

2023 Interim Results

30 August 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





Strategy Review

Ongoing Improvement in Financial Indicators and a Steady Increase in Shareholder Returns

Profit after Taxation



Return on Average Shareholders' Equity



Total Capital Ratio



Interim Dividend per Share



Deepening Local Market Development while Cementing Competitive Advantages



Personal Banking

Income from cross-border business **rose >2x**
Cross-border customers **exceeded 1 million**

#1 in cumulative number of new residential mortgage loans for **4** consecutive years

Private Wealth customer base: **+10%**

Private Bank AUM: **+17%**

First-time young customer accounts via “TrendyToo” **increased ~2x**

BOC Life:

Offshore proportion of standard new premiums **exceeded** 1H2019 level

#1 in RMB standard new premiums in 1Q23



Corporate Banking

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

Market leader in cash pooling business

Corporate & institutional clients' assets under custody **remained stable**

Actively supported “**Dedicated 100% Loan Guarantee Schemes**” for cross-boundary passenger transport business and the travel sector

BOCI Prudential:

Operating income **steadily increased**

Remained a **top tier player** by MPF AUM scale



Financial Markets

Jumped to **#1** in global HKD-bond underwriting business

Successfully executed the **first** green RMB reverse repo transaction

Supported the launch of **Northbound Trading under Swap Connect** by providing full coverage in products, services and channels

BOCHK Asset Management:

AUM **stably increased**

“Best RMB Manager”

Asia Asset Management – Hong Kong

Tapping Synergies to Advance Financial Development in the Greater Bay Area

Mutual Market Access

Wealth Management Connect

No. of accounts opened & volume of funds remitted for Southbound & Northbound services led the HK market



Swap Connect

Supported the launch of "Northbound Trading under Swap Connect"



Stock Connect Bond Connect

Maintained market leadership



Financial Intermediation

GBA tech firms loans: +19.0%
Customer base: +6.3%



Cross-border Services



GBA Account Opening

Customer base grew by ~40%



GBA Loans

Loans for home purchases expanded by ~50%



GBA Insurance

Launched "HK-GD Cross Border Motor Insurance" for "Northbound Travel for HK Vehicles"

Strengthening Integrated Management to Enhance Regional Collaboration

HK\$ **75.4**bn

+8.4% YTD

Customer Deposits

HK\$ **54.3**bn

+4.8% YTD

Customer Loans

HK\$ **2.02**bn

+40.7% YoY

Net Operating Income

2.44%

-0.05 ppt YTD

Non-performing Loan Ratio

Played an active role as lead bank or underwriter in regional syndicated loans, with a focus on the **Belt and Road, Going Global projects and large regional corporates**

Strong growth in RMB transaction volumes of SEA entities' treasury businesses; enhanced position as RMB market-maker

Optimised regional network layout and promoted "**Wealth Management**" brand; enhanced customer experience in online payment and expanded our **financial service scenario ecosystems for individual customers**

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.

Leveraging our Offshore Market Advantages to Pioneer RMB Business Innovation

+41%

RMB cross-border trade settlement volume

#1 in market making transaction volume

Southbound Bond Connect

RMB 192 tn

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

*According to data from RTGS

Cementing Business Edges

- **Leading market positions** in various RMB businesses such as loans, deposits, trade finance, cross-border cash pooling, and mutual market access schemes
- BOC Thailand, Phnom Penh Branch, Jakarta Branch and Vientiane Branch received **direct participating bank status under CIPS**
- BOC Life's RMB standard new premium: **#1** for 11 consecutive years (as of 1Q23)
- BOCHK and Manila Branch named **"Best Renminbi Bank"** in Hong Kong and the Philippines respectively by *The Asset*

Leading Market Innovations

- Facilitated the full implementation of **Northbound Trading under Swap Connect** to support mutual market access schemes
- Among the first batch of listed companies to operate the **"HKD-RMB Dual Counter Model"**, while providing cross-counter trading services via mobile banking
- Promoted **"RMB One"** package, offering RMB time deposits, currency exchange, securities, funds and life insurance
- Launched Hong Kong's first **e-CNY** experience with successful completion of sandbox trial

Building a Fully Digital Bank with Stronger Technological Foundations

Optimising Digital Channels and Services

Active mobile banking users **up 10%**

>77% customers use our digital channels

Registered users of all-in-one business info exchange platform BoC Connect **increased by 8x**

Livi Bank: Customers: **>300k**
livi Flexi Loan: **>HK\$1.2bn**

Promoting Scenario-based Ecosystem Construction

Registered open API partners reached **427**, with service scenarios developed for home purchasing, education and health

BoC Pay: Customers: **+10%**
Transaction volume: **+24%**

BoC Bill: Settlement volume: **+42%**

BoC Pay supported “HKeToll” Free-Flow Tolling System with its “transit code” accepted on HK’s main franchised bus and tram services

Advancing Smart Operations Capabilities

Average monthly online mortgage applications **grew by >20% YoY**, accounting for **~50%** of total applications

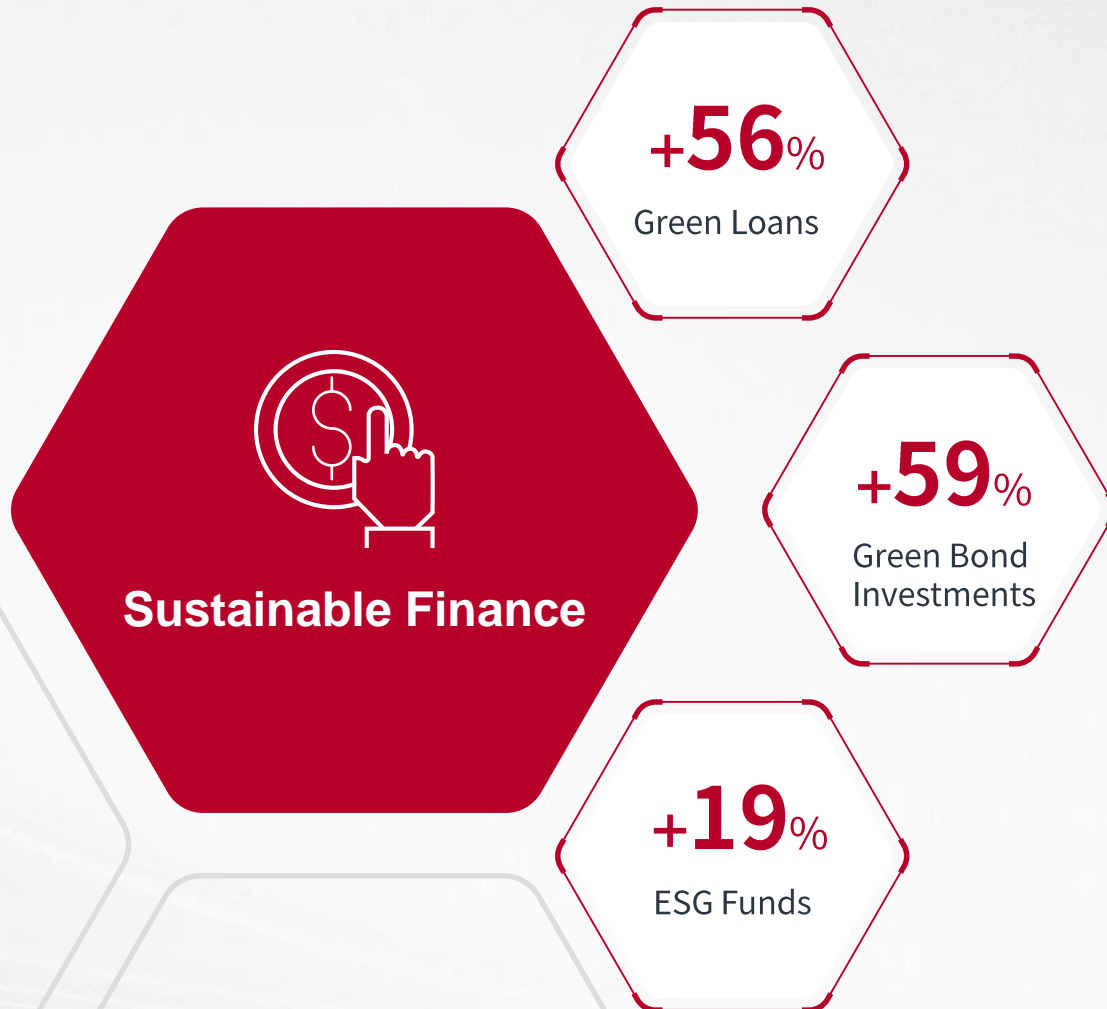
Leveraged data from third party platform to simplify loan approval processes

Continuously expanded the scale of **Regional Operation Centre in Nanning, Guangxi**

Reinforced **intelligent risk and anti-fraud management capability** by utilising artificial intelligence and robotic process automation



Committed to Sustainable and High-quality Green Development



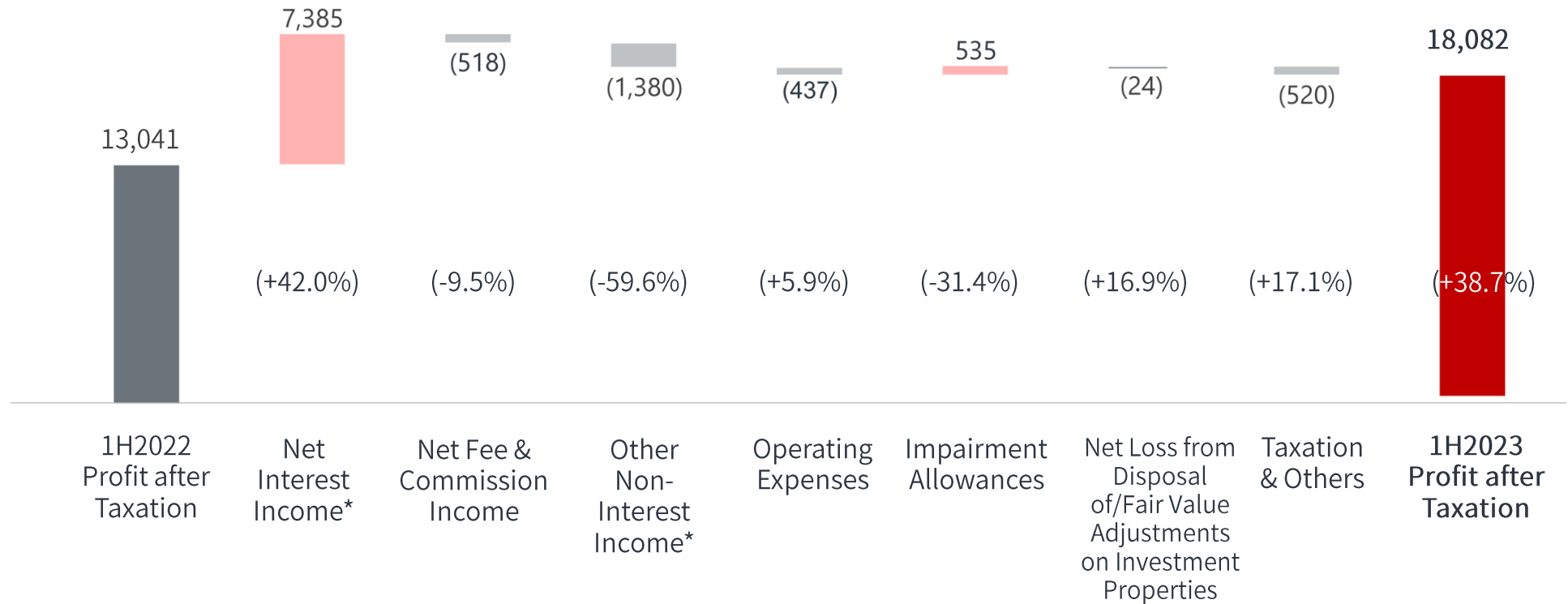
- ❑ Served as joint global coordinator, joint lead manager, joint bookrunner and custodian to support the HKSAR Government in issuing **the world's first tokenised green bond by a government issuer**
- ❑ Successfully executed **the first green RMB reverse repo** transaction
- ❑ Involved in the listing of "**BOCHK Greater Bay Area Climate Transition ETF**", HK's first ETF to track climate transition in the GBA
- ❑ Manila Branch and Phnom Penh Branch respectively launched a **bilateral green loan and social responsibility loan** certified by independent third party institutions
- ❑ Issued our **first Climate-related Financial Disclosures Report**
- ❑ Awarded the **highest AAA rating** from MSCI ESG for 2 consecutive years
- ❑ Named "**Best ESG Impact Bank in Hong Kong**" by *FinanceAsia*



Financial & Business Results

Remarkable Growth in Profit after Taxation

HK\$m

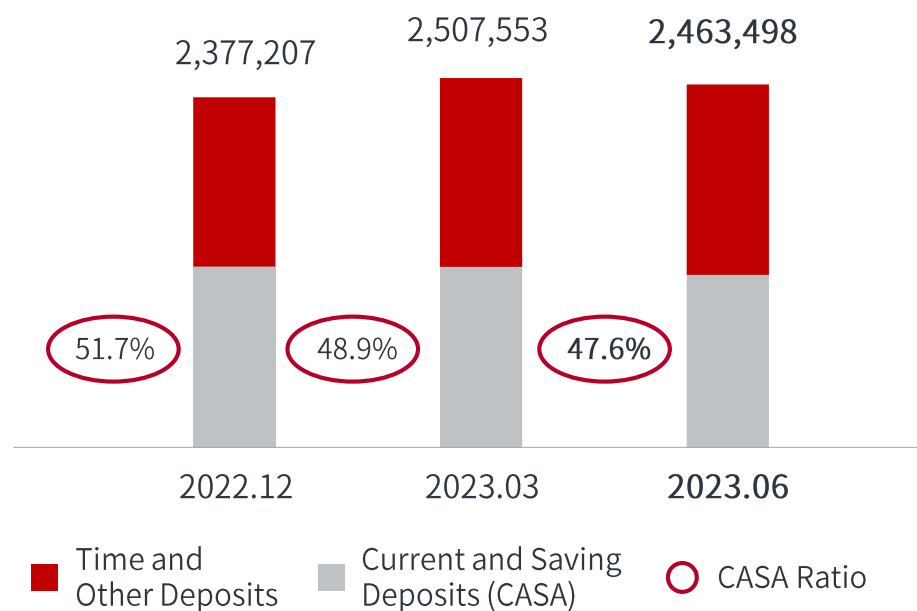


*Adjusted for the funding income or cost of FX swap contracts

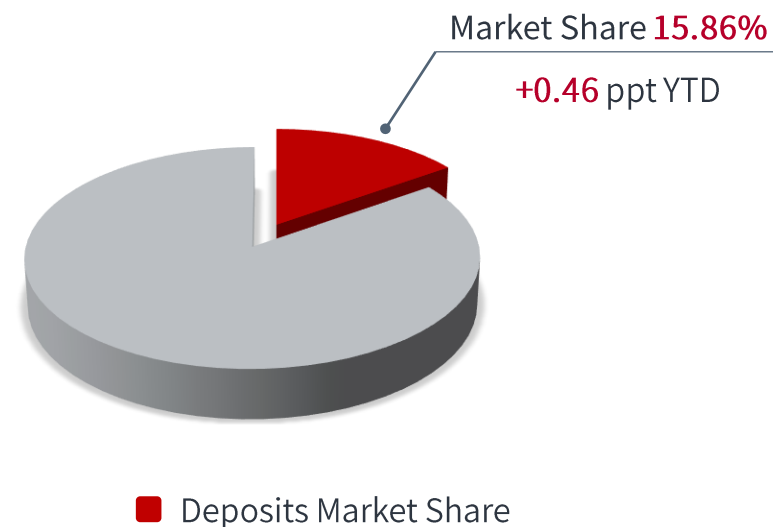
Steady Expansion in Deposit Base

Customer Deposits up 3.6%

HK\$m



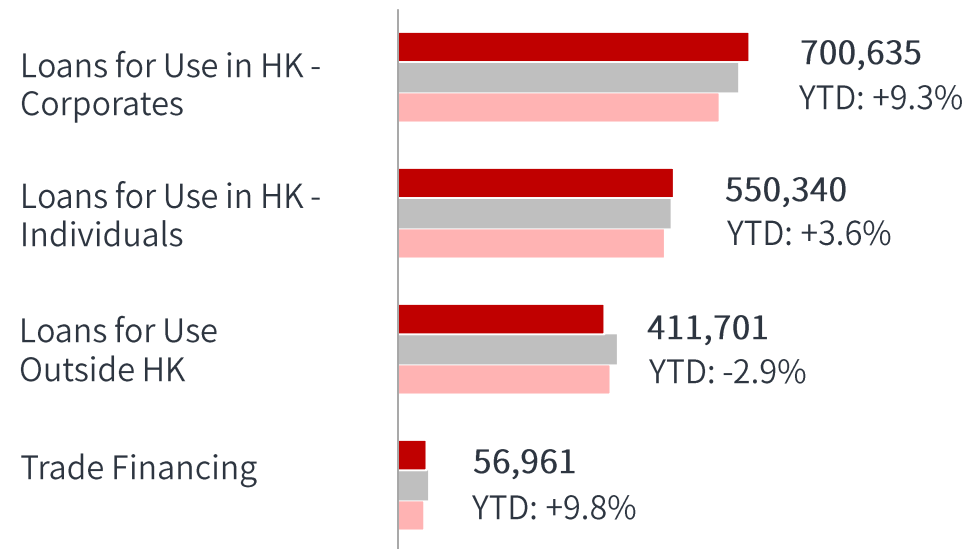
Steady Increase in Market Share



Market Outperformance in Loan Growth

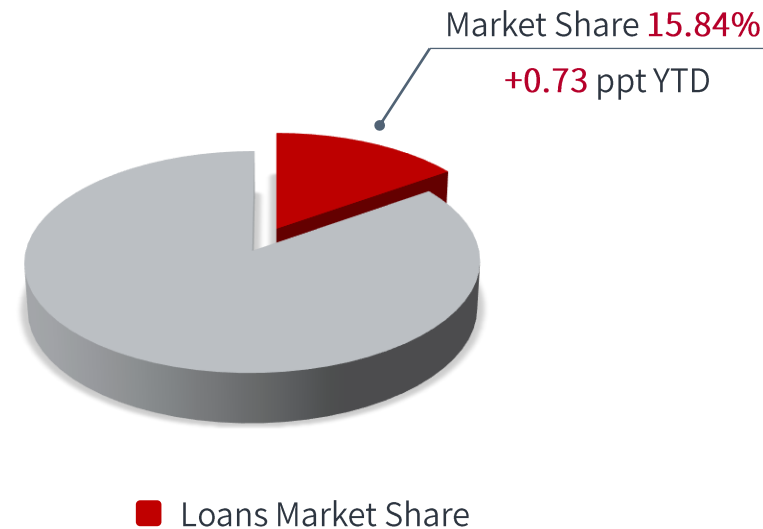
Customer Loans up 4.3% to HK\$1.72tn

HK\$m



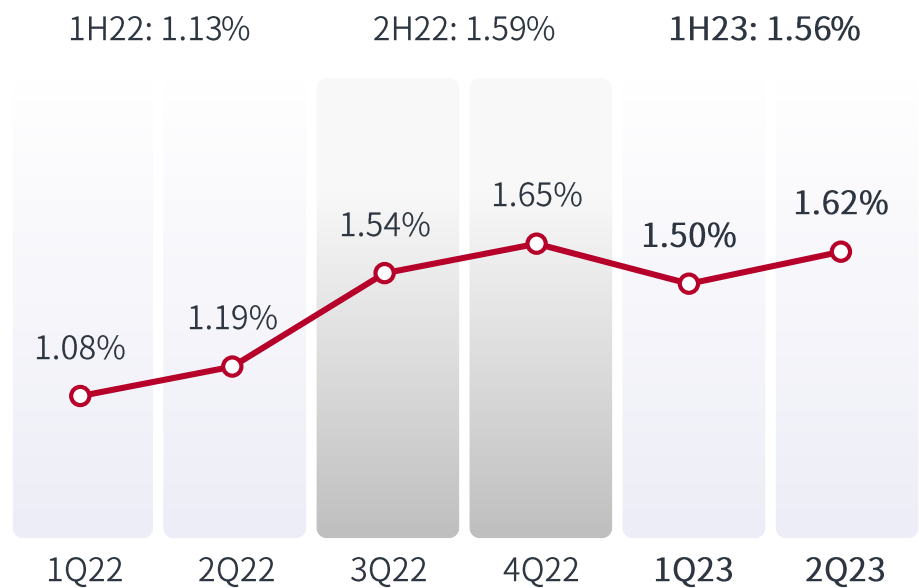
2022.12 2023.03 2023.06

Consistent Gains in Market Share

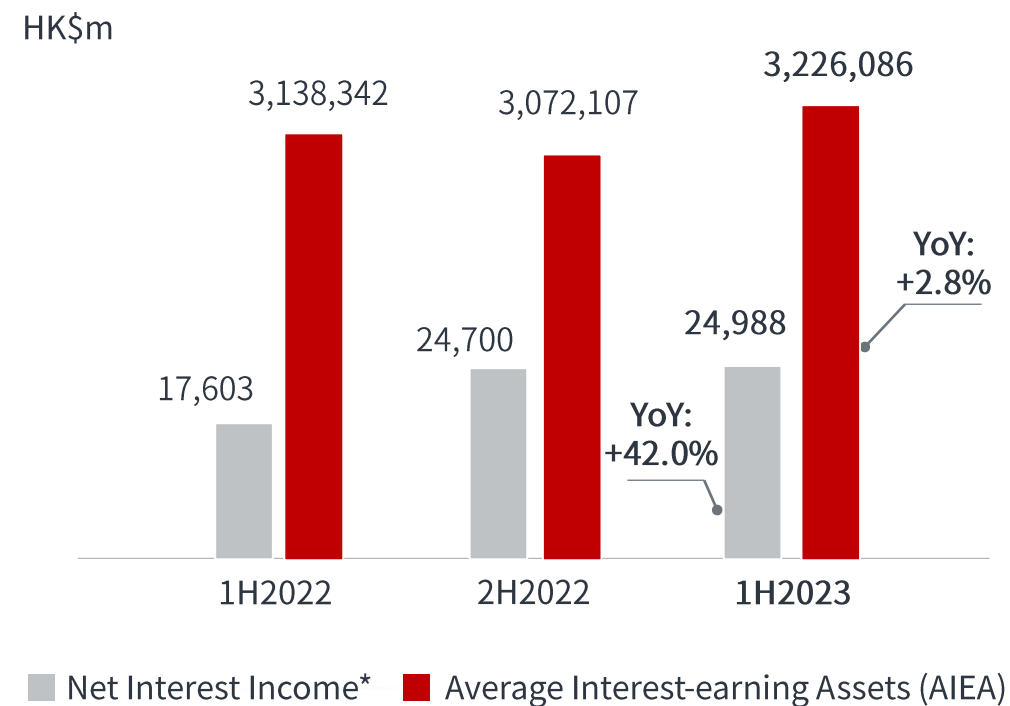


Stable and Positive Margin Trend

Stable improvement in NIM*

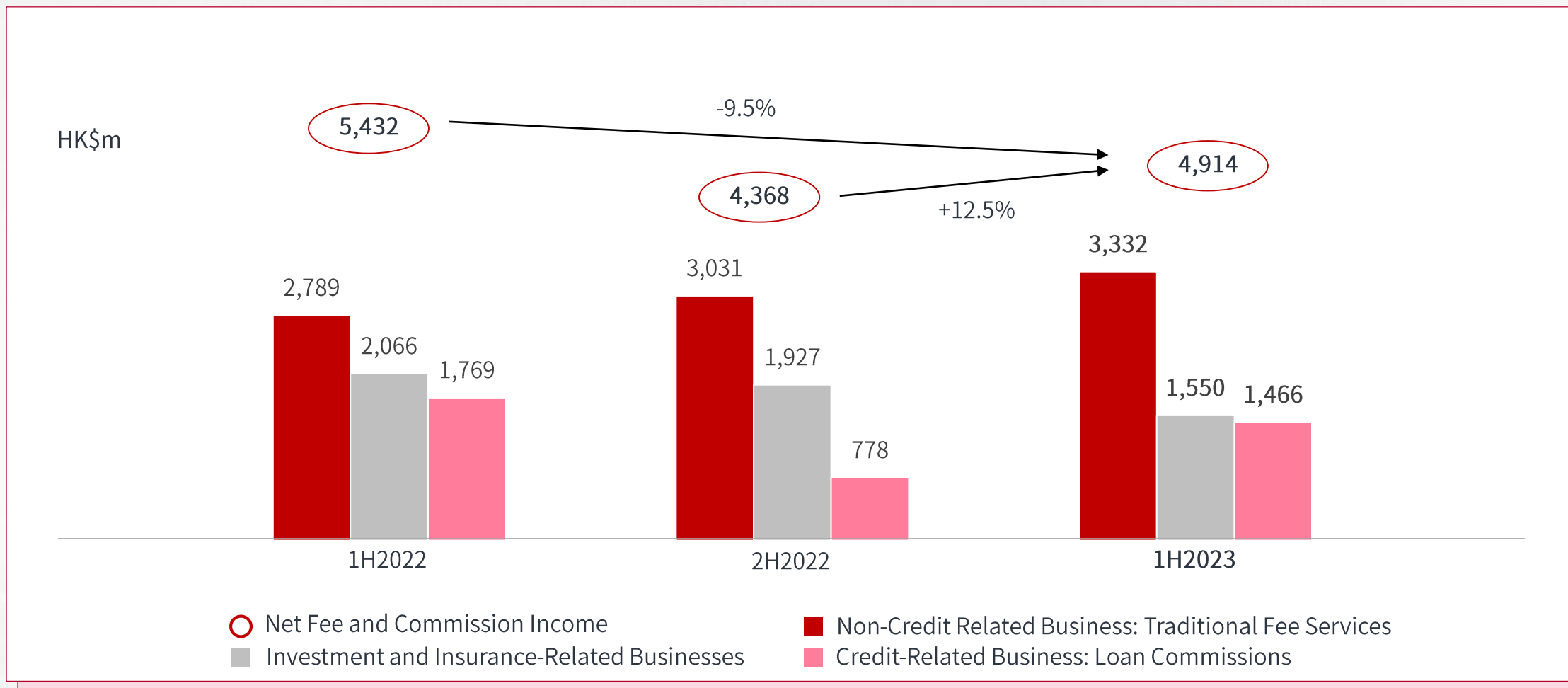


Rapid YoY Growth in Net Interest Income*



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

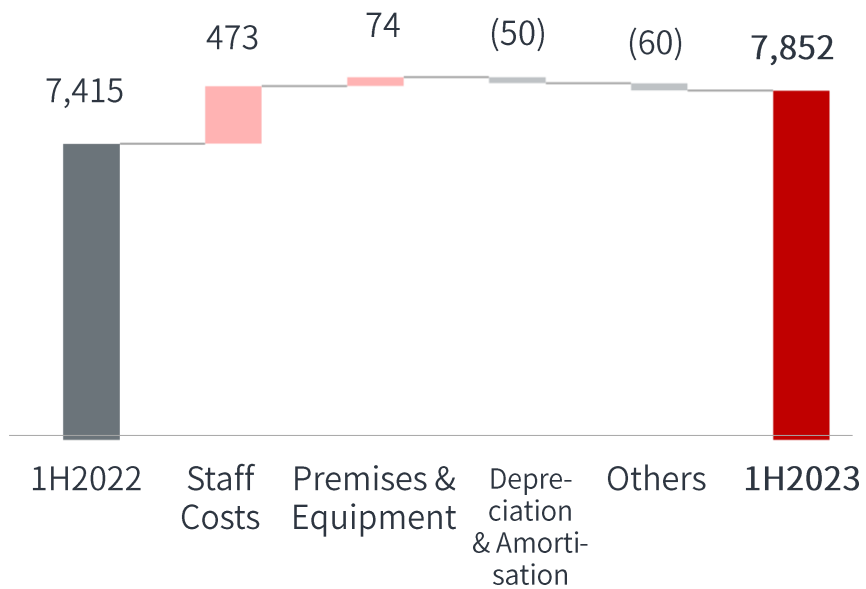
Fee Income Rebound from 2H2022



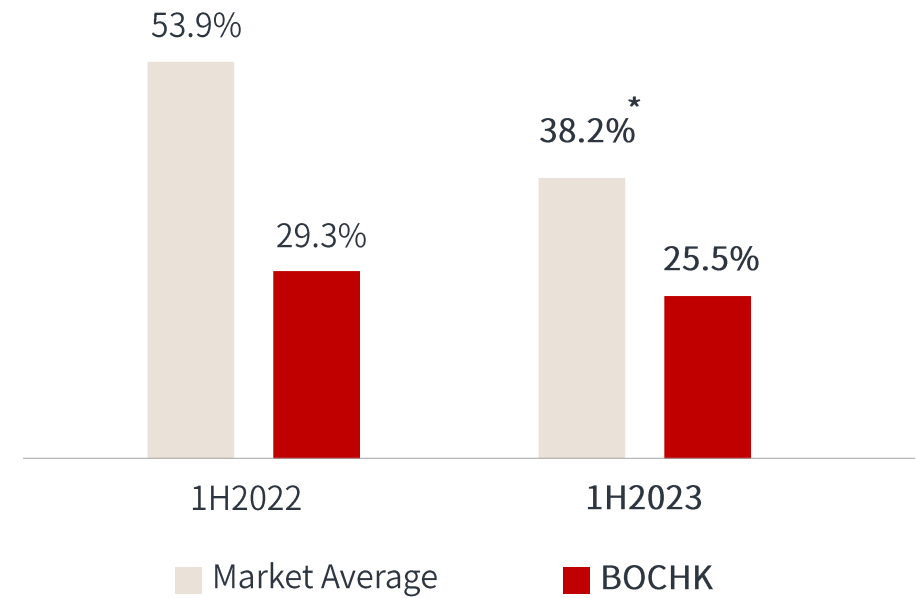
Consistently Healthy Cost Efficiency

Satisfying Basic Needs and Prioritising Key Strategies

HK\$m



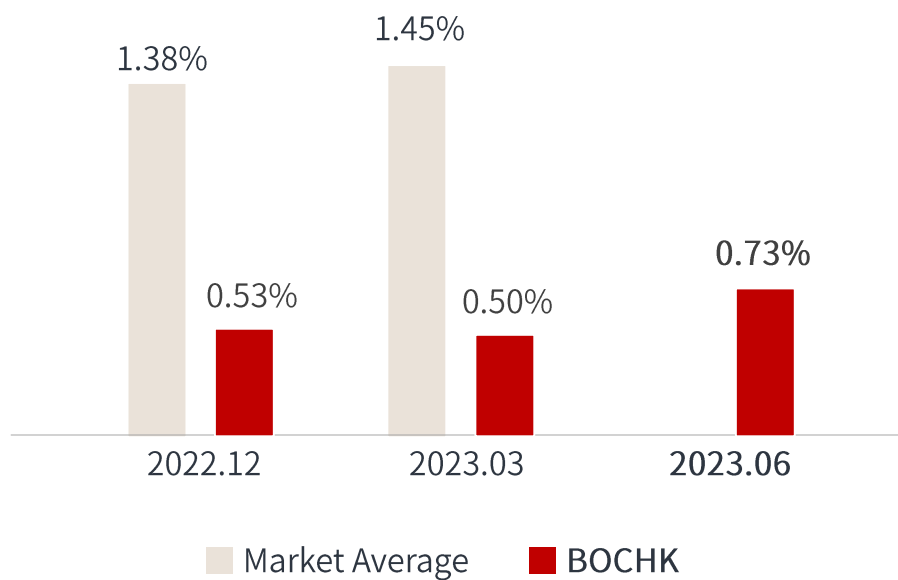
Consistently Outperforming the Market in Cost-to-income Ratio



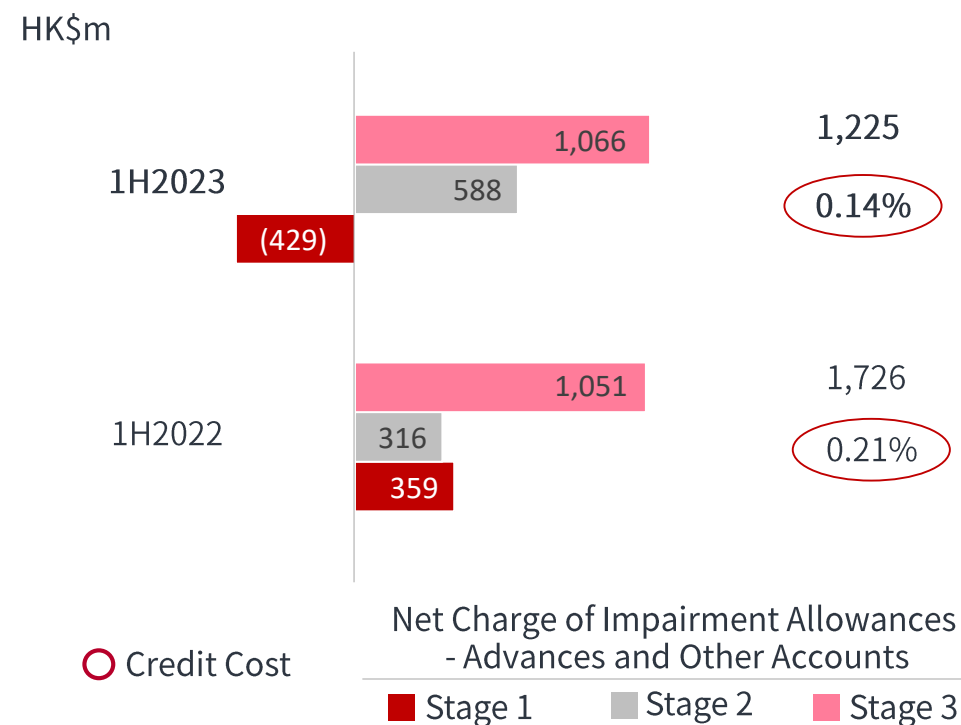
Market data source: HKMA
*1Q2023

Manageable Asset Quality Risk

Better-than-average NPL Ratio



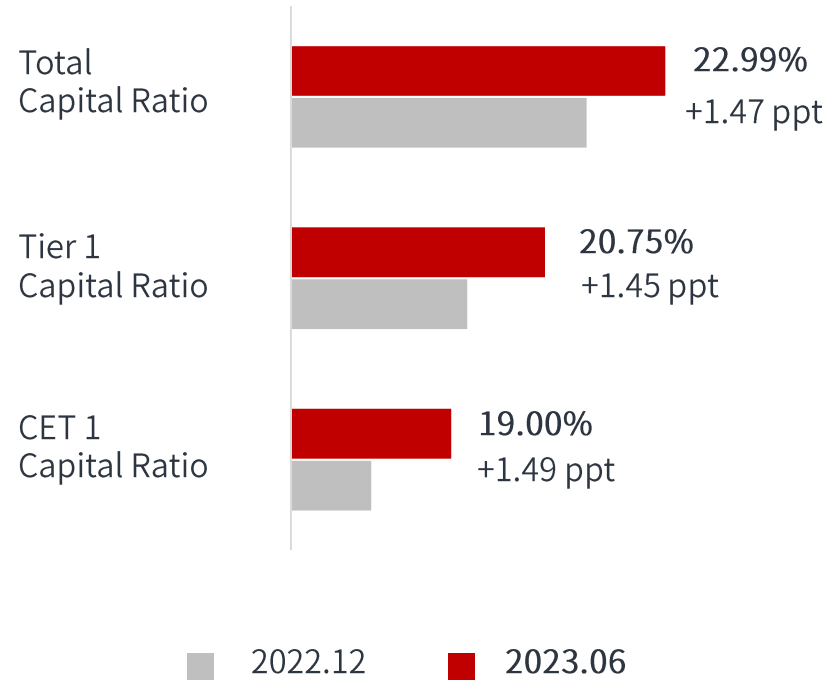
Relatively Stable Credit Costs



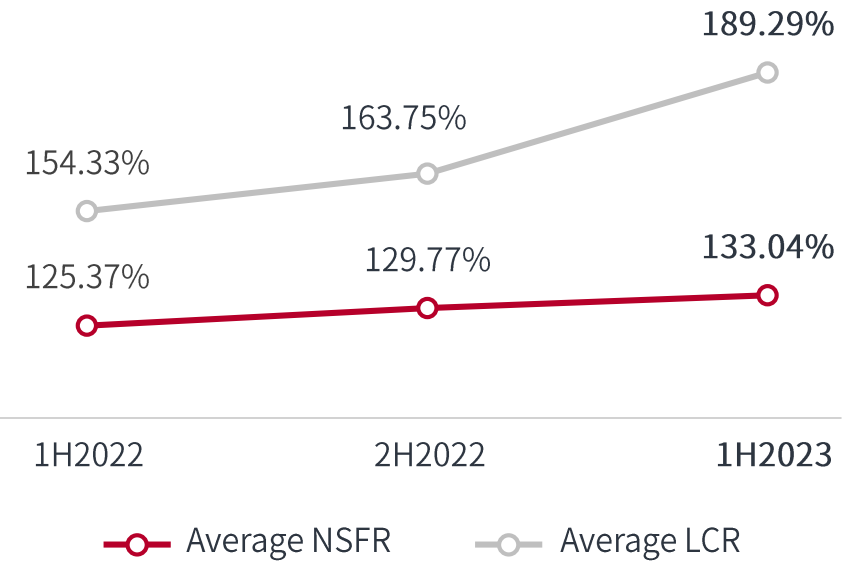
Market data source: HKMA

Solid and Positive Trend in Capital and Liquidity Position

Solid Capital Levels



Enhancement in Liquidity





Outlook

Second Half Outlook

Continuing geopolitical tensions

Slowing global GDP growth momentum

Greater potential volatility in financial markets



Solid progress in national **high-quality development**
New advances in international co-operations

Hong Kong's role as a **“super-connector”** even more prominent, retaining its unique status and advantages

Ongoing economic recovery in Southeast Asia and policy dividends from **RCEP**

Generating a Virtuous Cycle of Stability and Progress

- ❑ Deepen and refine the management of our sustainable development and solidly deliver on our ESG strategy
- ❑ Actively diversify income sources and ensure outperformance in deposits and loans through high-quality growth
- ❑ Promote business development in the GBA, and further enhance our comprehensive services
- ❑ Stimulate new momentum in SEA, and build a new regional development paradigm
- ❑ Consolidate the advantages of our RMB businesses while supporting orderly advances in RMB internationalisation
- ❑ Expedite digital transformation to enhance management and operating efficiency
- ❑ Step up our comprehensive risk management and reinforce management resilience and effectiveness
- ❑ Steadily develop talent pools and build a robust corporate culture to fortify our fundamentals





Appendices

Income Statement and Balance Sheet Summary

Income statement summary (HK\$m)	1H2023	1H2022	Change
Net interest income*	24,988	17,603	42.0%
Net fee and commission income	4,914	5,432	-9.5%
Other non-interest income*	936	2,316	-59.6%
Net operating income before impairment allowances	30,838	25,351	21.6%
Operating expenses	(7,852)	(7,415)	5.9%
Pre-provision Operating Profit (PPoP)	22,986	17,936	28.2%
Net charge of impairment allowances	(1,169)	(1,704)	-31.4%
Operating profit	21,817	16,232	34.4%
Profit for the period	18,082	13,041	38.7%
Profit attributable to equity holders of the Company	16,998	12,622	34.7%
Per share (HK\$)	1H2023	1H2022	Change
Basic earnings per share	1.6077	1.1938	34.7%
Dividend per share	0.5270	0.4470	17.9%
Balance sheet summary (HK\$m)	2023.06	2022.12	Change
Total assets	3,771,181	3,666,505	2.9%
Advances to customers	1,719,637	1,648,269	4.3%
Total liabilities	3,436,667	3,340,670	2.9%
Deposits from customers	2,463,498	2,377,207	3.6%
Total equity	334,514	325,835	2.7%

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

Average Balances and Average Interest Rates

(HK\$m) / %	1H2023		1H2022	
Assets	Average balance	Average yield	Average balance	Average yield
Balances and placements with banks and other financial institutions	376,321	2.07%	412,493	0.72%
Debt securities investments and other debt instruments	1,154,081	2.97%	1,082,644	1.29%
<i>Debt securities investments and other debt instruments (adjusted)*</i>	-	3.28%	-	1.72%
Advances to customers and other accounts	1,683,288	4.31%	1,636,783	1.66%
Other interest-earning assets	12,396	6.93%	6,422	2.53%
Total interest-earning assets	3,226,086	3.58%	3,138,342	1.41%

(HK\$m) / %	1H2023		1H2022	
Liabilities	Average balance	Average rate	Average balance	Average rate
Deposits and balances from banks and other financial institutions	248,758	1.42%	323,117	0.81%
Current, savings and time deposits	2,299,194	2.61%	2,254,428	0.46%
Subordinated liabilities	77,534	3.26%	-	-
Other interest-bearing liabilities	86,938	2.90%	22,756	1.10%
Total interest-bearing liabilities	2,712,424	2.53%	2,600,301	0.51%

Net interest margin	1H2023	1H2022
Net interest margin	1.45%	0.98%
<i>Net interest margin (adjusted)*</i>	<i>1.56%</i>	<i>1.13%</i>

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

Fee and Commission Income

HK\$m	1H2023	1H2022	Change
Loan commissions	1,466	1,769	-17.1%
Credit card business	1,185	903	31.2%
Securities brokerage	952	1,388	-31.4%
Trust and custody services	380	341	11.4%
Payment services	345	360	-4.2%
Insurance	327	357	-8.4%
Funds distribution	254	295	-13.9%
Bills commissions	237	262	-9.5%
Currency exchange	186	87	113.8%
Safe deposit box	145	149	-2.7%
Funds management	17	26	-34.6%
Others	854	687	24.3%
Fees and commission income	6,348	6,624	-4.2%
Fees and commission expense	(1,434)	(1,192)	20.3%
Net fee and commission income	4,914	5,432	-9.5%

Operating Expenses

HK\$m	1H2023	1H2022	Change
Staff costs	5,078	4,605	10.3%
Premises & equipment expenses	663	589	12.6%
Depreciation and amortisation	1,476	1,526	-3.3%
Others	1,170	1,106	5.8%
Less: Costs directly attributable to insurance contracts	(535)	(411)	30.2%
Total operating expenses	7,852	7,415	5.9%

	2023.06	2022.12	Change
Full-time staff headcount	14,823	14,220	4.2%

Customer Deposits

HK\$m	2023.06	2022.12	Change
Total deposits from customers	2,463,498	2,377,207	3.6%
CASA	1,172,157	1,229,804	-4.7%
Demand deposits and current accounts	224,856	236,115	-4.8%
Savings deposits	947,301	993,689	-4.7%
Time, call and notice deposits	1,291,233	1,147,403	12.5%
Structured deposits	108	-	n.a.

Advances to Customers

HK\$m	2023.06	2022.12	Change
Loans for use in Hong Kong - industrial, commercial and financial	700,635	641,206	9.3%
Property development	196,275	171,614	14.4%
Property investment	93,268	91,525	1.9%
Financial concerns	23,496	25,197	-6.8%
Stockbrokers	2,838	1,110	155.7%
Wholesale and retail trade	38,575	31,704	21.7%
Manufacturing	56,435	48,891	15.4%
Transport and transport equipment	45,956	62,411	-26.4%
Recreational activities	13	154	-91.6%
Information technology	40,452	34,274	18.0%
Others	203,327	174,326	16.6%
Loans for use in Hong Kong - individuals	550,340	531,260	3.6%
Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	43,801	35,879	22.1%
Loans for purchase of other residential properties	375,359	367,502	2.1%
Credit card advances	11,325	11,962	-5.3%
Others	119,855	115,917	3.4%
Trade financing	56,961	51,879	9.8%
Loans for use outside Hong Kong	411,701	423,924	-2.9%
Gross advances to customers	1,719,637	1,648,269	4.3%

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

HK\$m	2023.06				2022.12			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Advances to customers	1,674,472	31,762	12,554	1,718,788	1,598,549	40,164	8,724	1,647,437
Pass	1,671,456	24,416	-	1,695,872	1,594,869	31,210	-	1,626,079
Special mention	3,016	7,346	-	10,362	3,680	8,954	-	12,634
Substandard or below	-	-	12,554	12,554	-	-	8,724	8,724
Trade bills	5,334	-	-	5,334	6,329	-	-	6,329
Pass	5,291	-	-	5,291	6,329	-	-	6,329
Special mention	43	-	-	43	-	-	-	-
Substandard or below	-	-	-	-	-	-	-	-
Advances to banks and other financial institutions	626	-	-	626	1,015	-	-	1,015
Pass	626	-	-	626	1,015	-	-	1,015
Special mention	-	-	-	-	-	-	-	-
Substandard or below	-	-	-	-	-	-	-	-
Gross advances and other accounts	1,680,432	31,762	12,554	1,724,748	1,605,893	40,164	8,724	1,654,781
Impairment allowances	(3,563)	(2,748)	(6,224)	(12,535)	(4,074)	(2,511)	(4,992)	(11,577)
Advances and other accounts	1,676,869	29,014	6,330	1,712,213	1,601,819	37,653	3,732	1,643,204

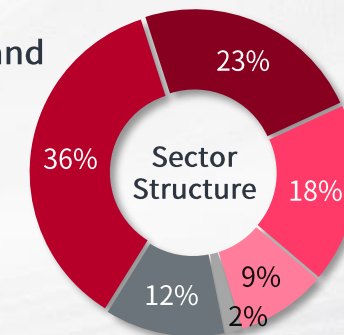
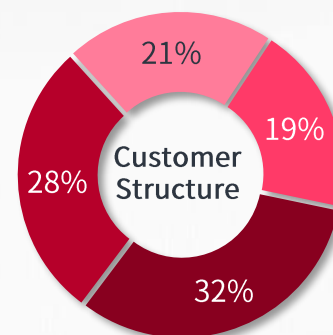
Non-bank Mainland Exposures

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	268,707	55,028	95,210	363,917	30,476	394,393
Local governments, local government-owned entities and their subsidiaries and joint ventures	69,767	41,310	11,134	80,900	5,045	85,945
PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	125,955	37,760	5,751	131,705	22,938	154,643
Others	94,815	61,832	687	95,502	10,441	105,943
Total	559,243	195,930	112,781	672,024	68,900	740,924

With reference to the completion instructions for the HKMA's return of Mainland activities (Note 44 of the Notes to the Financial Statements of 2023 Interim Report), as of 30 June 2023, the total on-balance sheet non-bank Mainland exposure was HK\$672.0bn, down 1.0% from the end of last year, accounting for 19.08% of total assets.

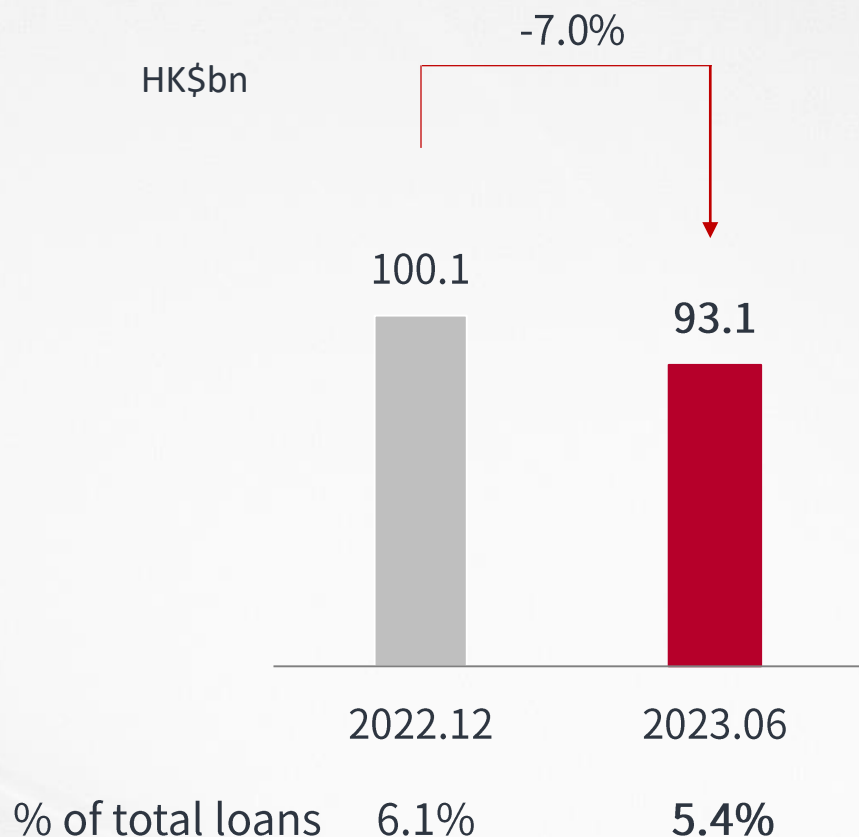
Of this, total loans and advances was HK\$559.2bn, down HK\$6.2bn or 1.1%. Asset quality was solid with an NPL ratio of 0.84%. Loans for use in the Mainland stood at HK\$195.9bn, accounting for 11.4% of total loans of the Group.

Structure 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
- Financial concerns
- Others

Loan Exposure to Mainland Property Companies



- As at the end of June 2023, loans to Chinese real-estate (CRE) developers amounted to HK\$93.1bn, down 7% from the end of 2022; accounting for 5.4% of Group's total loans, down 0.7ppt
- 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: 48%; loans for use in Hong Kong: 51%
- Based on "three red lines" definition, green line loans: 75%; yellow line loans: 15%. Investment-graded customer loans: 67%
- Non-performing loans accounted for 4.8% of total CRE loans, whereas special-mentioned loans accounted for 3.2% of total CRE loans. CRE provision coverage (without collaterals) was 107.7%

Impacts of HKFRS 17

Income statement summary (HK\$m)	1H2022 (HKFRS 4)	HKFRS 17 Adjustments	1H2022 (HKFRS 17)
Net interest income*	17,663	(60)	17,603
Net fee and commission income	5,144	288	5,432
Other non-interest income*	4,425	(2,109)	2,316
Net operating income before impairment allowances	27,232	(1,881)	25,351
Operating expenses	(7,826)	411	(7,415)
Pre-provision Operating Profit (PPOP)	19,406	(1,470)	17,936
Net charge of impairment allowances	(1,714)	10	(1,704)
Operating profit	17,692	(1,460)	16,232
Profit for the period	14,417	(1,376)	13,041
Profit attributable to equity holders of the Company	13,472	(850)	12,622

Balance sheet summary (HK\$m)	2022.12 (HKFRS 4)	HKFRS 17 Adjustments	2022.12 (HKFRS 17)
Total assets	3,685,057	(18,552)	3,666,505
Total liabilities	3,353,211	(12,541)	3,340,670
Total Equity	331,846	(6,011)	325,835

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

BOC Life Business Development

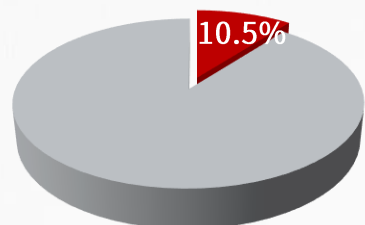
HK\$m	1H2023	1H2022	Change
Value of new business (VNB)	1,050	964	+9.0%
VNB Margin	16.9%	14.6%	+2.3 ppt
Insurance service results	457	412	+10.9%

MOODY'S	A1
STANDARD & POOR'S	A

Leading position in overall market and #1 in RMB insurance

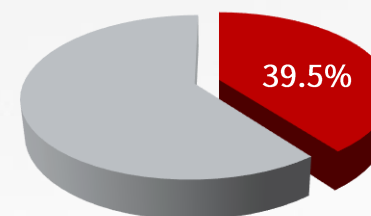
Leading position maintained in e-channel and QDAP sales

Overall market



- In 1Q2023, BOC Life's standard new premium market share was 10.5%, **ranking #5 in the market**
- Continued to be **#1 in RMB insurance** in 1Q2023, with a 39.4% market share

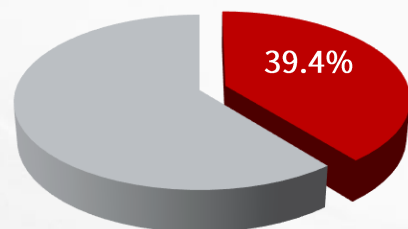
e-channel*



- In 1Q2023, e-channel* market share reached 39.5%, **maintaining market leadership**

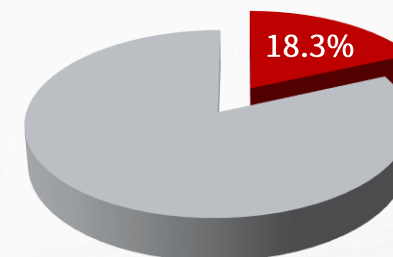
*Statistics from Insurance Authority: Direct Distribution Channel including online channel sales, direct mail and telesales with the majority coming from online channel sales

RMB business



- Further consolidated the business advantages in distribution channels, and maintained leading market position in bancassurance sales

Qualifying Deferred Annuities**



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

** Annualised premium for April 2019 to March 2023

■ BOC Life
 ■ Other Insurance Companies

■ BOC Life
 ■ Other Insurance Companies

Cross-border Business Development

BOCHK Cross - Border 

**ONE STEP
TO YOUR GOAL**

