

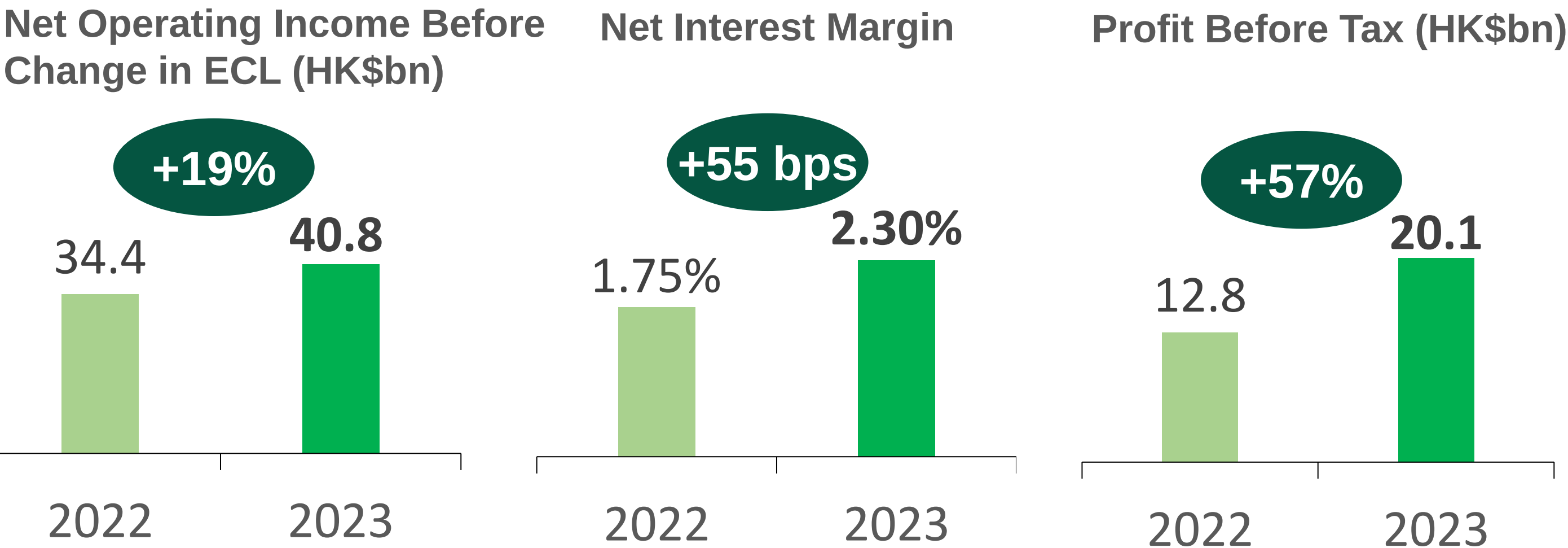
2023 Final Results

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.

Strong Results in a Challenging Year

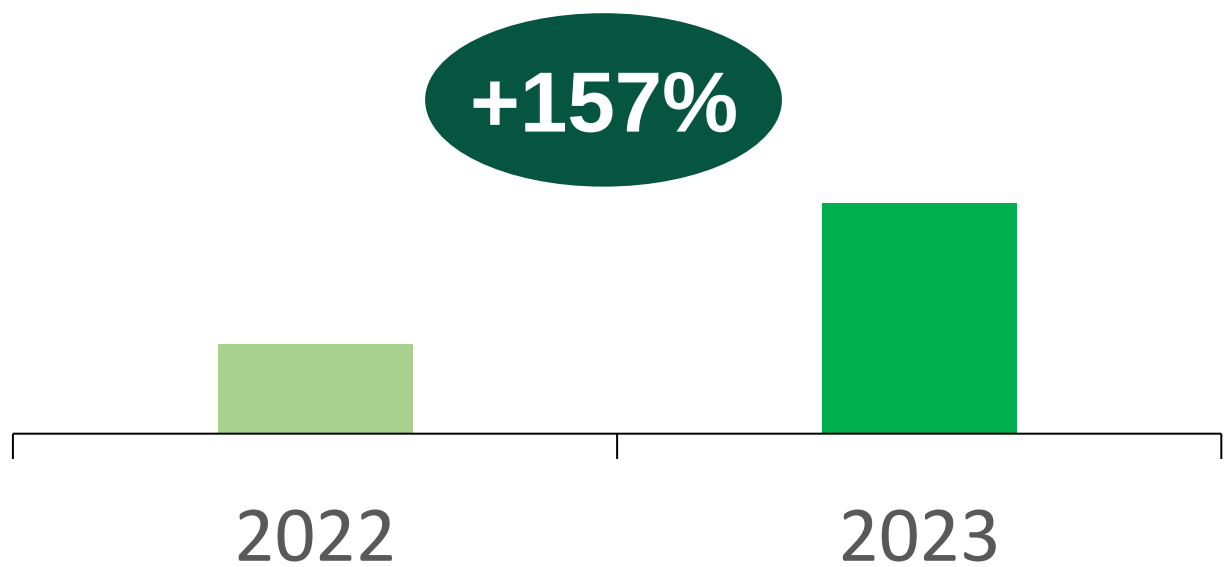
Notable Improvement in Profitability



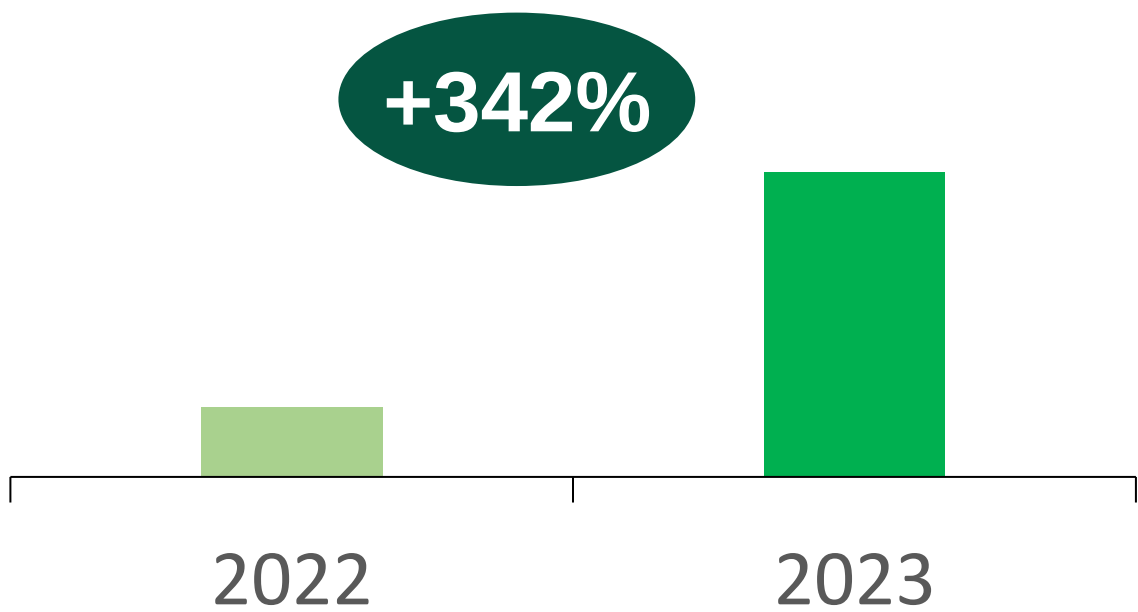
Growing Non-interest Income & Customers

Total Annualised New Premiums

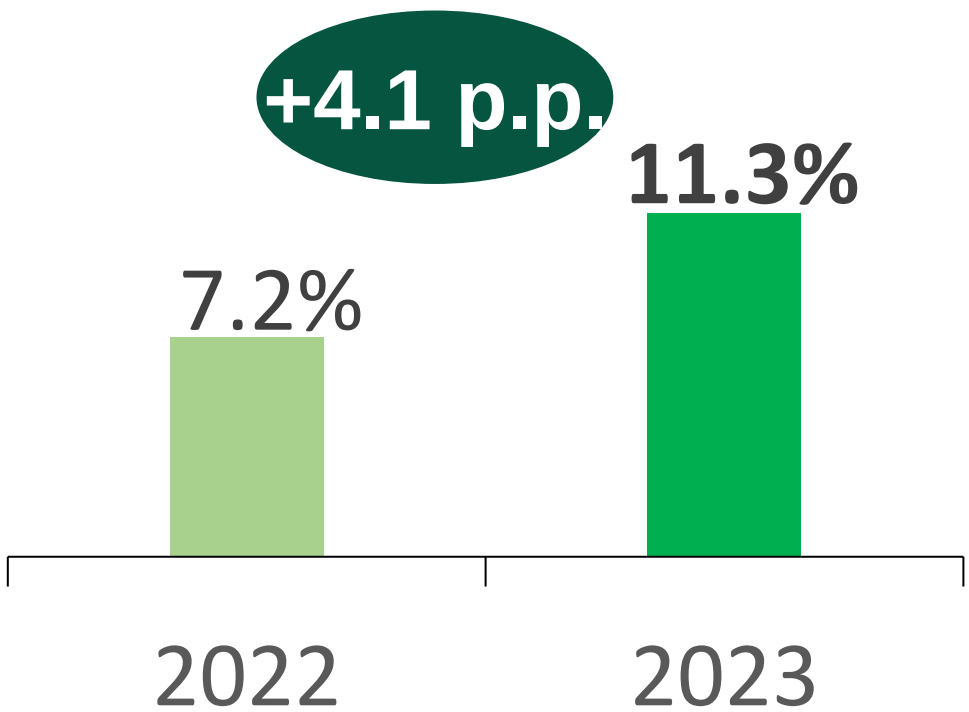
- Exceeded 2019 Pre-COVID levels



New Account Openings for Non-HK Residents

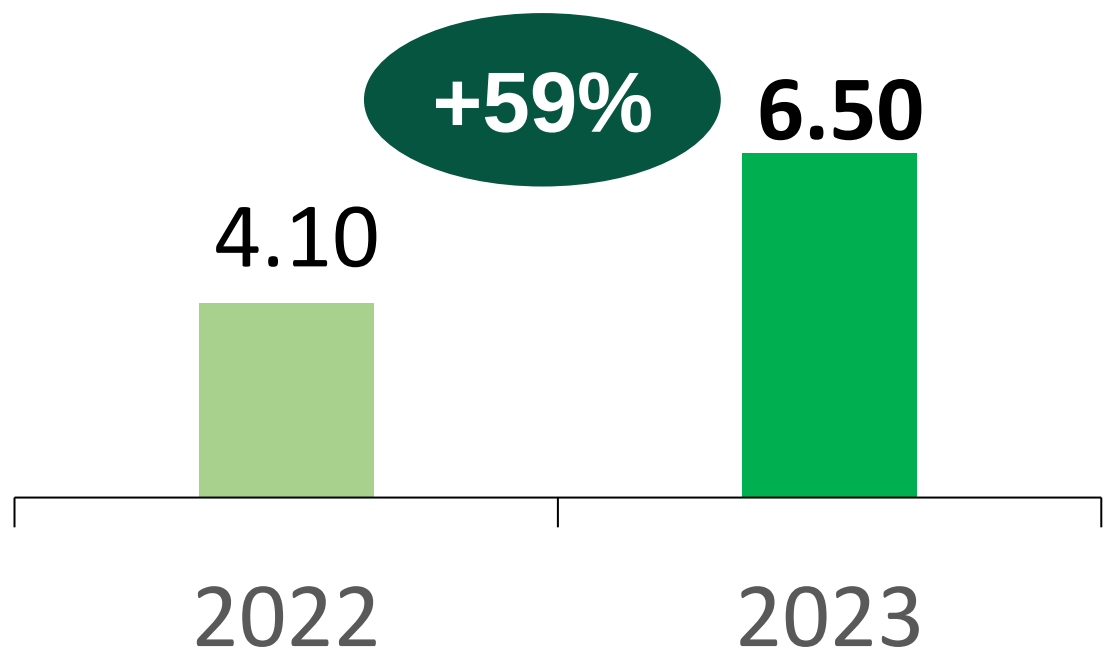


Return On Average Ordinary Shareholders' Equity



Dividend Per Share (HK\$)

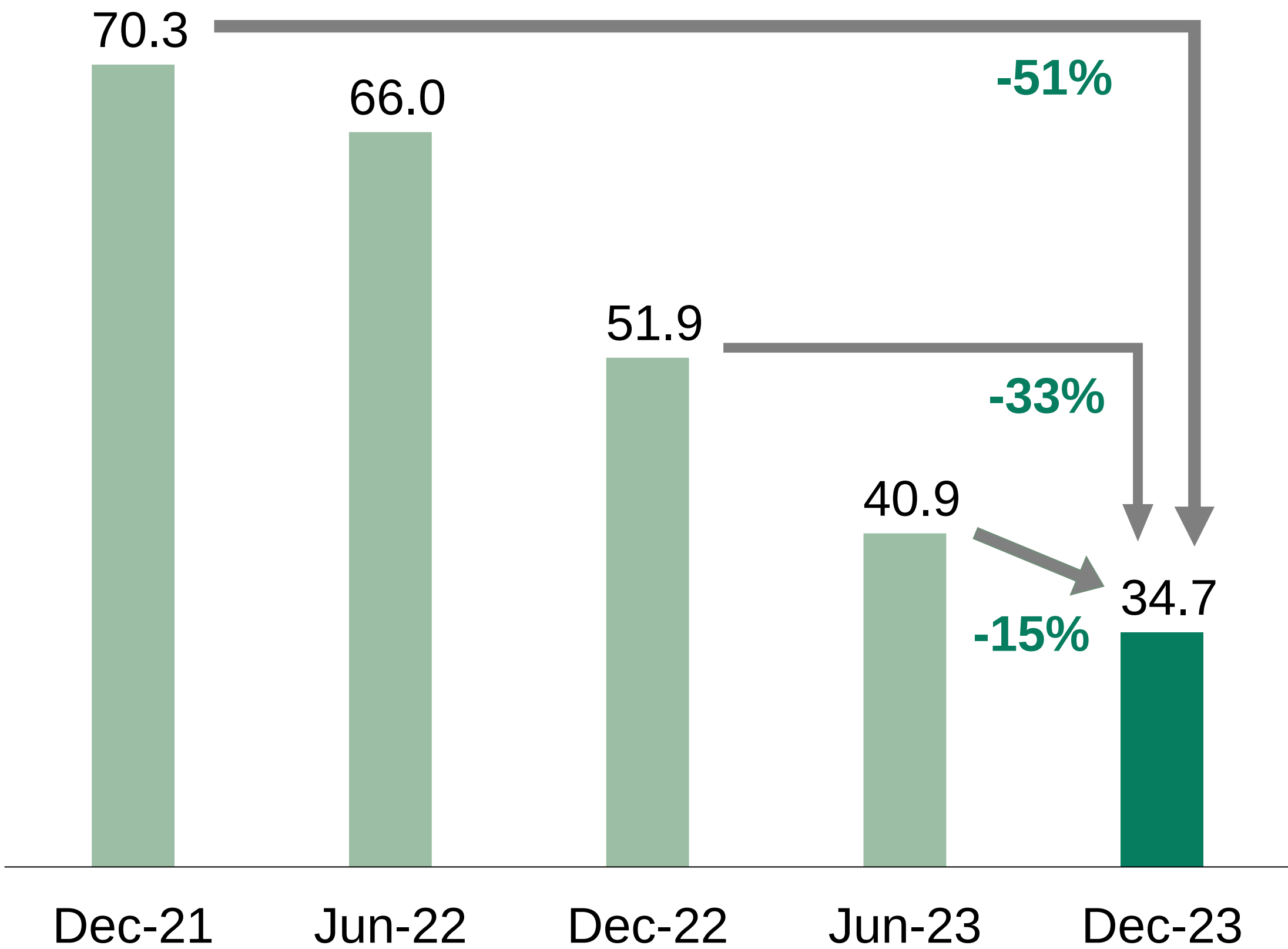
- Payout ratio*: 70%



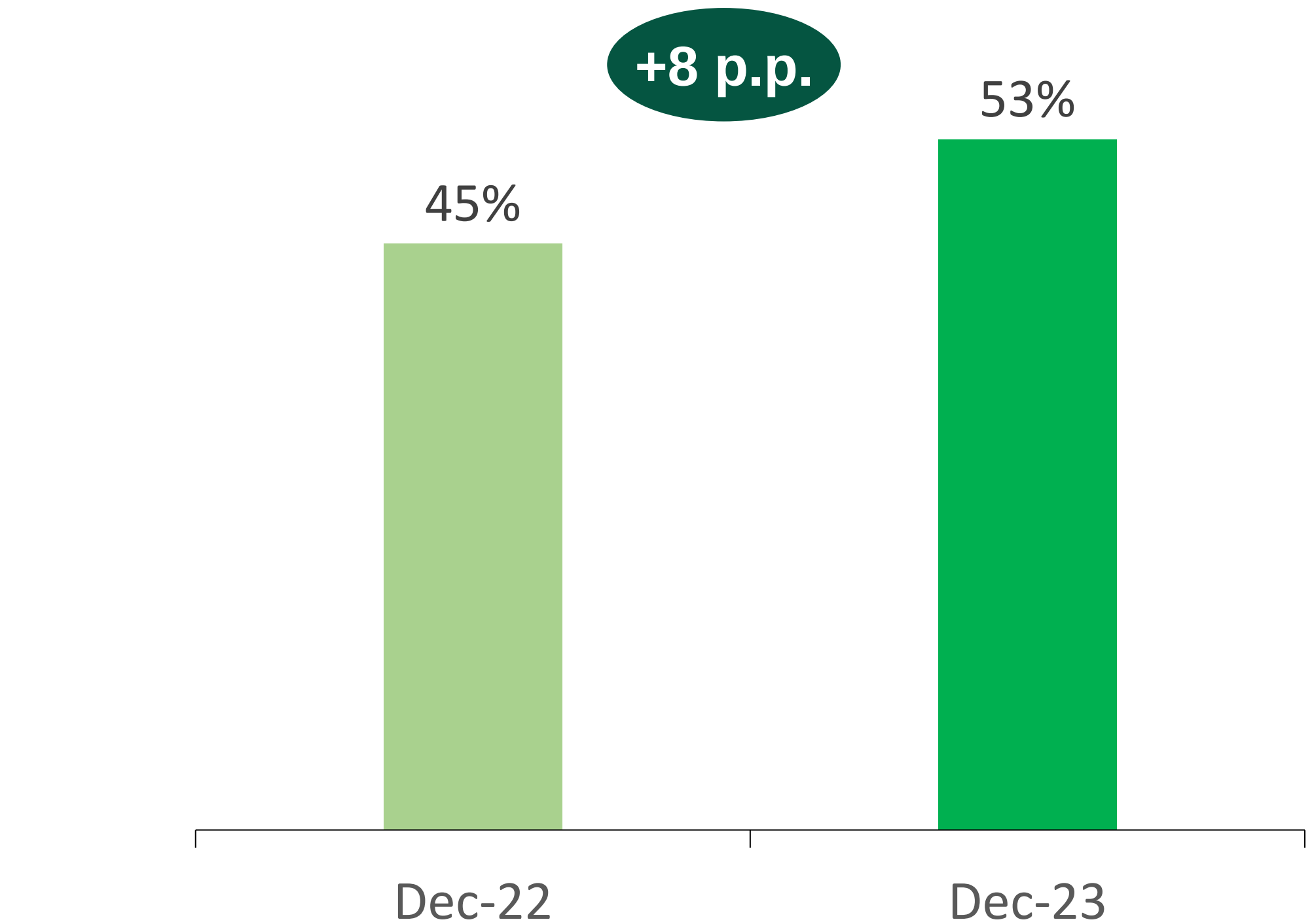
*Payout ratio= Dividend payment/ Attributable Profit

Good Progress on De-risking Mainland China CRE Portfolio

Mainland China CRE Exposure (HK\$bn)



% of Secured Mainland China CRE Exposure



- 88% ⁽¹⁾ coverage on credit-impaired Mainland China CRE exposure as of Dec 2023, if secured exposure is included

Note 1: (ECL+ secured exposure)/ Credit-impaired Mainland China CRE exposure

Our Strategy Is Yielding Positive Outcomes on Growth



Innovator in Capital market

- Among the first batch to launch an **RMB counter** under the new HKEX HKD-RMB Dual Currency Counter Model
- **Depository Receipts** of Tracker Fund and HSCEI ETF listed on **Stock Exchange of Thailand**
- **First offshore compiler** to include **Beijing Stock Exchange** securities in its indexes



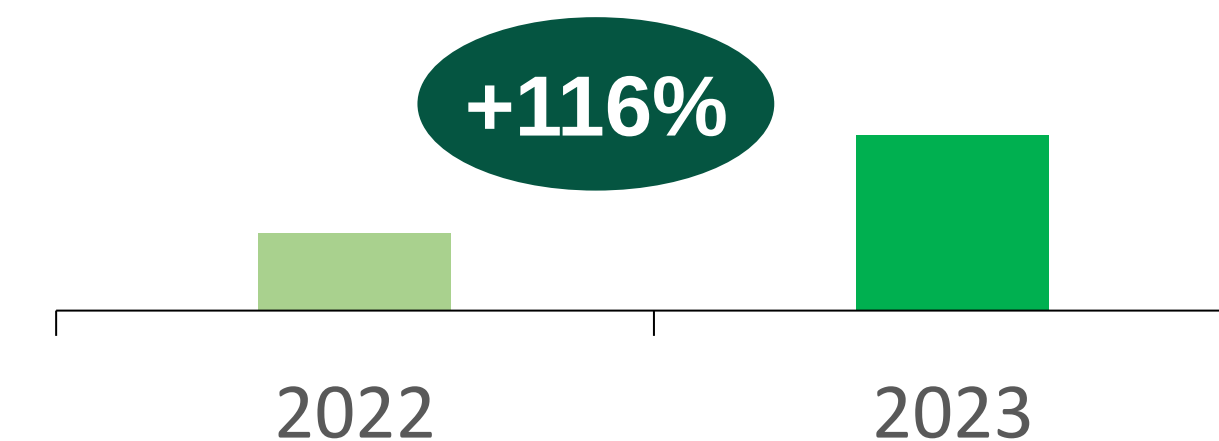
GBA

- A total of **seven Wealth Management Centres in the GBA**, with the opening of the second centre in Guangzhou

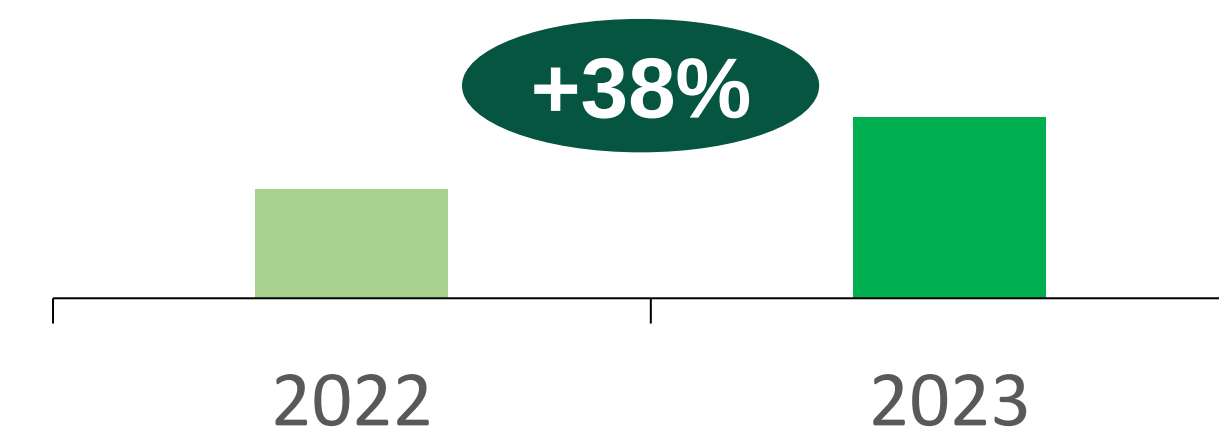


Strategic Customer Base

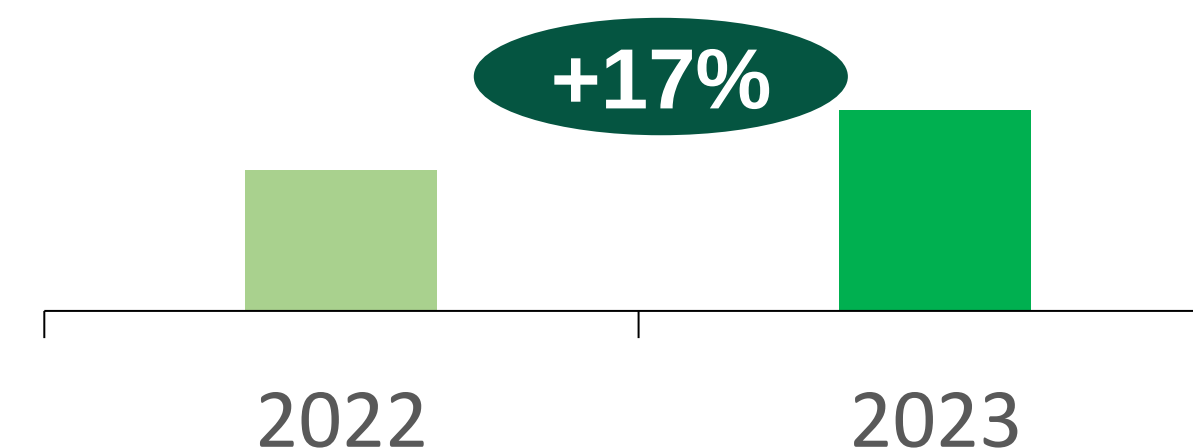
New Private Banking Accounts



New-to-Bank Young Clients



Affluent Customer Base



Our Strategy Is Yielding Positive Outcomes on Innovation and Sustainability



e-HKD and Payment Eco-system

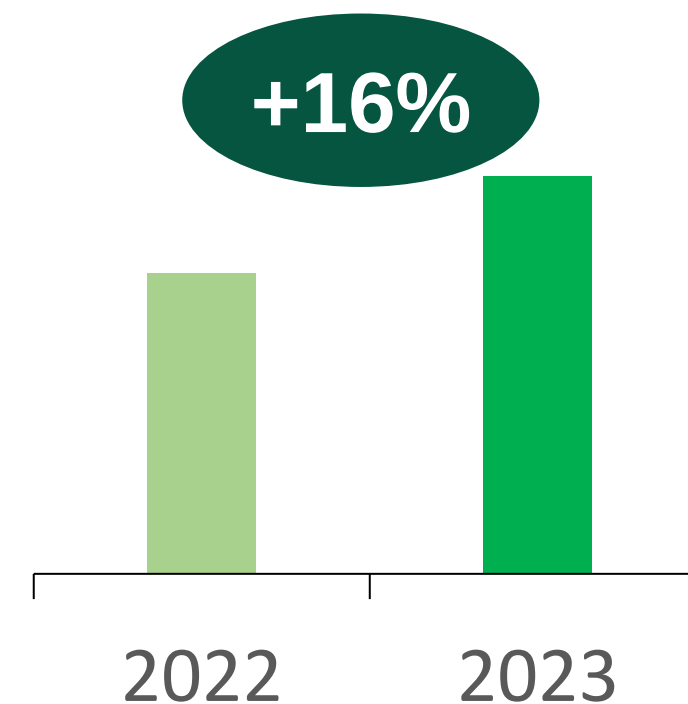
- Successfully completed **real-life simulations** for the programmable payment use cases in **e-HKD**
- Exploring cross-boundary application of **e-CNY**
- Introduced '**FPS x PromptPay QR Payment**' service for seamless transactions in Thailand
- First bank in Hong Kong to offer credit card **loyalty point redemption** through **AlipayHK**



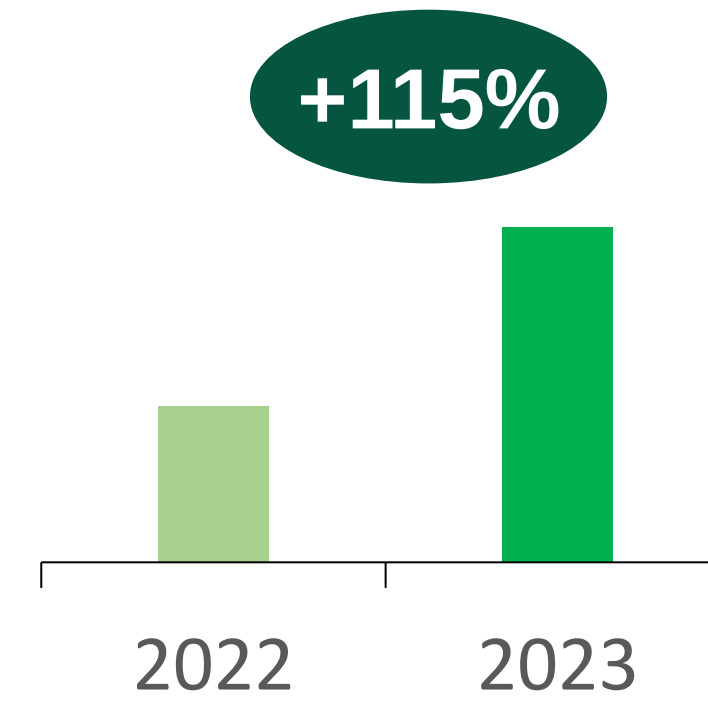
Enhancement in Digital Experience

Wealth and Personal Banking

Monthly Average Mobile User



Digital Retail Transaction Count



Commercial Banking

- **Remote Account Opening** for HK companies with **Mainland shareholders**
- **First bank in HK** to offer Mainland customers **e-Sign service**

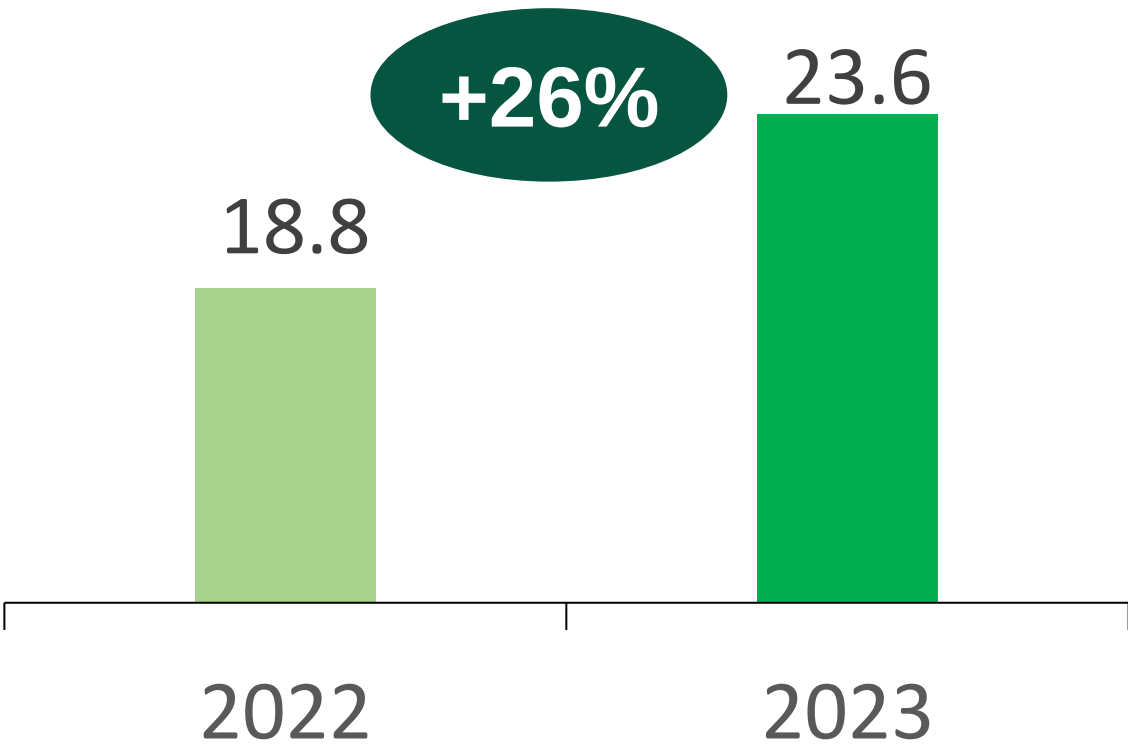


Comprehensive ESG Solutions

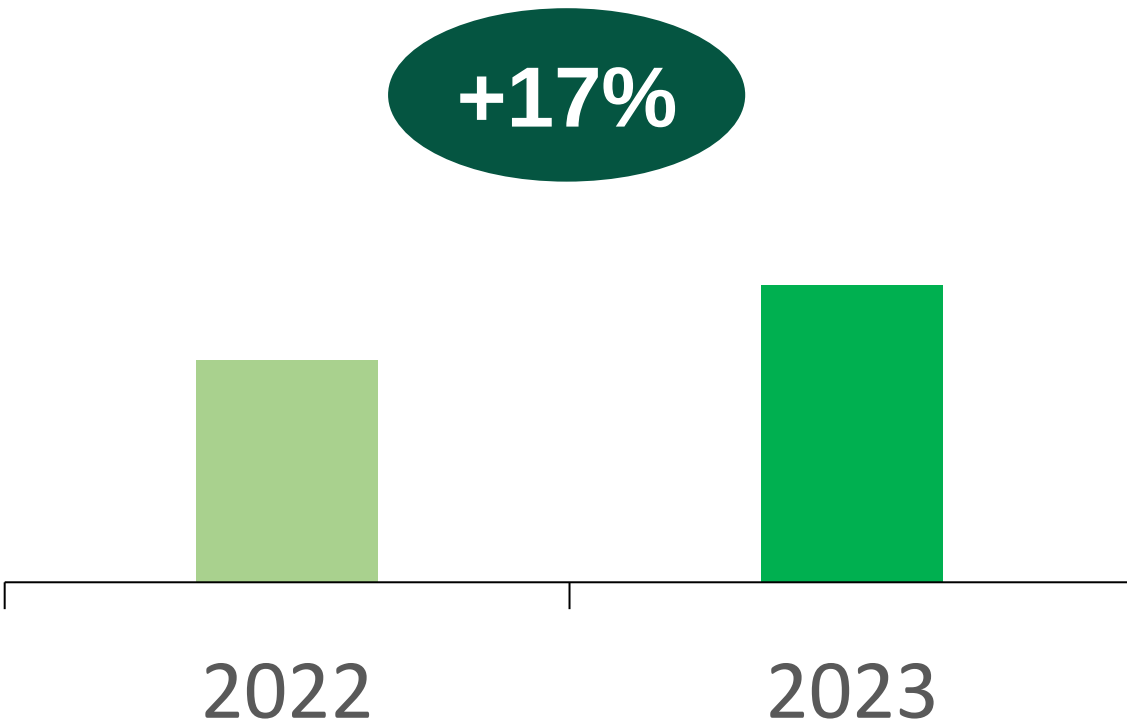
- Facilitated Hong Kong's **first green export credit insurance policy** via providing green receivable financing solution
- Arranged **social loan** to finance the construction of transitional housing for low-income families and a primary school reprovisioning project
- Launched Hang Seng Stock Connect China A **Low Carbon Index ETF**, city's first A-Share ETF with a low-carbon focus

Wealth and Personal Banking

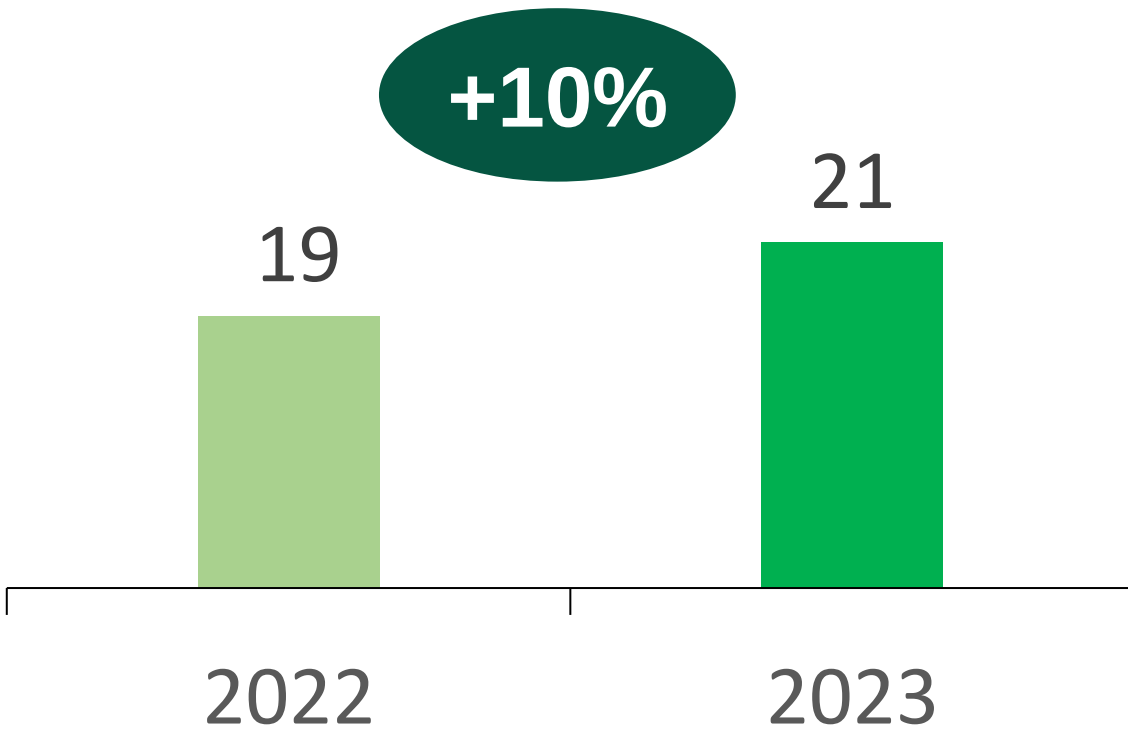
Net Operating Income before Change in ECL (HK\$bn)



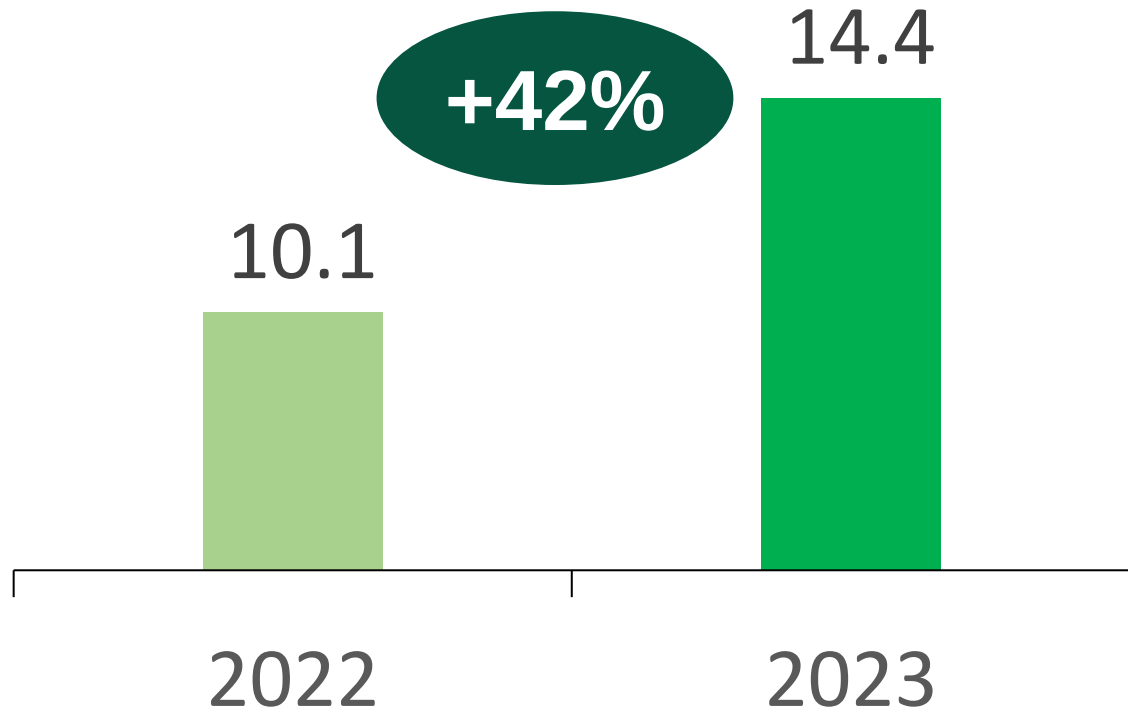
Income from Investment Services and Insurance



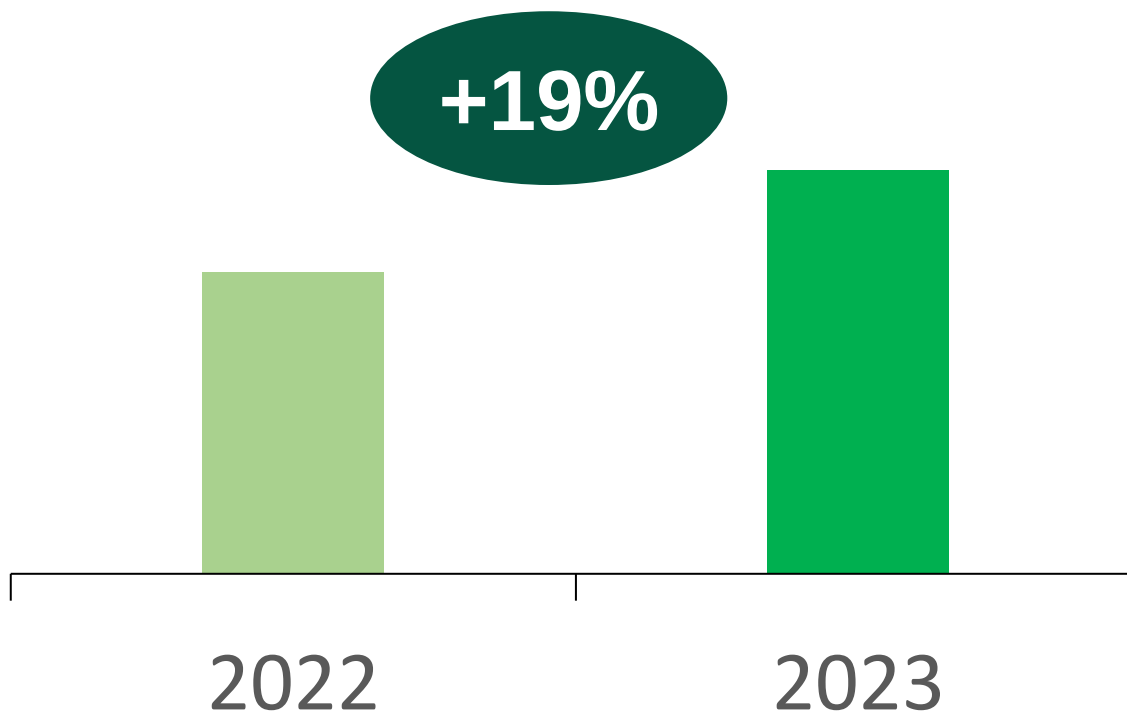
Insurance Business- Contractual Service Margin (HK\$bn)



Profit Before Tax (HK\$bn)

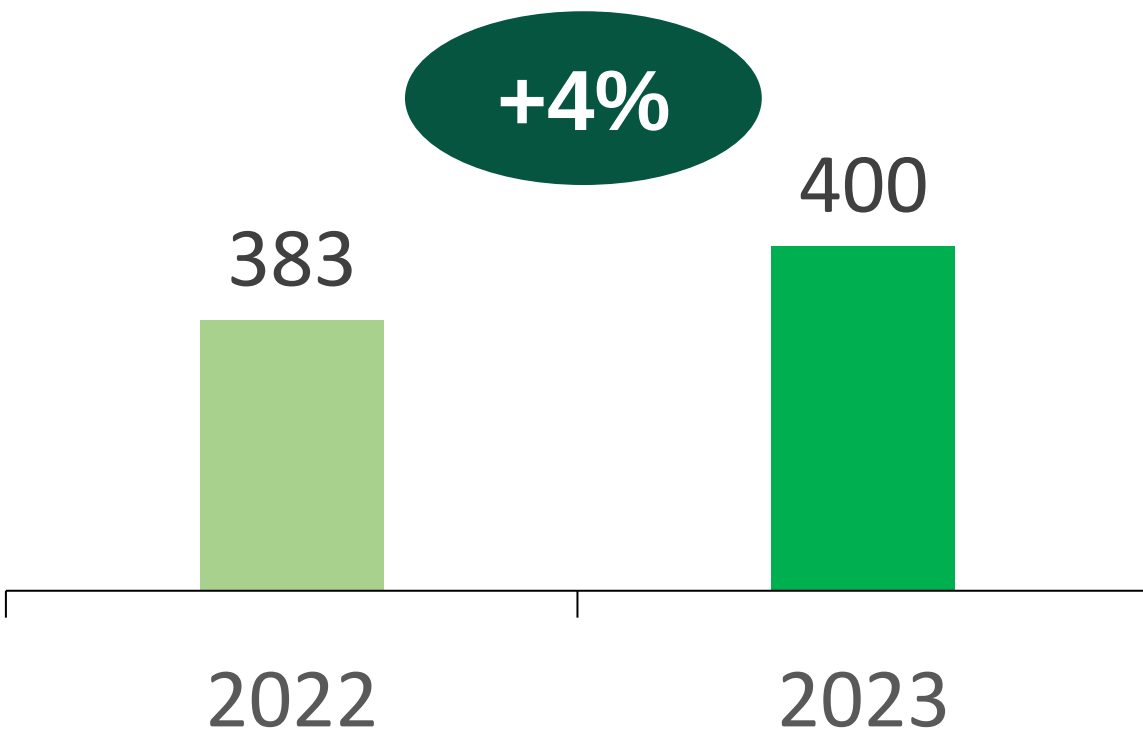


Active Retail Customers with Investment Transactions*



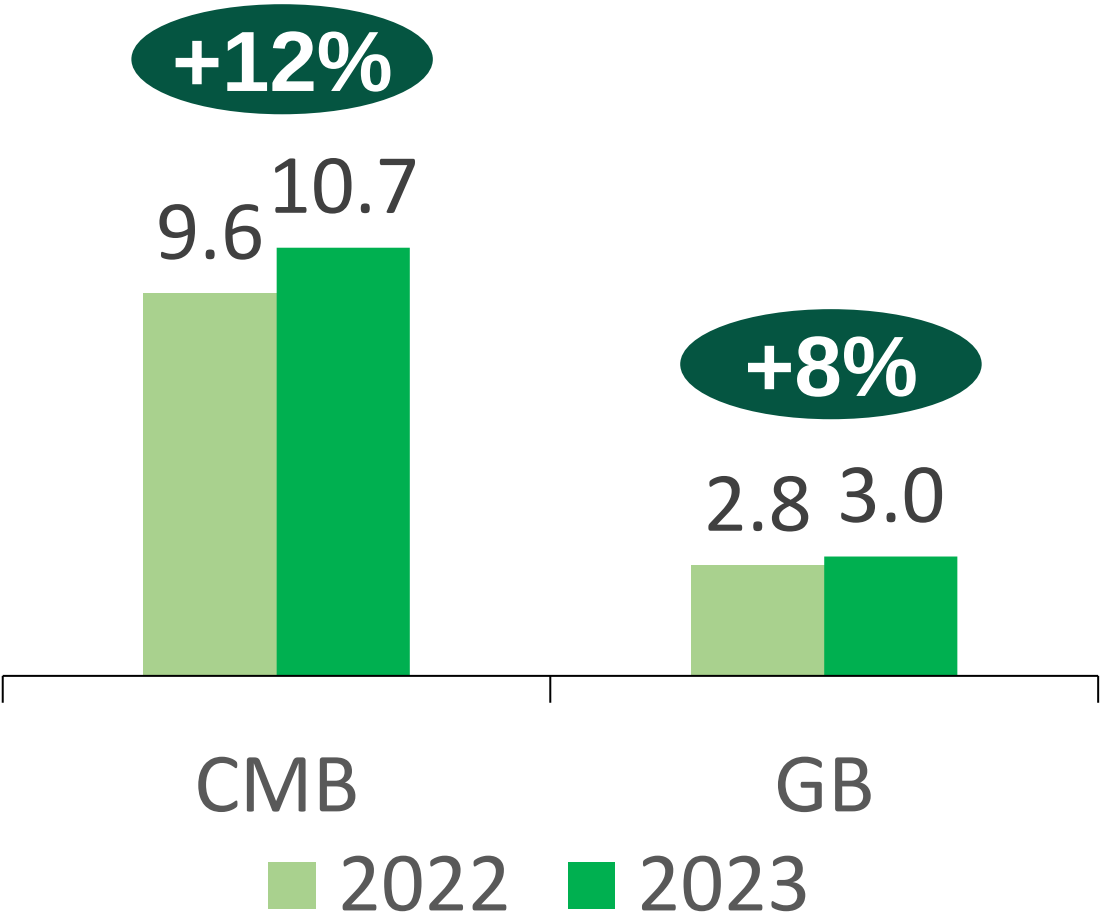
* Ex. Securities & Government Bonds

Customer Loans (HK\$bn)

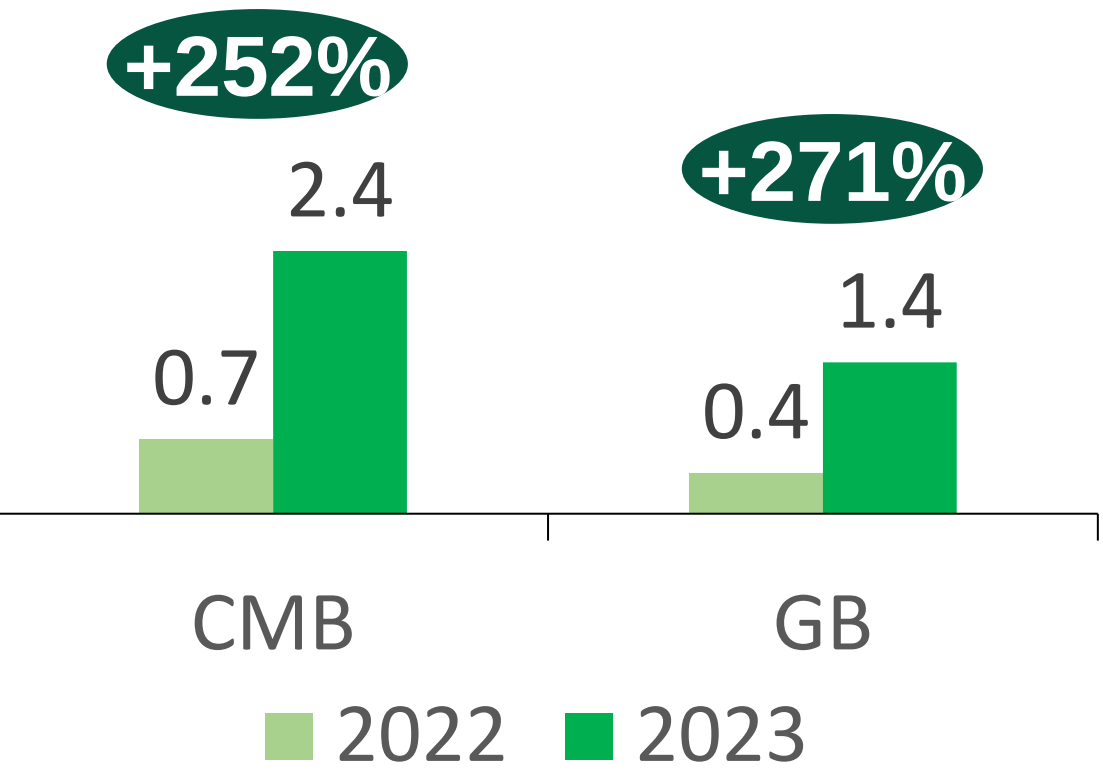


Wholesales Banking

Net Operating Income before Change in ECL (HK\$bn)



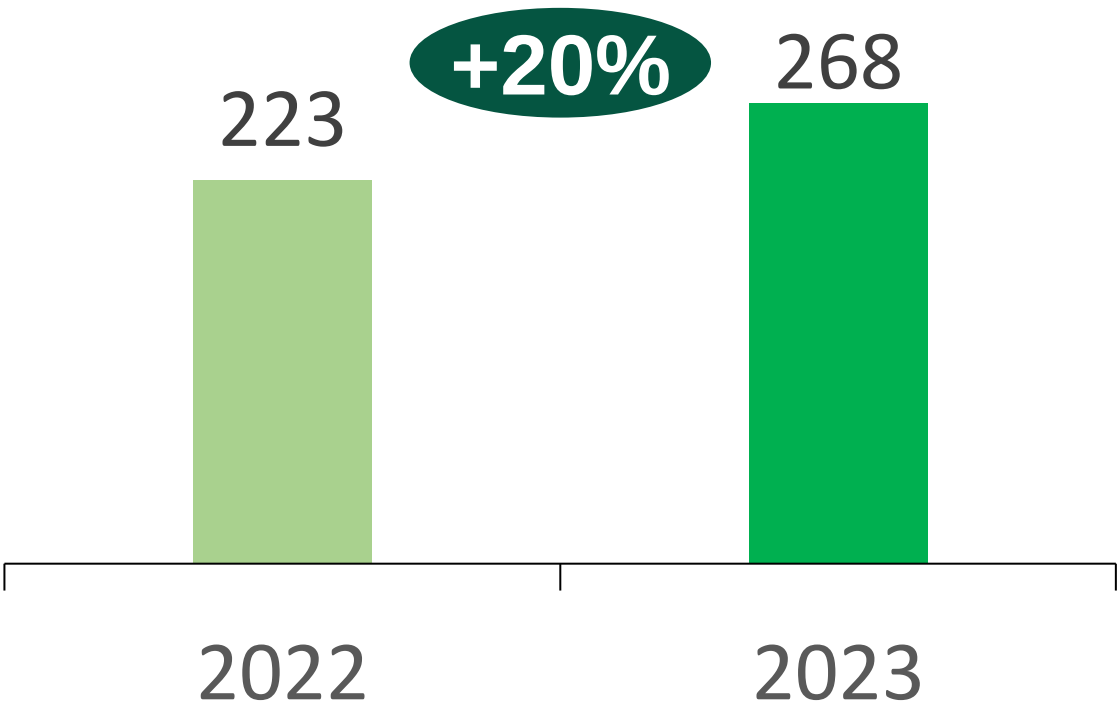
Profit before Tax (HK\$bn)



Healthy Growth in GB's Non-Interest Income

- Greater fee income contributed from debt capital markets origination
- Offering hedging solutions to customers amid the high interest rates environment

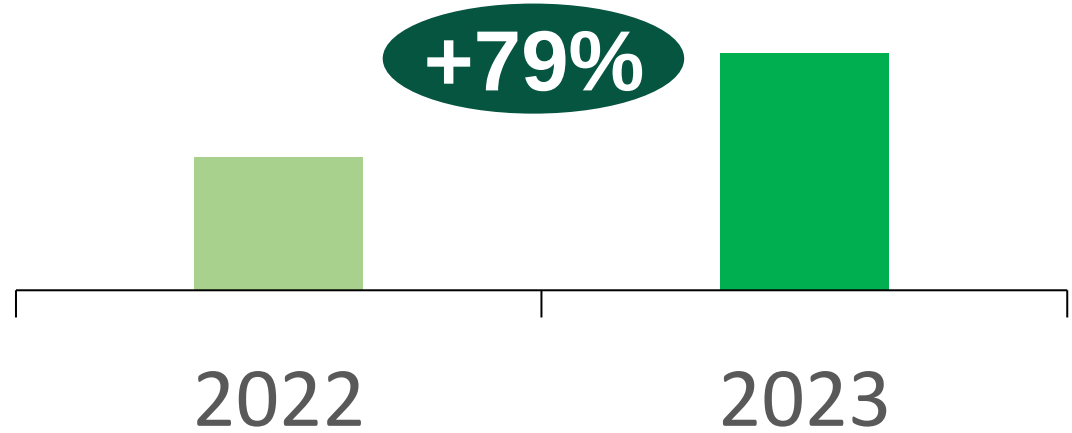
GB's Non-Interest Income (HK\$m)



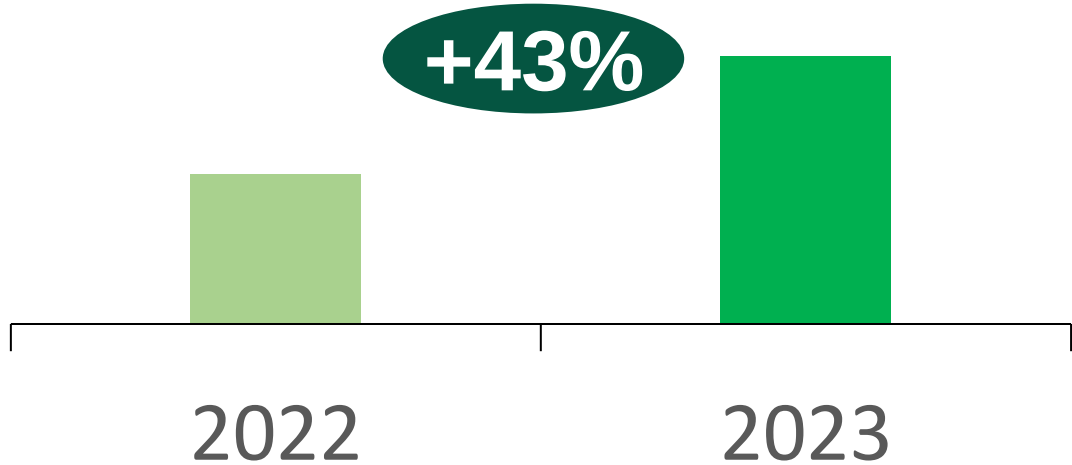
Global Markets

Solid Growth in various products

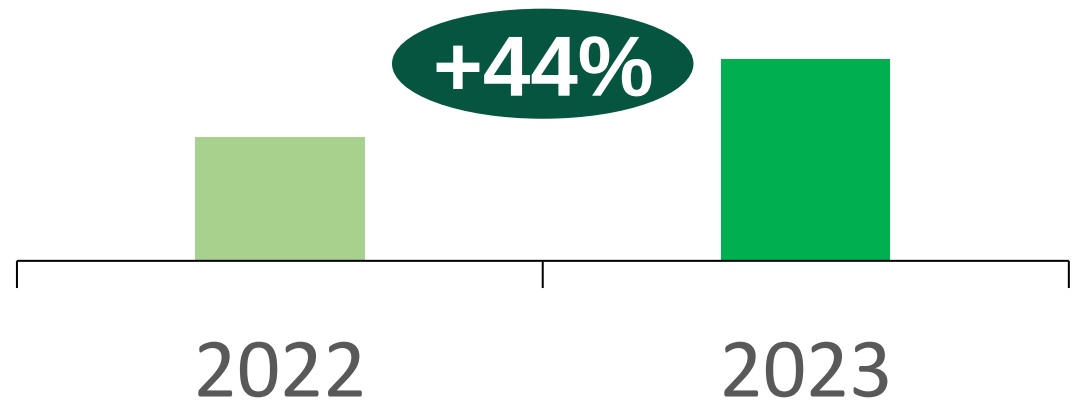
Revenue in repo business



Revenue in rates related trading



Turnover of equity derivative products



Financial Overview

HK\$mn	2023	2022	Change
Net interest income	32,295	25,551	26% ▲
-Net interest margin (%)	2.30%	1.75%	55 bps ▲
-Average interest-earning assets	1,406,183	1,462,548	4% ▼
Non-interest income	8,527	8,848	4% ▼
Net operating income before change in ECL	40,822	34,399	19% ▲
Change in ECL	6,248	7,694	19% ▼
Net operating income	34,574	26,705	29% ▲
Operating expenses	14,624	13,795	6% ▲
Operating profit	19,946	12,899	55% ▲
-excl. change in ECL	26,194	20,593	27% ▲
Profit before tax	20,105	12,781	57% ▲
Profit attributable to shareholders	17,848	11,286	58% ▲
Earnings per share (HK\$)	8.97	5.53	62% ▲
Dividends per share (HK\$)*	6.50	4.10	59% ▲
Cost efficiency ratio (%)	35.8%	40.1%	4.3 p.p. ▼
HK\$ Bn	Dec-23	Dec-22	Change
Gross advances	874	945	7% ▼
Customer deposits (incl. structured deposits)	1,181	1,287	8% ▼

*4th interim dividend for 2023: HK\$3.20 /share

▲ ▼ Favourable ▲ ▼ Unfavourable

2023 vs 2022

- **Net interest income up 26%**
- **Net interest margin rose 55bps to 2.30%** (1H23: 2.09%; 2H23: 2.51%)
- **Non-interest income down 4%**
- **Operating expenses up 6%**, reflecting continued investment in technology and people
- **ECL down 19%**, mainly due to net ECL release for Stage 1 & 2 credit exposure and de-risking efforts

31 Dec 23 vs 31 Dec 22

- **Gross customer advances down 7%** mainly due to de-risking of lending portfolio and weaker loan demand
- **Customer deposits down 8%**, reflecting actions to protect margins and proactive liabilities management

Financial Overview

	Dec-23	Dec-22	Change
Gross impaired advances as percentage of gross advances	2.83%	2.56%	+0.27 p.p.
Advances-to-deposits ratio	72.9%	72.4%	+0.5 p.p.

	2023	2022	Change
Return on average ordinary shareholders' equity	11.3%	7.2%	+4.1 p.p.
Return on average total assets	1.0%	0.6%	+0.4 p.p.

	Dec-23	Dec-22	Change
Capital ratio			
Common Equity Tier 1 capital ratio	18.1%	15.2%	+2.9 p.p.
Tier 1 capital ratio	19.9%	16.8%	+3.1 p.p.
Total capital ratio	21.4%	18.1%	+3.3 p.p.
Liquidity Coverage Ratio	260.7%	281.3%	-20.6 p.p.

Our Strategy Execution in 2023

- Solid attributable profit growth **+58%**
- **70%** dividend payout ratio at **HK\$ 6.50/share**
- Prioritise profitability with **55bps** NIM expansion **to 2.30%**
- **342%** increase in new account openings for non-HK Residents - strong cross-boundary business
- **157%** increase in ANP- further non-interest income diversification
- ECL charges **peaked** in 2022

2024 Outlook

- Timing and magnitude of rate cuts will impact **NIM in 2H24**
- **Loan growth** may remain subdued in 1H24, but expect **stabilisation in 2H24** on possible rate cuts
- **Credit cost** to reduce to **lower than 2023's**, subject to economic recovery and market conditions
- Rising cross-boundary demand in wealth management products should **support continuous growth in non-interest income**

Appendix 1- HKFRS 17 Reconciliation for 2022 Results and Balance Sheet as at 1 Jan 2022

HK\$m	2022 HKFRS 4	HKFRS 17 Adjustment	2022 HKFRS 17
Net interest income ⁽¹⁾	30,085	(4,534)	25,551
Non-Interest income	3,887	4,961	8,848
Net operating income before ECL and other credit impairment charges	33,972	427	34,399
Operating expenses	(14,778)	983	(13,795)
Change in ECL and other credit impairment charges	(7,626)	(68)	(7,694)
Other items	(129)	-	(129)
Profit before tax	11,439	1,342	12,781
Tax expense	(1,288)	(221)	(1,509)
Profit for the period	10,151	1,121	11,272

HK\$m	1-Jan-22 HKFRS 4	HKFRS 17 Adjustment	1-Jan-22 HKFRS 17
Total Assets	1,820,185	(16,055)	1,804,130
Total Liabilities	1,635,769	9,159	1,644,928
Total Equity	184,416	(25,214)	159,202
Total Equity and liabilities	1,820,185	(16,055)	1,804,130

(1) This is restated for the reclassification of interest income arising from trading assets and financial assets designated and otherwise mandatorily measured at fair value through profit or loss and interest expense arising from trading liabilities and financial liabilities designated at fair value, to 'Net income/(loss) from financial instruments measured at fair value through profit or loss', for aligning with HSBC Group's presentation of net interest income and net interest margin.

Appendix 2- Segment Results

HK\$m	WPB			CMB			GB			GM			Other		
	2023	2022	YoY	2023	2022	YoY	2023	2022	YoY	2023	2022	YoY	2023	2022	YoY
Net interest income	17,324	12,914	34%	9,364	8,021	17%	2,709	2,533	7%	1,162	1,535	-24%	1,736	548	217%
Non-interest Income	6,316	5,875	8%	1,338	1,529	-12%	268	223	20%	1,251	1,136	10%	(646)	85	-860%
Net operating income <i>- before change in ECL & other credit impairment charges</i>	23,640	18,789	26%	10,702	9,550	12%	2,977	2,756	8%	2,413	2,671	-10%	1,090	633	72%
Operating Profit <i>- before change in ECL & other credit impairment charges</i>	14,998	10,689	40%	7,106	6,136	16%	2,191	2,068	6%	1,673	2,028	-18%	226	(328)	169%
Change in ECL & other credit impairment charges	805	559	44%	4,664	5,442	-14%	783	1,688	-54%	(4)	4	-200%	-	1	-100%
Operating Profit	14,193	10,130	40%	2,442	694	252%	1,408	380	271%	1,677	2,024	-17%	226	(329)	169%
Profit Before Tax	14,386	10,120	42%	2,442	694	252%	1,408	380	271%	1,677	2,024	-17%	192	(437)	144%

HK\$bn	WPB			CMB			GB			GM			Other		
	Dec-23	Dec-22	YoY	Dec-23	Dec-22	YoY	Dec-23	Dec-22	YoY	Dec-23	Dec-22	YoY	Dec-23	Dec-22	YoY
Gross advances	400	383	4%	278	353	-21%	196	209	-6%	-	-	NA	-	-	NA
Customer deposits, including structured deposits	868	903	-4%	256	294	-13%	57	91	-37%	-	-	NA	-	-	NA

Appendix 3- Allowance for ECL

Summary of credit risk	As at Dec 2023		As at Dec 2022	
	Allowances for ECL	ECL coverage	Allowances for ECL	ECL coverage
	HK\$m	%	HK\$m	%
Loans and advances	13,633	1.56%	13,394	1.42%
- Stage 1	709	0.10%	755	0.10%
- Stage 2	3,766	2.77%	4,818	2.99%
- Stage 3	9,158	37.18%	7,802	32.63%
- POCI	-	0.00%	19	6.31%
Placings with and advances to banks	4	0.00%	3	0.00%
Other financial assets	59	0.03%	47	0.02%
Loans and other credit-related commitments	155	0.04%	169	0.05%
Financial guarantee and similar contracts	4	0.21%	2	0.12%
Total	13,855	0.94%	13,615	0.86%

Appendix 4- Mainland China CRE Exposure

HK\$m	As at Dec 2023			As at Dec 2022		
	HK	Mainland China	Total	HK	Mainland China	Total
Distribution of mainland China CRE exposure by credit quality						
- Strong	1,151	392	1,543	3,307	2,304	5,611
- Good	1,807	3,157	4,964	2,300	3,076	5,376
- Satisfactory	2,690	6,276	8,966	5,429	6,888	12,317
- Sub-standard	4,169	683	4,852	11,834	952	12,786
- Credit-impaired	12,841	1,533	14,374	14,834	980	15,814
Total Mainland CRE exposure	22,658	12,041	34,699	37,704	14,200	51,904
Allowance by ECL by credit quality						
- Strong	-	1	1	0	4	4
- Good	1	17	18	1	14	15
- Satisfactory	14	66	80	13	80	93
- Sub-standard	224	239	463	1,987	247	2,234
- Credit-impaired	6,407	479	6,886	4,973	578	5,551
Total	6,646	802	7,448	6,974	923	7,897
Allowance by ECL by stage						
- Stage 1	2	47	49	4	30	34
- Stage 2	237	276	513	1,997	315	2,312
- Stage 3	6,407	479	6,886	4,973	578	5,551
Total	6,646	802	7,448	6,974	923	7,897
ECL coverage %	29.3%	6.7%	21.5%	18.5%	6.5%	15.2%

Appendix 5- NII Sensitivity

	100bp parallel increase	100bp parallel decrease	25bp parallel increase	25bp parallel decrease
<u>Change in 2024 expected net interest income</u>	HK\$m	HK\$m	HK\$m	HK\$m
- HKD	895	(1,038)	233	(252)
- USD	191	(213)	48	(50)
- Other	701	(955)	186	(206)
Total	1,787	(2,206)	467	(508)
<u>Change in 2023 expected net interest income</u>				
- HKD	1,024	(1,366)	285	(330)
- USD	493	(518)	123	(128)
- Other	1,142	(1,334)	288	(318)
Total	2,659	(3,218)	696	(776)

Key assumptions: (1) Assuming no management actions and all other non-interest rate risk variables remain constant; (2) based on a static balance sheet size and structure
(3) do not incorporate actions that would be taken by Markets Treasury or in the business that originates the risk to mitigate the effect of interest rate movements

Appendix 6- Maturity Analysis of Financial Investments

