

2022 Annual Results

30 March 2023



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

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2

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Strategy Review



Significant Earnings Enhancement with Steady Increase in Shareholder Returns



HK\$29.0bn

+16.2%

Profit after Taxation

8.78%

+1.11ppt

ROE



HK\$1.357

+20.1%

Dividend per Share

53.0%

+1.0ppt

Payout Ratio

Awards and Recognition



The Asian Banker

The Strongest Bank in Hong Kong and Asia Pacific



Asiamoney

Best Chinese Bank for the Greater Bay Area



Asian Banking & Finance

Digital Transformation of the Year – Hong Kong



Euromoney

Market Leader for ESG and CSR in Hong Kong



Strengthening Integrated Service Capability through Supporting Hong Kong's Economic Development

Personal Banking

#1 in new residential mortgage loans for **4** consecutive years
 % of mortgage application made online: **+44** ppt

Number of Private Wealth customers: **+32%**
 Private Bank AUM: **+13%**

BOC Life: Value of new business: **+32%**
 Retained **market-leading** position

The Asian Banker

**Best Wealth Management Bank
 in Hong Kong**

Corporate Banking

HK/Macao syndicated loans:
#1 for **18** consecutive years

Market leader in cash pooling and
 IPO receiving bank businesses

Number of corporate and institutional
 custodian clients: **+11%**

**BOC Connect & BOCHK Bill Merchant
 Loan Programme** launched for SMEs

Leadership in SME Financing Guarantee Scheme (SFGS) business
 BOCI Prudential: **Top tier player** in MPF market

Financial Markets

Pre-tax profit of treasury business: **+46%**
 RMB transaction volume of treasury business: **+51%**

One of the first members of the Hong Kong
 International Carbon Market Council

Among the first batch of QFII to complete a direct
 bond investment on exchange-traded bond
 markets in Mainland

BOCHK Asset Management:
Asia Asset Management – Hong Kong

**Best China Fund House
 Best RMB Manager**



Cementing Our Leading Advantages in the GBA by Promoting Financial Connectivity



Cross-boundary Wealth Management Connect

Number of accounts opened & volume of funds remitted for Southbound & Northbound services ranked among **top tier** in Hong Kong



GBA Account Opening

Cumulative number of new accounts: **+22%**



Financial Intermediation

GBA corporate loans: **+4.7%**
 Loans to innovative tech companies: **+6.0%**



Bond Connect Stock Connect

Leading position in Southbound and Northbound "Bond Connect" trading volumes

Market leader in "Stock Connect" settlement volume



Enhancing Development Quality by Deepening Regional Integration

HK\$ **69.9** bn

+13.8%

Customer Deposits

HK\$ **3.23** bn

+27.6%

Net Operating Income



HK\$ **52.4** bn

+0.4%

Customer Loans

2.49%

+0.10ppt

Non-performing Loan Ratio

RMB transaction volume of SEA entities' treasury business: **+65%**

Number of mid to high-end personal customers: **+6%**

Notes: Customer deposits, customer loans and net operating income represent the consolidated data of nine Southeast Asian entities prepared in accordance with Hong Kong Financial Reporting Standards. Constant currency terms were used in calculating percentage changes. The non-performing loan ratio was calculated based on entities' local regulatory requirements.

Capturing Opportunities to Accelerate RMB Business Development through Collaboration



+26%

Cross border RMB settlement volume



+51%

RMB transaction volume of treasury business



RMB 384 tn +7%

HK's RMB clearing volume* accounted for over 70% of the global offshore total

Cementing Business Edges

- ▣ **Leading market share** in RMB loans and deposits in Hong Kong
Topped the market in RMB funds offered
#1 in RMB insurance policy new business
- ▣ BOC Malaysia's RMB clearing volume: **+42.1%**
 Manila Branch's RMB clearing volume: **+15.4%**

Enhancing Service Capabilities

- ▣ First to launch an **e-CNY** experience in Hong Kong; Successfully completed business model verification through participation in digital currency application research for international settlement scenarios
- ▣ **#2** in foreign exchange transaction volume on CFETS
#1 among Chinese banks in HKD and RMB derivatives trading volumes on HKEX
Offshore market-maker in PBOC bills repo business

Reinforcing Technological Foundations by Advancing Digital Transformation



Strengthening Technological Infrastructure

Construction of **smart platform**, **data platform** and **open platform**
Completed the building of **cloud platform** structure



Enhancing Customer Experience

Transaction volume on mobile banking platform: **+10%**
Online transaction volume of corporate customers: **+16.5%**



Deepening Scenario Construction

Open API: deepened **property purchase, education and health** financial ecosystem
BoC Pay customers: **+20.2%**; BoC Bill settlement volume: **+6.1%**
Livi Bank: rolled out **insurance agent, SME and wealth management** businesses



Facilitating Smart Operations

Regional Operation Centre in Nanning's operational flow migration rate:
47% for HK headquarters, **56%** for SEA entities
Received **"National May 1st Labor Award"**

Making Solid Achievements in Sustainability while Driving Low-carbon Transformation

ESG Finance



+155%

Green and Sustainable Loans



+31%

New Green Deposits



+26%

ESG Bond Investments

Carbon-neutral Operations

Aims to achieve carbon neutrality in our own operations by 2030

Completed green upgrading of BOC Tower, earning a “Platinum” rating from “BEAM Plus”

Youth Development

GBA Youth Employment Scheme

Strive and Rise Programme

Charitable Activities

BOCHK Science and Technology Innovation Prize

Strategic partner of Hong Kong Palace Museum

Carried out **80+** charitable projects and **120** volunteer activities with **20k+** volunteer service hours



MSCI
ESG RATINGS

AAA

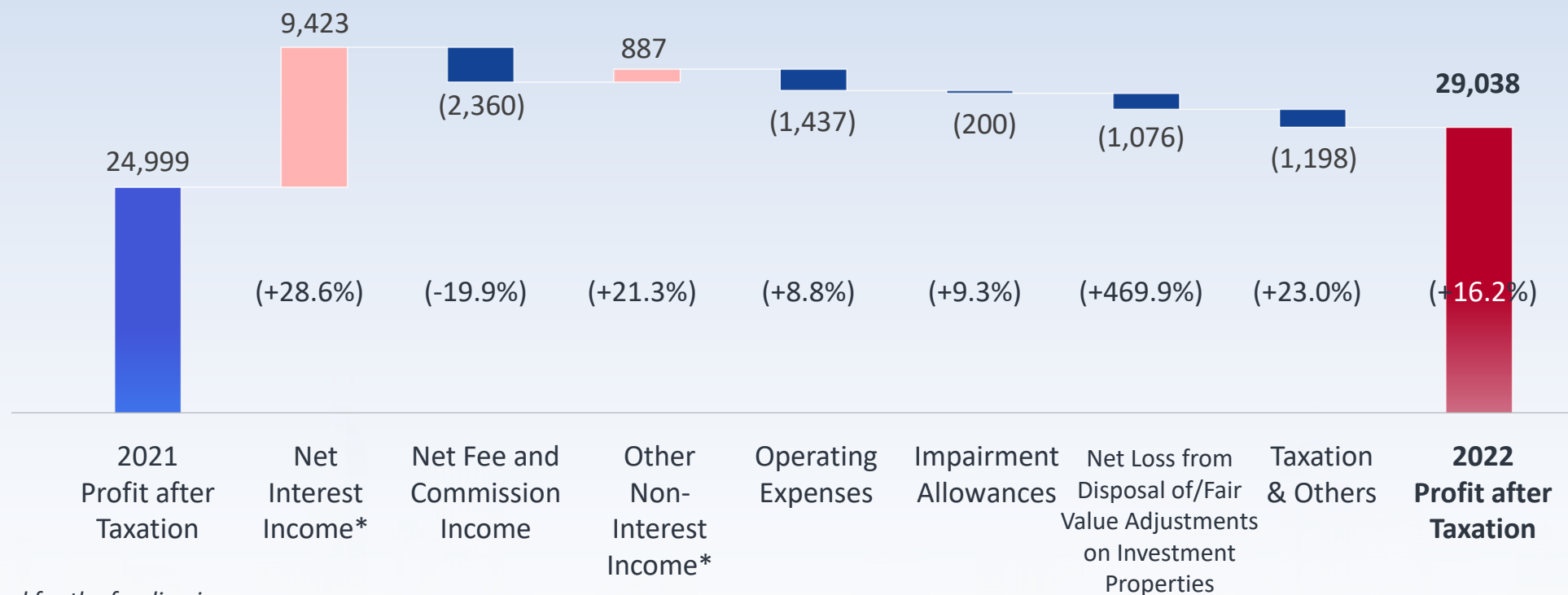
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Financial & Business Results



Restored Growth in Profit after Taxation

HK\$m

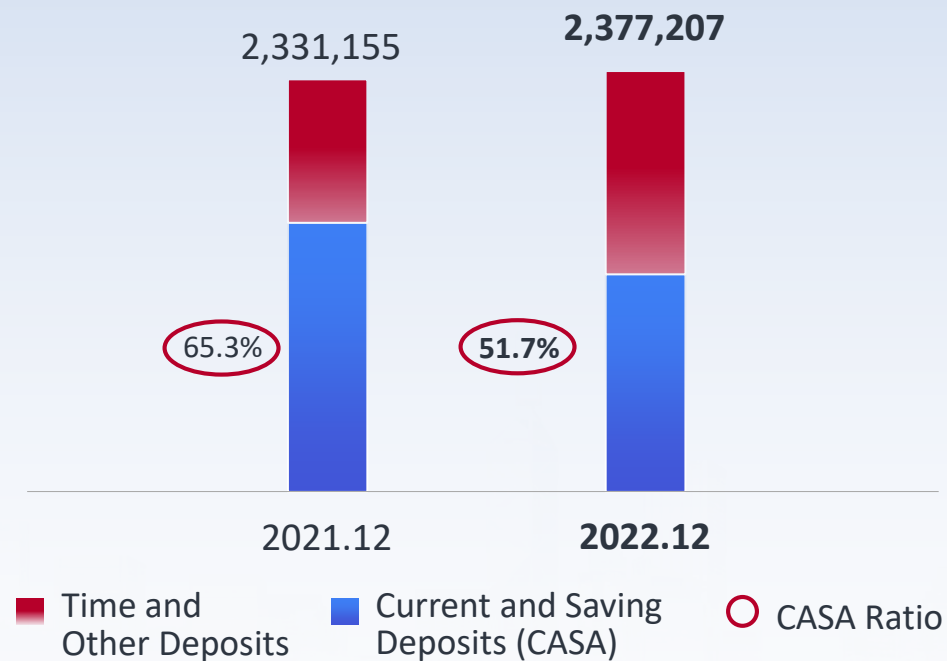


* Adjusted for the funding income or cost of FX swap contracts

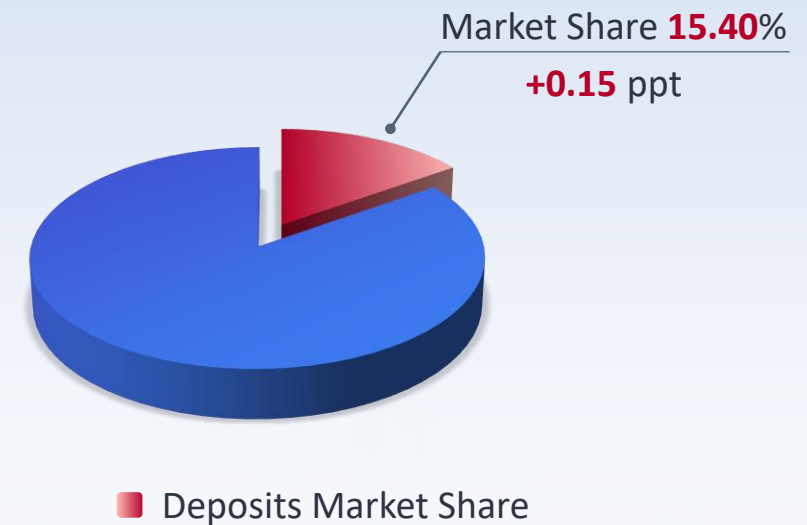
Solid Expansion in Customer Deposits

Customer Deposits up 2.0%

HK\$m



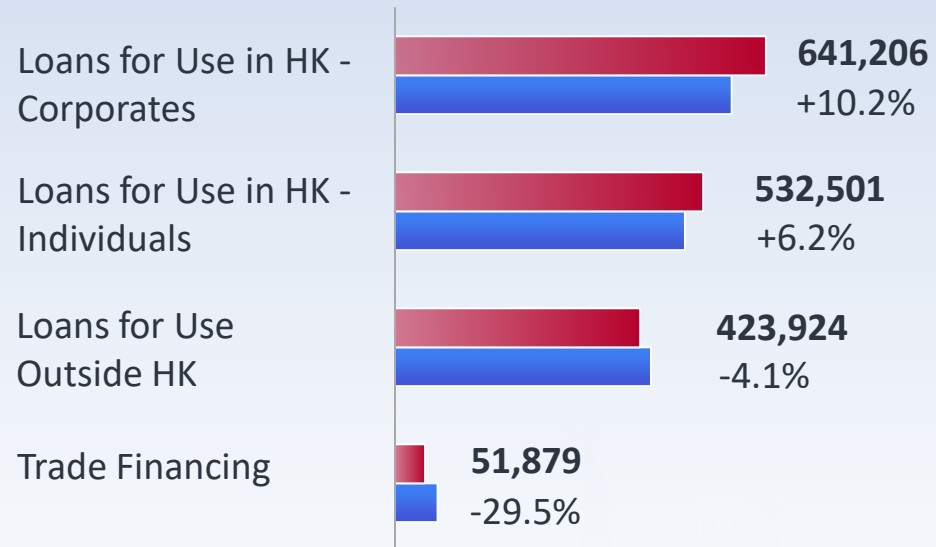
Continuous Gains in Market Share



Loan Growth Outperformed the Market

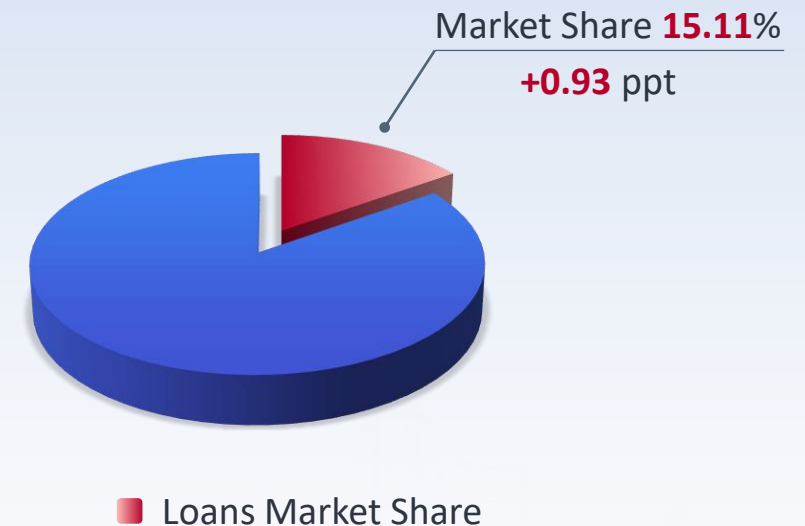
Customer Loans up 3.2% to HK\$1.65tn

HK\$m



■ 2021.12 ■ 2022.12

Steady Increase in Market Share

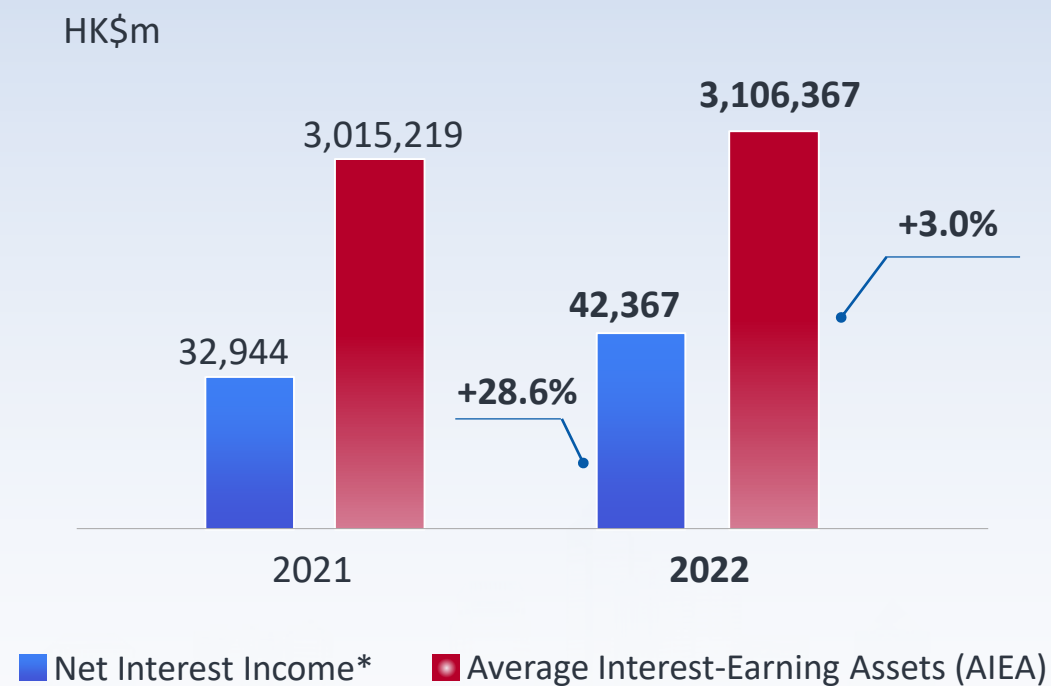


Strong Rebound in Net Interest Margin

QoQ Expansion in Net Interest Margin*



Rapid Growth in Net Interest Income

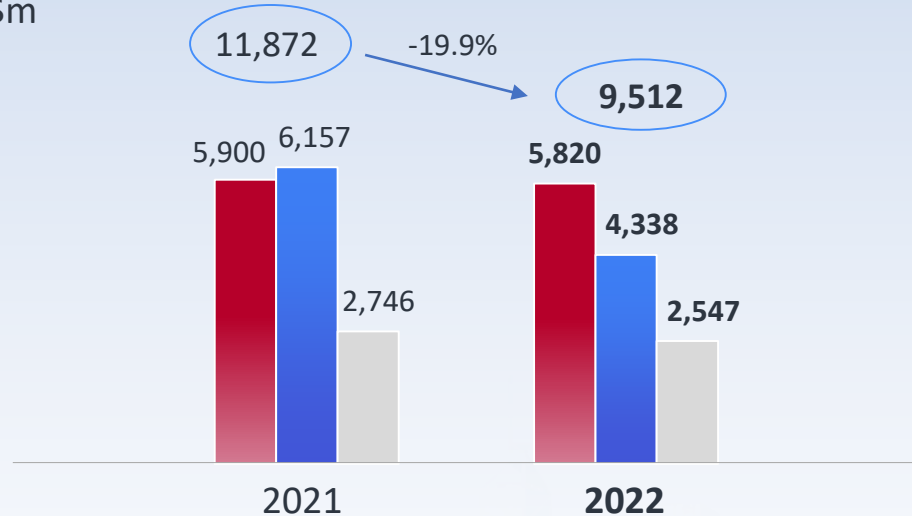


* Adjusted for the funding income or cost of FX swap contracts

Continuous Headwinds Dampened Net Fee Income

Net Fee Income Weakened by Market Conditions

HK\$m



- Net Fee and Commission Income
- Non-Credit Related Business: Traditional Fee Services
- Investment and Insurance-Related Businesses
- Credit-Related Business: Loan Commissions

Improved Half-on-Half Performance in 2H22



Insurance **+26.1%**

Credit Card Business **+20.5%**

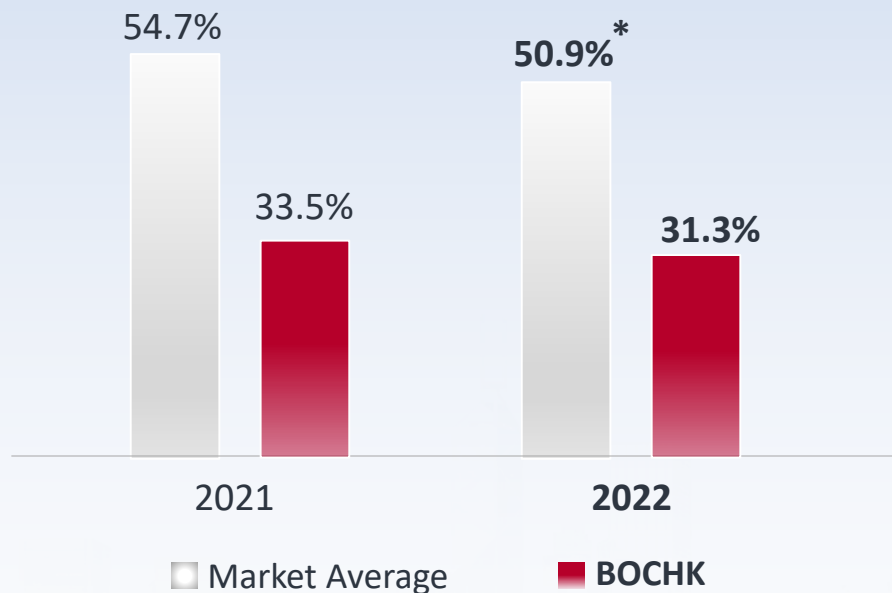


Trust and Custody Services **+12.0%**

Currency Exchange **+41.4%**

Steady Improvement in Cost Efficiency

Market-beating Cost-to-Income Ratio



Market data source: HKMA
*3Q2022

Satisfying Basic Needs and Resource Allocation for Key Strategies



Implementing low-carbon operations

E-statement accounted for **75%** of total number of bank statements

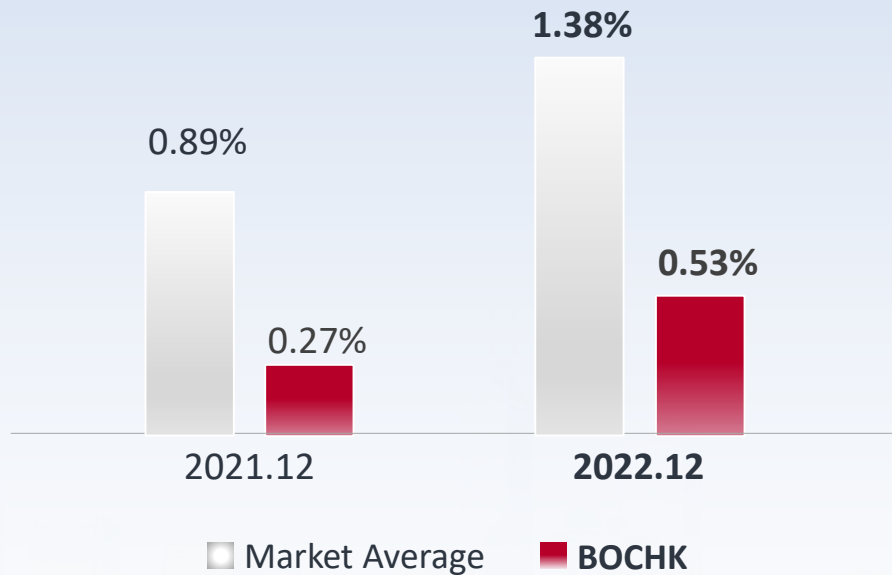


Ensuring strategic resource allocation

Technology investment: **+5.5%**

Asset Quality Outperformed the Market

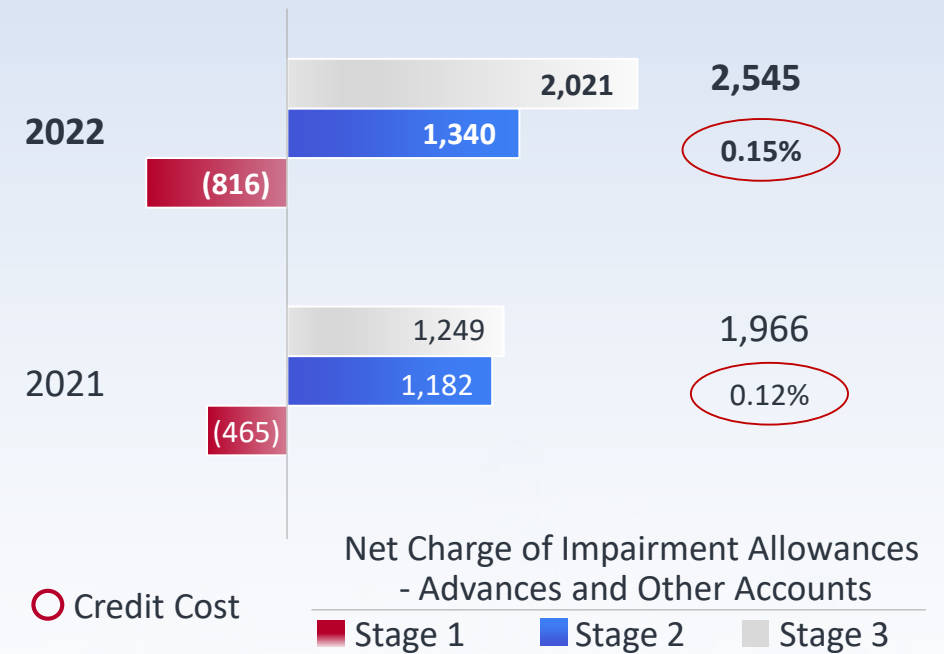
Manageable NPL Risk



Market data source: HKMA

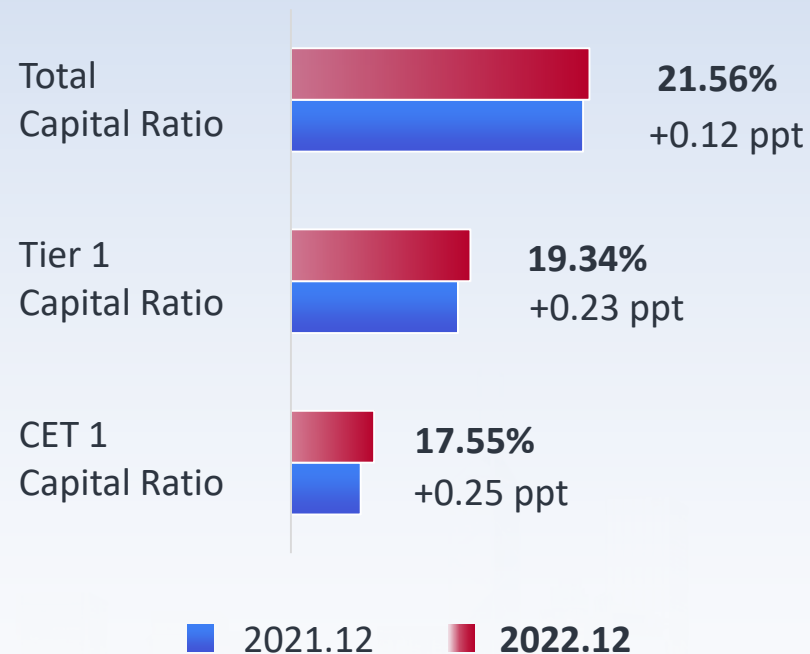
Largely Stable Credit Cost

HK\$m

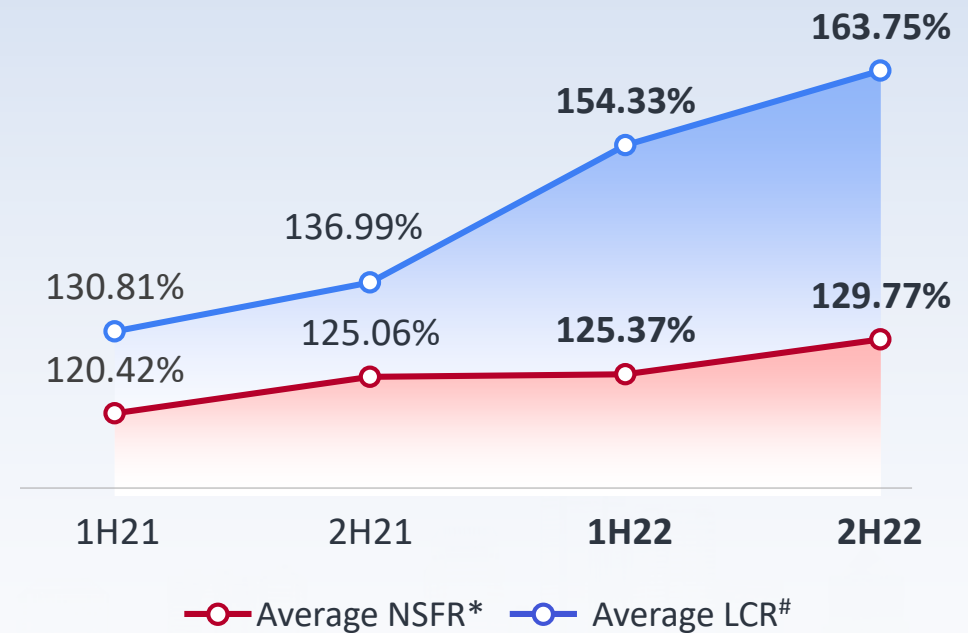


Healthy Capital and Liquidity Position

Capital Sufficiency Enhanced by Positive Earnings Growth



Steady Increase in Liquidity



*Net stable funding ratio is calculated based on the calculation methodology and instructions set out in the HKMA return of stable funding position

Average value of liquidity coverage ratio is calculated based on the arithmetic mean of the liquidity coverage ratio as at the end of each working day in the period and the calculation methodology and instructions set out in the HKMA return of liquidity position.

Outlook



Challenges

Slowing global economic growth

Increasingly complicated geopolitical environment

Combined risks driving financial market volatility

Opportunities

Upbeat outlook for Mainland GDP growth
Deepened national opening-up policies

Prominent “super-connector” role for Hong Kong aided by border reopening

Promising outlook on economic and trade cooperation due to continuing recovery of Southeast Asian economies



Key Tasks

Pursue steady implementation of ESG strategy with a focus on culture and care for talent

Strive for new business development in the GBA by deepening collaboration and stimulating vitality

Enhance integrated service capabilities through aligned governance and key breakthroughs

Promote reform and develop digital capabilities to empower business development

Deepen local market development, service optimisation and retail banking transformation

Build a new regional operating landscape by making steady progress and advances, and unswerving efforts

Consolidate RMB franchise through targeted efforts and business coordination

Uphold risk bottom line and systems thinking to strengthen comprehensive risk management



Appendices



Income Statement and Balance Sheet Summary

Income statement summary (HK\$m)	2022	2021	Change
Net interest income*	42,367	32,944	28.6%
Net fee and commission income	9,512	11,872	-19.9%
Other non-interest income*	5,053	4,166	21.3%
Net operating income before impairment allowances	56,932	48,982	16.2%
Operating expenses	(17,844)	(16,407)	8.8%
Pre-provision Operating Profit (PPoP)	39,088	32,575	20.0%
Net charge of impairment allowances	(2,345)	(2,145)	9.3%
Operating profit	36,743	30,430	20.7%
Profit for the year	29,038	24,999	16.2%
Profit attributable to equity holders of the Company	27,054	22,970	17.8%
Per share (HK\$)	2022	2021	Change
Basic earnings per share	2.5588	2.1726	17.8%
Dividend per share	1.3570	1.1300	20.1%
Balance sheet summary (HK\$m)	2022.12	2021.12	Change
Total assets	3,685,057	3,639,430	1.3%
Advances to customers	1,649,510	1,599,084	3.2%
Total liabilities	3,353,211	3,311,969	1.2%
Deposits from customers	2,377,207	2,331,155	2.0%
Capital and reserves attributable to equity holders	331,846	327,461	1.3%

* Adjusted for the funding income or cost of FX swap contracts

Average Balances and Average Interest Rates

(HK\$m) / %	2022		2021	
Assets	Average balance	Average yield	Average balance	Average yield
Balances and placements with banks and other financial institutions	403,002	1.07%	383,631	0.82%
Debt securities investments and other debt instruments	1,043,987	1.75%	1,015,239	1.26%
<i>Debt securities investments and other debt instruments (adjusted)*</i>	-	2.09%	-	1.36%
Advances to customers and other accounts	1,649,018	2.48%	1,600,436	1.52%
Other interest-earning assets	10,360	3.77%	15,913	0.75%
Total interest-earning assets	3,106,367	2.05%	3,015,219	1.34%

(HK\$m) / %	2022		2021	
Liabilities	Average balance	Average rate	Average balance	Average rate
Deposits and balances from banks and other financial institutions	284,175	0.84%	250,428	0.65%
Current, savings and time deposits	2,234,610	0.95%	2,188,701	0.30%
Subordinated liabilities	9,607	3.45%	-	-
Other interest-bearing liabilities	54,444	1.83%	19,820	0.60%
Total interest-bearing liabilities	2,582,836	0.97%	2,458,949	0.34%

Net interest margin	2022	2021
Net interest margin	1.25%	1.06%
<i>Net interest margin (adjusted)*</i>	1.36%	1.09%

* Adjusted for the funding income or cost of FX swap contracts

Fee and Commission Income

HK\$m	2022	2021	Change
Loan commissions	2,547	2,746	-7.2%
Securities brokerage	2,491	3,743	-33.4%
Credit card business	1,991	2,141	-7.0%
Insurance	1,257	1,529	-17.8%
Payment services	724	751	-3.6%
Trust and custody services	723	764	-5.4%
Funds distribution	541	724	-25.3%
Bills commissions	514	623	-17.5%
Safe deposit box	299	306	-2.3%
Currency exchange	210	119	76.5%
Funds management	49	161	-69.6%
Others	1,359	1,196	13.6%
Fees and commission income	12,705	14,803	-14.2%
Fees and commission expense	(3,193)	(2,931)	8.9%
Net fee and commission income	9,512	11,872	-19.9%

Operating Expenses

HK\$m	2022	2021	Change
Staff costs	9,946	9,542	4.2%
Premises & equipment expenses	1,273	1,232	3.3%
Depreciation and amortisation	3,001	3,039	-1.3%
Others	3,624	2,594	39.7%
Total operating expenses	17,844	16,407	8.8%

	2022.12	2021.12	Change
Full-time staff headcount	14,832	14,553	1.9%



Customer Deposits

HK\$m	2022.12	2021.12	Change
Total deposits from customers	2,377,207	2,331,155	2.0%
CASA	1,229,804	1,521,328	-19.2%
Demand deposits and current accounts	236,115	327,234	-27.8%
Savings deposits	993,689	1,194,094	-16.8%
Time, call and notice deposits	1,147,403	809,827	41.7%

Advances to Customers

HK\$m	2022.12	2021.12	Change
Loans for use in Hong Kong - industrial, commercial and financial	641,206	581,799	10.2%
Property development	171,614	166,208	3.3%
Property investment	91,525	78,125	17.2%
Financial concerns	25,197	23,392	7.7%
Stockbrokers	1,110	3,070	-63.8%
Wholesale and retail trade	31,704	27,281	16.2%
Manufacturing	48,891	44,492	9.9%
Transport and transport equipment	62,411	62,000	0.7%
Recreational activities	154	176	-12.5%
Information technology	34,274	31,753	7.9%
Others	174,326	145,302	20.0%
Loans for use in Hong Kong - individuals	532,501	501,406	6.2%
Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	35,879	34,776	3.2%
Loans for purchase of other residential properties	367,502	349,645	5.1%
Credit card advances	11,962	12,079	-1.0%
Others	117,158	104,906	11.7%
Trade financing	51,879	73,611	-29.5%
Loans for use outside Hong Kong	423,924	442,268	-4.1%
Gross advances to customers	1,649,510	1,599,084	3.2%



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

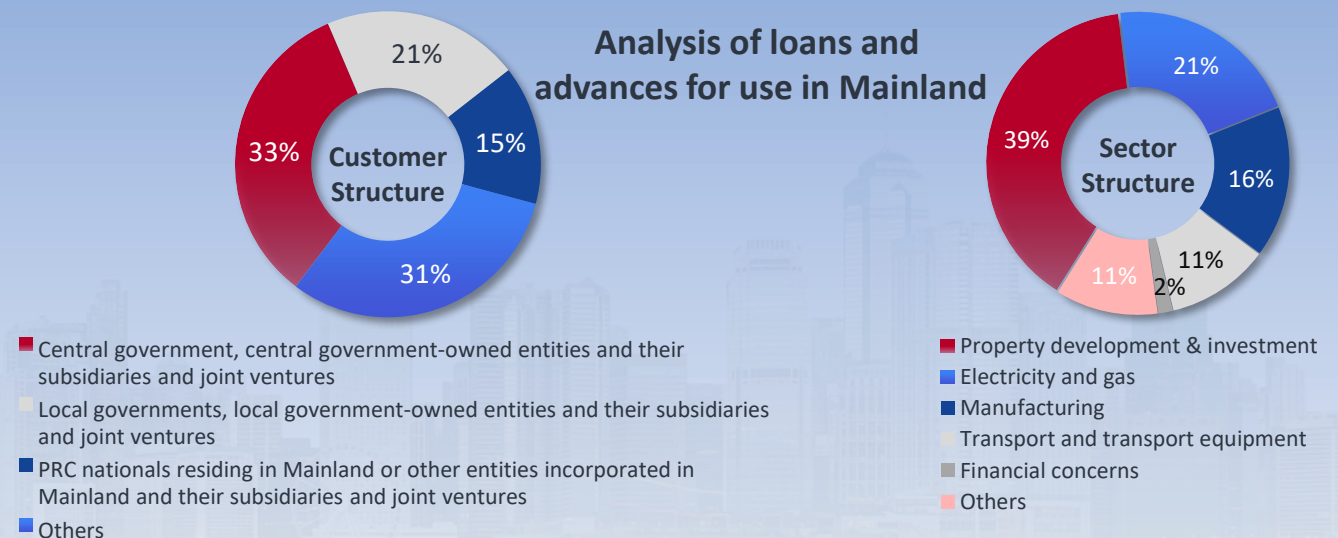
HK\$m	2022.12				2021.12			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Advances to customers	1,599,790	40,164	8,724	1,648,678	1,561,306	33,457	4,321	1,599,084
Pass	1,596,110	31,210	-	1,627,320	1,558,267	25,138	-	1,583,405
Special mention	3,680	8,954	-	12,634	3,039	8,319	-	11,358
Substandard or below	-	-	8,724	8,724	-	-	4,321	4,321
Trade bills	6,329	-	-	6,329	7,264	-	-	7,264
Pass	6,329	-	-	6,329	7,264	-	-	7,264
Special mention	-	-	-	-	-	-	-	-
Substandard or below	-	-	-	-	-	-	-	-
Advances to banks and other financial institutions	1,015	-	-	1,015	727	-	-	727
Pass	1,015	-	-	1,015	727	-	-	727
Special mention	-	-	-	-	-	-	-	-
Substandard or below	-	-	-	-	-	-	-	-
Gross advances and other accounts	1,607,134	40,164	8,724	1,656,022	1,569,297	33,457	4,321	1,607,075
Impairment allowances	(4,074)	(2,511)	(4,992)	(11,577)	(4,843)	(2,406)	(2,632)	(9,881)
Advances and other accounts	1,603,060	37,653	3,732	1,644,445	1,564,454	31,051	1,689	1,597,194

Non-bank Mainland Exposures

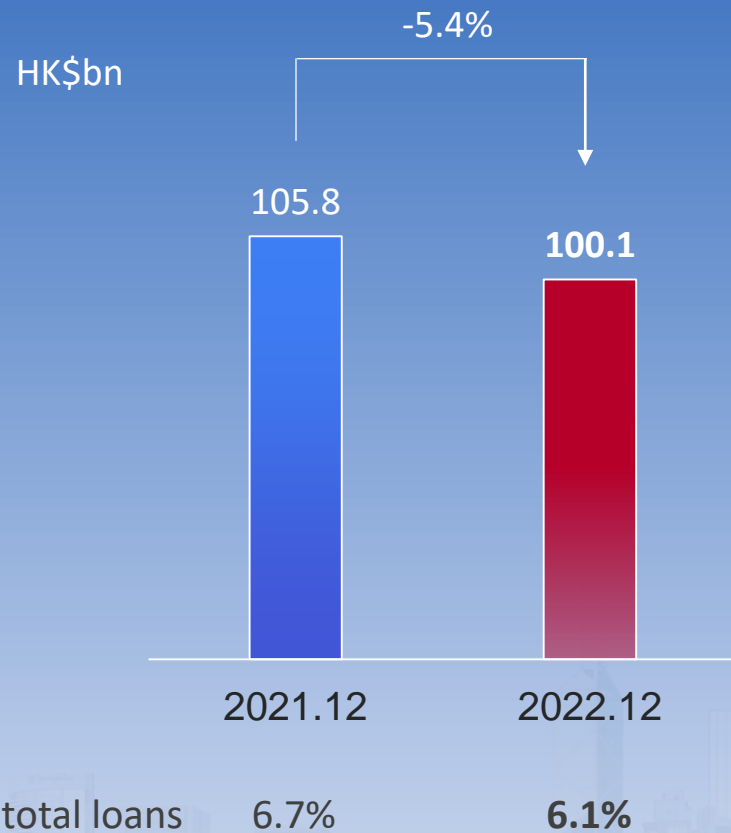
HK\$m	On-balance sheet exposure				Off-balance sheet exposure	Total exposure
	Total loans and advances	O/W: for use in Mainland	Debt securities and others	Subtotal		
Central government, central government-owned entities and their subsidiaries and joint ventures	272,016	69,934	97,432	369,448	28,067	397,515
Local governments, local government-owned entities and their subsidiaries and joint ventures	71,342	43,778	8,704	80,046	6,753	86,799
PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	123,396	30,885	6,327	129,723	18,635	148,358
Others	98,613	65,291	679	99,292	8,889	108,181
Total	565,367	209,888	113,142	678,509	62,344	740,853

With reference to the completion instructions for the HKMA's return of Mainland activities (Note 55 of the Notes to the Financial Statements of 2022 Annual Report), as of 31 December 2022, the total on-balance sheet non-bank Mainland exposure was HK\$678.5bn, down 3.8% from the end of last year, accounting for 19.8% of total assets.

Of this, total loans and advances was HK\$565.4bn, down HK\$16.5bn or 2.8%. Asset quality was solid with an NPL ratio of 0.83%. Loans for use in the Mainland stood at HK\$209.9bn, accounting for 12.7% of total loans of the Group.



Loan Exposure to Mainland Property Companies



- As at the end of 2022, loans to Chinese real-estate (CRE) developers amounted to **HK\$100.1bn**, down 5.4% from the end of 2021; accounting for **6.1%** of Group's total loans, down 0.6ppt.
- The property corporate customers in Mainland mainly operate in the GBA and tier 1 & 2 coastal cities, and are market leaders with national business presence and relatively stable financial condition
- SOE loans: 79%; private enterprise loans: 21%
- Loans for use in Mainland: 51%; loans for use in Hong Kong: 47%
- Based on "three red lines" definition, green line loans: 81%; yellow line loans: 13%. Investment-graded customer loans: 67%
- Non-performing loans accounted for 4.4% of total CRE loans, whereas special-mentioned loans accounted for 0.5% of total CRE loans. CRE impairment allowances was 3.7% of total CRE loans.

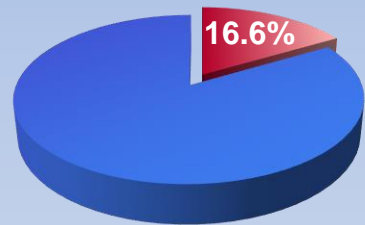
HK\$m	2022	2021	Change
Value of new business (VNB)	1,374	1,041	+32.0%
VNB Margin	15.8%	10.1%	+5.6 pp

MOODY'S **A1**

STANDARD & POOR'S **A**

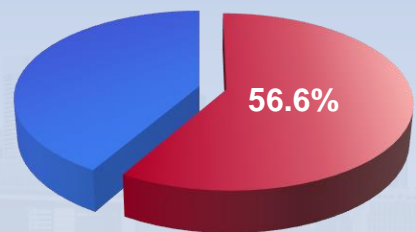
Leading position in overall market and #1 in RMB insurance*

Overall market



- In 2022, BOC Life's standard new premium market share was 16.6%, ranking **#2 in the market**

RMB business



- #1 in RMB insurance in 2022, with a **56.6% market share**

- Further diversified distribution channels, maintained leading market position in bancassurance sales, and proactively expanded tied agency and broker channels. In 2022, **standard new premium generated from tied agency and brokers was up 19% and over 6x YoY** respectively

BOC Life (Red) Other Insurance Companies (Blue)

Leading position maintained in e-channel and QDAP sales

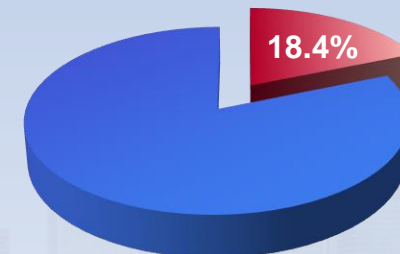
e-channel



- In 2022, e-channel market share reached 30.8%, **maintaining market leadership**

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

Qualifying Deferred Annuities**



- Retained leading position** in the Qualifying Deferred Annuity Policy (QDAP) market since its launch in 2019

** April 2019 to December 2022

BOC Life (Red) Other Insurance Companies (Blue)

