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

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BOC Hong Kong (Holdings) achieves a 28% increase in profit for the year in 2023
Both operating income and operating profit reach record highs
Steady enhancement achieved in shareholder returns

BOC Hong Kong (Holdings) Limited ("the Company", stock code "2388" (HKD counter) and "82388" (RMB counter); ADR OTC Symbol: "BHKLY") today announced its 2023 annual results. Following the plans of the Board of Directors, the Company and its subsidiaries ("the Group") devoted unwavering efforts to driving high-quality development and continued to capture opportunities in the Hong Kong, Greater Bay Area ("GBA"), Southeast Asian and key overseas markets. As a result, the Group achieved market leadership in its major businesses, recorded continuous improvement in its financial indicators as well as steady enhancement in shareholder returns.

Steadily improving operational efficiency and achieving notable growth in profitability

The Group's operating income and operating profit both reached record highs in 2023. Net operating income before impairment allowances and profit for the year amounted to HK$65,498 million and HK$34,857 million respectively, up 20.8% and 28.0% year-on-year. Profit attributable to equity holders was HK$32,723 million, an increase of 26.1% year-on-year. Return on average shareholders' equity was 10.60%, up 2.10 percentage points. As at the end of 2023, the Group's total assets increased by 5.5% from the end of 2022 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 Board has proposed a final dividend of HK$1.145 per share for 2023. Including the interim dividend, the dividend per share for the full year will be HK$1.672, up 23.2% compared to the previous year, while the payout ratio has increased to 54%.

Capitalising on rising market interest rates, the Group proactively managed its assets and liabilities by optimising its loans and bond investments and controlling funding costs. After adjusting for foreign exchange swap-related impact, net interest margin expanded by 27 basis points year-on-year to 1.63%, with net interest income rising 28.8% year-on-year to HK$54,487 million. The Group's financial and risk indicators stayed solid. The total capital ratio was 21.18%. Tier 1 capital ratio and Common Equity Tier 1 capital ratio both stood at 19.02%. The Group's liquidity indicators remained at a stable level, with its liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR") exceeding regulatory requirements. Asset quality outperformed the market average, with the classified or impaired loan ratio standing at 1.05%. Cost to income ratio for the year was 25.35%, remaining at a satisfactory level compared to industry peer.

Outperforming the market and continually enhancing our strengths in core businesses

Giving full play to its pivotal role in Bank of China Group's globalised operations, the Group continued to be a key player in the financial industry to serve the country's high-level opening up. The Group remained the top mandated arranger in the Hong Kong-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. It steadily enhanced the capacity of its custody and trust services, and led the market in the total number of new residential mortgage loans. The Group 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, the Group further enriched its RMB products. It 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 BOC Thailand, Phnom Penh Branch, Jakarta Branch, Vientiane Branch and Yangon Branch all qualified as direct participating banks of the Cross-border Interbank Payment System ("CIPS").

Reinforcing core local businesses and grasping opportunities in the GBA and 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. It supported 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, it helped enterprises capture GBA development opportunities. The Group enhanced its service capabilities for innovative technology enterprises, growing its innovative technology customer base by 17.6% as compared to the end of last year. 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. The number of cross-border customers had steadily increased. Meanwhile, the number of customers who opened GBA accounts increased by 70% compared with the end of last year. The Group played an active role in the Belt and Road cooperation and devoted itself to regional development. As at the end of 2023, deposits from customers and advances to customers of its Southeast Asian entities were up 9.5% and 4.6% respectively from the end of last year (excluding the impact of foreign exchange rates), demonstrating its strong financial support to the Belt and Road initiative. In 2023, its 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).

Advancing digital transformation to become a digital-driven bank

The Group continuously pursued a deeper integration of business and technology, and leveraged technology empowerment to bolster its core business development and improve customer experience. Upholding its customer-centric approach, the Group continuously deepened digital transformation and promoted open and scenario-based banking services, through ecological approaches, data and business intelligence. It harnessed the potential of different customer segments and ecosystems to provide customers with high-quality and efficient e-payment options. As at the end of 2023, the number of BoC Pay users increased by 20.8% compared with the previous year-end, while the total transaction amount of BoC Bill in 2023 grew by 28.8% year-on-year. 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.

Responding to social development needs by implementing its ESG philosophy

The Group 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 end of 2022. During the year, the Group achieved a series of significant milestones, such as serving as joint global coordinator for the HKSAR Government's issuance of a tokenised green bond, launching the "BOCHK Greater Bay Area Climate Transition ETF" – the first exchange-traded fund ("ETF") in the Hong Kong market to track an ESG index with investments in the GBA, 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 Chinese mainland to commit to carbon neutrality in operations, the Group announced its goal of achieving carbon neutrality by 2030, along with detailed objectives for green operations by 2025.

Outlook

Looking ahead, the Group undoubtedly sees more opportunities than challenges, even as the global economic environment remains relatively complex and the banking industry faces certain difficulties in terms of comprehensive risk management. 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. The Group will adopt an even more proactive approach in serving the overall development agenda of the country and Hong Kong. It will strive to enhance its regional, integrated and digital financial services, so as to further consolidate and expand its unique advantages. The Group will cement the risk "bottom line" and strengthen team talent as well as its corporate culture. Through all these efforts, it will aim to deliver solid business growth and profitability, and continually create value for its shareholders, customers, employees, and all sectors of society.

Highlights of 2023 Annual Results

Key income statement figures

- Profit for the year amounted to HK$34,857 million, up 28.0% year-on-year.
- Profit attributable to equity holders was HK$32,723 million, up 26.1% year-on-year.
- Return on average shareholders' equity and return on average total assets stood at 10.60% and 0.90% respectively, up 2.10 percentage points and 0.15 percentage points respectively year-on-year.
- Net operating income before impairment allowances amounted to HK$65,498 million, up 20.8% year-on-year.
- Operating profit was HK$42,558 million, up 21.9% year-on-year.
- After adjusting for foreign exchange swap-related impact, net interest income would have increased by 28.8% year-on-year to HK$54,487 million, while net interest margin would have been 1.63%, up 27 basis points year-on-year.
- Net fee and commission income amounted to HK$9,167 million, down 6.5% year-on-year.
- Operating expenses amounted to HK$16,607 million, down 2.0% year-on-year. The cost to income ratio improved by 5.91 percentage points year-on-year to 25.35%, remaining at a satisfactory level compared to industry peers.

Key balance sheet figures

- Total assets amounted to HK$3,868,783 million, up 5.5% from the end of last year.
- Total deposits from customers amounted to HK$2,503,841 million, up 5.3% from the end of last year. Total advances to customers grew by 3.3% from the end of last year to HK$1,702,302 million. Both outperformed the market growth rates.
- Asset quality remained benign. The classified or impaired loan ratio was 1.05%, staying below the market average.
- The total capital ratio was 21.18%. Tier 1 capital ratio and Common Equity Tier 1 capital ratio both stood at 19.02%.
- The average value of the Group's liquidity coverage ratio and the quarter-end value of its net stable funding ratio in each quarter of 2023 met regulatory requirements.

For details of the 2023 annual results, please refer to the Company's announcement.

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