

2021 Annual Results



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



29 March 2022

 **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

1

Strategy Review

2

*Financial &
Business Results*

3

Outlook

1 Strategy Review



Steady Business Progress with Solid Financial Indicators

Profit after Taxation

HK\$25.0bn

7.7%

ROE

Total Assets

HK\$3.64tn

0.7%

ROA

Annual DPS

HK\$1.130

52.0%

Payout Ratio



Deepened Local Market Development to Consolidate Market Leadership



Personal Banking

Mid to high-end customers: **+9.8%**

AUM: **+7.8%**

Private Wealth customers: **+52%**

AUM: **+35%**

#1 in new residential mortgage loans

1st bank to launch green mortgages in HK

BOC Life: **#3** in standard new premiums

Market leader in RMB insurance

Corporate Banking

HK/Macao syndicated loans:

#1 for 17 consecutive years

IPO receiving bank business:

remained **#1** in the market

Market leader in cash pooling business

Assets under custody: **HK\$1.40tn**

Market leader in SME Financing Guarantee Scheme (SFGS)

BOCI Prudential: **Ranked top** in MPF market

Financial Markets

RMB transaction volume for clients: **+35%**

iGTB online transaction volume for treasury business: **+98%**

Issued **world's first** HONIA-based certificate of deposit in HK\$

BOCHK Asset Management:

"Best RMB Manager in HK"

- *Asia Asset Management*



"Bank of the Year in Hong Kong" – *The Banker (UK)*



Capturing Key Market of the Greater Bay Area through Enhanced Cross-border Service Capabilities



Cross-border Wealth Management Connect

Market leader in Southbound and Northbound account openings



Southbound Bond Connect

Ranked top by number of customers and clearing amounts



GBA Account Opening

Cumulative number of new accounts: **169k/+41%**



Cross-border Mortgage Service

Provided professional financing solutions including mortgage loan, secured property financing and personal loan



Bay Area Social Security Service

First bank to cooperate in social security service delivery, making customers' lives and development in the GBA more convenient



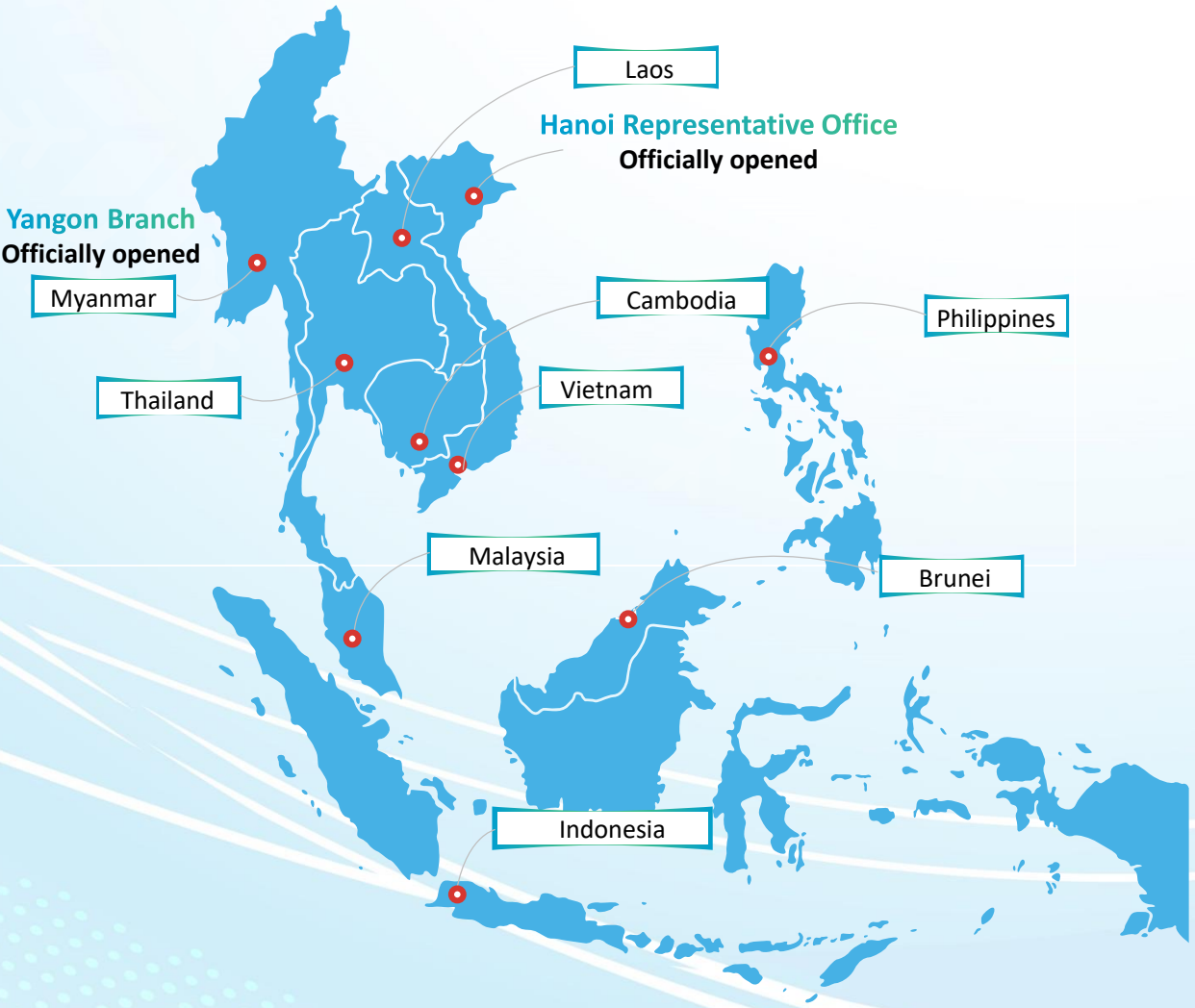
Financial Intermediation

GBA corporate loans: **+9.8%**
Loans to innovative tech companies: **+8.3%**



“Best Chinese Bank for the Greater Bay Area” - Asiamoney

Refining Regional Strategy to Unlock Southeast Asia's Market Potential



Customer Deposits

HK\$66.7bn
 +16.4%

Customer Loans

HK\$55.2bn
 +2.1%

Net Operating Income

HK\$2.71bn
 +8.3%

Non-Performing Loans

HK\$1.36bn
 NPL ratio: **2.39%**

Remark: Customer deposits, customer loans and net operating income represent the consolidated data for nine Southeast Asian entities which were prepared in accordance with Hong Kong Financial Reporting Standards; NPL ratio was calculated based on their local regulatory requirements.

Tapping Market Opportunities to Strengthen RMB Franchise



27.7%
RMB deposits
market share in HK



21.5%
RMB loans
market share in HK



+26.6%
RMB clearing value
growth* in HK

1

Established a **flexible organisation** to steer RMB business development

2

Launched **Hong Kong PBoC Bills Repo Business Market-Making Mechanism**, serving as **exclusive offshore market-maker**

3

Supported the **Local Currency Settlement Framework** between China and Indonesia, with Jakarta Branch **leading the market** in related business

4

Manila Branch officially launched **RMB clearing bank services**, and became a **direct participant of CIPS** together with BOC Malaysia

5

FXall e-trading platform came online at BOC Malaysia and BOC Thailand, facilitating direct exchange of RMB with domestic currencies



2021年中国财资奖
最佳人民币跨境服务银行奖
Best Cross-Border RMB Services Award

“Best Cross-Border RMB Services Award” – Treasury China



Deepening Digital Transformation through Persistent Innovation



Enhancing the Deployment of Digital Technologies

Mobile banking: Customers **+15%**
Transaction volume **+30%**

First bank in HK to use HKMA's Commercial Data Interchange throughout the entire SME loan approval process

Launched “**ERP Cloud Services - Accounting Cloud**” to facilitate SME growth

Transaction value handled by trade finance blockchain platform: **+3.5x**

Property valuations using blockchain: **98%**



Deepening Scenario Construction

Refined scenarios for public services, transports, educations, property purchases, cross-border and wealth management

Average daily usage of open API: **+2.3x**

BoC Pay: Customers **+32%**
Transaction volume **+30%**

BoC Bill: Network coverage **+21%**
Settlement volume **+30%**

Customers of virtual bank LIVI: **>200k**



Promoting Smart Operations

First bank to launch a mobile account opening service using the **iAM Smart** application of the HKSAR Government

Promoted process automation and enhanced efficiency of relevant processes by **50%+**

Nanning Regional Operation Centre
Average daily business handling volume: **+2x**

24/7 real-time monitoring of suspicious transactions via electronic platforms

Enhanced pre-warning capability for cybersecurity risks



Hong Kong's Best Digital Bank 2021 - *Asiamoney*



Innovating Green Finance to Meet Customer Needs



Expanding Business Scales

Green and Sustainable Loans
+3.1x

New Green Deposits
+ 3.5x

ESG Bond Underwriting Amount
+ 1.7x



Launching Diversified Products

Launched HK's 1st green mortgage scheme, 1st green deposit scheme for personal customers, and 1st RMB ESG fund

First bank to collaborate with HKQAA's "Green Loan e-Assessment" platform, and introduced "SME Green Financing Incentive Scheme"

Issued "Sustainable and Smart Living" themed green bonds



Promoting BOC Values by Fulfilling Corporate Responsibilities

Strongly supported the financial relief programmes initiated by the HKSAR Government and HKMA

Introduced **six** new financial support initiatives, providing **HK\$50bn** of credit resources to assist local SME customers

Stood together with society to fight the virus, by implementing **employee care** measures, and making cumulative charitable donations over **HK\$25mn**

Officially became a signatory of **TCFD** in May 2021

Award of Excellence in ESG –
“The Chamber of HK Listed Companies”

HK Volunteer Award - Corporate Award -
“Agency for Volunteer Service”



Issued “Commemorative Banknote of the Beijing 2022 Winter Olympic Games”, with all net proceeds dedicated to local charitable causes

Implemented **>70** charitable projects

Organised **>90** volunteer activities

Number of volunteers **+55%**

Volunteer service hours **+41%**



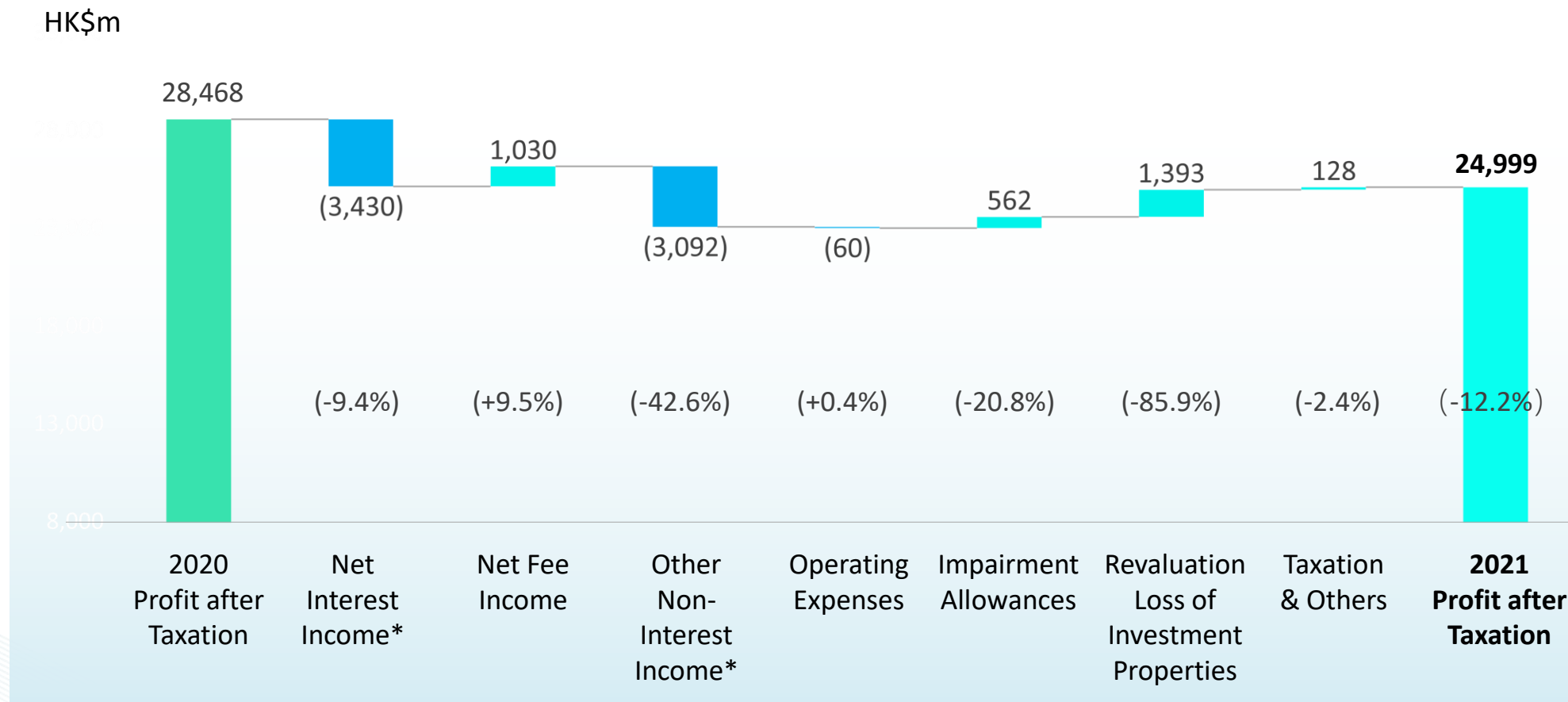
MSCI ESG Ratings - AAA



Financial & Business Results



Breakdown of Profit after Taxation



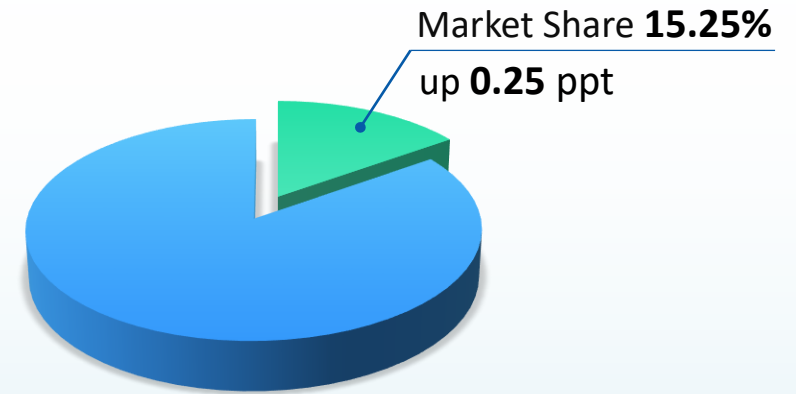
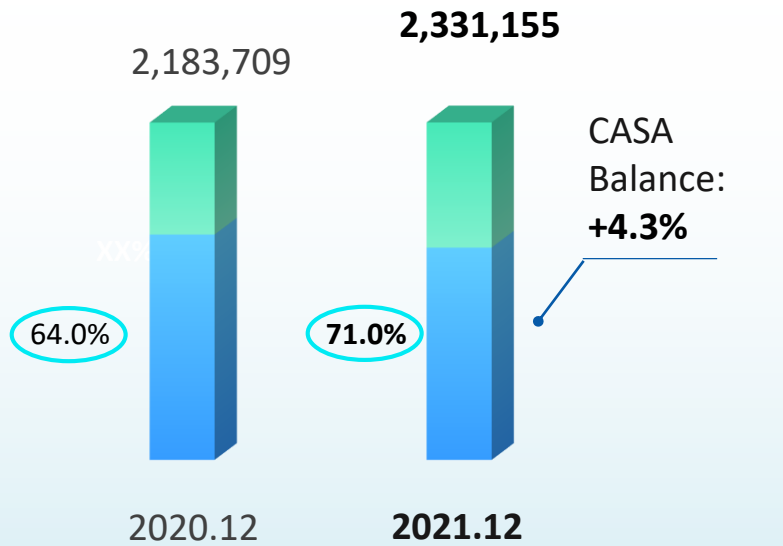
* Including the funding income or cost of FX swap contracts

Improvement in Deposit Structure

Customer Deposits up 6.8%

Continual Increase in Market Share

HK\$m



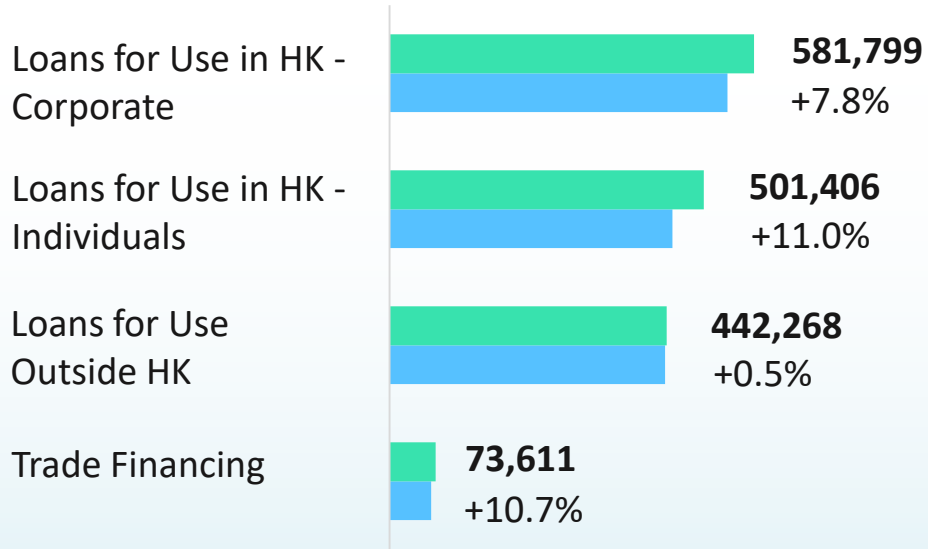
■ Deposits Market Share

■ Time and Other Deposits
 ■ Current and Saving Deposits (CASA)
 ○ Average CASA Ratio

Balanced Growth in Customer Loans

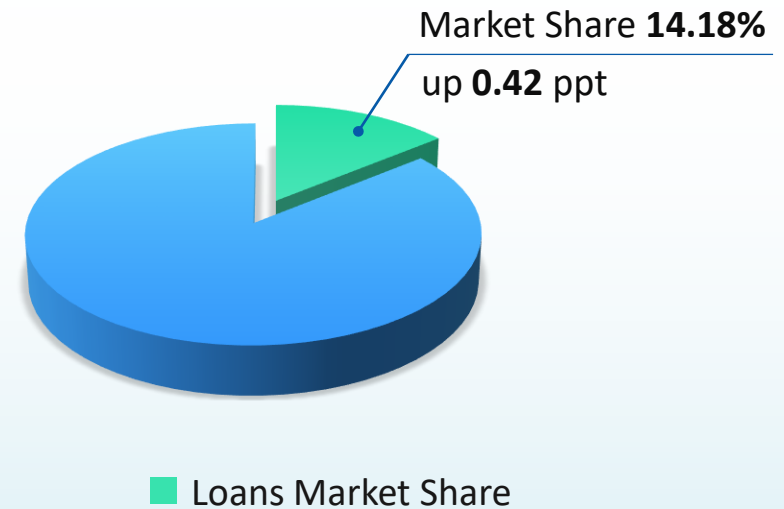
Customer Loans up 6.8%

HK\$m



■ 2020.12 ■ 2021.12

Consistent Gains in Market Share

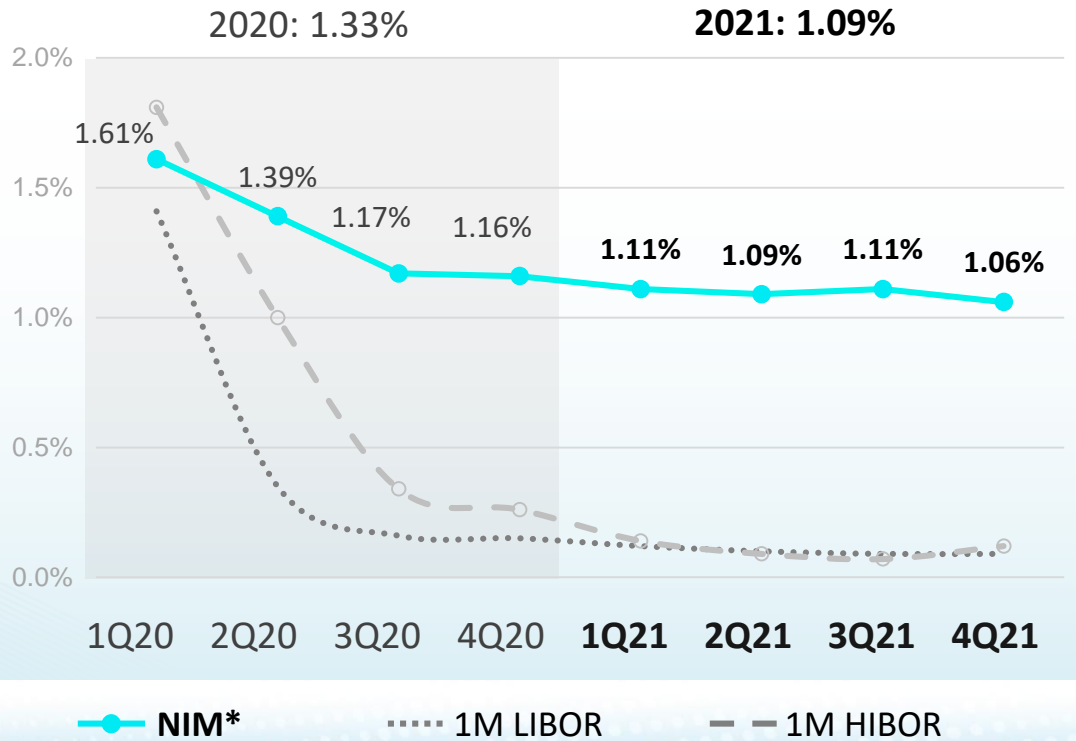




Stabilising Net Interest Margin



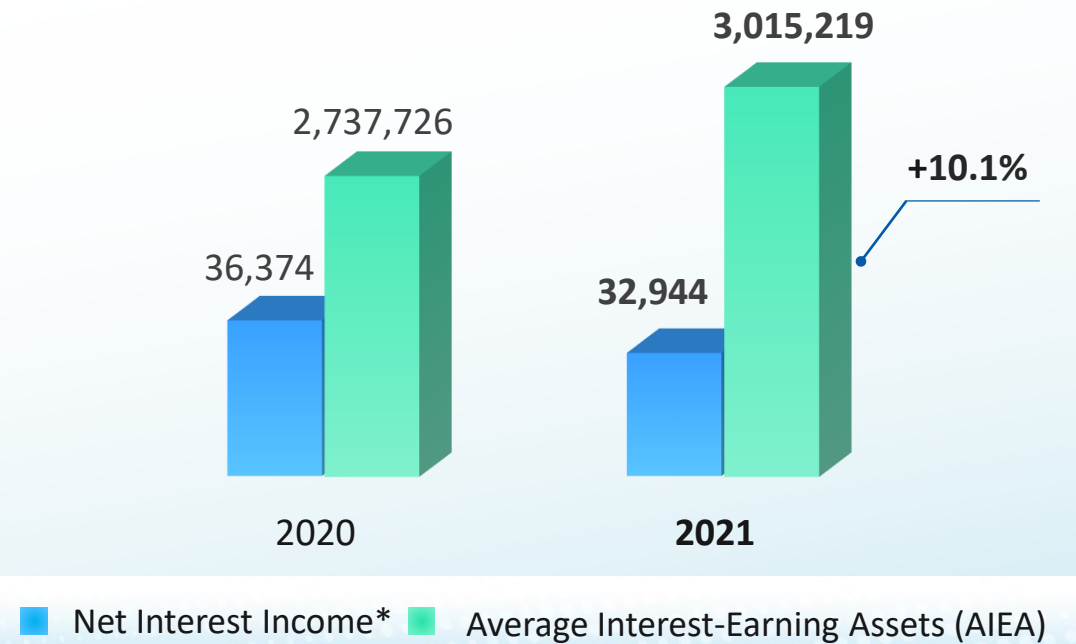
Margin* Fell in Line with Market Rates



*Including the funding income or cost of FX swap contracts
 Market data source: Bloomberg

Continuous AIEA Growth

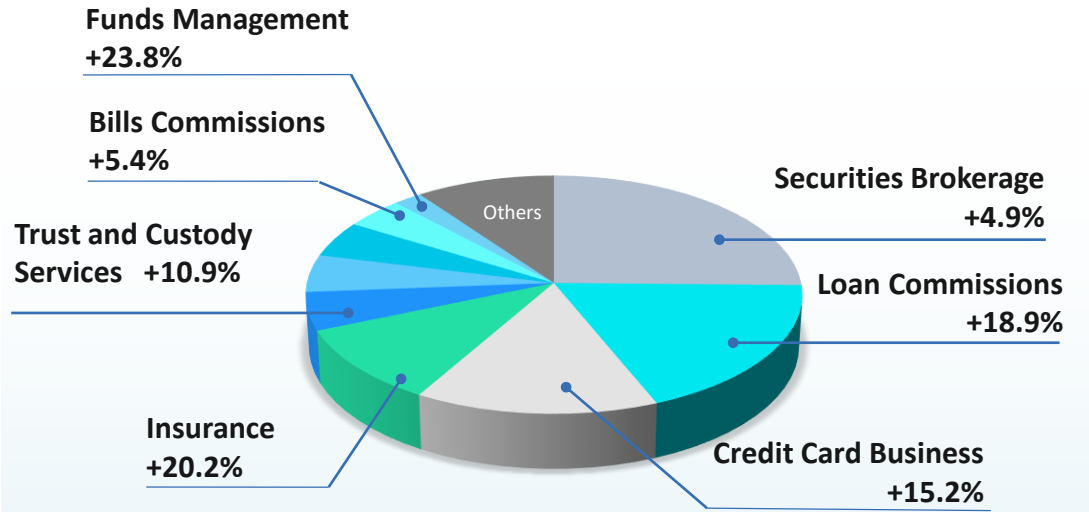
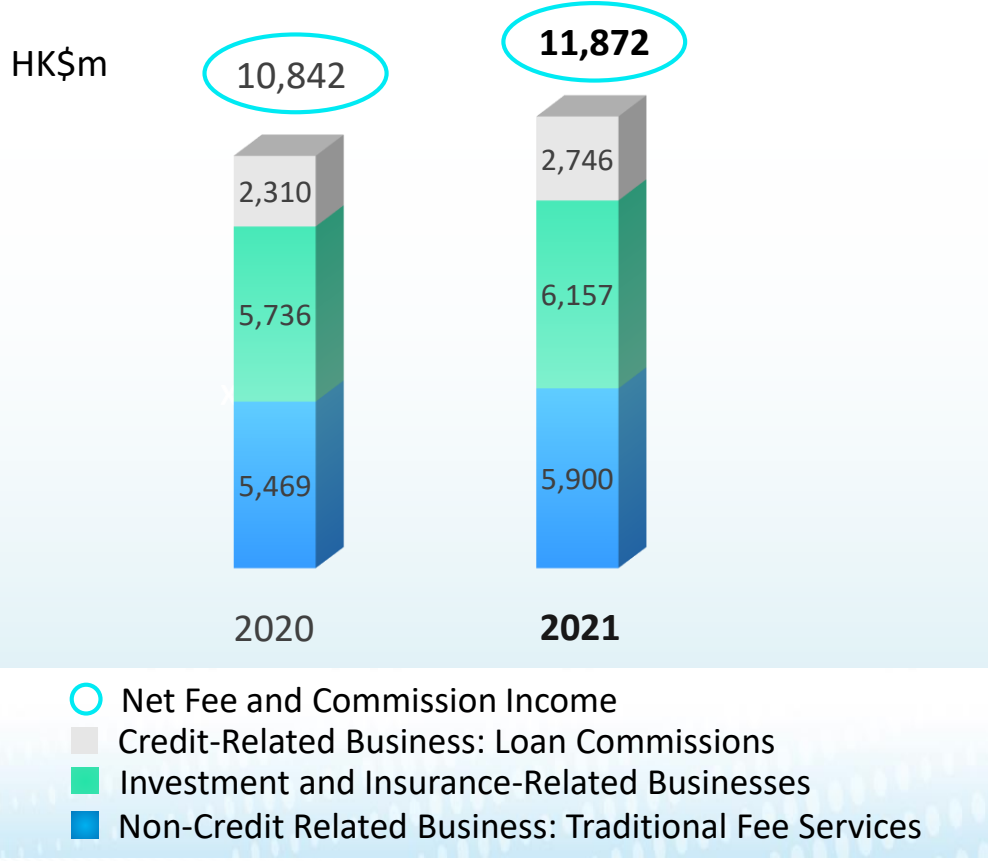
HK\$m



Resilient Net Fee Income Growth

Net Fee Income up 9.5% YoY

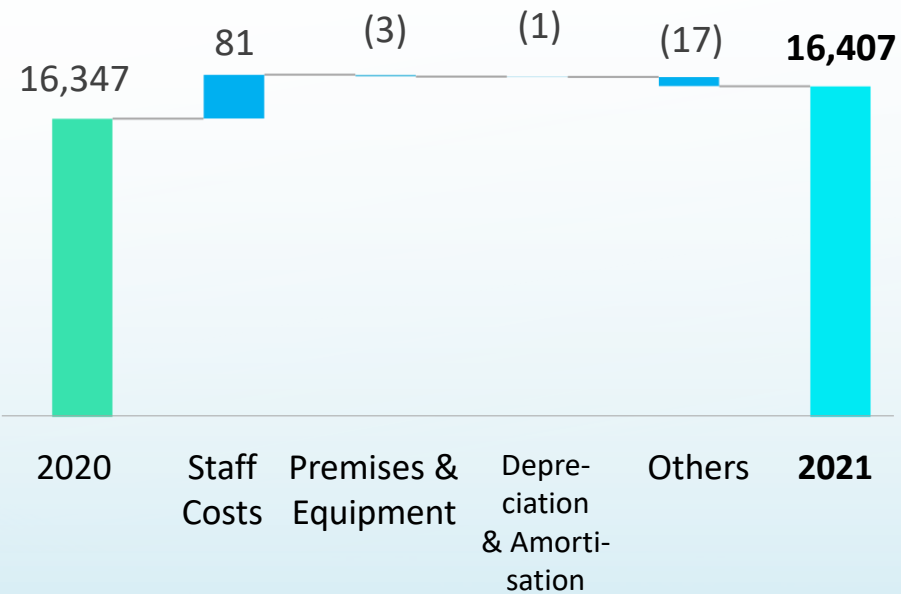
Broad-Based Income Growth



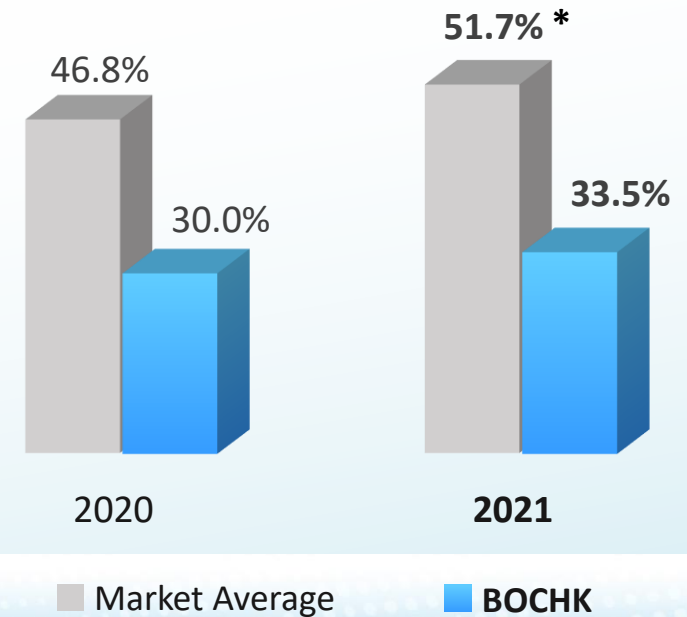
Market-leading Cost Efficiency

Stable Operating Expenses

HK\$m



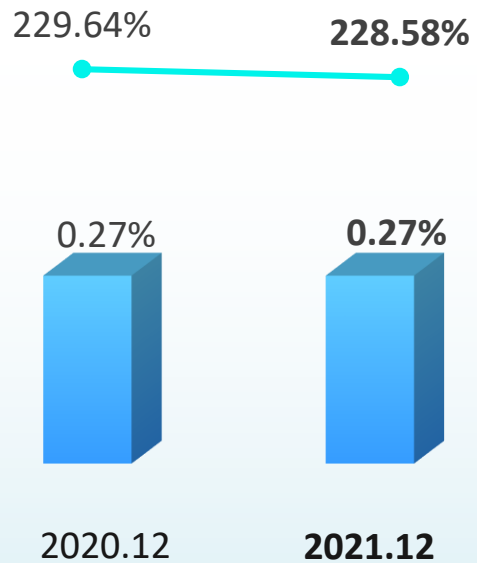
Market-Beating Cost-to-Income Ratio



Data source: Hong Kong Monetary Authority
*3Q2021

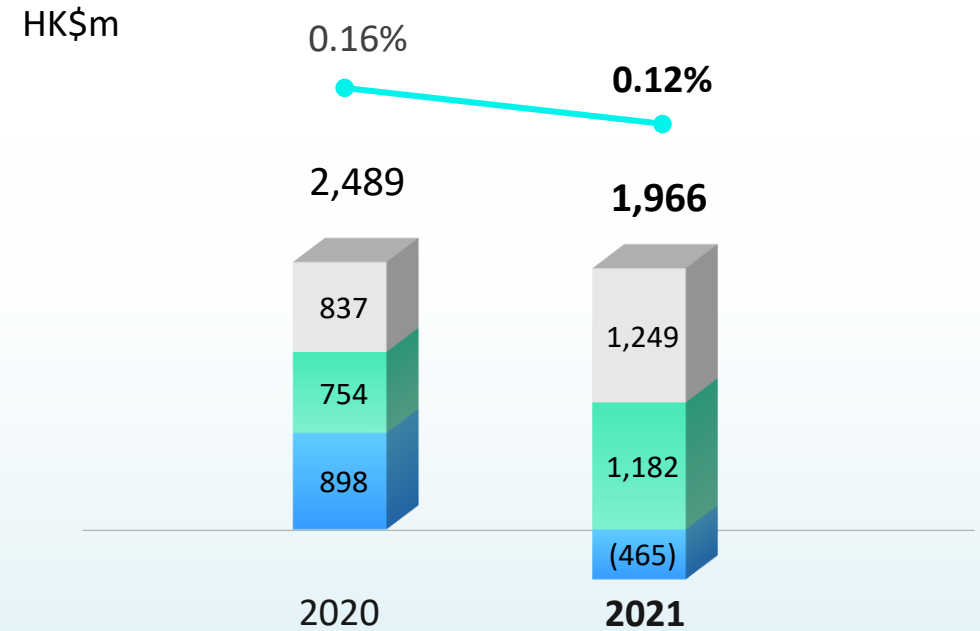
Consistently Solid Asset Quality

Steady and Sound NPL Ratio



■ NPL Ratio —●— NPL Coverage Ratio

Steady Decline in Credit Cost

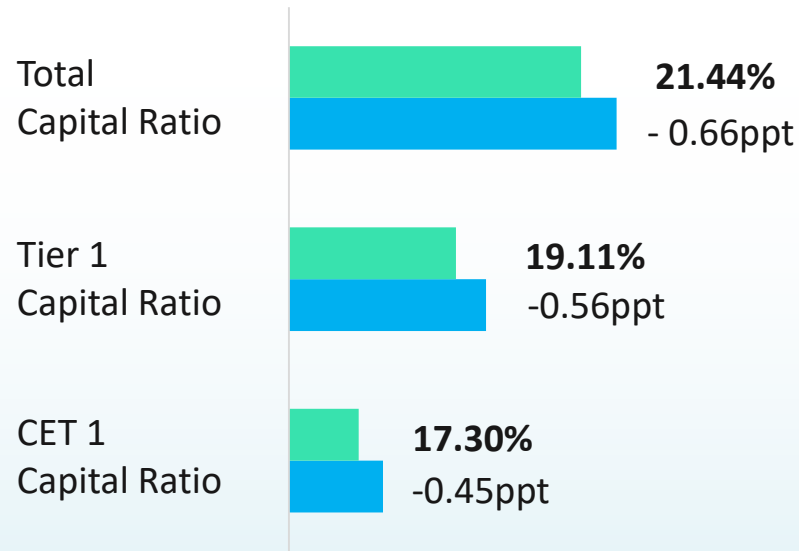


—●— Credit cost

Net Charge of Impairment Allowances
 - Advances and Other Accounts
■ Stage 1 ■ Stage 2 ■ Stage 3

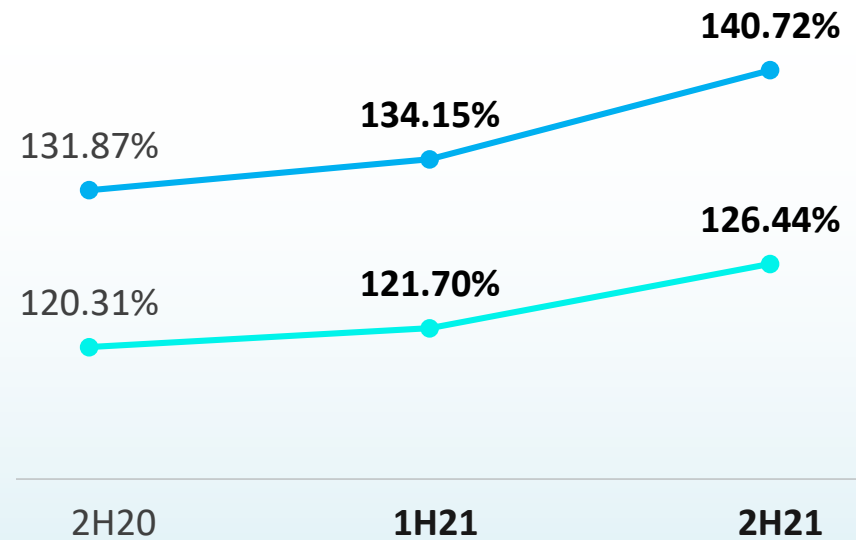
Capital and Liquidity Positions Exceeded Regulatory Requirements

Stable Capital Levels



■ 2020.12 ■ 2021.12

Enhanced Liquidity Ratios



—●— Average NSFR —●— Average LCR



2022 Outlook



 **2022 Outlook** 

Rapidly Evolving International Political Landscape & Lingering Pandemic Situation

Uneven Global Economic Recovery with Weakening Growth Momentum

Spill-over Risk from Monetary Policy Changes of Major Developed Economies



Further Development of the GBA & Launch of Northern Metropolis Blueprint

World's Largest Free Trade Zone Formed as RCEP Takes Effect

Positive Earning Outlook for Banks on the Backdrop of Cyclical Rates Hike



Bridge China and the World for the Common Good

Building a First-Class Regional Banking Group

Maintain stability while seeking progress

Committed to strict risk management

Capture market opportunities

Enhance quality of development

Key Tasks

- Harness BOC's strengths to fulfill our social responsibilities
- Promote ESG concepts to nurture green development
- Deepen personal banking reform to upgrade service experience
- Tap RMB business opportunities to cement leading advantages
- Improve integrated services to build core competence
- Grasp regional opportunities to drive high-quality growth
- Consolidate tech foundations to advance digitalisation strategy
- Uphold stringent risk management principles and strengthen comprehensive risk management

Appendices

Income Statement and Balance Sheet Summary

Income statement summary (HK\$m)	2021	2020	Change
Net interest income*	32,944	36,374	-9.4%
Net fee and commission income	11,872	10,842	9.5%
Other non-interest income*	4,166	7,258	-42.6%
Net operating income before impairment allowances	48,982	54,474	-10.1%
Operating expenses	(16,407)	(16,347)	0.4%
Pre-provision Operating Profit (PPOP)	32,575	38,127	-14.6%
Net charge of impairment allowances	(2,145)	(2,707)	-20.8%
Operating profit	30,430	35,420	-14.1%
Profit for the year	24,999	28,468	-12.2%
Profit attributable to equity holders of the Company	22,970	26,487	-13.3%
Per share (HK\$)	2021	2020	Change
Basic earnings per share	2.1726	2.5052	-13.3%
Dividend per share	1.130	1.242	-9.0%
Balance sheet summary (HK\$m)	2021.12	2020.12	Change
Total assets	3,639,430	3,320,981	9.6%
Advances to customers	1,599,084	1,497,864	6.8%
Total liabilities	3,311,969	3,001,326	10.4%
Deposits from customers	2,331,155	2,183,709	6.8%
Capital and reserves attributable to equity holders	327,461	319,655	2.4%

* Including the funding income or cost of FX swap contracts

Average Balances and Average Interest Rates

(HK\$m) / %	2021		2020	
Assets	Average balance	Average yield	Average balance	Average yield
Balances and placements with banks and other financial institutions	383,631	0.82%	351,515	0.88%
Debt securities investments and other debt instruments	1,015,239	1.26%	849,401	1.76%
Advances to customers and other accounts	1,600,436	1.52%	1,518,246	2.08%
Other interest-earning assets	15,913	0.75%	18,564	1.20%
Total interest-earning assets	3,015,219	1.34%	2,737,726	1.82%
(HK\$m) / %	2021		2020	
Liabilities	Average balance	Average rate	Average balance	Average rate
Deposits and balances from banks and other financial institutions	250,428	0.65%	198,804	0.56%
Current, savings and time deposits	2,188,701	0.30%	2,082,314	0.65%
Subordinated liabilities	-	-	1,452	5.51%
Other interest-bearing liabilities	19,820	0.60%	28,917	1.27%
Total interest-bearing liabilities	2,458,949	0.34%	2,311,487	0.66%
Net interest margin	2021		2020	
Net interest margin	1.06%		1.27%	
Net interest margin (adjusted)*	1.09%		1.33%	

* Including the funding income or cost of FX swap contracts

Fee and Commission Income

HK\$m	2021	2020	Change
Securities brokerage	3,743	3,567	4.9%
Loan commissions	2,746	2,310	18.9%
Credit card business	2,141	1,859	15.2%
Insurance	1,529	1,272	20.2%
Trust and custody services	764	689	10.9%
Payment services	751	740	1.5%
Funds distribution	724	767	-5.6%
Bills commissions	623	591	5.4%
Safe deposit box	306	306	-
Funds management	161	130	23.8%
Currency exchange	119	226	-47.3%
Others	1,196	1,058	13.0%
Fees and commission income	14,803	13,515	9.5%
Fees and commission expense	(2,931)	(2,673)	9.7%
Net fee and commission income	11,872	10,842	9.5%

Operating Expenses

HK\$m	2021	2020	Change
Staff costs	9,542	9,461	0.9%
Premises & equipment expenses	1,232	1,235	-0.2%
Depreciation and amortisation	3,039	3,040	0.0%
Others	2,594	2,611	-0.7%
Total operating expenses	16,407	16,347	0.4%

	2021.12	2020.12	Change
Full-time staff headcount	14,553	14,915	-2.4%

Customer Deposits

HK\$m	2021.12	2020.12	Change
Total deposits from customers	2,331,155	2,183,709	6.8%
CASA	1,521,328	1,459,261	4.3%
Demand deposits and current accounts	327,234	310,226	5.5%
Savings deposits	1,194,094	1,149,035	3.9%
Time, call and notice deposits	809,827	724,448	11.8%

Advances to Customers

HK\$m	2021.12	2020.12	Change
Loans for use in Hong Kong - industrial, commercial and financial	581,799	539,633	7.8%
Property development	166,208	132,966	25.0%
Property investment	78,125	64,768	20.6%
Financial concerns	23,392	24,110	-3.0%
Stockbrokers	3,070	1,656	85.4%
Wholesale and retail trade	27,281	30,523	-10.6%
Manufacturing	44,492	53,629	-17.0%
Transport and transport equipment	62,000	74,633	-16.9%
Recreational activities	176	198	-11.1%
Information technology	31,753	25,579	24.1%
Others	145,302	131,571	10.4%
Loans for use in Hong Kong - individuals	501,406	451,824	11.0%
Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	34,776	27,809	25.1%
Loans for purchase of other residential properties	349,645	311,070	12.4%
Credit card advances	12,079	10,959	10.2%
Others	104,906	101,986	2.9%
Trade financing	73,611	66,497	10.7%
Loans for use outside HK	442,268	439,910	0.5%
Gross advances to customers	1,599,084	1,497,864	6.8%

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

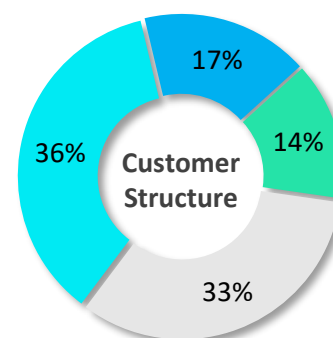
HK\$m	2021.12				2020.12			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Advances to customers	1,561,306	33,457	4,321	1,599,084	1,470,492	23,378	3,994	1,497,864
Pass	1,558,267	25,138	-	1,583,405	1,466,646	20,352	-	1,486,998
Special mention	3,039	8,319	-	11,358	3,846	3,026	-	6,872
Substandard or below	-	-	4,321	4,321	-	-	3,994	3,994
Trade bills	7,264	-	-	7,264	9,826	-	-	9,826
Pass	7,264	-	-	7,264	9,826	-	-	9,826
Special mention	-	-	-	-	-	-	-	-
Substandard or below	-	-	-	-	-	-	-	-
Advances to banks and other financial institutions	727	-	-	727	1,898	-	-	1,898
Pass	727	-	-	727	1,898	-	-	1,898
Special mention	-	-	-	-	-	-	-	-
Substandard or below	-	-	-	-	-	-	-	-
Gross advances and other accounts	1,569,297	33,457	4,321	1,607,075	1,482,216	23,378	3,994	1,509,588
Impairment allowances	(4,843)	(2,406)	(2,632)	(9,881)	(5,405)	(1,115)	(2,652)	(9,172)
Advances and other accounts	1,564,454	31,051	1,689	1,597,194	1,476,811	22,263	1,342	1,500,416

Non-bank Mainland Exposures

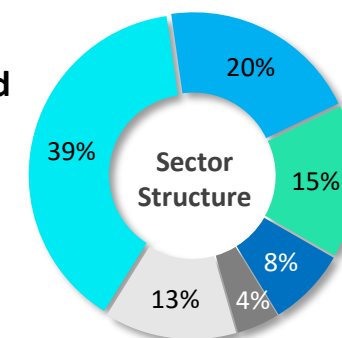
HK\$m	On-balance sheet exposure				Off-balance sheet exposure	Total exposure
	Total loans and advances	O/W: for use in Mainland	Debt securities and others	Subtotal		
Central government, central government-owned entities and their subsidiaries and joint ventures	287,742	81,299	103,530	391,272	28,052	419,324
Local governments, local government-owned entities and their subsidiaries and joint ventures	69,781	37,452	8,677	78,458	10,669	89,127
PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	118,459	32,013	10,296	128,755	26,084	154,839
Others	105,915	72,360	1,081	106,996	14,256	121,252
Total	581,897	223,124	123,584	705,481	79,061	784,542

With reference to the completion instructions for the HKMA return of Mainland activities (note 54 of Notes to the Annual Financial Information of 2021 Annual Report), as of 31 December 2021, the total on-balance sheet non-bank Mainland exposure was HK\$705.5bn, up 8.9% from the end of last year, accounting for 20.9% of total assets

Of which, total loans and advances was HK\$581.9bn, up HK\$27.1bn or 4.9% YTD. Asset quality was stable with NPL ratio of 0.12%. Loans for use in Mainland was HK\$223.1bn, accounting for 14.0% 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
- Hotel, Inn and food & beverage
- Others

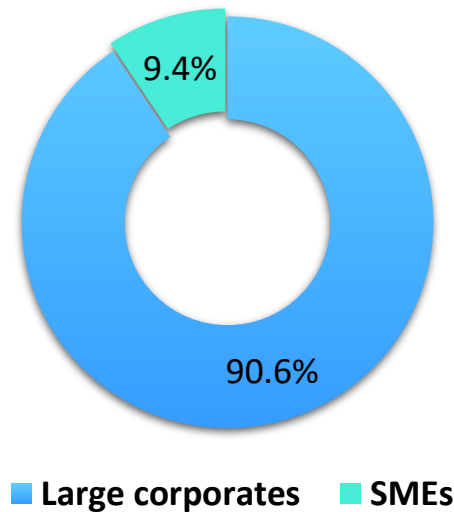
Loan Exposure to Vulnerable Sectors

As of 31 December 2021, customer loan exposure to industries (incl. trading, retail, aviation, tourism(incl. hospitality), F&B, entertainment) severely affected by COVID-19 amounted to **HK\$140.9bn**, accounting for **8.81%** of total loans, a **decrease of HK\$10.05bn and 1.27ppt** from 31 December 2020, respectively

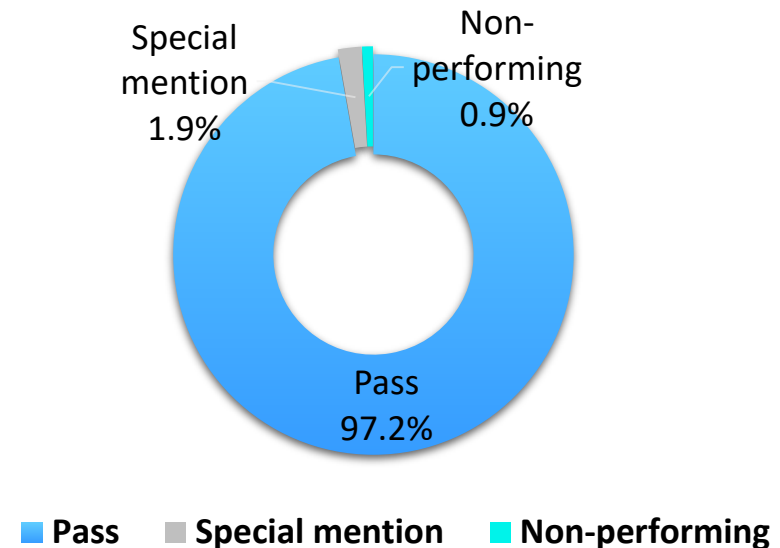
Exposure by customer type: 90.6% to large corporates; 9.4% to SMEs

Asset quality: Special mention loans totalled HK\$2.70bn, accounting for 1.91% of the relevant loan balances; non-performing loans were HK\$1.24bn, accounting for 0.88% of the relevant loan balances. **Overall asset quality remained stable**

Exposure by customer type

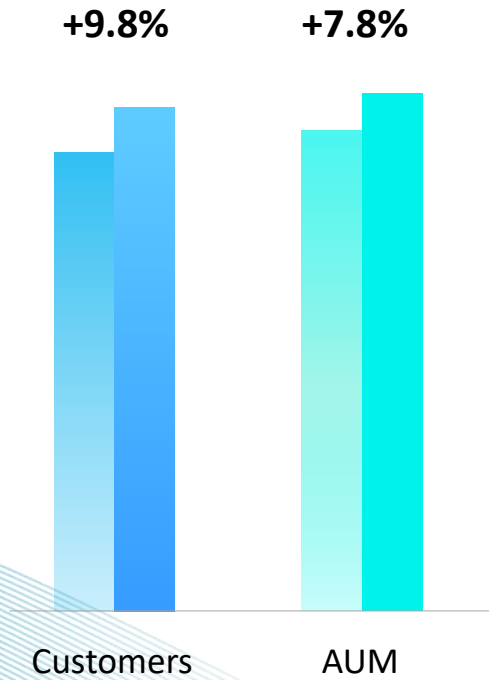


Asset quality

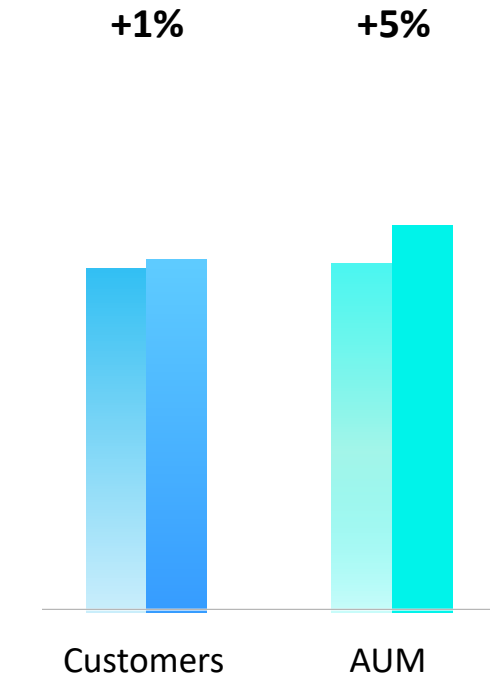


Wealth Management Business

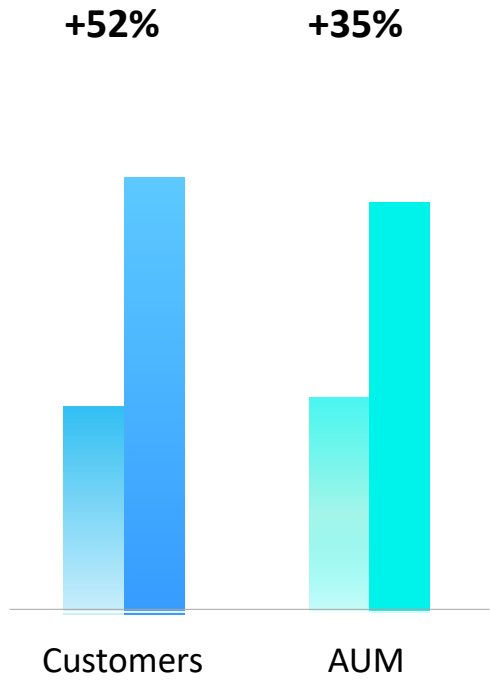
Mid to high-end



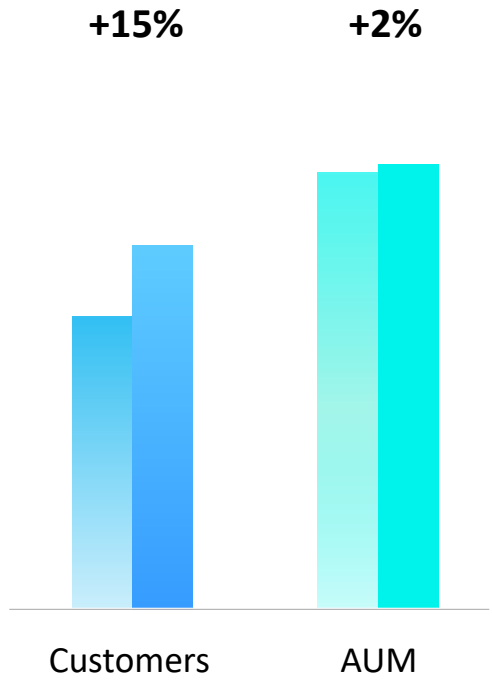
Private Banking



Private Wealth



BOC Wealth Management



Customers 2020 2021

AUM 2020 2021

BOC Life Business Development

HK\$m	2021	2020	Change
Standard new premiums	10,284	11,344	-9.4%
Profit before tax	1,023	854	19.8%
Total assets	197,906	179,865	10.0%

MOODY'S

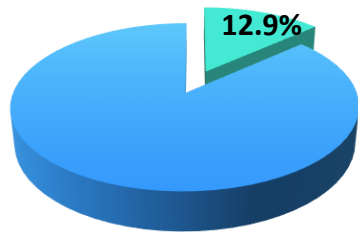
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STANDARD
& POOR'S

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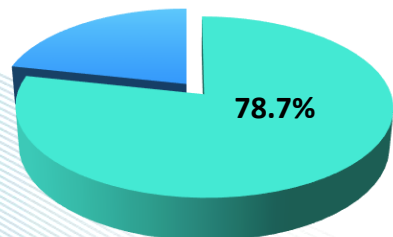
#3 in the life insurance market and remained #1 in RMB insurance

Overall market



- BOC Life's standard new premium market share was 12.9% and **remained #3 in the market**
- Continued to be #1 in RMB insurance with a **78.7% market share**
- Further diversified distribution channels, maintained leading market position in bancassurance sales, and proactively expanded tied agency and broker channels. In 2021, **standard new premiums generated via tied agency up 124% YoY**

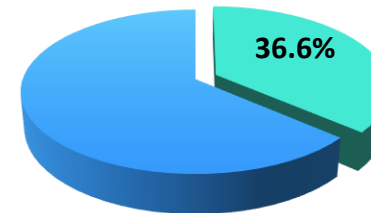
RMB business



BOC Life Other Insurance Companies

Leading position maintained in e-channel and QDAP sales

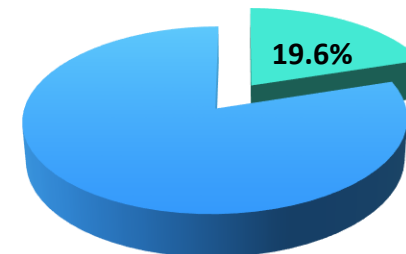
E-channel



- E-channel* market share reached 36.6%, **maintaining market leadership**

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

Qualifying Deferred Annuities**



- **Ranked top** in the Qualifying Deferred Annuity Policy (QDAP) market since launch in 2019

** April 2019 to December 2021

BOC Life Other Insurance Companies