



A Century of Heritage A New Era of Excellence

2017 Annual Results

2018.03.29





Forward-looking Statement 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 favourable than those expressed or implied by these forward-looking statements which could depress the market price of our Level 1 ADSs and local shares.

New Reporting Basis in this Presentation



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

- ▶ Due to the completion of the acquisitions of Bank of China (Thai) Public Company Limited (“BOC Thailand”) and Indonesia Business and Cambodia Business from BOC on 9 January 2017, 10 July 2017 and 6 November 2017 respectively, the Group has applied the merger accounting method in the preparation of financial statements for the combination with entities under common control for the operating results and assets and liabilities of BOC Thailand, Jakarta Branch and Phnom Penh Branch. The comparative information for the year 2016 has been restated accordingly.

Management Team

Mr GAO Yingxin	Vice Chairman & Chief Executive
Mr LI Jiuzhong	Executive Director and Chief Risk Officer
Mr YUAN Shu	Deputy Chief Executive
Mr ZHONG Xiangqun	Chief Operating Officer
Mdm SUI Yang	Chief Financial Officer
Mrs Ann KUNG	Deputy Chief Executive

Agenda



2017 Strategy Review



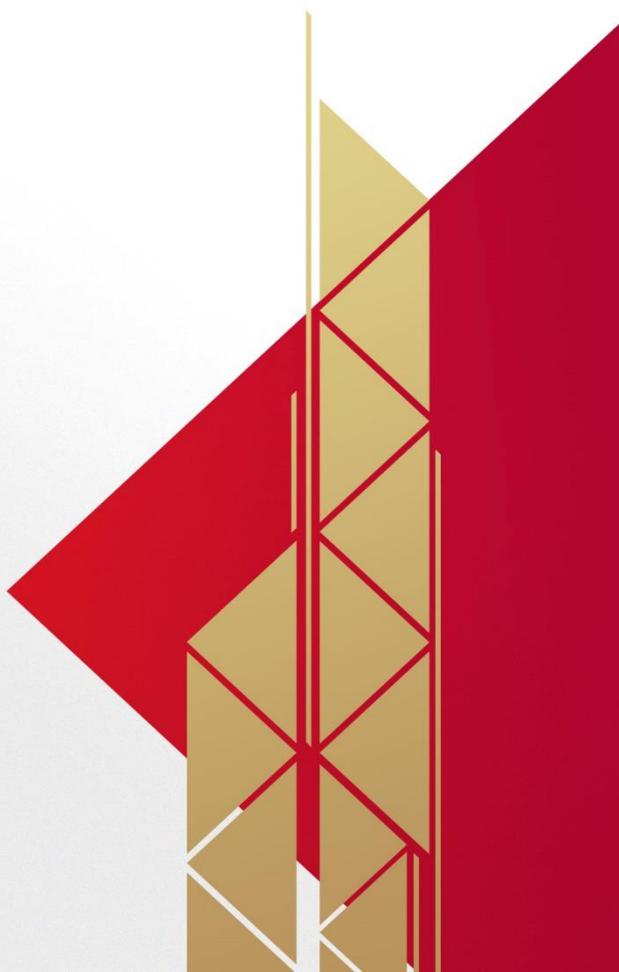
2017 Financial Performance



2018 Outlook and Business Focus

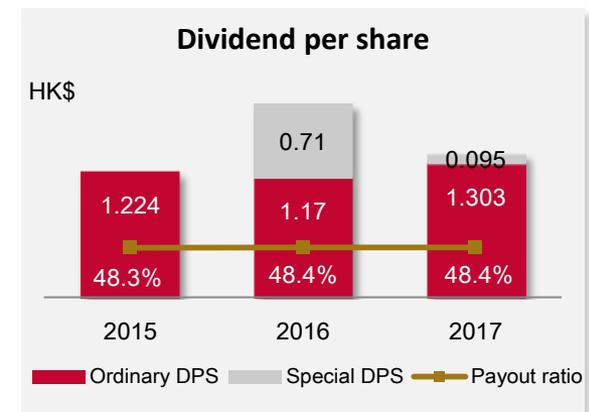
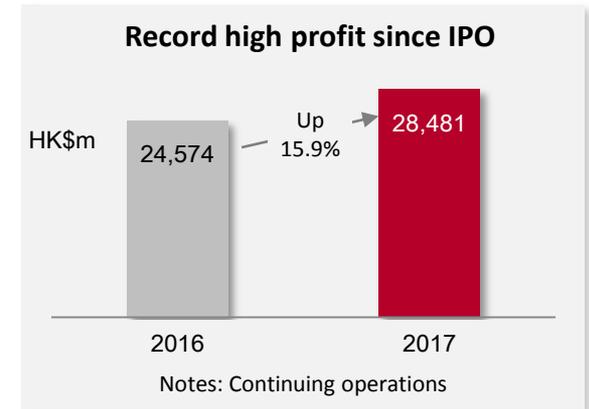


2017 Strategy Review



2017 Key Highlights

- ▶ Significantly enhanced our profitability with profit attributable to equity holders up 15.9% YoY to HK\$28.5bn, setting another record post-IPO high
- ▶ Deepened our transformation into an internationalised regional bank by making solid progress in integrating our Southeast Asian institutions and strengthening our leadership in RMB business, all underpinned by our support to national strategic initiatives
- ▶ Achieved favourable business growth and further consolidated our market leading position through proactive support to the local economy
- ▶ Established new competitive advantages through leadership in Fintech innovation, as our commitment to digital development paid off
- ▶ Notably boosted our century-old brand by generously repaying society and fulfilling our corporate social responsibilities





Organisational Integration

Successfully disposed of our stake in Chiyu Bank and acquired BOC Thailand, Jakarta Branch and Phnom Penh Branch, followed by the acquisitions of Manila Branch and Ho Chi Minh City Branch in early 2018

Business Integration

Achieved collaborative synergies and rapid growth in loans and deposits in our Southeast Asian institutions by capitalising on important national strategies such as the Belt and Road Initiative, mainland enterprises' "Going Global" strategy and RMB internationalisation

System Integration

Reinforced our business & functional line based matrix management structure while delivering progress towards building a regional risk management system and enhancing risk, compliance and internal controls so as to ensure the stable asset quality of our Southeast Asian institutions

Cultural Integration

Strengthened talent exchange and staff training to promote a people-oriented culture, with 30+ HK staff seconded to Southeast Asia and 116 operational staff and management members from our Southeast Asian institutions attending training in HK headquarters during the year

Extended Leading Position in RMB Business

- ▶ Maintained our distinguished and leading position in RMB business. Our continually upgraded RMB RTGS system handled a total clearing volume of RMB**213tr** in 2017, representing a YoY growth of 5.6% and accounting for **76%** of the total offshore market
- ▶ Fully leveraged the extensive experience gained through the SH-HK and SZ-HK Stock Connect platforms, and became the CMU's sole designated bank, offering an **exclusive** cross-border fund settlement channel under Bond Connect
- ▶ Successfully issued a total of RMB**9bn** of Panda bonds in the mainland interbank bond market, which is the largest single issuance by far and overwhelmingly welcomed by mainland investors
- ▶ Made proactive efforts to develop customer relationships with central banks, sovereign funds and international financial institutions, thus achieving an increase of **79%** in the number of bond transactions and **147%** in volumes through BOCHK from such institutions in 2017
- ▶ Actively promoted financial collaboration related to the development of the Guangdong-Hong Kong-Macao Greater Bay Area and the free trade zone business growth, and firmly established BOC Group's position as **first choice** bank in free trade zone business



Enhancing Integrated Services Capabilities

Credit Card

BOCCC

Promoted mobile technology with a focus on e-payment services, and maintained a **leading position** in UnionPay merchant and card issuance business in Hong Kong

Capitalised on local and cross-border opportunities. Enhanced competitiveness of the cash pooling and corporate treasury centre businesses. Retained **leading position** in cross-border services

Cash Management

BOCHK

Private Banking

BOCHK

Customer base and average AUM up **28%** and **62%** respectively, driven by accelerated migration of high-end clients and deeper cross-border business growth

Grew customer base at home and abroad and implemented our largest ever asset transfer for a QDII customer. Total assets under custody stood at HK\$**1.16tr**

Custody

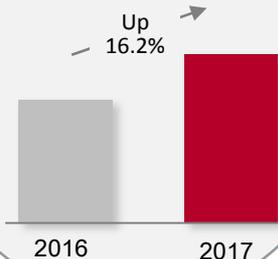
BOCHK

Life Insurance

BOC Life

Strengthened product and service innovation. Boosted sales channel expansion with net insurance premium income up **38%** YoY

Remarkable growth in operating profit



Enlarged customer base. MPF AUM up **28%** YoY with a market share of 7.5%

Trustee

BOCI-Prudential Trustee

Asset Management

BOCHK Asset Management

Expanded product mix and optimised customer structure. Bond and equity investment portfolios outperformed benchmark indices, with AUM up **25%** YoY

Made **breakthroughs** in business types, service team and branch network development and tripled net commission income from trading

Securities and Futures

Po Sang Securities & Futures

Leadership in Fintech Innovation

Blockchain

Blockchain technology used in over **21,000** mortgage valuation cases, accounting for **85%** of total new cases, trial application in trade finance also successfully completed

Biometric Authentication

Finger vein authentication service now available at **all branches** and **160** ATMs. Introduced fingerprint and voiceprint authentication applications in mobile banking and customer service centres

Big Data

Established comprehensive customer profiling by constructing a database that gives a **360-degree** view of customers, and creating **1,000+** tags for personal and corporate customers

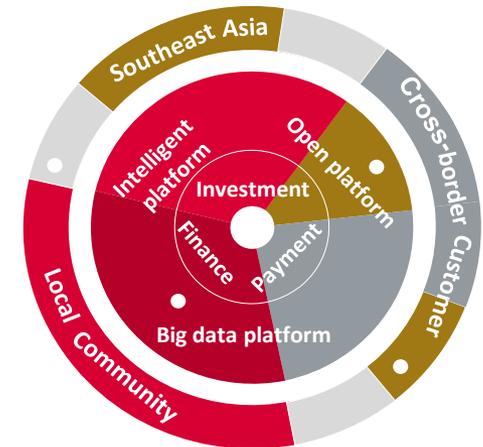
Intelligent Channel

Developed brand new **Smart Mobile**, launched a brand new official WeChat account and continually optimised our iService 24-hour video banking service

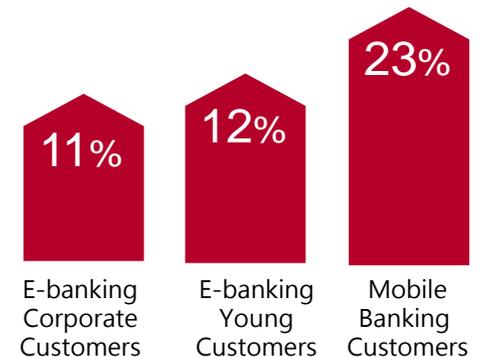
Cross-sector Collaboration

Strengthened strategic partnerships with large internet companies and pioneered a WeChat Pay HK linked mobile payment service that allows users to set their own limits, **the first of its kind** in the market. Introduced payment services such as Apple Pay, Samsung Pay and Android Pay, expanded cross-border business and enhanced overall competitiveness

Fintech strategy

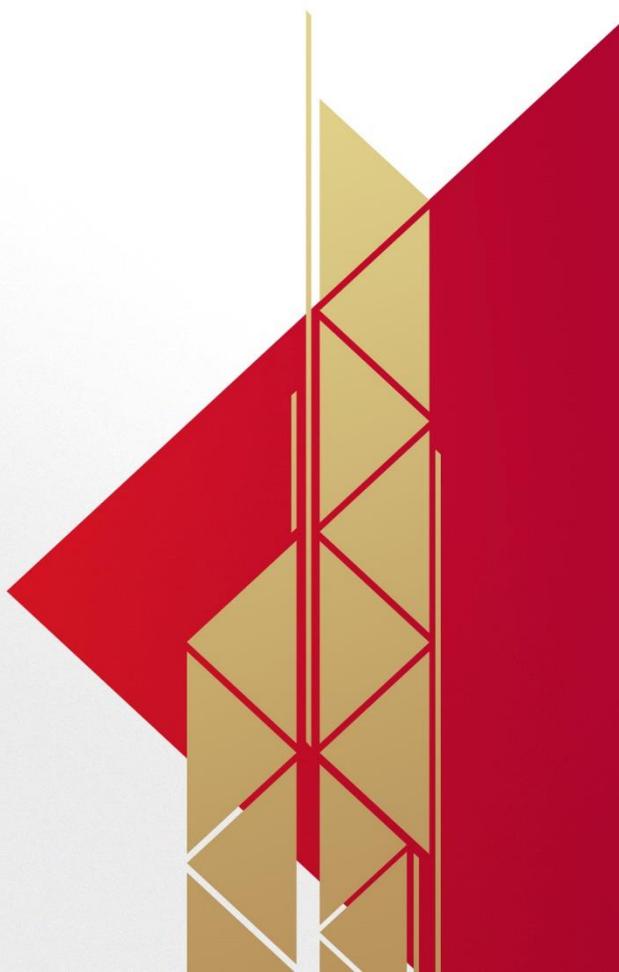


Customer base





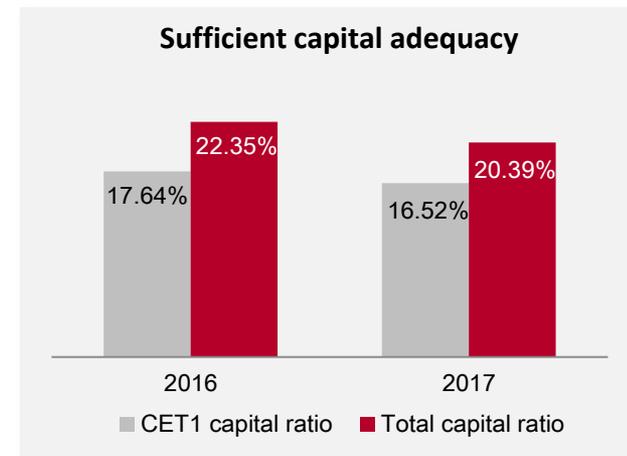
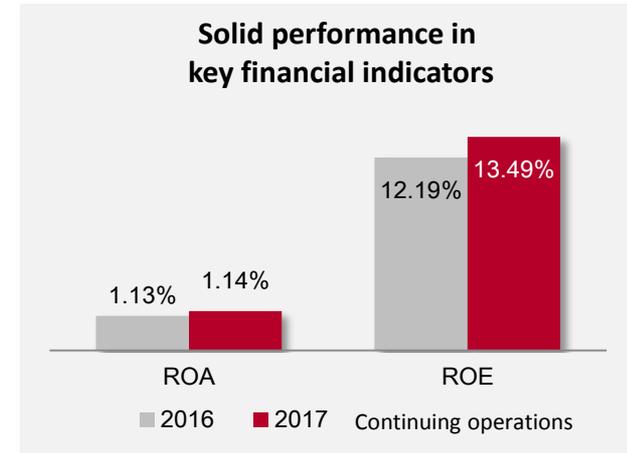
2017 Financial Performance



Significant Increase in Profitability

Income statement summary (HK\$m)	2017	2016	change
Net operating income before impairment allowances	48,769	42,595	14.5%
Operating expenses	(13,703)	(12,512)	9.5%
PPOP	35,066	30,083	16.6%
Net charge of impairment allowances	(1,076)	(601)	79.0%
Operating profit	33,990	29,482	15.3%
Profit attributable to equity holders (continuing operations)	28,481	24,574	15.9%

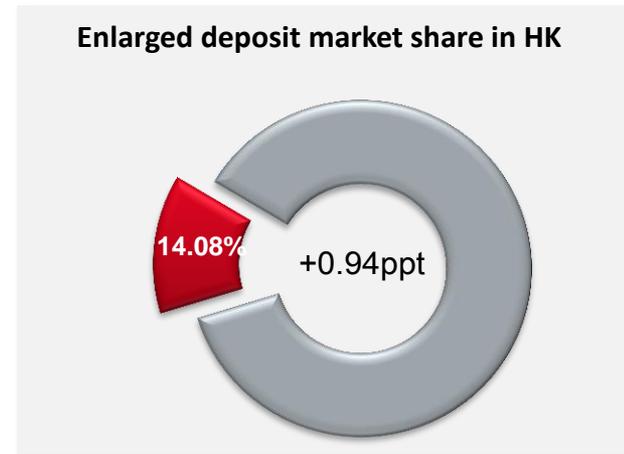
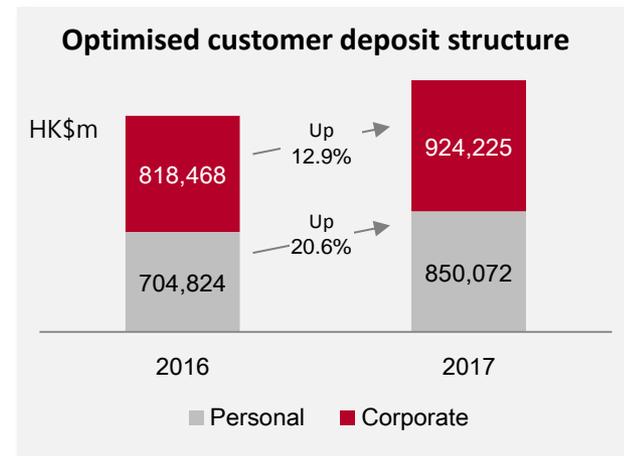
Balance sheet summary (HK\$m)	2017	2016	change
Total assets	2,645,753	2,354,740	12.4%
Securities investments	704,507	655,231	7.5%
Advances to customers	1,144,459	988,193	15.8%
Total liabilities	2,398,409	2,120,186	13.1%
Deposits from customers	1,774,297	1,523,292	16.5%
Capital and reserves attributable to equity holders of the Company	242,739	228,647	6.2%



Rapid Growth in Customer Deposits

HK\$m	2017	2016	change
Demand deposits and current accounts	203,831	173,988	17.2%
Saving deposits	910,184	805,831	12.9%
Time, call and notice deposits	657,498	540,048	21.7%
Structured deposits	2,784	3,425	-18.7%
Total deposits from customers	1,774,297	1,523,292	16.5%
CASA ratio	62.8%	64.3%	-1.5ppt

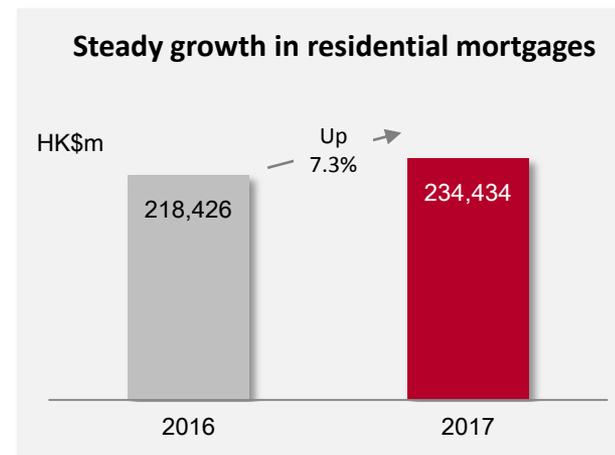
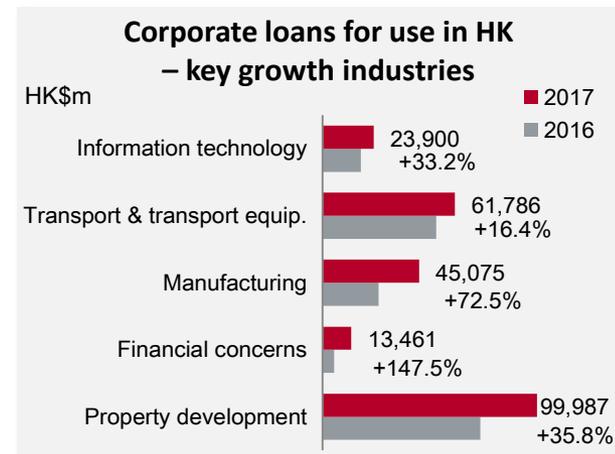
- ▶ Proactively expanded cash management business, with cross-border cash pooling business maintaining **market leadership**
- ▶ Vigorously promoted payroll account services to government entities and corporates, achieving an increase of **23.8%** YoY in total related relationship balances
- ▶ Accelerated cross-border business development, with assets under custody reaching HK\$**1,162.4** billion
- ▶ Acted as the receiving bank for various IPOs on the HKEx Main Board, retaining **the top ranking** in IPO receiving bank business for the 7th consecutive year



Solid Growth in Customer Loans

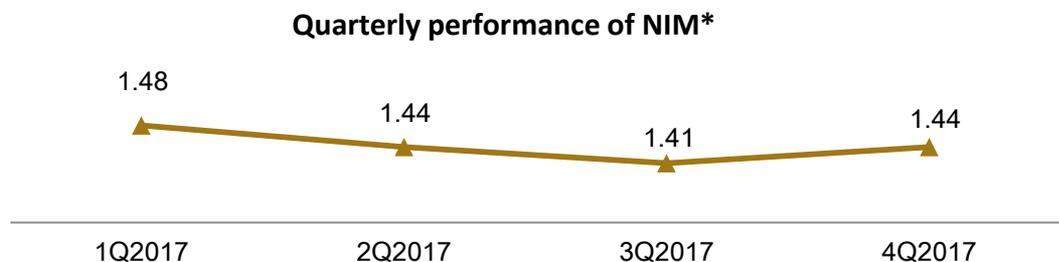
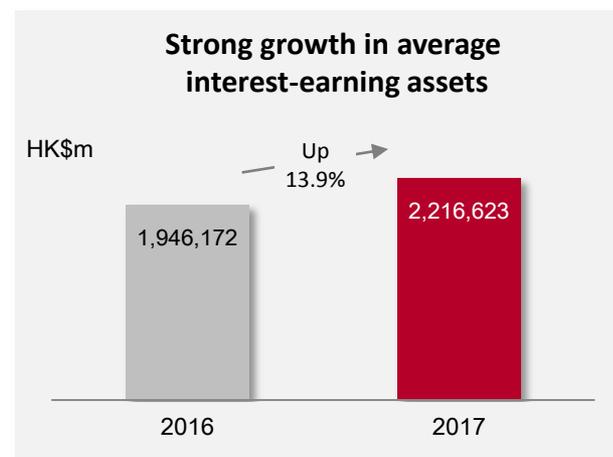
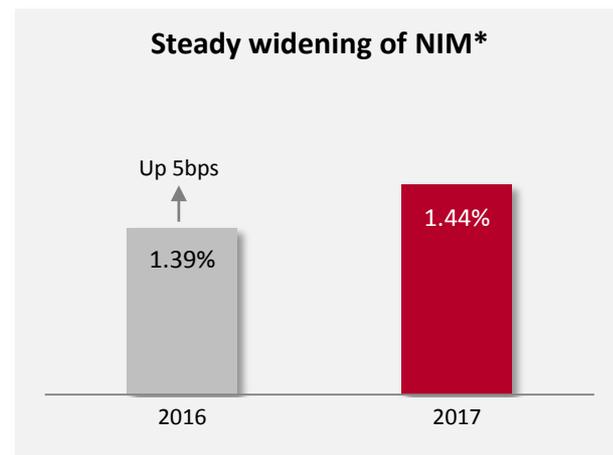
HK\$m	2017	2016	Change
Loans for use in Hong Kong	759,038	664,030	14.3%
Industrial, commercial and financial	436,754	375,506	16.3%
Individuals	322,284	288,524	11.7%
Trade finance	78,182	72,210	8.3%
Loans for use outside Hong Kong	307,239	251,953	21.9%
Total advances to customers	1,144,459	988,193	15.8%

- ▶ Maintained our position as **top mandated arranger** in the Hong Kong and Macao syndicated loan market for the 13th consecutive year, having acted as lead manager for a total of US\$15bn in syndicated loans in 2017
- ▶ Strengthened business development within the local industrial and commercial sector and improved SME service capability with SME loans growing by **9%** from previous year-end
- ▶ **Enhanced** personal loan product structure, and promoted insurance policy pledge loans, insurance premium financing and personal unsecured loans, etc.



Stable Margin Expansion

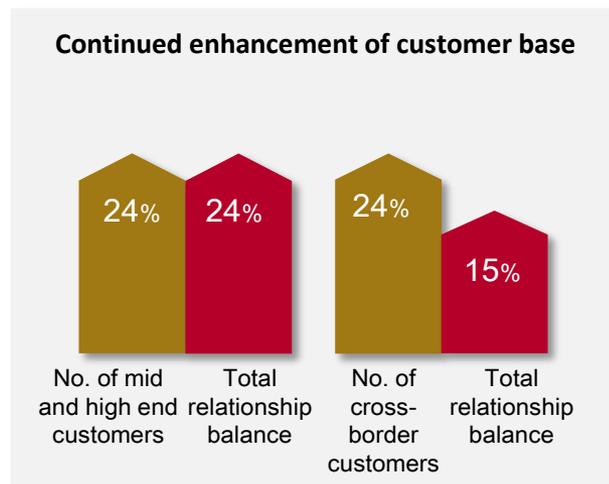
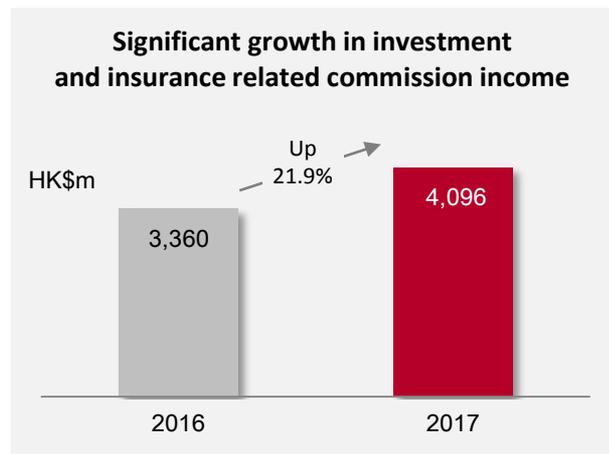
HK\$m	2017	2016	Change
Net interest income	34,708	26,024	33.4%
Average yield of total interest-earning assets	2.21%	1.88%	33bps
Balances and placements with banks and other financial institutions	2.18%	1.36%	82bps
Debt securities investments	1.98%	1.62%	36bps
Advances to customers	2.38%	2.26%	12bps
Average rate of total interest-bearing liabilities	0.77%	0.65%	12bps
Deposits and balances of banks and other financial institutions	0.92%	0.79%	13bps
Current, savings and time deposits	0.68%	0.57%	11bps
Net interest spread	1.44%	1.23%	21bps
Net interest margin*	1.44%	1.39%	5bps



*Including the funding income or cost of FX swap contracts

Steady Growth in Fee Income

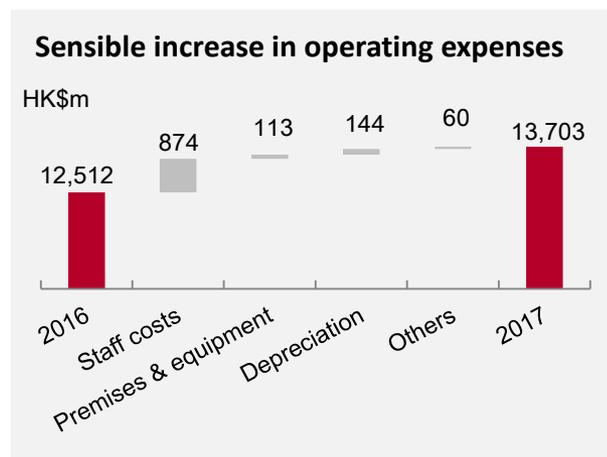
HK\$m	2017	2016	Change
Net fee and commission income	11,516	10,684	7.8%
Investment and insurance	4,096	3,360	21.9%
• Securities brokerage	2,341	1,738	34.7%
• Funds distribution	985	735	34.0%
• Insurance	770	887	-13.2%
Traditional business	6,964	6,675	4.3%
• Credit card	875	861	1.6%
• Loan commissions	3,547	3,500	1.3%
• Others	2,542	2,314	9.9%



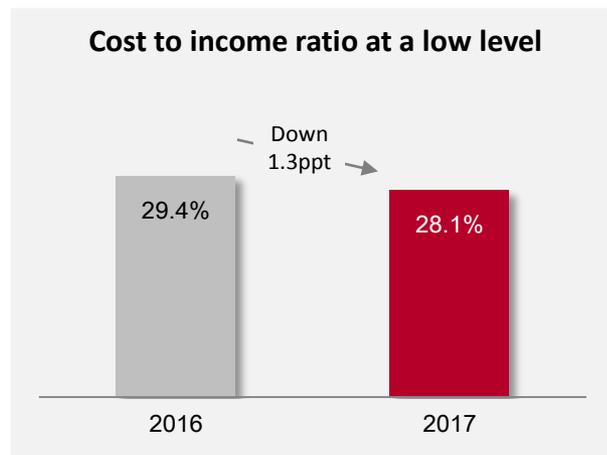
- ▶ Capitalised the market opportunities and grew the number of new trading accounts by **18%** YoY
- ▶ Introduced credit card services based on mobile technology and connectivity as a way to offset the impact from lower spending and merchant volume from inbound mainland visitors while sustaining a **leading position** in UnionPay business in Hong Kong

Favorable Cost Efficiency Control

HK\$m	2017	2016	Change
Staff costs	7,813	6,939	12.6%
Premises & equipment expenses	1,704	1,591	7.1%
Depreciation	1,949	1,805	8.0%
Others	2,237	2,177	2.8%
Total operating expenses	13,703	12,512	9.5%

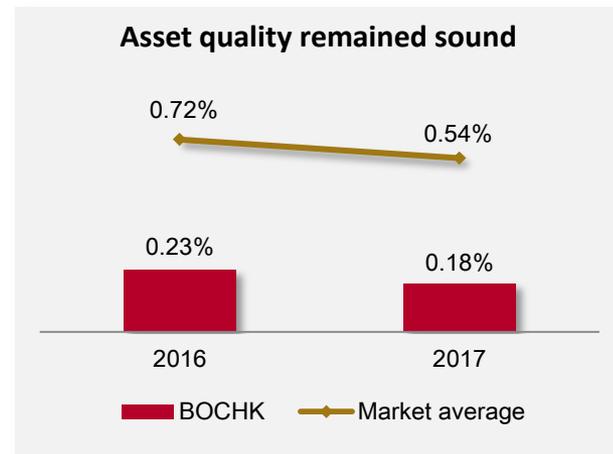


- ▶ Staff costs increased 12.6%, mainly due to annual salary increment as well as increase in staff and performance-related remuneration
- ▶ Premises and equipment expenses increased 7.1%, as we invested in enhancing business systems and platforms, and incurred an increase in rental expenses
- ▶ Depreciation increased 8.0%, largely due to higher charges for IT infrastructure, while the charges for fixtures and fittings of rented premises also increased
- ▶ Other operating expenses increased 2.8%, mainly due to higher expenses for business promotion and advertising

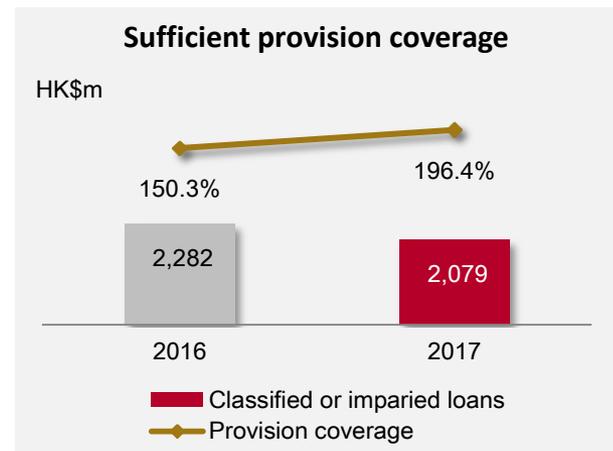
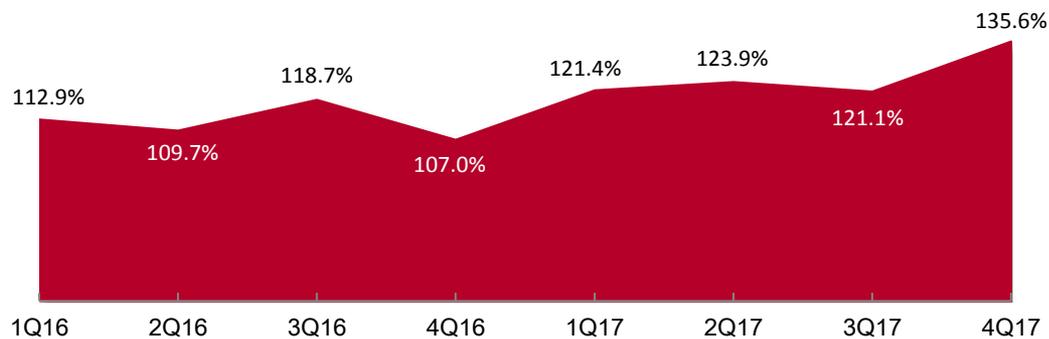


Stable Key Risk Indicators

HK\$m	2017	2016	Change
Total advances to customers	1,144,459	988,193	15.8%
Classified or impaired loans	2,079	2,282	-8.9%
Classified or impaired loan ratio	0.18%	0.23%	-0.05 ppt
Total impairment allowances	4,084	3,429	19.1%
Provision coverage	196.4%	150.3%	46.1ppt

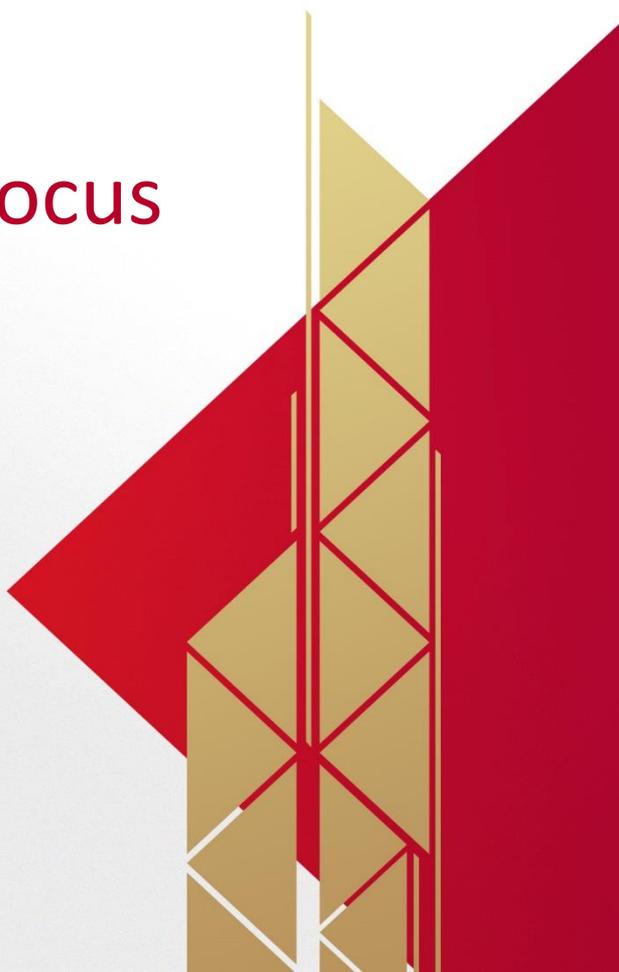


Consistent LCR enhancement





2018 Outlook and Business Focus



Opportunities

- **Enormous opportunities** for BOCHK's rapid transformation are emerging from China's push for a new pattern of all-round opening up as well as from the huge potential of Southeast Asian markets
- Strong state support and the enhancement of Hong Kong's traditional advantages provide **favourable conditions** for BOCHK's transformation
- The globalisation efforts of BOC provides a **solid foundation** for BOCHK's transformation

Challenges

- Uncertainties will remain in the global economy, including US's rate hikes and tax reform, trade protectionism, Brexit, and geopolitical risk, may continue to affect financial markets
- The regulatory environment will heighten further, with new rules and regulations coming in force, or under development
- Intensifying market competition, as well as the emergence of new technology and new business models, will challenge traditional financial services

Strategic Target

To build a top-class, full-service and internationalised regional bank by providing comprehensive services through digitalisation and globalisation

- ▶ Drive our regional expansion by expediting integration of Southeast Asian institutions
- ▶ Push forward digitalisation by speeding up technology innovation and product R&D in our operations
- ▶ Promote the building of a full-service bank by accelerating development of diversified business platforms, and an integrated model of commercial and investment banking
- ▶ Support financial inclusion through deepening local market commitment and servicing real economy
- ▶ Expand cross-border business growth focusing on collaboration in the Guangdong-Hong Kong-Macao region
- ▶ Enhance comprehensive risk management by adhering to strict compliance standards
- ▶ Strengthen operational and financial management, as well as talent building and governance ability
- ▶ Undertake social responsibilities and improve brand image





Q&A Session

