恒生銀行
HANG SENG BANK

(Stock code: 11)

INTERIM RESULTS FOR 2022

- Net operating income before change in expected credit losses and other credit impairment charges down 14% to HK$14,944m (HK$17,326m for the first half of 2021 ('1H 2021'); down 6% compared with HK$15,856m for the second half of 2021 ('2H 2021')).

- Operating profit down 46% to HK$5,533m (HK$10,223m for 1H 2021; down 8% compared with HK$6,008m for 2H 2021).

- Profit before tax down 47% to HK$5,439m (HK$10,298m for 1H 2021; down 11% compared with HK$6,087m for 2H 2021).

- Profit attributable to shareholders down 46% to HK$4,704m (HK$8,767m for 1H 2021; down 9% compared with HK$5,193m for 2H 2021).

- Return on average ordinary shareholders' equity of 5.2% (9.9% for 1H 2021; 5.5% for 2H 2021).

- Earnings per share down 48% to HK$2.31 per share (HK$4.44 per share for 1H 2021).

- Second interim dividend of HK$0.70 per share; total dividends of HK$1.40 per share for 1H 2022 (HK$2.20 per share for 1H 2021).

- Common equity tier 1 ('CET1') capital ratio of 14.6%, tier 1 ('T1') capital ratio of 16.1% and total capital ratio of 17.4% at 30 June 2022 (CET1 capital ratio of 15.9%, T1 capital ratio of 17.5% and total capital ratio of 18.9% at 31 December 2021).

- Cost efficiency ratio of 48.9% (39.0% for 1H 2021 and 46.5% for 2H 2021).

Within this document, the Hong Kong Special Administrative Region of the People's Republic of China has been referred to as 'Hong Kong'. The abbreviations 'HK$m' and 'HK$bn' represent millions and billions of Hong Kong dollars respectively.

The financial information in this announcement is based on the unaudited Condensed Consolidated Financial Statements of Hang Seng Bank Limited ('the Bank') and its subsidiaries ('the Group') for the six months ended 30 June 2022.

* *Where possible, percentages in this section have been rounded to the nearest percentage point to facilitate easy reading. Percentage-based indicators remain at 1 or 2 decimal places as appropriate.*

Comment by Irene Lee, Chairman

The Importance of a Future-proof Business

Dramatic events at home and overseas in the first half of 2022 have again served as a strong reminder of the importance of future-proofing ourselves and of building resilience to overcome challenges, both big and small.

As much as life in Hong Kong has been impacted by the fifth wave of the Covid-19 pandemic as well as rising global commodities prices and inflationary pressures, our city's solid financial foundation and strong reserves have helped us weather the uncertainties in a relatively stable manner. A recent IMF report commended Hong Kong's resilience under the pandemic and reaffirmed our city's position as a major international financial centre, with robust regulatory frameworks and sound macroprudential policies. The report also recognised the steps Hong Kong has taken to address climate change and promote the development of a green and sustainable finance ecosystem.

Amid current uncertainties, Hang Seng has maintained a long-term perspective and continued to build for future growth.

Our attributable profit for the first half of 2022 was HK$4,704 million. The Directors have declared a second interim dividend of HK$0.70 per share, bringing the total distribution for the first half of the year to HK$1.40 per share.

Looking ahead, we can expect to benefit from mega-trends such as technology, innovation and actions to address climate change. This is an important opportunity for Hong Kong with its unique position as a core city in the Greater Bay Area ('GBA'), which is expected to see its GDP grow from around US$2tn in 2021 to around US$5.8tn by 2040. With strong policy support, the region is fast emerging as a globally competitive centre for innovation, financial services and green technologies.

As we move into this exciting new phase, Hang Seng's long track record as a market innovator, unique blend of competitive strengths, especially our long and deep relationships with our loyal customers and our reach, and progressive approach to driving long-term business growth put us in a strong position to contribute to Hong Kong and the GBA's continuing development and success.

Technology + Talent: A Key Differentiator

As fintech, big data and AI become major themes for the future, Hang Seng invested early in technology as well as building an agile and resilient business infrastructure. As a result, we have established ourselves as a local market leader for digital services innovation and provided support for the overall development of fintech in Hong Kong. We are also sharing our expertise with innovation start-ups to accelerate development of the fintech ecosystem in Hong Kong and the GBA, benefitting both our Bank and the financial services industry.

Comment by Irene Lee, Chairman *(continued)*

Technology alone is only a part of the solution. To realise maximum benefit from our investments in hardware, we must also become a fully data-driven organisation. At the same time, in an increasingly competitive operating environment, upskilling our people is a key business differentiator. As part of continuous learning, all our staff will go through a comprehensive Bank-wide Data Literacy Empowerment Programme. With colleagues better able to understand and manage data in their day-to-day work, we will be able to more rapidly advance our business objectives and keep pace with the evolution of the banking industry. This forward-thinking approach will also support our efforts to attract and retain top talent.

Local Expertise, World-Class Standards

With growing global focus on climate-related risks, and to support the Hong Kong Government's ambitious Climate Action Plan 2050, we are helping to drive the transition to a low-carbon economy. From taking action in our own operations to offering ESG-related products and services to customers and tracking the ESG performance of publicly listed entities by our Hang Seng Indexes Company, we are supporting the sustainable growth of our markets.

Hang Seng has built a leading market position in Hong Kong for wealth management services and asset management expertise. The selection of our wholly owned asset management company to be the new manager of The Tracker Fund of Hong Kong and having one of our exchange-traded funds included in the new ETF Connect scheme are important acknowledgement of our capabilities.

Driving Towards the Future

Our long-term success is firmly tied to that of our customers, our city and the GBA.

The past six months have tested us and there are likely to be fresh challenges ahead. Nevertheless, we are starting to see some positive developments. Consumer and business sentiment in Hong Kong are showing signs of improvement, supported by Government actions such as the Consumption Voucher Scheme and employment assistance. As conditions return to a more even keel and social-distancing measures gradually relax, we should also see cross-boundary economic activities regain momentum.

On our part, we will keep pace with needs of our customers and our markets, further leveraging our unique strengths to keep driving our industry forward to support Hong Kong as part of our clear and focused long-term growth strategy.

We remain inspired by the people of our city who, in both good and difficult times, continue to demonstrate the resilience, resourcefulness and 'can-do' spirit that are cornerstones of Hong Kong's dynamism and success. Nowhere is this better reflected than in the commitment and actions of our staff, who consistently go the extra mile to make banking and wealth management easier for customers, contribute to community initiatives and help make Hang Seng a great place to work.

I am sincerely grateful to the Hang Seng management team and every member of staff for their tireless efforts to support the long-term growth of our business. We have a clear direction and the right people and strategy to get us where we want to go. We will continue moving forward together with our customers and the community as we grow our business by contributing to the continuing growth story of Hong Kong and the GBA.

Review by Diana Cesar, Executive Director and Chief Executive

There is no denying that the first half has been particularly difficult. The fifth wave of the pandemic continued to disrupt trade and business activities. Global economic headwinds and international geopolitical tensions have created complications and challenges for all businesses. These have inevitably impacted financial performances.

That said, our business remains resilient and we have a clear focus on Hang Seng's long-term strategy, which has not changed. We are increasing momentum and expanding our customer base, adding value for customers and enhancing our digital and customer experience.

Some of the highlights of our first-half achievements include:

- all our businesses recorded an increase in net interest income;
- we achieved growth in targeted customer groups, especially the young and emerging affluent segments, together with corporate clients;
- our Hang Seng China Enterprises Index exchange-traded fund is amongst the first four ETFs to become eligible for southbound trading under the new ETF Connect;
- our wholly-owned subsidiary, Hang Seng Investment Management, has been selected to manage The Tracker Fund of Hong Kong;
- we launched Hong Kong's first mobile cheque deposit service for both business and personal banking customers and we introduced over 350 new digital initiatives and enhancements; and
- we became the first bank to launch US equity-linked investments on online platforms.

At the same time, we continue to develop our capabilities to capture increasing wealth management needs in the Greater Bay Area ('GBA') with the opening of dedicated Cross-boundary Wealth Management Centres in strategic locations.

In all of our minds, there is the importance of the sustainability agenda. This will not be compromised.

- we are actively assisting our clients to transition to low-carbon with tailored solutions. The dollar value of our newly approved corporate green and sustainability-linked loans in Hong Kong more than doubled from a year ago;
- we are helping our personal banking customers to become greener with the launch of green mortgages, electric vehicle loans, green shopping offers and ESG-themed investment products; and
- our Hang Seng Indexes Company introduced the Hang Seng Climate Change 1.5°C Target Index and other ESG-focused indexes to provide benchmarks for investors interested in integrating climate and ESG considerations into their portfolios.

Yet, our financial performance has been impacted by the difficult external environment.

First, there was a significant drop in insurance income due to the adverse impact of market movements on the life insurance investment portfolio. This was further exacerbated by the unfavourable discounting impact of interest rate rises. Operating profit before expected credit losses, as a result, declined by 28%.

Review by Diana Cesar, Executive Director and Chief Executive *(continued)*

Second, with greater refinancing risk in the mainland commercial real estate sector, notable adjustments were made to our expected credit losses ('ECL').

The combined impact of these two factors led to a reduction of 46% in attributable profit.

Nonetheless, our agile business structure has enabled us to respond effectively to changing customer needs in fast-moving market conditions. We are seeing improved growth in areas such as trade loans, personal lending, turnover of various fixed-term instruments and foreign exchange business when compared with the second half of 2021.

Wealth and Personal Banking

In our Wealth and Personal Banking business, we stepped up marketing and customer acquisition efforts to drive growth in different customer segments. Our latest Prestige Banking campaign emphasises our ongoing commitment to support customers at every life stage, whether it be raising children or planning for retirement. Our proposition is resonating well with consumers based on the attention, discussion and enquiries that the campaign has triggered.

Sustainability-focused actions continue to grow in importance. In response, we have launched a series of green solutions for personal banking customers while enriching ESG-investment opportunities. Year-on-year, sales of ESG wealth management solutions increased by 3% and assets under management of ESG funds was up by 59%. We registered a 10% market share in applications for the Government-issued Green Bond.

Our net insurance premiums income increased by 78% as customers responded favourably to new insurance products that offer both short and long-term protection coverage together with wealth accumulation.

We continued to be the market leader for digital insurance in the first quarter of the year, supported in part by a 241% year-on-year increase in the number of digital insurance policies sold. Short-term life insurance plans with savings features enriched the health and wellness proposition and are offered through our popular Olive Wellness App. Active users on the app increased by 127% year-on-year.

Increased volatility in the financial markets and dampened investor sentiment, however, affected our overall wealth management income. It was down by HK$2,633m, or 57%, year-on-year, of which the adverse impact of market movements on life insurance manufacturing accounted for HK$2,127m, or 81%, of the decline.

On the lending side, we grew our market share for new mortgage registrations and remain among Hong Kong's top three lenders. New personal loans drawdowns increased by 32%, driven mainly by demand for tax loans. Attractive credit card offers helped to maintain card spending at similar levels to the same period last year. Deposits also grew along with the customer base in strategic segments.

Review by Diana Cesar, Executive Director and Chief Executive *(continued)*

Commercial Banking, Global Banking and Global Markets

In our wholesale business, our priority remained to assist customers in overcoming prevailing challenges. We also supported them to future-proof their operations to ensure sustainability.

The total value of newly approved green and sustainability-linked loans in Hong Kong in the first half grew by 175% to HK$17bn year-on-year. Tailored solutions facilitated business customers to adopt cutting-edge solutions to modernise their operations and transition towards a low-carbon economy. As an example, a HK$1bn sustainability-linked loan facility signed recently with a large Hong Kong corporation involves a financing mechanism that incentivises the company to fulfil a set of ESG metrics.

Establishing strategic partnerships is strengthening our ability to capture a larger share of business among 'new economy' companies in sectors with strong growth potential. An example would be the renewable energy sector.

Trade loans increased by 15% year-on-year, another reflection of how we are expanding relationships. Clients with cross-boundary business interests can now also enjoy fast and flexible reallocation of credit limits with our Credit Link service.

Global Markets recorded an 11% year-on-year increase in profit before tax. Amid volatile conditions in the international financial markets, our trading teams moved swiftly and effectively to capture income-generating opportunities.

We supported the development of the green and social bond secondary market as we now accept ESG bonds as collateral for securities financing. We also enriched the Global Markets product suite by extending US equity-linked investments to more structured products, and enhanced service capabilities by implementing new fintech and digital solutions to support business growth.

Hang Seng China

In the mainland, our wholly owned subsidiary, Hang Seng China, leveraged its market expertise and close ties to our Hong Kong operations to maintain satisfactory business momentum.

Trade loan business achieved robust growth, with revenue up by 32%, and the portfolio balance recorded growth of 5% when compared to end-2021. Hang Seng China saw increases in both net interest income and non-interest income, resulting in a 7% rise in net operating income before ECL. However, operating profit fell, primarily due to ECL provisions made in light of developments in the credit environment. This is reflected in a net ECL charge for the first half of 2022, compared with a net release in the first half of last year.

Review by Diana Cesar, Executive Director and Chief Executive *(continued)*

Financial Overview

Rising interest rates and a 3% increase in average interest-earning assets helped drive a recovery in net interest income, which grew by 4% year-on-year to HK$12,356m. The net interest margin improved by one basis point to 1.52%.

Investor caution amid the downturn in financial markets led to declines in revenue from stock-broking activity and investment funds sales. Wealth management business activity was also affected by a large number of temporary branch closures during the fifth wave of Covid-19. The performance of equities markets also had an impact on our life insurance investment portfolio.

Net operating income before change in ECL and other credit impairment charges fell by 14% year-on-year to HK$14,944m, following a 52% drop in non-interest income.

Year-on-year, operating expenses were up 8% at HK$7,313m. Investments in technology, our people and our brand continue to demonstrate their value through improved business resilience, enhanced operational efficiencies and better service outcomes for customers. Nevertheless, with rising inflationary pressures, we are cognisant of the need to maintain appropriate cost discipline. Compared with the second half of 2021, we recorded a 1% reduction in operating expenses.

The net effect of the year-on-year drop in net operating income and rise in operating costs was an increase in our cost efficiency ratio to 48.9%.

In responding to conditions in the mainland commercial real estate sector, we have increased our ECL. Year-on-year, net ECL charges rose by HK$1,757m to HK$2,096m. The situation remains fluid and we remain highly vigilant. We will continue to take early actions and actively manage our portfolio to minimise further adverse impacts and maintain the overall quality of our portfolio of assets. As at 30 June 2022, gross impaired loans and advances as a percentage of gross loans and advances to customers was 1.92% compared with 1.04% at the end of last year.

Overall, operating profit was down 46% to HK$5,533m.

We recorded a net deficit of HK$59m on property revaluation, compared with a net surplus of HK$39m in the same period in 2021.

Profit before tax declined by 47% to HK$5,439m. Attributable profit was down by 46% at HK$4,704m. Earnings per share fell by 48% to HK$2.31 per share. For our individual business segments, profit before tax for Wealth and Personal Banking, Commercial Banking, and Global Banking and Markets, fell by 55%, 54% and 17% respectively year-on-year.

Return on average ordinary shareholders' equity was 5.2%, compared with 9.9% for the same period in 2021. Return on average total assets was 0.5%, compared with 1.0% for the same period last year.

Review by Diana Cesar, Executive Director and Chief Executive *(continued)*

At 30 June 2022, our common equity tier 1 capital ratio was 14.6%, our tier 1 capital ratio was 16.1%, and our total capital ratio was 17.4%. Our liquidity coverage ratio was 228.0%, which is comfortably above the statutory requirement.

Gross loans and advances to customers were HK$992bn, down 1% when compared with 2021 year-end.

Customer deposits, including certificates of deposit and other debt securities in issue, were up by HK$19bn, or 1%, at HK$1,358bn against the end of 2021.

Second-half 2022 Outlook

I must offer my heartfelt thanks and appreciation to my colleagues throughout the Bank. They continued to provide excellent services to our customers and the community in spite of the challenging operating environment.

Our people are our most valuable assets at the Bank. A major element of Hang Seng's strength is our open and inclusive culture. We are pleased that in a recent survey by Equileap, the leading global provider of data on gender equality, Hang Seng ranked number one in Hong Kong for gender equality and is one of only two companies in Asia Pacific achieving gender balance at all company levels.

It has been a bumpy ride in the first half. Key economic and market indicators suggest that the operating environment will remain challenging for the rest of the year. External risks, including developments in the mainland commercial real estate sector, inflation, rising commodities prices and the pandemic situation will be areas to keep a close eye on.

On a positive note, the upward trend in market interest rates is shoring up the net interest margin and we are starting to see the positive effects in our interest-earning activities. We look forward to a resumption in cross-boundary movements to further stimulate economic and social activities.

Results Summary

Moving into first half of 2022 ('1H 2022'), the volatile and challenging market conditions, emergence of the severe fifth wave of the Covid-19 pandemic and developments in the mainland commercial real estate sector have continued to create economic uncertainty and weaken business momentum. Given this difficult operating environment, the Group's key financial indicators for 1H 2022 are generally down on the same period in 2021 ('1H 2021'). However, the Group has recorded improvements in certain areas when compared with second half of 2021 ('2H 2021'), reflecting its effective actions to maintain business momentum amid the market uncertainty and global economic slowdown. Also on the positive side, the Group's net interest income benefitted from the continued upward path of interest rates during 1H 2022.

Net operating income before change in expected credit losses and other credit impairment charges was HK$14,944m, down 14%. This result mainly reflects the unfavourable impact of market movements on life insurance business and lower investment distribution revenue, partly offset by the 4% increase in net interest income. Operating expenses increased by 8% when compared with 1H 2021. Change in expected credit losses and other credit impairment charges ('ECL') increased by HK$1,757m to HK$2,096m. The increase was due mainly to new and additional impairment charges relating to the mainland commercial real estate sector and reflect the Bank's proactive and prudent approach to credit risk management. This had an adverse impact on **operating profit**, which fell by 46% to HK$5,533m. Investment property revaluation recorded a deficit of HK$59m compared with a surplus of HK$39m for the same period last year. **Profit before tax** decreased by 47% to HK$5,439m and **profit attributable to shareholders** was down 46% at HK$4,704m.

Net interest income increased by HK$473m, or 4%, to HK$12,356m. Average interest-earning assets grew by HK$50bn, or 3%, to HK$1,638bn, driven by the growth in average customer loans and interbank placings together with the improved net interest margin. The growth in interest-earning assets reflects the Bank's continuing efforts to strengthen its asset and liability management and maintain a balanced growth strategy to sustainably expand average loans and deposits.

Net interest margin improved by one basis point to 1.52%, driven by higher market interest rates. Net interest spread dropped by one basis point to 1.42%. The contribution from net-free funds grew by two basis points to 0.10%, benefiting from the modest increase in the average HIBOR.

Net fee income decreased by HK$1,086m, or 29%, to HK$2,623m, as demand for wealth management products was lower than in 1H 2021, reflecting muted investor sentiment with the uncertain equity markets and the impact of the fifth Covid-19 wave in Hong Kong, which resulted in the temporary closure of parts of the Bank's branch network. Stockbroking and related services income dropped by 38%, reflecting the decline in equity market trading turnover. Income from retail investment funds also decreased by 41% due to lower sales volume. Card services income reduced by 6%, due mainly to lower card spending and merchant sales with the persistence of the pandemic in Hong Kong. Credit facilities fees were down by 33%, due to lower new corporate lending activities. Insurance business fee income was down by 5%. Fee income from account services, imports/exports and remittance increased by 5%, 7% and 5% respectively.

Net income/(loss) from financial instruments measured at fair value through profit or loss recorded a loss of HK$1,070m compared with a gain of HK$2,685m for 1H 2021.

Net income/(expenses) from assets and liabilities of insurance businesses measured at fair value through profit or loss recorded a loss of HK$1,909m compared with a gain of HK$1,821m for 1H 2021. Investment returns on financial assets supporting insurance contract liabilities were adversely affected by unfavourable movements in the equity markets. To the extent that these investment returns were attributable to policyholders, there was an offsetting effect in 'Net insurance claims and benefits paid and movement in liabilities to policyholders' or 'movement in present value of in-force long-term insurance business ('PVIF')' under other operating income.

Net trading income and net income from financial instruments designated at fair value through profit or loss together decreased by HK$38m, or 4%, to HK$826m, with higher foreign exchange revenue more than offset by lower income from structured products.

Change in expected credit losses and other credit impairment charges increased by HK$1,757m to HK$2,096m when compared with 1H 2021.

The Bank regularly reviews its forward economic guidance to reflect changes in the economic outlook and other factors that may influence the credit environment. The increase in ECL charges in 1H 2022 was primarily driven by an increase in ECL charges related to developments in mainland commercial real estate sector. The Group remains vigilant and will continue to closely monitor the market situation.

Change in ECL for stage 1 and stage 2 unimpaired credit exposures recorded a net release of HK$795m in 1H 2022, due mainly to the migration to stage 3 allowances related to the significant build-up of stage 2 allowances in late 2021 to reflect the tightening liquidity and increased refinancing risks in the mainland commercial real estate sector in 2H 2021. Compared with the net release of HK$346m for 1H 2021, the result was a HK$449m year-on-year increase in ECL net releases. Wealth and Personal Banking ('WPB') recorded a net charges of HK$49m for 1H 2022 compared with a net release of HK$63m for 1H 2021. Commercial Banking ('CMB') and Global Banking and Markets ('GBM') together recorded an increase in net release of HK$561m.

Change in ECL for stage 3 and purchased or originated credit-impaired exposures ('impaired credit exposures') increased by HK$2,206m to HK$2,891m when compared with 1H 2021, primarily driven by an increase in ECL charges related to developments in the mainland commercial real estate sector. WPB recorded a decrease in net charges of HK$40m, due mainly to lower charges on credit card and personal loan portfolios. The remaining increases in net charges of HK$2,246m were related to CMB and GBM.

Gross impaired loans and advances increased by HK$8,595m, or 82%, against 2021 year-end to HK$19,024m. Certain impaired corporate loans through the Group's Hong Kong office and mainland banking subsidiary were downgraded during the period to reflect the latest developments in the mainland commercial real estate sector. Taking into account the provided collaterals and allowances for ECL, the Group considers that the current provision level is adequate. Gross impaired loans and advances as a percentage of gross loans and advances to customers stood at 1.92% as at 30 June 2022, compared with 0.69% at 30 June 2021 and 1.04% at the end of December 2021. Overall credit quality remained robust.

Net insurance premium income increased by HK$5,210m, or 77%, to HK$12,008m, contributed mainly from strong sales of the Bank's new whole-life product, especially single-pay payment mode, for the high-net-worth customer segment. Correspondingly, there was also an increase in '**Net insurance claims and benefits paid and movement in liabilities to policyholders**' which rose by HK$4,283m, or 52%, to HK$12,590m.

Other operating income increased by HK$1,153m, or 285%, to HK$1,558m, due mainly to the change in the movement in PVIF. PVIF increased by HK$1,204m to HK$1,335m, reflecting the combined effect of several factors. Positive adjustment to PVIF to account for the sharing of unfavourable investment returns attributable to policyholders and actuarial assumption change impact mainly related to a gain of HK$645m from the pricing update for policyholder funds held on deposit with us to reflect the cost of the provision of these services. This was partially offset by the unfavourable discounting impact of interest rate rises in the valuation of PVIF.

Operating expenses increased by HK$559m, or 8%, to HK$7,313m, reflecting an increase in investments, mainly IT-related costs to enhance our digital capabilities, as well as amortisation of intangible assets and staff costs.

Staff costs increased by 2%, mainly in wages and salaries, partly offset by lower performance-related pay and reduction in headcount. Depreciation charges decreased by 2%. Amortisation of intangible assets increased by 53%, related mainly to capitalised IT systems development costs to support business growth within the Group. General and administrative expenses were up by 18%, reflecting continued investment in digital capabilities across all business segments and marketing and advertising expenses.

The cost efficiency ratio rose by 9.9 percentage points to 48.9%, mainly reflecting the combined impact of lower revenue due to the decrease in non-interest income and the increase in operating expenses.

Reflecting the unfavourable property market as compared with 1H 2021, **net surplus/(deficit) on property revaluation** recorded a net deficit of HK$59m in 1H 2022, compared with a net surplus of HK$39m in 1H 2021. **Share of profits/(losses) of associates** recorded a loss of HK$35m compared with a profit of HK$36m in 1H 2021, mainly reflecting the revaluation deficit of a property investment company.

First half of 2022 compared with second half of 2021

The Group continued to demonstrate strength and resilience in 1H 2022, providing the services and solutions to meet the various needs of personal and business customers amid a period of tremendous uncertainty around the world.

Net operating income before change in expected credit losses and other credit impairment charges was HK$14,944m, down by HK$912m, or 6%, reflecting a 34% decrease in non-interest income, partly offset by a 3% increase in net interest income. With lower operating expenses and ECL charges, declines in **operating profit** and **profit attributable to shareholders** compared with 2H 2021 were more moderate compared with year-on-year decreases. **Operating profit** was down HK$475m, or 8%, and **profit attributable to shareholders** fell by HK$489m, or 9%.

Net interest income increased by HK$417m, or 3%, driven mainly by a 2% increase in average interest-earning assets and contribution from net free funds amid a rise in market interest rates, notwithstanding the greater number of calendar days in 2H 2021. Net interest margin improved by four basis points to 1.52%. Both net interest spread and contribution from net free funds widened by two basis points.

Non-interest income fell by HK$1,329m, or 34%, mainly reflecting the unfavourable market impacts in life insurance business together with the impact of discounting due to interest rate rises in the valuation of PVIF. With Hong Kong experiencing a severe fifth wave of Covid-19 pandemic during 1H 2022, lower levels of customer activities were recorded across the Group's fee-generating business and this also had an adverse effect on net fee income.

Operating expenses decreased by HK$67m, or 1%, due mainly to lower general and administrative expenses, with a reduction in marketing and advertising costs, consultancy fees and IT-related investments, which collectively outweighed continued investment in technology and digital capabilities to drive business growth. The Group will continue to actively manage operating expenses to facilitate the continued direction of resources towards further optimising its digital capabilities.

ECL charges decreased by HK$372m, or 15%, to HK$2,096m. In 2H 2021, the Group built a material adjustment into its ECL to reflect tightening liquidity and increased refinancing risk in the mainland commercial real estate sector. Reflecting its proactive credit risk management, the Group also made significant adjustments to its ECL in 1H 2022 in response to further developments in the sector. The reduction in ECL charges mainly reflects allowances made on downgraded corporate customers. Stage 1 and 2 ECL charges recorded a net release of HK$795m in 1H 2022 compared with a net charge of HK$1,411m in 2H 2021, due mainly to the migration to stage 3 allowances related to the significant build-up of stage 2 allowances in 2H 2021 to reflect the tightening liquidity and increased refinancing risks in the mainland commercial real estate sector in the latter part of 2021. Stage 3 ECL charges were HK$2,891m for 1H 2022, compared with HK$1,057m for 2H 2021. The increase in ECL charges of HK$1,834m mainly reflects the aforesaid migration as mentioned above.

Net surplus/(deficit) on property revaluation recorded a net deficit of HK$59m in 1H 2022, compared with a net surplus of HK$43m in 2H 2021. **Share of profits/(losses) of associates** recorded a loss of HK$35m compared with a profit of HK$36m in 2H 2021.

Condensed Consolidated Balance Sheet and Key Ratios

Assets

Total assets increased by HK$27bn, or 1%, to HK$1,847bn compared with 2021 year-end, with the Group maintaining resilient business momentum and progressing with its strategy of enhancing long-term profitability through sustainable growth.

Cash and balances at central banks decreased by HK$6bn, or 36%, to HK$11bn. Trading assets dropped by HK$2bn, or 3%, to HK$46bn, notably in debt securities.

Customer loans and advances (net of allowances for ECL) decreased by HK$14bn, or 1%, to HK$983bn, compared with the end of 2021 in the wake of subdued credit demand. Loans for use in Hong Kong fell by 1%. Lending to industrial, commercial and financial sectors decreased by 2%. Lending for property development and property investment decreased by 5%. There was decreased lending to transport and transport equipment, wholesale and retail trade and working capital financing for certain large corporate customers under ‘other’ sectors. However, there were solid increases in financial concerns and information technology sectors. Lending to individuals was broadly in line with 2021 year-end. Residential mortgages and Government Home Ownership Scheme/Private Sector Participation Scheme/Tenants Purchase Scheme lending grew by 1%. Credit card advances decreased by 7%. Trade finance lending regained momentum and grew by 11%. Loans for use outside Hong Kong were down by 4%, mainly reflecting decreased lending granted by the Hong Kong office.

Financial investments increased by HK$51bn, or 10%, to HK$551bn, mainly reflecting the redeployment of the commercial surplus and the funds from the issuance of non-capital loss-absorbing capacity debt instruments to meet regulatory requirements and further optimise the Bank’s capital and funding structure. There was also an increase in the life insurance funds investment portfolio.

Liabilities and equity

Customer deposits, including certificates of deposit and other debt securities in issue, increased by HK$19bn, or 1%, to HK$1,358bn against the end of 2021. Growth in time deposits in response to rising market interest rates was partly offset by the decrease in current and savings account deposits. To diversify the Group’s sources of funding, it issued more certificates of deposit in 1H 2022. At 30 June 2022, the advances-to-deposits ratio was 72.4%, compared with 74.5% at 31 December 2021.

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Customer loans and advances (net of allowances for ECL)	**983,218**	997,397
Customer deposits, including certificates of deposit and other debt securities in issues	**1,358,017**	1,338,800
Advances-to-deposits ratio	**72.4%**	74.5%

At 30 June 2022, shareholders' equity was down by HK$2bn, or 1%, at HK$182bn compared with 2021 year-end. Retained profits were maintained at broadly the same level as the end of 2021, reflecting profit accumulation after the appropriation of dividends paid during the period. Financial assets at fair value through other comprehensive income reserve decreased by HK$0.3bn, or 11%, mainly reflecting the fair value movement of the Group's investments in financial assets measured at fair value through other comprehensive income. Other reserves dropped by HK$0.7bn, or 39%, mainly reflecting the decrease in the foreign currency exchange reserve as a result of the depreciation of the RMB. Cash-flow hedge reserve recorded a negative reserve of HK$0.5bn, compared with a positive reserve of HK$46m at the end of 2021, mainly reflecting the interest rate movements of hedging derivatives during the period.

Key ratios

Return on average total assets was 0.5% compared with 1.0% and 0.6% for the first and second halves of 2021 respectively. **Return on average ordinary shareholders' equity** was 5.2% compared with 9.9% and 5.5% for the first and second halves of 2021 respectively.

At 30 June 2022, the **common equity tier 1 ('CET1') capital ratio**, **tier 1 ('T1') capital ratio** and **total capital ratio** were 14.6%, 16.1% and 17.4% respectively, well above the regulatory requirements.

Under the Banking (Liquidity) Rules, the average **liquidity coverage ratio ('LCR')** was 206.8% and 188.9% for the quarters ended 30 June 2022 and 31 March 2022 respectively, compared with 214.4% and 204.0% for the quarters ended 30 June 2021 and 31 March 2021 respectively. For both periods, the Group maintained a healthy average LCR that was higher than the statutory requirement of 100%. The LCR at 30 June 2022 was 228.0% compared with 192.7% at 31 December 2021. The period-end **net stable funding ratio ('NSFR')** was 155.0% and 151.3% for the quarters ended 30 June 2022 and 31 March 2022 respectively, well in excess of the regulatory requirement of 100%. The period-end NSFR was 146.6% and 150.5% for the corresponding quarters in 2021.

Dividends

The Directors have declared a second interim dividend of HK$0.70 per share, which will be payable on 1 September 2022 to shareholders on the register as of 16 August 2022. Together with the first interim dividend, the total distribution for 1H 2022 will be HK$1.40 per share.

Figures in HK$m	*Wealth and Personal Banking*	*Commercial Banking*	*Global Banking and Markets*	*Other* [1]	*Total*
Half-year ended 30 June 2022					
Net interest income/(expense)	**6,777**	**3,579**	**2,158**	**(158)**	**12,356**
Net fee income	**1,606**	**693**	**162**	**162**	**2,623**
Net income/(loss) from financial instruments measured at fair value through profit or loss	**(1,776)**	**92**	**472**	**142**	**(1,070)**
Gains less losses from financial investments	**(8)**	–	**42**	–	**34**
Dividend income	–	–	–	**25**	**25**
Net insurance premium income	**10,687**	**1,321**	–	–	**12,008**
Other operating income/(loss)	**1,299**	**138**	**2**	**119**	**1,558**
Total operating income/(loss)	**18,585**	**5,823**	**2,836**	**290**	**27,534**
Net insurance claims and benefits paid and movement in liabilities to policyholders	**(11,207)**	**(1,383)**	–	–	**(12,590)**
Net operating income/(loss) before change in expected credit losses and other credit impairment charges	**7,378**	**4,440**	**2,836**	**290**	**14,944**
of which: - external	***6,226***	***4,623***	***3,994***	***101***	***14,944***
- inter-segment	***1,152***	***(183)***	***(1,158)***	***189***	–
Change in expected credit losses and other credit impairment charges	**(298)**	**(1,440)**	**(358)**	–	**(2,096)**
Net operating income/(loss)	**7,080**	**3,000**	**2,478**	**290**	**12,848**
Operating expenses [3]	**(4,524)**	**(1,719)**	**(663)**	**(407)**	**(7,313)**
Impairment loss on intangible assets	–	–	–	**(2)**	**(2)**
Operating profit/(loss)	**2,556**	**1,281**	**1,815**	**(119)**	**5,533**
Net surplus/(deficit) on property revaluation	–	–	–	**(59)**	**(59)**
Share of profits/(losses) of associates	**(35)**	–	–	–	**(35)**
Profit/(loss) before tax	**2,521**	**1,281**	**1,815**	**(178)**	**5,439**
Share of profit/(loss) before tax	**46.3%**	**23.6%**	**33.4%**	**(3.3)%**	**100.0%**
[3] *Depreciation/amortisation included in operating expenses*	**(400)**	**(5)**	**(2)**	**(924)**	**(1,331)**
At 30 June 2022					
Gross loans and advances to customers	**375,771**	**389,461**	**226,664**	–	**991,896**
Customer deposits [2]	**895,195**	**326,955**	**144,019**	**(8,152)**	**1,358,017**
Interest in associates	**2,263**	–	–	–	**2,263**
Half-year ended 30 June 2022					
Net fee income by segment					
- securities broking and related services	**695**	**59**	**4**	–	**758**
- retail investment funds	**528**	**9**	–	–	**537**
- insurance	**168**	**42**	**41**	–	**251**
- account services	**124**	**66**	**4**	–	**194**
- remittances	**22**	**96**	**17**	–	**135**
- cards	**1,168**	**13**	–	–	**1,181**
- credit facilities	**8**	**191**	**90**	–	**289**
- imports/exports	–	**173**	**23**	–	**196**
- other	**61**	**63**	**33**	**162**	**319**
Fee income	**2,774**	**712**	**212**	**162**	**3,860**
Fee expense	**(1,168)**	**(19)**	**(50)**	–	**(1,237)**
Net fee income	**1,606**	**693**	**162**	**162**	**2,623**

[1] *Deposits balances under 'Other' segment mainly related to consolidated elimination of Negotiable Certificates of Deposit ('NCDs') issued by Hang Seng Bank (China) Limited to Hang Seng Bank Limited.*

[2] *Customer deposits balances include current, savings and other deposits accounts, certificates of deposit and other debt securities in issue.*

Figures in HK$m	*Wealth and Personal Banking*	*Commercial Banking*	*Global Banking and Markets*	*Other* [2]	*Total*
Half-year ended 30 June 2021 (Re-presented) [1]					
Net interest income/(expense)	6,531	3,495	2,029	(172)	11,883
Net fee income	2,545	859	175	130	3,709
Net income/(loss) from financial instruments measured at fair value through profit or loss	2,051	188	414	32	2,685
Gains less losses from financial investments	57	4	87	–	148
Dividend income	–	–	–	5	5
Net insurance premium income	5,994	804	–	–	6,798
Other operating income/(loss)	274	12	–	119	405
Total operating income/(loss)	17,452	5,362	2,705	114	25,633
Net insurance claims and benefits paid and movement in liabilities to policyholders	(7,557)	(750)	–	–	(8,307)
Net operating income/(loss) before change in expected credit losses and other credit impairment charges	9,895	4,612	2,705	114	17,326
of which: - external	*9,062*	*4,784*	*3,411*	*69*	*17,326*
- inter-segment	*833*	*(172)*	*(706)*	*45*	*–*
Change in expected credit losses and other credit impairment charges	(226)	(188)	75	–	(339)
Net operating income/(loss)	9,669	4,424	2,780	114	16,987
Operating expenses [4]	(4,128)	(1,644)	(603)	(379)	(6,754)
Impairment loss on intangible assets	–	–	–	(10)	(10)
Operating profit/(loss)	5,541	2,780	2,177	(275)	10,223
Net surplus/(deficit) on property revaluation	–	–	–	39	39
Share of profits/(losses) of associates	36	–	–	–	36
Profit/(loss) before tax	5,577	2,780	2,177	(236)	10,298
Share of profit/(loss) before tax	54.2%	27.0%	21.1%	(2.3)%	100.0%
[4] Depreciation/amortisation included in operating expenses	(410)	(6)	(2)	(822)	(1,240)
At 31 December 2021					
Gross loans and advances to customers	375,095	402,067	227,163	–	1,004,325
Customer deposits [3]	874,709	334,003	143,964	(13,876)	1,338,800
Interest in associates	2,341	–	–	–	2,341
Half-year ended 30 June 2021					
Net fee income by segment					
- securities broking and related services	1,110	99	16	–	1,225
- retail investment funds	885	18	–	–	903
- insurance	176	49	39	–	264
- account services	119	62	4	–	185
- remittances	28	83	17	–	128
- cards	1,239	11	–	–	1,250
- credit facilities	9	313	107	–	429
- imports/exports	–	170	13	–	183
- other	107	66	27	126	326
Fee income	3,673	871	223	126	4,893
Fee expense	(1,128)	(12)	(48)	4	(1,184)
Net fee income	2,545	859	175	130	3,709

[1] Additional information on external / inter-segment of net operating income before change in expected credit losses and other credit impairment charges has been included. Comparative figures have been re-presented to conform with current period's presentation.

[2] Deposits balances under 'Other' segment mainly related to consolidated elimination of NCDs issued by Hang Seng Bank (China) Limited to Hang Seng Bank Limited.

[3] Customer deposits balances include current, savings and other deposits accounts, certificates of deposit and other debt securities in issue.

Wealth and Personal Banking ('WPB') recorded a 25% year-on-year decrease in net operating income before change in ECL and other credit impairment charges to HK$7,378m. Operating profit dropped by 54% to HK$2,556m compared with the same period last year. Profit before tax decreased by 55% to HK$2,521m.

Net operating income before change in ECL and other credit impairment charges fell by HK$2,517m. Of this amount, HK$2,127m, or 85%, was due to the adverse impact of financial market movements on life insurance manufacturing and increases in interest rates. Rising interest rates are generally considered favourable for insurance business as they make insurance products more attractive to customers by improving future reinvestment yields. However, interest rate increases also lead to higher discount rates being used to determine the present value of profits on in-force insurance business.

In spite of these challenges, however, we continued to make good progress with growing our insurance business. We grew net insurance premium income by 78%, driven by the favourable response of customers to our new insurance products, which offer both short-term and long-term protection together with wealth accumulation.

The fifth wave of the pandemic during 1H 2022 resulted in disruptions to our operating hours and business activities, as well as the temporary closure of parts of our branch network. Amid the challenging conditions, we continued to invest in innovations, advance our strategic imperatives and undertake robust actions to grow our business. These actions facilitated our efforts to capture growth in strategic customer segments, further enhance our digital services proposition and uphold our commitment to sustainability.

Growth in our strategic customer segments further strengthened our robust foundation for the long-term expansion of our business. Supported by enhanced customer propositions and journeys, we achieved an 18% increase in our Signature customer base and grew our Prestige and Preferred Banking customer base by 9%. With the launch of our new 'Trial Mode' campaign, we grew the young segment of our Preferred Banking customer base by 12% year-on-year. Deeper relationships with customers fueled balance sheet growth, with deposits increasing by 2% compared with the end of 2021. This expansion of the deposits base will help strengthen our position for business growth amid rising interest rates. In preparation for increased activity with the re-opening of the Hong Kong-mainland boundary, we opened our first cross-boundary Wealth Management Centre in Sheung Shui in May 2022. We plan to open more Centres next year.

Wealth management income was down year-on-year, reflecting unfavourable macro-economic and investment conditions. Nevertheless, we made good progress on a number of fronts. In insurance, we maintained our market position for annualised new premiums in the first quarter. Supported by a 241% year-on-year increase in digital insurance policies sales, we achieved the leading market position for digital insurance. Our Olive Wellness App registered a 127% increase in active users year-on-year. With investors becoming more cautious amid the market downturn, our investment services income dropped year-on-year. However, more activities were recorded in basic investment products such as bonds and FX-linked investments, with turnover growing by 40% and 24% respectively year-on-year.

Our wholly-owned subsidiary, Hang Seng Investment Management Limited ('HSVM'), was selected to manage The Tracker Fund of Hong Kong. This appointment further strengthens our leadership in the local asset management market.

Digital transformation remains a core part of our strategy. In 1H 2022, we successfully delivered over 230 new digital innovations and enhancements. These include Hong Kong's first mobile cheque deposit service and, riding on our Green Moments campaign, our first non-fungible token ('NFT'), which we developed in partnership with local artists. On the wealth management front, we were the first bank in Hong Kong to introduce US equity-linked investments on both mobile and online banking platforms. Other new and enhanced mobile-based services include a securities profit and loss tracking service and an enhanced fund search function that allows customers to search by themes such as ESG. We also equipped all our Prestige Relation Managers with 'Prestige RM Connect', which enables them to engage customers through Zoom, WhatsApp and WeChat, and introduced a new Relationship Management platform that uses Microsoft-Dynamics technology. Supported by all these innovations and enhancements, we recorded an 11% year-on-year increase in the monthly average number of mobile banking users and our digital transaction count for deposits and loans rose by 83%.

In January 2022, we introduced Hazel, Hong Kong's first digital Key Opinion Leader ('KOL') in the banking sector. In addition to launching our NFTs, we also entered into partnership with Regal Hotels Group in Sandbox to develop a new form of engagement with our customers in the Metaverse.

In February this year, HSVM launched the first ESG exchange-traded fund listed on Hong Kong Exchanges and Clearing Limited. In June this year, we launched our first 'Green Moments' campaign to promote a range of new and existing products, including green mortgages, electric car loans, ESG-themed investment products and special credit card offers. This ongoing initiative is strengthening our efforts to support customers in the transition to the low-carbon economy.

Commercial Banking ('CMB') recorded a 4% year-on-year decrease in net operating income before change in ECL and other credit impairment charges to HK$4,440m. Operating profit and profit before tax both dropped by 54% to HK$1,281m.

The operating environment remained challenging, with business activities hindered by lockdown measures imposed locally and in major mainland cities under new waves of the Covid-19 pandemic. Net interest income rose by 2%, supported mainly by strong growth of 27% in the average trade loan balance and 4% growth in the average deposits balance.

We achieved good growth in insurance sales, as well as in foreign exchange-related and remittance income, through the launch of new products and marketing campaigns. However, this growth was offset by the drop in investment services income due to the unfavourable equity market conditions. Developments in the mainland commercial real estate market adversely affected syndicated loan fee income, while trade fee income was dragged down by cross-boundary logistics disruptions. Overall, non-interest income was down by 23%.

In response to developments in the mainland commercial real estate market, adjustments were made to our ECL and other credit provisions. We remain vigilant and will continue to actively manage our credit risk to keep our asset quality healthy.

We are committed to providing customer-centric and innovative digital services to enhance customer experiences. Our ground-breaking new mobile cheque deposit service enables customers to deposit cheques via their mobile phone anytime, anywhere. We uplifted the online application process for business loans to offer customers an approval-in-principal in just three minutes and introduced an e-Sign function for loan documents. We upgraded our trade finance platform to enable greater digitalisation of our trade services, including the introduction of digital receivables finance to simplify applications.

We stepped up actions to help customers to capture good business opportunities. To assist our customers in embracing the opportunities presented by the Government's Consumption Voucher Scheme, we enhanced our SME Easy Collection Solution to allow for payment collection through online payment links and online shops, on top of using QR codes. The rollout of our Virtual Card service allows customers to conduct each payment transaction with a unique card number for easier reconciliation and safer online transactions.

We continue to expand our ESG-related services franchise. Our newly launched Green Deposits, which offers a fixed interest rate to customers, also acts as a funding source to support green and sustainability-linked lending by the Bank. Our green and sustainability-linked loan approvals in Hong Kong increased by 75% year-on-year.

Driven by our best-in-class on-boarding journey, the acquisition of quality customers increased by 72% in June 2022 compared with the average monthly in-take in the previous year, which has helped to expand our foundation for long-term sustainable deposits growth.

To meet the increasing demand for credit facilities in the GBA, we launched Credit Link to enable swift and flexible cross-boundary credit limit reallocation within a customer group. Our efforts to make it easier for customers to act quickly on good cross-boundary opportunities were recognised with a 'China Greater Bay Area Banking – Commercial Banking' award in *Bloomberg Businessweek*'s Financial Institution Awards.

Our dedication to providing innovative digital solutions for customers won us 'Best Payment and Collection Solution' and 'Best in Treasury and Working Capital for SMEs' awards from *The Asset* during 1H 2022.

Global Banking and Markets ('GBM') recorded a 5% year-on-year increase in net operating income before change in ECL and other credit impairment charges to HK$2,836m and a 17% decrease in both operating profit and profit before tax to HK$1,815m.

Global Banking ('GB') reported a 1% year-on-year growth in net operating income before change in ECL and other credit impairment charges to HK$1,381m. In line with our prudent and proactive risk management strategy, we increased ECL provisions on a few currently unimpaired credit exposures to clients in the mainland commercial real estate market. As a result, operating profit and profit before tax both dropped by 41% to HK$675m. However, operating profit and profit before tax both grew by 455% when compared with 2H 2021.

Net interest income grew by 2% year-on-year to HK$1,177m. Despite the challenging operating environment in 1H 2022, we were able to diversify our lending portfolio through successful efforts to build relationships in the non-commercial real estate sector and certain 'new economy' sectors, resulting in robust growth of 7% in the average loan balance. This helped drive an 8% rise in loan interest income to HK$1,033m. Reflecting our commitment to supporting customers in their transition to the low-carbon economy, we continued to make good strides in growing our sustainability-linked loans and enhanced finance products with green features. In 1H 2022, GB's newly approved green and sustainability-linked loans recorded a four-fold year-on-year increment to HK$10.7bn in Hong Kong. In addition to sustainability-linked loans, we successfully launched a Green Deposit service as a new initiative for clients interested in increasing their use of sustainability-linked banking services.

Our success in delivering innovative, digital and automated industry-specific cash management solutions to clients across a wide range of industries drove year-on-year growth of 9% in total deposits. As customers benefited from the speed and convenience of the Bank's award-winning cash management solutions, more clients used our digital channels to manage their banking transactions, particularly our API solutions which are tailored to the specific industry needs of our customers. One notable example was GB winning a virtual account mandate from a non-bank financial institution client, through which the Bank can better serve the securities industry. Our work with customers to provide best-in-class payment and collection solutions won us a 'Best Payment and Collection Solution' award from *The Asset* during 1H 2022.

Leveraging our strong customer relationships, we further developed and diversified our non-fund income sources of revenue, in particular through our Debt Capital Markets origination team, which completed the origination of several deals in 1H 2022. We also offered another new lending instrument for customers by managing and holding bonds issued by customers. Our newly established Bond Management team completed its first breakthrough deal in May. Non-interest income dropped by 3% to HK$204m, reflecting the effects of the economic slowdown.

Global Markets ('GM') reported an 8% year-on-year increase in net operating income before change in ECL and other credit impairment charges to HK$1,455m. Operating profit and profit before tax both increased by 11% to HK$1,140m.

Net interest income increased by 12% to HK$981m. The Markets Treasury team managed to defend the interest margin and investment yield by exploring market opportunities, and actively managing and diversifying our portfolio, while upholding prudent risk management standards.

Non-interest income increased by 2% to HK$474m.

Net operating income before change in ECL and other credit impairment charges of Markets (Sales and Trading) achieved strong year-on-year growth of 30%. We recorded a 6% year-on-year increase in customers' foreign exchange revenue, due partly to strengthened cross-business collaboration. GM continued with initiatives to deepen the penetration of its products among Bank customers through close collaboration with the WPB, CMB and GB teams. In Trading, we captured good opportunities under the volatile foreign exchange markets, and revenue from foreign exchange and option trading recorded significant growth as compared with last year.

We supported the development of the green and social bond secondary market by accepting ESG bonds as collateral for securities financing. We continued to expand our Repo business, and actively participated in the People's Bank of China Bills Repo market in Hong Kong to support the further development of the offshore RMB market and the internationalisation of the RMB.

We also enriched the product suite by extending US equity-linked investments to more structured products and enhanced our service capabilities by implementing new fintech and digital solutions to support business growth.

Figures in HK$m	***Half-year ended 30 June 2022***	*2021*
Interest income calculated using effective interest method	**15,039**	13,945
Interest income – others	**340**	229
Interest income	**15,379**	14,174
Interest expense	**(3,023)**	(2,291)
Net interest income	**12,356**	11,883
Fee income	**3,860**	4,893
Fee expense	**(1,237)**	(1,184)
Net fee income	**2,623**	3,709
Net income/(loss) from financial instruments measured at fair value through profit or loss	**(1,070)**	2,685
Gains less losses from financial investments	**34**	148
Dividend income	**25**	5
Net insurance premium income	**12,008**	6,798
Other operating income	**1,558**	405
Total operating income	**27,534**	25,633
Net insurance claims and benefits paid and movement in liabilities to policyholders	**(12,590)**	(8,307)
Net operating income before change in expected credit losses and other credit impairment charges	**14,944**	17,326
Change in expected credit losses and other credit impairment charges	**(2,096)**	(339)
Net operating income	**12,848**	16,987
Employee compensation and benefits	**(3,216)**	(3,165)
General and administrative expenses	**(2,766)**	(2,349)
Depreciation expenses	**(1,009)**	(1,030)
Amortisation of intangible assets	**(322)**	(210)
Operating expenses	**(7,313)**	(6,754)
Impairment loss on intangible assets	**(2)**	(10)
Operating profit	**5,533**	10,223
Net surplus/(deficit) on property revaluation	**(59)**	39
Share of profits/(losses) of associates	**(35)**	36
Profit before tax	**5,439**	10,298
Tax expense	**(743)**	(1,537)
Profit for the period	**4,696**	8,761
Profit attributable to:		
Shareholders of the Bank	**4,704**	8,767
Non-controlling interests	**(8)**	(6)
Earnings per share – basic and diluted (in HK$)	**2.31**	4.44

Details of dividends payable to shareholders of the Bank attributable to the profit for the period are set out on page 35.

Figures in HK$m	***Half-year ended 30 June*** ***2022***	*2021*
Profit for the period	**4,696**	8,761
Other comprehensive income		
Items that will be reclassified subsequently to the Condensed Consolidated Income Statement when specific conditions are met:		
Debt instruments at fair value through other comprehensive income (‘FVOCI’):		
- fair value losses taken to equity	**(1,595)**	(729)
- fair value losses/(gains) transferred to Condensed Consolidated Income Statement:		
-- on hedged items	**362**	491
-- on disposal	**(42)**	(87)
- release of expected credit losses recognised in the Condensed Consolidated Income statement	**(1)**	–
- deferred taxes	**178**	6
- exchange difference	**230**	254
Cash flow hedge reserve:		
- fair value gains taken to equity	**2,477**	1,519
- fair value gains transferred to Condensed Consolidated Income statement	**(3,188)**	(1,625)
- deferred taxes	**117**	18
Exchange differences on translation of:		
- financial statements of overseas branches, subsidiaries and associates	**(737)**	198
Items that will not be reclassified subsequently to the Condensed Consolidated Income Statement:		
Change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk:		
- fair value gains taken to equity	**2**	–
Equity instrument designated at fair value through other comprehensive income:		
- fair value gains/(losses) taken to equity	**773**	(1,427)
- exchange difference	**(221)**	88
Premises:		
- unrealised surplus on revaluation of premises	**319**	648
- deferred taxes	**(54)**	(109)
- exchange difference	**(14)**	4
Defined benefit plans:		
- actuarial (losses)/gains on defined benefit plans	**(98)**	369
- deferred taxes	**16**	(61)
Exchange difference and others	**(4)**	(4)
Other comprehensive income for the period, net of tax	**(1,480)**	(447)
Total comprehensive income for the period	**3,216**	8,314
Total comprehensive income for the period attributable to:		
- shareholders of the Bank	**3,224**	8,320
- non-controlling interests	**(8)**	(6)
	3,216	8,314

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
ASSETS		
Cash and balances at central banks	**10,878**	16,896
Trading assets	**45,880**	47,433
Derivative financial instruments	**19,697**	13,224
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	**28,009**	31,326
Reverse repurchase agreements – non-trading	**21,906**	18,821
Placings with and advances to banks	**69,983**	72,493
Loans and advances to customers	**983,218**	997,397
Financial investments	**551,478**	500,386
Interest in associates	**2,263**	2,341
Investment properties	**10,046**	9,545
Premises, plant and equipment	**30,002**	31,205
Intangible assets	**27,198**	25,486
Other assets	**46,356**	53,632
Total assets	**1,846,914**	1,820,185
LIABILITIES AND EQUITY		
Liabilities		
Deposits from banks	**4,395**	5,333
Current, savings and other deposit accounts	**1,228,848**	1,230,216
Repurchase agreements – non-trading	**8,758**	16,592
Trading liabilities	**40,094**	44,291
Derivative financial instruments	**15,889**	12,252
Financial liabilities designated at fair value	**33,731**	27,399
Certificates of deposit and other debt securities in issue	**95,788**	81,567
Other liabilities	**38,079**	31,179
Liabilities under insurance contracts	**163,311**	154,551
Current tax liabilities	**744**	603
Deferred tax liabilities	**7,211**	7,302
Subordinated liabilities	**27,496**	24,484
Total liabilities	**1,664,344**	1,635,769
Equity		
Share capital	**9,658**	9,658
Retained profits	**139,936**	140,100
Other equity instruments	**11,744**	11,744
Other reserves	**21,158**	22,830
Total shareholders' equity	**182,496**	184,332
Non-controlling interests	**74**	84
Total equity	**182,570**	184,416
Total equity and liabilities	**1,846,914**	1,820,185

For the half-year ended 30 June 2022

				Other Reserves							
Figures in HK$m	**Share capital**	**Other equity instrument**	**Retained profits[1]**	**Premises revaluation reserve**	**Financial assets at FVOCI reserve**	**Cash flow hedge reserve**	**Foreign exchange reserve**	**Others[2]**	**Total shareholders' equity**	**Non-controlling interests**	**Total equity**
At 1 January 2022	**9,658**	**11,744**	**140,100**	**18,428**	**2,499**	**46**	**1,180**	**677**	**184,332**	**84**	**184,416**
Profit for the period	–	–	**4,704**	–	–	–	–	–	**4,704**	**(8)**	**4,696**
Other comprehensive income (net of tax)	–	–	**(86)**	**251**	**(316)**	**(594)**	**(737)**	**2**	**(1,480)**	–	**(1,480)**
Debt instruments at fair value through other comprehensive income	–	–	–	–	**(868)**	–	–	–	**(868)**	–	**(868)**
Equity instruments designated at fair value through other comprehensive income	–	–	–	–	**552**	–	–	–	**552**	–	**552**
Cash flow hedges	–	–	–	–	–	**(594)**	–	–	**(594)**	–	**(594)**
Change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	–	–	–	–	–	–	–	**2**	**2**	–	**2**
Property revaluation	–	–	–	**251**	–	–	–	–	**251**	–	**251**
Actuarial losses on defined benefit plans	–	–	**(82)**	–	–	–	–	–	**(82)**	–	**(82)**
Exchange differences and others	–	–	**(4)**	–	–	–	**(737)**	–	**(741)**	–	**(741)**
Total comprehensive income for the period	–	–	**4,618**	**251**	**(316)**	**(594)**	**(737)**	**2**	**3,224**	**(8)**	**3,216**
Dividends paid[3]	–	–	**(4,779)**	–	–	–	–	–	**(4,779)**	–	**(4,779)**
Coupons paid on AT1 capital instruments	–	–	**(283)**	–	–	–	–	–	**(283)**	–	**(283)**
Movement in respect of share-based payment arrangements	–	–	**(1)**	–	–	–	–	**3**	**2**	–	**2**
Others	–	–	–	–	–	–	–	–	–	**(2)**	**(2)**
Transfers[4]	–	–	**281**	**(326)**	**45**	–	–	–	–	–	–
At 30 June 2022	**9,658**	**11,744**	**139,936**	**18,353**	**2,228**	**(548)**	**443**	**682**	**182,496**	**74**	**182,570**

[1] Retained profits are the cumulative net earnings of the Group that have not been paid out as dividends, but retained to be reinvested in the business. To satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes, the Group has earmarked a 'regulatory reserve' from retained profits. Movements in the reserve are made directly through retained earnings. As at 30 June 2022, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Group to shareholders by HK$1,130m (31 December 2021: HK$441m).

[2] Other reserves comprise share-based payment reserve and own credit risk reserve. The share-based payment reserve is used to record the amount relating to share awards and options granted to employees of the Group by the ultimate holding company. The own credit risk reserve is for the change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk.

[3] Dividends paid represented the payment of fourth interim dividend of 2021 and the first interim dividends of 2022 amounted to HK$3,441m and HK$1,338m respectively.

[4] This includes transfers from the premises revaluation reserve to retained earnings in relation to depreciation of revalued properties, and from financial assets at FVOCI reserve to retained earnings in relation to the disposal loss of equity investments at FVOCI.

For the half-year ended 30 June 2021

Figures in HK$m	**Share capital**	**Other equity instruments**	**Retained profits**	**Other Reserves: Premises revaluation reserve**	**Other Reserves: Financial assets at FVOCI reserve**	**Other Reserves: Cash flow hedge reserve**	**Other Reserves: Foreign exchange reserve**	**Other Reserves: Others**	**Total shareholders' equity**	**Non-controlling interests**	**Total equity**
At 1 January 2021	9,658	11,744	137,580	17,960	4,557	260	658	683	183,100	95	183,195
Profit for the period	–	–	8,767	–	–	–	–	–	8,767	(6)	8,761
Other comprehensive income (net of tax)	–	–	304	543	(1,404)	(88)	198	–	(447)	–	(447)
Debt instruments at fair value through other comprehensive income	–	–	–	–	(65)	–	–	–	(65)	–	(65)
Equity instruments designated at fair value through other comprehensive income	–	–	–	–	(1,339)	–	–	–	(1,339)	–	(1,339)
Cash flow hedges	–	–	–	–	–	(88)	–	–	(88)	–	(88)
Change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	–	–	–	–	–	–	–	–	–	–	–
Property revaluation	–	–	–	543	–	–	–	–	543	–	543
Actuarial gains on defined benefit plans	–	–	308	–	–	–	–	–	308	–	308
Exchange differences and others	–	–	(4)	–	–	–	198	–	194	–	194
Total comprehensive income for the period	–	–	9,071	543	(1,404)	(88)	198	–	8,320	(6)	8,314
Dividends paid	–	–	(7,456)	–	–	–	–	–	(7,456)	–	(7,456)
Coupons paid on AT1 capital instruments	–	–	(280)	–	–	–	–	–	(280)	–	(280)
Movement in respect of share-based payment arrangements	–	–	(3)	–	–	–	–	(4)	(7)	–	(7)
Others	–	–	–	–	–	–	–	–	–	1	1
Transfers	–	–	310	(310)	–	–	–	–	–	–	–
At 30 June 2021	9,658	11,744	139,222	18,193	3,153	172	856	679	183,677	90	183,767

For the half-year ended 31 December 2021

Figures in HK$m	Share capital	Other equity instrument	Retained profits	Other Reserves: Premises revaluation reserve	Other Reserves: Financial assets at FVOCI reserve	Other Reserves: Cash flow hedge reserve	Other Reserves: Foreign exchange reserve	Other Reserves: Others	Total shareholders' equity	Non-controlling interests	Total equity
At 1 July 2021	9,658	11,744	139,222	18,193	3,153	172	856	679	183,677	90	183,767
Profit for the period	–	–	5,193	–	–	–	–	–	5,193	(8)	5,185
Other comprehensive income (net of tax)	–	–	(13)	556	(654)	(126)	324	3	90	–	90
Debt instruments at fair value through other comprehensive income	–	–	–	–	(205)	–	–	–	(205)	–	(205)
Equity instruments designated at fair value through other comprehensive income	–	–	–	–	(449)	–	–	–	(449)	–	(449)
Cash flow hedges	–	–	–	–	–	(126)	–	–	(126)	–	(126)
Change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	–	–	–	–	–	–	–	3	3	–	3
Property revaluation	–	–	–	556	–	–	–	–	556	–	556
Actuarial losses on defined benefit plans	–	–	(14)	–	–	–	–	–	(14)	–	(14)
Exchange differences and others	–	–	1	–	–	–	324	–	325	–	325
Total comprehensive income for the period	–	–	5,180	556	(654)	(126)	324	3	5,283	(8)	5,275
Dividends paid	–	–	(4,206)	–	–	–	–	–	(4,206)	–	(4,206)
Coupons paid on AT1 capital instruments	–	–	(423)	–	–	–	–	–	(423)	–	(423)
Movement in respect of share-based payment arrangements	–	–	6	–	–	–	–	(5)	1	–	1
Others	–	–	–	–	–	–	–	–	–	2	2
Transfers	–	–	321	(321)	–	–	–	–	–	–	–
At 31 December 2021	9,658	11,744	140,100	18,428	2,499	46	1,180	677	184,332	84	184,416

Net interest income

Figures in HK$m	***Half-year ended 30 June 2022***	*Half-year ended 30 June 2021*
Net interest income/(expense) arising from:		
- financial assets and liabilities that are not at fair value through profit or loss	**12,823**	12,343
- trading assets and liabilities	**65**	57
- financial instruments designated and otherwise mandatorily measured at fair value through profit or loss	**(532)**	(517)
	12,356	11,883
Average interest-earning assets	**1,637,980**	1,587,529
Net interest spread	**1.42%**	1.43%
Net interest margin	**1.52%**	1.51%

The HSBC Group reports interest income and interest expense arising from financial assets and financial liabilities held for trading and income arising from financial instruments designated at fair value through profit or loss as 'Net income/(loss) from financial instruments measured at fair value through profit or loss' (other than for debt securities in issue and subordinated liabilities, together with derivatives managed in conjunction with them).

The table below presents the net interest income of Hang Seng Bank, as included in the HSBC Group accounts:

Figures in HK$m	***Half-year ended 30 June 2022***	*Half-year ended 30 June 2021*
Net interest income and expense reported as 'Net interest income'		
- Interest income	**15,039**	13,945
- Interest expense	**(2,216)**	(1,606)
- Net interest income	**12,823**	12,339
Net interest income and expense reported as 'Net income from financial instruments measured at fair value through profit or loss'	**(467)**	(456)
Average interest-earning assets	**1,591,737**	1,550,173
Net interest spread	**1.54%**	1.54%
Net interest margin	**1.62%**	1.61%

Net fee income

Figures in HK$m	***Half-year ended 30 June 2022***	*Half-year ended 30 June 2021*
- securities broking and related services	**758**	1,225
- retail investment funds	**537**	903
- insurance	**251**	264
- account services	**194**	185
- remittances	**135**	128
- cards	**1,181**	1,250
- credit facilities	**289**	429
- imports/exports	**196**	183
- other	**319**	326
Fee income	**3,860**	4,893
Fee expense	**(1,237)**	(1,184)
	2,623	3,709

Net income/(loss) from financial instruments measured at fair value through profit or loss

Figures in HK$m	***Half-year ended 30 June 2022***	*Half-year ended 30 June 2021*
Net trading income		
- trading income	**1,136**	919
- other trading expense from ineffective fair value hedges	**(12)**	(5)
	1,124	914
Net income/(expenses) from financial instruments designated at fair value through profit or loss	**(298)**	(50)
Net income/(expenses) from assets and liabilities of insurance businesses measured at fair value through profit or loss		
- financial assets held to meet liabilities under insurance and investment contracts	**(1,916)**	1,834
- liabilities to customers under investment contracts	**7**	(13)
	(1,909)	1,821
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	**13**	–
	(1,070)	2,685

Other operating income

Figures in HK$m	***Half-year ended 30 June 2022***	*Half-year ended 30 June 2021*
Rental income from investment properties	**132**	132
Movement in present value of in-force long-term insurance business	**1,335**	131
Net gains/(losses) from disposal of fixed assets	**(3)**	(10)
Net gains/(losses) from the derecognition of loans and advances to customers measured at amortised cost	**1**	6
Others	**93**	146
	1,558	405

Analysis of income from wealth management business

Figures in HK$m	***Half-year ended 30 June 2022***	*Half-year ended 30 June 2021*
Investment services income[1]:		
- retail investment funds	**527**	897
- structured investment products	**231**	241
- securities broking and related services	**745**	1,205
- margin trading and others	**32**	38
	1,535	2,381
Insurance income:		
- life insurance:		
- net interest income	**2,135**	2,111
- non-interest income/(expense)	**(49)**	4
- investment returns on life insurance funds (including share of associate's profits/(losses), net surplus/(deficit) on property revaluation backing insurance contracts and change in expected credit losses and other credit impairment charges)	**(2,124)**	1,814
- net insurance premium income	**12,008**	6,798
- net insurance claims and benefits paid and movement in liabilities to policyholders	**(12,590)**	(8,307)
claims, benefits and surrenders paid/payable	***(5,608)***	*(5,528)*
movement in liabilities to policyholders	***(6,982)***	*(2,779)*
- movement in present value of in-force long-term insurance business	**1,335**	131
	715	2,551
- general insurance and others	**135**	158
	850	2,709
	2,385	5,090
Of which: Market impacts	**(2,074)**	158

[1] Income from retail investment funds and securities broking and related services are net of fee expenses. Income from structured investment products includes income reported under net fee income on the sales of third-party structured investment products. It also includes profits generated from the selling of structured investment products in issue, reported under net income/(loss) from financial instruments measured at fair value through profit or loss.

Analysis of income from wealth management business *(continued)*

Wealth management business income decreased by HK$2,705m, or 53%, to HK$2,385m, mainly due to the net adverse movements in market impacts in life insurance manufacturing, reflecting unfavourable movement in equity markets and discounting impact on PVIF. Investment distribution revenue fell as muted customer sentiment led to lower activity in equity markets when compared with a relatively strong 1H 2021.

Total investment services income fell by HK$846m, or 36%, to HK$1,535m, notably in retail investment funds and securities broking and related services.

Income from insurance business (included under **'net interest income'**, **'net fee income'**, **'net income/(loss) from financial instruments measured at fair value through profit or loss'**, **'net insurance premium income'**, **'movement in present value of in-force long-term insurance business'** and **'others'** within **'other operating income'**, **'share of profits/(losses) of associates'** and after deducting **'net insurance claims and benefits paid and movement in liabilities to policyholders'** and **'change in expected credit losses and other credit impairment charges'**) decreased by HK$1,859m, or 69%, to HK$850m. This has included the market impacts with a loss of HK$2,074m compared with a gain of HK$158m in 1H 2021.

Net insurance premium income increased by HK$5,210m, or 77%, to HK$12,008m, contributed from overwhelming sales of our new whole life product (combining the feature of asset accumulation with enhanced guaranteed cash value, legacy planning and whole-life protection in one single product), especially single pay payment mode, in the high net worth customer segment. Correspondingly, there was also an increase in 'Net insurance claims and benefits paid and movement in liabilities to policyholders'.

The market impact represents the total profit or loss impact on deviations of economic parameters (e.g. yield curve movement and investment return) at the start of the year or against the valuation assumptions, in coming up the income from insurance business. The deterioration in market impact was mainly due to the net effect of unfavourable discounting impact from interest rate increase in valuation of present value of in-force, coupled with the unfavourable investment performance in 1H 2022; as compared with the market impacts dominated by favourable investment performance in 1H 2021. In general, if the high interest rate is sustained, it should be beneficial to life insurance business in long run.

To the extent that the investment returns were attributable to policyholders, there was an offsetting effect in 'net insurance claims and benefits paid and movement in liabilities to policyholders' and 'movement in PVIF' under 'other operating income'.

The movement in PVIF in 1H 22 increased by HK$1,204m to HK$1,335m, reflecting the combined effect of several factors. Positive adjustment to PVIF to account for the sharing of unfavourable investment returns attributable to policyholders and actuarial assumption change impact mainly related to a gain of HK$645m from the pricing update for policyholder funds held on deposit with us to reflect the cost of the provision of these services. This was partially offset by the unfavourable discounting impact of interest rate rises in the valuation of PVIF.

General insurance income and others decreased by HK$23m, or 15%, to HK$135m compared with 1H 2021, mainly due to lower MPF commission income arising from the unfavourable fund performance, which aligned with major equities index movements in the markets.

Change in expected credit losses and other credit impairment charges

Figures in HK$m	***Half-year ended 30 June 2022***	*Half-year ended 30 June 2021*
Loans and advances to banks and customers	**2,170**	319
- new allowances net of allowance releases	**2,059**	372
- recoveries of amounts previously written off	**(49)**	(78)
- other movements	**160**	25
Loan commitments and guarantees	**(78)**	(84)
Other financial assets	**4**	104
	2,096	339

Operating expenses

Figures in HK$m	***Half-year ended 30 June 2022***	*Half-year ended 30 June 2021*
Employee compensation and benefits:		
- salaries and other costs	**2,964**	2,917
- retirement benefit costs	**252**	248
	3,216	3,165
General and administrative expenses:		
- rental expenses	**12**	6
- other premises and equipment	**964**	856
- marketing and advertising expenses	**195**	131
- other operating expenses	**1,595**	1,356
	2,766	2,349
Depreciation of premises, plant and equipment[1]	**1,009**	1,030
Amortisation of intangible assets	**322**	210
	7,313	6,754
Cost efficiency ratio	**48.9%**	39.0%

Full-time equivalent staff numbers by region	***At 30 June 2022***	*At 30 June 2021*
Hong Kong and others	**7,457**	8,028
Mainland	**1,666**	1,676
	9,123	9,704

[1] *Included depreciation of right-of-use assets of HK$264m in the first half of 2022 (first half of 2021: HK$286m).*

Tax expense

Taxation in the Condensed Consolidated Income Statement represents:

Figures in HK$m	***Half-year ended 30 June 2022***	*Half-year ended 30 June 2021*
Current tax – provision for Hong Kong profits tax		
- Tax for the period	**651**	1,406
- Adjustment in respect of prior periods	–	2
Current tax – taxation outside Hong Kong		
- Tax for the period	**118**	45
- Adjustment in respect of prior periods	–	(7)
Deferred tax		
- Origination and reversal of temporary differences	**(26)**	91
	743	1,537

The current tax provision is based on the estimated assessable profit for the first half of 2022, and is determined for the Bank and its subsidiaries operating in Hong Kong SAR by using the Hong Kong profits tax rate of 16.5% (the same as in 2021). For subsidiaries and branches operating in other jurisdictions, the appropriate tax rates prevailing in the relevant countries are used. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Earnings per share – basic and diluted

The calculation of basic and diluted earnings per share for the first half of 2022 is based on earnings of HK$4,421m (HK$8,487m for the first half of 2021), adjusted for the AT1 capital instrument related deductions and on the weighted average number of ordinary shares in issue of 1,911,842,736 shares (unchanged from 2021).

Dividends/Distributions

	Half-year ended 30 June 2022		*Half-year ended 30 June 2021*	
(a) Dividends to ordinary shareholders	***HK$ per share***	***HK$m***	*HK$ per share*	*HK$m*
First interim	**0.70**	**1,338**	1.10	2,103
Second interim	**0.70**	**1,338**	1.10	2,103
	1.40	**2,676**	2.20	4,206
(b) Distributions to holders of AT1 capital instruments classified as equity				
Coupons paid on AT1 capital instruments		**283**		280

Segmental analysis

Hong Kong Financial Reporting Standard 8 requires segmental disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purpose of assessing segmental performance and making decisions about operating matters. To align with the internal reporting information, the Group has presented the following four reportable segments.

- **Wealth and Personal Banking** offers a broad range of products and services to meet the personal banking, consumer lending and wealth management needs of individual customers. Personal banking products typically include current and savings accounts, time deposits, mortgages and personal loans, credit cards, insurance, investment and other wealth management services;
- **Commercial Banking** offers a comprehensive suite of products and services to corporate, commercial and small and medium-sized enterprises ('SME') customers – including corporate lending, trade and receivable finance, payments and cash management, treasury and foreign exchange, general insurance, key-person insurance, investment services and corporate wealth management;
- **Global Banking and Markets** provides tailored financial solutions to major corporate and institutional clients. Undertaking a long-term relationships management approach, its services include general banking, corporate lending, interest rates, foreign exchange, money markets, structured products and derivatives, etc. Global Banking and Markets also manages the funding and liquidity positions of the Bank and other market risk positions arising from banking activities;
- **Other** mainly represents the Bank's holdings of premises, investment properties, equity shares and subordinated debt funding as well as central support and functional costs with associated recoveries.

(a) Segmental result

For the purpose of segmental analysis, the allocation of revenue reflects the benefits of capital and other funding resources allocated to the business segments by way of internal capital allocation and fund transfer-pricing mechanisms. Cost of central support services and functions are allocated to business segments based on cost drivers which reflect or correlate with the use of services. Bank-owned premises apart from outlets dedicated for Wealth and Personal Banking are reported under the 'Other' segment. When these premises are utilised by business segments, notional rent will be charged to the relevant business segments with reference to market rates.

Profit before tax contributed by the business segments is set out in the table below. More business segment analysis and discussion is set out in the 'Segmental analysis' section on page 17.

Figures in HK$m	***Wealth and Personal Banking***	***Commercial Banking***	***Global Banking and Markets***	***Other***	***Total***
Half-year ended 30 June 2022					
Profit/(loss) before tax	**2,521**	**1,281**	**1,815**	**(178)**	**5,439**
Share of profit/(loss) before tax	**46.3%**	**23.6%**	**33.4%**	**(3.3)%**	**100.0%**
Half-year ended 30 June 2021					
Profit/(loss) before tax	5,577	2,780	2,177	(236)	10,298
Share of profit/(loss) before tax	54.2%	27.0%	21.1%	(2.3)%	100.0%

Segmental analysis *(continued)*

(b) Information by geographical region

The geographical regions in this analysis are classified by the location of the principal operations of the subsidiary companies or, in the case of the Bank itself, by the location of the branches responsible for reporting the results or advancing the funds. Consolidation adjustments made in preparing the Group's financial statements upon consolidation are included in the 'Inter-region elimination'.

Figures in HK$m	***Hong Kong***	***Mainland China***	***Others***	***Inter-region elimination***	***Total***
Half-year ended 30 June 2022					
Total operating income/(loss)	**25,814**	**1,612**	**134**	**(26)**	**27,534**
Profit before tax	**5,287**	**61**	**91**	**–**	**5,439**
At 30 June 2022					
Total assets	**1,726,935**	**160,044**	**24,133**	**(64,198)**	**1,846,914**
Total liabilities	**1,552,528**	**143,663**	**22,581**	**(54,428)**	**1,664,344**
Equity	**174,407**	**16,381**	**1,552**	**(9,770)**	**182,570**
Share capital	**9,658**	**10,501**	**–**	**(10,501)**	**9,658**
Interest in associates	**2,263**	**–**	**–**	**–**	**2,263**
Non-current assets[1]	**65,654**	**1,550**	**42**	**–**	**67,246**
Half-year ended 30 June 2021					
Total operating income/(loss)	24,007	1,503	139	(16)	25,633
Profit before tax	9,420	786	92	–	10,298
At 31 December 2021					
Total assets	1,697,609	179,392	22,820	(79,636)	1,820,185
Total liabilities	1,521,858	162,429	21,348	(69,866)	1,635,769
Equity	175,751	16,963	1,472	(9,770)	184,416
Share capital	9,658	10,990	–	(10,990)	9,658
Interest in associates	2,341	–	–	–	2,341
Non-current assets[1]	64,535	1,652	49	–	66,236

[1] *Non-current assets consist of investment properties, premises, plant and equipment, intangible assets and right-of-use assets.*

Trading assets

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Treasury bills	**17,172**	26,004
Other debt securities	**28,665**	21,388
Debt securities	**45,837**	47,392
Investment funds/equity shares	**43**	41
	45,880	47,433

Financial assets designated and otherwise mandatorily measured at fair value through profit or loss

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Debt securities	**10**	18
Equity shares	**5,527**	7,422
Investment funds	**21,559**	22,863
Other	**913**	1,023
	28,009	31,326

Loans and advances to customers

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Gross loans and advances to customers	**991,896**	1,004,325
Less: Allowances for expected credit losses	**(8,678)**	(6,928)
	983,218	997,397
Expected credit losses as a percentage of gross loans and advances to customers	**0.87%**	0.69%
Gross impaired loans and advances	**19,024**	10,429
Gross impaired loans and advances as a percentage of gross loans and advances to customers	**1.92%**	1.04%

Reconciliation of changes in gross carrying/nominal amount and allowances for placings with and advances to banks and loans and advances to customers, including loan commitments and financial guarantees

	Non credit - impaired				Credit - impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI[1]			
Figures in HK$m	Gross carrying/ nominal amount	Allowance(s) for ECL	Gross carrying/ nominal amount	Allowance(s) for ECL	Gross carrying/ nominal amount	Allowance(s) for ECL	Gross carrying/ nominal amount	Allowance(s) for ECL	Gross carrying/ nominal amount	Allowance(s) for ECL
At 1 January 2022	**1,283,759**	**(822)**	**150,116**	**(3,572)**	**9,457**	**(2,700)**	**972**	–	**1,444,304**	**(7,094)**
Transfers of financial instruments:										
- transfers from Stage 1 to Stage 2	**(53,512)**	**115**	**53,512**	**(115)**	–	–	–	–	–	–
- transfers from Stage 2 to Stage 1	**27,208**	**(233)**	**(27,208)**	**233**	–	–	–	–	–	–
- transfers to Stage 3	**(2,116)**	**7**	**(9,777)**	**1,130**	**11,893**	**(1,137)**	–	–	–	–
- transfers from Stage 3	**5**	**(1)**	**18**	**(1)**	**(23)**	**2**	–	–	–	–
Net remeasurement of ECL arising from transfer of stage	–	**86**	–	**(203)**	–	**(17)**	–	–	–	**(134)**
New financial assets originated and purchased [2]	**180,759**	**(118)**	**6,421**	**(178)**	**34**	**(10)**	–	–	**187,214**	**(306)**
Assets derecognised (including final repayments)	**(135,478)**	**27**	**(29,245)**	**158**	**(373)**	**63**	**(764)**	–	**(165,860)**	**248**
Changes to risk parameters – further lending/(repayment)	**(30,887)**	**54**	**(1,482)**	**223**	**(744)**	**7**	**(88)**	–	**(33,201)**	**284**
Changes to risk parameters – credit quality	–	**102**	–	**(499)**	–	**(1,734)**	–	–	–	**(2,131)**
Assets written off	–	–	–	–	**(308)**	**308**	–	–	**(308)**	**308**
Foreign exchange and others	**(6,581)**	**5**	**(782)**	**7**	**(66)**	**32**	–	–	**(7,429)**	**44**
At 30 June 2022	**1,263,157**	**(778)**	**141,573**	**(2,817)**	**19,870**	**(5,186)**	**120**	–	**1,424,720**	**(8,781)**

	Total
ECL in income statement (charge)/release for the period	**(2,039)**
Add: Recoveries	**49**
Add/(less): Others	**(102)**
Total ECL (charge)/release for the period [3]	**(2,092)**

[1] *Purchased or originated credit-impaired ('POCI') represented distressed restructuring.*
[2] *Includes the new financial assets originated and purchased during the period, but subsequently transferred from stage 1 to stage 2 or stage 3 at 30 June 2022.*
[3] *The provision for ECL balance at 30 June 2022 and total ECL charges for the period does not include ECL related to other financial assets measured at amortised cost, debt instruments at FVOCI and performance and other guarantees. The corresponding total ECL balances and ECL charges amount to HK$180m and HK$4m (30 June 2021: HK$278m and HK$104m) respectively.*

Overdue loans and advances to customers

Loans and advances to customers that are more than three months overdue and their expression as a percentage of gross loans and advances to customers are as follows:

	At 30 June 2022		*At 31 December 2021*	
	HK$m	***%***	*HK$m*	*%*
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:				
- more than three months but not more than six months	**2,105**	**0.21**	1,197	0.12
- more than six months but not more than one year	**1,071**	**0.11**	257	0.03
- more than one year	**2,661**	**0.27**	2,217	0.22
	5,837	**0.59**	3,671	0.37

Rescheduled loans and advances to customers

Rescheduled loans and advances to customers and their expression as a percentage of gross loans and advances to customers are as follows:

	At 30 June 2022		*At 31 December 2021*	
	HK$m	***%***	*HK$m*	*%*
Rescheduled loans and advances to customers	**2,571**	**0.26**	2,331	0.23

Rescheduled loans and advances to customers increased by HK$240m to HK$2.6bn when compared with 2021 year-end.

Gross loans and advances to customers by industry sector

The analysis of gross loans and advances to customers by industry sector based on categories and definitions used by the Hong Kong Monetary Authority ('HKMA') is as follows:

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Gross loans and advances to customers for use in Hong Kong		
Industrial, commercial and financial sectors		
Property development	**62,417**	73,939
Property investment	**153,679**	153,957
Financial concerns	**3,176**	1,974
Stockbrokers	**117**	9
Wholesale and retail trade	**27,894**	28,117
Manufacturing	**21,794**	21,851
Transport and transport equipment	**16,111**	16,834
Recreational activities	**755**	837
Information technology	**11,204**	6,868
Other	**95,072**	97,142
	392,219	401,528
Individuals		
Loans and advances for the purchase of flats under the Government Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**38,441**	38,320
Loans and advances for the purchase of other residential properties	**246,011**	242,820
Credit card loans and advances	**26,396**	28,435
Other	**31,121**	31,336
	341,969	340,911
Total gross loans and advances for use in Hong Kong	**734,188**	742,439
Trade finance	**46,455**	41,732
Gross loans and advances for use outside Hong Kong	**211,253**	220,154
Gross loans and advances to customers	**991,896**	1,004,325

Financial investments

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Financial investments measured at fair value through other comprehensive income		
- treasury bills	**215,812**	225,910
- debt securities	**115,804**	127,982
- equity shares	**5,598**	5,267
Debt instruments measured at amortised cost		
- treasury bills	**62,430**	2,300
- debt securities	**151,980**	139,080
Less: Allowances for expected credit losses	**(146)**	(153)
	551,478	500,386
Fair value of debt securities at amortised cost	**201,198**	148,020
Treasury bills	**278,242**	228,210
Certificates of deposit	**2,290**	1,638
Other debt securities	**265,348**	265,271
Debt securities	**545,880**	495,119
Equity shares	**5,598**	5,267
	551,478	500,386

Intangible assets

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Present value of in-force long-term insurance business	**23,698**	22,363
Internally developed/acquired software	**3,171**	2,794
Goodwill	**329**	329
	27,198	25,486

Other assets

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Items in the course of collection from other banks	**4,246**	3,744
Bullion	**7,503**	8,470
Prepayments and accrued income	**4,895**	4,732
Acceptances and endorsements	**12,848**	11,121
Less: Allowances for expected credit losses	**(18)**	(12)
Reinsurers' share of liabilities under insurance contracts	**6,173**	5,848
Settlement accounts	**5,529**	13,711
Cash collateral	**1,973**	2,343
Other accounts	**3,207**	3,675
	46,356	53,632

Other accounts included 'Assets held for sale' of HK$87m (31 December 2021: HK$35m).

Current, savings and other deposit accounts

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Current, savings and other deposit accounts:		
- as stated in Condensed Consolidated Balance Sheet	**1,228,848**	1,230,216
- structured deposits reported as financial liabilities designated as fair value	**30,826**	24,012
	1,259,674	1,254,228
By type:		
- demand and current accounts	**140,795**	150,127
- savings accounts	**828,818**	871,281
- time and other deposits	**290,061**	232,820
	1,259,674	1,254,228

Trading liabilities

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Short positions in securities	**40,094**	44,291

Financial liabilities designated at fair value

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Certificates of deposit in issue	**237**	-
Structured deposits	**30,826**	24,012
Other structured debt securities in issue	**2,318**	3,005
Liabilities to customers under investment contracts	**350**	382
	33,731	27,399

Certificates of deposit and other debt securities in issue

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Certificates of deposit and other debt securities in issue:		
- as stated in Condensed Consolidated Balance Sheet	**95,788**	81,567
- certificates of deposit in issue designated at fair value	**237**	-
- other structured debt securities in issue reported as financial liabilities designated at fair value	**2,318**	3,005
	98,343	84,572
By type:		
- certificates of deposit in issue	**96,025**	81,567
- other debt securities in issue	**2,318**	3,005
	98,343	84,572

Other liabilities

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Items in the course of transmission to other banks	**6,258**	6,102
Accruals	**3,322**	3,762
Acceptances and endorsements	**12,848**	11,121
Retirement benefit liabilities	**464**	339
Settlement accounts	**4,178**	1,874
Cash collateral	**5,091**	2,232
Lease liabilities	**1,648**	1,880
Other	**4,270**	3,869
	38,079	31,179

Shareholders' equity

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Share capital	**9,658**	9,658
Retained profits	**139,936**	140,100
Other equity instruments	**11,744**	11,744
Premises revaluation reserve	**18,353**	18,428
Cash flow hedging reserve	**(548)**	46
Financial assets at fair value through other comprehensive income reserve	**2,228**	2,499
Other reserves	**1,125**	1,857
Total reserves	**172,838**	174,674
Total shareholders' equity	**182,496**	184,332
Annualised return on average ordinary shareholders' equity for the half-year ended	**5.2%**	5.5%

There was no purchase, sale or redemption by the Bank, or any of its subsidiaries, of the Bank's listed securities during the first half of 2022.

Capital management

The following tables show the capital base, risk-weighted assets and capital ratios on a consolidated basis that is specified by the HKMA under the requirements of section 3C(1) of the Banking (Capital) Rules.

The Group uses the advanced internal ratings-based approach ('IRB') to calculate its credit risk for the majority of its non-securitisation exposures. For counterparty credit risk, the Group uses the standardised (counterparty credit risk) approach to calculate its default risk exposures for derivatives. For market risk, the Group uses an internal models approach to calculate its general market risk for the risk categories of interest rate and foreign exchange (including gold) exposures and the standardised (market risk) approach for calculating other market risk positions. For operational risk, the Group uses the standardised (operational risk) approach to calculate its operational risk.

The basis of consolidation for the calculation of capital ratios under the Banking (Capital) Rules follows the basis of consolidation for financial reporting with the exclusion of subsidiaries which are 'regulated financial entities' (e.g. insurance and securities companies) as defined by the Banking (Capital) Rules. The investment cost of these unconsolidated regulated financial entities is deducted from the capital base subject to certain thresholds as determined in accordance with Part 3 of the Banking (Capital) Rules.

Capital management *(continued)*

(a) Capital base

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Common Equity Tier 1 ('CET1') Capital		
Shareholders' equity	**142,625**	144,651
- Shareholders' equity per Condensed Consolidated Balance Sheet	**182,496**	184,332
- Additional Tier 1 ('AT1') perpetual capital instruments	**(11,744)**	(11,744)
- Unconsolidated subsidiaries	**(28,127)**	(27,937)
Non-controlling interests	–	–
- Non-controlling interests per Condensed Consolidated Balance Sheet	**74**	84
- Non-controlling interests in unconsolidated subsidiaries	**(74)**	(84)
Regulatory deductions to CET1 capital	**(28,508)**	(28,052)
- Cash flow hedge reserve	**214**	2
- Changes in own credit risk on fair valued liabilities	**(16)**	(6)
- Property revaluation reserves[1]	**(24,483)**	(24,617)
- Regulatory reserve	**(1,130)**	(441)
- Intangible assets	**(2,678)**	(2,359)
- Defined benefit pension fund assets	–	–
- Deferred tax assets net of deferred tax liabilities	**(260)**	(90)
- Valuation adjustments	**(155)**	(126)
- Excess of total expected loss amount over total eligible provisions under the IRB	–	(415)
Total CET1 Capital	**114,117**	116,599
AT1 Capital		
Total AT1 capital before and after regulatory deductions	**11,744**	11,744
- Perpetual capital instruments	**11,744**	11,744
Total AT1 Capital	**11,744**	11,744
Total Tier 1 ('T1') Capital	**125,861**	128,343
Tier 2 ('T2') Capital		
Total T2 capital before regulatory deductions	**11,491**	11,460
- Property revaluation reserves[1]	**11,017**	11,078
- Impairment allowances and regulatory reserve eligible for inclusion in T2 capital	**474**	382
Regulatory deductions to T2 capital	**(1,045)**	(1,045)
- Significant capital investments in unconsolidated financial sector entities	**(1,045)**	(1,045)
Total T2 Capital	**10,446**	10,415
Total Capital	**136,307**	138,758

[1] *Includes the revaluation surplus on investment properties which is reported as part of retained profits and related adjustments made in accordance with the Banking (Capital) Rules issued by the HKMA.*

Capital management *(continued)*

(b) Risk-weighted assets by risk type

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Credit risk	**703,993**	659,956
Market risk	**20,303**	13,248
Operational risk	**57,171**	60,924
Total	**781,467**	734,128

(c) Capital ratios (as a percentage of risk-weighted assets)

The capital ratios on a consolidated basis calculated in accordance with the Banking (Capital) Rules are as follows:

	At 30 June 2022	*At 31 December 2021*
CET1 capital ratio	**14.6 %**	15.9 %
T1 capital ratio	**16.1 %**	17.5 %
Total capital ratio	**17.4 %**	18.9 %

In addition, the capital ratios of all tiers as of 30 June 2022 would be reduced by approximately 0.2 percentage point after the prospective second interim dividend payment for 2022. The following table shows the pro-forma basis position of the capital ratios after the prospective interim dividend.

	Pro-forma At 30 June 2022	*Pro-forma At 31 December 2021*
CET1 capital ratio	**14.4 %**	15.4 %
T1 capital ratio	**15.9 %**	17.0 %
Total capital ratio	**17.3 %**	18.4 %

(d) Leverage ratio

	At 30 June 2022	*At 31 December 2021*
Leverage ratio	**7.4 %**	7.5 %
T1 capital	**125,861**	128,343
Exposure measure	**1,709,100**	1,704,064

Liquidity information

The Group is required under rule 11(1) of the Banking (Liquidity) Rules to calculate its LCR and NSFR on a consolidated basis. From 1 January 2019, the Group is required to maintain a LCR of not less than 100%. The LCR for the reportable periods are as follows:

	Average LCR for Quarter ended 30 June	*Quarter ended 31 March*
- 2022	**206.8%**	**188.9%**
- 2021	214.4%	204.0%

The LCR as at 30 June 2022 was 228.0% compared with 192.7% at 31 December 2021.

The Group is required to maintain the NSFR of not less than 100% and the NSFR at the reportable quarter-end are as follows:

	Quarter ended 30 June	*Quarter ended 31 March*
- 2022	**155.0%**	**151.3%**
- 2021	146.6%	150.5%

Contingent liabilities, contractual commitments and guarantees

Figures in HK$m	***At 30 June 2022***	*At 31 December 2021*
Contingent liabilities and financial guarantee contracts		
- Financial guarantees	**2,466**	2,431
- Performance and other guarantees	**23,849**	26,439
- Other contingent liabilities	**82**	80
	26,397	28,950
Commitments		
- Documentary credits and short-term trade-related transactions	**2,844**	3,233
- Forward asset purchases and forward forward deposits placed	**12,380**	10,633
- Undrawn formal standby facilities, credit lines and other commitments to lend	**493,185**	501,054
	508,409	514,920

1. Statutory financial statements and accounting policies

The information in this announcement is unaudited and does not constitute statutory financial statements.

Certain financial information in this announcement is extracted from the interim report prepared under Hong Kong Accounting Standard ('HKAS') 34 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA'). The interim report was reviewed by Audit Committee. The Board of Directors of the Bank has approved the interim report on 1 August 2022.

The financial information relating to the year ended 31 December 2021 that is included in this announcement does not constitute the Group's statutory financial statements for that year but is extracted from those financial statements which have been delivered to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and to the HKMA.

The auditor has reported on those statutory financial statements for the year ended 31 December 2021. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying this report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap.622).

Except as described below, the accounting policies and methods of computation adopted by the Group for this announcement are consistent with those described on pages 177 to 191 of the 2021 Annual Report.

Standards applied during the half-year ended 30 June 2022

There were no new standards or amendments to standards that had a material effect on these interim condensed consolidated financial statements.

Use of estimates and judgements

Further information on summary of significant accounting policies, use of estimates and judgements and future accounting developments are set out in the accounting policies of the Group's 2021 Annual Report.

2. Future accounting standard development

The Hong Kong Institute of Certified Public Accountants ('HKICPA') has issued a number of amendments and new standards which are not yet effective for the half-year ended 30 June 2022 and which have not been adopted in the financial statements. Key changes of new standards are summarised as follows:

2. Future accounting standard development (*continued*)

HKFRS 17 'Insurance Contracts'

HKFRS 17 'Insurance Contracts' was issued in January 2018 with amendments to the standard issued in October 2020. The standard sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. Following the amendments, HKFRS 17 is effective from 1 January 2023. The Group is in the process of implementing HKFRS 17. Industry practice and interpretation of the standard is still developing. Therefore, the likely financial impact of its implementation remains uncertain.

However, the estimated impact compared with the Group's current accounting policy for insurance contracts is set out below:

- Under HKFRS 17, there will be no present value of in-force business ('PVIF') asset recognised. Instead the estimated future profit will be included in the measurement of the insurance contract liability as the contractual service margin ('CSM') and this will be gradually recognised in revenue as services are provided over the duration of the insurance contract. While the profit over the life of an individual contract will be unchanged, its emergence will be later under HKFRS 17. The removal of PVIF asset and the recognition of CSM will reduce equity. The PVIF asset will be eliminated to equity on transition, together with other adjustments to assets and liabilities to reflect HKFRS 17 measurement requirements and any consequential amendments to financial assets in the scope of HKFRS 9;

- HKFRS 17 requires increased use of current market values in the measurement of insurance liabilities. Changes in market conditions for certain products measured under the General Measurement Approach are immediately recognised in profit or loss, while changes in market conditions for other products measured under the Variable Fee Approach are included in the measurement of CSM;

- In accordance with HKFRS 17, directly attributable costs will be incorporated in the CSM and recognised in the results of insurance services as a reduction in reported revenue, as profit is recognised over the duration of insurance contracts. Costs that are not directly attributable will remain in operating expenses. This may result in a reduction in operating expenses compared to the current accounting policy;

- We will provide an update on the likely financial impacts on our insurance business in 2022 Annual Report, when we expect that this will be reasonably estimable.

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3. Ultimate holding company

Hang Seng Bank is an indirectly held, 62.14%-owned, subsidiary of HSBC Holdings plc, which is incorporated in England.

4. Register of shareholders

The Register of Shareholders of the Bank will be closed on Tuesday, 16 August 2022, during which no transfer of shares can be registered. To qualify for the second interim dividend for 2022, all transfers, accompanied by the relevant share certificates, must be lodged with the Bank's Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 pm on Monday, 15 August 2022. The second interim dividend will be payable on Thursday, 1 September 2022, to shareholders whose names appear on the Register of Shareholders of the Bank on Tuesday, 16 August 2022. Shares of the Bank will be traded ex-dividend as from Friday, 12 August 2022.

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5. Corporate governance principles and practices

The Bank is committed to maintaining and upholding high standards of corporate governance with a view to safeguarding the interests of shareholders, customers, employees and other stakeholders. The Bank has followed the module on 'Corporate Governance of Locally Incorporated Authorised Institutions' under the Supervisory Policy Manual issued by the HKMA. The Bank has also fully complied with all the code provisions and most of the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2022.

Further, to ensure that it is in line with international and local corporate governance best practices, the Bank constantly reviews and enhances its corporate governance framework by making reference to market trend as well as guidelines and requirements issued by regulatory authorities. Throughout the first six months of 2022, the Bank has also implemented various Group governance initiatives to streamline parent/subsidiary oversight framework, and enhance meeting efficiency and reporting quality.

The Audit Committee of the Bank has reviewed the results of the Bank for the six months ended 30 June 2022.

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6. Board of Directors

At 1 August 2022, the Board of Directors of the Bank comprises Irene Y L Lee* (Chairman), Diana Cesar (Chief Executive), L Y Chiang*, Cordelia Chung*, Kathleen C H Gan#, Clement K M Kwok*, Patricia S W Lam*, David Y C Liao#, Huey Ru Lin*, Kenneth S Y Ng*, Xiao Bin Wang* and Michael W K Wu*.

* Independent Non-executive Directors
\# Non-executive Directors

7. Announcement and Interim Report

This announcement is available on the website of Hong Kong Exchanges and Clearing Limited and the Bank's website (www.hangseng.com) on Monday, 1 August 2022. The 2022 Interim Report will be published on the aforesaid websites and printed copies of the 2022 Interim Report will be sent to shareholders before the end of August 2022.

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8. Other financial information

To comply with the Banking (Disclosure) Rules and Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (referred to as 'Rules'), the Bank has set up a 'Regulatory Disclosures' section on its website (www.hangseng.com) to house the information related to the disclosure requirements in a document 'Banking Disclosure Statement' required by the Rules. The Banking Disclosure Statement, together with the disclosures in the Group's Interim Report, contained all the disclosures required by the Rules issued by the HKMA.

By Order of the Board

C C Li
Secretary

Hong Kong, 1 August 2022

恒生銀行有限公司
HANG SENG BANK LIMITED
Incorporated in Hong Kong with limited liability
Registered Office and Head Office: 83 Des Voeux Road Central, Hong Kong

Member HSBC Group