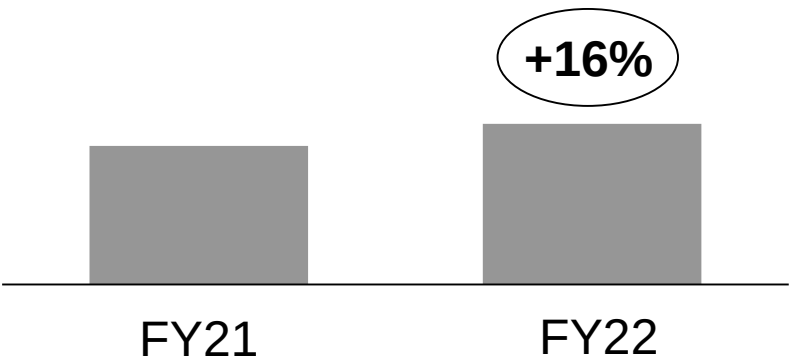
Financial Overview

Values

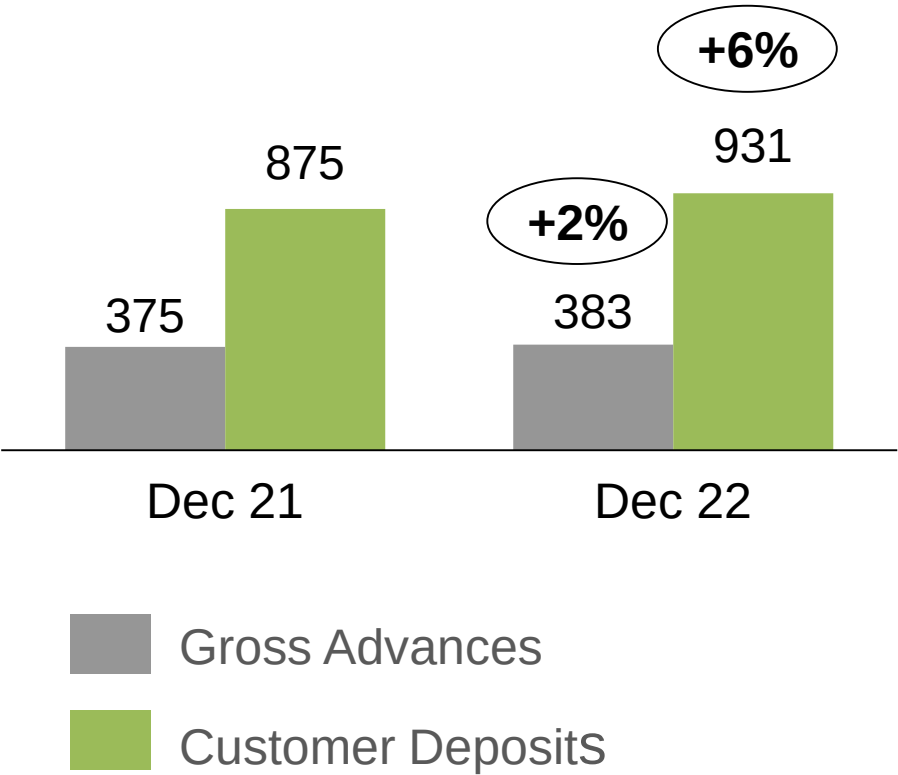
Wealth and Personal Banking

Targeted Customer Growth

Achieved 16% year-on-year growth in targeted customer groups



Balance Sheet, HK\$ Bn



Wealth Achievements (year-on-year)

Net Insurance Premium Income

+44%

of customers using FX products

+166%

Fixed Income sales

+291%

- Appointed as **manager of The Tracker Fund of HK**
- HK's **leading ETF manager** in terms of AUM
- Managed 2 of first 4 funds** available in ETF Connect Scheme southbound link

Digital Adoption and Sales (year-on-year)

Active mobile users

+11%

Active users of Olive Wellness App

+29%

Digital Deposit / Loans transactions count

+98%

Digital insurance policies count

+135%

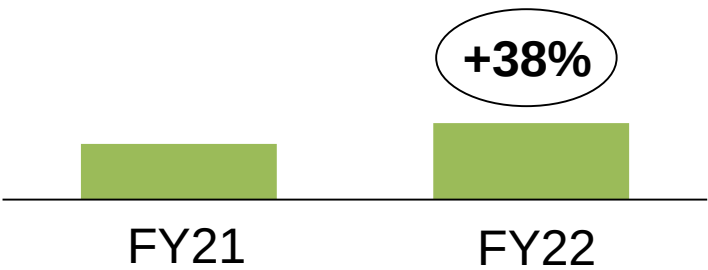
Sustainability

- Launched **Green Mortgages, Green Receipts and electric vehicle loans**
- Launched **first SFC-authorized ESG ETF** investing in constituents of Hang Seng Index

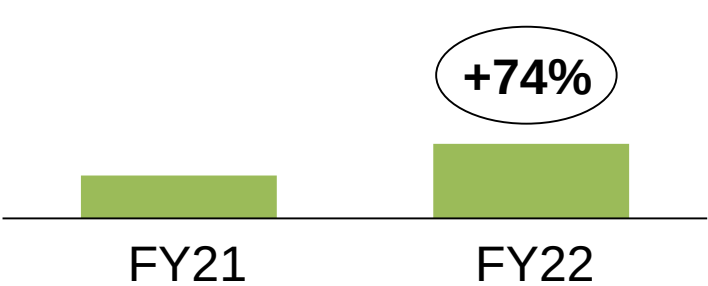
Commercial Banking, Global Banking and Global Markets

New Customer Growth

New Commercial Banking Customers

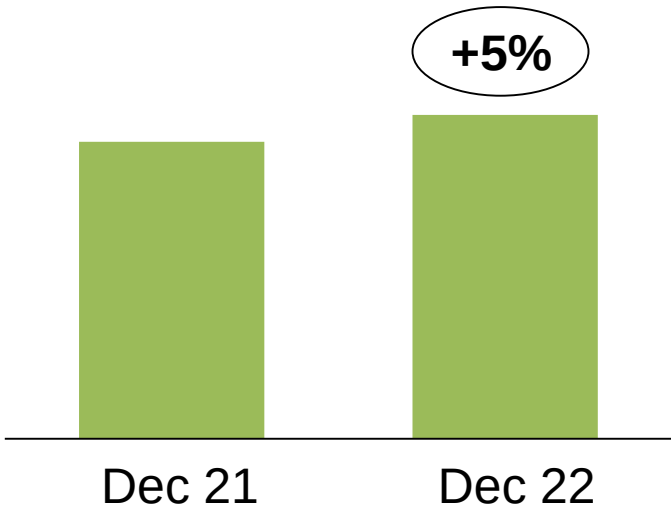


New Financial Institution Customers



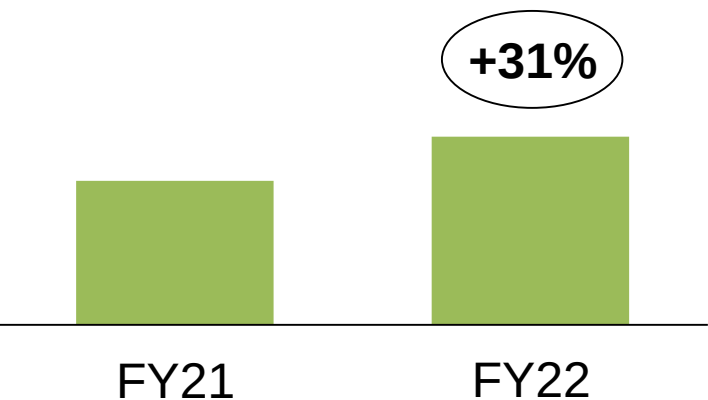
Balance Sheet

Deposits from Large Corporate clients

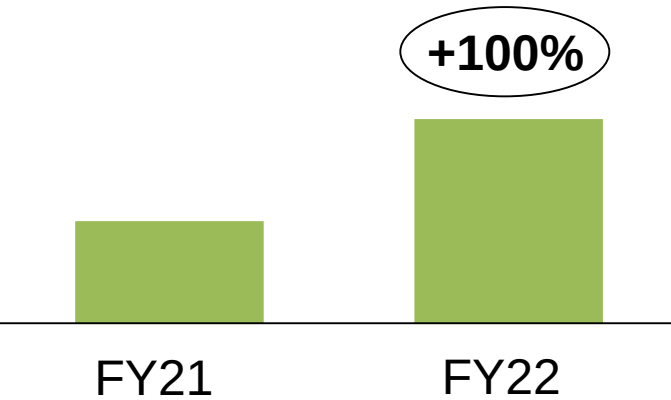


Diversifying revenue streams in Global Markets

Non-interest Income



FX and Option trading income



- **Joint initiatives (FX) between Global Markets and Wealth and Personal Banking** have been effective
- Recorded an **11-fold increase in Capital Protected Investment deposit** business volume

Digital Transformation

- **Faster** turnaround, **simpler** transaction journeys, more **convenient** services
- **Digital** receivables finance
- Publicly recognised corporate **API**

Collaboration with strategic partners

- Leveraged HKMA's **Commercial Data Interchange platform** and collaborated with strategic partners

Sustainability

- Strong year-on-year growth in **green and sustainability-linked loan approvals**
- Customers enjoy deposit returns while **supporting funding for sustainable finance**
- Staff completed ESG training to provide **value-added services**
- Continued with actions to **support the development of HK's sustainability-related debt markets**

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Segment Performance

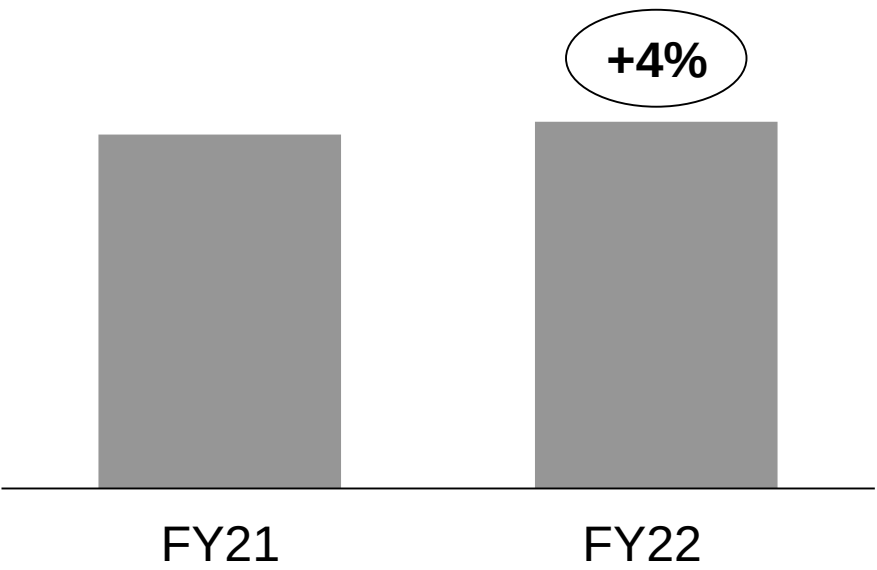
Hang Seng China

Financial Overview

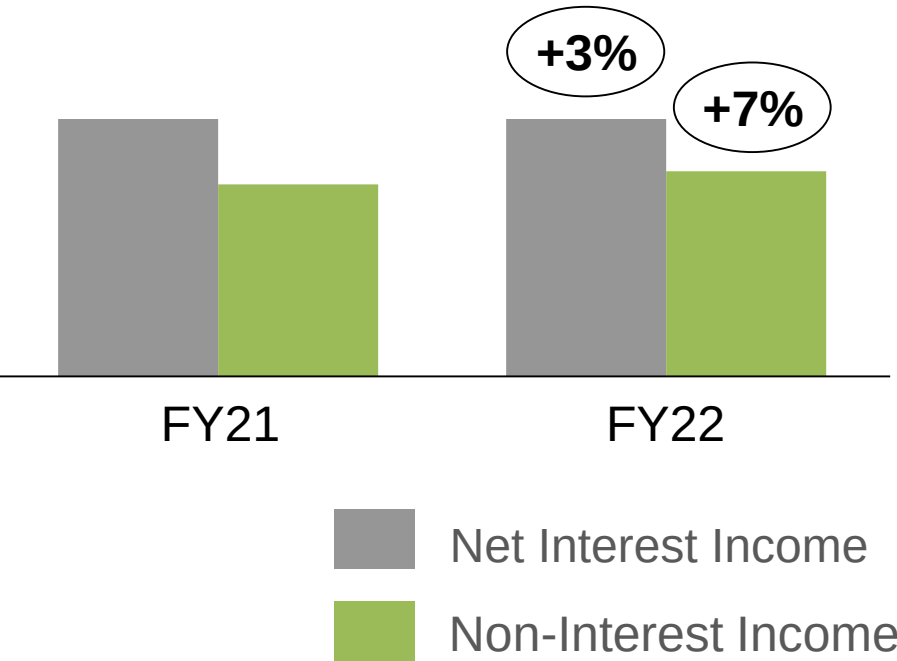
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Hang Seng China

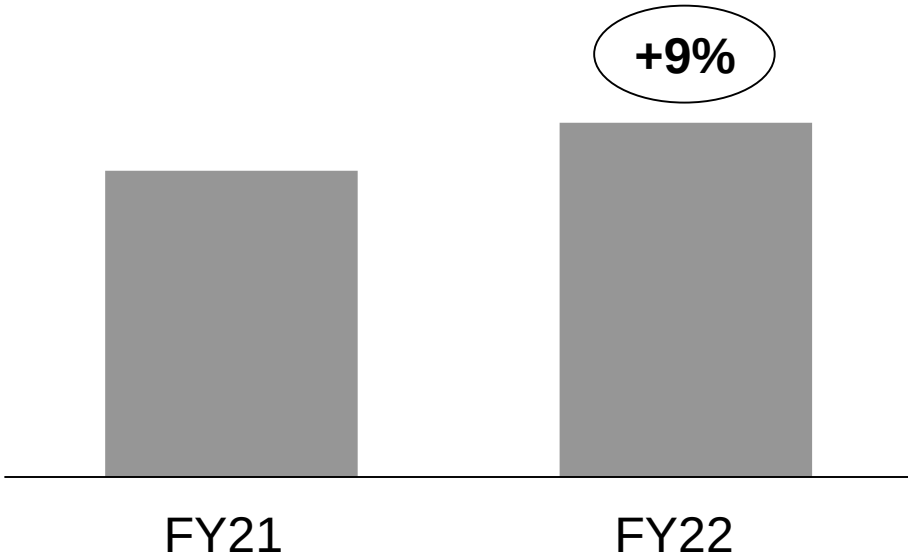
Increased Total Operating Income



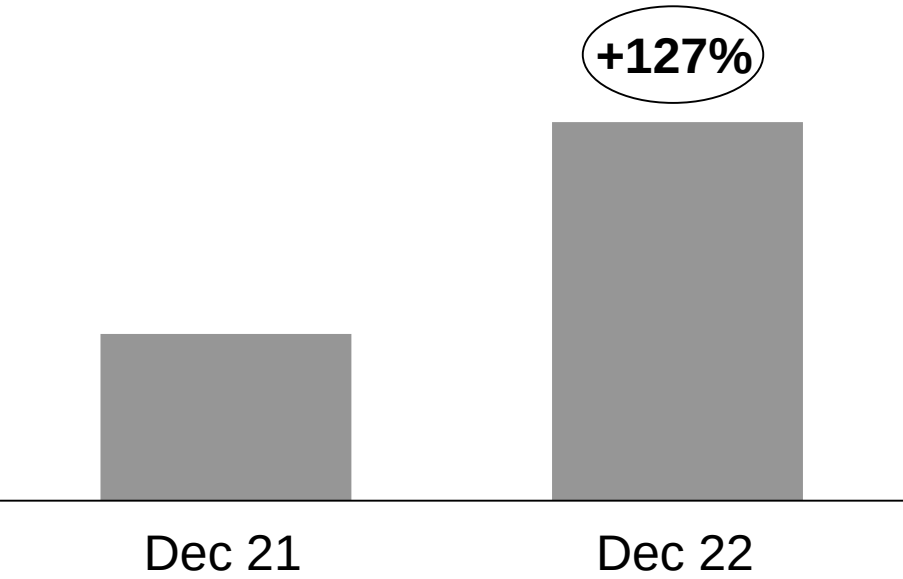
Grew both Net Interest Income and Non-Interest Income



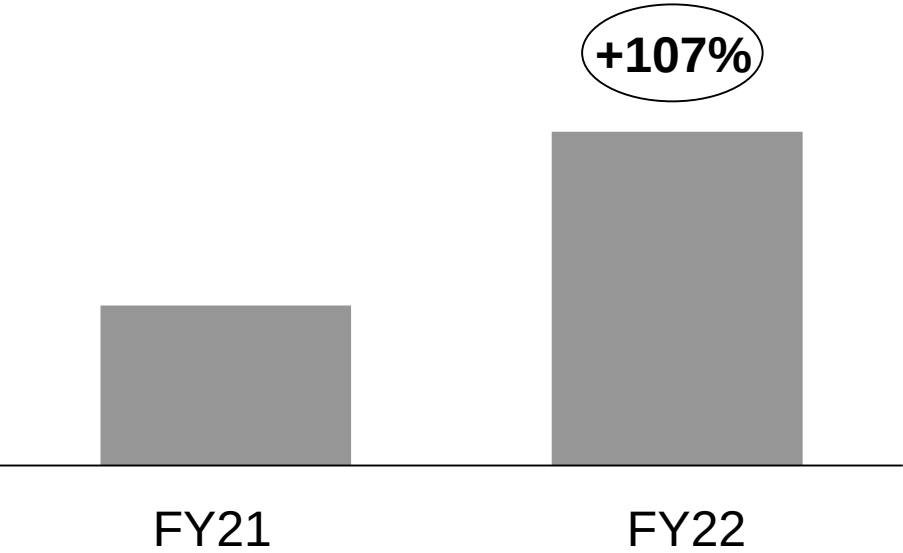
Grew Operating Profit Before ECL Change



Doubled personal consumer loans portfolio



Near-doubled year-on-year revenue from GM product sales in GBA



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HK\$ Mn	2022	2021	Change
Net interest income	28,981	23,822	22% ▲
- Net interest margin (%)	1.77	1.49	28bp ▲
- Average interest-earning assets	1,641,898	1,595,483	3% ▲
Non-interest income	4,991	9,360	47% ▼
Net operating income before change in ECL & other credit impairment charges	33,972	33,182	2% ▲
Change in ECL & other credit impairment charges	7,626	2,807	172% ▲
Net operating income	26,346	30,375	13% ▼
Operating expenses	14,778	14,134	5% ▲
Operating profit	11,557	16,231	29% ▼
- excl. change in ECL & other credit impairment charges	19,183	19,038	1% ▲
Profit before tax	11,439	16,385	30% ▼
Profit attributable to shareholders	10,165	13,960	27% ▼
Earnings per share (HK\$)	4.95	6.93	29% ▼
Dividends per share (HK\$)*	4.10	5.10	1.00 ▼
Cost efficiency ratio (%)	43.5	42.6	0.9 pp ▲
HK\$ Bn	31 Dec 22	31 Dec 21	Change
Gross advances	945	1,004	6% ▼
Customer deposits (incl. CDs and other debt securities)	1,389	1,339	4% ▲

- **Net interest income rose by 22%** as a result of rising interest rates
- **Non-interest income dropped by 47%** reflecting the unfavourable impact of market movements on life insurance business and lower investment distribution revenue due to subdued investment activities
- **Operating expenses were up by 5%**, due to investment in people and technology to deliver operational efficiencies and enhanced customer experiences
- **Change in ECL increased by HK\$4,819m to HK\$7,626m**, mainly reflecting higher ECL provisions made for Mainland China commercial real estate sector
- **Gross loans and advances to customers were down by 6%** compared with a year earlier
- **Customer deposits, including certificates of deposit and other debt securities in issue, increased by 4%, to HK\$1,389Bn** against end of 2021

▲ ▼ Favourable ▲ ▼ Unfavourable

*4th interim dividend for 2022: HK\$2.00/share

Financial Overview

	31 Dec 22
Gross impaired advances as percentage of gross advances	2.56%

	2022
Return on average ordinary shareholders' equity	5.5%
Return on average total assets	0.5%

	31 Dec 22
Capital ratio	
Common Equity Tier 1 capital ratio	15.2%
Tier 1 capital ratio	16.8%
Total capital ratio	18.1%

Financial Overview

HK\$ Mn	WPB		CMB		GB		GM	
	2022	2021	2022	2021	2022	2021	2022	2021
Net interest income	17,160	13,013	8,149	7,037	2,411	2,369	1,524	1,792
Non-interest income	1,127	5,493	1,476	1,899	345	388	1,147	877
Net operating income before change in ECL & other credit impairment charges	18,287	18,506	9,625	8,936	2,756	2,757	2,671	2,669
Operating profit	8,707	9,610	775	4,147	380	962	2,024	2,003
Profit before tax	8,697	9,682	775	4,147	380	962	2,024	2,003

HK\$ Bn	WPB		CMB		GB		GM	
	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21	31 Dec 22	31 Dec 21
Gross advances	383	375	353	402	209	227	-	-
Customer deposits (incl. CDs and other debt securities)	931	875	319	334	123	118	15	26

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Values

Values



- Continue to provide **best-in-class, trusted and friendly financial services**
- **Financial fundamentals** are strong and **long-term growth drivers** are gaining traction
- **Enhanced position and capabilities** in key areas such as wealth management, sustainability and business in GBA
- Continue with **prudent approach on risk management** whilst **diversifying income streams**
- **Investments in technology and staff development** to future-proof operations and skills of Bank team