



恒生銀行
HANG SENG BANK

1H25 results presentation

30 Jul 2025

Key highlights



Resilient underlying business performance

- HK\$21bn Net Operating Income before Expected Credit Losses (ECL), +3% YoY
- Operating Expenses +1% YoY; strong cost control with continued investment in people and technology

Notable progress in business diversification

- HK\$6.6bn Fee and Other Income, +34% YoY, contributing to 31.6% of total income
 - Driven by Retail Wealth income +43% YoY
 - Life insurance ranked #2 in HK for New Business Premium, +57% YoY, in 1Q25
- Strong customer growth in affluent segment, c.10% annually over past three years; Mainlander¹ New-to-Bank (NTB) customers +20% YoY
- Loans growth in non-CRE sectors
 - Information Technology +37%, Trade finance +16%, SME digital lending +49% and Southbound² loan +43% compared to Dec24
 - Sustainability Power Up Fund utilised c.70% of HK\$80bn since launch in Jun24

Proactive risk management on Hong Kong Commercial Real Estate (CRE)

- Total HKCRE Non-performing Loan (NPL) coverage (ECL & collaterals) is > 100%
- 1H25 ECL at HK\$4.9bn, +2% vs FY24
- NPL ratio at 6.69% vs 6.12% in FY24. Rate of increase has slowed down

Well capitalised to support customer and shareholders' return

- Strong capital base, 21.3% CET1, to support customers and shareholders' return
- HK\$2.6 Dividend per Share (DPS), +8%

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1. A customer is classified as Mainlander (onshore or offshore) at account opening if they declare one of the following: 1) holding a PRC ID or China passport; OR being of Chinese nationality and residing in HK temporarily (e.g. student visa, work visa); OR being of Chinese nationality and having mandarin as their preferred language

2. Southbound loans refers to average customer loans booked in HK that originate from mainland China-based customers

Financial performance

Resilient performance in 1H25



Income statement, HK\$'m	1H25	1H24	Change
Net Interest Income (NII)	14,339	15,483	(7%)
Fee and Other Income	6,636	4,948	34%
Net Operating Income before Change in ECL	20,975	20,431	3%
Change in ECL	4,861	1,500	224%
Operating Expenses	7,565	7,523	1%
Operating Profit	8,549	11,396	(25%)
Profit Before Tax (PBT)	8,097	11,307	(28%)

Balance sheet	Jun25	Dec24	Change
Customer Loans and Advances (L&A), HK\$'bn	803	819	(2%)
Customer Deposits, incl. structured deposits, HK\$'bn	1,300	1,267	3%
Non-performing Loan (NPL) ratio, %	6.69	6.12	57bps
Liquidity Coverage Ratio (LCR), %	311	301	10p.p.

Key financial metrics	1H25	1H24	Change
Net Interest Margin (NIM), %	1.99	2.29	(30bps)
Cost Efficiency Ratio (CER), %	36.1	36.8	(0.7p.p.)
Earnings per share (EPS), HK\$	3.34	5.04	(34%)
Dividend per share (DPS), HK\$	2.60	2.40	8%
Return on avg. Ordinary Shareholders' Equity (ROE), %	7.9	12.4	(4.5p.p.)
Common Equity Tier 1 (CET1) ratio, %	21.3	17.7	3.6p.p.
Total Capital Ratio (CAR), %	24.9	20.8	4.1p.p.

Income statement

- Underlying business remains resilient with a 3% YoY growth in Net Operating Income before Change in ECL
- NII -7% YoY mainly due to subdued loan demand and lower HIBOR
- Fee and Other Income growth, +34% YoY, driven by Wealth business
- Operating Expenses well managed at +1% YoY, CER at 36%
- 1H25 ECL was driven by increase in allowances for new defaulted exposures, asset quality credit migration, the over-supply in non-residential properties putting continued downward pressure on rental and capital values, as well as updates to our models used for ECL calculations
- PBT -28% YoY post Change in ECL

Balance sheet

- Loans and Advances -2% vs Dec24
- Deposits +3% vs Dec24 from sustained growth in affluent customers, with CASA ratio +6.7p.p. HoH to 56.2%

Key financial metrics

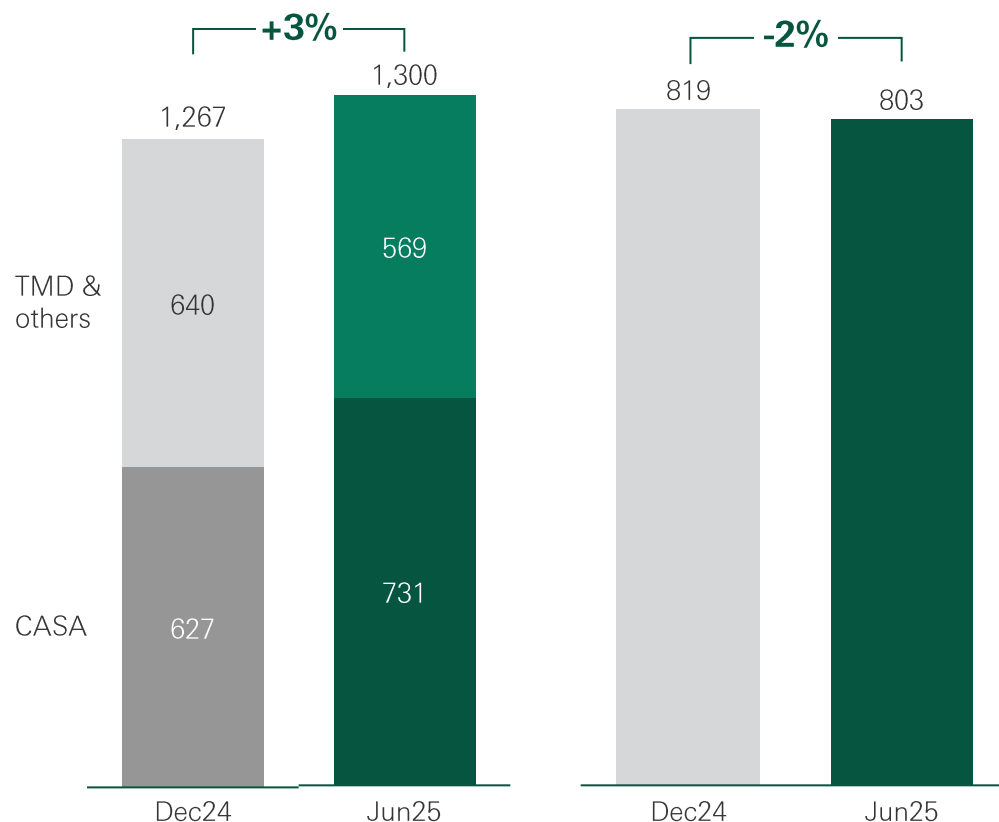
- Increase in NPL ratio, at 6.69% has slowed down to 57bps HoH (from 249bps HoH in 1H24)
- Dividend per Share at HK\$2.60, +8% YoY
- Strong capital base with CET1 ratio of 21.3% and CAR of 24.9%

Increase in customer Deposits driven by affluent customer growth



Customer Deposits, HK\$'bn

Loans & Advances, HK\$'bn



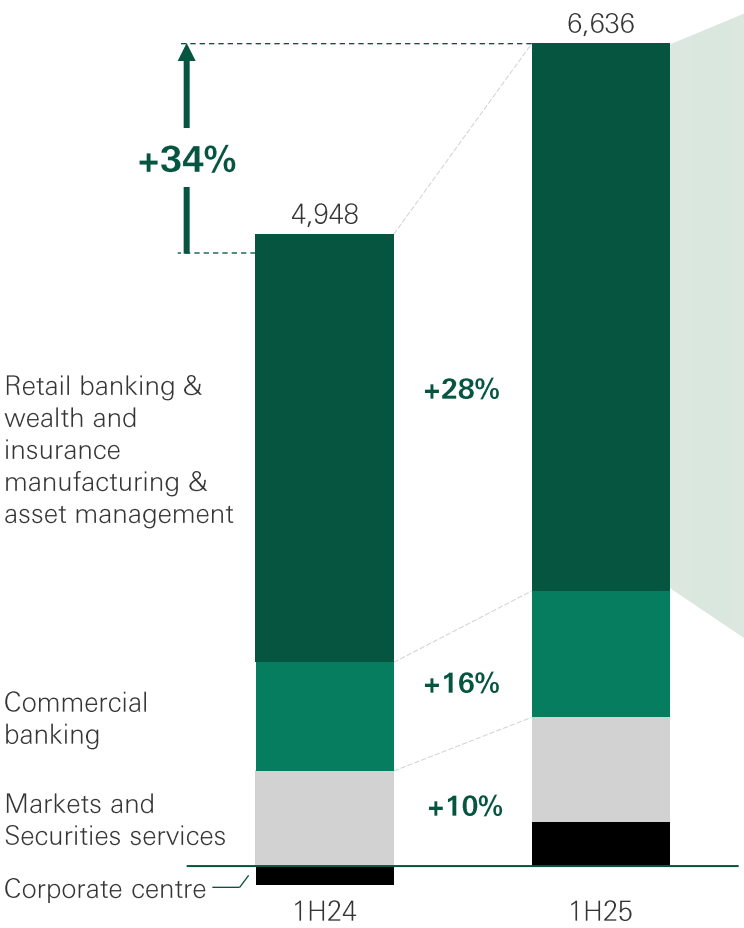
- Increase in customer Deposits +3% vs Dec24, driven by affluent customer growth
 - CASA balance +17% vs Dec
 - CASA / total Deposits % at 56.2%, +6.7 p.p. vs Dec
- Ongoing economic uncertainties and subdued loan demand resulted in -2% in Loan balances vs Dec24
- LCR stayed elevated at 311%
- Increased commercial surplus has been deployed mainly into high quality financial assets
- Continue exploring yield enhancement for commercial surplus and conducting structural hedges to reduce NII sensitivity for future rate cuts

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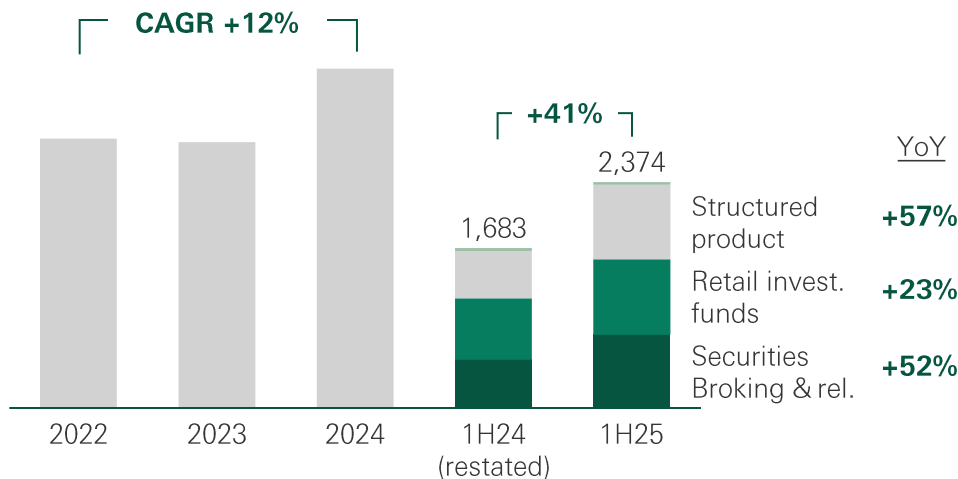
Fee and Other Income growth driven by Investment and Insurance



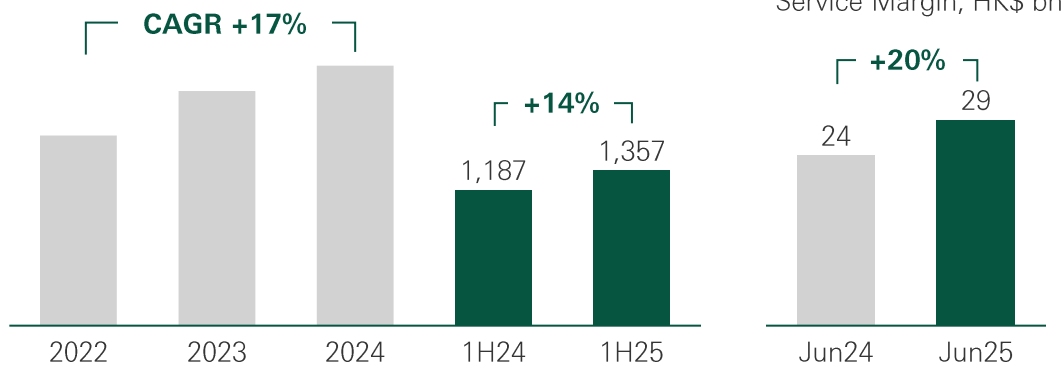
Fee and Other Income, HK\$'m



Investment Income, HK\$'m



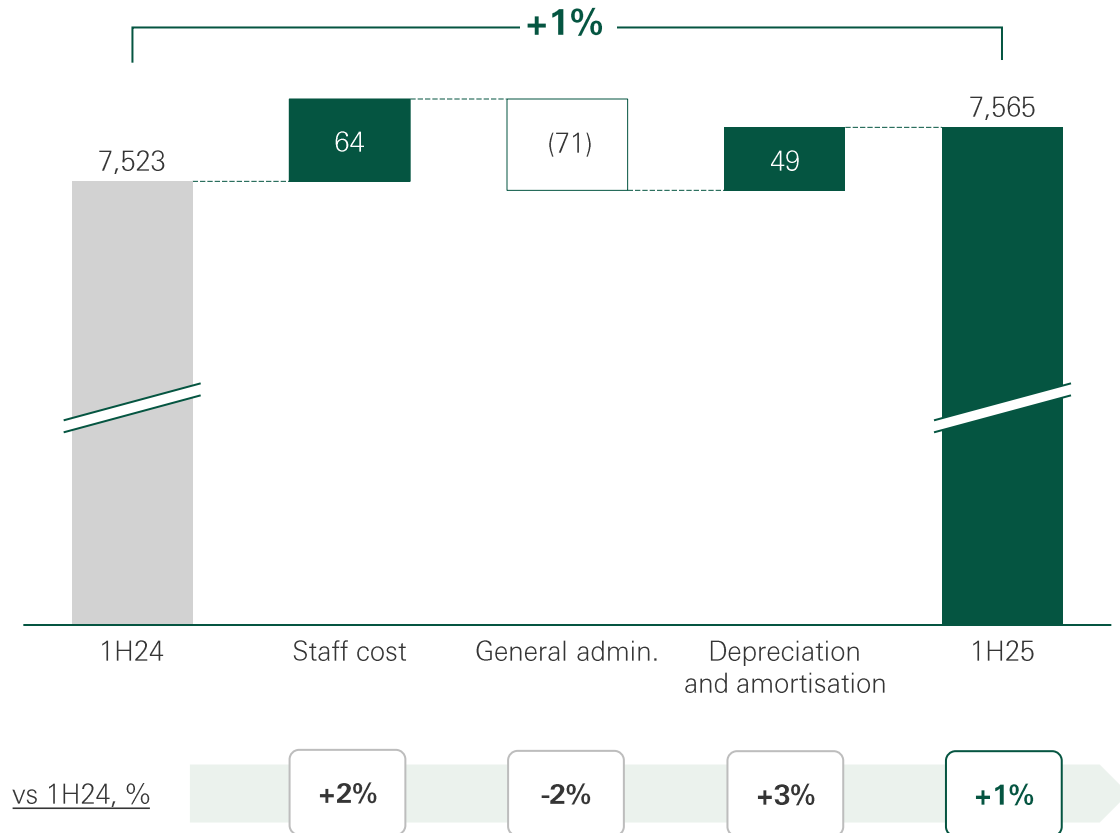
Life Insurance Service Results, HK\$'m



Robust cost management delivers operational efficiency



Operating Expense, HK\$'m



- Operating Expenses +1% YoY, reflecting strong discipline in cost management with continued investment in people and technology:
 - Staff cost +2% YoY
 - General administration -2% YoY
 - Amortisation of internally developed software +14% YoY
- Positive Income-to-Cost Jaws at 2%
- 36.1% Cost Efficiency Ratio, -0.7p.p. YoY

Appendix

Appendix 1 – Segment results



Income Statement, HK\$'m	Hong Kong Business			Insurance manufacturing and asset management			Markets and securities services			Corporate centre			Total		
	1H25	1H24	YoY	1H25	1H24	YoY	1H25	1H24	YoY	1H25	1H24	YoY	1H25	1H24	YoY
Net interest income	14,046	14,851	-5.4%	157	108	45.4%	56	53	5.7%	80	471	-83.0%	14,339	15,483	-7.4%
Fee and other income	3,677	2,810	30.9%	1,757	1,520	15.6%	845	769	9.9%	357	(151)	N/A	6,636	4,948	34.1%
Net operating income before change in ECL & other credit impairment charges	17,723	17,661	0.4%	1,914	1,628	17.6%	901	822	9.6%	437	320	36.6%	20,975	20,431	2.7%
Operating profit before change in ECL & other credit impairment charges	11,291	11,238	0.5%	1,590	1,285	23.7%	604	529	14.2%	(75)	(156)	-51.9%	13,410	12,896	4.0%
Change in ECL & other credit impairment charges	4,856	1,500	223.7%	5	-	N/A	-	-	N/A	-	-	N/A	4,861	1,500	224.1%
Operating profit	6,435	9,738	-33.9%	1,585	1,285	23.3%	604	529	14.2%	(75)	(156)	-51.9%	8,549	11,396	-25.0%
Profit before tax	6,435	9,738	-33.9%	1,479	1,335	10.8%	604	529	14.2%	(421)	(295)	42.7%	8,097	11,307	-28.4%
Balance sheet, HK\$'m	Jun25	Dec24	HoH	Jun25	Dec24	HoH	Jun25	Dec24	HoH	Jun25	Dec24	HoH	Jun25	Dec24	HoH
Gross advances	819,709	832,109	-1.5%	-	-	N/A	-	-	N/A	-	-	N/A	819,709	832,109	-1.5%
Customer deposits, including structured deposits	1,299,965	1,266,999	2.6%	21	22	-4.5%	-	-	N/A	-	-	N/A	1,299,986	1,267,021	2.6%

* Please refer to note 10, "Segmental analysis" of press release for definition of each segment

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Appendix 1.1 – Hong Kong business segment



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HK\$'m	1H25	1H24	YoY
Net Interest Income	14,046	14,851	-5%
Fee and Other Income	3,677	2,810	31%
Retail Banking and Wealth	2,658	1,934	37%
Retail Banking	466	442	5%
Wealth	2,071	1,452	43%
Other	121	40	203%
Commercial Bankling	1,019	876	16%
Wholesale Transaction Banking	515	482	7%
Credit and Lending	236	234	1%
Other	268	160	68%
Net Operating Income before Change in ECL & other Credit Impairment Charges	17,723	17,661	0%

Appendix 2 - Proactive risk management on HKCRE



HKCRE L&A by credit quality, HK\$'m	Jun 25	Dec 24
Strong	15,062	20,161
Good	30,310	33,911
Satisfactory	38,936	39,880
Sub-standard	14,500	16,760
— Of which: >70% LTV	18	1,135
Credit Impaired	25,012	19,806
— Of which: >70% LTV	8,094	5,892
Total	123,820	130,518
Memo items:	1H25	FY24
ECL Charge	2,540	408
ECL Allowance	4,194	1,654
— Of which: Credit Impaired	2,676	1,111
Average LTV Sub-standard	45%	49%
Average LTV Credit Impaired	71%	60%
% portfolio secured*	63%	61%

- The overall HK\$4.86bn Change in ECL was mainly driven by HKCRE
 - HK\$640m due to PD model update
 - Others are Stage 3 due to a couple of new defaults and increase provision from existing default names reflecting the updated valuation
- The HKCRE book was down by HKD6.7bn / 5% in 1H25, predominantly from repayment
- Around 1/3 of the HKCRE exposures was unsecured
 - Typically granted to strong listed Hong Kong developers which are commonly members of conglomerate groups with diverse cashflow
 - Close to 95% was rated as Strong or Good with an insignificant amount impaired
- Challenges are concentrated in the secured portfolio with retail and office property collaterals; credit migration in 1H25 predominantly came from this book
- HK\$39.5bn rated Sub-standard or Credit Impaired
 - HK\$14.5bn Sub-standard, of which HK\$0.02bn has an LTV >70%
 - HK\$25.0bn Credit Impaired, of which HK\$ 8.1bn has an LTV > 70%. ECL Allowance HK\$2.7bn
- NPL coverage (ECL & collaterals) is greater than 100%

* Based on total limits (including off balance sheet commitments) of HK\$148bn (Jun 2025) and HK\$164bn (Dec 24)

Appendix 3 – Mainland China CRE exposure



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HK\$'m	Jun 25			Dec 24		
	HK	Mainland China	Total	HK	Mainland China	Total
Exposure by credit quality						
Strong	-	1,790	1,790	94	1,137	1,231
Good	43	1,197	1,240	755	1,046	1,801
Satisfactory	762	1,507	2,269	776	3,245	4,021
Sub-standard	833	1,058	1,891	983	409	1,392
Credit Impaired	7,714	952	8,666	8,367	1,165	9,532
Total Mainland CRE exposure	9,352	6,504	15,856	10,975	7,002	17,977
Allowance by ECL by credit quality						
Strong	-	5	5	-	2	2
Good	1	6	7	-	6	6
Satisfactory	3	24	27	1	48	49
Sub-standard	229	452	681	196	158	354
Credit Impaired	2,975	346	3,321	3,101	393	3,494
Total	3,208	833	4,041	3,298	607	3,905
Allowance by ECL by stage						
Stage 1	1	25	26	-	26	26
Stage 2	232	462	694	197	188	385
Stage 3	2,896	346	3,242	3,047	393	3,440
POCI	79	-	79	54	-	54
Total	3,208	833	4,041	3,298	607	3,905
ECL coverage %	34.3%	12.8%	25.5%	30.1%	8.7%	21.7%

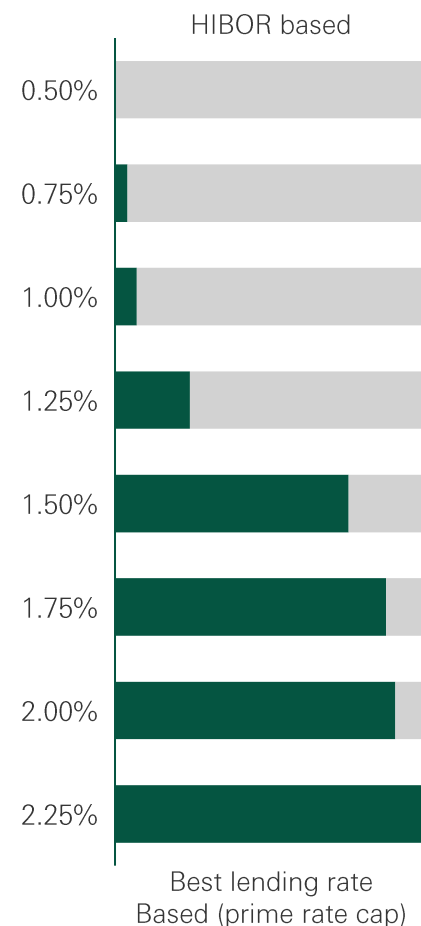
Appendix 4 – Net interest income sensitivity



12-month NII changes⁽¹⁾, HK\$'m

	100bp parallel increase	100bp parallel decrease
	Jun 25	Jun 25
HKD	664	(1,331)
USD	70	(305)
Other	727	(961)
Total	1,461	(2,597)
	Dec 24	Dec 24
HKD	612	(923)
USD	(67)	(111)
Other	943	(1,105)
Total	1,488	(2,139)

Switchable mortgage book sensitivity



HKD NII sensitivity to 100bps parallel decrease:

- Relative to Dec 2024, HKD NII sensitivity on -100bps parallel drop increased by ~HK\$400m to HK\$1.33bn mainly due to growing CASA balance
- Our NII sensitivity is based on market-implied forward rates. Based on upward sloping-forward rate curve, impact from HIBOR-based switchable mortgage would not be significant

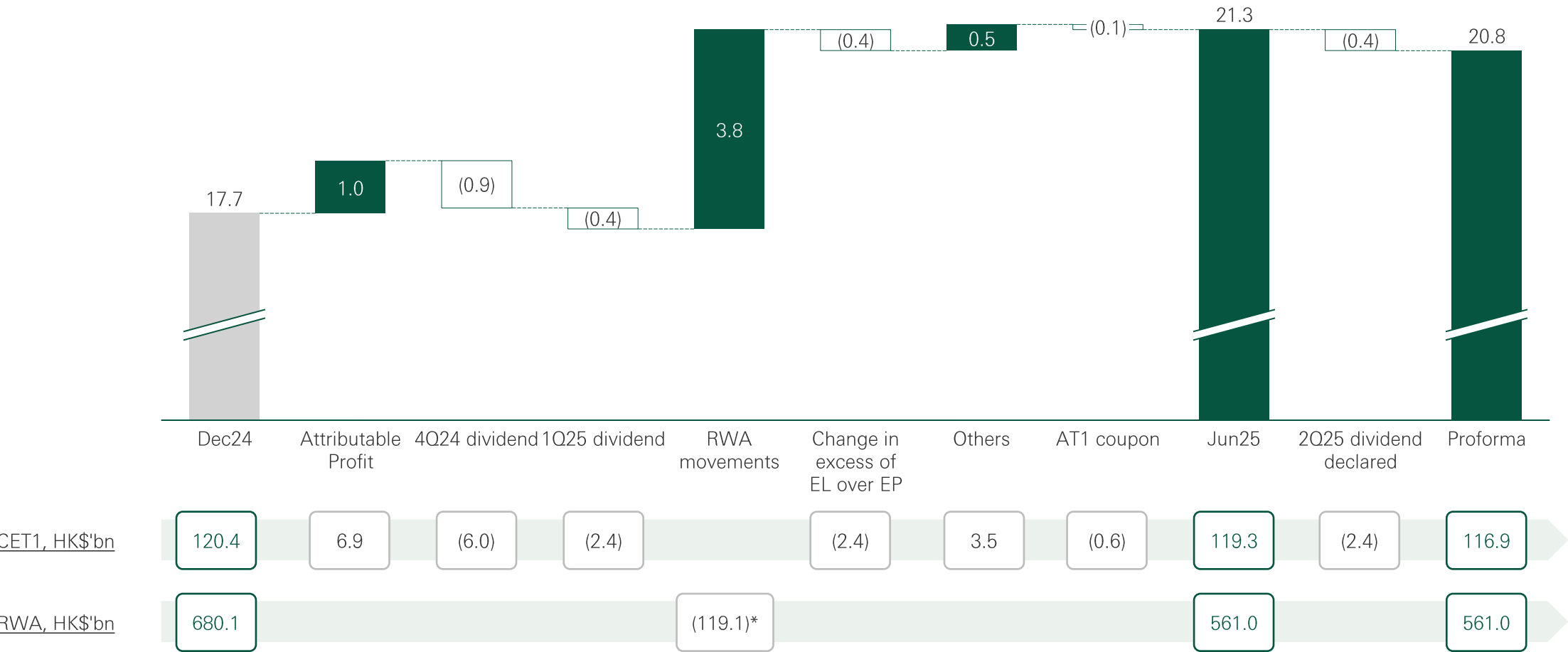
(1) Assume static balance sheet, no management actions

Appendix 5 – Strong Capital Base



CET1 ratio, %

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*RWA movement was due to the change in model and methodology primarily driven by the implementation of Basel III final reform package (which was implemented in Hong Kong on 1 January 2025), the change in asset quality and the change in loan size and others.

Glossary



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Bps	Basis points
CAGR	Compound Annual Growth Rate
CASA	Current Accounts and Savings Accounts
CET1	Common Equity Tier 1
CRE	Commercial Real Estate
DPS	Dividend per Share
ECL	Expected Credit Losses
EPS	Earnings per Share
FX	Foreign Exchange
FY	Full Year
HK\$	Hong Kong dollars
HoH	Half-on-half
L&A	Customer Loans and Advances
LCR	Liquidity Coverage Ratio
LTV	Loan-to-Value
NII	Net Interest Income
NIM	Net Interest Margin

NPL	Non-performing Loan
NTB	New-to-Bank
PBT	Profit before Tax
PD	Probability of Default
p.p.	Percentage point
RWA	Risk-weighted Assets
TMD	Time Deposit
YoY	Year-on-year

Disclaimer



Forward-looking Statements

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