

2020 Annual Results



30 March 2021

Disclaimer

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.

Agenda

01

Strategy Review

02

Financial & Business Results

03

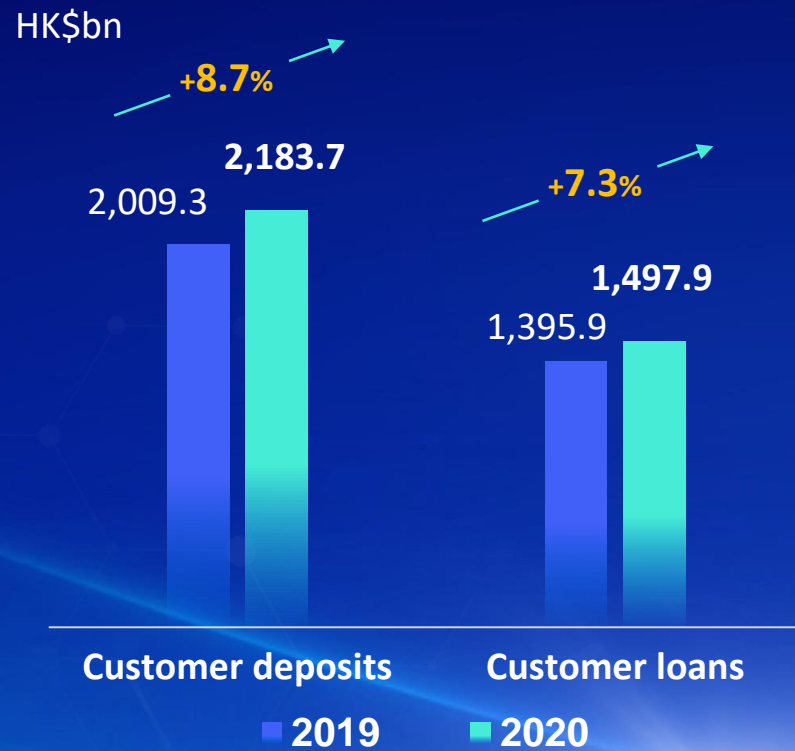
Outlook



Strategy Review

Core Business Outperformed the Market While Financial Indicators Remained Solid

Deposit and loan growth outpaced the market



Profit for the Year

HK\$28.5bn

Return on Average Shareholders' Equity

9.05%

Total Capital Ratio

22.10%

Enhancing Local Market Commitment and Professional Service Advantages

Personal Banking

- **Double digit growth** in number of mid to high-end customers
- **Ranked 1st** in the market by total number of new residential mortgage loans underwritten
- **Notable growth** in online transaction volume of key investment products such as equities & funds

Corporate Banking

- Remained **top** in HK/Macao syndicated loan arranger and HK IPO receiving bank markets
- **In the top ranks** of Bond Connect by customer number; **market leadership** in cash pooling business
- Bond issue underwriting amount: **+21%**; assets under custody: **+8.3%**

Financial Markets

- Enhanced digital service capabilities with client trading revenue **+3.6%**
- Southeast Asian entities' global market income: **+17%**
- Cautiously managed banking book investments and optimised portfolio mix in response to market changes



Realising Regional Synergies by Accelerating Growth in Business Footprint

Setup of **Hanoi Representative Office** approved by regulator

Yangon Branch officially opened

Jakarta Branch's upgrade to **BUKU3*** approved by regulator
 Named **Best Foreign Bank** for two consecutive years



Customer deposits



Customer loans



Remark: Banks in Indonesia are classified by regulator into four grades, which determine the business scope and product types provided by a bank. Generally only banks graded at BUKU3 or above can provide policy consultation, start pilot business and new products.

Capitalising on GBA Business Opportunities and Enhancing Featured Cross-border Services

GBA Account Opening Service

Optimised functions;
cumulative number of
new accounts: **120k**,
up **40%** during the year

Cross-border Mortgage Service

Underwriting loans on a
pilot basis while
enhancing customer
experience

Innovative technology enterprises

Deepened cross-border
collaboration with
customer loans **+10.7%**

Support new economy

Provided integrated financial
services for enterprises
seeking for IPOs



Proactively Developing RMB Business and Strengthening Integrated Servicing Capabilities

RMB clearing
transaction value

RMB 282tn

75% of global total



Proactive RMB business development in Southeast Asia

- BOC Malaysia: **reappointed** as local RMB clearing bank
- Manila Branch: **officially launched** RMB clearing bank business in Jan 2021
- Jakarta Branch: processed **57%** of local RMB clearing volume
- Launched the market-making mechanism of PBoC bills repo business to promote development of offshore RMB bond market in Hong Kong

Continuous enhancement to integrated servicing capabilities

- BOC Life: leapfrogged to **3rd in the market** by standard new premium
- BOCHK Asset Management: AUM surged by **46%**
- BOCI Prudential: MPF AUM increased by **15%**

Accelerating Digital Transformation with Customer-centric Philosophy



Adopt payment-led strategy in developing scenario ecologies

- Meet the basic needs of daily life including food, clothing, housing, transport & consumption
- Launched pilot e-Education platform
- Opened up >**90** APIs with **460** registered partners
- BoC Pay transaction volume **+272%**; FPS registered customers **+70%**



Employ mobile-first strategy in building smart channels

- Mobile banking users: **+30%**
- **iGTB** platform rolled out to Southeast Asian entities
- Electronic experience zone, **eZone**, set up in **181** branches; installed BOCHK iService and smart teller
- Usage of virtual assistant **Bonnie** doubled



Pursue smart operations by utilising IT & innovation

- Percentage of property valuation using Blockchain: **97% / +13ppt**
- Led the market in completing **first batch of blockchain cross-border trade financing deals** via eTradeConnect
- Enhanced auto mortgage loan approval process to sharpen the brand image of **“Home Buying Expert”**
- Used AI to improve OCR verification accuracy of bank cheque to **95%**
- Constructed **smart anti-fraud** platform to strengthen i-risk management

Warmly Embracing ESG to Foster Solid and Sustainable Development

- Fully supported HKSAR Government and HKMA's initiatives on **green financing**
- Successfully issued **green deposits**; **green loans** grew by **63%**
- Achieved stable growth in **ESG bond** underwriting business and distributed multiple **green funds**
- Enthusiastically supported **relief measures against Covid-19**
- Donated to **70** charity projects in 2020 and accumulated **>HK\$1.3bn** over the years
- Volunteers **>5,300**; number of events **>30**; total service hours **>12,000**
- Formulated and published **Sustainability Policy**
- Set mid to long-term goals and action plan
- Enhanced information disclosure and maintained transparent market communications



MSCI ESG Research LLC

Rated **AA** for **5 consecutive years**

Hang Seng Sustainability Index Series

Constituent for **11 successive years**
 Received **AA Rating** for **4th consecutive year**

《Asiamoney》

"Best Bank for CSR in Hong Kong"
 for **3rd successive year**

《The Asian Banker》

"Strongest Bank"
 in Hong Kong and Asia Pacific 2020"

Devoting Unremitting Relief Efforts to Fight against the Pandemic alongside Local Communities



Financial relief

Five financial support initiatives approved business deals over **5,000**

Special 100% Loan Guarantee Scheme assisted over **5,300** corporate clients
market share **>30%**

Pre-approved Principal Payment Holiday Scheme: completed applications for over **1,300** clients



Caring for society

Full support to HKSAR Government's **Employment Support Scheme** and **Cash Payout Scheme**

Active participation in **youth nurturing and employment schemes;** providing over **400** jobs and internships since 2020



Charity support

First bank to make donations to local charities fighting the pandemic, totalling **HK\$15 million**

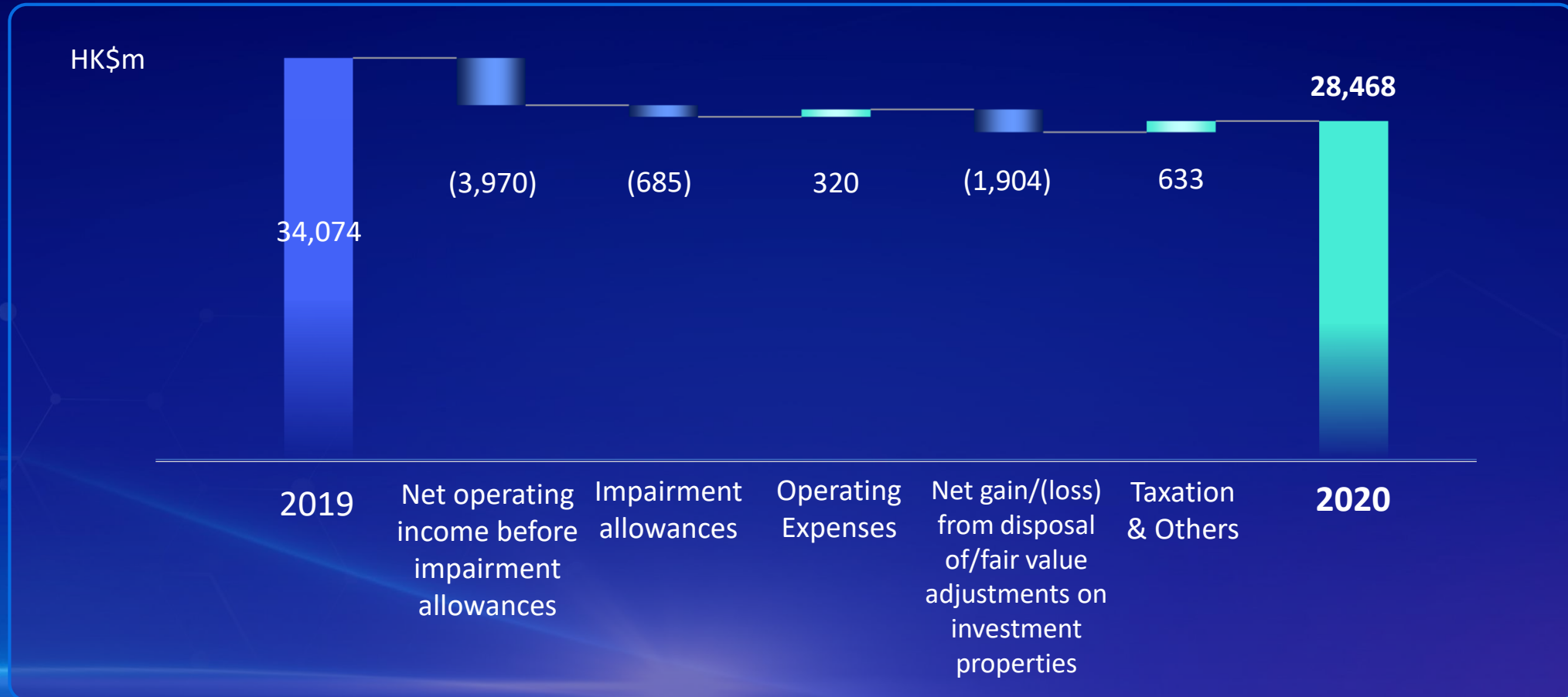
Bestowed **"Top Donor of the Year Award"** and **"Benefactor of the Year Awards"** by The Community Chest of Hong Kong



Financial & Business Results

Earnings under Pressure in Prevailing Market Conditions

Profit for the year: HK\$28.5 bn

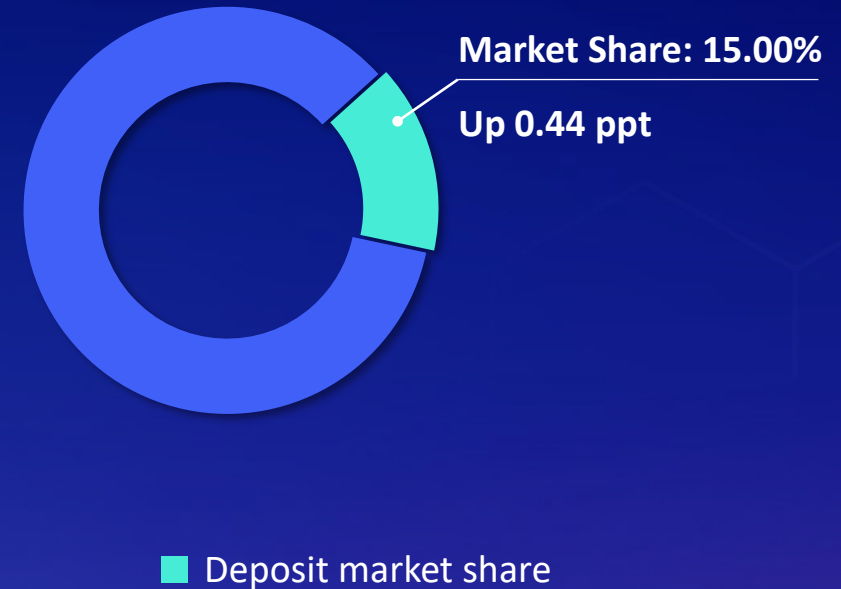
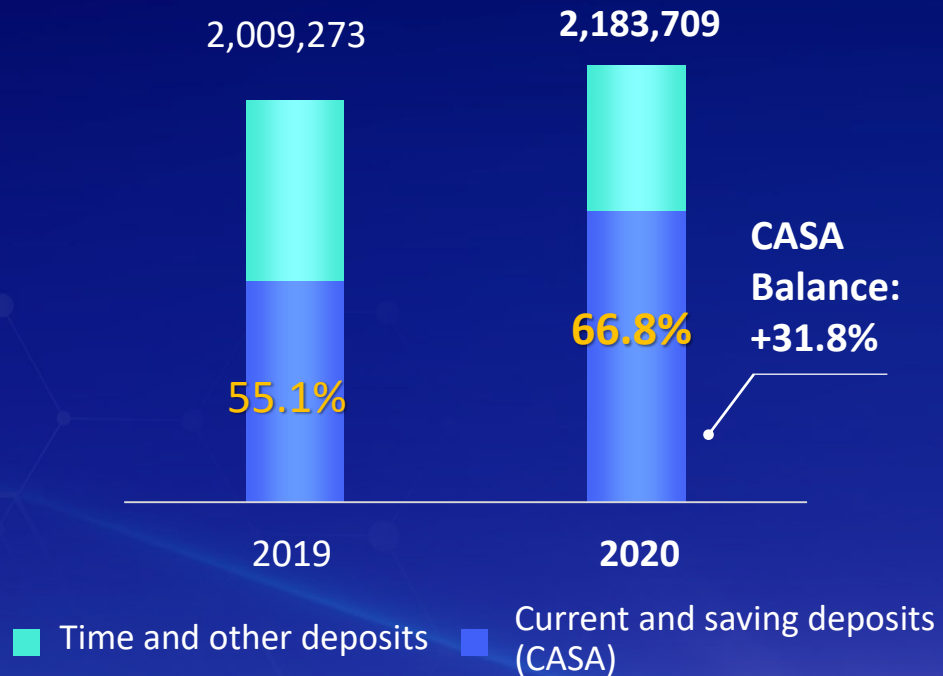


Continued Improvement in Deposit Composition

Customer deposits up 8.7%

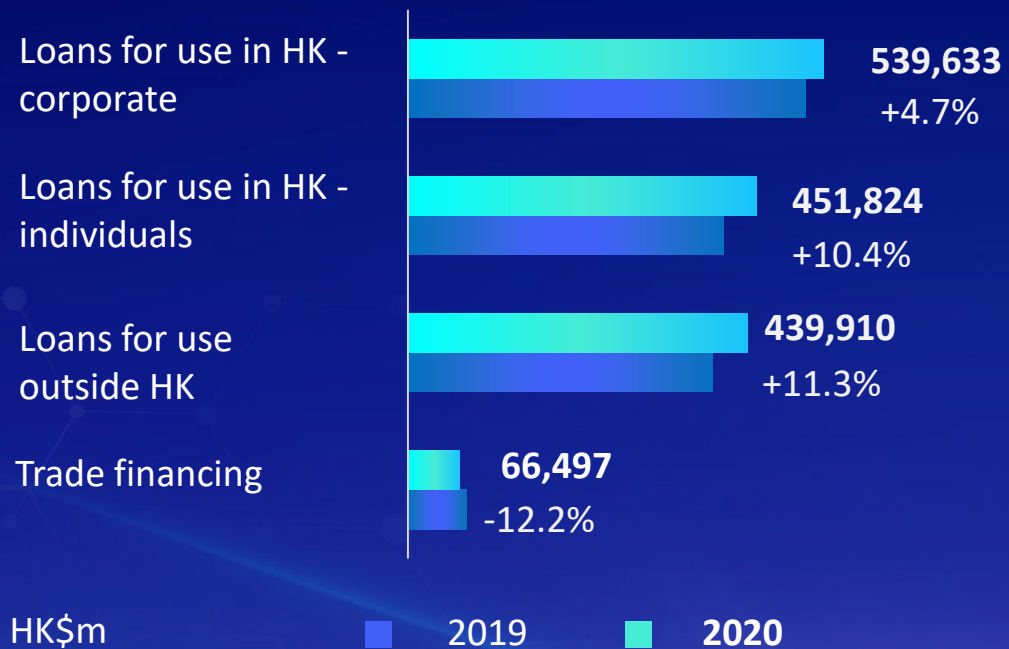
Continuous gain in market share

HK\$m

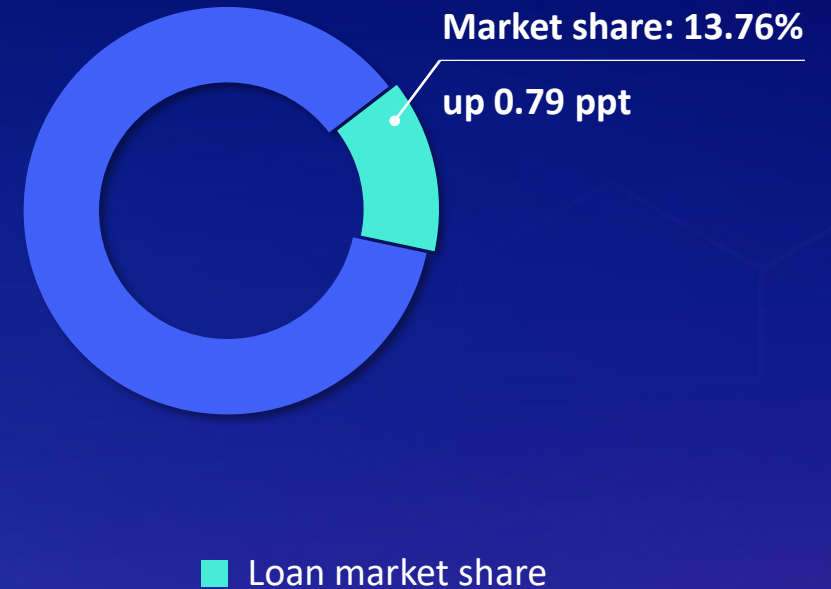


Solid Growth in Customer Loans

Customer loans up 7.3%

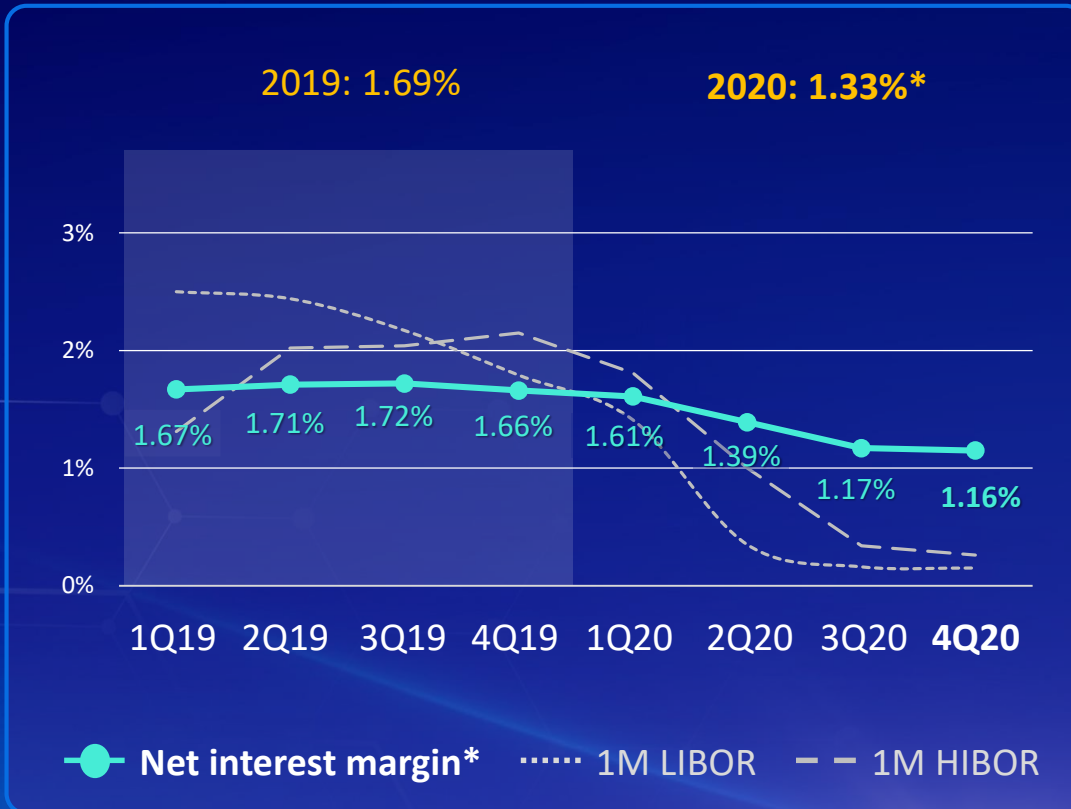


Steady increase in market share



Moderating Pace of Margin Decline

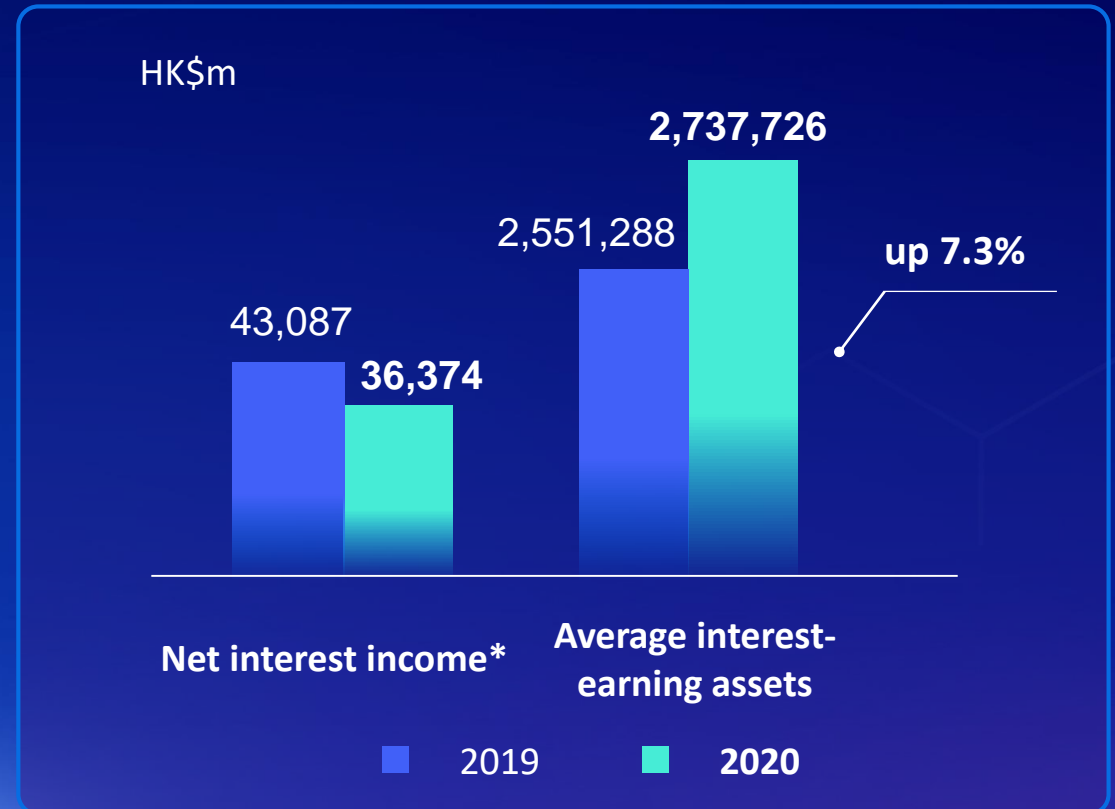
Margin under pressure from market interest rates



*Including the funding income or cost of FX swap contracts

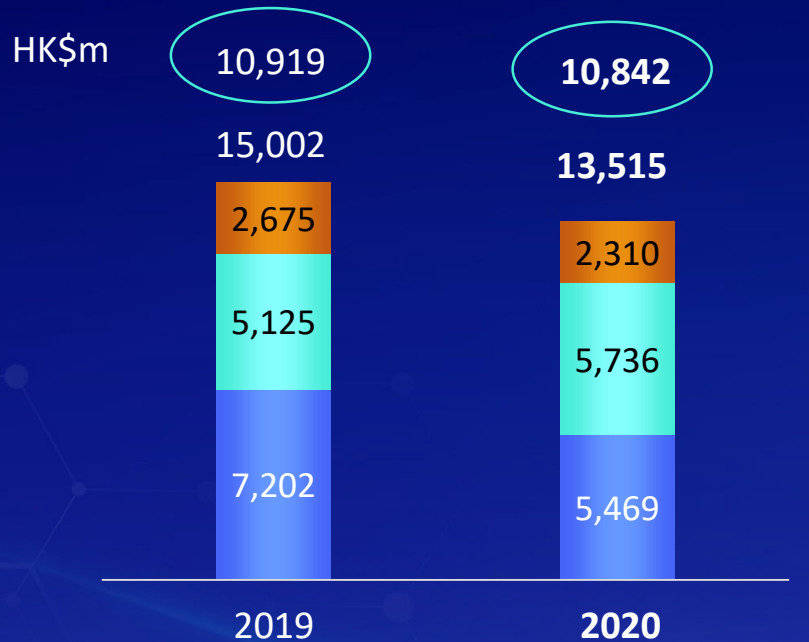
Market data source: Bloomberg

Steady growth in AIEA



Net Fee Income Relatively Stable

Flat net fee income



- Net fee and commission income
- Credit related business - loan commissions
- Investment and insurance related businesses
- Non-credit related business - traditional fee services

Capturing every growth opportunity



Strong stock market activities in 2020

HK stocks' average daily turnover: **+48.6%**

BOCHK's securities brokerage commission: **+68.8%**



Capitalised on business opportunities in mutual market access and cash management

Trust and custody services fees: **+5.8%**

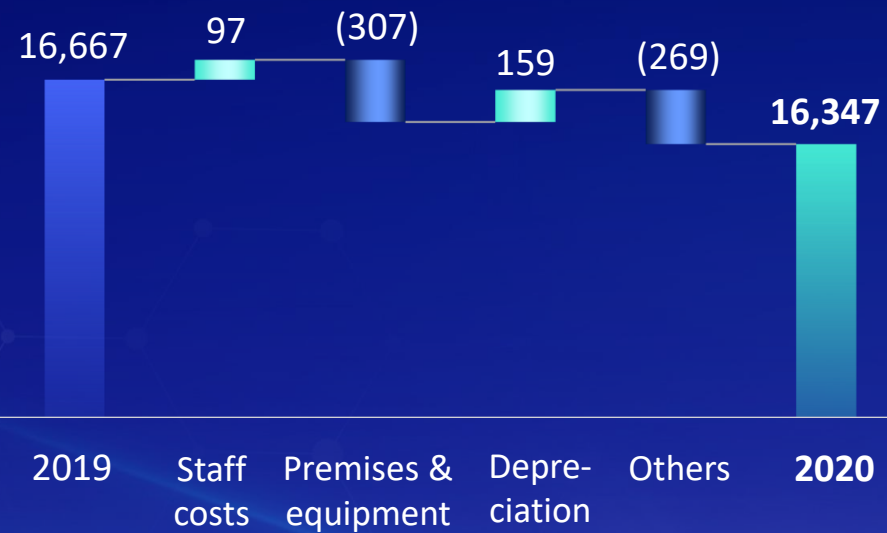
Payment services commission: **+3.4%**

Market data source: Bloomberg

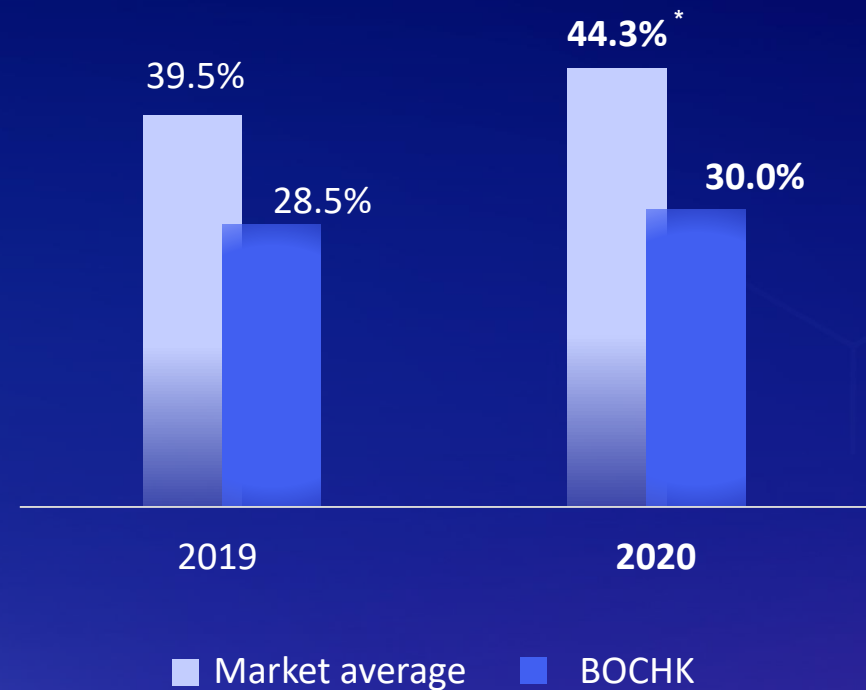
Constantly Enhanced Cost Management

Operating expenses down 1.9%

HK\$m



Cost to income ratio outperformed market



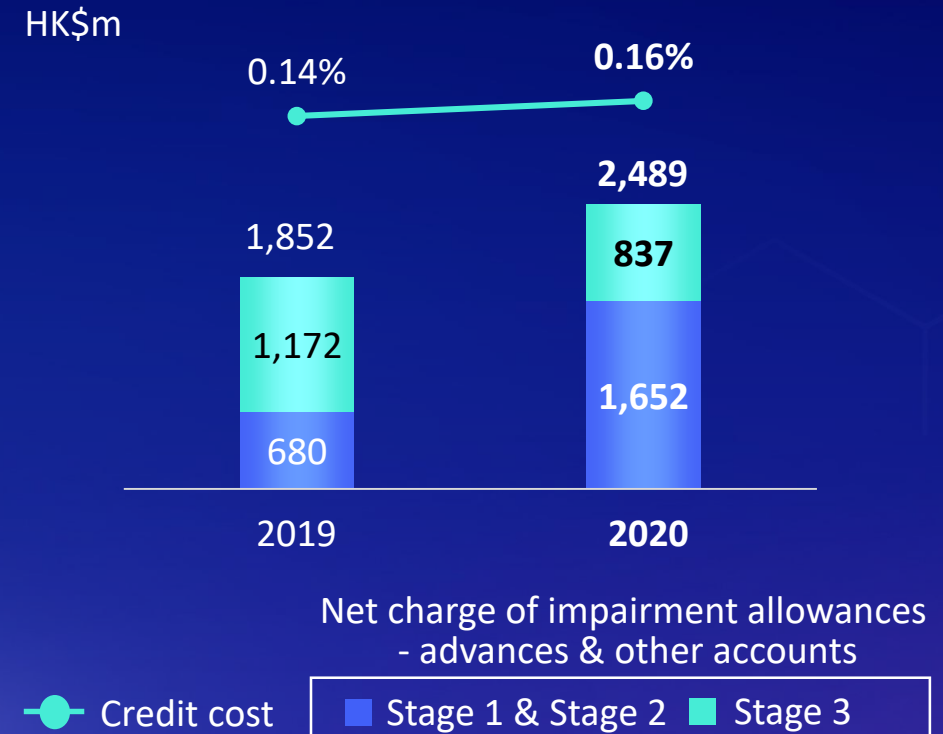
Data source: HKMA
*For 1-3Q 2020

Solid Asset Quality

Stable asset quality



Adequate impairment allowances

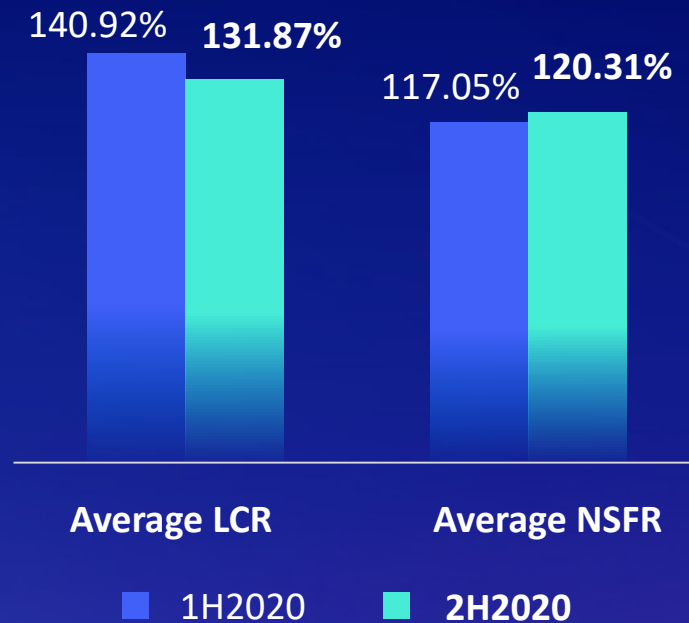


Sound Capital and Liquidity Positions

Well-capitalised at all levels



Solid liquidity





Outlook

Outlook

Challenges

Opportunities

International geopolitical situation remains challenging

Global economic recovery continues to be unsteady and imbalanced

Major economies rapidly increase fiscal deficit and debt levels

New economic landscape underpinned by the nation's dual circulation development pattern as well as high-level opening-up

GBA development moving forward in an orderly fashion, alongside with deepening of mutual market access schemes

Rapid economic growth in Southeast Asia coupled with advances in regional trade and economic cooperation

Unique advantages of Hong Kong and its special status as "Super-connector"

Bridge China and the World for the Common Good

Focusing on key markets



- Committed to cultivating Hong Kong market
- Proactively capture growth in Greater Bay Area market
- Deploy our Southeast Asian network to tap market potential

Improving capabilities



- Strengthen regional management
- Bolster digital empowerment
- Optimise integrated services

Strengthening supports



- Deepen corporate culture
- Nurture talents
- Pursue smart operations
- Enhance comprehensive risk control and management

Appendices

Income Statement and Balance Sheet Summary

Income statement summary (HK\$m)	2020	2019	Change
Net interest income	34,738	40,523	-14.3%
Net fee and commission income	10,842	10,919	-0.7%
Other non-interest income	8,894	7,002	27.0%
Net operating income before impairment allowances	54,474	58,444	-6.8%
Operating expenses	(16,347)	(16,667)	-1.9%
Pre-provision Operating Profit (PPOP)	38,127	41,777	-8.7%
Net charge of impairment allowances	(2,707)	(2,022)	33.9%
Operating profit	35,420	39,755	-10.9%
Profit for the year	28,468	34,074	-16.5%
Per share (HK\$)	2020	2019	Change
Basic earnings per share	2.5052	3.0440	-0.5388
Dividend per share	1.242	1.537	-0.295
Balance sheet summary (HK\$m)	2020.12	2019.12	Change
Total assets	3,320,981	3,026,056	9.7%
Advances to customers	1,497,864	1,395,883	7.3%
Total liabilities	3,001,326	2,718,564	10.4%
Deposits from customers	2,183,709	2,009,273	8.7%
Capital and reserves attributable to equity holders	319,655	307,492	4.0%

Average Balances and Average Interest Rates

(HK\$m) / % Assets	2020		2019	
	Average balance	Average yield	Average balance	Average yield
Balances and placements with banks and other financial institutions	351,515	0.88%	319,492	1.76%
Debt securities investments and other debt instruments	849,401	1.76%	864,637	2.36%
Advances to customers and other accounts	1,518,246	2.08%	1,345,060	3.06%
Other interest-earning assets	18,564	1.20%	22,099	2.58%
Total interest-earning assets	2,737,726	1.82%	2,551,288	2.66%

Liabilities	2020		2019	
	Average balance	Average rate	Average balance	Average rate
Deposits and balances from banks and other financial institutions	198,804	0.56%	191,461	1.18%
Current, savings and time deposits	2,082,314	0.65%	1,865,178	1.26%
Subordinated liabilities	1,452	5.51%	13,093	5.49%
Other interest-bearing liabilities	28,917	1.26%	39,505	1.74%
Total interest-bearing liabilities	2,311,487	0.66%	2,109,237	1.29%

Net interest margin	2020	2019
Net interest margin	1.27%	1.59%
Net interest margin (adjusted)*	1.33%	1.69%

* Included the funding income or cost of FX swap contracts

Fee and Commission Income

HK\$m	2020	2019	Change
Securities brokerage	3,567	2,113	68.8%
Loan commissions	2,310	2,675	-13.6%
Credit card business	1,859	2,975	-37.5%
Insurance	1,272	2,111	-39.7%
Funds distribution	897	901	-0.4%
Payment services	740	716	3.4%
Trust and custody services	689	651	5.8%
Bills commissions	591	700	-15.6%
Currency exchange	226	599	-62.3%
Safe deposit box	306	294	4.1%
Others	1,058	1,267	-16.5%
Fees and commission income	13,515	15,002	-9.9%
Fees and commission expense	(2,673)	(4,083)	-34.5%
Net fee and commission income	10,842	10,919	-0.7%

Operating Expenses

HK\$m	2020	2019	Change
Staff costs	9,461	9,364	1.0%
Premises & equipment expenses	1,235	1,542	-19.9%
Depreciation	3,040	2,881	5.5%
Others	2,611	2,880	-9.3%
Total operating expenses	16,347	16,667	-1.9%
Full-time staff headcount	14,915	14,668	1.7%

Customer Deposits

HK\$m	2020.12	2019.12	Change
Demand deposits and current accounts	310,226	207,013	49.9%
Saving deposits	1,149,035	900,009	27.7%
Time, call and notice deposits	724,448	902,251	-19.7%
Total deposits from customers	2,183,709	2,009,273	8.7%
CASA	1,459,261	1,107,022	31.8%

Advances to Customers

HK\$m	2020.12	2019.12	Change
Loans for use in Hong Kong - industrial, commercial and financial	539,633	515,548	4.7%
Property development	132,966	137,663	-3.4%
Property investment	64,768	49,073	32.0%
Financial concerns	24,110	28,353	-15.0%
Stockbrokers	1,656	815	103.2%
Wholesale and retail trade	30,523	39,880	-23.5%
Manufacturing	53,629	42,719	25.5%
Transport and transport equipment	74,633	66,511	12.2%
Recreational activities	198	2,161	-90.8%
Information technology	25,579	22,464	13.9%
Others	131,571	125,909	4.5%
Loans for use in Hong Kong - individuals	451,824	409,186	10.4%
Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	27,809	19,855	40.1%
Loans for purchase of other residential properties	311,070	277,288	12.2%
Credit card advances	10,959	14,663	-25.3%
Others	101,986	97,380	4.7%
Trade financing	66,497	75,764	-12.2%
Loans for use outside HK	439,910	395,385	11.3%
Gross advances to customers	1,497,864	1,395,883	7.3%

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

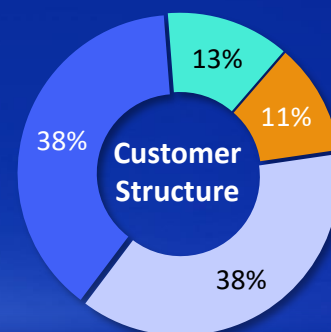
HK\$m	2020.12				2019.12			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Advances to customers	1,470,492	23,378	3,994	1,497,864	1,388,453	4,213	3,217	1,395,883
Pass	1,466,646	20,352	-	1,486,998	1,385,770	1,592	-	1,387,362
Special mention	3,846	3,026	-	6,872	2,683	2,621	-	5,304
Substandard or below	-	-	3,994	3,994	-	-	3,217	3,217
Trade bills	9,826	-	-	9,826	20,727	-	-	20,727
Pass	9,826	-	-	9,826	20,727	-	-	20,727
Special mention	-	-	-	-	-	-	-	-
Substandard or below	-	-	-	-	-	-	-	-
Advances to banks and other financial institutions	1,898	-	-	1,898	3,387	-	-	3,387
Pass	1,898	-	-	1,898	3,387	-	-	3,387
Special mention	-	-	-	-	-	-	-	-
Substandard or below	-	-	-	-	-	-	-	-
Gross advances and other accounts	1,482,216	23,378	3,994	1,509,588	1,412,567	4,213	3,217	1,419,997
Impairment allowances	(5,405)	(1,115)	(2,652)	(9,172)	(4,564)	(297)	(2,175)	(7,036)
Advances and other accounts	1,476,811	22,263	1,342	1,500,416	1,408,003	3,916	1,042	1,412,961

Non-bank Mainland Exposures

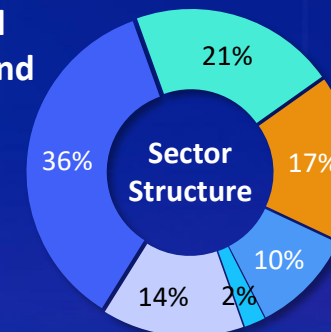
HK\$m	On-balance sheet exposure				Off-balance sheet exposure	Total exposure
	Total loans and advances	O/W: for use in Mainland	Debt securities and others	Subtotal		
Central government, central government-owned entities and their subsidiaries and joint ventures	268,513	83,364	80,892	349,405	36,110	385,515
Local governments, local government-owned entities and their subsidiaries and joint ventures	67,812	27,227	1,292	69,104	11,230	80,334
PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	100,488	24,587	9,433	109,921	23,386	133,307
Others	118,032	81,406	1,111	119,143	13,252	132,395
Total	554,845	216,584	92,728	647,573	83,978	731,551

With reference to the completion instructions for the HKMA return of Mainland activities (note 53 of Notes to the Annual Financial Information of 2020 Annual Report), as of 31 December 2020, the total on-balance sheet non-bank Mainland exposure was HK\$647.6bn, up 9.1% YoY, accounting for 21.1% of total assets.

Of which, total loans and advances was HK\$554.8bn, up HK\$33.4bn or 6.4% YoY. Asset quality was stable with NPL ratio of 0.21%. Loan for use in Mainland was HK\$216.6bn, accounting for 14.5% of total loans of the Group.



Analysis of the 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
- Wholesale and retail trade
- Others

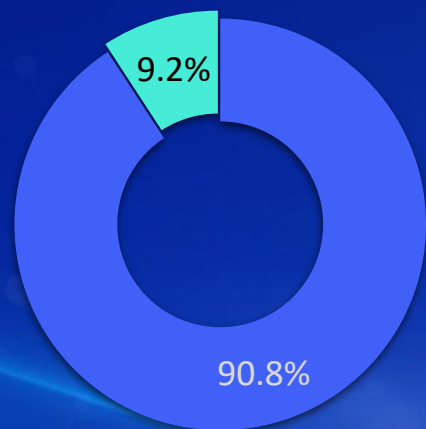
Loan Exposure to Vulnerable Sectors

As of 31 December 2020, customer loan exposure to industries (incl. trading, retail, aviation, tourism (incl. hospitality), F&B, entertainment) severely affected by Covid-19 amounted to **HK\$150.9bn**, accounting for **10.07%** of total loans, a decrease of **HK\$9.7 bn**, or **0.61 ppt** from end-June 2020

Exposure by customer type: 90.8% to large corporates; 9.2% to SMEs.

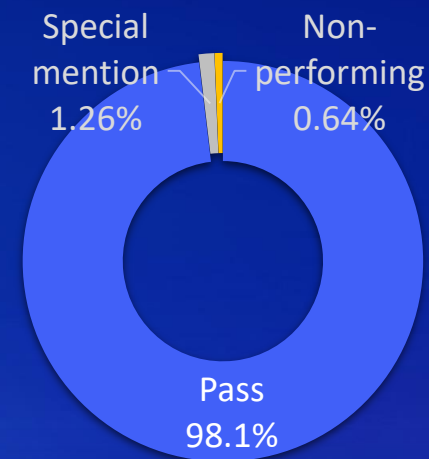
Asset quality: Special mention loans totalled HK\$ 1,907m, accounting for 1.26% of the relevant loan balances; non-performing loans were HK\$ 972m, accounting for 0.64% of the relevant loan balances. **Overall asset quality remained stable.**

Exposure by customer type



■ Large corporates ■ SMEs

Asset quality

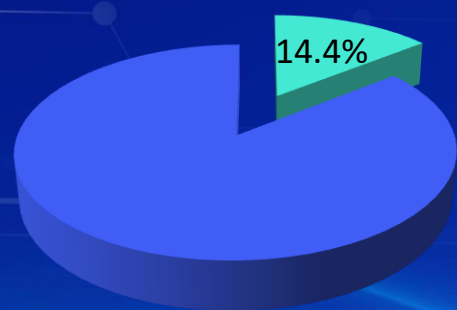


■ Pass ■ Special mention ■ Non-performing

HK\$m	2020	2019	Change
Gross premium	28,013	25,366	10.4%
Profit before tax	854	701	21.8%
Total assets	179,865	153,116	17.5%



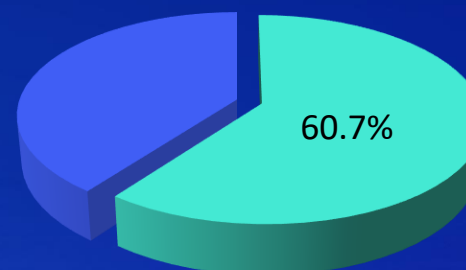
Rose to 3rd in the market



■ BOC Life ■ Other insurance companies

- BOC Life's standard new premium market share was 14.4%, rising to 3rd place in the market
- RMB insurance business market share was 68.9%, remaining top player for 10th consecutive year
- At the forefront of the Qualifying Deferred Annuity Policy (QDAP) market since its launch in 2019
- No. of tied agents increased 23% to 916

Top E-channel* player



■ BOC Life ■ Other insurance companies

- BOC Life's e-channel market share* reached 60.7%, sustaining market leadership
- First to introduce an online QDAP. Life insurance standard new premium generated online increased 85% YoY to HK\$1.5bn with its share up 7.3ppt to 13.2% of all distribution channels of BOC Life

*Statistics from Insurance Authority: Direct distribution channels include online channel sales, direct mail and telesales with the majority of the premium coming from online channel sales