



Chairman's Statement



Whilst driving an agenda for business growth, we give equal regard to the importance of sustainability, not just in our own operations but in the communities that we serve. Green and sustainability-linked financing are gaining momentum as a strategic area of growth.



Our people are the bedrock of the Bank and their well-being remains a top priority. As the changing circumstances of the pandemic disrupted normal work routines, our people's commitment to ensuring our business, our operations and our support to customers continued without interruption. This embodies the ethos and intent of Hang Seng's core values.



Succeeding in Difficult Times

The effects of the pandemic and globally low interest rates continued to put pressure on the banking sector for a second year in a row. With the difficulties being experienced in certain sectors of the economy, albeit with encouraging trends in overall economic activity and world trade, market conditions were highly fluid in 2021. Against this backdrop, the Bank remained steadfastly focused on its long-term success and took the opportunity to bring forward actions to further diversify and future-proof our business.

Fintech is a fundamental part of banking innovations and remains a major area of investment for the Bank. Enhanced digital capabilities enable us to provide faster and more convenient products, services and market information to support customers at all touch points, at all times. They also allow us to better understand the wealth management needs of different customer segments so that we may broaden our offerings and provide customised solutions. Whilst driving an agenda for business growth, we give equal regard to the importance of sustainability, not just in our own operations but in the communities that we serve. Green and sustainability-linked financing are gaining momentum as a strategic area of growth. We also contribute positive actions to address climate change and support our young generations.

Our people are the bedrock of the Bank and their well-being remains a top priority. As the changing circumstances of the pandemic disrupted normal work routines, our people's commitment to ensuring our business, our operations and our support to customers continued without interruption. This embodies the ethos and intent of Hang Seng's core values. Continued investments in our digital infrastructure, together with our management's purpose and encouragement, empowered more than half of our workforce to benefit from our existing flexible working policy to work remotely from outside Bank premises one to two days per week, regardless of the pandemic situation. To support colleagues' physical and emotional wellness and keep them connected socially, we provided a variety of online exercise, relaxation and leisure programmes and resources.

Difficult as 2021 has been, our business and our operations remained resilient. We are reporting an attributable profit of HK\$13,960m. With the fourth interim dividend of HK\$1.80 per share being declared by the Directors, the total distribution for 2021 will be HK\$5.10 per share.

Realising Our Potential

We view our future success to be closely linked to the well-being and prosperity of Hong Kong and, more broadly, the Greater Bay Area ('GBA'). Our purpose is to realise the potential for our customers, our people and our business by becoming the preferred banking and financial services partner in the GBA.

As an integrated financial, innovation and manufacturing hub, the GBA is home to more than 72 million people and has the world's attention as a major driver of tomorrow's economic growth. Taking 2020 as a baseline, gross domestic product is expected to more than double to reach US\$4.6tn by 2030. Hang Seng is uniquely well-positioned and Hang Seng Bank China, our wholly-owned franchise operating in the region, is already in place to serve our customers. With our seamlessly connected network, our experts are able to offer convenient, one-stop service to cross-boundary customers. At the same time, our Hang Seng Indexes Company tracks the financial pulse of the region through a wide range of indexes of different markets and sectors including high-tech, new economy and environmental, social and governance ('ESG'). Our brand is well-established across the GBA.

Envisioning the future of financial services, we are helping to drive the 'new economy' by expanding in areas such as sustainable financing and ESG investment. We also work with strategic partners to support fintech development and innovation in the region. Our strength in wealth management propositions provides a solid foundation for us to grow our retail business as demand for wealth-and-health solutions increases across the GBA.

A Sustainable Banking Leader

Our ESG vision is to be a leader in driving ESG in the banking industry. We have already made good progress in 2021. In addition to significantly expanding our offerings of green and sustainability-related products and services for customers, we were the first local bank in Hong Kong to commit to becoming carbon neutral, a goal we intend to and are on track to achieve by 2030.

The Board fully supported and approved the Bank's proposal to set annual ESG key performance indicators and action plans, as well as formalise its climate risk management structure by implementing a climate strategy to guide corporate decisions. A Climate Change Management Roadmap has also been developed for the next two years to ensure we further embed climate change considerations into all aspects of our business and decision making. My fellow Directors and I attended multiple ESG trainings over the year and the Bank became a signatory to the Carbon Neutrality Partnership in support of the Hong Kong Government's Climate Action Plan 2050.

Board of Directors and Senior Management

In September, we officially welcomed Diana Cesar aboard as Executive Director and Chief Executive of the Bank. Her clear vision and deep understanding of the Hong Kong and GBA markets will ensure we continue moving forward at pace with our long-term growth strategy and advancing our brand positioning as a progressive and innovative industry leader.

I would like to extend my heartfelt appreciation to Margaret Kwan, who recently retired from her position as Executive Director and Head of Wealth and Personal Banking after 27 years of outstanding contributions. Margaret provided an experienced and steady hand as Acting Chief Executive in the months leading up to Diana's appointment. Rannie Lee is our new Head of Wealth and Personal Banking as of February and we are delighted to have her deep-seeded knowledge and experience to continue building on our strong franchise for retail customers.

Peter Wong stepped down as a Non-Executive Director of the Bank in September. His vacancy has been taken up by David Liao, who is Group Executive, Co-CEO, Asia Pacific of the HSBC Group. I wish to reiterate the Directors' thanks to Peter for his wise counsel and invaluable contributions over the past 16 years and to David who will add his expertise to Hang Seng's Board.

Building Future Success Together

Without doubt, the past two years have created tremendous challenges for individuals and organisations around the world for which there is no blueprint for resolution. They have also demonstrated that it is possible, with clear vision and concerted efforts, for us to achieve the previously unimaginable: from the speed of medical innovation and vaccine production, to the ways we work and maintain close personal connections. Traditional assumptions and limitations are falling away in the face of determination and creativity.

We aim to bring this same attitude and energy to meeting the financial needs and aspirations of our customers, supporting the career ambitions and well-being of our colleagues, and building a bright future for our business and our community.

Guided by our purpose and values, we have a clear strategy that uses Hang Seng's existing brand strengths of customer-centricity, innovation, expert market knowledge and deep community roots as powerful tools for capturing exciting new opportunities ahead, whether it be in the GBA or in new business sectors and economies.

As always, our colleagues are at the heart of the strong Hang Seng brand. I am extremely grateful to every staff member who has worked tirelessly to drive our business and support our customers in what has been another challenging year. A major element of our future growth strategy is ensuring we attract, retain and inspire top talent. We are working to achieve this not only by offering attractive compensation and benefits, but also by providing future skills training and opportunities that will open up new horizons of career success and keep our people at the leading edge of our industry. As a case in point, this year we will be rolling out a Bank-wide data literacy programme. Through our efforts, we will continue to strengthen our pipeline for attracting and nurturing young talent and further promoting an entrepreneurial and dynamic culture within the Bank.

In summary, uncertainties in the external environment and fast-moving market conditions mean there will always be fresh challenges ahead. We will overcome these by maintaining control over the direction of our business and focusing on what we do best. With our deep understanding of the GBA, we will build an ever more customer-centric business that is responsive, agile and resilient. Our sustainable growth strategy gives us clear purpose: to provide banking and wealth management services that continue to be fit for the future.



Irene Lee

Chairman

22 February 2022