

30 August 2023

**BOC Hong Kong (Holdings) records 38.7% year-on-year growth
in profit after tax for first half of 2023**

Shareholder returns steadily increase with ongoing improvement in financial indicators

BOC Hong Kong (Holdings) Limited (“the Company”, stock code “2388” (HKD counter) and “82388” (RMB counter); ADR OTC Symbol: “BHKLY”) today announced its 2023 interim results. During the period, the Company and its subsidiaries (“the Group”) improved its financial indicators, steadily enhanced shareholder returns and promoted high-quality development by capturing opportunities arising from economic normalisation in the Chinese mainland and Hong Kong as well as from the development of the Greater Bay Area, mutual market connectivity, RMB internationalisation and RCEP.

Seizing business opportunities to diversify income sources

In the first half of 2023, the Group seized opportunities from rising market interest rates and the resumption of normal travel between the Chinese mainland and Hong Kong to widen its income sources. In addition, it increased operational efficiency and maintained stable credit cost through enhanced cost control and risk management. Profit after tax in the first half was HK\$18,082 million, an increase of 38.7% year-on-year and 27.4% from the second half of 2022. Return on average shareholders’ equity improved by 2.44 percentage points year-on-year to 10.81%. The Board has declared an interim dividend per share of HK\$0.527, up 17.9% year-on-year.

After adjusting for foreign exchange swap-related impact, net interest income in the first half increased by 42.0% year-on-year to HK\$24,988 million, while net interest margin expanded notably by 43 basis points year-on-year to 1.56%. As at the end of June 2023, the Group’s total deposits from customers amounted to HK\$2,463,498 million while total advances to customers stood at HK\$1,719,637 million, up 3.6% and 4.3% respectively from the end of last year, with the respective market shares of both continuing to expand.

The Group continued to strengthen its capital management. As at the end of June 2023, its Common Equity Tier 1 capital ratio and total capital ratio were 19.00% and 22.99% respectively. The Group maintained a sound liquidity position, with the average value of its liquidity coverage ratio in the first and second quarter of 2023 standing at 189.68% and 188.89% respectively. The classified or impaired loan ratio was 0.73%, continuing to outperform the market average. The Group maintained satisfactory cost efficiency by optimising resource allocation. The cost to income ratio improved by

3.79 percentage points year-on-year to 25.46%, remaining at a favourable level compared to industry peers.

Deepening local market development while cementing competitive advantages

Adhering to its customer-centric philosophy, the Group focused on strengthening intra-group collaboration and enhancing its full-scope service capabilities to meet customers' comprehensive business needs. During the period, it remained the top mandated arranger in the Hong Kong-Macao syndicated loan market, maintained the leading market position in terms of the total number of new residential mortgage loans in Hong Kong as well as in the cash pooling business, and achieved steady growth in custody and trust business. The Group also focused on providing tailored service experiences to satisfy the diverse needs of different customer segments. As a result, the number of newly-opened young customer accounts almost tripled year-on-year, while the customer base of its "Private Wealth" premium brand further increased as compared with the end of 2022. At the same time, the Group enhanced its professional product and service capabilities to sharpen its business advantages and underwrote several bond issues with significant market influence. In the first quarter of 2023, it ranked first in the market for standard new premiums from online channels, and maintained its market leadership in new RMB insurance standard premiums for the 11th consecutive year.

Tapping synergies to advance financial development in the Greater Bay Area

The Group seized cross-border market opportunities and advanced the development of its RMB business, capitalising on its new "BOCHK Cross-border GO" brand to provide one-stop cross-border financial services to customers travelling around the globe. In the first half of 2023, it ranked among the top tier in Hong Kong in terms of both the aggregate number of accounts opened and the total amount of funds remitted for the Southbound and Northbound schemes of Cross-boundary Wealth Management Connect. The number of the Greater Bay Area accounts opened increased by 41% compared with the end of last year. It actively supported mutual market access schemes such as Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Northbound Trading under Swap Connect. In line with the "Northbound Travel for Hong Kong Vehicles" scheme, the Group also launched a Hong Kong-Guangdong cross-boundary motor insurance product.

Strengthening integrated management to sharpen the competitiveness of its Southeast Asian entities

The Group focused on business integration and seized opportunities brought about by closer economic and trade ties within the Asia-Pacific region. It prioritised the development of Belt and Road Initiative and "Going Global" projects as well as large corporate businesses in the region, and actively led or participated in regional syndicated projects by enhancing collaboration with Bank of China's Asia-Pacific entities. In terms of its personal banking services, the Group strived to improve

its “Wealth Management” brand in the region and remained committed to developing a full-scope wealth management business as well as comprehensive financial services that meet the needs of local markets. It utilised digital innovation and its multi-functional mobile banking platform to optimise the online payment experience for local customers, and steadily advanced the development of a scenario-based personal banking financial services ecosystem. As at the end of June 2023, deposits from customers and advances to customers of the Group’s Southeast Asian entities increased by 8.4% and 4.8% respectively from the end of last year, excluding the impact of foreign exchange rates. Driven by an improvement in net interest margin, net operating income before impairment allowances recorded a year-on-year increase of 40.7%, excluding the impact of foreign exchange rates.

Leveraging its offshore market advantages to pioneer RMB business innovation

The Group continued to strengthen the innovation and promotion of RMB products and actively cultivated the offshore RMB market. It enhanced its RMB trading capabilities, improved related products and services, and bolstered risk management in Southeast Asia. The Jakarta Branch’s RMB clearing volume has now ranked top in the local market for ten consecutive years, while BOC Thailand was granted a direct participating bank qualification by the Cross-border Interbank Payment System (CIPS). In line with the “HKD-RMB Dual Counter Model” launched by Hong Kong Exchange and Clearing Limited, the Group introduced a cross-counter securities trading service via mobile banking. It also accelerated the development of e-CNY by launching the second phase of its “e-CNY Exclusive Experience”.

Consolidating its core technological foundations to deepen digital transformation

The Group continued to deepen its digital transformation by adopting ecological, data-driven and intelligent business approaches. It has achieved a market-leading position in terms of open application programming interface (“Open API”) scale, with the total number of registered Open API partners reaching 427 and innovative fintech solutions being successfully applied to major scenarios in the local market such as home purchase, education and wellness scenario ecosystems. As at the end of June 2023, the number of BoC Pay users increased by 10% compared with the end of last year, while total transaction volumes in the first half recorded year-on-year growth of 24%. There was continuous growth in both the number of customers using its mobile banking platform and related transaction volumes. In the first half of the year, the monthly average number of online mortgage applications recorded year-on-year growth of 22.8%, accounting for approximately half of total mortgage applications. The Group maintained its top market position in terms of total number of new residential mortgage loans for the fourth consecutive year.

Committed to achieving high-quality development by assisting customers' low-carbon transition

Closely tracking trends in ESG development, the Group ramped up efforts to enhance its green finance product and service offering. As at the end of June 2023, the number of ESG funds distributed via BOCHK's platform increased by approximately 20% compared with the end of last year. The balance of green mortgage loans was approximately 2.2 times higher than that of the previous year-end, while the balance of the Group's green and sustainability-linked loans to corporate customers had increased by 47% compared with the end of last year. Together, this further promoted carbon reduction, environmental protection and smart living. During the period, the Group served as custodian for the HKSAR Government's first tokenised green bond issuance, executed its first green RMB reverse repo transaction and launched the "BOCHK Greater Bay Area Climate Transition ETF", Hong Kong's first ESG-themed exchange-traded fund to track an ESG index with investments in the Greater Bay Area, further expanding its suite of green finance products and services.

Outlook

The external environment remains complicated and ever-changing, while adjustments to the global economic structure are expected to accelerate. Locally, weak investor sentiment and muted import-export trade will make risk management in the banking sector more difficult and complex. The positive outlook for the long-term fundamentals of the Chinese mainland economy remains unchanged. The Chinese government will continue to steadily pursue high-quality development and further deepen the implementation of national opening-up strategies such as the Belt and Road Initiative, the development of the Greater Bay Area, RMB internationalisation and mutual market connectivity. These developments, together with the potential afforded by RCEP, will enable Hong Kong to maintain its unique position and special advantages as a "super-connector", thereby creating opportunities for the banking sector. In the second half of the year, the Group will continue to pursue progress while ensuring stability. Pushing forward the implementation of all its major tasks, it will solidly deliver on its ESG strategy, actively diversify income sources, further enhance its comprehensive services, consolidate the advantages of its RMB services, deepen regional development and expedite digital transformation. In addition, it will step up risk management, further develop its talent pool and build a robust corporate culture. The Group will strive to achieve solid, sustainable and high-quality growth in the course of serving national development and high-level opening-up and promoting the long-term prosperity and stability of Hong Kong, with a view to creating value for its shareholders, customers, employees and different sectors of society.

Highlights of 2023 Interim Results

Key income statement figures

- Profit after tax amounted to HK\$18,082 million, up 38.7% year-on-year and 27.4% from the second half of 2022.
- Profit attributable to equity holders was HK\$16,998 million, up 34.7% year-on-year.
- Return on average shareholders' equity and return on average total assets stood at 10.81% and 0.97% respectively, up 2.44 and 0.26 percentage points year-on-year.
- Net operating income before impairment allowances amounted to HK\$30,838 million, up 21.6% year-on-year.
- Operating profit before impairment allowances was HK\$22,986 million, up 28.2% year-on-year.
- After adjusting for foreign exchange swap-related impact, net interest income would have increased by 42.0% year-on-year to HK\$24,988 million, and net interest margin would have been 1.56%, up 43 basis points year-on-year. Net interest margin in the second quarter was 1.62%, up 12 basis points quarter-on-quarter.
- Net fee and commission income amounted to HK\$4,914 million, down 9.5% year-on-year, but up 12.5% from the second half of 2022.
- Operating expenses amounted to HK\$7,852 million, up 5.9% year-on-year. The cost to income ratio stood at 25.46%, improved by 3.79 percentage points year-on-year, remaining at a favourable level compared to industry peers.
- The Board has declared an interim dividend per share of HK\$0.527, up 17.9% year-on-year.

Key balance sheet figures

- Total assets amounted to HK\$3,771,181 million, up 2.9% from the end of last year.
- Total deposits from customers amounted to HK\$2,463,498 million, up 3.6% from the end of last year. Total advances to customers grew by 4.3% from the end of last year to HK\$1,719,637 million.
- Asset quality remained benign. The classified or impaired loan ratio was 0.73%, continuing to outperform the market average.
- The total capital ratio stood at 22.99% and the Common Equity Tier 1 capital ratio at 19.00%.
- The average value of the Group's liquidity coverage ratio and the quarter-end value of its net stable funding ratio met regulatory requirements for the first two quarters of 2023.

For details of the 2023 interim results, please refer to the Company's announcement.

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About BOC Hong Kong (Holdings) Limited

BOC Hong Kong (Holdings) Limited (“the Company”) is one of the largest listed companies and commercial banking groups in Hong Kong, holding the entire equity interest of Bank of China (Hong Kong) Limited (“BOCHK”), its principal operating subsidiary. Bank of China (“BOC”) established its foothold in Hong Kong in September 1917. Following the restructuring of the businesses of Bank of China Group’s member banks in Hong Kong, the Company was incorporated in Hong Kong on 12 September 2001 and has been listed on the Main Board of the Stock Exchange of Hong Kong since 25 July 2002. Its stock codes are “2388” (HKD counter) and “82388” (RMB counter), and ADR OTC Symbol “BHKLY”. BOC holds approximately 66.06% of the equity interest of the Company through BOC Hong Kong (BVI) Limited, an indirect wholly-owned subsidiary of BOC.

BOCHK is committed to promoting sustainable and high-quality development. Capitalising on our advantages as a major commercial banking group in Hong Kong, we continue to increase local market penetration, capture business opportunities in the Greater Bay Area and actively expand our business development in Southeast Asia. Adhering to our customer-centric philosophy, we explore every possibility to meet customers’ needs. We elevate customer experience with new technology and strive to make green and sustainable development a reality. We provide customers with comprehensive, professional and high-quality services, connecting them with opportunities to achieve more.

As one of the three note-issuing banks and the sole clearing bank for Renminbi (“RMB”) business in Hong Kong, BOCHK has strong market positions in all major businesses. Our strong RMB franchise has made us the first choice for customers in RMB business. Leveraging Hong Kong’s most extensive branch network and diversified service platforms, as well as efficient e-channels such as internet and mobile banking services, we offer a comprehensive range of financial, investment and wealth management services to personal, corporate and institutional customers.

We are actively pushing forward our regional development and expanding our business in the Southeast Asian region. With our branches and subsidiaries in Thailand, Malaysia, Vietnam, the Philippines, Indonesia, Cambodia, Laos, Brunei and Myanmar, we support customers in the region with professional and high-quality financial services. Through close cooperation with our parent bank BOC, we provide a full range of high-quality cross-border services to multinationals, cross-border customers, mainland enterprises going global, central banks and super-sovereign organisations.

As a leading commercial and regional bank with deep roots in Hong Kong for over 100 years, BOCHK is committed to “serving where our roots are”, undertaking our corporate social responsibilities and delivering greater value for our stakeholders and the community.