

2022 Interim Results



30 August 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*



Strategy Review



Restoring Growth in Earnings and Returns through Solid Operating Results



Profit after Taxation

HK\$14.4bn

+6.1%

YoY

ROE

8.84%

+0.42ppt

YoY

Total Capital Ratio

21.88%

+0.44ppt

YTD



Committed to Local Market Development through Enhanced Integrated Service Capability



Personal Banking

- **#1** in new residential mortgage loans
- % of mid to high-end customers: **34%**
- Customer growth in Private Wealth **+10%** and Wealth Management **+7%**
- Introduced “**Banking TrendyToo**”, a new brand targeting the youth segment
- BOC Life:
 - **#1** in standard new premiums in 1Q22
 - **#1** in e-channels market share



Corporate Banking

- HK/Macao syndicated loans: **#1** for 17 consecutive years
- **Market leader** in IPO receiving bank and cash pooling business
- Six financial support initiatives benefitting about **7,000** corporates
- **Leadership** in SME Financing Guarantee Scheme (SFGS) business
- Corporate and institutional custody customers: **+7%**
- BOCI Prudential: **top tier player** in the MPF market



Financial Markets

- Pre-tax profit of treasury business: **+47%**
- **Fast growth** in trading income, further diversifying income base
- Assisted BOC Tokyo Branch to launch the **world's first** TONA-linked floating-rate notes in Japanese Yen
- Among the **first batch** of offshore institutional investors to launch the onshore exchange bond market direct access business model
- BOCHK Asset Management awarded “**Best China Fund House**” by Asia Asset Management

Cemented Cross-border Finance Advantages by Optimising Customer Experience



Best Chinese Bank for
the Greater Bay Area

Asiamoney

Cross-border Mid to high-end Customers

Bucked market trends to achieve growth in cross-border personal customers

% of mid to high-end cross-border customers: **25%**



Financial Intermediation

GBA corporate loans: **+3.2%**

Loans to innovative tech companies: **+2.8%**



GBA Account Opening

Cumulative number of new accounts: **185k / +10%**

Launched convenient features such as remote bank account information update and reactivation



Cross-boundary Wealth Management Connect

Established **market-leading position** in Southbound and Northbound account openings

About **140** wealth and investment products available



Deepening SEA Business Development by Leveraging Regional Synergies

HK\$ **67.3** bn
+6.8% YTD

Customer Deposits

HK\$ **1.51** bn
+22.8% YoY

Net Operating Income

HK\$ **54.3** bn
+3.0% YTD

Customer Loans

2.53 %
+0.14ppt YTD

Non-performing Loan Ratio



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



Tapping Market Potential to Drive RMB Business Growth



+42%

Cross-border RMB settlement volume



+153%

RMB transaction volume of treasury business



RMB **192** tn **+7.6%**

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

Capturing business opportunities

- **Further widened our market-making business scope** by becoming a qualified market maker in the China Foreign Exchange Trade System for currency pairings, and in Shanghai International Gold Exchange
- **Leading position** in Southbound Bond Connect trading volume as a participating bank; **sustained leadership** in Northbound Bond Connect among Chinese banks by custody asset size
- **Solid leadership** in RMB standard new premiums in bancassurance sales

Nurturing the SEA market

- RMB product and service capabilities further enhanced with RMB transaction volume of Southeast Asian entities' treasury business up **77%**
- **Rapid growth** in RMB clearing volumes handled by BOC Malaysia and Manila Branch
- Jakarta Branch achieved a market share of **~80%** in local currency settlement (LCS) business, and was **#1** by both customer number and transaction volume

Reinforcing Technological Foundations to Advance Digitalisation

Enhancing online service capabilities

Number of transactions via e-channels as % of total: **88%**

Number of mobile banking active customers : **+6%**

Livi Bank: obtained **insurance agency license**;
launched personal loan product “**livi Flexi Loan**”

Promoting open bank and e-payment businesses

Daily usage of open API: **+291%**

BoC Pay: customers **+9%**;
joined **new round of Consumption Voucher Scheme**

BoC Bill: settlement volume **+6%**;
launched **BOCHK Bill Merchant Loan Programme**

Strengthening smart operations

Expanded application of smart technologies to increase efficiency of business operations and risk management

Consistently enhanced the effectiveness of **Nanning Regional Operation Centre**

Implemented remote operating system to support WFH



Driving Product and Service Innovation to Lead Green Transformation

**Best Bank for CSR
in Hong Kong**

Asiamoney



- Became a cornerstone member of the **Alliance for Green Commercial Banks** initiated by International Finance Corporation (IFC) and the HKMA
- Signed **strategic partnership agreement** with Guangzhou Emissions Exchange to explore carbon finance opportunities in the GBA
- Completed first **green repo** transaction to support sustainable building projects
- Jointly launched **S&P BOCHK GBA Climate Transition Index**, the first climate transition index covering listed companies in GBA
- Finished the green upgrading of Bank of China Tower, earning a “Platinum” rating from “**BEAM Plus**”



+53%

Green and Sustainable Loans



+101%

New Green Deposits



+24x

ESG Total Relationship Balance



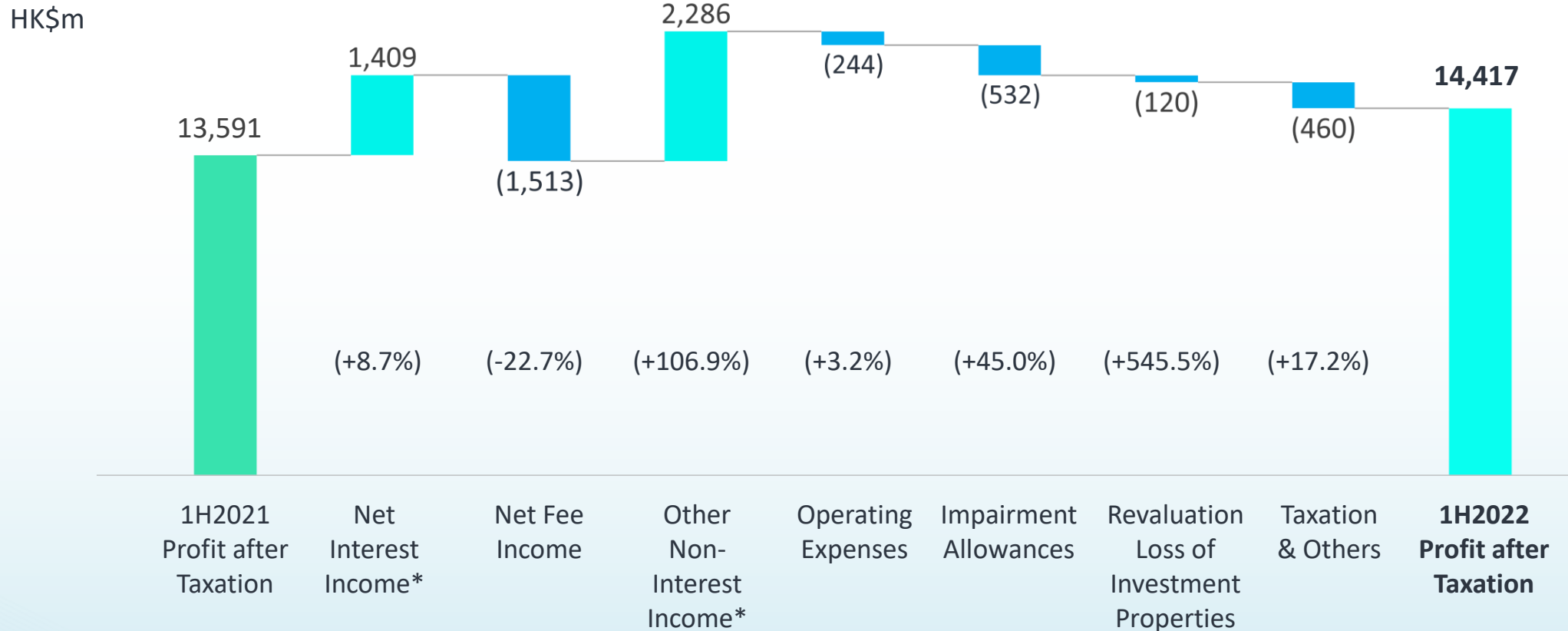
+71%

ESG Bond Underwriting Amount

2

Financial & Business Results

Profit after Taxation up 6.1% Year-on-Year



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



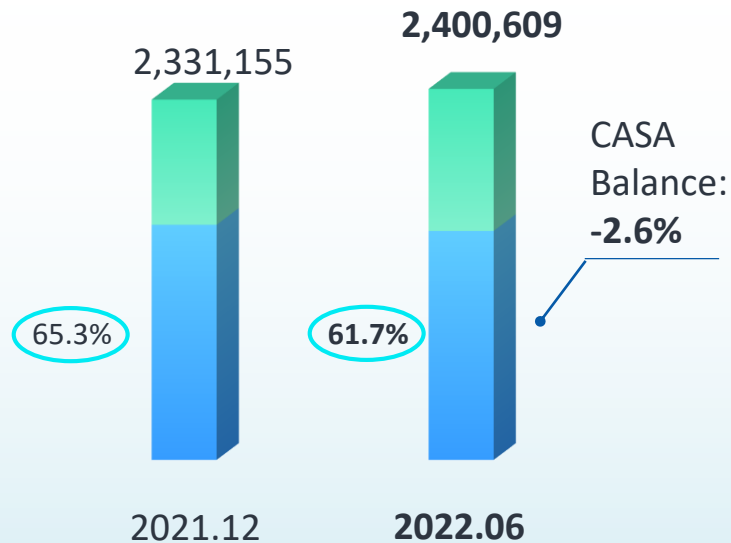
Steady Expansion in Customer Deposits



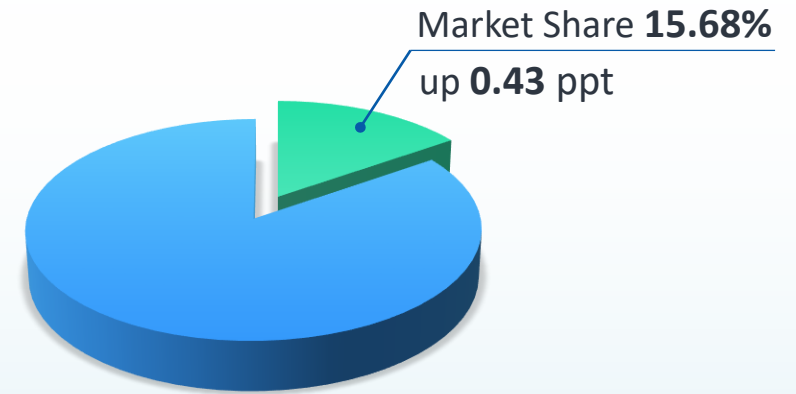
Customer Deposits up 3.0%

Continual Increase in Market Share

HK\$m



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



■ Deposits Market Share

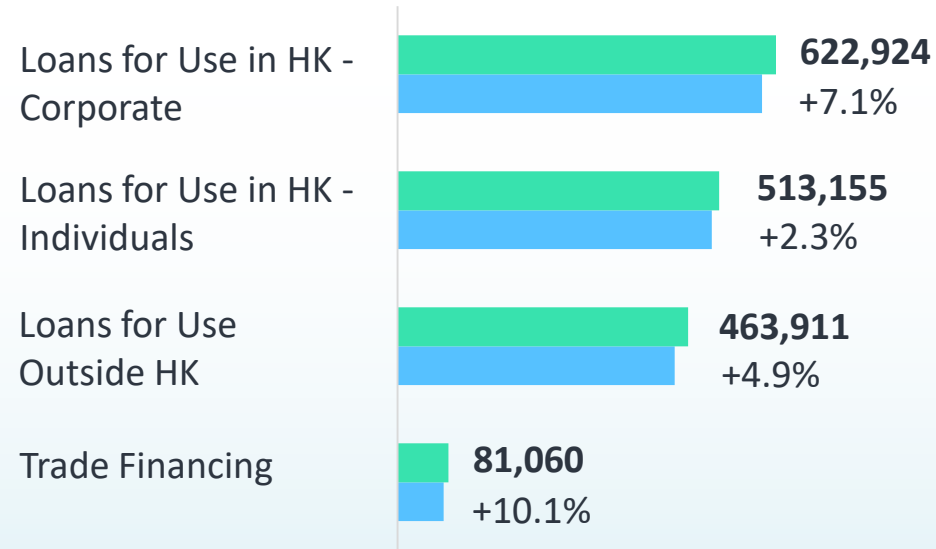


Balanced Growth in Customer Loans



Customer Loans up 5.1% to HK\$1.68tn

HK\$m



■ 2021.12 ■ 2022.06

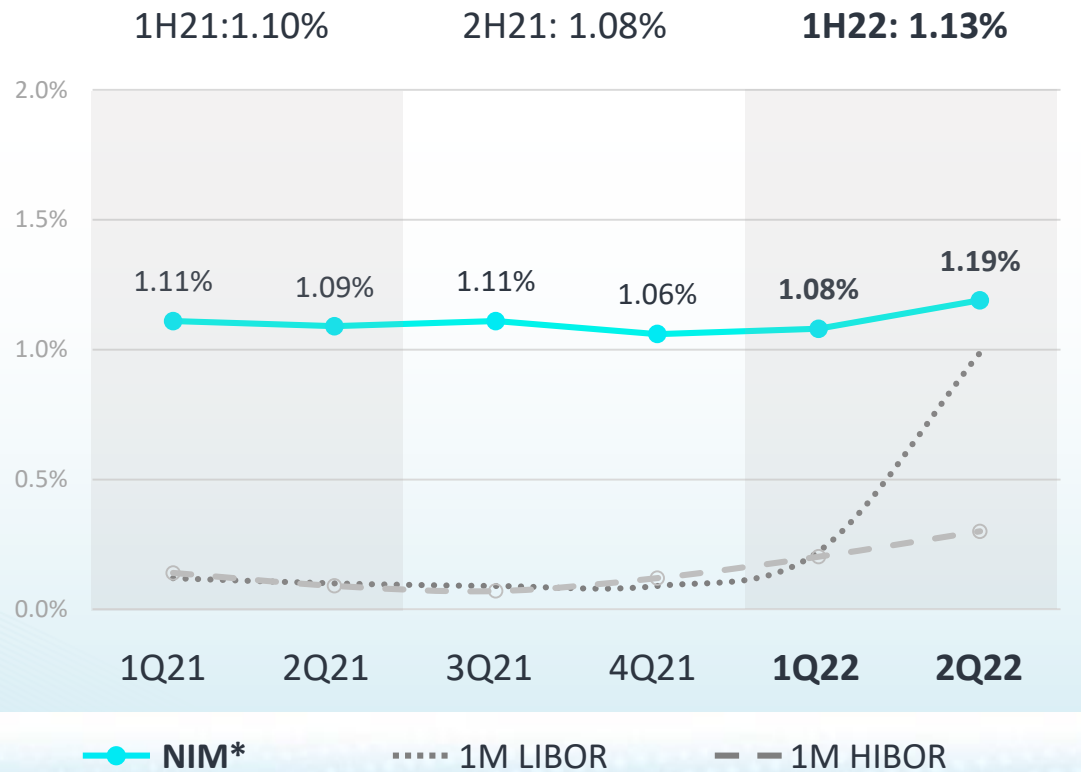
Continuous Gains in Market Share



■ Loans Market Share

Net Interest Margin Bottoming Out

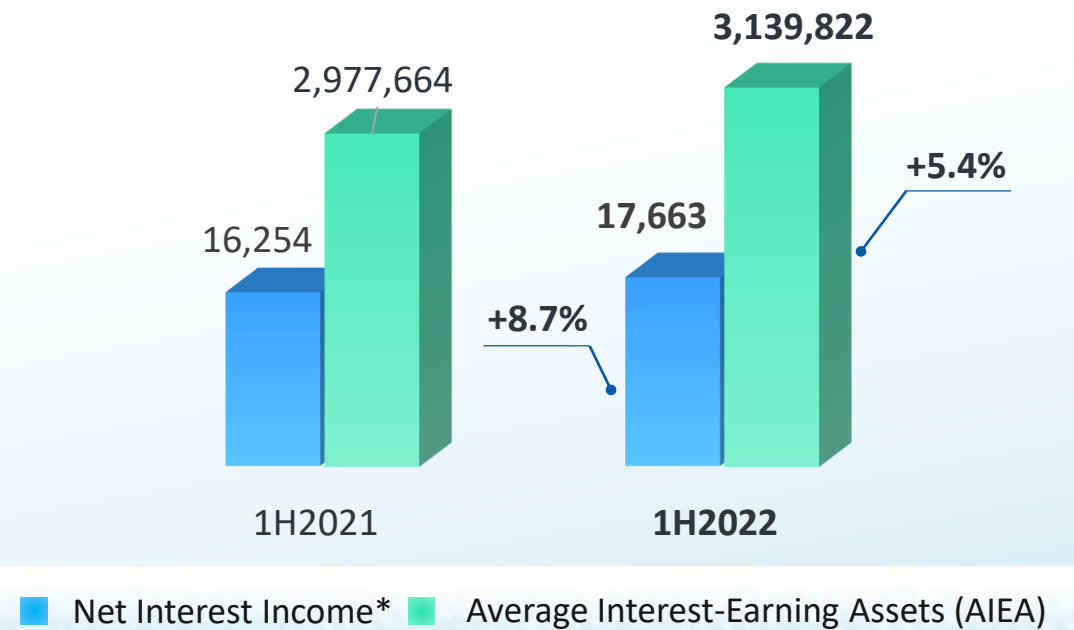
NIM* Improves on Rising Market Interest Rates



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

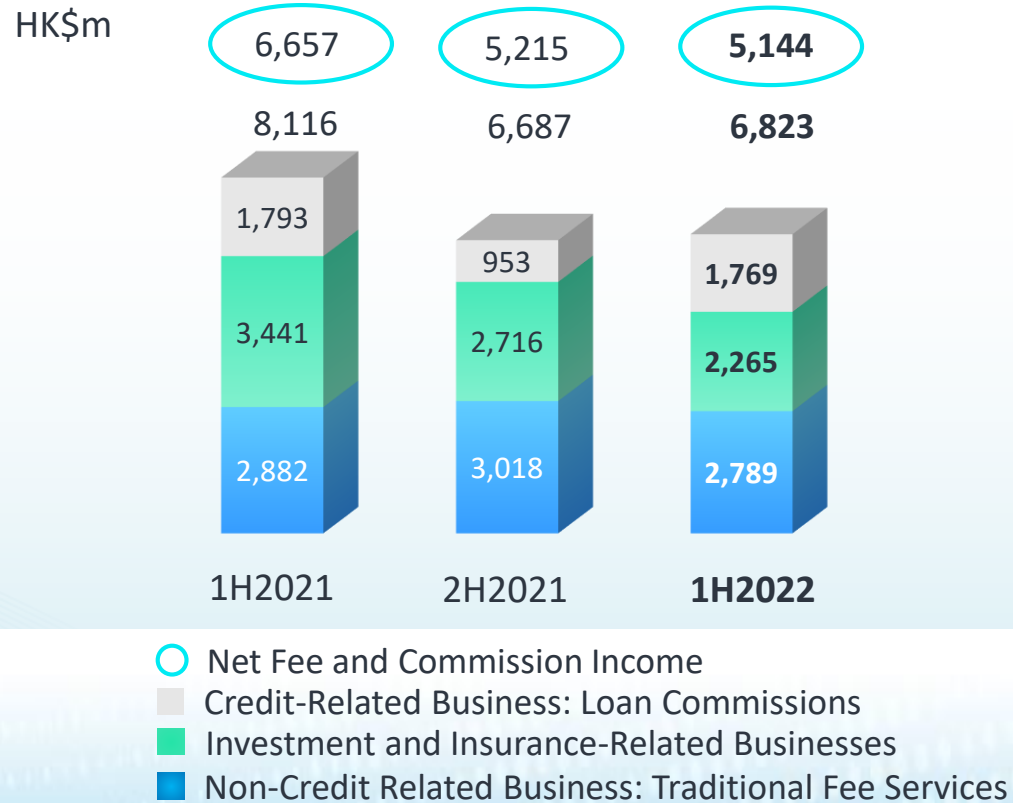
Steady AIEA Growth

HK\$m

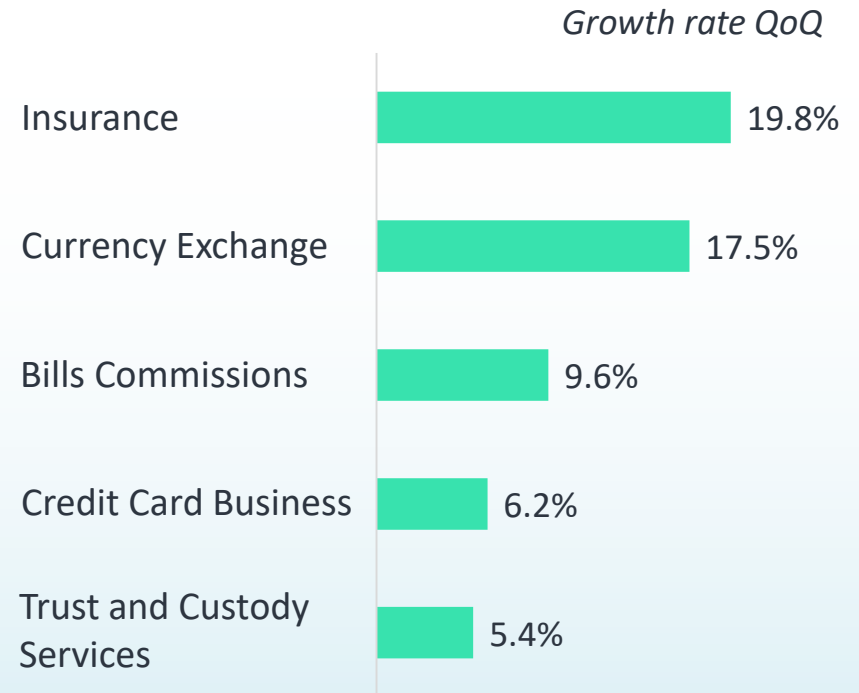


Continuous Headwind on Net Fee Income

Net Fee Income down 22.7% YoY



Traditional Business Fees Broadly Recovered in 2Q



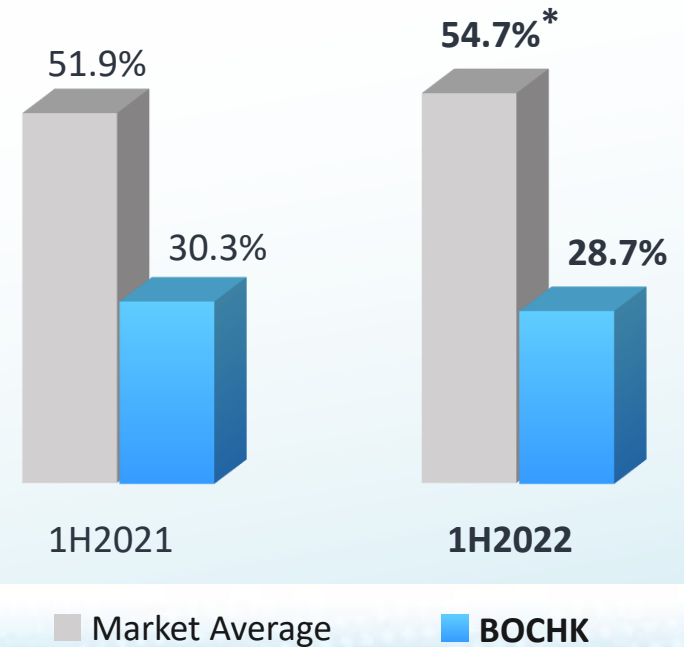
Notable Improvement in Cost Efficiency

Stable Operating Expenses

HK\$m



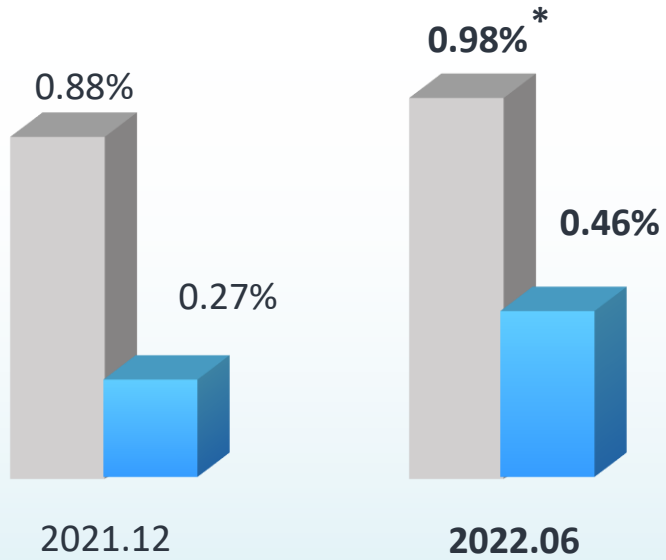
Market-beating Cost-to-Income Ratio



Market data source: HKMA
 *1Q2022

Consistently Solid Asset Quality

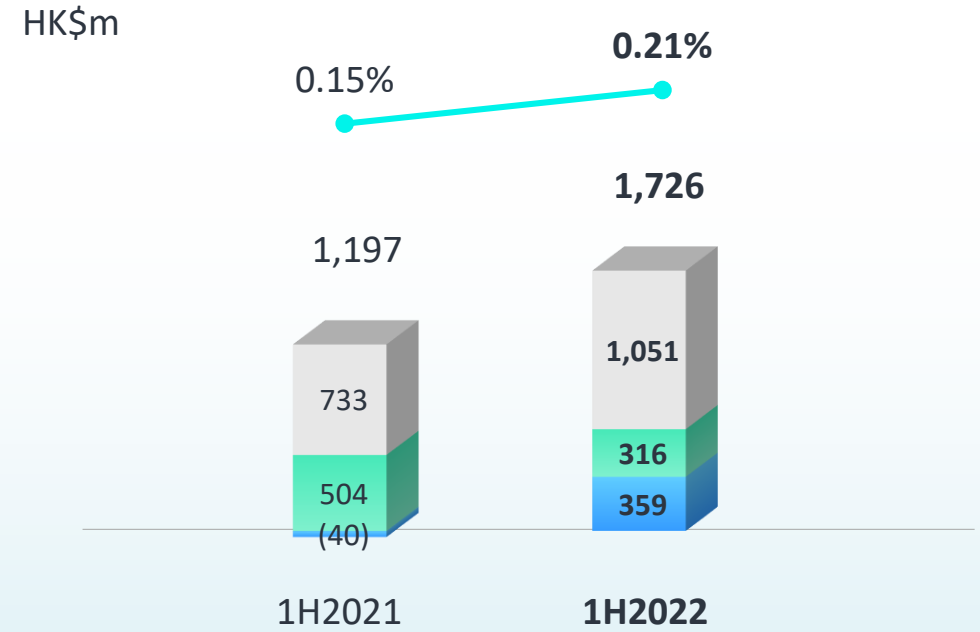
NPL Ratio below Market Average



■ Market Average ■ BOCHK

Market data source: HKMA
 *As at end of March 2022

Provision Remains Sufficient



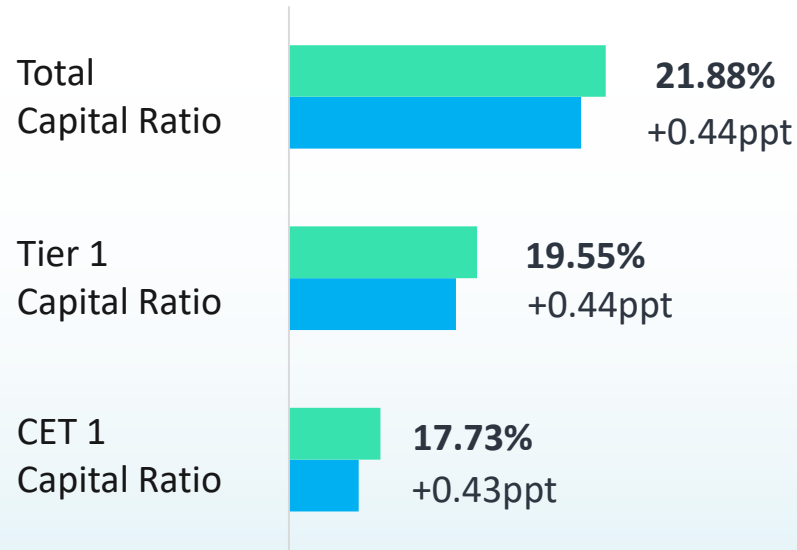
—●— Credit Cost Net Charge of Impairment Allowances - Advances and Other Accounts
■ Stage 1 ■ Stage 2 ■ Stage 3



Enhanced Capital and Liquidity Position

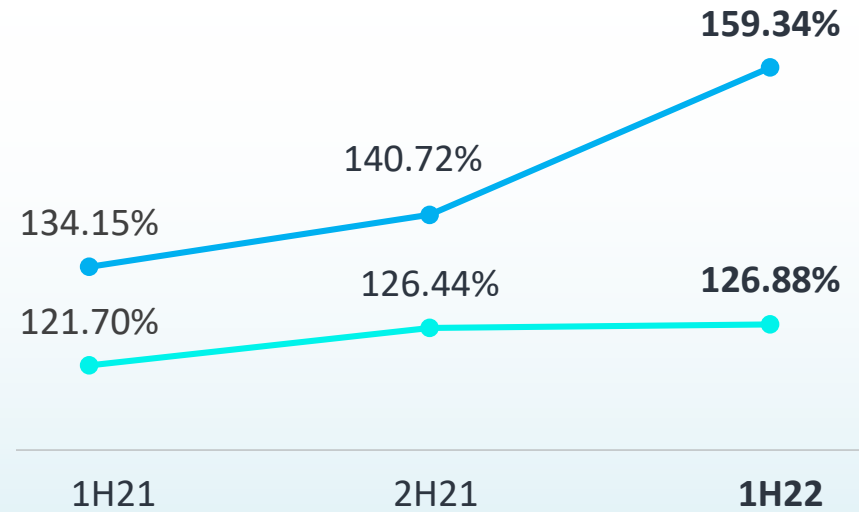


Stable Capital Ratios



■ 2021.12 ■ 2022.06

Enhanced Liquidity Ratios



● Average NSFR ● Average LCR

3

Outlook



Second Half Outlook



Challenges

Rapidly evolving international political and economic landscape
Increasing financial market volatility

Global supply chain pressures
Rising stagnation risk


Tightening monetary policies of major central banks
Divergent global economic outlook

Opportunities


High-quality development momentum maintained in mainland economy
Stabilising economic growth in Hong Kong

Bright business prospects from deeper GBA construction and RCEP

Rate hike benefits banks' earnings outlook
New opportunities from green finance



Bridge China and the World for the Common Good



Building a First-Class Regional Banking Group

- Maintain stability while seeking progress
- Stick to strict risk management
- Facilitate infrastructure construction
- 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)	1H2022	1H2021	Change
Net interest income*	17,663	16,254	8.7%
Net fee and commission income	5,144	6,657	-22.7%
Other non-interest income*	4,425	2,139	106.9%
Net operating income before impairment allowances	27,232	25,050	8.7%
Operating expenses	(7,826)	(7,582)	3.2%
Pre-provision Operating Profit (PPoP)	19,406	17,468	11.1%
Net charge of impairment allowances	(1,714)	(1,182)	45.0%
Operating profit	17,692	16,286	8.6%
Profit for the period	14,417	13,591	6.1%
Profit attributable to equity holders of the Company	13,472	12,576	7.1%
Per share (HK\$)	1H2022	1H2021	Change
Basic earnings per share	1.2742	1.1895	7.1%
Dividend per share	0.447	0.447	-
Balance sheet summary (HK\$m)	2022.06	2021.12	Change
Total assets	3,621,134	3,639,430	-0.5%
Advances to customers	1,681,050	1,599,084	5.1%
Total liabilities	3,296,619	3,311,969	-0.5%
Deposits from customers	2,400,609	2,331,155	3.0%
Capital and reserves attributable to equity holders	324,515	327,461	-0.9%

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

Average Balances and Average Interest Rates

(HK\$m) / %	1H2022		1H2021	
Assets	Average balance	Average yield	Average balance	Average yield
Balances and placements with banks and other financial institutions	412,493	0.72%	385,213	0.80%
Debt securities investments and other debt instruments	1,082,644	1.30%	970,458	1.27%
Debt securities investments and other debt instruments (adjusted)*	-	1.72%	-	1.34%
Advances to customers and other accounts	1,638,263	1.66%	1,604,278	1.52%
Other interest-earning assets	6,422	2.53%	17,715	0.70%
Total interest-earning assets	3,139,822	1.41%	2,977,664	1.34%
(HK\$m) / %	1H2022		1H2021	
Liabilities	Average balance	Average rate	Average balance	Average rate
Deposits and balances from banks and other financial institutions	323,117	0.81%	203,553	0.44%
Current, savings and time deposits	2,254,428	0.46%	2,263,622	0.30%
Other interest-bearing liabilities	22,756	1.10%	18,178	1.09%
Total interest-bearing liabilities	2,600,301	0.51%	2,485,353	0.32%
Net interest margin	1H2022		1H2021	
Net interest margin	0.99%		1.08%	
Net interest margin (adjusted)*	1.13%		1.10%	

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

Fee and Commission Income

HK\$m	1H2022	1H2021	Change
Loan commissions	1,769	1,793	-1.3%
Securities brokerage	1,388	2,189	-36.6%
Credit card business	903	996	-9.3%
Insurance	556	734	-24.3%
Payment services	360	374	-3.7%
Trust and custody services	341	374	-8.8%
Funds distribution	295	417	-29.3%
Bills commissions	262	321	-18.4%
Safe deposit box	149	151	-1.3%
Currency exchange	87	58	50.0%
Funds management	26	101	-74.3%
Others	687	608	13.0%
Fees and commission income	6,823	8,116	-15.9%
Fees and commission expense	(1,679)	(1,459)	15.1%
Net fee and commission income	5,144	6,657	-22.7%

Operating Expenses

HK\$m	1H2022	1H2021	Change
Staff costs	4,605	4,389	4.9%
Premises & equipment expenses	589	579	1.7%
Depreciation and amortisation	1,526	1,515	0.7%
Others	1,106	1,099	0.6%
Total operating expenses	7,826	7,582	3.2%

	2022.06	2021.06	Change
Full-time staff headcount	14,220	14,462	-1.7%

Customer Deposits

HK\$m	2022.06	2021.12	Change
Total deposits from customers	2,400,609	2,331,155	3.0%
CASA	1,481,441	1,521,328	-2.6%
Demand deposits and current accounts	296,744	327,234	-9.3%
Savings deposits	1,184,697	1,194,094	-0.8%
Time, call and notice deposits	919,168	809,827	13.5%

Advances to Customers

HK\$m	2022.06	2021.12	Change
Loans for use in Hong Kong - industrial, commercial and financial	622,924	581,799	7.1%
Property development	184,971	166,208	11.3%
Property investment	85,751	78,125	9.8%
Financial concerns	23,824	23,392	1.8%
Stockbrokers	1,919	3,070	-37.5%
Wholesale and retail trade	31,055	27,281	13.8%
Manufacturing	46,713	44,492	5.0%
Transport and transport equipment	62,610	62,000	1.0%
Recreational activities	169	176	-4.0%
Information technology	33,944	31,753	6.9%
Others	151,968	145,302	4.6%
Loans for use in Hong Kong - individuals	513,155	501,406	2.3%
Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	35,325	34,776	1.6%
Loans for purchase of other residential properties	357,494	349,645	2.2%
Credit card advances	10,439	12,079	-13.6%
Others	109,897	104,906	4.8%
Trade financing	81,060	73,611	10.1%
Loans for use outside Hong Kong	463,911	442,268	4.9%
Gross advances to customers	1,681,050	1,599,084	5.1%

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

HK\$m	2022.06				2021.12			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Advances to customers	1,647,766	24,655	7,810	1,680,231	1,561,306	33,457	4,321	1,599,084
Pass	1,643,813	18,520	-	1,662,333	1,558,267	25,138	-	1,583,405
Special mention	3,953	6,135	-	10,088	3,039	8,319	-	11,358
Substandard or below	-	-	7,810	7,810	-	-	4,321	4,321
Trade bills	8,142	-	-	8,142	7,264	-	-	7,264
Pass	8,142	-	-	8,142	7,264	-	-	7,264
Special mention	-	-	-	-	-	-	-	-
Substandard or below	-	-	-	-	-	-	-	-
Advances to banks and other financial institutions	550	-	-	550	727	-	-	727
Pass	550	-	-	550	727	-	-	727
Special mention	-	-	-	-	-	-	-	-
Substandard or below	-	-	-	-	-	-	-	-
Gross advances and other accounts	1,656,458	24,655	7,810	1,688,923	1,569,297	33,457	4,321	1,607,075
Impairment allowances	(5,298)	(1,927)	(3,857)	(11,082)	(4,843)	(2,406)	(2,632)	(9,881)
Advances and other accounts	1,651,160	22,728	3,953	1,677,841	1,564,454	31,051	1,689	1,597,194

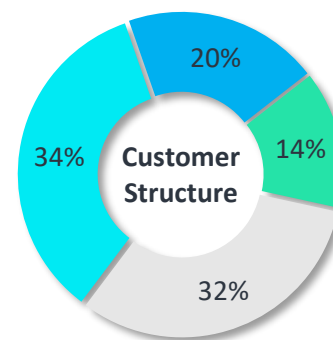
Non-bank Mainland Exposures

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	296,461	78,931	76,259	372,720	35,856	408,576
Local governments, local government-owned entities and their subsidiaries and joint ventures	76,082	45,441	7,733	83,815	5,768	89,583
PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	122,477	32,067	6,951	129,428	21,461	150,889
Others	104,699	73,117	705	105,404	8,574	113,978
Total	599,719	229,556	91,648	691,367	71,659	763,026

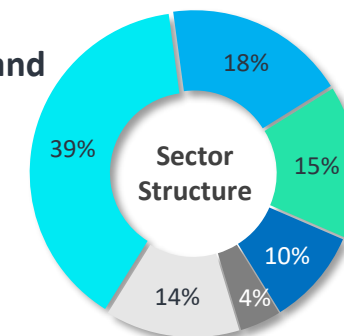
With reference to the completion instructions for the HKMA's return of Mainland activities (Note 44 of the Notes to the Interim Financial Information of 2022 Interim Report), as of 30 June 2022, the total on-balance sheet non-bank Mainland exposure was HK\$691.4bn, down 2.0% from the end of last year, accounting for 20.6% of total assets

Of this, total loans and advances was HK\$599.7bn, up HK\$17.8bn or 3.1% YTD. Asset quality was solid with an NPL ratio of 0.67%. Loans for use in the Mainland stood at HK\$229.6bn, accounting for 13.7% of total loans of the Group.

Analysis of loans and advances for use in Mainland

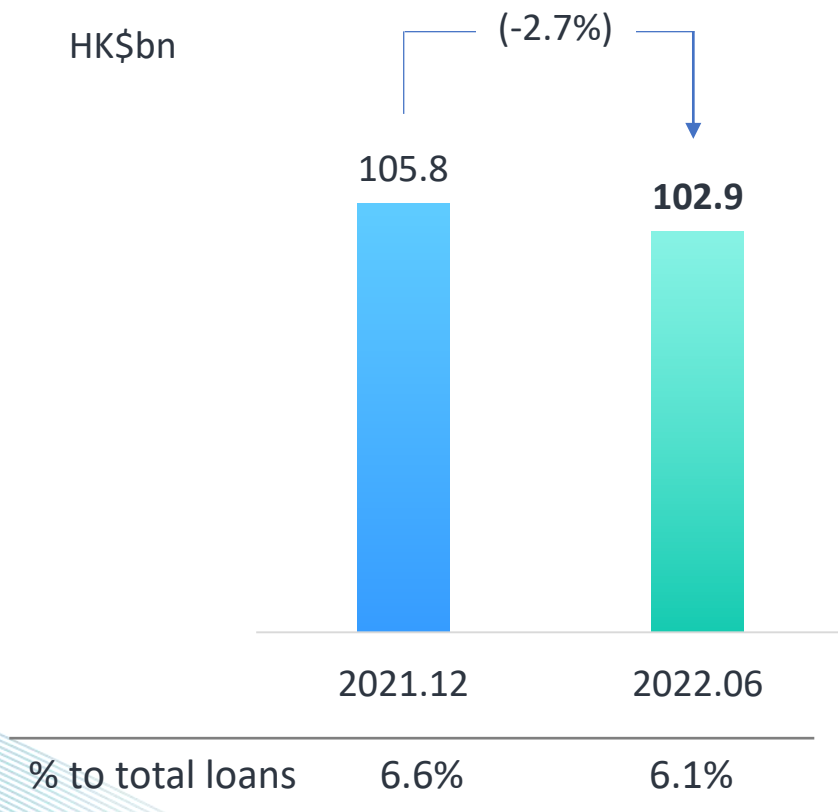


- Central government, central government-owned entities and their subsidiaries and joint ventures
- Local governments, local government-owned entities and their subsidiaries and joint ventures
- PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures
- Others



- Property development & investment
- Electricity and gas
- Manufacturing
- Transport and transport equipment
- Hotel, Inn and food & beverage
- Others

Loan Exposure to Mainland Property Companies



- As at the end of June 2022, loans to Chinese real-estate (CRE) developers amounted to **HK\$102.9bn**, down 2.7% from the end of 2021; accounting for **6.1%** of Group’s total loans, down 0.5ppt. CRE impairment allowances/total CRE loans was 2.3%
- 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: 78%; private enterprise loans: 22%
- Loans for use in Mainland: 56%; loans for use in Hong Kong: 42%
- Based on “three red lines” definition, green line loans: 81%; yellow line loans: 19%. Investment-graded customer loans: 71%

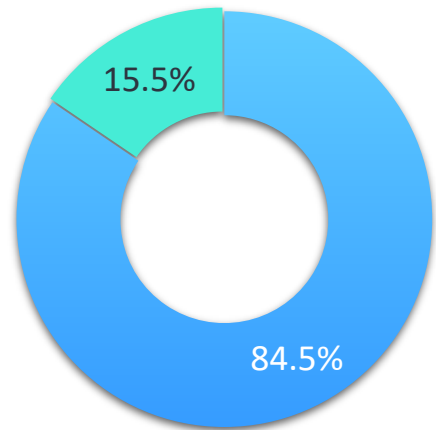
Loan Exposure to Vulnerable Sectors

As of end of June 2022, customer loan exposure to industries severely affected by COVID-19 (including trading, retail, aviation, tourism(incl. hospitality), F&B, entertainment) amounted to **HK\$144.4bn**, an increase of HK\$3.54bn from the end of 2021; accounting for **8.59%** of total loans, a **decrease of 0.22ppt** from the end of 2021

Exposure by customer type: 84.5% to large corporates; 15.5% to SMEs

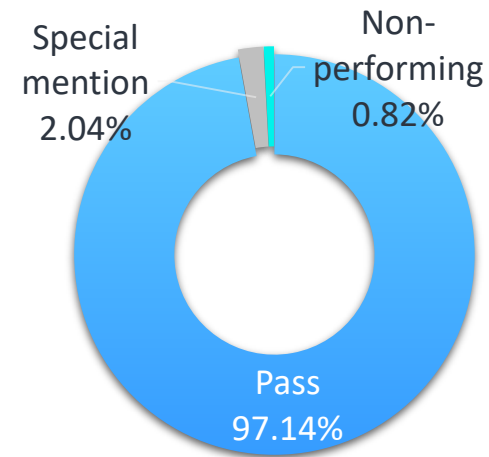
Asset quality: Special mention loans totaled HK\$2.95bn, accounting for 2.04% of the relevant loan balances; non-performing loans were HK\$1.189bn, accounting for 0.82% of the relevant loan balances. **Overall asset quality remained stable**

Exposure by customer type



■ Large corporates ■ SMEs

Asset quality



■ Pass ■ Special mention ■ Non-performing

BOC Life Business Development

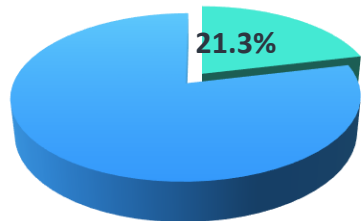
HK\$m	1H2022	1H2021	Change
Standard new premiums	6,604	6,286	5.1%
Value of new business	964	524	84.0%
Total assets	201,741 <small>(2022.06)</small>	197,906 <small>(2021.12)</small>	1.9%



#1 in life insurance and RMB insurance

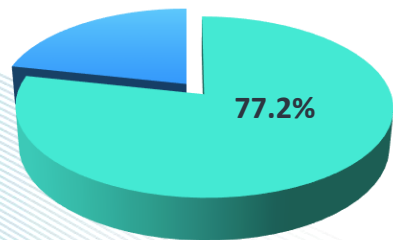
Leading position maintained in e-channel and QDAP sales

Overall market



- In 1Q22, BOC Life's standard new premium market share was 21.3%, becoming **#1 in the market**
- Remained #1 in RMB insurance business with a **77.2% market share** in 1Q22

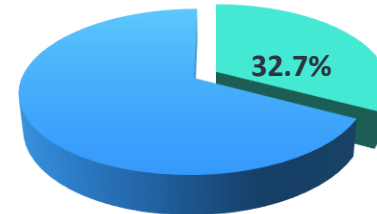
RMB business



- Further diversified distribution channels, maintained market leadership in bancassurance sales, and proactively expanded tied agency and broker channels. In 1H22, **standard new premiums via tied agency and broker were up 102% and around 12x YoY** respectively

BOC Life Other Insurance Companies

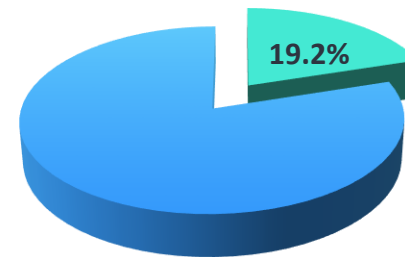
E-channel



- In 1Q22, E-channel* market share reached 32.7%, **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**



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

** April 2019 to March 2022

BOC Life Other Insurance Companies