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

(Incorporated in Hong Kong with limited liability)

Stock Codes: 2388 (HKD counter) and 82388 (RMB counter)

FINANCIAL AND BUSINESS REVIEW FOR THE THIRD QUARTER OF 2024

THIS ANNOUNCEMENT IS MADE BY THE COMPANY PURSUANT TO RULE 13.09 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

The following description provides certain financial information relating to the performance of BOC Hong Kong (Holdings) Limited (the "Company") and its subsidiaries (collectively known as the "Group") in the third quarter of 2024.

In the third quarter of 2024, the global economy continued to advance amidst easing monetary policies, as the Federal Reserve began to cut the benchmark rate and the European Central Bank cut interest rates again. However, uncertainty in the overall economic outlook increased due to intensified geopolitical situations. In the Chinese mainland, production remained broadly stable, with key industries returning to the expansion scope. The overall economy rebounded, with price levels steadily rising, and imports and exports experiencing positive growth. The People's Bank of China adopted counter-cyclical monetary policies by lowering the reserve requirement ratio and interest rates, injecting impetus into investment and consumer demand.

The Hong Kong economy continued to experience modest growth, as exports of goods were sustained by external demand, and merchandise trade maintained positive growth. The composite consumer price index remained stable, and the unemployment rate continued at a relatively low level. The change in consumption landscape constantly undermined the retail industry. In response, with the aim of supporting the development of the retail market, the Central Government launched various measures to benefit Hong Kong and the HKSAR Government made concerted efforts in promoting mega-event economy. Following the start of the interest rate cut cycle and the introduction of a number of economic stimulus measures made by the Central Government, sentiment of the Hong Kong financial market improved notably towards the end of the quarter.

Financial Performance Highlights

- In the first nine months of 2024, the Group's net operating income before impairment allowances increased by 10.7% from the same period last year, while that of the third quarter increased by 5.3% from the previous quarter.
- If the funding income or cost of foreign currency swap contracts were included, net interest income would have increased by 10.4% year-on-year, with average interest-earning assets growing by 9.9%, and net interest margin would have been stable compared with the same period last year at 1.62%.
- The Group seized business opportunities resulting from the resumption of commercial activities and renewed impetus in tourism. It also consolidated its high-end and cross-border customer base, and enhanced its product and service capabilities in insurance and funds, which more than offset the impact from dampened credit demand. As a result, net fee and commission income increased by 2.7% compared with the same period last year.
- Deposits from customers increased by 8.6% from the end of 2023, while advances to customers decreased by 1.9%.
- Impaired loan ratio was 1.11%, which remained below the market average.
- Liquidity coverage ratio, net stable funding ratio and capital ratio remained solid.

Financial Performance

The table below summarises the key performance figures of the Group in the first nine months ended 30 September 2024 and in the third quarter of 2024:

Key Performance Figures of the Group						
	Nine months ended		Year-on-year change	Quarter ended		Quarter-on-quarter change
HK$'m, except percentages	**30 Sep 2024**	30 Sep 2023		**30 Sep 2024**	30 Jun 2024	
Net operating income before impairment allowances	**53,815**	48,624	+10.7%	**18,479**	17,543	+5.3%
Operating expenses	**(12,371)**	(12,079)	+2.4%	**(4,250)**	(4,136)	+2.8%
Operating profit before impairment allowances	**41,444**	36,545	+13.4%	**14,229**	13,407	+6.1%

Nine months ended 30 September 2024 compared with the same period in 2023

In the first nine months of 2024, the Group's net operating income before impairment allowances increased by 10.7% year-on-year to HK$53,815 million. If the funding income or cost of foreign currency swap contracts were included, net interest income would have increased by 10.4% year-on-year to HK$43,604 million, driven by a growth of 9.9% in average interest-earning assets. Net interest margin would have been stable compared with the same period last year at 1.62%. During the period, the Group proactively managed its assets and liabilities while capitalising on rising market interest rates. It dynamically managed its debt securities investments, resulting in an increase in the average yield of debt securities investments, and strengthened deposit pricing and tenor management so as to control deposit costs, both of which mitigated the negative impact of time deposits migration. Net fee and commission income increased by 2.7% on a year-on-year basis to HK$7,412 million. This was mainly due to the Group seizing business opportunities from the resumption of commercial activities and renewed impetus in tourism, while consolidating its high-end and cross-border customer base and enhancing its product and service capabilities in insurance and funds. As a result, commission income from insurance, funds distribution, currency exchange, trust and custody services, and payment services increased. However, commission income from loans decreased due to dampened credit demand.

Operating expenses increased by 2.4% year-on-year, as staff costs rose, along with increased investment in information technology, business promotion and communication expenses. The Group's cost to income ratio was 23.0%, maintaining a satisfactory level relative to industry peers.

The Group's net charge of impairment allowances increased by HK$643 million year-on-year to HK$3,323 million. This was mainly due to the higher impairment allowances resulting from the Group updating the parameter values of its expected credit loss model in response to a deteriorating macroeconomic outlook this year. Conversely, the net reversal recorded in the same period last year had been driven by improvements to parameter values. The annualised credit cost of advances to customers and other accounts was 0.26%, up 0.04 percentage points from the same period last year.

2024 Q3 compared with 2024 Q2

The Group's net operating income before impairment allowances increased by 5.3% quarter-on-quarter. If the funding income or cost of foreign currency swap contracts were included, net interest margin would have widened by 1 basis point compared with the previous quarter to 1.63%. This was mainly owing to the Group strengthening its management in deposit pricing and tenors, and its active development of CASA deposits, which more than offset the impact from the drop in asset yield resulting from the lowering of market interest rates. On the same basis, net interest income would have increased by 1.8% quarter-on-quarter. Net fee and commission income decreased by 1.9% from the previous quarter, mainly due to a drop in commission income from loans and securities brokerage, while income from insurance, funds distribution, currency exchange, bills, trust and custody services, and payment services increased. Net trading gain increased on a quarter-on-quarter basis, mainly attributable to the increase in the net trading gain from foreign exchange and foreign exchange products.

Operating expenses rose by 2.8% quarter-on-quarter, as staff costs and business-related expenses increased.

Net charge of impairment allowances amounted to HK$1,242 million, up HK$44 million quarter-on-quarter. This was mainly driven by changes in the credit portfolio.

Financial Position

As of 30 September 2024, the Group's total assets amounted to HK$4,159,949 million, an increase of 7.5% from the end of 2023. Deposits from customers increased by 8.6% from the end of 2023 to HK$2,719,551 million. CASA deposits increased, as did time, call and notice deposits. The CASA ratio was 48.4%, up 1.0 percentage point. On the asset side, cash and balances and placements with banks and other financial institutions increased from the end of 2023, along with a rise in securities investments and other debt instruments. Meanwhile, advances to customers amounted to HK$1,670,691 million, down 1.9%. Impaired loan ratio stood at 1.11%, which remained below the market average. The Group's liquidity coverage ratio, net stable funding ratio and capital ratio remained solid.

Business Review

In the third quarter of 2024, the Group continued to increase local market penetration, explored potential of target customers and key businesses, and improved its integrated capabilities to further consolidate its market position in Hong Kong. It seized business opportunities in the Greater Bay Area, maintained the leading position in RMB business, consistently promoted the internationalisation of RMB, and augmented Hong Kong's position as an offshore RMB hub. By deepening regional development and financial support for the "Belt & Road" initiative, the Group made steady progress in its Southeast Asian business. By continuing to implement the ESG concept for sustainable and high-quality development, and fulfil its corporate social responsibilities, the Group continued to grow its brand influence and recognition. It accelerated digital transformation to empower business development, while focusing on key areas and accelerating the integration of business and technology. It continued to build scenario-based, seamless, data-based and intelligent banking services and experiences. Meanwhile, the Group strengthened its comprehensive risk management and maintained its risk bottom line.

In **Personal Banking business**, the Group continued to leverage business opportunities from residents travelling abroad and north for retail consumption, as well as the HKSAR Government's various migrant admission schemes. It demonstrated its commitment to creating value for its customers through optimisation in product screening, service offering and customer experiences, which also served to strengthen brand reputation. It pushed forward product diversity to flexibly serve customers' wealth management needs, by offering comprehensive financial and wealth management solutions including insurance, investment and mortgage products, as well as salary remittance services. The Group continued to enhance the brand image of its family financial planning programme "Wealth Management FamilyMAX" by introducing the BOC Mastercard® Debit Card. This product offers the digital advantage of immediate usage upon activation feature, delivering a convenient and seamless payment experience for customers. It was designed to meet customers' needs for overseas spending and cash withdrawal, while support planning for the wealth management needs of their children studying abroad, thus enabling cross-regional family wealth management service coverage. In response to customers' need for wealth inheritance and whole-life protection, the Group continued to provide a range of multi-currency life insurance products tailored to different customers. Meanwhile, the Group joined forces with Bank of China Group Insurance Company Limited in optimising the Universal Smart Travel Insurance Plan. This included raising the age limit for insured individuals, increasing the insurance coverage, and adding new insured items, allowing customers to enjoy more comprehensive travel protection. Seizing cross-border market opportunities and leveraging its advantages in RMB business, the Group closely monitored market trends and customer preferences to push forward product innovation to meet customers' investment demand. This included adding its first RMB money market fund as a qualified fund under the Cross-boundary Wealth Management Connect Scheme and New Capital Investment Entrant Scheme. The Group facilitated senior customer groups to subscribe the ninth batch of Silver Bonds to be issued by the HKSAR Government, which served as a safe and reliable investment option. In line with the HKEX's implementation of Severe Weather Trading of Hong Kong Securities and Derivatives Markets, the Group optimised the policies and supporting mechanisms of its stock trading service to reduce investors' potential market risks associated with weather impact. It also enhanced its internet and mobile banking platforms, enabling customers to raise their bill payment limits through e-channels at their discretion, and enhancing the display of product information on the "Structured Investments" page.

In **Corporate Banking business**, the Group focused on business needs of industry leaders and high-quality commercial customers in Hong Kong by providing them with comprehensive financial support. Against the backdrop of deepening integration within the Greater Bay Area, and in response to the cross-border financing needs of key sectors and customers, the Group continued to enhance its collaboration with BOC's entities in the area, contributing to business integration and synergy. It actively collaborated with quasi-government corporations, and organised a number of conferences and service-introduction lectures to strengthen communication with industry sectors, helping customers to enhance their competitive edge in business. The Group assisted corporate customers to build treasury centres, maintaining its leading advantages in cash pooling business. It constantly promoted the development of its key businesses, including trade finance, payment and settlement services. It further consolidated its business advantages in green financial products by assisting the People's Government of Guangdong Province and the Shenzhen Municipal People's Government in the issuance of offshore RMB local government bonds in Hong Kong, covering green and social bonds. The Group deepened cooperation with key customers, strengthened joint marketing efforts, and consolidated its system infrastructure, in order to enhance trust and custody service capabilities. It enriched its catalogue of trust funds and successfully acquired several new portfolio mandates via transfer to the Group, contributing to a steady increase in total assets under trust and custody. As a founding member of the Hong Kong Monetary Authority's Project Ensemble Architecture Community, BOCHK actively participated in the design and implementation of Project Ensemble Sandbox. Supported by central bank digital currency, the local underlying interbank infrastructure will ensure efficient 24-hour cross-institutional fund transfers, enhancing the efficiency of interbank Payment-versus-Payment and Delivery-versus-Payment transactions, as well as reducing settlement costs and strengthening security. Meanwhile, as the sole clearing bank for RMB business in Hong Kong, BOCHK launched the Cross-border Interbank Payment System (CIPS) Payment Status Service, which enables cross-border payment market participants such as enterprises and banks to be informed of their payment status, enhancing the efficiency, transparency and customer experience of cross-border payment services. It launched a brand-new version of its corporate mobile banking channel, iGTB MOBILE, meeting the mobile financial management needs and promoting digitalisation of SMEs.

In the **Treasury Segment**, the Group actively responded to market changes, strictly monitored and controlled risks, and steadily promoted business growth. Through ongoing digital advancements in businesses, the Group was able to improve its capabilities in online servicing, transaction processing and risk management. It capitalised on market opportunities and emerging customer needs, and developed and strengthened its diversified products and integrated services, achieving satisfactory results in both trading and client businesses. It focused on cultivating the offshore RMB market by expanding the various usage of RMB, which further consolidated and enhanced its professional reputation in RMB business. The Group played an active role in mutual market access schemes, and recorded a continuous increase in the number of cross-border financial products, channels and investors under Bond Connect, Stock Connect and Swap Connect. This contributed to the prosperity and development of financial markets in the Chinese mainland and Hong Kong. The Group actively participated in product enhancement programmes in the interbank market by engaging in the first batch of foreign exchange option and non-deliverable forward transactions in Southeast Asian currencies via the China Foreign Exchange Trade System during the quarter. Meanwhile, the Group maintained a solid and cautious approach to managing its banking book investments and closely monitored worldwide market interest rate adjustments. It took a pre-emptive and proactive approach to managing risks, while seeking fixed-income investment opportunities to enhance returns.

In its **Southeast Asian business**, the Group continuously optimised its integrated regional management model, and capitalised on business opportunities arising from the Chinese mainland's new development paradigm and global trends in industrial relocation. It prioritised the development of Belt and Road and the new round of "Going Global" projects, as well as serving large corporate customers in the region. It actively enriched the local financial ecosystems with an offering of diversified financial products and services. Southeast Asian entities' projects saw steady progress during the quarter. BOC Thailand launched its first endowment insurance product, enhancing customers' choice in life insurance products. BOC Malaysia was appointed as the settlement bank for China-Malaysia cross-border QR payment business under TenPay by PayNet, the national payment network in Malaysia. Meanwhile, BOC Malaysia entered into a memorandum of understanding with Malaysia External Trade Development Corporation to strengthen information sharing and customer referral, promoting customer marketing cooperation. Vientiane Branch launched its scan-to-pay and real-time transfer services in support of LAPNet, the national payment network in Laos, becoming the first local 24-hour small-value real-time payment system. The Group proactively developed treasury businesses with local sovereign and financial institutions in Southeast Asia. It also continued to promote digital transformation in its Southeast Asian entities, improving the automation of front, middle and back-end business operations and management processes.

GENERAL

This announcement may contain forward-looking statements that involve risks and uncertainties. The Company's shareholders and potential investors should not place undue reliance on these forward-looking statements, which reflect our belief only as of the date of these statements. These forward-looking statements are based on the Group's own information and information from other sources we believe to be reliable. The Group's actual results may be materially less favourable than those expressed or implied by these forward-looking statements, which could depress the market price of the Company's American Depositary Shares and local shares.

The Company's shareholders and potential investors should note that **all the figures contained herein are unaudited**. **Accordingly, figures and discussions contained in this announcement should in no way be regarded as to provide any indication or assurance on the financial results of the Group for the period ended 30 September 2024.**

The Company's shareholders and potential investors are urged to exercise caution in dealing in the securities of the Company and are recommended to consult their own professional advisers if they are in doubt as to their investment positions.

By Order of the Board
HUANG Xuefei
Company Secretary

Hong Kong, 30 October 2024

As at the date of this announcement, the Board comprises Mr GE Haijiao (Chairman), Mr SUN Yu (Vice Chairman and Chief Executive), Mr LIN Jingzhen*, Madam CHENG Eva**, Dr CHOI Koon Shum**, Madam FUNG Yuen Mei Anita**, Mr LAW Yee Kwan Quinn**, Mr LEE Sunny Wai Kwong**, Mr LIP Sai Wo** and Professor MA Si Hang Frederick**.*

* *Non-executive Directors*
** *Independent Non-executive Directors*