

Message from the Chief Executive

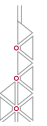


In 2022, global financial markets witnessed heightened volatility as the pandemic situation continued to fluctuate, uncertainty in the international environment increased, and successive rate hikes by the US Federal Reserve led to a tightening in monetary policies. Economies across the globe posted divergent performance, while emerging markets in Southeast Asia maintained recovery momentum. Widening interest rate spreads driven by rate hikes injected fresh impetus into Hong Kong's banking sector recovery. However, banks continued to face challenges in their business development and risk management, owing to relatively weak credit demand and headwinds from the external environment hindering the development of new business growth drivers. 2022 marked the 25th anniversary of Hong Kong's return to the motherland, the 110th anniversary of Bank of China, and the 105th anniversary of Bank of China's service in Hong Kong. Following the plans of the Board of Directors, we adhered to the principle of "seeking progress while maintaining stability", steadily pushed forward the implementation of the Group's strategies, and focused on profit stabilisation, strengthening foundation, and risk prevention and control, achieving relatively solid operating results. During the year, we were

once again named "Strongest Bank in Hong Kong and Asia Pacific" by *The Asian Banker* as well as "Best Bank for CSR in Hong Kong" and "Best Chinese Bank for the Greater Bay Area" by *Asiamoney*, alongside other awards.

We achieved steady improvement in financial efficiency, with profitability returning to a growth trajectory.

Faced with sluggish economic performance and declining demand for financial services, we proactively explored opportunities amid a volatile market environment. As at the end of 2022, the Group's total assets increased by 1.3% from the end of 2021 to HK\$3,685,057 million. Total deposits from customers and total advances to customers grew to HK\$2,377,207 million and HK\$1,649,510 million respectively, up 2.0% and 3.2% from the end of 2021, making steady gains in local market share. The Group's income and profit returned to a growth trajectory, with net operating income before impairment allowances and profit for the year amounting to HK\$56,932 million and HK\$29,038 million respectively in 2022, both up 16.2% year-on-year. Financial and risk indicators stayed solid, with the Group's total capital ratio and Tier 1 capital ratio remaining above the market average. The Group maintained its liquidity



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indicators at a stable level, with the liquidity coverage ratio (“LCR”) and net stable funding ratio (“NSFR”) exceeding regulatory requirements. The Group maintained sound asset quality, with the classified or impaired loan ratio standing at 0.53%. The cost to income ratio for the year was 31.34%, remaining below the industry average.

We accelerated our business development and consolidated our core strengths. Leveraging our professional advantages, we provided full support to Hong Kong’s integration into the nation’s overall development and the enhancement of its status as an international financial centre. The Group remained the top mandated arranger in the Hong Kong and Macao syndicated loan market for the 18th consecutive year, maintained its leading position in terms of IPO main receiving bank business and cash pooling business, and continued to lead the market in terms of the total number of new residential mortgage loans for the fourth consecutive year. We provided full support for Hong Kong’s development into an international innovation and technology hub, and achieved steady growth in the Group’s loan balance and customer base for innovation and technology startups. We continued to closely follow Hong Kong’s Northern Metropolis Development Strategy and formulated related integrated financial services solutions, thus contributing to the city’s development.

Focusing on the three markets of Hong Kong, the Greater Bay Area (“GBA”) and Southeast Asia, we steadily pushed forward the implementation of BOCHK’s strategies. We deeply cultivated the local market and actively served Hong Kong society. The number of BoC Pay customers grew by 20.2% from the end of 2021, with total BoC Pay transaction volume increasing by 20.6% year-on-year, while the total transaction amount of BoC Bill increased by 6.1% year-on-year. The number of Private Wealth and Wealth Management customers recorded double-digit growth as compared with the end of 2021, while private banking assets under management increased by 12.7%. **Attaching great importance to the GBA market, we acted as a pioneer in cross-boundary**

financial services. The total number of accounts opened through BOCHK’s GBA Account Opening Service grew by over 20% as compared with the end of 2021. We led the Hong Kong market in the aggregate number of accounts opened and the total volume of funds transferred under both the Southbound and Northbound Cross-boundary Wealth Management Connect schemes, and ranked among the market leaders by transaction volume for Bond Connect and settlement volume for Stock Connect. The Group also recorded satisfactory growth in the balance of corporate loans in the GBA. **We expanded our business in Southeast Asia and continually strengthened BOCHK’s capacity as a regional headquarters.** In 2022, net operating income before impairment allowances (excluding the effect of changes in exchange rates) of our Southeast Asian entities increased by 27.6% year-on-year. As of the end of 2022, our Southeast Asian entities’ deposits and loans grew by 13.8% and 0.4% respectively from the end of 2021 (excluding the effect of changes in exchange rates); and their RMB businesses recorded satisfactory growth.

We consolidated our technological foundations and deepened our digital transformation. As part of our commitment to improve service efficiency, we kept enriching our digital service channels to continually enhance customer experience. The Group supported online applications for SME loans, and rolled out coverage in nine major languages used in Hong Kong and the Southeast Asian regions served by our iGTB platform. We continued to enhance our capabilities in data-driven operations, creating a scenario-based ecosystem covering home ownership, education and healthcare, and increasing the number of registered Open API partners by 16.4% from the end of 2021. The level of risk management intelligence in the middle and back offices was enhanced, expanding the scope of data quality monitoring and gradually implementing intelligent credit approval processes.

We adhered to ESG concepts and promoted the development of green finance. The Group strived to create win-win situations with all sectors of society, so as to achieve a balance between socioeconomic development and nature

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preservation. As at the end of 2022, our balance of green and sustainability-linked loans increased by 155.3% from the end of 2021 to HK\$64,660 million. A number of landmark projects were completed during the year, including the largest sustainability-linked loan in the Asia-Pacific region, the first green transition trade financing in the natural gas industry, and launched the first green personal loan in Hong Kong. We fully supported the HKSAR Government's issuance of green bonds, ranking first in both subscription volume and number of customers among the placing banks. During the year, the Group became the first Chinese bank to join the Alliance for Green Commercial Banks, one of the first members of the Hong Kong International Carbon Market Council set up by Hong Kong Exchanges and Clearing Limited ("HKEX"), and one of the first participating organisations of Core Climate, an international carbon marketplace by HKEX. We received multiple recognitions for our ESG and sustainability initiatives, including the highest "AAA" rating from MSCI ESG Research for the second consecutive year, the "Asia-Pacific Climate Leaders 2022" award from the *Financial Times* and *Nikkei Asia*, "Market Leader for ESG in Hong Kong" and "Market Leader for CSR in Hong Kong" awards from *Euromoney*, as well as the "ESG Corporate Awards 2022 – Platinum Award" from *The Asset*.

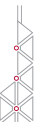
We implemented comprehensive risk management in order to build a solid line of defence against risk.

The Group continually enhanced its forward-looking analysis and judgment; formulated and flexibly adjusted risk management strategies in accordance with macroeconomic conditions and regulatory policy requirements, and proactively managed credit risks, maintaining sound asset quality with adequate provision coverage. We responded prudently to market fluctuations and kept various market risks under control. The use of regional compliance standards and operational risk management tools was promoted, and

technology risk management was improved. Attaching great importance to anti-money laundering risk management, we strengthened the whole-process control of related risks. The Group continued to enhance its capabilities in intelligent risk control, and further improved the comprehensive risk management mechanisms of its subsidiaries.

We shouldered our social responsibilities and devoted BOCHK's full efforts to the community.

We breathe the same air and share the same fate as the Hong Kong community. During the year, we launched more than 80 charity projects, and successfully organised and supported a series of activities to celebrate the 25th anniversary of Hong Kong's return to the motherland, including becoming a strategic partner of the Hong Kong Palace Museum and funding the establishment of the BOCHK Science and Technology Innovation Prize, among other impactful initiatives. We navigated the difficult times together with the Hong Kong community and launched special financial support initiatives amid the pandemic, benefitting over 10,000 enterprises throughout the year. Providing full backing to youth development in Hong Kong, we actively participated in HKSAR Government programmes including the "Greater Bay Area Youth Employment Scheme" and "Strive and Rise Programme". We upgraded our "Volunteer Day" to "Volunteer Week" and organised over 120 volunteer activities throughout the year, totalling over 20,000 hours of service to the community. BOCHK's volunteer team received a number of awards and commendations, including the "Certificate of Appreciation for Fighting against the Pandemic" from the Home Affairs Bureau of the HKSAR Government, the "Gold Award for Outstanding Volunteer Team" from the Hong Kong Volunteers Federation, and awards for "Outstanding Corporate" and "Top Ten Highest Volunteer Hours" at the Hong Kong Volunteer Award 2022.



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Looking ahead to 2023, even though the external environment remains complex and severe, the macroeconomic environment poses a relatively high degree of uncertainty, and banks face increased difficulties in terms of comprehensive risk management, there are still promising opportunities ahead. With the deepening of the country's opening-up strategies, including the Belt and Road initiative, RMB internationalisation, and the development of the Guangdong-Hong Kong-Macao Greater Bay Area, Hong Kong's role as a "super-connector" will become even more prominent. As we enter a new stage advancing from stability to prosperity, the HKSAR Government will focus on developing the economy, improving livelihoods and ushering in a new era of good governance, thus making Hong Kong's status as an international financial centre even more compelling. Full resumption of normal travel between Hong Kong and the mainland will boost economic exchange between the two places, with all sectors of society now sharing more optimistic expectations for the city's economic growth. In 2023, BOCHK will continue to focus on sustainable and high-quality development by strengthening our foundations for future growth, enhancing regional management, optimising service integration and bolstering digital empowerment. We will do our utmost to implement our strategies through vigorous and determined endeavour while actively supporting the socioeconomic development of Hong Kong at the same time.

Lastly, we would like to take this opportunity to report on changes in the Group's senior management. Mr ZHONG Xiangqun and Mr WANG Bing resigned from the senior management due to a change of job, while Ms WANG Qi, Mr YUAN Shu and Mrs KUNG YEUNG Ann Yun Chi retired. The Group appointed Mr CHAN Man as Deputy Chief Executive (Personal Banking and Wealth Management) on 1 August

2022 and Mr XU Haifeng as Deputy Chief Executive (Corporate Banking) on 15 December 2022, to ensure an orderly succession. On behalf of everyone at the Bank, we would like to express our sincere gratitude to Ms WANG Qi, Mr YUAN Shu, Mr ZHONG Xiangqun, Mr WANG Bing and Mrs KUNG YEUNG Ann Yun Chi for their valuable contributions to the Group and extend our warm welcome to Mr XU Haifeng and Mr CHAN Man, two experienced colleagues, as members of the Group's management team!

We are confident that, with BOCHK's solid foundation and brand advantages, as well as the unreserved support from all sectors of society and the concerted efforts of all our colleagues, we will continue to promote sustainable and high-quality growth, and create greater value for our stakeholders.

SUN Yu

Vice Chairman & Chief Executive



Understanding Brings Us Closer

We understand that innovation comes from expanding what's possible

Dare to imagine and go beyond the limits with technology

Expanding your connections to bring you closer to your ambitions

