

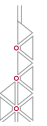
Message from the Chief Executive



In 2023, Hong Kong's economy rebounded as travel to and from the Chinese mainland and other parts of the world returned to normal. At the same time, however, central banks across the world continued to tighten their monetary policies. This, alongside geopolitical tensions and other factors, rendered the operating environment more complex and severe. Following the plans of the Board of Directors, we devoted unwavering efforts to driving high-quality development, and satisfactorily completed various initiatives. Through these endeavours, we achieved market leadership in our major businesses, maintained robust financial and risk indicators, sharpened market competitiveness and strengthened our influence in society. During the year, we received numerous honours and awards, including "Bank of the Year in Hong Kong" from *The Banker*, "The Strongest Bank in Hong Kong and Asia Pacific" for the fourth consecutive year from *The Asian Banker*, and "Best Renminbi Bank" in Hong Kong from *The Asset*.

We steadily improved our operational efficiency and achieved notable growth in profitability during the year.

As at the end of 2023, the Group's total assets increased by 5.5% from the previous year-end to HK\$3,868,783 million. Total deposits from customers and total advances to customers grew to HK\$2,503,841 million and HK\$1,702,302 million respectively, up 5.3% and 3.3% from the end of 2022, outpacing the prevailing market growth rates. The Group's operating income and operating profit both reached record highs, with net operating income before impairment allowances and profit for the year amounting to HK\$65,498 million and HK\$34,857 million respectively in 2023, up 20.8% and 28.0% year-on-year. The Group's financial and risk indicators stayed solid, with its total capital ratio and Tier 1 capital ratio remaining above the market average. Our liquidity indicators remained at a stable level, with the liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR") exceeding regulatory requirements. The Group's



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asset quality surpassed the market average, with the classified or impaired loan ratio standing at 1.05%. The cost to income ratio for the year was 25.35%, remaining below the market average.

Our businesses outperformed market peers and our core strengths were continually enhanced. Giving full play to our pivotal role in Bank of China Group's globalised operations, we continued to lead the financial industry in serving the country's high-level opening up. The Group remained the top mandated arranger in the Hong Kong and Macao syndicated loan market for the 19th consecutive year, ranked first in IPO main receiving bank business, and maintained its leading position in cash pooling business. We steadily enhanced the capacity of our custody and trust services, and led the market in the total number of new residential mortgage loans. We fully supported Hong Kong in consolidating its position as a global offshore RMB business hub by facilitating the launch of Swap Connect. In light of the HKD-RMB Dual Counter Model introduced by Hong Kong Exchanges and Clearing Limited, we further enriched our RMB products. The Group also played an active part in the construction of RMB internationalisation infrastructure. The Phnom Penh Branch was authorised by the People's Bank of China as the RMB clearing bank in Cambodia, while our Southeast Asian entities including BOC Thailand, Jakarta Branch and Vientiane Branch qualified as direct participating banks of the Cross-border Interbank Payment System ("CIPS").

We reinforced our core local businesses, expanded cross-border business in the Greater Bay Area ("GBA"), and grasped development opportunities in Southeast Asia. The Group actively responded to Hong Kong's economic development needs by increasing financial support to

meet the financing demands of local commercial and SME customers. We continued to support the HKSAR Government in implementing the SME Financing Guarantee Scheme, and responded to the HKSAR Government's policy to encourage the development of family offices by becoming one of the first institutions to join the Network of Family Office Service Providers. In line with national strategies, we served customer demand for cross-border financial services in the GBA and launched cross-border financial service solutions to help enterprises capture GBA development opportunities. The Group also continued to enhance its two-way service capacity for Cross-boundary Wealth Management Connect, witnessing a notable surge in the number of two-way accounts opened and the total volume of funds transferred. We played an active role in the Belt and Road cooperation and devoted ourselves to regional development. As at the end of 2023, total advances to customers of our Southeast Asian entities amounted to HK\$54,045 million, up 4.6% from the end of 2022 (excluding the impact of foreign exchange rates), demonstrating our strong financial support to the Belt and Road initiative. In 2023, our Southeast Asian entities registered year-on-year growth of 39.1% in net operating income before impairment allowances (excluding the impact of foreign exchange rates).

We advanced our digital transformation to become a digital-driven bank. We continuously pursued a deeper integration of business and technology, and leveraged technology empowerment to bolster our core business development and improve customer experience. We have designed and piloted a set of industry-leading digital performance metrics to drive quantitative measurement of digitalisation outcomes. The Group actively participated in digital currency initiatives, including the e-CNY cross-boundary pilot and the e-HKD Pilot Programme, and continued to drive the intelligent centralisation of its operations.

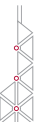
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We responded to social development needs by implementing an ESG philosophy. We actively pushed forward sustainable development by offering an expanded and enhanced range of green and sustainable financial products and services, to support enterprises' low-carbon transition goals and encourage a shift towards low-carbon living across society. As at the end of 2023, the total balance of green and sustainability-linked loans increased by 86.9% from the prior year-end. During the year, the Group achieved a series of significant milestones, such as serving as a joint global coordinator for the HKSAR Government's issuance of a tokenised green bond, launching the first exchange-traded fund ("ETF") in the Hong Kong market to track an ESG index with investments in the GBA (the "BOCHK Greater Bay Area Climate Transition ETF"), completing BOCHK's first sustainability-linked aircraft financing, and executing the first green RMB reverse repo transaction. As the first Chinese bank outside of the mainland to commit to carbon neutrality in operations, we announced our goal of achieving carbon neutrality by 2030, along with detailed objectives for green operations by 2025. Our efforts in sustainability were widely recognised. During the year, we were granted 40 ESG and CSR related awards, including "Market Leader for CSR in Hong Kong" and "Market Leader for ESG in Hong Kong" from *Euromoney*, and "Asia-Pacific Climate Leader 2023" from *The Financial Times*.

We strengthened our comprehensive risk management system and built a robust defence against risks. Taking a risk "bottom-line" mindset as the foundation of our business

development, we made consistent efforts to prevent and mitigate operating risks. The Group further improved asset quality management mechanisms and intensified control over the centralisation of loans to high-risk industries as well as customer onboarding. Making agile response to the challenges imposed by a complex and changeable market environment, we properly managed market, interest rate and liquidity risks, keeping our major indicators at a safe and sound level. We adopted a prudent approach to managing our money laundering risk, revamping our institutional money laundering risk assessment model and adopting regulatory technology solutions in our transaction screening process, to advance our anti-money laundering risk management capability and automation level. We enhanced our capabilities in intelligent risk control, strengthened the use of new data analysis tools to boost automated credit analysis reporting, and explored the establishment of BOCHK Intelligent Credit Risk Control Centre.

We actively undertook our social responsibilities and promoted the prosperity and stability of Hong Kong. We showed our care for grassroots communities by supporting community development in various forms. During the year, we carried out more than 80 charity projects, including serving as title sponsor of the BOCHK Science and Technology Innovation Prize for the second time and as title sponsor of the inaugural Bank of China (Hong Kong) Hong Kong-Zhuhai-Macao Bridge (HK Section) Half Marathon, as well as exclusively sponsoring the special exhibition "Gazing at Sanxingdui: New Archaeological Discoveries



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in Sichuan” held at the Hong Kong Palace Museum. We leveraged our advantages to promote youth development, providing over 1,600 internships and jobs for local university graduates and young people throughout the year. The Group fully supported the HKSAR Government’s “Strive and Rise Programme” and was awarded the programme’s first “Strategic Partner Award (Vice-chair Organisation)”. We held a “Volunteer Week” featuring a rich and diverse array of activities and organised over 140 volunteer engagements throughout the year, accumulating over 23,000 hours of service. At the Hong Kong Volunteer Award 2023 organised by the HKSAR Government, BOCHK was honoured with awards for “Outstanding Corporate” and “Top Ten Highest Volunteer Hours”.

Looking ahead to 2024, even though the global economic environment remains relatively complex, rising geopolitical tensions are impacting international capital flows and trade patterns, market confidence in further economic recovery is in need of shoring up, and the banking industry faces certain difficulties in terms of comprehensive risk management, we undoubtedly see more opportunities than challenges. The further promotion of RMB internationalisation, the ongoing development of the GBA and the expansion of mutual financial market access between the Chinese mainland and Hong Kong, as outlined in the National 14th Five-Year Plan, together with other favourable factors such as the enactment of the Regional Comprehensive Economic Partnership, will create plenty of development opportunities for Hong Kong’s banking industry.

Finally, we would like to take this opportunity to report on changes in the Group’s senior management since 2023. The Group appointed Mr XING Guiwei, Mr WANG Huabin and Mdm LI Tong to the position of Deputy Chief Executive. Mdm JIANG Xin resigned as Chief Risk Officer of the Group due to a change of job, while Mr XU Haifeng took up the position of Deputy Chief Executive and Chief Risk Officer. On behalf of all colleagues at the Bank, we would like to extend our warm welcome to Mr XING Guiwei, Mr WANG Huabin and Mdm LI Tong, three highly experienced professionals, as they join the Group’s management team, and express our sincere thanks to Mdm JIANG Xin for her valuable contributions to BOCHK’s development.

Going forward, with the solid brand foundation and market competitiveness we have built and honed in Hong Kong over more than 100 years, as well as support from all sectors of society and the collective efforts of every BOCHK colleague, we will continue to strengthen our strategy implementation, create strong impetus for growth, and forge ahead with courage and determination in our steadfast efforts to create greater value for all stakeholders.

SUN Yu

Vice Chairman & Chief Executive



Cross-border Finance Connecting Opportunity

