

# Business Review

The past year was challenging due to various macroeconomic and geopolitical factors, but we were able to deliver solid business results with strong customer growth. This was made possible by our steadfast focus on diversifying our businesses, while effectively capitalising on our cross-boundary links as well as other market opportunities.

As we look to the future, our goal will be to further expand our presence across Hong Kong and the Mainland, and other regions around the world. We are confident of achieving these goals and building a sustainable, future-proof business by continuing to invest in our people and the latest digital capabilities. In doing so, we will also aid the growth of our home city and deliver long-term value to our stakeholders.

## Wealth and Personal Banking

Wealth and Personal Banking ('WPB') recorded a 3% year-on-year increase in net operating income before change in ECL and other credit impairment charges to HK\$24,264m. This was driven by growth in non-interest income, which was up by 15% year-on-year. Operating profit increased by 3% to HK\$14,604m and profit before tax increased by 2% year-on-year at HK\$14,643m. Through enhancing product capability and services, and aided by stronger market sentiment during the year, our wealth management business showed a 20% growth in income year-on-year and 38% growth in 2H 2024 as compared with 2H 2023. Our deposit balance increased by 9% compared to last year. As part of our portfolio diversification, non-Hong Kong dollar deposits grew by 17% year-on-year backed by a 21% increase in customers with FX transactions.

Customer growth remains one of our key strategic priorities; we achieved a 15% year-on-year increase in our affluent client segments with new-to-bank customers up 75% year-on-year. Hang Seng's dedication to exceptional customer service was recognised at the Hong Kong Customer Contact Association Awards 2024 and our Contact Centre was honoured with the prestigious Grand Award of the Year. Hang Seng was also recognised as the 'Domestic Retail Bank of the Year' at the Asian Banking & Finance ('ABF') Retail Banking Awards and as the 'Retail Bank of the Year' at the Bloomberg Businessweek Financial Institution Awards. We continued to invest in growing our affluent client segments by meeting their personal and family wealth management needs, and our Prestige Family + account opening increased

by 41% year-on-year. New compelling features were introduced this year, including the brand-new Global Money + service enabling express fee-free international transfer to over 50 countries in their local currencies and the Prestige Multi-currency Debit Card allowing transactions in 12 major currencies when travelling abroad. Continual growth in the affluent customer base contributed to an 11% increase in our wealth management income in 2H 2024 compared with 1H 2024.

To meet the growing demand for wealth management services in the Greater Bay Area ('GBA'), we now have nine cross-boundary Wealth Management Centres in key GBA cities. Hang Seng was also recognised as the 'Best Domestic Bank for the Greater Bay Area' at the Euromoney Greater Bay Area Awards 2024. Following the launch of the express account opening journey this year for Mainlanders, new account openings by Mainlanders increased by 81% year-on-year.

Strong growth in the wealth management business was observed especially in investment services with income growing 24% year-on-year. The growth was fuelled by enhanced digital capabilities such as the launch of Capital Protected Investment Deposits and Structured Notes journeys on mobile, and new financial planning tools with Wealth Master for portfolio analysis and goal-based wealth planning journeys. These initiatives contributed to a 324% year-on-year increase in investment account openings and significant growth of our mobile-active customer base by 12% year-on-year.

Our insurance business achieved 23% year-on-year growth in Contractual Service Margin ('CSM') balance (excluding reinsurance contracts held), reaching HK\$26bn, mainly driven by strong new business growth. In Q3 2024, Hang Seng achieved a 80% year-on-year growth in Life Insurance New Business Premium and was ranked in 2nd position as a life insurer. To provide customers with enhanced medical insurance products, Hang Seng and HSBC Life (International) Limited entered into an exclusive 15-year distribution agreement starting 1 November 2024.

Hang Seng Investment Management Limited ('HSVM'), with its strong asset management capabilities, successfully launched our first two co-branded fixed income ETFs in partnership with CMS Asset Management (HK), while leveraging CMS's extensive client base in mainland China to capture business opportunities under Wealth Management Connect ('WMC'). Our investment coverage has been further expanded to the US and Japan markets through the introduction of two additional ETFs tracking the S&P500 and TOPIX 100 indexes. To further extend HSVM's footprint beyond Hong Kong and mainland China, HSVM has collaborated with SAB Invest, a subsidiary of the Saudi Awwal Bank in Saudi Arabia, for listing an ETF that fully invests in the Tracker Fund of Hong Kong ('TraHK') on the Tadawul Exchange. The strategic move demonstrated HSVM's dedication to driving the growth of Hong Kong's financial market and strengthening the city's position as a global financial hub. As the largest ETF manager in Hong Kong, the overall assets under management ('AUM') of HSVM and TraHK both reached record highs during the second half of 2024. By the end of 2024, they increased by 4.5% and 7.6% year-on-year respectively.

The public's concerns for safety and fraud prevention remains at the core of our design ethos. Our mobile app has been strengthened with security measures as per HKMA guidelines. The Bank also actively supports HKMA's innovative initiatives, such as participating in the HKMA Interbank Account Data Sharing ('IADS') and has been selected to participate in HKMA's Generative Artificial Intelligence Sandbox initiative with a dedicated use case on fraud management.

## Commercial Banking

Commercial Banking ('CMB') recorded a decline of 4% on net operating income before change in ECL and other credit impairment charges to HK\$10,226m. Both operating profit and profit before tax increased by 10% to HK\$2,691m.

Under the persistently high interest rate environment, customers tended to accelerate loan repayments and had less appetite for loan drawdowns, leading to a year-on-year decrease of 6% on interest income. On the other hand, we diversified our non-interest income stream, which contributed to a growth of 9% compared against last year. Our continuous support for our customers in their daily operations through convenient, safe, and tailor-made payment solutions led to a 6% year-on-year growth in related income and a 6% uplift in our customer deposit balances against last year-end. We captured the market window to grow our wealth management business, where sales of investment funds and structured products increased by 47%.



**To further extend beyond Hong Kong and mainland China, HSVM has collaborated with SAB Invest in Saudi Arabia for listing an ETF that fully invests in the Tracker Fund of Hong Kong on the Tadawul Exchange.**





We launched the  
**HK\$80 Billion Sustainability  
Power Up Fund**, which  
offers diversified green and  
sustainable financing solutions  
to businesses across sectors.



We continue to deliver tailored solutions and accessible resources that address the unique challenges of local small and medium-sized enterprises ('SMEs'). We launched the HK\$33 Billion SME Power Up Fund. This proactive move corresponds with the Hong Kong SAR Government's supportive measures for SMEs, empowering our customers with various financing solutions and enabling their business growth in Hong Kong as well as the GBA.

Moreover, to capture business opportunities stemming from growing demand across the GBA and better support our customers, the cross-boundary connectivity between CMB Hong Kong and mainland China subsidiary was strengthened in 2024, contributing 9% of the total loan drawdown in Hong Kong.

We have embraced fintech to provide innovative banking services and simplify the loan application process. Our customers can now enjoy a fully digitalised loan application process with an approval-in-principle result received in as fast as 10 seconds, and execute loan documents via digital ID verification and e-Sign function with Time to Cash as fast as five working days. We are also one of the first batch of participating banks in HKMA's IADS initiative, which enables faster interbank account data retrieval upon customer consent and further streamlines the loan assessment process.

We launched the HK\$80 Billion Sustainability Power Up Fund, which offers diversified green and sustainable financing solutions to businesses across sectors. The SME Green Equipment Financing Assessment Platform launched in partnership with the Hong Kong Quality Assurance Agency ('HKQAA') further provides faster and more affordable Green Equipment Financing assessment services exclusively for Hang Seng's commercial customers.

Our Business e-Banking service continued to be enhanced beyond daily transaction banking management capabilities. Customers can now enjoy improved digital engagement experiences by knowing more about their 'best-fit' banking solutions and exclusive offers from the Bank, leading to a year-on-year growth in active mobile and internet banking users by 24% and 6%, respectively.

We have been recognised as 'Commercial Bank of 2024 – Excellence' and 'Commercial Bank in GBA – Excellence' and for 'SME Engagement – Outstanding' at the Bloomberg Businessweek Financial Institution Awards 2024. We were also awarded 'Hong Kong Domestic Trade Finance Bank of the Year' and 'Hong Kong Domestic Digital Payment Initiative of the Year' at the ABF Wholesale Banking Awards 2024. The Hong Kong Institute of Marketing also commended us as the 'Hong Kong Power Brand in Commercial Banking' at its Power Brand Awards 2024.

## Global Banking

Global Banking ('GB') reported a 0.5% year-on-year increase in net operating income before change in ECL and other credit impairment charges to HK\$2,991m. Change in ECL decreased by 66% or HK\$513m compared against 2023 with the de-risking of mainland China CRE exposure. Profit before tax increased by 33% to HK\$1,873m.

We have diversified our revenue stream through timely and increased sales activities to capture business opportunities, resulting in 9% growth in non-interest income. Impacted by softened loan demand in the market, our customer loans and advances declined by 6% as compared to last year. However, we remain dedicated to serving our customers with tailored financing solutions. Our bond assets under management increased by 62%.

By leveraging our strong cross-boundary connections, we have delivered integrated banking, wealth management, and advisory services tailored to the specific needs of large corporations in both Hong Kong and mainland China. Our dedication to improving operational efficiencies for clients across various sectors has been further highlighted by our innovative digital cash management solutions, designed to meet their unique requirements.

In line with our dedication to sustainability, we have adopted a client-focused approach by offering comprehensive sustainable finance solutions to help our clients transition to low-carbon operations.

## Global Markets

Global Markets ('GM') net operating income before change in ECL increased by 33% to HK\$3,214m. Operating profit and profit before tax both grew by 48% to HK\$2,475m.

Net interest income recorded year-on-year growth of 55% due to the reinvestment for higher yield. The Markets Treasury team explored market opportunities, and actively managed and diversified its portfolio while upholding prudent risk management standards.

Non-interest income remained stable while Foreign Exchange and Option Trading achieved solid revenue growth of 69% year-on-year. Besides successfully managing market volatility and capturing opportunities, we enhanced customer experience by extending trading hours of Capital Protected Investment and elevated the transaction volume by 46% year-on-year. We deepened GM product penetration among Bank customers through close collaboration with the WPB, CMB, and GB teams. Particularly, we promoted foreign exchange business through collaboration with other business units and achieved 18% growth in our Bank-wide Sales foreign exchange revenue. We also continued to expand our client segment for Repo Trading, with the number of active clients increasing 30% year-on-year, and achieved 6% growth in revenue.

## Awards and Recognition 2024

<b>No. 1 in Hong Kong for Gender Equality</b> EQUILEAP	<b>Best SME's Partner Award</b> THE HONG KONG GENERAL CHAMBER OF SMALL AND MEDIUM BUSINESS
<b>Retail Bank of 2024 (Outstanding)</b> <b>Commercial Bank of 2024</b> <b>Commercial Bank in GBA</b> BLOOMBERG BUSINESSWEEK	<b>Best Corporate Governance and ESG Awards 2024</b> HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
<b>Domestic Retail Bank of the Year (Hong Kong)</b> ASIAN BANKING & FINANCE	<b>2024 Gamma Award for Annual Cross-border            Financial Service Bank</b> SECURITIES TIMES
<b>Best Domestic Bank for the Greater Bay Area</b> EUROMONEY	<b>Best Featured Trade Finance Bank</b> TRADE FINANCE
<b>Best in Treasury and Working Capital – SMEs</b> <b>Best Liquidity and Investments Solution</b> <b>Best Payments and Collections Solution</b> <b>Best Cash Management Solution</b> <b>ESG Corporate Awards Gold Award</b> <b>Best Initiative in Environmental Responsibility</b> THE ASSET	<b>2024 TOP Mobile Banking APP</b> CAILIAN PRESS
<b>Best Payments Bank in Hong Kong</b> <b>Best FX Bank in Hong Kong</b> THE ASIAN BANKER	<b>Investor and Financial Education Award 2024            (Corporate) Silver Award</b> INVESTOR AND FINANCIAL EDUCATION COUNCIL
<b>Best China Index Provider</b> ASIA ASSET MANAGEMENT	<b>IFPHK Financial Education and ESG Leadership            Award 2024 Gold Award</b> INSTITUTE OF FINANCIAL PLANNERS OF HONG KONG
<b>Index Provider of the Year – Regional</b> INSIGHTS & MANDATE (I&M)	<b>20 Year Plus Caring Company</b> THE HONG KONG COUNCIL OF SOCIAL SERVICE
<b>Best ETF Index Provider – China</b> INSURANCEASIA NEWS	<b>Distinction Award (Large Organisation Category)            of the Hong Kong Sustainability Award</b> THE HONG KONG MANAGEMENT ASSOCIATION