



恒生銀行

HANG SENG BANK



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# 2022 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.

# 2022 Interim Results

## Business Overview

### Segment Performance

### Hang Seng China

### Financial Overview

### Outlook

# Business Overview



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# Business Overview

## Performance remains resilient

- Increased net interest income across all businesses
- Grew strategic customer segments including youth, emerging affluent and corporates
- Hang Seng China Enterprises Index exchange-traded fund (ETF) amongst first 4 ETF eligible for southbound trading under new ETF Connect Scheme
- Hang Seng Investment Management selected to manage The Tracker Fund of Hong Kong
- Launched Hong Kong's first Mobile Cheque Deposit Service for business and personal banking customers and 350+ digital initiatives
- First bank in Hong Kong to launch US equity-linked investments on online platforms
- Continue to strengthen wealth management capabilities in GBA e.g. opening Cross-boundary Wealth Management Centres

# Business Overview

## Focus on sustainability

- Actively assisting clients to transition to low-carbon. Newly approved corporate green and sustainability-linked loans in Hong Kong more than doubled year-on-year
- Helping personal customers to become greener. Launched green mortgages, electric vehicle loans, green shopping offers and ESG-themed investment products
- Hang Seng Indexes Company introduced Hang Seng Climate Change 1.5°C Target Index and other ESG-focused indexes

## Difficult external environment impacted performance

- Adverse impact on results of market movements on life insurance investment portfolio
- Unfavourable discounting impact of interest rate rises
- Notable adjustments on expected credit losses related to mainland commercial real estate sector

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# Segment Performance

Wealth and Personal Banking



# Segment Performance

## Wealth and Personal Banking

### Driving sustainability

- Launched a series of green solutions for personal banking customers
- Sales of ESG wealth management solutions increased by 3% year-on-year
- Assets under management of ESG funds up by 59% year-on-year
- Registered a 10% market share in applications for Government-issued Green Bond

### Increasing customer buy-in on new insurance solutions

- Net insurance premiums income increased by 78% year-on-year

# Segment Performance

## Wealth and Personal Banking

### Sustaining leading market position for digital insurance

- Achieved 241% increase year-on-year in number of digital insurance policies sold
- Active users on Olive Wellness App increased by 127% year-on-year

### Growing loans and deposits

- Increased market share for new mortgage registrations and sustained leadership amongst Hong Kong's top three mortgage lenders
- New personal loans drawdowns increased by 32% year-on-year
- Card spending volume upheld, underpinned by attractive credit card offers
- Deposits grew as customer base in strategic segments grew

# Segment Performance

Commercial Banking, Global Banking and Global Markets



# Segment Performance

## Commercial Banking, Global Banking and Global Markets

### Driving sustainability

- Newly approved green and sustainability-linked loans in Hong Kong grew by 175% year-on-year
- Tailored solutions supported business customers' transition towards low-carbon economy

### Growing loans

- Established strategic partnerships to capture business among 'new economy' companies with strong growth potential, e.g. renewable energy
- Trade loans increased by 15% year-on-year
- Launched Credit Link to enable fast and flexible cross-boundary reallocation of credit limits

# Segment Performance

## Commercial Banking, Global Banking and Global Markets

### Capturing income-generating opportunities

- Global Markets recorded 11% increase year-on-year in profit before tax

### Enriching Global Markets product suite

- Supported development of green and social bond secondary market by accepting ESG bonds as collateral
- Extended US equity-linked investments to more structured products
- Enhanced service capabilities by implementing new fintech and digital solutions to support business growth

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- Satisfactory business momentum
- Robust growth in trade loan business, with revenue up 32% year-on-year and portfolio balance up 5% from 2021 year-end
- Grew both net interest income and non-interest income
- Increased net operating income before expected credit losses by 7%
- Operating profit down due primarily to expected credit loss provisions

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# Financial Overview

| HK\$ Mn                                                                                        | 1H 22  | vs 1H 21 | vs 2H 21 |
|------------------------------------------------------------------------------------------------|--------|----------|----------|
| Net interest income                                                                            | 12,356 | 4% ▲     | 3% ▲     |
| - net interest margin (%)                                                                      | 1.52   | 1bp ▲    | 4bp ▲    |
| Non-interest income                                                                            | 2,588  | 52% ▼    | 34% ▼    |
| Net operating income before change in expected credit losses & other credit impairment charges | 14,944 | 14% ▼    | 6% ▼     |
| Change in expected credit losses & other credit impairment charges                             | 2,096  | 518% ▲   | 15% ▼    |
| Net operating income                                                                           | 12,848 | 24% ▼    | 4% ▼     |
| Operating expenses                                                                             | 7,313  | 8% ▲     | 1% ▼     |
| Operating profit                                                                               | 5,533  | 46% ▼    | 8% ▼     |
| - excl. change in expected credit losses & other credit impairment charges                     | 7,629  | 28% ▼    | 10% ▼    |
| Profit before tax                                                                              | 5,439  | 47% ▼    | 11% ▼    |
| Profit attributable to shareholders                                                            | 4,704  | 46% ▼    | 9% ▼     |
| Earnings per share (HK\$)                                                                      | 2.31   | 48% ▼    | 7% ▼     |
| Dividends per share (HK\$)*                                                                    | 1.40   | 0.80 ▼   |          |
| Cost efficiency ratio (%)                                                                      | 48.9%  | 9.9 pp ▲ | 2.4 pp ▲ |

\* 2<sup>nd</sup> interim dividend for 2022: HK\$0.70/share

▲ ▼ Favourable    ▲ ▼ Unfavourable

# Financial Overview

| HK\$ Mn                         | 1H 22     | vs 1H 21 | vs 2H 21 |
|---------------------------------|-----------|----------|----------|
| Net interest income             | 12,356    | 4% ▲     | 3% ▲     |
| Average interest-earning assets | 1,637,980 | 3% ▲     | 2% ▲     |
| Net interest margin (%)         | 1.52      | 1bp ▲    | 4bp ▲    |

▲ ▼ Favourable    ▲ ▼ Unfavourable

# Financial Overview

|                                                         | 30 Jun 22 | vs 31 Dec 21 |
|---------------------------------------------------------|-----------|--------------|
| Gross impaired advances as percentage of gross advances | 1.92%     | 0.88pp ▲     |

|                                                     | 1H 22 | vs 1H 21 | vs 2H 21 |
|-----------------------------------------------------|-------|----------|----------|
| Return on average ordinary shareholders' equity (%) | 5.2   | 4.7pp ▼  | 0.3pp ▼  |
| Return on average total assets (%)                  | 0.5   | 0.5pp ▼  | 0.1pp ▼  |

|                                    | 30 Jun 22 | vs 31 Dec 21 |
|------------------------------------|-----------|--------------|
| Capital ratio (%)                  |           |              |
| Common equity tier 1 capital ratio | 14.6      | 1.3 pp ▼     |
| Tier 1 capital ratio               | 16.1      | 1.4 pp ▼     |
| Total capital ratio                | 17.4      | 1.5 pp ▼     |

▲▼ Favourable    ▲▼ Unfavourable

# Financial Overview

| HK\$ Mn                                                                                        | 1H 22 vs 1H 21 |       |       |       |       |       |
|------------------------------------------------------------------------------------------------|----------------|-------|-------|-------|-------|-------|
|                                                                                                | WPB            |       | CMB   |       | GB&M  |       |
| Net interest income                                                                            | 6,777          | 4% ▲  | 3,579 | 2% ▲  | 2,158 | 6% ▲  |
| Non-interest income                                                                            | 601            | 82% ▼ | 861   | 23% ▼ | 678   | ↔     |
| Net operating income before change in expected credit losses & other credit impairment charges | 7,378          | 25% ▼ | 4,440 | 4% ▼  | 2,836 | 5% ▲  |
| Operating profit                                                                               | 2,556          | 54% ▼ | 1,281 | 54% ▼ | 1,815 | 17% ▼ |
| Profit before tax                                                                              | 2,521          | 55% ▼ | 1,281 | 54% ▼ | 1,815 | 17% ▼ |

|                   | 30 Jun 22 vs 31 Dec 21 |      |      |
|-------------------|------------------------|------|------|
|                   | WPB                    | CMB  | GB&M |
| Gross advances    | ↔                      | 3% ▼ | ↔    |
| Customer deposits | 2% ▲                   | 2% ▼ | ↔    |

▲▼ Favourable    ▲▼ Unfavourable

# Financial Overview

| HK\$ Bn                   | 30 Jun 22 | vs 31 Dec 21 |
|---------------------------|-----------|--------------|
| Gross advances            | 992       | 1% ▼         |
| For use in Hong Kong      | 734       | 1% ▼         |
| ■ Businesses              | 392       | 2% ▼         |
| ■ Individuals             | 342       | ↔            |
| Trade finance             | 47        | 11% ▲        |
| For use outside Hong Kong | 211       | 4% ▼         |

| HK\$ Bn                                                    | 30 Jun 22 | vs 31 Dec 21 | vs 30 Jun 21 |
|------------------------------------------------------------|-----------|--------------|--------------|
| Deposits<br>(incl. CDs and other debt securities in issue) | 1,358     | 1% ▲         | 4% ▲         |

▲▼ Favourable    ▲▼ Unfavourable

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# Outlook

- Operating environment will remain challenging
- Continue to carefully monitor external risks including mainland commercial real estate, inflation, rising commodities prices and pandemic situation
- Rising interest rates will shore up net interest margin
- Look forward to resumption in cross-boundary movements to further stimulate economic and social activities



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