

# 2024 Interim Results

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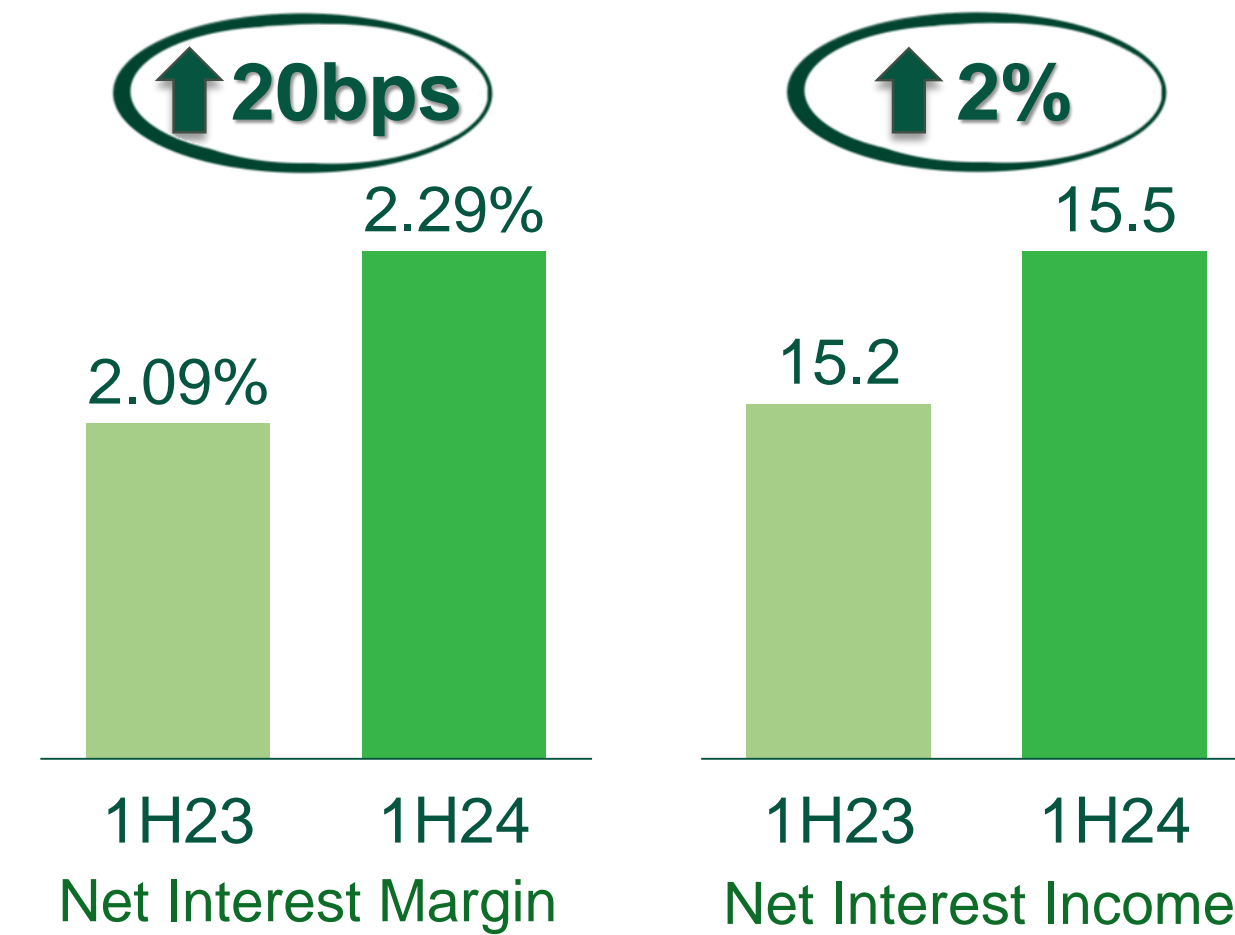
31 Jul 2024

# Forward-looking Statements

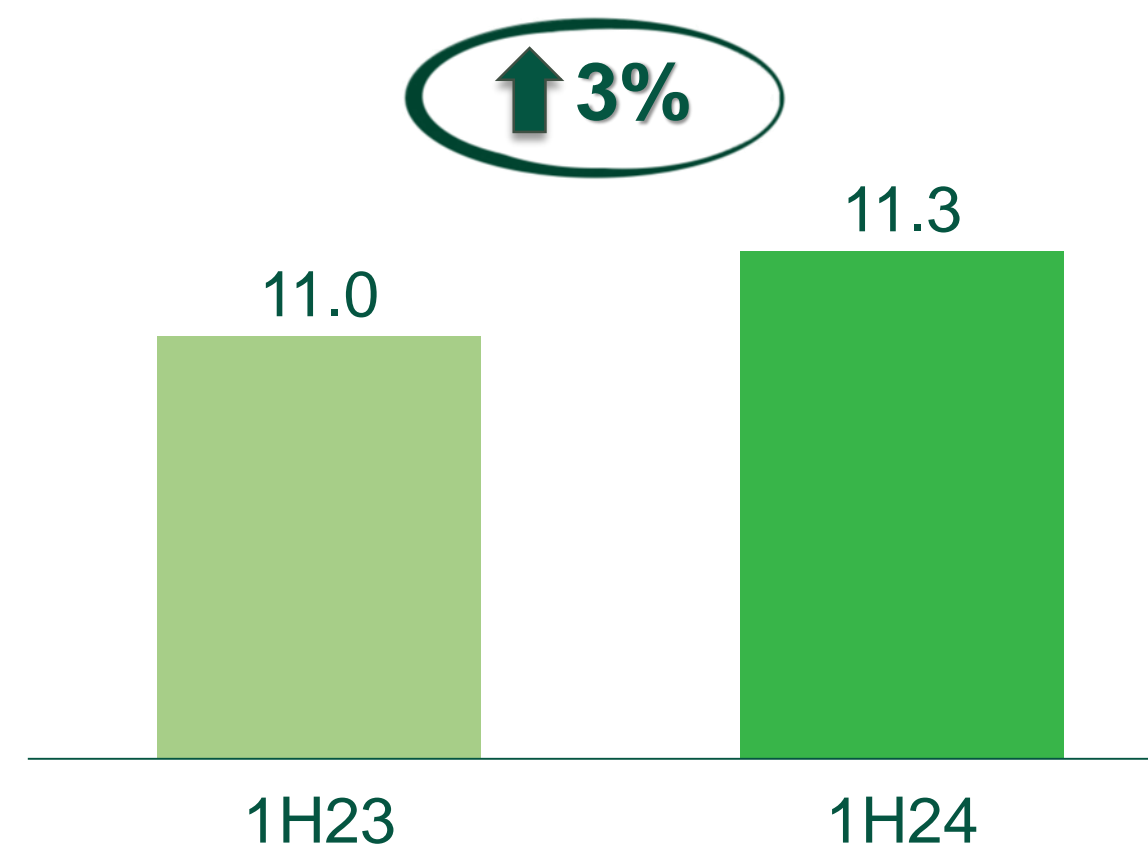
This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of Hang Seng. These forward-looking statements represent Hang Seng's expectations or beliefs concerning future events and involve known 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.

# Steady 1H Financial Performance & Capital Returns to Shareholders at HK\$7.6bn

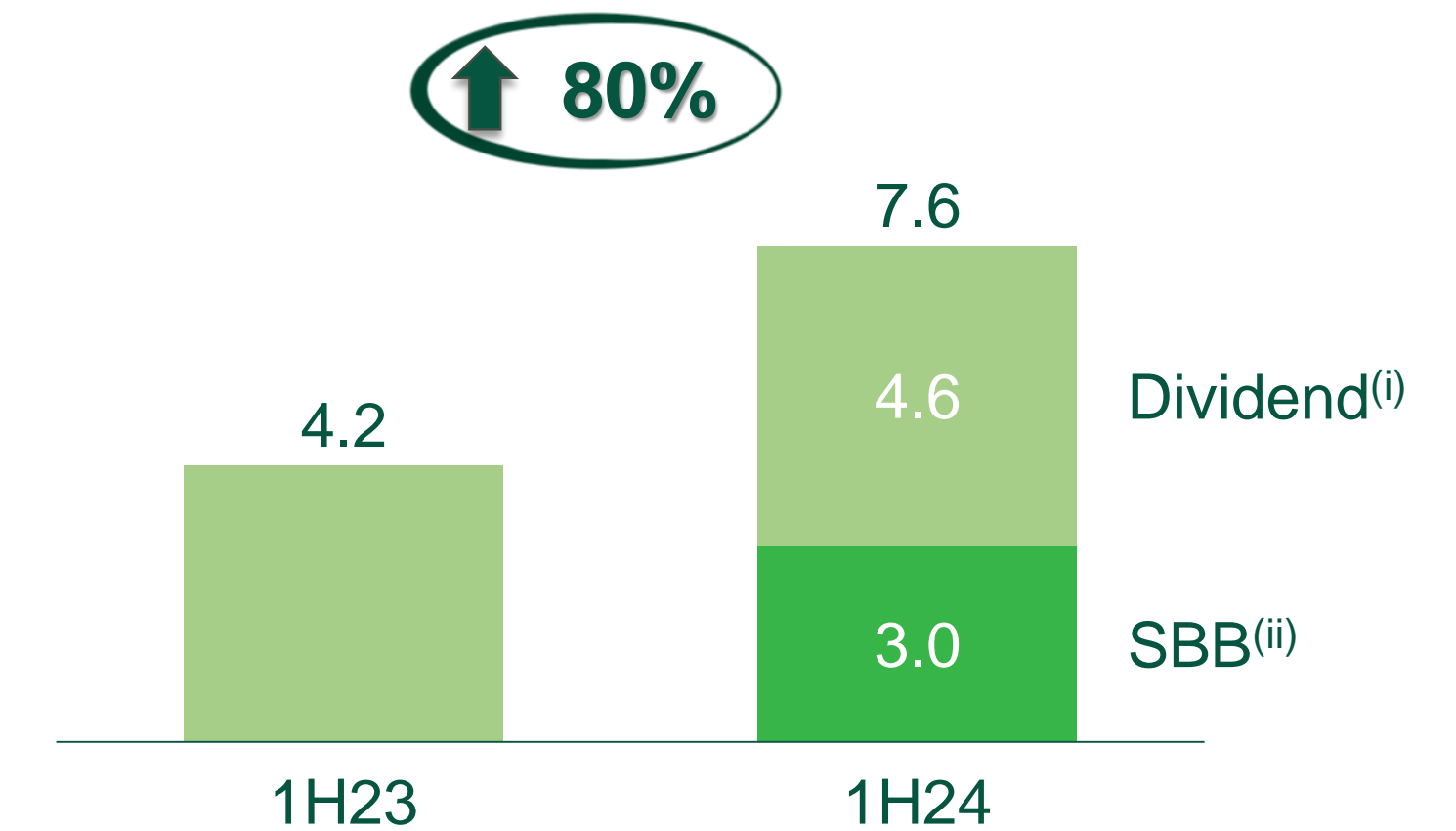
Net Interest Margin / Income (HK\$bn)



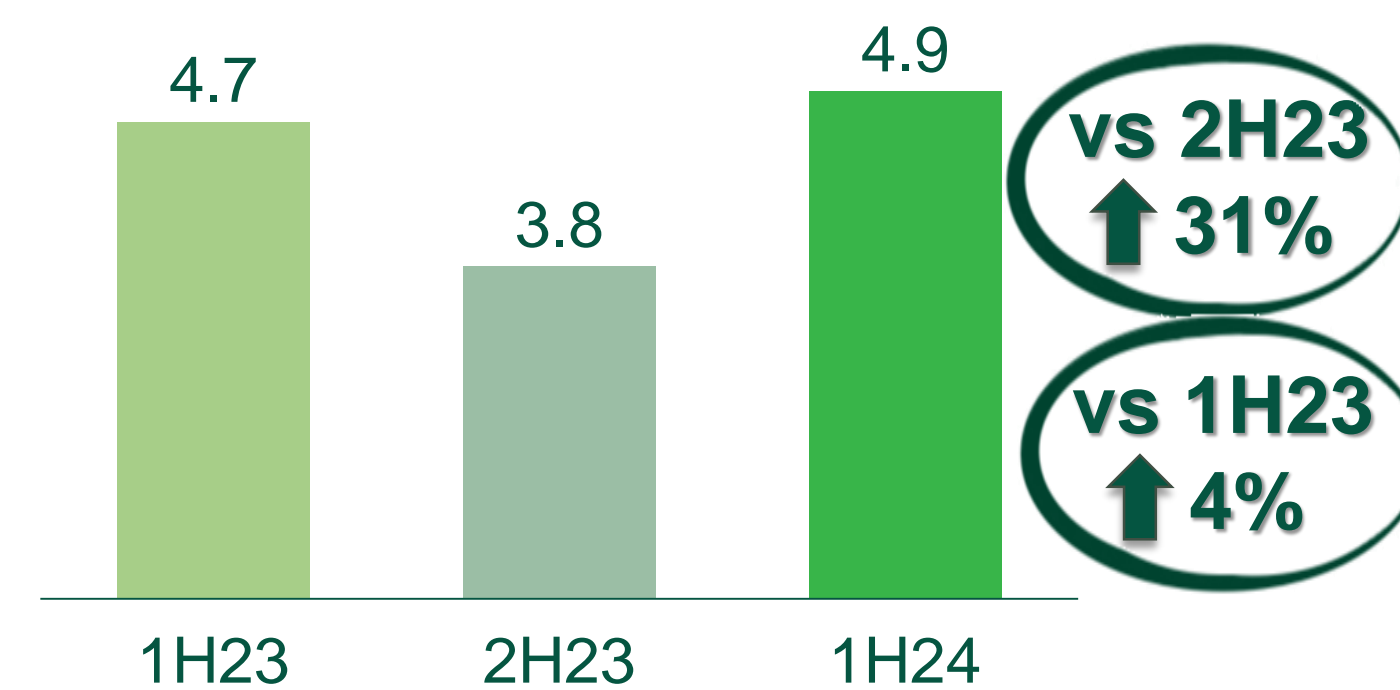
Profit Before Tax (HK\$bn)



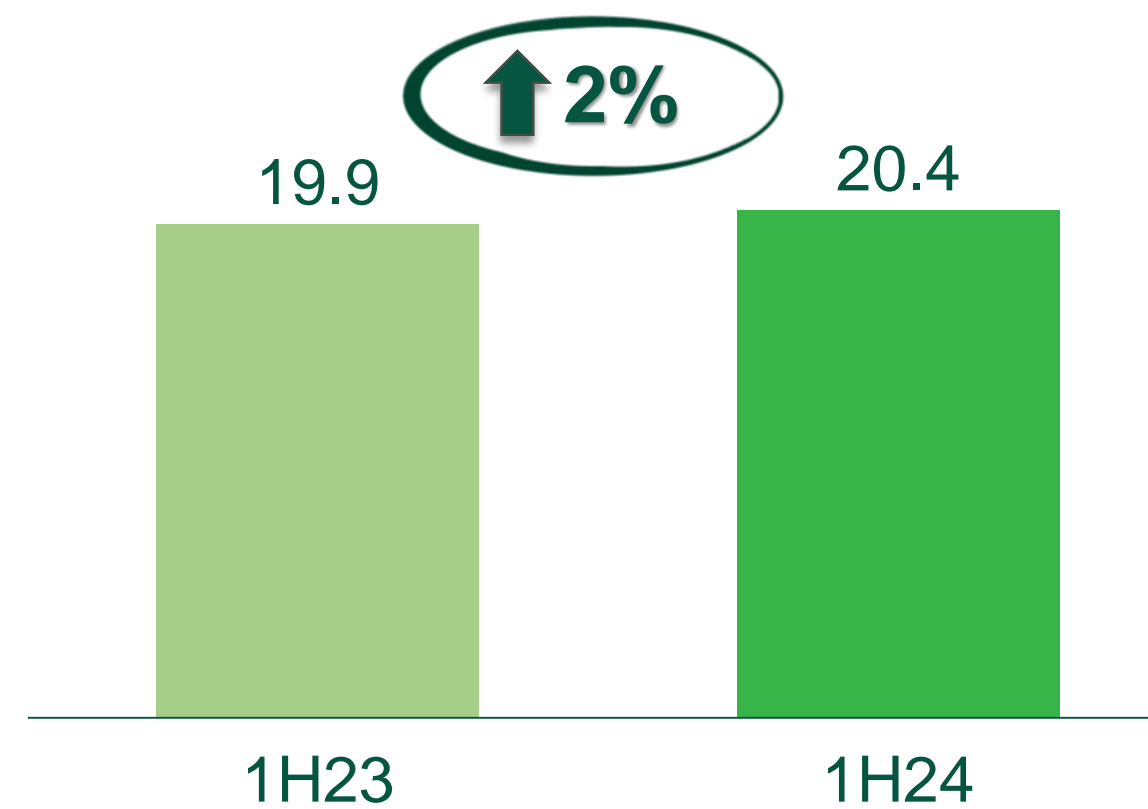
Capital Returns to Shareholders (HK\$bn)



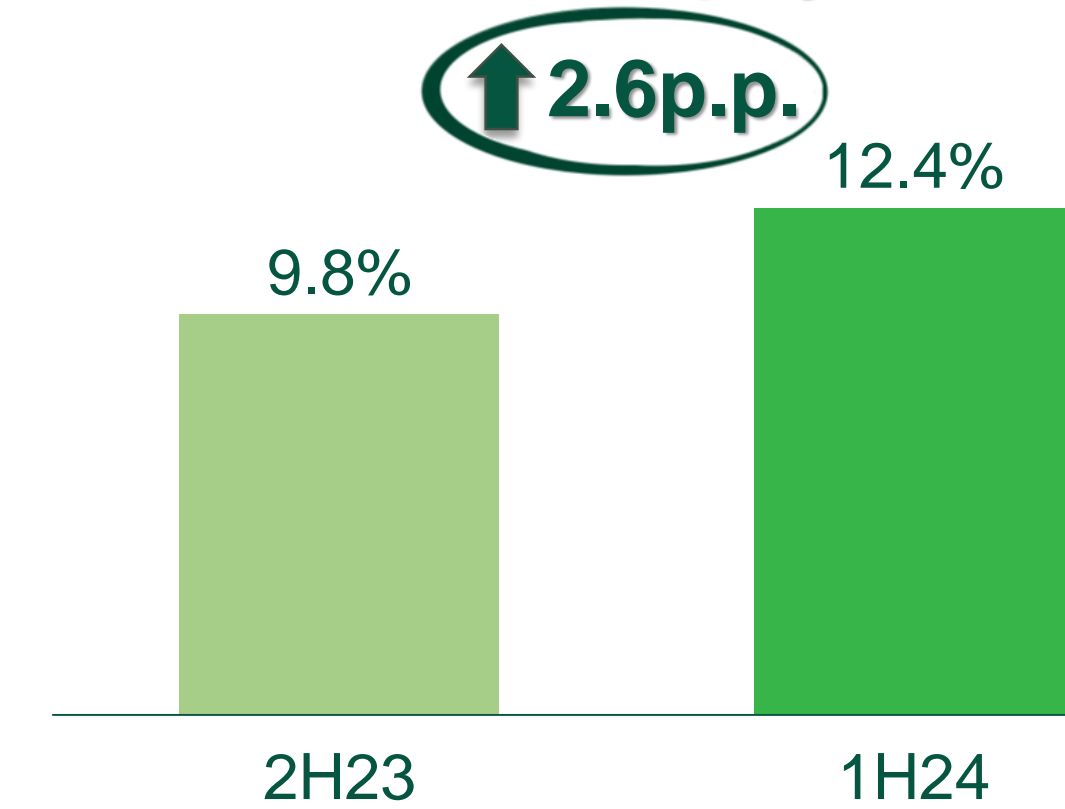
Non- Interest Income (HK\$bn)



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



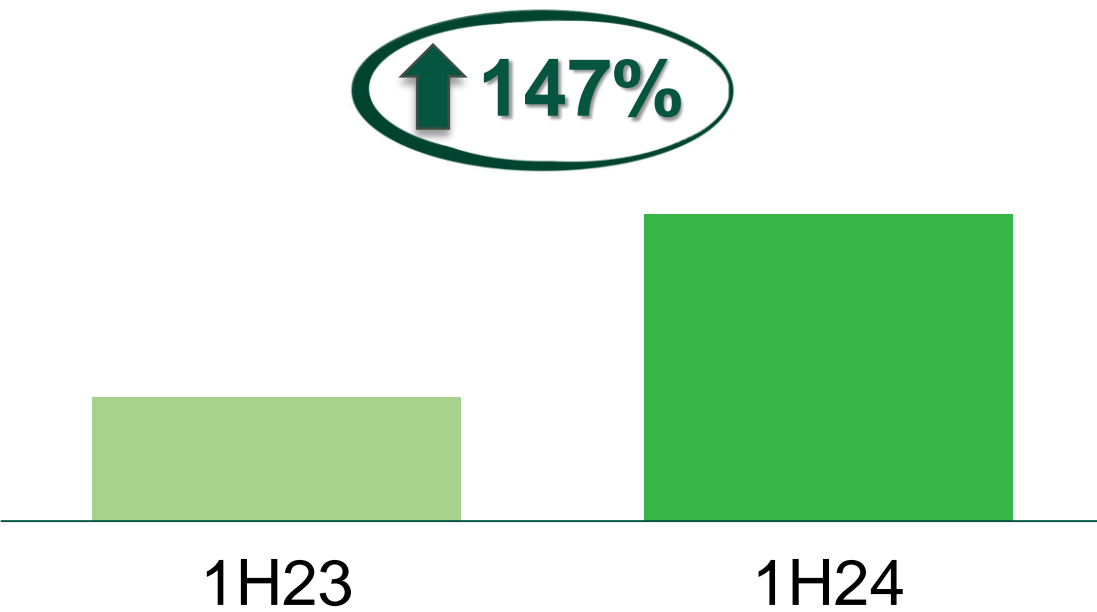
Return on average ordinary shareholders equity



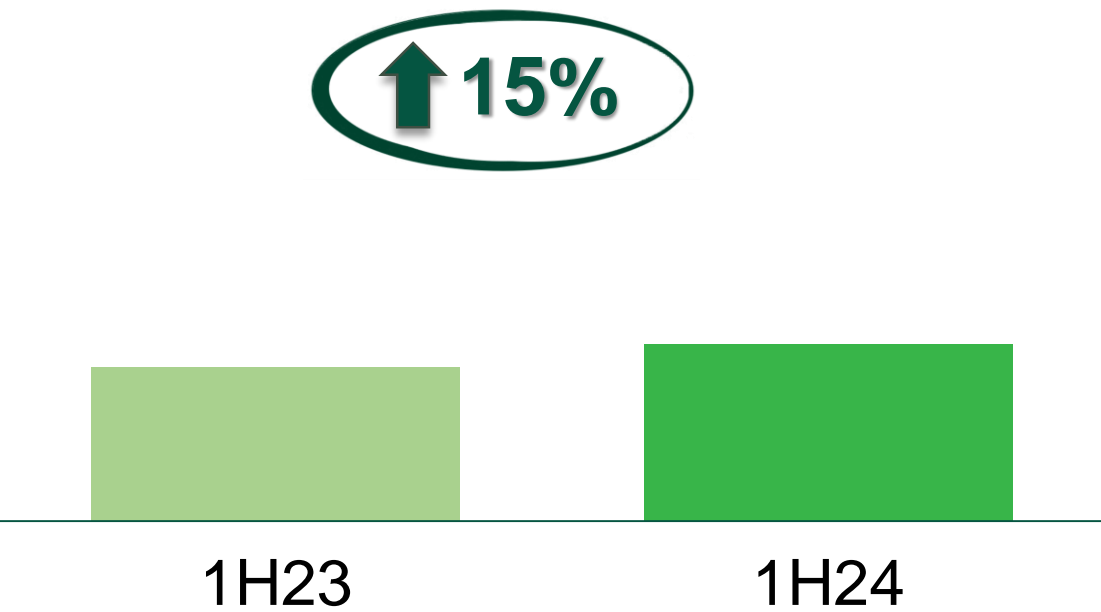
(i) Q1 & Q2 dividend each at HK\$1.20/share; (ii) HK\$3bn share buyback program announced in Q2

# Sustained Momentum in Cross Boundary and Wealth

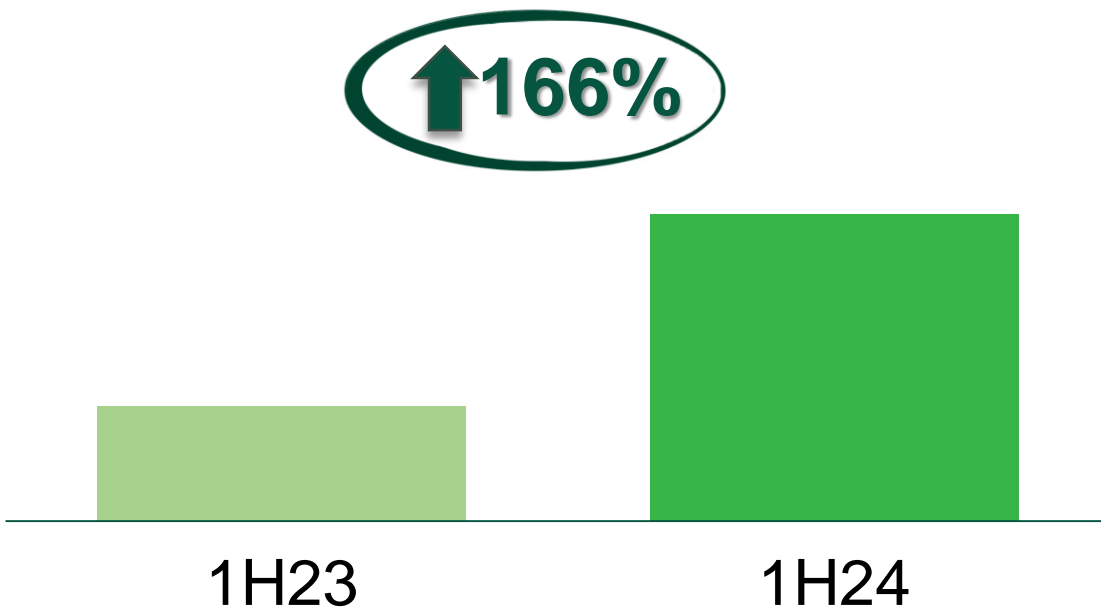
New-to-bank Affluent Customers



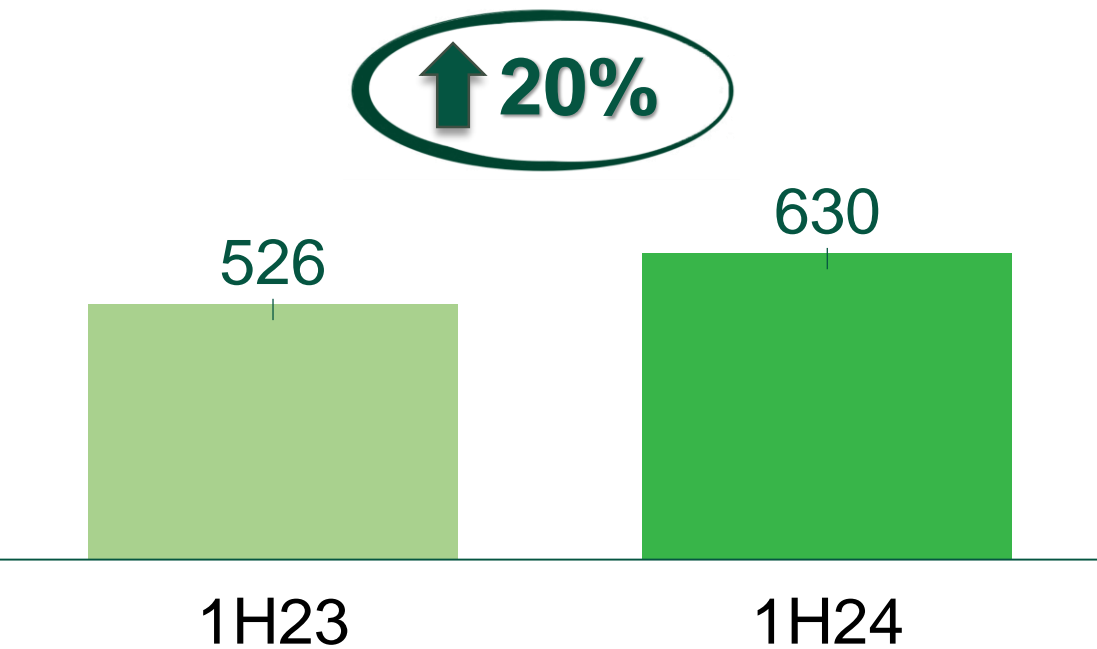
New Private Bank Accounts



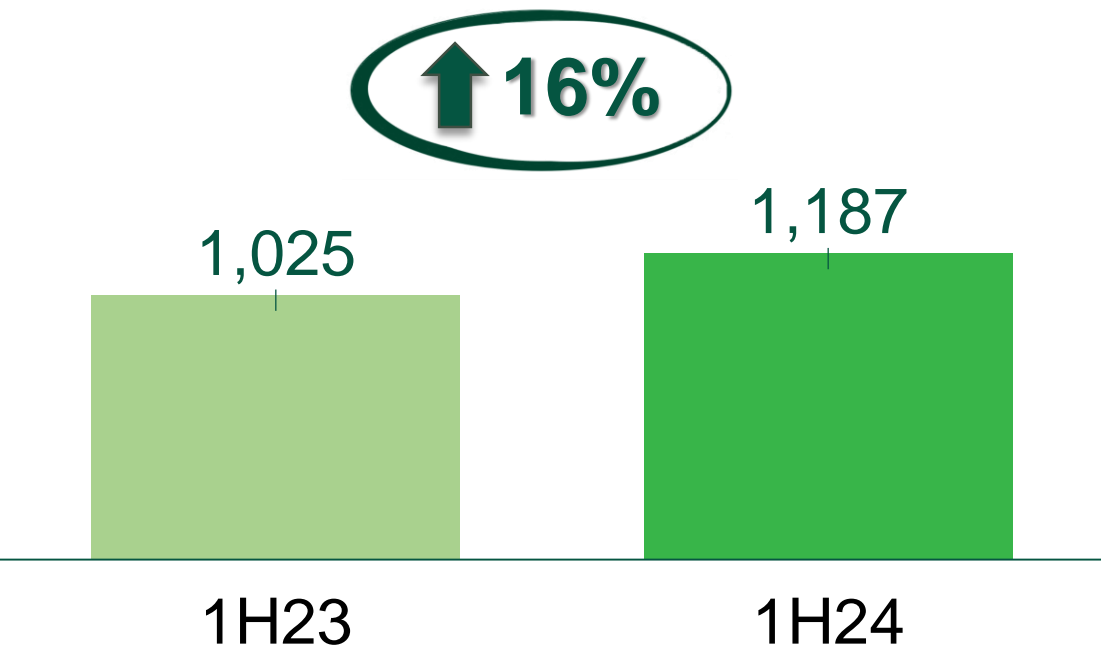
New Account Openings for mainland Customers\*



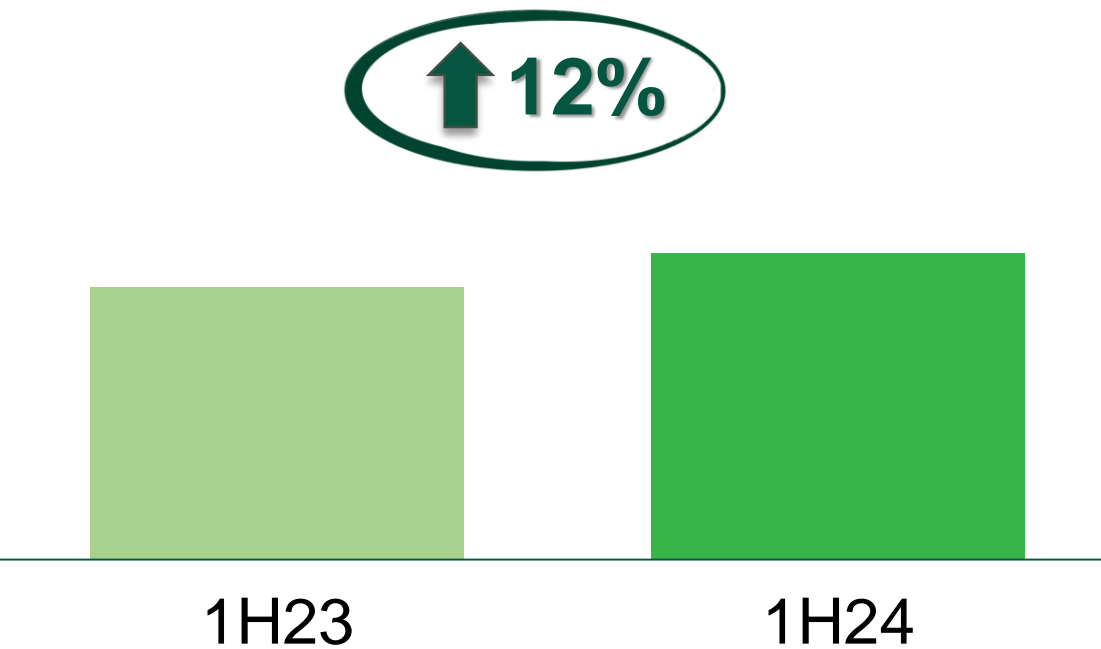
Retail Investment Funds Fee Income



Insurance Service Results



Insurance Contractual Service Margin



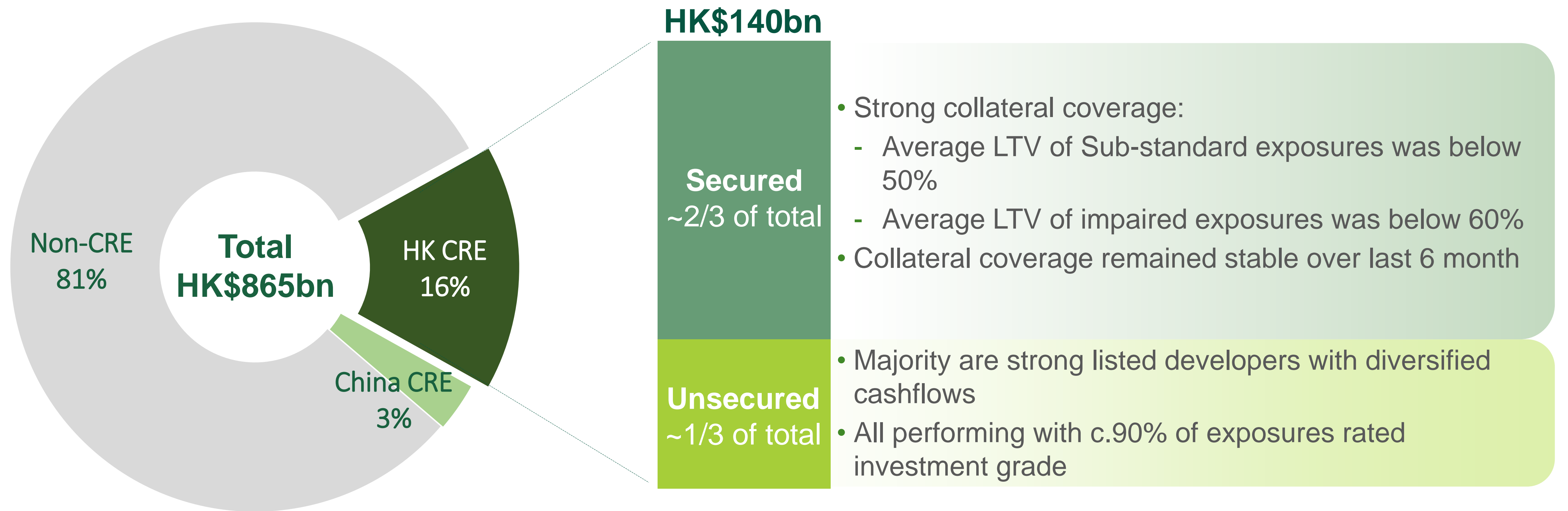
\*represent HK retail customers from mainland China



# Confident in Resilience of HK and HK CRE

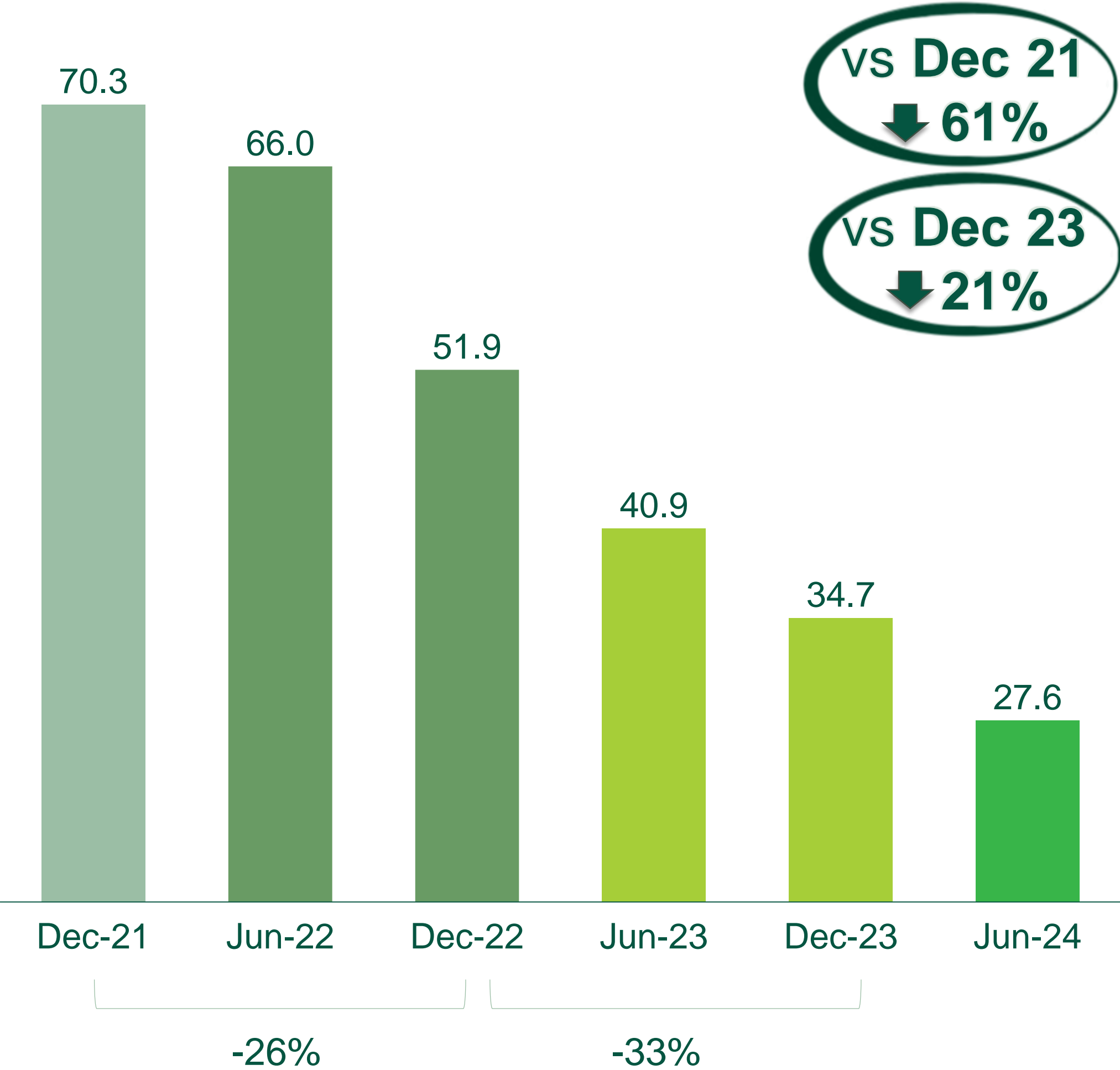
- Continue to be supportive of our customers and HK CRE sector
- Collateral level of portfolio remains strong hence we have not seen material impact on financial performance
- Cash flow pressures will recede as interest rates reduce and economic growth picks up

## Gross Loan and Advances (30 Jun 2024)

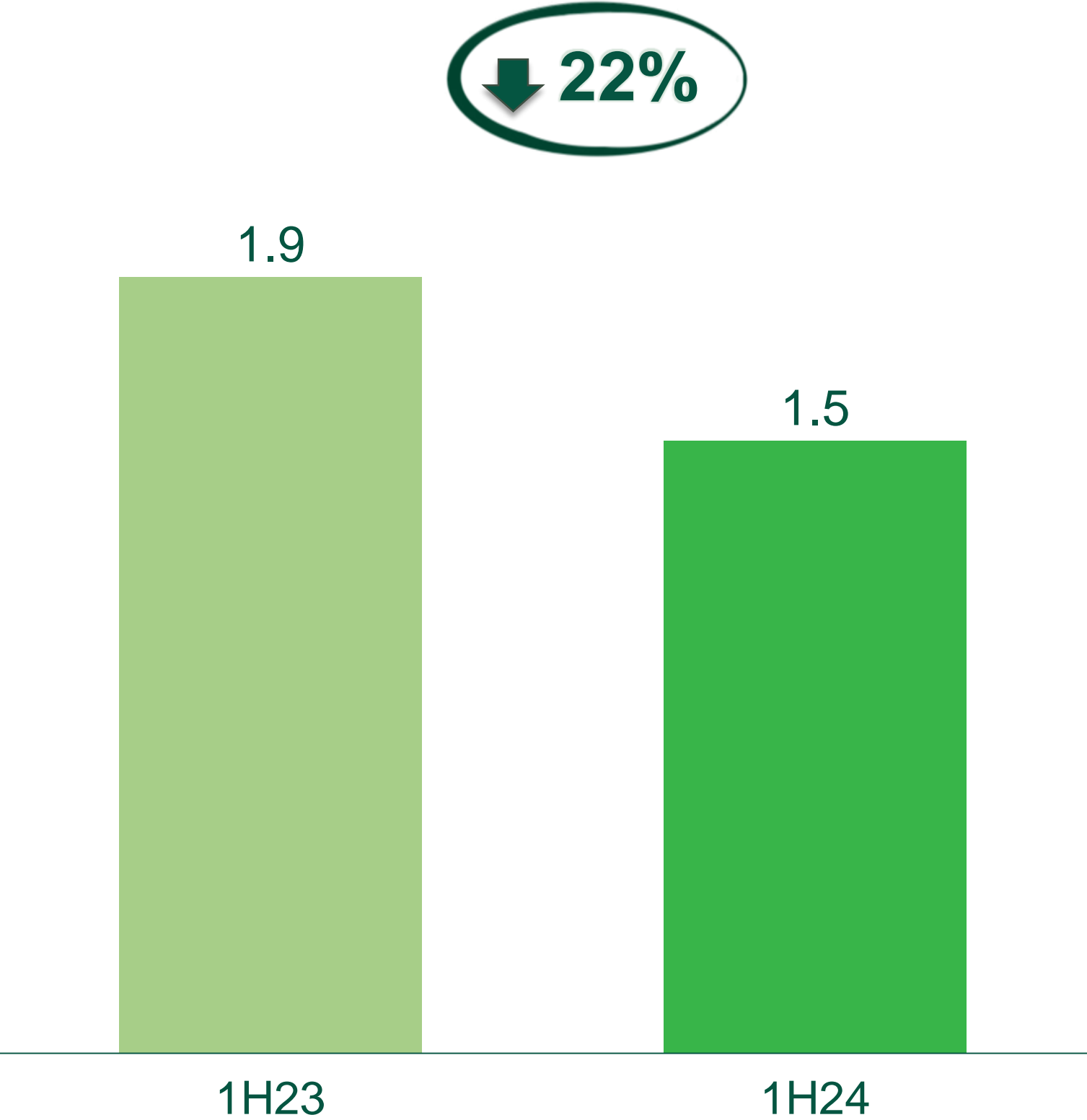


# Notable Progress in De-risking mainland China CRE

Reduction in mainland China CRE Exposure (HK\$bn)

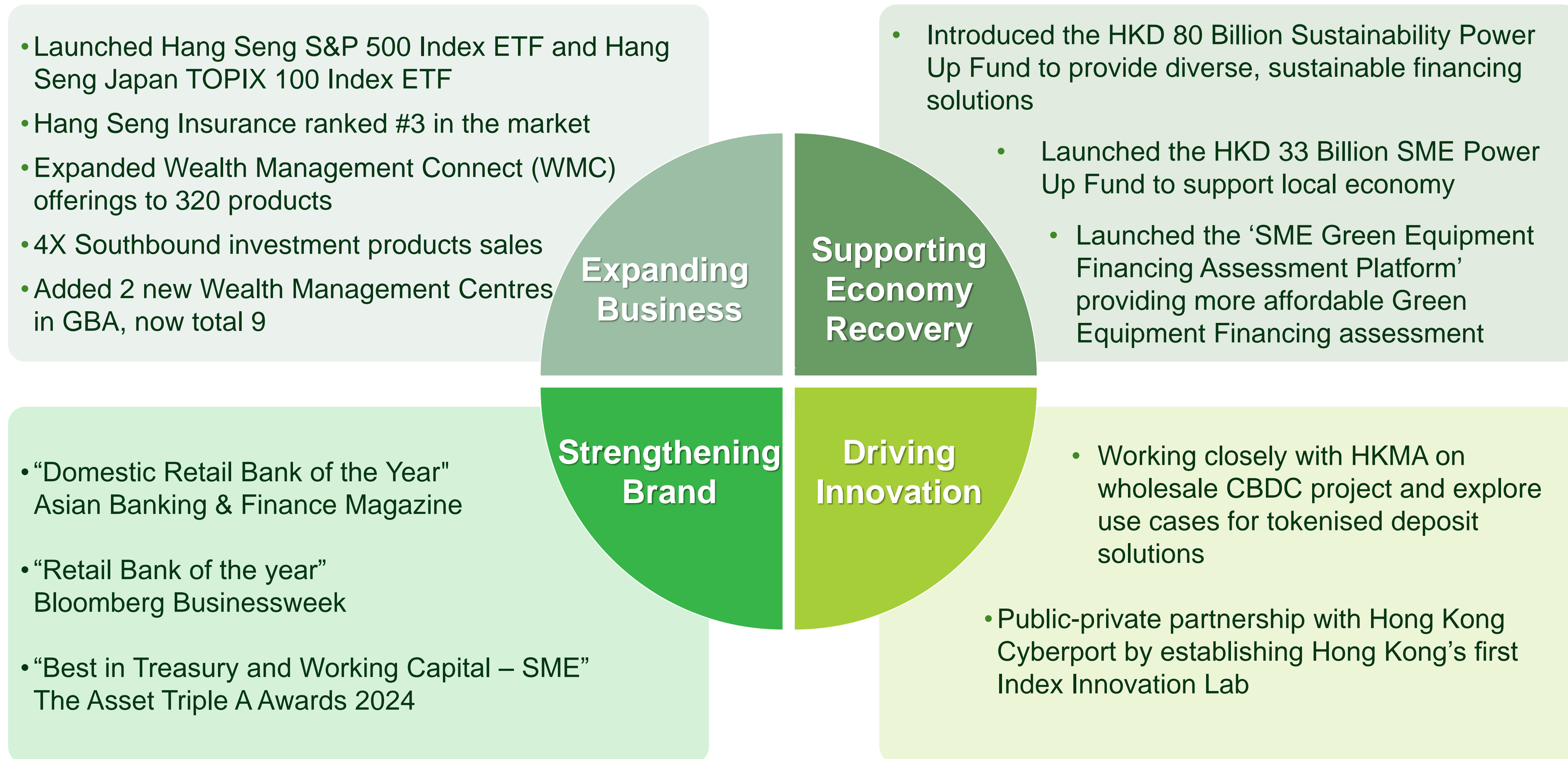


Reduction in ECL Charge to P&L (HK\$bn)



Lower 1H24 ECL Charges due to reduced ECL for mainland China CRE

# 1H24 Key Achievements



# Financial Overview

HK\$Mn	1H24	1H23	Change
Net interest income	15,483	15,191	2% ▲
-Net interest margin (%)	2.29%	2.09%	20 bps ▲
-Average interest-earning assets	1,362,204	1,463,375	7% ▼
Non-interest income	4,948	4,749	4% ▲
Net operating income before change in ECL	20,431	19,940	2% ▲
Change in ECL	1,500	1,924	22% ▼
Net operating income	18,931	18,016	5% ▲
Operating expenses	7,523	7,156	5% ▲
Operating profit	11,396	10,858	5% ▲
-excl. change in ECL	12,896	12,782	1% ▲
Profit before tax	11,307	10,961	3% ▲
Profit attributable to shareholders	9,893	9,827	1% ▲
Earnings per share (HK\$)	5.04	4.99	1% ▲
Dividends per share (HK\$)	2.40	2.20	9% ▲
Cost efficiency ratio (%)	36.8%	35.9%	0.9 p.p. ▲
HK\$Bn	Jun-24	Dec-23	Change
Gross advances	865	874	1% ▼
Customer deposits (incl. structured deposits)	1,205	1,181	2% ▲

▲ ▼ Favourable    ▲ ▼ Unfavourable

## 1H24 vs 1H23

**Net interest income up 2%**

**Net interest margin rose 20bps to 2.29%** (1H23: 2.09%; 2H23: 2.51%)

**Non-interest income up 4%**

**Operating expenses up 5%**, reflecting continued investment in technology and people

**ECL charge down 22%**, driven by reduction in mainland China CRE exposure

**1H24 dividend up 9%**, HK\$ 1.20 each for 1<sup>st</sup> and 2<sup>nd</sup> interim dividend

## 30 Jun 24 vs 31 Dec 23

**Gross customer advances down 1%** mainly due to weaker loan demand in elevated interest rate environment

**Customer deposits up 2%**, reflecting our initiatives in driving customer growth



# Financial Overview

	Jun-24	Dec-23	Change
Gross impaired advances as percentage of gross advances	5.32%	2.83%	2.49 p.p.
Advances-to-deposits ratio	70.5%	72.9%	-2.4 p.p.

	1H24	1H23	Change
Return on average ordinary shareholders' equity	12.4%	12.8%	-0.4 p.p.
Return on average total assets	1.2%	1.1%	0.1 p.p.

	Jun-24	Dec-23	Change
Capital ratio			
Common Equity Tier 1 capital ratio	16.6%	18.1%	-1.5 p.p.
Tier 1 capital ratio	18.2%	19.9%	-1.7 p.p.
Total capital ratio	19.7%	21.4%	-1.7 p.p.
Liquidity Coverage Ratio	262.2%	260.7%	1.5 p.p.

# Our Way Forward

## 1H Progress

## 2024 Outlook

### Support to HK Economy

Launched HK\$33b SME and HK\$80b Sustainability Power-Up Fund

- Confident in HK and HKCRE
- Continue to support customers
- Customers borrowing demands will resume when interest rates reduces in 2H

### Grow underlying business

- Net Interest Income (+2% yoy); 1H24 NIM (2.29%)
- Non-Interest Income (+4% yoy)
- PBT (+3% yoy)

- Full year NIM to be marginally lower than last year
- Growth momentum continues in non-interest income

### Capture Cross-Boundary opportunities

166% increase in new account openings for mainland China customers

- Focus on transactional banking and diversify customer base in wholesale banking
- Continue to grow mass affluent customers and enhance wealth management capabilities/services

### Manage Credit Cost

ECL charges declined 22% yoy driven by further reduction in mainland China CRE exposure

Forecast FY2024 ECL charges to be lower than FY23's

### Strong Capital and Liquidity

- 1H24 dividend +9% yoy
- HK\$3bn share buyback program (66% completed)
- Total Capital Returns to Shareholders up 80% yoy

- Maintain strong capital and liquidity
- Consider all options in shareholder's capital returns

Remarks: yoy = Year-on-year

# Appendix 1 – Segment Results

HK\$ Mn	WPB			CMB			GB			GM			Other		
	1H24	1H23	YoY	1H24	1H23	YoY	1H24	1H23	YoY	1H24	1H23	YoY	1H24	1H23	YoY
Net interest income	8,402	8,047	4%	4,503	4,444	1%	1,318	1,306	1%	789	604	31%	471	790	-40%
Other Operating Income	3,409	3,453	-1%	751	729	3%	157	134	17%	782	781	0%	(151)	(348)	-57%
<b>Net operating income</b> <i>- before change in ECL &amp; other credit impairment charges</i>	<b>11,811</b>	<b>11,500</b>	<b>3%</b>	<b>5,254</b>	<b>5,173</b>	<b>2%</b>	<b>1,475</b>	<b>1,440</b>	<b>2%</b>	<b>1,571</b>	<b>1,385</b>	<b>13%</b>	<b>320</b>	<b>442</b>	<b>-28%</b>
Operating Profit <i>- before change in ECL &amp; other credit impairment charges</i>	7,277	7,248	0%	3,504	3,377	4%	1,062	1,051	1%	1,209	1,034	17%	(156)	72	-317%
Change in ECL & other credit impairment charges	167	309	-46%	1,203	1,550	-22%	126	71	77%	4	(5)	-180%	0	(1)	100%
Operating Profit	7,110	6,939	2%	2,301	1,827	26%	936	980	-4%	1,205	1,039	16%	(156)	73	-314%
Profit Before Tax	7,160	7,043	2%	2,301	1,827	26%	936	980	-4%	1,205	1,039	16%	(295)	72	-510%

HK\$ Bn	WPB			CMB			GB			GM			Other		
	Jun-24	Dec-23	YoY	Jun-24	Dec-23	YoY	Jun-24	Dec-23	YoY	Jun-24	Dec-23	YoY	Jun-24	Dec-23	YoY
Gross advances	392	400	-2%	268	278	-4%	205	196	4%	-	-	NA	-	-	NA
Customer deposits, including structured deposits	883	868	2%	264	256	3%	58	57	2%	-	-	NA	-	-	NA

## Appendix 2 – Mainland China CRE Exposure

HK\$m	As at Jun 2024			As at Dec 2023		
	HK	Mainland China	Total	HK	Mainland China	Total
<b>Distribution of mainland China CRE exposure by credit quality</b>						
- Strong	133	726	859	1,151	392	1,543
- Good	768	2,115	2,883	1,807	3,157	4,964
- Satisfactory	1,396	4,417	5,813	2,690	6,276	8,966
- Sub-standard	3,912	342	4,254	4,169	683	4,852
- Credit-impaired	12,336	1,421	13,757	12,841	1,533	14,374
<b>Total mainland CRE exposure</b>	<b>18,545</b>	<b>9,021</b>	<b>27,566</b>	<b>22,658</b>	<b>12,041</b>	<b>34,699</b>
<b>Allowance by ECL by credit quality</b>						
- Strong	-	1	1	0	1	1
- Good	1	8	9	1	17	18
- Satisfactory	2	153	155	14	66	80
- Sub-standard	265	87	352	224	239	463
- Credit-impaired	6,794	517	7,311	6,407	479	6,886
<b>Total</b>	<b>7,062</b>	<b>766</b>	<b>7,828</b>	<b>6,646</b>	<b>802</b>	<b>7,448</b>
<b>Allowance by ECL by stage</b>						
- Stage 1	-	31	31	2	47	49
- Stage 2	268	218	486	237	276	513
- Stage 3	6,791	517	7,308	6,407	479	6,886
- POCI	3	-	3	-	-	-
<b>Total</b>	<b>7,062</b>	<b>766</b>	<b>7,828</b>	<b>6,646</b>	<b>802</b>	<b>7,448</b>
<b>ECL coverage %</b>	<b>38.1%</b>	<b>8.5%</b>	<b>28.4%</b>	<b>29.3%</b>	<b>6.7%</b>	<b>21.5%</b>



# Appendix 3 – HK CRE Gross Loans and Advances

HK\$m	Jun-24	Dec-23
<b>Gross loans and advances to customers by stage</b>		
- Stage 1	88,392	90,383
- Stage 2	37,865	46,549
- Stage 3	13,485	1,081
<b>Total</b>	<b>139,742</b>	<b>138,013</b>
<b>Allowance for ECL</b>	<b>1,294</b>	<b>1,245</b>
<b>Gross loans and advances to customers by credit quality</b>		
- Strong	20,809	22,605
- Good	36,983	36,974
- Satisfactory	56,600	63,308
- Sub-standard	11,865	14,045
- Credit-impaired	13,485	1,081
<b>Total</b>	<b>139,742</b>	<b>138,013</b>

# Appendix 4 – NII Sensitivity

NII sensitivity to an instantaneous change in yield curves (12 months) HK\$m	100bp parallel increase	100bp parallel decrease
Change in July 2024 to June 2025 (based on balance sheet at 30 June 2024)	1,335	(1,708)
Change in January 2024 to December 2024 (based on balance sheet at 31 December 2023)	1,787	(2,206)