



中銀香港(控股)有限公司
BOC HONG KONG (HOLDINGS) LIMITED

2023

Annual Results



This presentation and subsequent discussions may contain forward-looking statements that involve risks and uncertainties. These statements are generally indicated by the use of forward-looking terminology such as believe, expect, anticipate, estimate, plan, project, target, may or will, or may be expressed as being the results of actions that may or are expected to occur in the future. You should not place undue reliance on these forward-looking statements, which reflect our belief only as of the date of this presentation. These forward-looking statements are based on our own information and on information from other sources we believe to be reliable. Our actual results may be materially less favorable than those expressed or implied by these forward-looking statements which could depress the market price of our Level 1 ADSs and local shares.



Strategy Review



**Financial &
Business Results**



Outlook



Strategy Review

Continued Increase in Shareholder Returns with Highest Operating Profit since IPO

Operating Profit

HK\$42.6bn

+21.9%

Profit Attributable to Equity Holders

HK\$32.7bn

+26.1%

ROE

10.60%

+2.10ppt

Dividend per Share

HK\$1.672 / +23.2%

Payout Ratio

54.0% / +1.0ppt



Deeply Penetrating the Local Market while Enhancing Core Competitiveness



Personal Banking

#1 in cumulative number of new residential mortgage loans

>200k newly added cross-border customers, of which **>70%** are mid to high-end customers

Cross-border business income **rose by >2x**

Mid to high-end customers **increased by 20%**

First-time young customer accounts via “TrendyToo” **increased by >1x**

BOC Life

Standard new premium **up 33%**

Cross-border standard new premium **rose by ~6x**



Corporate Banking

HK/Macao syndicated loans ranked **#1** for **19** consecutive years

Market leader in IPO main receiving bank business

Expanded cash pooling business coverage to **58** countries and regions

Assets under custody from corporate and institutional clients **grew by 28%**

BOCI Prudential

Remained a **top-tier player** by MPF AUM

Achieved **23%** market share in terms of number of funds authorised by SFC



Financial Markets

Continued to strengthen the status as a market-maker for HKD and RMB

Facilitated BOC Group’s **market leadership** in global offshore RMB bond underwriting business

Completed the **first green RMB reverse repo** transaction

BOCHK Asset Management

AUM **increased by 10%**

“Best RMB Manager”

Asia Asset Management – Hong Kong

Supporting Mutual Market Access Scheme Development while Cultivating GBA Business Opportunities

Sustaining Leading Advantages

Cross-boundary Wealth Management Connect

Total no. of customers **rose by 80%**
Funds remitted **surged by 3.5x**
under both Southbound and Northbound services

Stock Connect & Bond Connect

Maintained **market leadership**

Swap Connect

Became a **main custody bank** and **clearing broker for central counterparties**

Building a Quality Living Circle

GBA Account Opening

Customer base **grew by 70%**

GBA Loans

Partnering projects covered 9 Mainland cities in the GBA

GBA Payment

BoC Pay transaction value in Mainland **rose by 1.3x**

GBA Insurance

Launched “Hong Kong-Guangdong Cross-border Motor Insurance” for Hong Kong vehicles’ northbound travel

Supporting the Innovative Tech Companies

GBA Tech Firms Customer Base

+18%

Innovative Products and Services

launched **“Innovation & Technology and Talent Financing Incentive Scheme”**

Leveraging Collaborative Advantages to Enhance Cohesive Regional Operations



- ▶ Actively served **Belt and Road cooperation** and Chinese enterprises' **"Going Global"**, facilitated collaboration among BOC's entities in the Asia Pacific region and completed **a number of** syndicated loans
- ▶ **Strong growth** in RMB transaction volumes of SEA entities' treasury businesses, further expansion in RMB clearing network
- ▶ Optimised **"Wealth Management"** regional brand building and customer referral mechanism, enriched local and cross-border financial service scenarios for personal customers

HK\$ **75.4**bn
+9.5%

Customer
Deposits

HK\$ **54.0**bn
+4.6%

Customer
Loans

HK\$ **4.35**bn
+39.1%

Net Operating
Income

2.86%
+0.37ppt

Non-performing
Loan Ratio

Notes: Customer deposits, customer loans and net operating income represent the consolidated data of nine Southeast Asian entities prepared in accordance with Hong Kong Financial Reporting Standards. Constant currency terms were used in calculating percentage changes. The non-performing loan ratio was calculated based on entities' local regulatory requirements.

Enriching Offshore RMB Service Scenarios to Accelerate Business Development

+182%

RMB Customer
Loans

+127%

RMB Cross-border
Settlement Volume

RMB480tn / +25%

HK's RMB Clearing Volume* Accounted for over **70%**
of the Global Offshore Total

Cementing Business Advantages

- **Maintained market leadership** in RMB loans and deposits, cross-border cash pooling and Mutual Market Access schemes
- The Phnom Penh Branch was appointed as an **RMB clearing bank in Cambodia**
- RMB clearing volumes of BOC Malaysia and the Manila branch grew by **39%** and **61%** respectively
- Our entities in Thailand, Cambodia, Indonesia, Laos and Myanmar received **direct CIPS participating bank status**

Leading Market Innovations

- Supported **"HKD-RMB Dual Counter Model"**, becoming one of the first dual-listed securities
- Assisted in pricing the **world's first RMB-denominated Yulan bonds** as a joint global coordinator
- Successfully completed the **first RMB dividend distribution for an H-share company**
- Promoted the cross-border use of **e-CNY**

Driving Integration of Business and Technology to Enhance Digital Financial Service Capabilities



Constructed Service Scenarios

Focused on **home purchasing, education** and **health** scenarios, highest daily Open API usage: **>310k, +13%**

Mortgage applications through “Home Expert” app accounted for: **60%**

BoC Pay customers: **+20.8%**, BoC Bill settlement volume: **+28.8%**

Optimised Online Services

Active mobile banking personal customers: **+19%**, mobile penetration rate in SEA: **70%+**

Transaction volume on iGTB platform: **+91%**

Enhanced Intelligent Operations

Expanded the capacity of the **Regional Operating Centre in Nanning**

Enhanced smart AML investigation processing efficiency by **25%**

Automation rate of personal instalment loan approval surpassed **80%** using intelligent risk control module

Fostered an Innovation Culture

Actively participated in **HKMA’s e-HKD Pilot Programme** and **Multiple CBDC Bridge**

Successfully organised events such as **BOCHK Challenge** and **BOCHK Ideation Contest**

Innovating Green Financial Services to Gather New Momentum for Sustainable Development

+86.9%

Green and Sustainability-linked Loans

+19.9%

New Green Deposits

+80.7%

ESG Bond Investments

- Confirmed target of **carbon-neutrality in operations by 2030** and issued first **Task Force on Climate-related Financial Disclosures (TCFD) report**
- Assisted the HKSAR Government in issuing the world's first government-issued **tokenised green bonds**
- Facilitated the issuance of **ESG bonds in RMB** by Hainan and Shenzhen governments
- Participated in the launch of Hong Kong's first ESG themed ETF to invest in the GBA, **"BOCHK Greater Bay Area Climate Transition ETF"**
- Completed **the first green RMB reverse repo** transaction
- Proactively performed CSR, carrying out **more than 80 charity projects** and **145 volunteer work events** totalling **over 23,000 service hours**

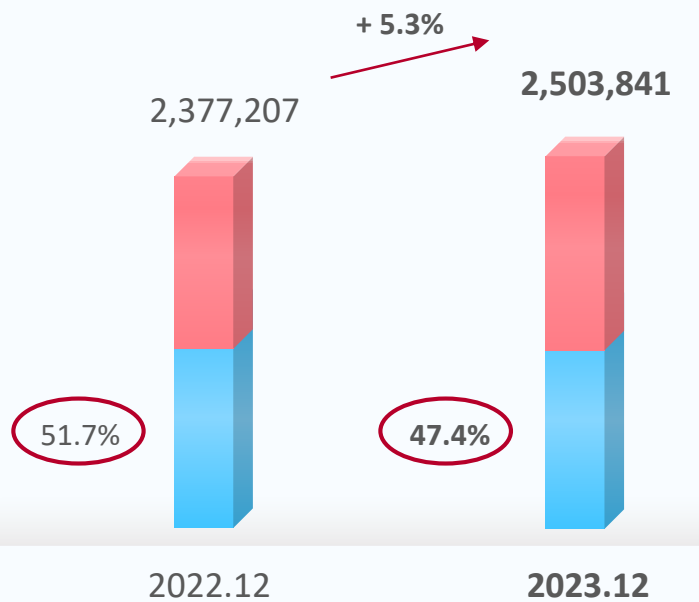




Financial & Business Results

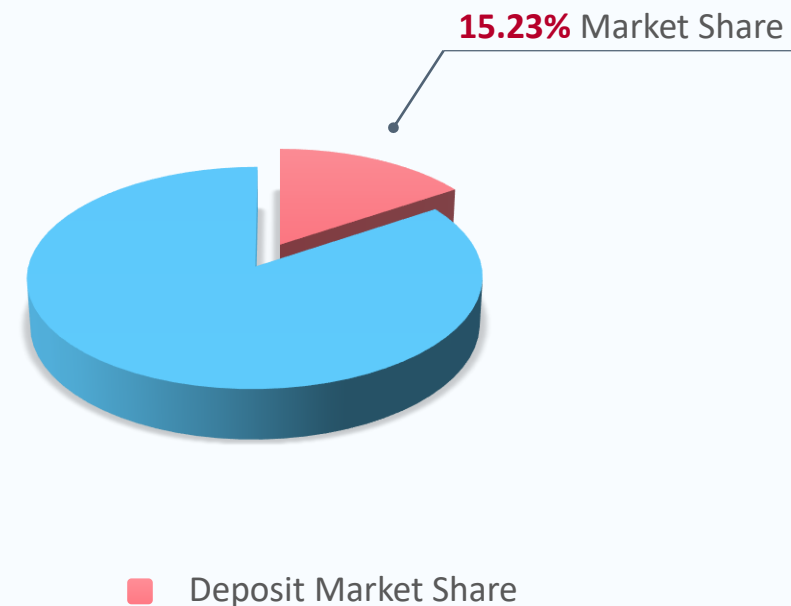
Deposit Growth Outpaced the Market

HK\$m



- Time and Other Deposits
- Current and Saving Deposits (CASA)
- CASA Ratio

Sustained Leading Position in Market Share



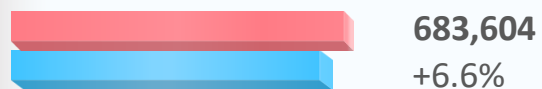
Market Outperformance in Loan Growth

Loan Growth Outperformed the Market

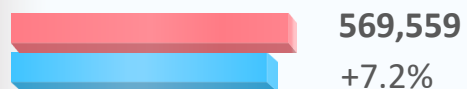
HK\$m

Total: 1,702,302 / +3.3%

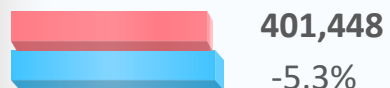
Loans for Use in HK -
Corporates



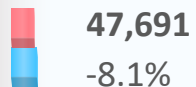
Loans for Use in HK -
Individuals



Loans for Use
outside HK



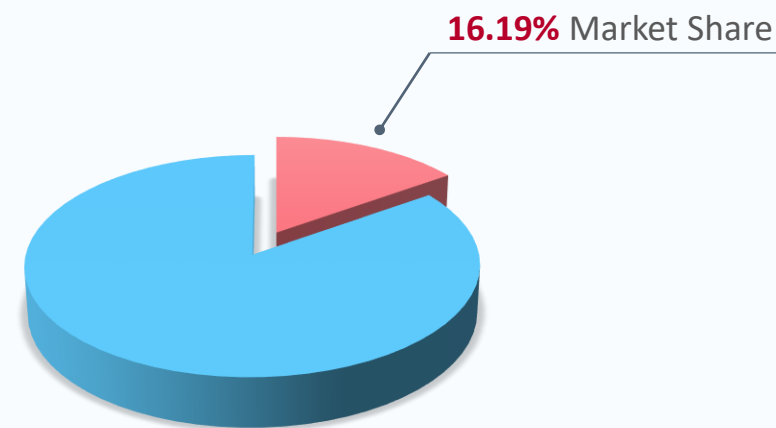
Trade Financing



■ 2022.12

■ 2023.12

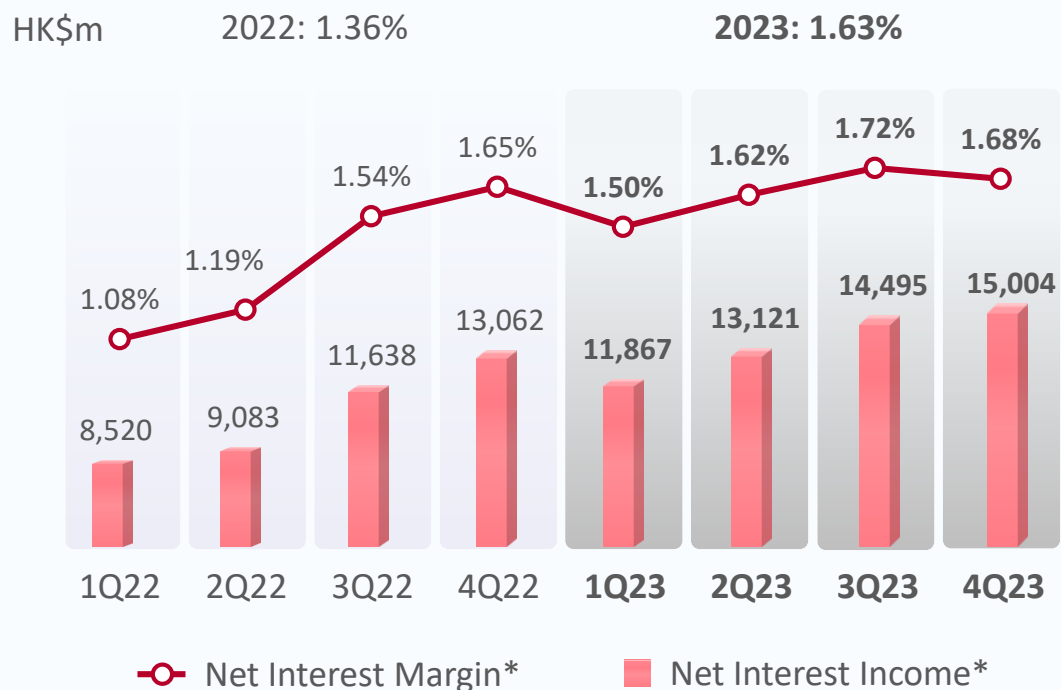
Further Gains in Market Share



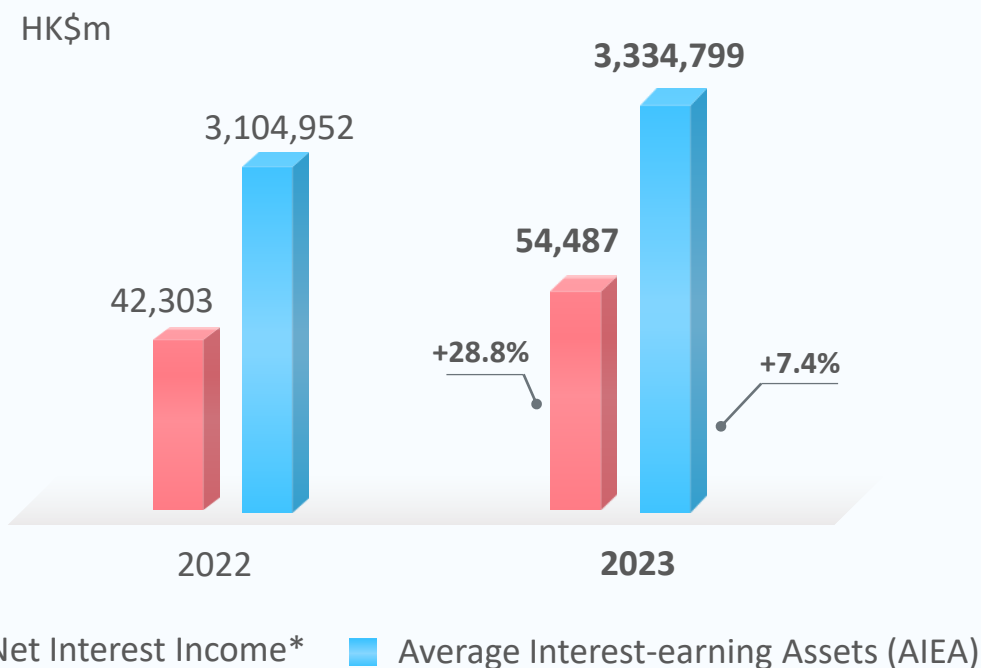
■ Loan Market Share

Continual Increase in Net Interest Income

27bps Expansion in Net Interest Margin

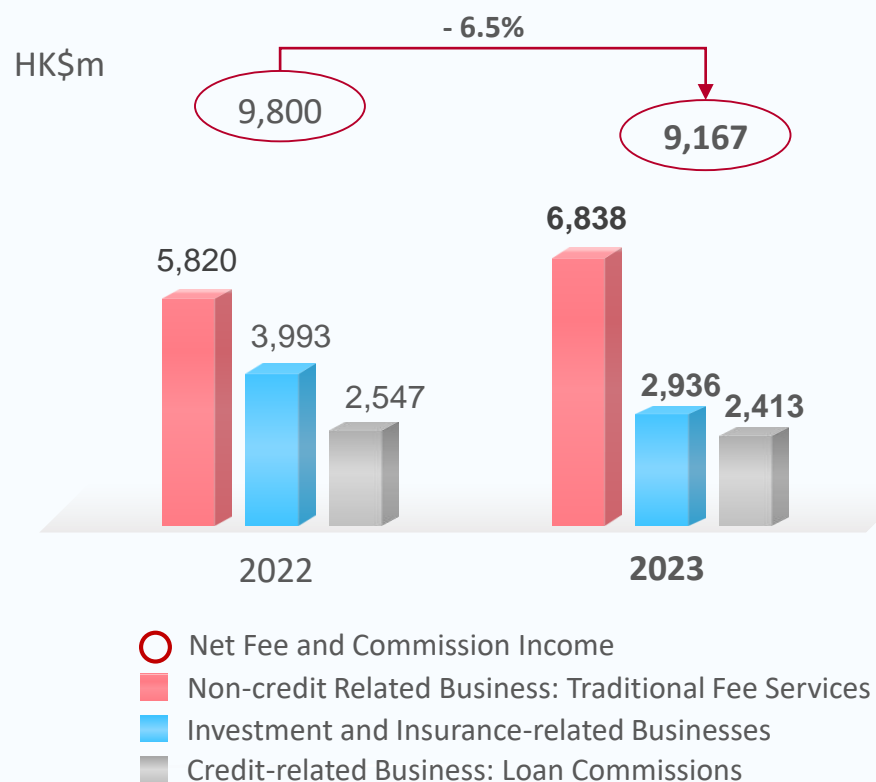


28.8% Growth in Net Interest Income

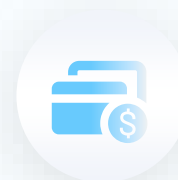


*Including the funding income or cost of foreign currency swap contracts

Net Fee Income Fell amid a Weak Market



17.5 % Income Growth in Non-credit Related Traditional Fee Businesses



Credit Card Business **+22.0%**

*Retail cardholder spending **+23.0%***
*Merchant acquiring volume **+28.8%***



Trust and Custody Services **+9.3%**

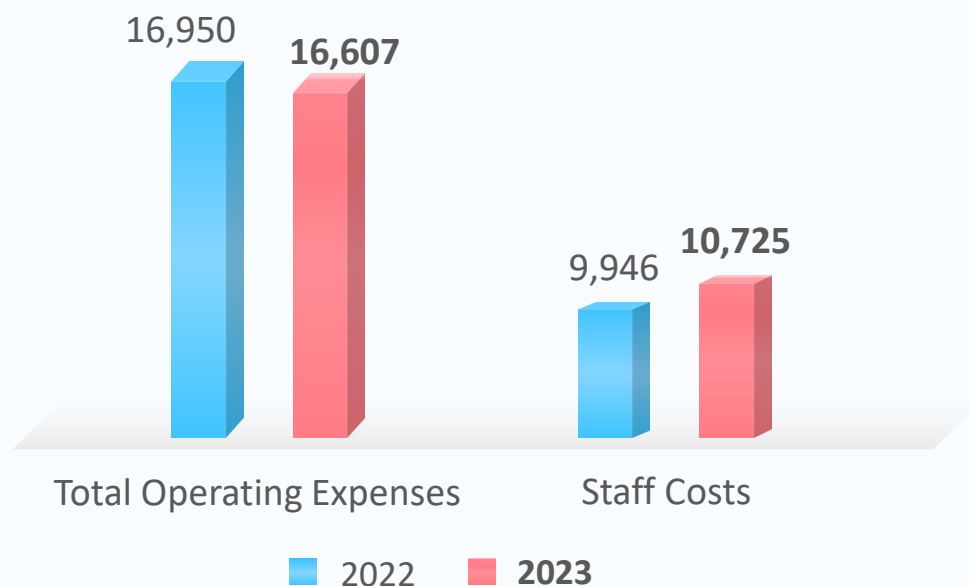


Currency Exchange **+89.5%**

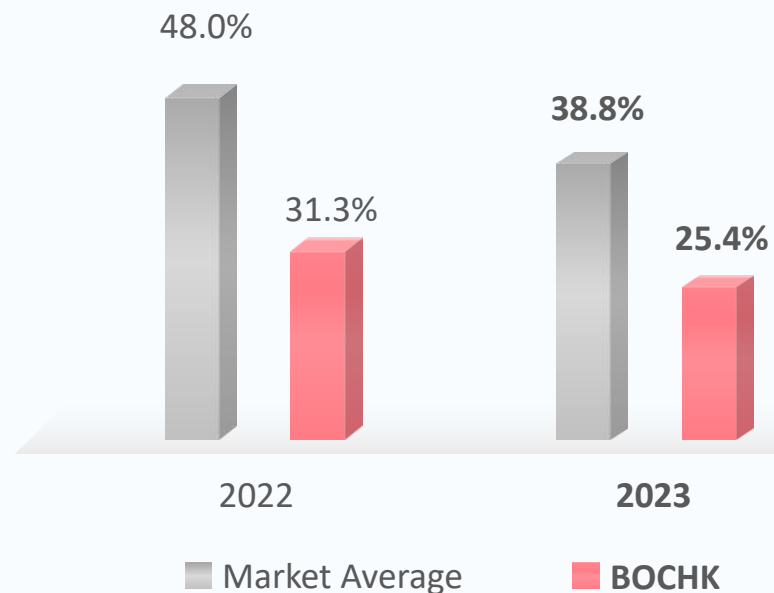
Market-leading Cost Efficiency

Satisfying Core Requirements while Focusing on Key Initiatives

HK\$m

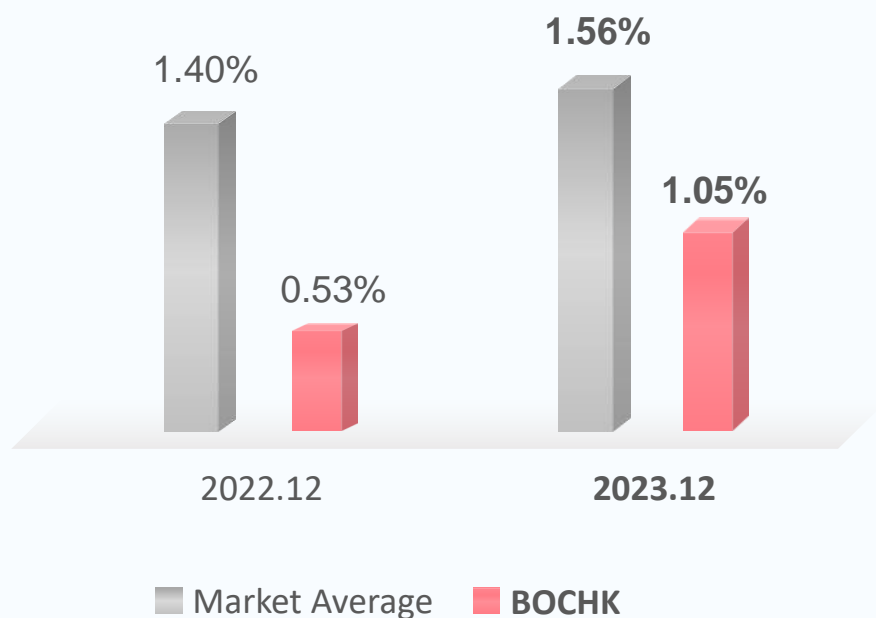


Consistently Outperformed the Market in Cost-to-income Ratio

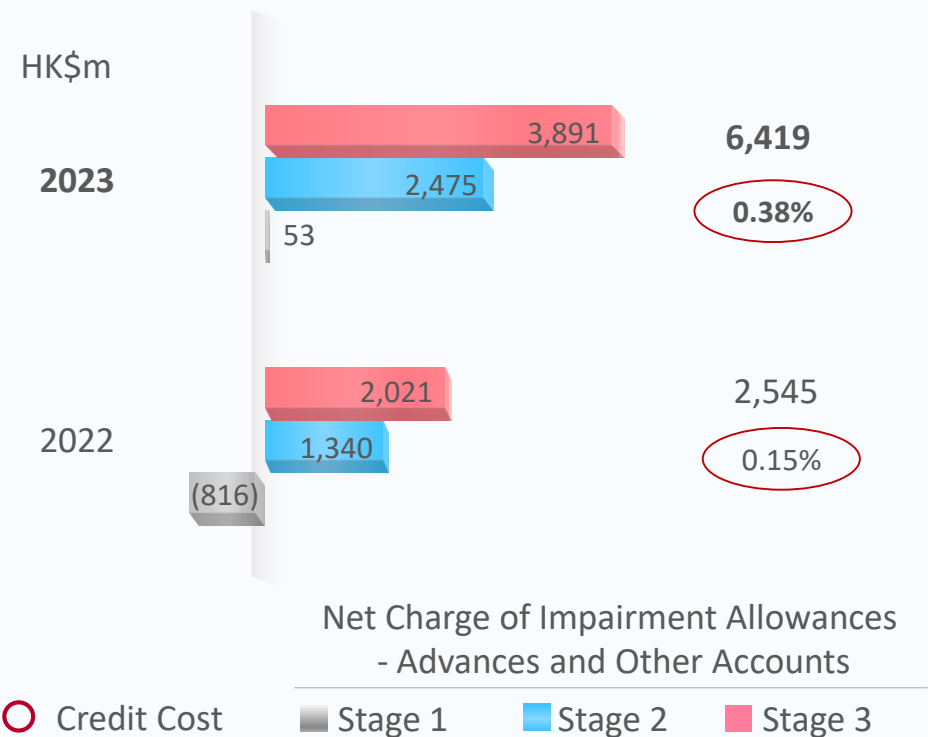


Market data source: HKMA

Better-than-average NPL Ratio

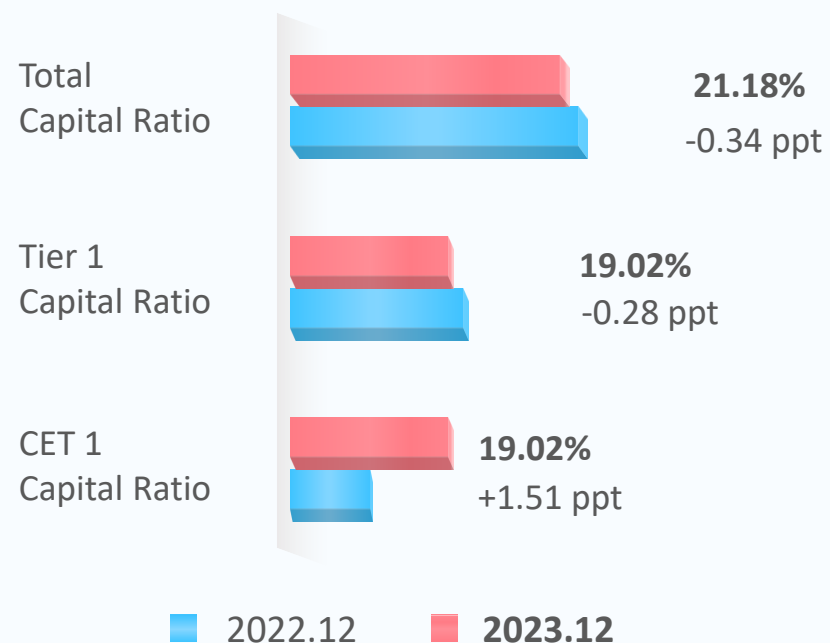


Maintaining a Solid Provisions Foundation

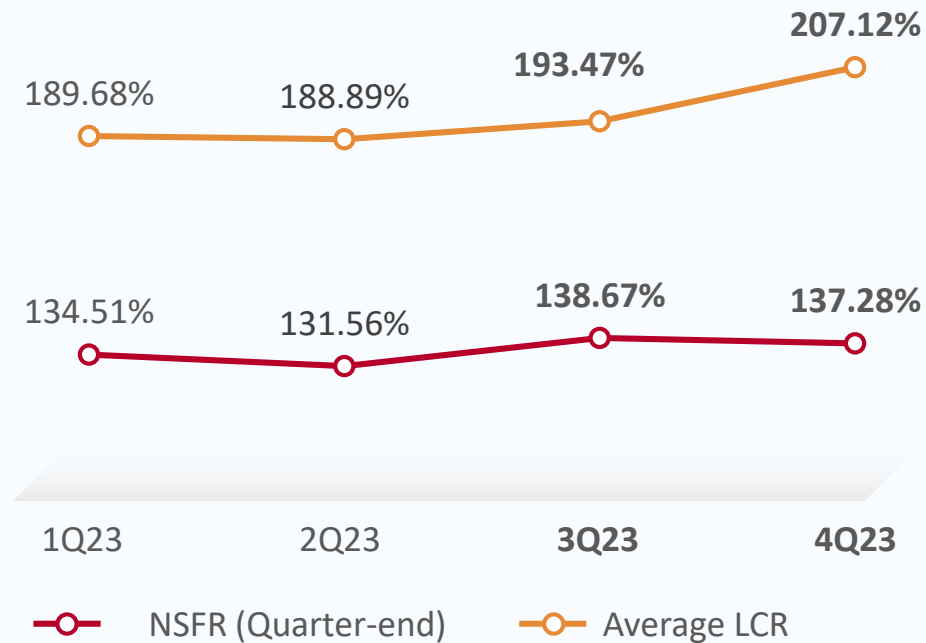


Solid and Improving Capital and Liquidity Position

Solid Capital Level



Enhancement in Liquidity





Outlook

Challenges

Weakened momentum in global economic recovery

Risks emerging from monetary policy uncertainty among major economies

Persistent challenges in banks' comprehensive risk management



Opportunities

Consolidated and enhanced economic recovery with focus on **High-quality Development** in Chinese Mainland

Construction of **“Eight Centres”** in Hong Kong and enhancements to **Mutual Market Access Schemes**

Continuous policy dividends from **RCEP** and high-quality development in **Belt & Road Cooperation**

Seeking Progress while Maintaining Stability

Enrich capital-light products
for new growth drivers

Refine regional management mechanism
and tap new market opportunities

Promote steady and prudent
RMB internationalisation and
connectivity schemes

Enhance collaboration
and integrated operations

Quantify transformation results and
cement digital foundations

Ensure solid business growth
with strict risk “bottom-line”

Cultivate talented teams
and perform CSR

**Consistently High
Profitability Levels**

**Breakthroughs in
Foundations**

**Effective Risk Management
and Control**



Appendices

Income Statement and Balance Sheet Summary

Income statement summary (HK\$m)	2023	2022	Change
Net interest income*	54,487	42,303	28.8%
Net fee and commission income	9,167	9,800	-6.5%
Other non-interest income*	1,844	2,112	-12.7%
Net operating income before impairment allowances	65,498	54,215	20.8%
Operating expenses	(16,607)	(16,950)	-2.0%
Pre-provision Operating Profit (PPoP)	48,891	37,265	31.2%
Net charge of impairment allowances	(6,333)	(2,348)	169.7%
Operating profit	42,558	34,917	21.9%
Profit for the year	34,857	27,230	28.0%
Profit attributable to equity holders of the Company	32,723	25,940	26.1%

Per share (HK\$)	2023	2022	Change
Basic earnings per share	3.0950	2.4535	26.1%
Dividend per share	1.6720	1.3570	23.2%

Balance sheet summary (HK\$m)	2023.12	2022.12	Change
Total assets	3,868,783	3,666,505	5.5%
Advances to customers	1,702,302	1,648,269	3.3%
Total liabilities	3,545,354	3,340,670	6.1%
Deposits from customers	2,503,841	2,377,207	5.3%
Total equity	323,429	325,835	-0.7%

*Including the funding income or cost of foreign currency swap contracts

Impacts of HKFRS 17

Income statement summary (HK\$m)	2022 (HKFRS 4)	HKFRS 17 Adjustments	2022 (HKFRS 17)
Net interest income*	42,367	(64)	42,303
Net fee and commission income	9,512	288	9,800
Other non-interest income*	5,053	(2,941)	2,112
Net operating income before impairment allowances	56,932	(2,717)	54,215
Operating expenses	(17,844)	894	(16,950)
Pre-provision Operating Profit (PPoP)	39,088	(1,823)	37,265
Net charge of impairment allowances	(2,345)	(3)	(2,348)
Operating profit	36,743	(1,826)	34,917
Profit for the year	29,038	(1,808)	27,230
Profit attributable to equity holders of the Company	27,054	(1,114)	25,940

Balance sheet summary (HK\$m)	2022.12 (HKFRS 4)	HKFRS 17 Adjustments	2022.12 (HKFRS 17)
Total assets	3,685,057	(18,552)	3,666,505
Total liabilities	3,353,211	(12,541)	3,340,670
Total equity	331,846	(6,011)	325,835

*Including the funding income or cost of foreign currency swap contracts

Average Balances and Average Interest Rates

(HK\$m / %)	2023		2022	
	Average balance	Average yield	Average balance	Average yield
Assets				
Balances and placements with banks and other financial institutions	430,345	2.03%	403,002	1.07%
Debt securities investments and other debt instruments	1,208,912	3.37%	1,043,987	1.75%
<i>Debt securities investments and other debt instruments (adjusted)*</i>	-	3.65%	-	2.09%
Advances to customers and other accounts	1,682,932	4.65%	1,647,603	2.47%
Other interest-earning assets	12,610	6.80%	10,360	3.77%
Total interest-earning assets	3,334,799	3.85%	3,104,952	2.05%

(HK\$m / %)	2023		2022	
	Average balance	Average rate	Average balance	Average rate
Liabilities				
Deposits and balances from banks and other financial institutions	267,957	1.89%	284,175	0.84%
Current, savings and time deposits	2,403,303	2.78%	2,234,610	0.95%
Subordinated liabilities	76,571	3.28%	9,607	3.45%
Other interest-bearing liabilities	91,343	3.24%	54,444	1.83%
Total interest-bearing liabilities	2,839,174	2.73%	2,582,836	0.97%

Net interest margin	2023	2022
Net interest margin	1.53%	1.25%
<i>Net interest margin (adjusted)*</i>	1.63%	1.36%

*Including the funding income or cost of foreign currency swap contracts

Fee and Commission Income

HK\$m	2023	2022	Change
Credit card business	2,430	1,991	22.0%
Loan commissions	2,413	2,547	-5.3%
Securities brokerage	1,826	2,491	-26.7%
Trust and custody services	790	723	9.3%
Payment services	714	724	-1.4%
Insurance	651	912	-28.6%
Bills commissions	481	514	-6.4%
Funds distribution	431	541	-20.3%
Currency exchange	398	210	89.5%
Safe deposit box	290	299	-3.0%
Funds management	28	49	-42.9%
Others	1,735	1,359	27.7%
Fees and commission income	12,187	12,360	-1.4%
Fees and commission expense	(3,020)	(2,560)	18.0%
Net fee and commission income	9,167	9,800	-6.5%

Operating Expenses

HK\$m	2023	2022	Change
Staff costs	10,725	9,946	7.8%
Premises & equipment expenses	1,394	1,273	9.5%
Depreciation and amortisation	2,919	3,001	-2.7%
Others	2,721	3,624	-24.9%
Less: Costs directly attributable to insurance contracts	(1,152)	(894)	28.9%
Total operating expenses	16,607	16,950	-2.0%

	2023.12	2022.12	Change
Full-time staff headcount	14,916	14,832	0.6%

Customer Deposits

HK\$m	2023.12	2022.12	Change
Total deposits from customers	2,503,841	2,377,207	5.3%
CASA	1,187,479	1,229,804	-3.4%
Demand deposits and current accounts	216,366	236,115	-8.4%
Savings deposits	971,113	993,689	-2.3%
Time, call and notice deposits	1,314,203	1,147,403	14.5%
Structured deposits	2,159	-	n.a.

Advances to Customers

HK\$m	2023.12	2022.12	Change
Loans for use in Hong Kong - industrial, commercial and financial	683,604	641,206	6.6%
Property development	188,115	171,614	9.6%
Property investment	95,384	91,525	4.2%
Financial concerns	16,506	25,197	-34.5%
Stockbrokers	1,196	1,110	7.7%
Wholesale and retail trade	33,992	31,704	7.2%
Manufacturing	58,991	48,891	20.7%
Transport and transport equipment	51,971	62,411	-16.7%
Recreational activities	63	154	-59.1%
Information technology	38,989	34,274	13.8%
Others	198,397	174,326	13.8%
Loans for use in Hong Kong - individuals	569,559	531,260	7.2%
Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	45,079	35,879	25.6%
Loans for purchase of other residential properties	388,178	367,502	5.6%
Credit card advances	12,668	11,962	5.9%
Others	123,634	115,917	6.7%
Trade financing	47,691	51,879	-8.1%
Loans for use outside Hong Kong	401,448	423,924	-5.3%
Gross advances to customers	1,702,302	1,648,269	3.3%

Gross Advances and Other Accounts by Internal Credit Grade and Stage Classification

HK\$m	2023.12				2022.12			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Advances to customers	1,662,596	21,046	17,797	1,701,439	1,598,549	40,164	8,724	1,647,437
Pass	1,659,557	16,721	-	1,676,278	1,594,869	31,210	-	1,626,079
Special mention	3,039	4,325	-	7,364	3,680	8,954	-	12,634
Substandard or below	-	-	17,797	17,797	-	-	8,724	8,724
Trade bills	3,751	-	-	3,751	6,329	-	-	6,329
Pass	3,751	-	-	3,751	6,329	-	-	6,329
Special mention	-	-	-	-	-	-	-	-
Substandard or below	-	-	-	-	-	-	-	-
Advances to banks and other financial institutions	1,815	-	-	1,815	1,015	-	-	1,015
Pass	1,815	-	-	1,815	1,015	-	-	1,015
Special mention	-	-	-	-	-	-	-	-
Substandard or below	-	-	-	-	-	-	-	-
Gross advances and other accounts	1,668,162	21,046	17,797	1,707,005	1,605,893	40,164	8,724	1,654,781
Impairment allowances	(4,113)	(1,056)	(9,555)	(14,724)	(3,997)	(2,511)	(4,992)	(11,500)
Advances and other accounts	1,664,049	19,990	8,242	1,692,281	1,601,896	37,653	3,732	1,643,281

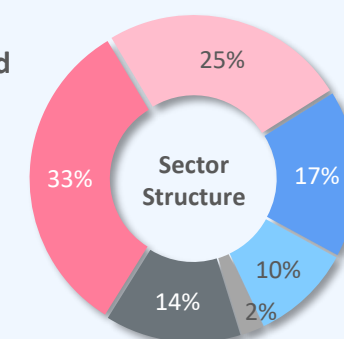
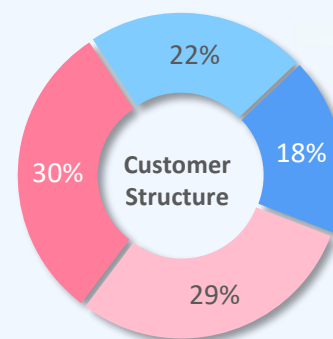
Non-bank Mainland Exposures

HK\$m	On-balance sheet exposure				Off-balance sheet exposure	Total exposure
	Total loans and advances	O/W: for use in Mainland	Debt securities and others	Subtotal		
Central government, central government-owned entities and their subsidiaries and joint ventures	266,158	57,019	81,944	348,102	23,154	371,256
Local governments, local government-owned entities and their subsidiaries and joint ventures	73,108	41,645	11,284	84,392	4,981	89,373
PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	117,420	33,616	7,693	125,112	20,785	145,897
Others	87,844	55,187	698	88,542	12,943	101,485
Total	544,530	187,468	101,618	646,148	61,863	708,011

With reference to the completion instructions for the HKMA's return of Mainland activities (Note 55 of the Notes to the Financial Statements of 2023 Annual Report), as of 31 December 2023, the total on-balance sheet non-bank Mainland exposure was HK\$646.1bn, down 4.8% from the end of previous year, accounting for 17.84% of total assets.

Of this, total loans and advances was HK\$544.5bn, down HK\$20.8bn or 3.7%. NPL ratio was 1.75%, mainly due to the credit rating downgrades of certain Mainland property developers. Loans for use in the Mainland stood at HK\$187.5bn, accounting for 11.0% of total loans of the Group.

Structure of loans and advances for use in Mainland



- Central government, central government-owned entities and their subsidiaries and joint ventures
- Local governments, local government-owned entities and their subsidiaries and joint ventures
- PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures
- Others

- Property development & investment
- Electricity and gas
- Manufacturing
- Transport and transport equipment
- Financial concerns
- Others

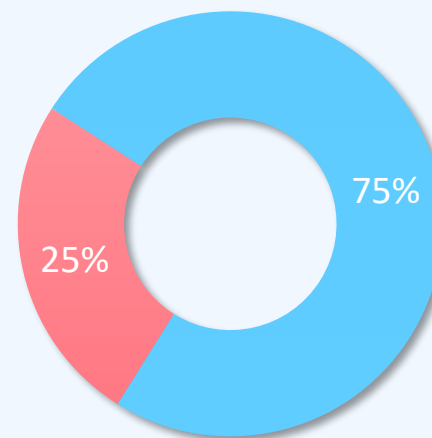
Loan Exposure to Property Companies

- As at end of 2023, commercial real-estate (CRE) related loans to corporates amounted to **HK\$367.4bn**, down 1.3% from the end of 2022; accounting for **21.6%** of Group's total loans, down 1.0ppt
- Loan for use in HK, Mainland, SEA and other regions accounted for 77%, 16%, 3% and 4% respectively

Mainland CRE Loans

- Amounted to HK\$92.9bn, down 7.2% from the end of 2022; accounting for 5.5% of Group's total loans, down 0.61ppt
- The property corporate customers mainly operate in the GBA and tier 1 & 2 coastal cities, and are market leaders with national business presence and relatively stable financial condition. Of which, investment-graded customer loans accounted for 69%
- SOE loans: 82%; POE loans: 18%
- Loans for use in Mainland: 45%; loans for use in HK: 54%
- Non-performing loans and special mentioned loans accounted for 9.9% and 0.14% of total Mainland CRE loans respectively. NPL provision coverage ratio (without collaterals) was 70.1%

Customer Structure



- Mainland CRE
- Non-Mainland CRE

Non-Mainland CRE Loans

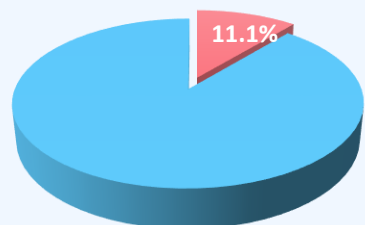
- Customers are mostly Hong Kong local sizeable blue chip companies with stable financial conditions
- Loans for use in HK: 85%, >60% was property development loans
- Construction loans: 15%, secured loans: 30%
- Average LTV ratio: $\leq 42\%$
- Non-performing loan ratio was 0.13%, asset quality remained solid

HK\$m	2023	2022	Change
Standard new premium	11,567	8,713	+32.7%
Value of new business (VNB)	1,884	1,374	+37.1%
VNB Margin	16.3%	15.8%	+0.5 pp

MOODY'S	A1
STANDARD & POOR'S	A

Leading position in overall market and #1 in RMB insurance

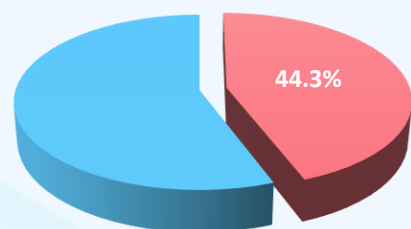
Overall market



➤ In 2023, BOC Life's standard new premium market share was **11.1%, ranking #4 in the market**

➤ Continued to be **#1 in RMB insurance** in 2023, with a **44.3%** market share

RMB business

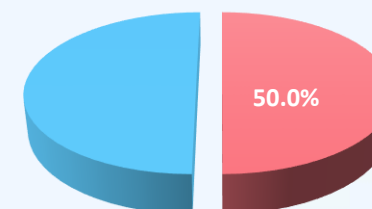


➤ Further consolidated the business advantages in distribution channels, maintained leading market position in bancassurance sales, and proactively expanded tied agency and broker channels. In 2023, **standard new premium generated from tied agency and brokers rose by 27.6%**

■ BOC Life ■ Other Insurance Companies

Leading position maintained in e-channel and QDAP sales

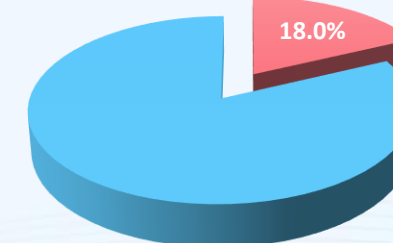
E-channel



➤ In 2023, e-channel* market share reached 50.0%, **maintaining market leadership**

**Statistics from Insurance Authority: Direct Distribution Channel including online channel sales, direct mail and telesales with the majority coming from online channel sales*

Qualifying Deferred Annuities**



➤ **Retained leading position** in the Qualifying Deferred Annuity Policy (QDAP) market since its launch in 2019

*** From April 2019 to December 2023*

■ BOC Life ■ Other Insurance Companies