

2023 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.

2023 Interim Results

Business Overview

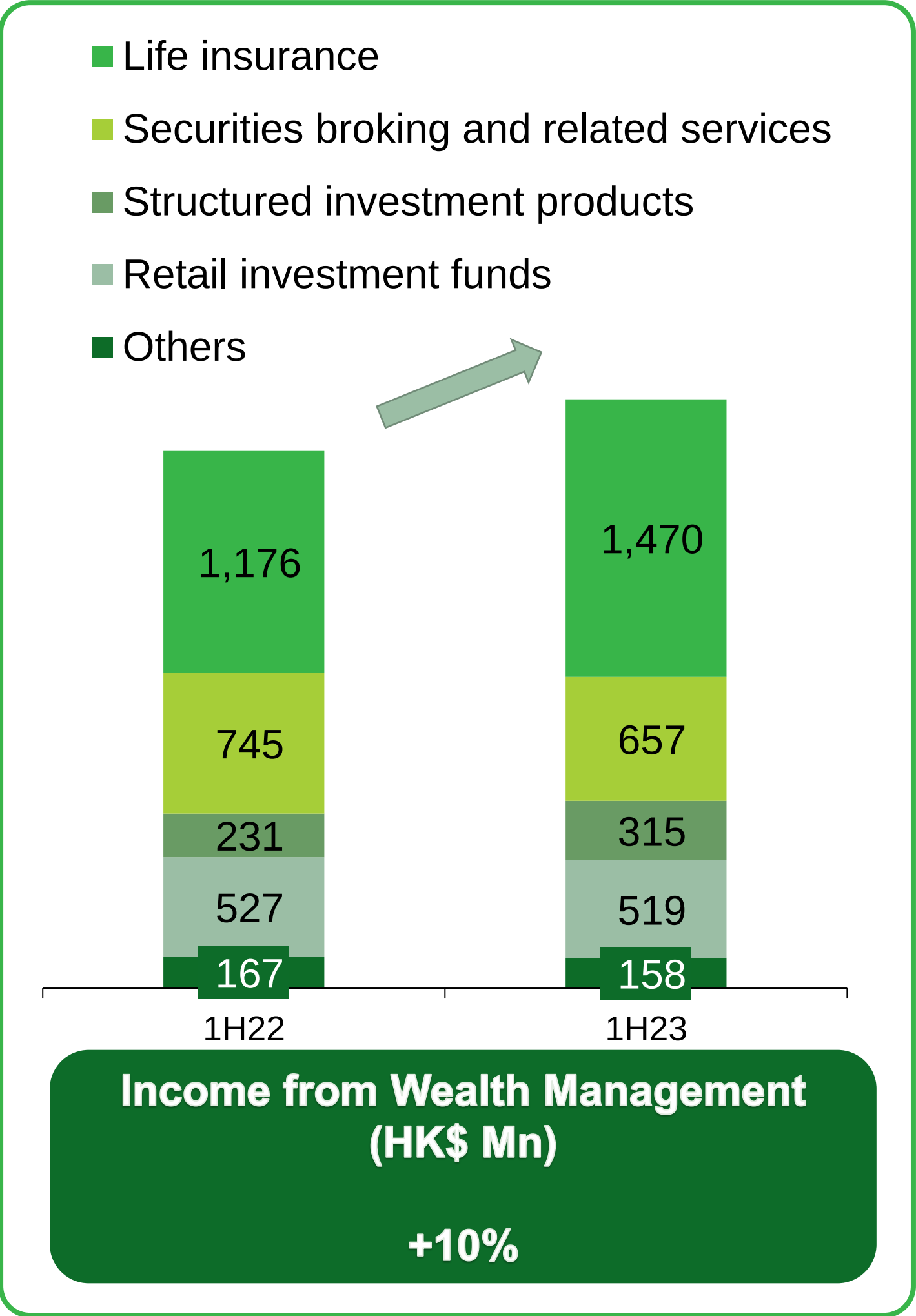
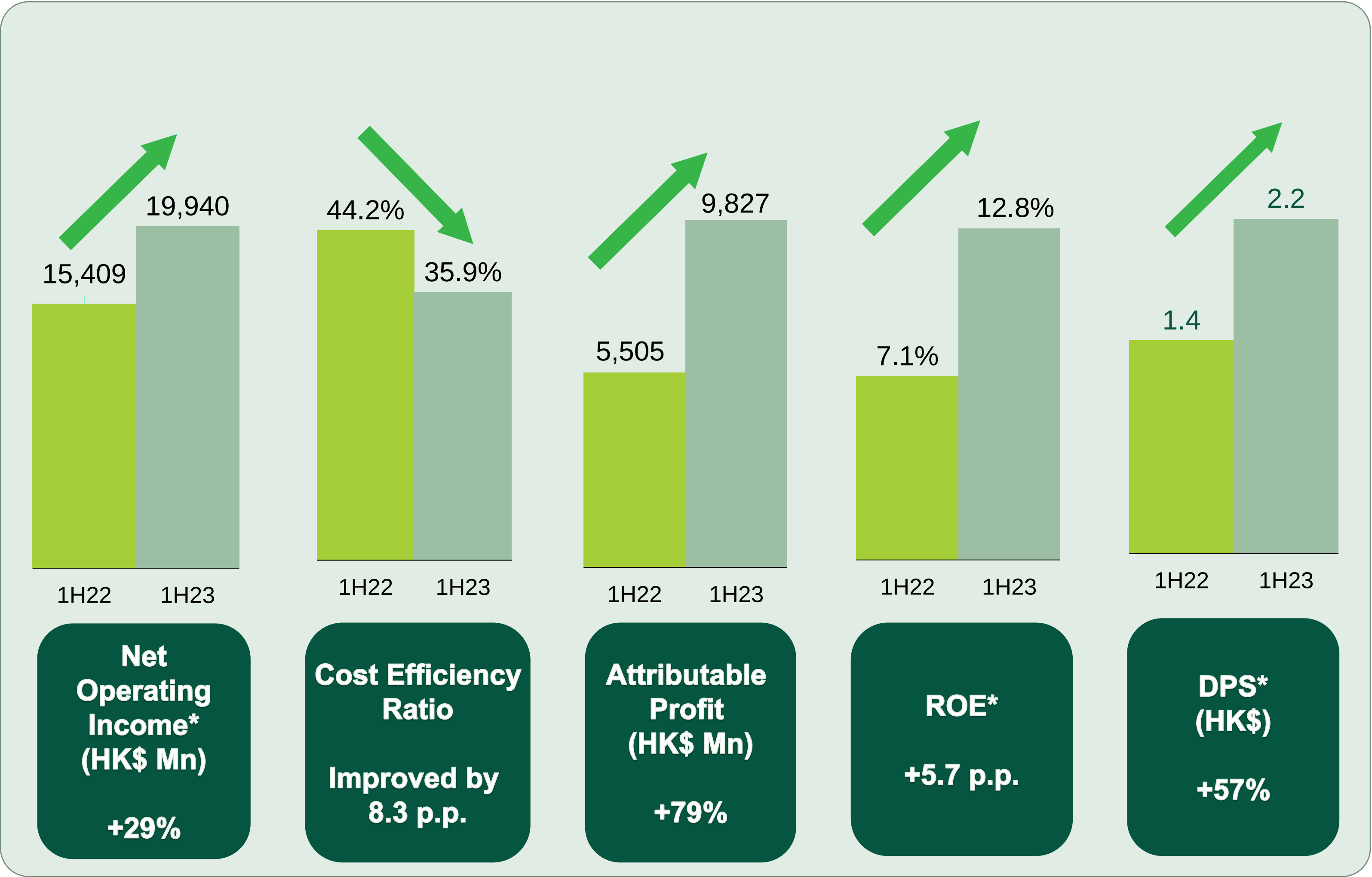
Segment Performance

Financial Overview

Delivering More of What Customers Want

Appendix

Accelerated Growth with Diversified Income Stream



* Net Operating Income Before ECL, HK\$ Mn
ROE = Return On Equity
DPS = Dividend Per Share

Yielding Tangible Results

Growth

- **RMB counter** for dual currency listing on HKEX



- Opened first mainland Cross-Boundary Wealth Management Centre in **Guangzhou**
- **Manage 3 of 6** southbound ETFs

Innovation

- e-HKD use cases selected by HKMA for its **e-HKD pilot programme**



- Launched 'HS3', Hong Kong banking industry's first **NFT wallet**

Sustainability

- Arranged first **green export credit insurance**
- 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

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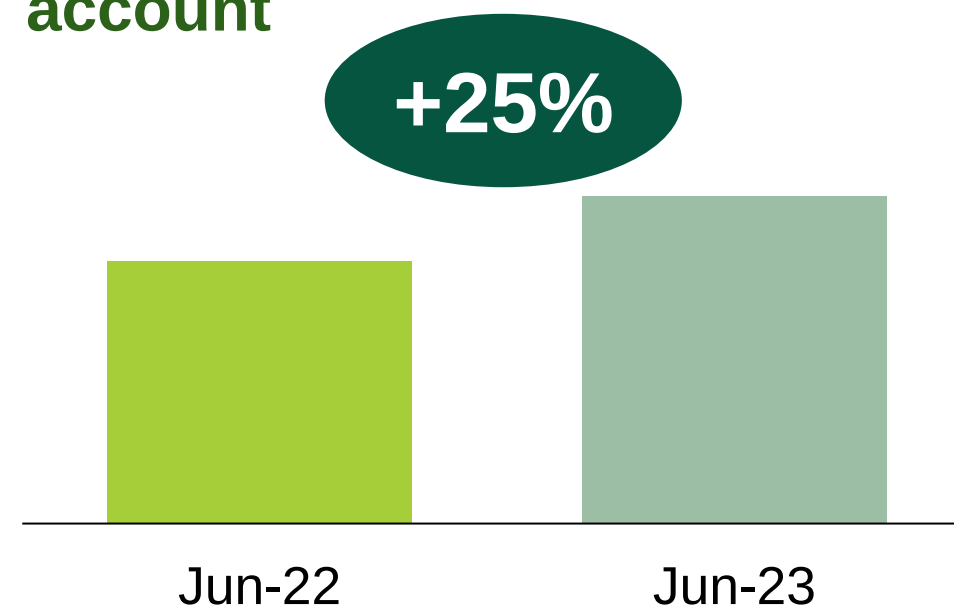
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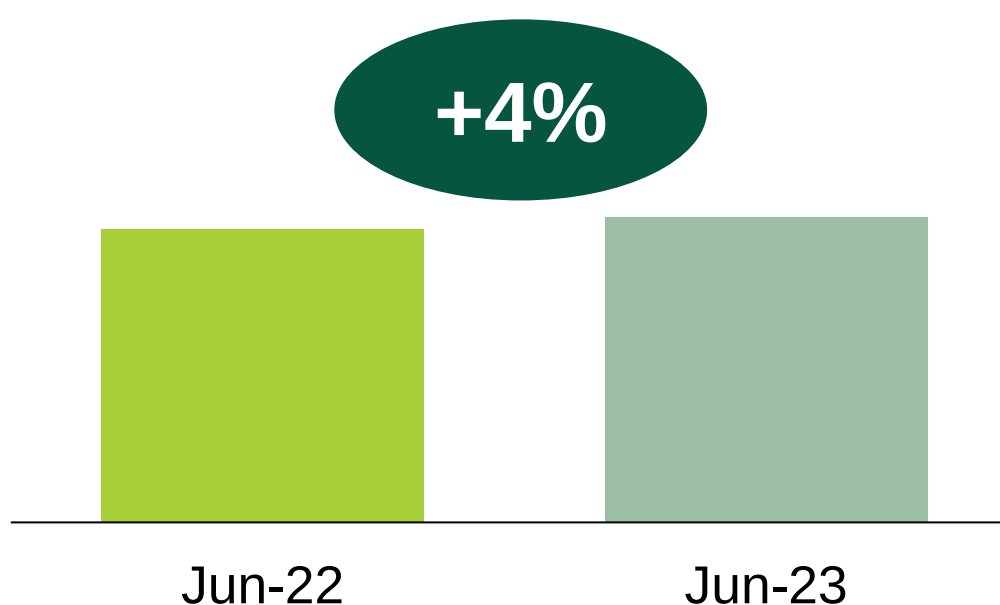
Wealth and Personal Banking

Affluent Customer Growth

- Launched **Prestige Banking Family+** account



Customer Loans and Advances



Wealth Achievements

+19%

Investment Services Income-HoH%*

- Notable increases in revenue from **fixed income, structured investment products** and **retail investment funds**

+132%

Insurance Annualised New Premiums-YoY%*

- New flagship insurance product** and **passive income wealth solutions**
- New exclusive distribution** arrangement with international insurer Chubb

Digital Adoption

+16%

Active mobile banking users-YoY%

+173%

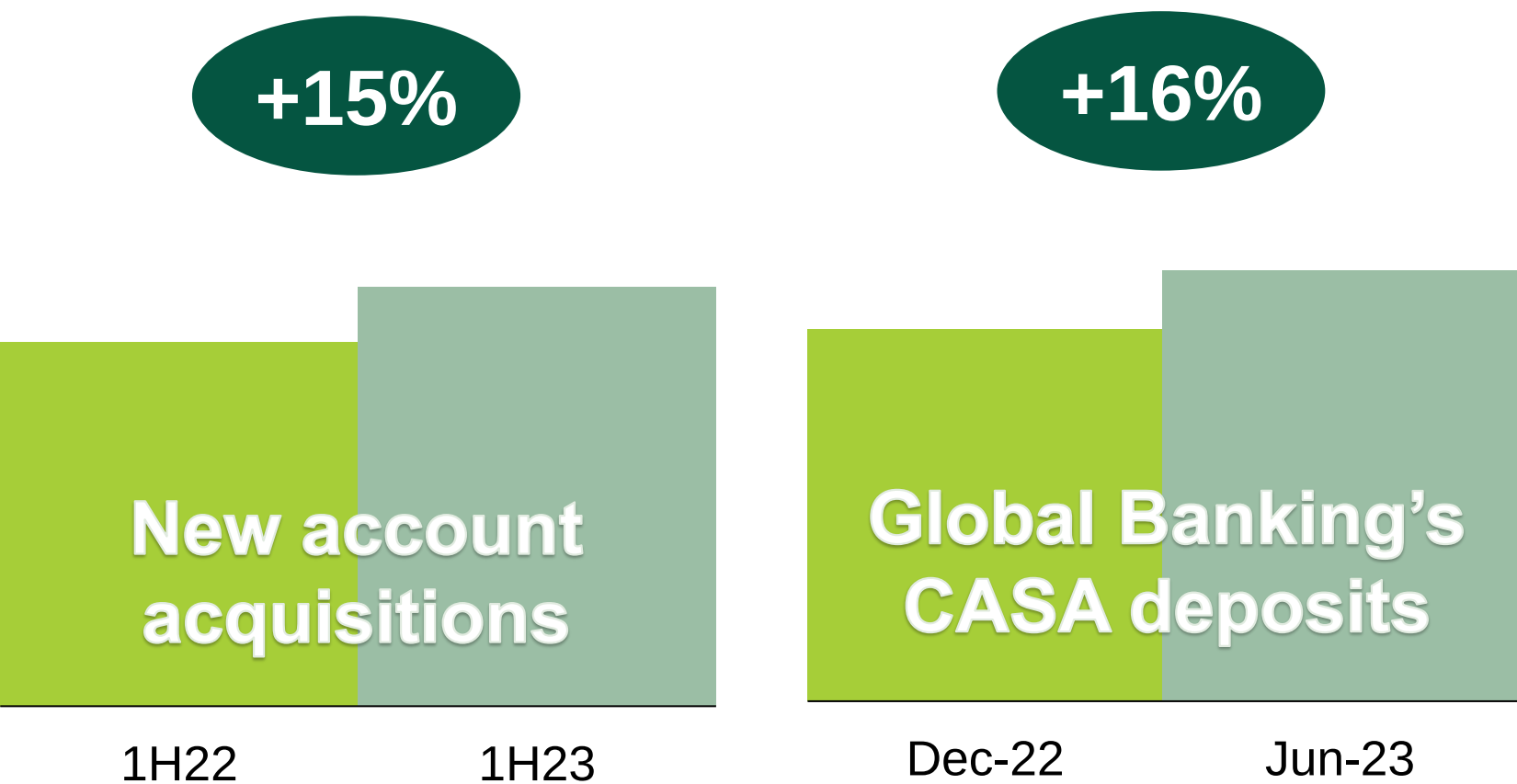
Digital retail transaction count-YoY%

- Strengthening customer relationships** with more personalised messaging at key touchpoints
- Deepening engagement with different customer groups through value-added lifestyle services, e.g. **Olive wellness app**

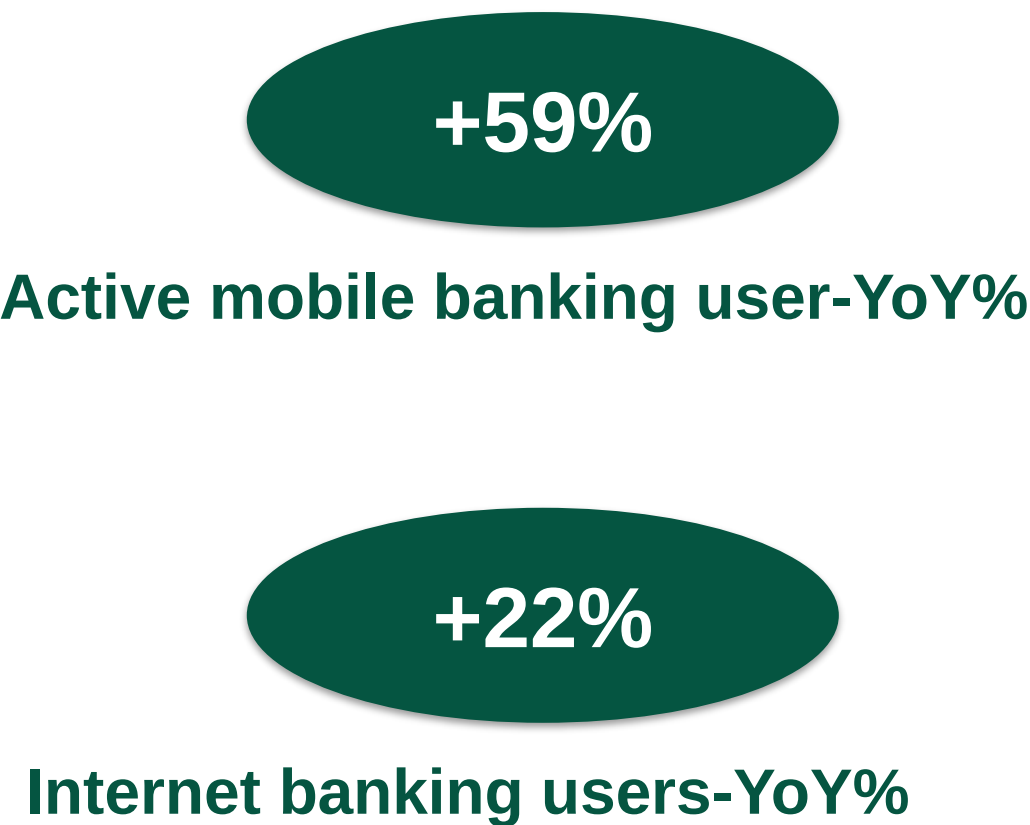
* HoH = 1H2023 vs 2H2022; YoY = 1H2023 vs 1H2022

Commercial Banking, Global Banking and Global Markets

Growth in Commercial and Global Banking



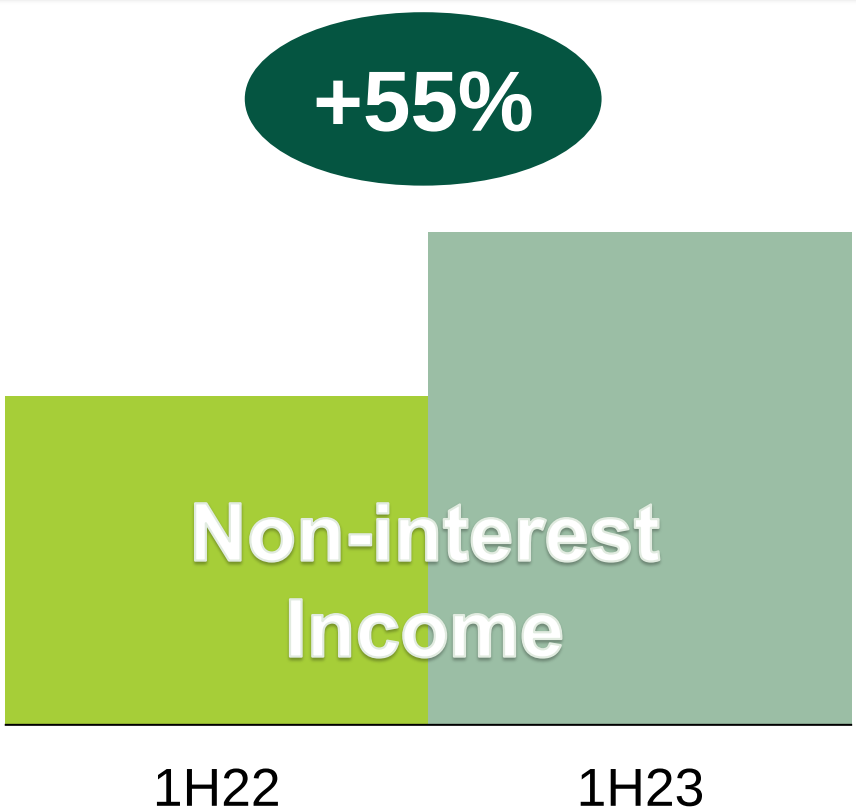
Digital Transformation



Comprehensive Solutions for Clients

- **Digital International Collection for e-Commerce** and **QR code collection** in mobile banking
- New unified account opening service offers seamless **onboarding in GBA**
- Good growth in Global Banking's **bond management** and **debt capital market origination** business

Diversifying Revenue Stream Drives Non-Interest Income Growth in Global Markets



Non-Interest Income growth driven by:

- **Equities and rates-related structured products:** Strong equities-related wealth sales and a new revenue stream from interest rate structuring
- **Option trading:** captured opportunities arising from market movements
- **Rates trading:** achieved notable growth during the period

Hang Seng China

Captured Opportunities from Improved Market Sentiment

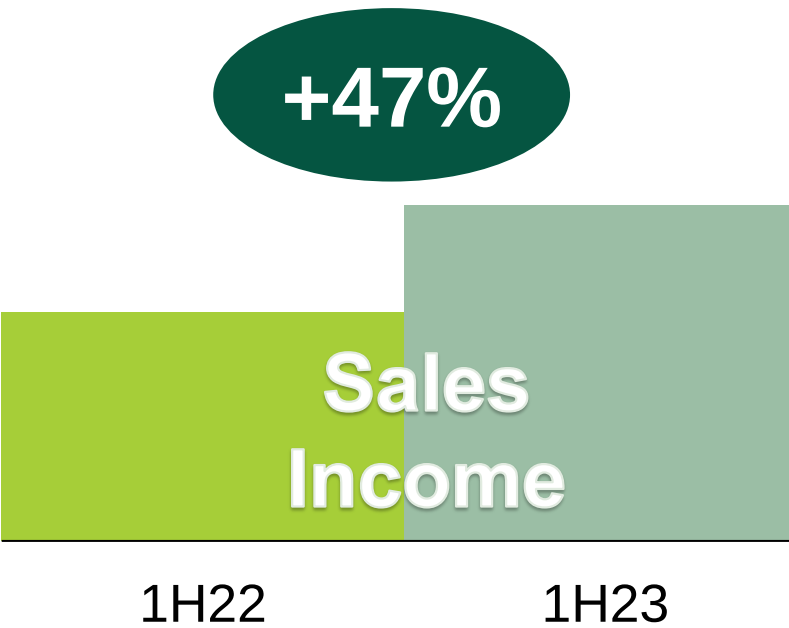
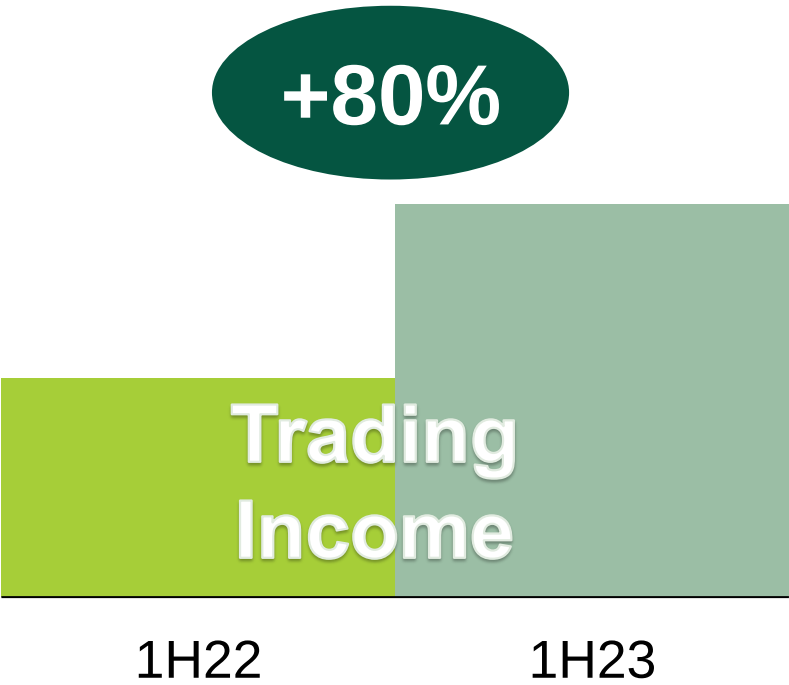


Total Operating Income from WPB in GBA-YoY%

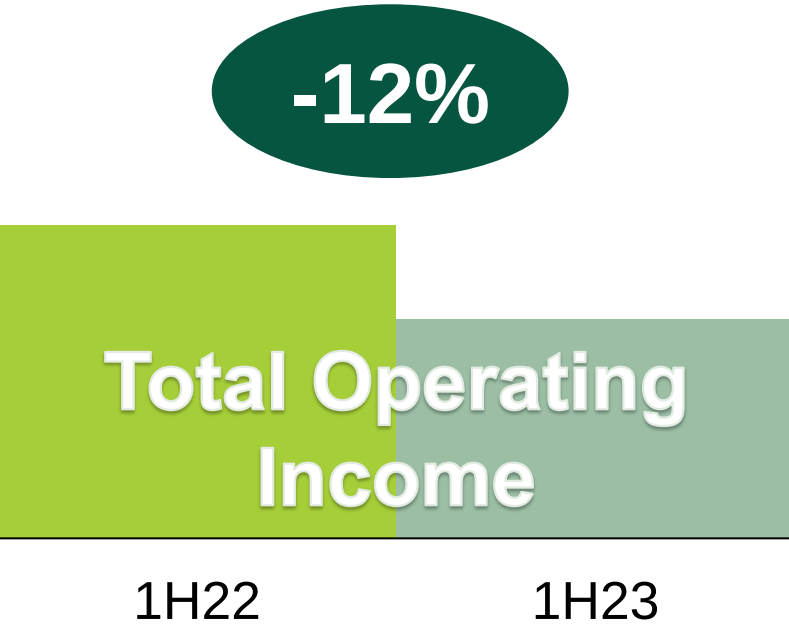


Prestige Banking customer base-YoY%

Global Markets Recorded Positive Momentum



Impact of De-risking Actions



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HK\$ Mn	1H23	1H22	Change
Net interest income	15,191	10,692	42% ▲
- Net interest margin (%)	2.09	1.47	62bps ▲
- Average interest-earning assets	1,463,375	1,466,152	0.2% ▼
Non-interest income	4,749	4,717	1% ▲
Net operating income before change in ECL & other credit impairment charges	19,940	15,409	29% ▲
Change in ECL & other credit impairment charges	1,924	2,100	8% ▼
Net operating income	18,016	13,309	35% ▲
Operating expenses	7,156	6,816	5% ▲
Operating profit	10,858	6,491	67% ▲
- excl. change in ECL & other credit impairment charges	12,782	8,591	49% ▲
Profit before tax	10,961	6,397	71% ▲
Profit attributable to shareholders	9,827	5,505	79% ▲
Earnings per share (HK\$)	4.99	2.73	83% ▲
Dividends per share (HK\$)*	2.20	1.40	0.80 ▲
Cost efficiency ratio (%)	35.9	44.2	8.3 p.p. ▼
HK\$ Bn	30 Jun 23	31 Dec 22	Change
Gross advances	907	945	4% ▼
Customer deposit, including structured deposits	1,189	1,287	8% ▼

*2nd interim dividend for 2023: HK\$1.10 /share

▲ ▼ Favourable ▲ ▼ Unfavourable

1H23 vs 1H22

- **Net interest income rose by 42%**, benefitting from rate hikes. 1H23 net interest margin rose 62bps to 2.09%
- **Non-interest income grew by 1%**, with notable growth in wealth management income (particularly life insurance income), offset by lower net fee income
- **Operating expenses up by 5%**, reflecting continued investment in technology and people to further enhance service experiences for customers
- **Change in ECL decreased by 8%**, mainly reflecting favourable change in forward economic guidance and lending portfolio de-risking actions

30 Jun 23 vs 31 Dec 22

- **Gross customer advances down by 4%** mainly due to de-risking of lending portfolio and weaker loan demand
- **Customer deposits decreased by 8%**, arising from focus in retaining current account and savings account (CASA) and less participation in high cost time deposit garnering. CASA/total deposits: 60.9% (Dec22 : 59.0%)

Financial Overview

	30 Jun 23	31 Dec 22	Change
Gross impaired advances as percentage of gross advances	2.85%	2.56%	0.29 p.p.
Advances-to-deposits ratio	75.1%	72.4%	2.7 p.p.

	1H23	1H22	Change
Return on average ordinary shareholders' equity	12.8%	7.1%	5.7 p.p.
Return on average total assets	1.1%	0.6%	0.5 p.p.

	30 Jun 23	31 Dec 22	Change
Capital ratio			
Common Equity Tier 1 capital ratio	16.8%	15.2%	1.6 p.p.
Tier 1 capital ratio	18.5%	16.8%	1.7 p.p.
Total capital ratio	20.0%	18.1%	1.9 p.p.

	30 Jun 23	31 Dec 22	Change
Liquidity Coverage Ratio	230.6%	281.3%	-50.7 p.p.

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Delivering More of What Customers Want



- With the addition of Tsim Sha Tsui and Shenzhen centres in August, a total of six cross-boundary Wealth Management Centres in GBA
- Expansion of Non-Interest Income base

- Opened first Future Banking concept branch, featuring innovations such as HK's first Smart Teller service
- Value-added lifestyle banking offerings, e.g. New '+Fun Dollars' credit card rewards programme and Olive wellness app
- First bank in HK to offer mainland commercial customers e-Sign service

- Developing more sustainable finance products to diversify loan portfolio
- Grow commercial customer base in new-economy sectors

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Appendix 1- HKFRS 17 Reconciliation for 1H22 Results and Balance Sheet as at 1 Jan 2022

HK\$ Mn	1H22 HKFRS 4 ⁽¹⁾	HKFRS 17 Adjustment	1H22 HKFRS 17
Net interest income	12,823	(2,131)	10,692
Non-Interest income	2,121	2,596	4,717
Net operating income before ECL and other credit charges	14,944	465	15,409
Operating expenses	(7,313)	497	(6,816)
Change in expected credit losses and other credit impairment charges	(2,096)	(4)	(2,100)
Other items	(96)	-	(96)
Profit before tax	5,439	958	6,397
Tax expense	(743)	(157)	(900)
Profit for the period	4,696	801	5,497

HK\$ Mn	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.

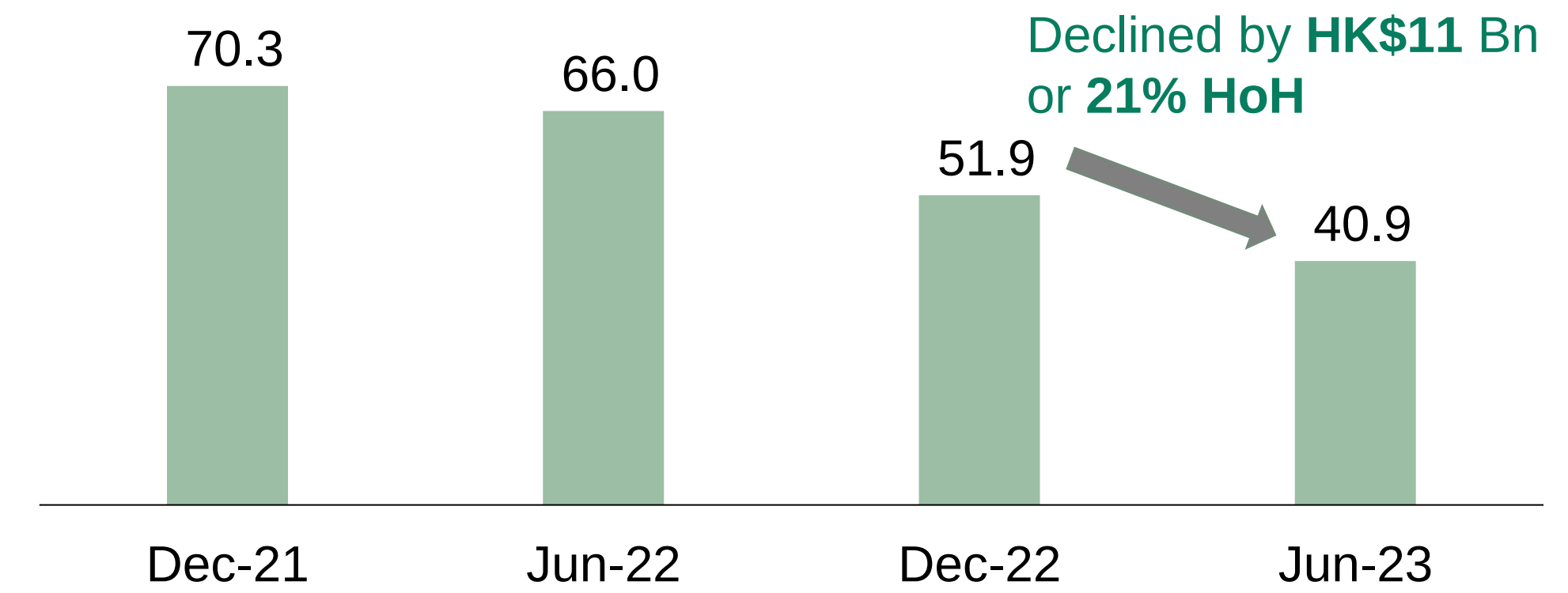
Appendix 2- Overall Allowance for ECL and Mainland China CRE exposure

Overall Allowance for ECL and ECL coverage

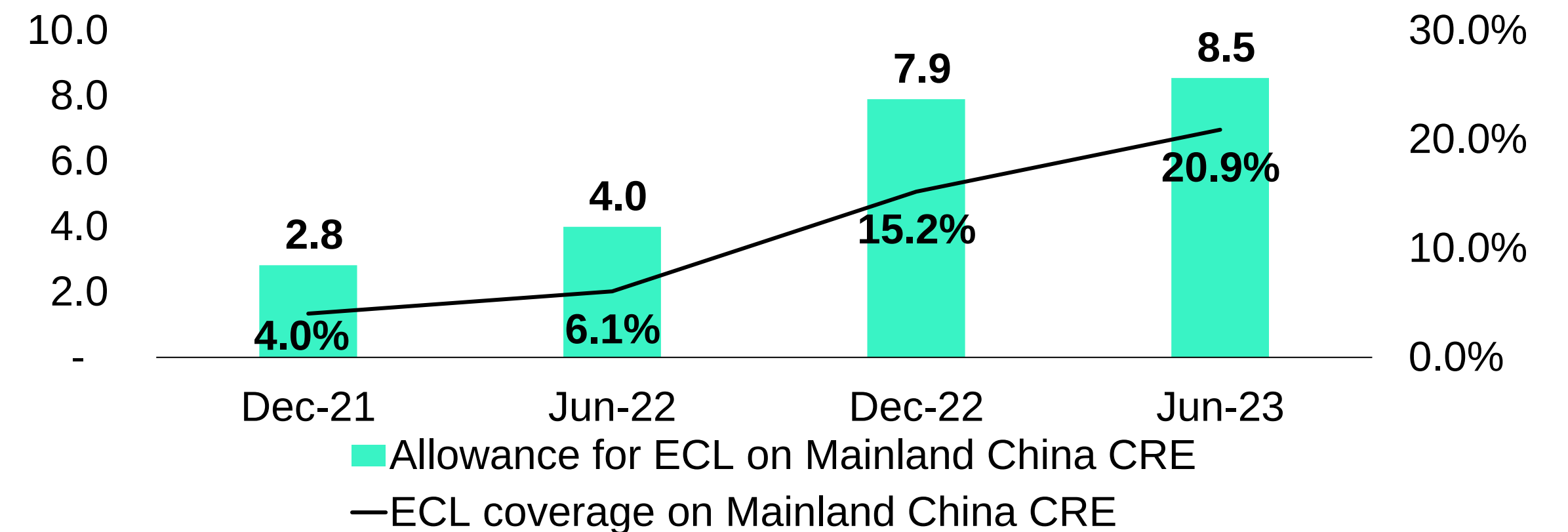
	As at Jun 2023		As at Dec 2022	
	Allowances for ECL	ECL coverage	Allowances for ECL	ECL coverage
	HK\$ Mn	%	HK\$ Mn	%
Loans and advances	14,422	1.59%	13,394	1.42%
- Stage 1	662	0.09%	755	0.10%
- Stage 2	3,652	2.53%	4,818	2.99%
- Stage 3	10,108	39.24%	7,802	32.63%
- POCI	-	0.00%	19	6.31%
Placings with and advances to banks	3	0.00%	3	0.00%
Other financial assets	41	0.02%	47	0.02%
Off balance sheet exposure	152	0.04%	171	0.05%
Total	14,618	0.98%	13,615	0.86%

De-risking Continues for Mainland China CRE

Mainland China CRE exposure (HK\$ Bn)



Allowance for ECL on Mainland China CRE (HK\$ Bn) and ECL Coverage (%)



Appendix 3- Segment Results

HK\$ Mn	WPB		CMB		GB		GM		Other	
	1H23	1H22	1H23	1H22	1H23	1H22	1H23	1H22	1H23	1H22
Net interest income	8,047	4,789	4,444	3,520	1,306	1,222	604	951	790	210
Non-interest income	3,453	3,101	729	873	134	159	781	504	(348)	80
Net operating income before change in ECL & other credit impairment charges	11,500	7,890	5,173	4,393	1,440	1,381	1,385	1,455	442	290
Operating profit	6,939	3,561	1,827	1,234	980	675	1,039	1,140	73	(119)
Profit before tax	7,043	3,526	1,827	1,234	980	675	1,039	1,140	72	(178)

HK\$ Bn	WPB		CMB		GB		GM		Other	
	Jun 23	Dec 22	Jun 23	Dec 22	Jun 23	Dec 22	Jun 23	Dec 22	Jun 23	Dec 22
Gross advances	392	383	314	353	202	209	-	-	-	-
Customer deposits, including structured deposits	850	903	265	294	74	91	-	-	-	-