



# A CENTURY OF SERVICES ALWAYS WITH YOU

## 2017 Interim Results

2017.08.30



Mobile access QR code for  
2017 Interim Results Announcement

# 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, will, or may be expressed to be 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



中國銀行(香港)  
BANK OF CHINA (HONG KONG)



- ▶ The acquisition of Bank of China (Thai) Public Company Limited was completed on 9 January 2017
- ▶ The disposal of Chiyu Banking Corporation Limited was completed on 27 March 2017
  - The merger accounting method was applied in financial statements for the combination with entity under common control for the operating results and assets and liabilities of the Thailand subsidiary
  - Operating results of Chiyu were classified as “Discontinued Operations” in the Consolidated Income Statement
  - Assets and liabilities of Chiyu as at 31 December 2016 were reported as “Assets Held for Sale” and “Liabilities associated with Assets Held for Sale” respectively in the Consolidated Balance Sheet
  - All 2016 figures are restated for easy comparison



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

# Management Team

**Mr Yue Yi**

Vice Chairman & Chief Executive

**Mr Li Jiuzhong**

Executive Director & Chief Risk Officer

**Mr Lin Jingzhen**

Deputy Chief Executive

**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

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**Strategy Implementation for 1H2017**

2

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**Outlook and Business Focus in 2H2017**

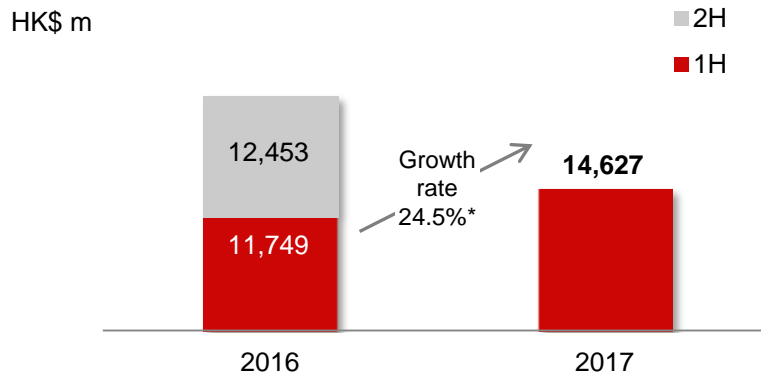
The background features a large, faint, dotted globe on the left side. On the right side, there are abstract geometric shapes in red and gold, including a large red triangle pointing upwards and a gold structure resembling a stylized building or tower.

# Strategy Implementation for 1H2017

# Outstanding Opening for a New Century of Services



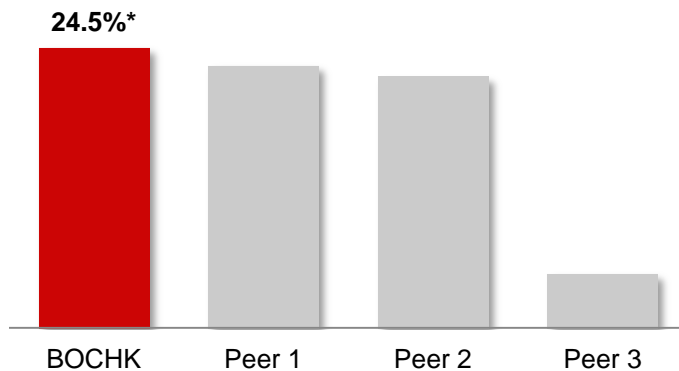
## Record high attributable profit



## Solid capital strength

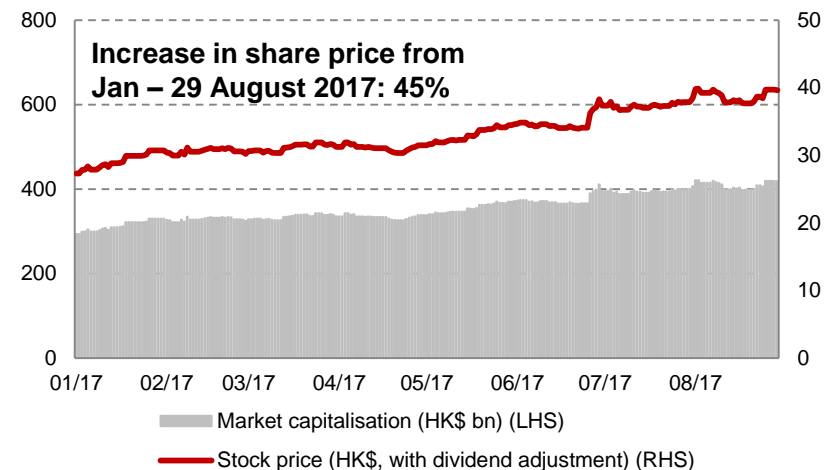
	2015.12	2016.12	2017.06
CET 1 ratio	12.83%	17.64%	<b>17.66%</b>
Tier 1 ratio	12.89%	17.69%	<b>17.66%</b>
Total capital ratio	17.86%	22.35%	<b>21.76%</b>

## Outperformance in year-on-year profit growth



\* Profit attributable to the equity holders of continuing operations

## Significant growth in shareholder value



# Outperformance Underpinned by Strong Growth in Major Business Segments

## Personal Banking

+12.7%  
YoY\*

- No. of new mortgage cases up **74%** yoy and market share up 1.61ppt
- Market share further increased as business volume of Securities Brokerage and Funds Distribution surged **45%** and **96%** yoy respectively
- No. of mid-to-high end customers up **24%** yoy; Cross-border Mainland customers up **17%** yoy with streamlined “Cross-border Financial Services Center”

## Corporate Banking

+14.2%  
YoY\*

- **Sustained top arranger position** in the **HK-Macau** syndicated loan market
- **Leadership** in IPO receiving bank business in **HK**, with market share reaching **56%** and **34%** by total funds raised and no. of deals respectively
- Deepened relationships with local family corporations, chambers of commerce and 2<sup>nd</sup>/3<sup>rd</sup> tier listed companies to achieve strong loan growth
- Improved service capability contributed to an increase in SME loans of **10%** from last year end

## Treasury

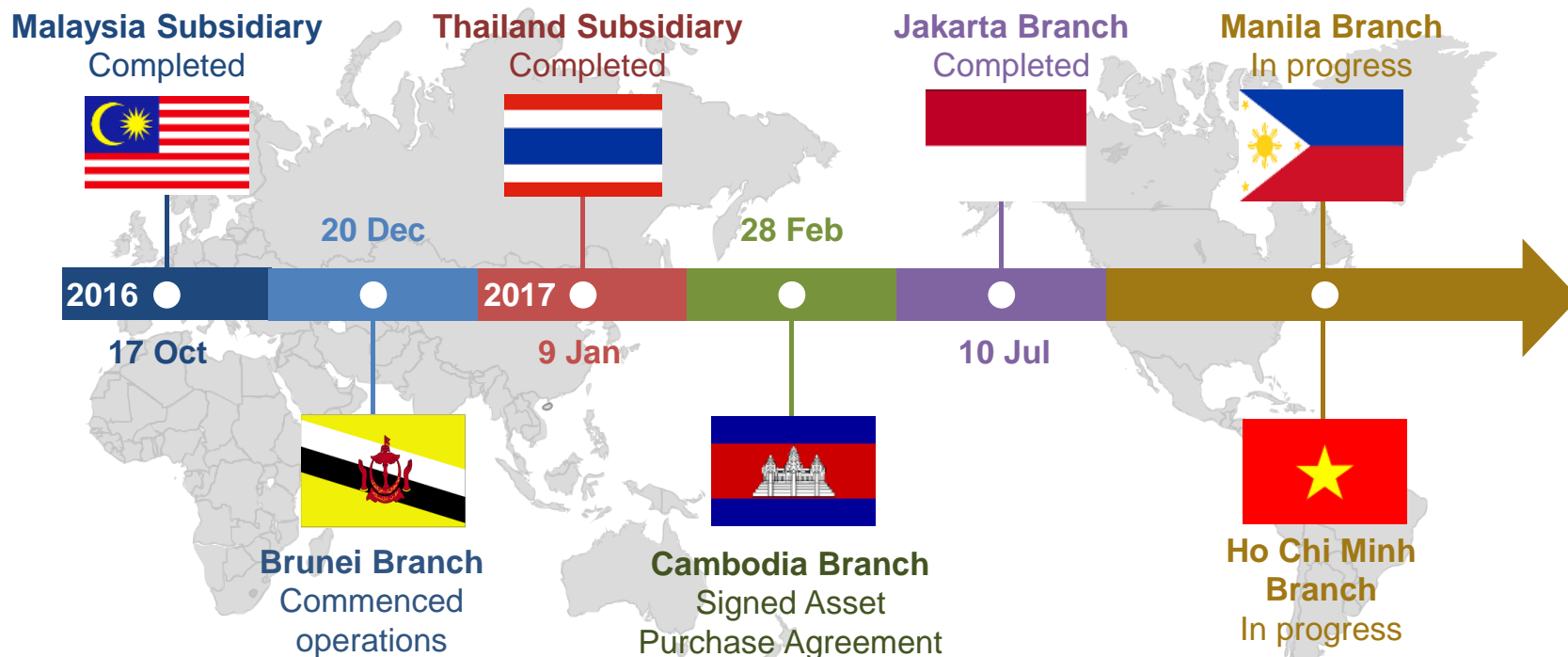
+19.9%  
YoY\*

- Following the SH-HK/SZ-HK Stock Connect programmes, BOCHK was again appointed as the **sole account opening bank** for CMU, giving our **“Bond Connect” business a strong competitive advantage**
- Enhanced returns and efficiency through dynamic management of investment portfolio capitalising on market interest rate changes
- Promoted regional development of RMB business and cross-currency transactions. The customer base of central banks, international financial institutions and sovereign fund significantly increased to **67**

\* Pre-tax profit growth



# ASEAN Acquisitions Accelerated Regional Business Development



- ASEAN institutions: deposits and loans up **34.8%** and **17.6%** respectively from end of last year, net operating income up **15%** yoy
- Southeast Asia related business loans: HK\$61.5 billion, up **9.4%** from end of last year

Note: ASEAN institutions include only Thailand and Malaysia subsidiaries as well as Brunei Branch, which were reported on a consolidated basis in 1H17

# Branch Network Transformation Strengthens Competitive Edge and Service Efficiency



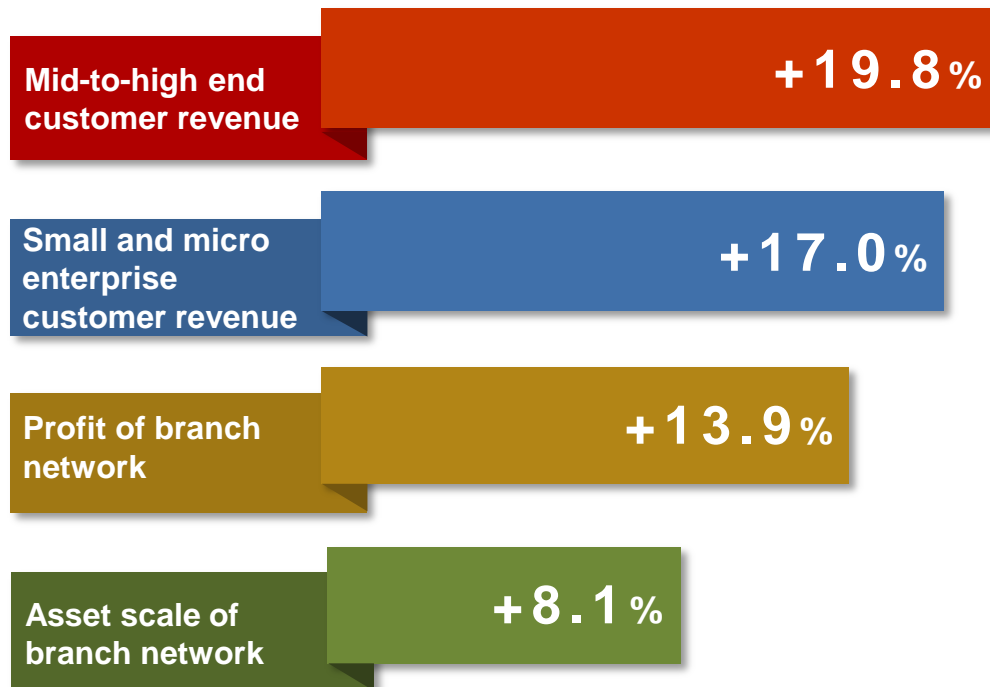
中國銀行(香港)  
BANK OF CHINA (HONG KONG)



## Productivity enhanced through segmental structure optimisation

- Promoted omni-channel development and optimised internal structure to facilitate online-offline cohesion and collaboration
- Enhanced capability to serve mid-to-high end customers and further strengthened industrial/commercial service teams in branches
- New business account openings for Small Enterprise customers up **7%** yoy
- Daily average account openings for Wealth Management and Enrich Banking up **48%** and **27%** yoy respectively

## Remarkable earnings growth in branch operations



Note: Except for asset scale growth that is shown on a six month change basis, others are on a yoy basis



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BOC HONG KONG (HOLDINGS) LIMITED

# Eight Key Business Platforms Development Provides Potential for Non-interest Income Growth

## BOC Credit Card

- **Maintained leadership** in UnionPay merchant acquiring/card issuing business in HK. Proactive in devising payment scenarios

## Private Banking

- Promoted product optimisation, cross-border business and customer needs exploration. Average AUM surged by **73%** yoy

## BOC Life

- Gross premium up **13%** yoy, continued to be the **leading player** in RMB insurance products

## Asset Management

- Granted **QFII** status by China Securities Regulatory Commission. Average AUM soared **189%** yoy

## Transaction Banking

- Pursued regional and global breakthrough in funding pool business to maintain **leading position** in cross-border business

## Custody

- Further enhanced the variety of custody products with Average Assets under Custody up **54%** yoy

## BOCI Prudential Trustee

- Average value of total trust assets up **13%** yoy. Average value of MPF assets increased by **20%** yoy

## Po Sang Securities and Futures

- Implemented market oriented business strategy and expanded variety of products. Proactive in developing infrastructure

# Leadership in FinTech Innovation Won Market Recognitions

**Gold Award in Private Sector in “IT Governance Achievement Awards”** by the Information Systems Audit and Control Association



**Gold Award for “Best FinTech (Emerging Solutions / Payment Innovation)”** by the Hong Kong Institute of Bankers

Successfully launched Blockchain technology in trade finance and **completed the first case of its application in Hong Kong**



The **first bank in Hong Kong** to introduce **finger vein authentication service** in branches

Made steady progress on development of **BOCHK WeChat Official** account and **cross-border referral platform** in collaboration with internet and communications companies



Constructed big data database for 360 customer tagging. Target is to complete over **1,000 tags of individual and corporate customers** and **develop 360 degree customer view**

Promoted development of e-channel facilities, including **Smart Mobile Banking, iTeller and Cognitive Virtual Agent**



E-channel customers and active users increased **19%** (mobile banking), **12%** (personal internet banking) and **11%** (corporate internet banking) yoy

# Celebrating our Centennial Brand with Special Appreciation to Shareholders



To celebrate **100** - year of services of BOC to Hong Kong and the successful disposal of Chiyu, as well as to show our appreciation to our loyal shareholders, the Board is pleased to announce **special dividend payment of HK\$1bn**, taking the total interim DPS to HK\$0.64

We fully support **charity projects** as part of our commitment to social responsibility

Preparation for **Commemorative Bank Note Issuance for the Centennial Anniversary** is in steady progress and we will make subscription faster and easier in accordance with market needs



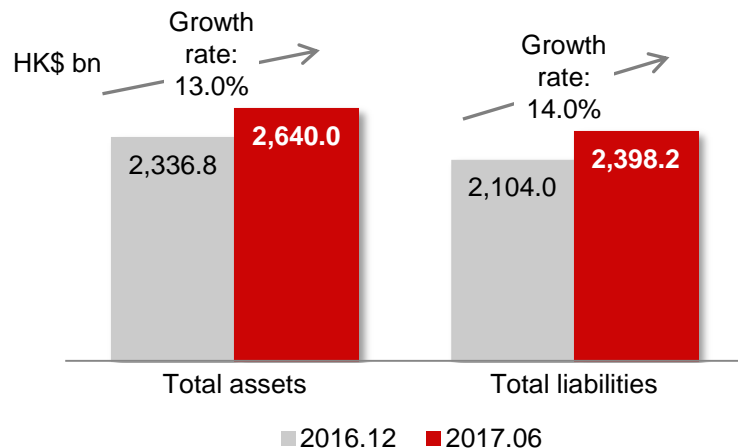
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# Financial Performance for 1H2017

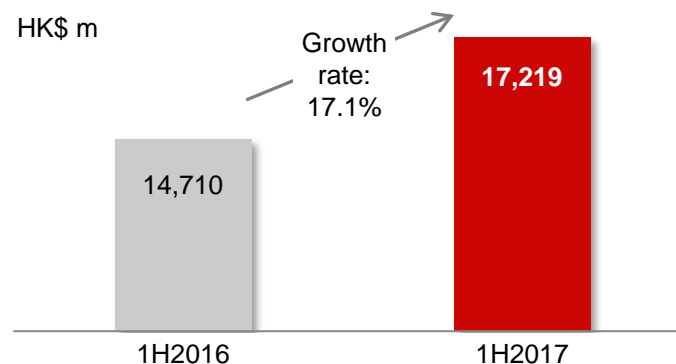
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# Solid Balance Sheet Expansion with Record-setting Profit

## Solid growth in assets and liabilities



## Notable growth in PPOp

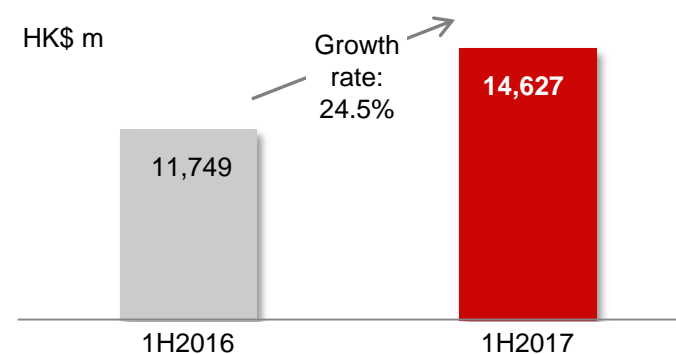


## Continuous enhancement of ROA and ROE

	1H2016	1H2017	Change
ROA*	1.12%	1.24%	+0.12ppt
ROE*	11.78%	14.13%	+2.35ppt

\*Continuing operations only

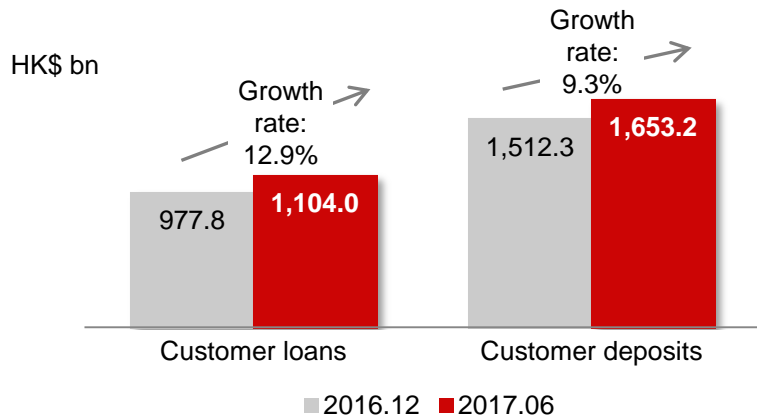
## Remarkable profit growth in continuing operations



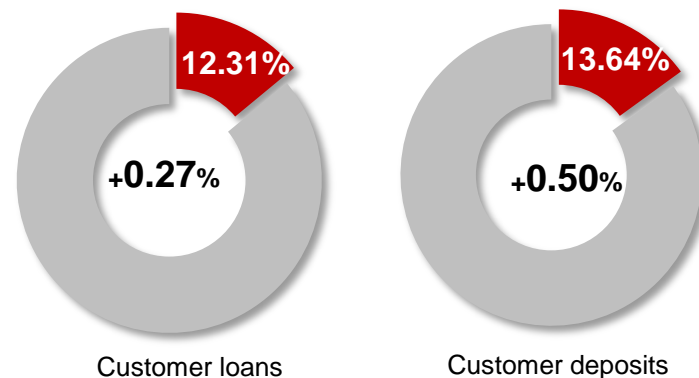
# Outperformance in Loan and Deposit Growth with Optimized Asset & Liability Mix



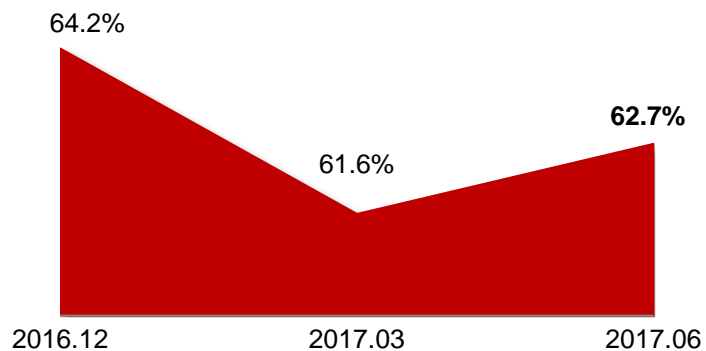
Fast growth in loans and deposits



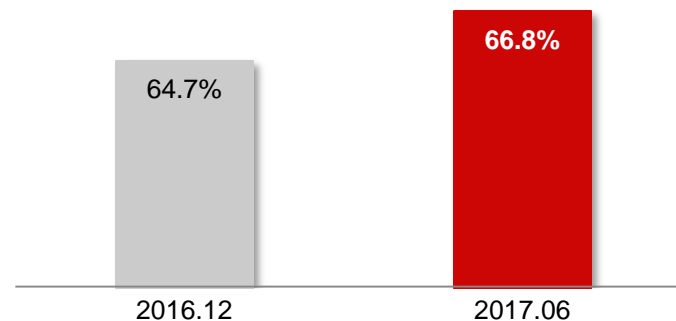
Further increase in local market share



Recovering CASA mix



Steady increase in loan-to-deposit ratio

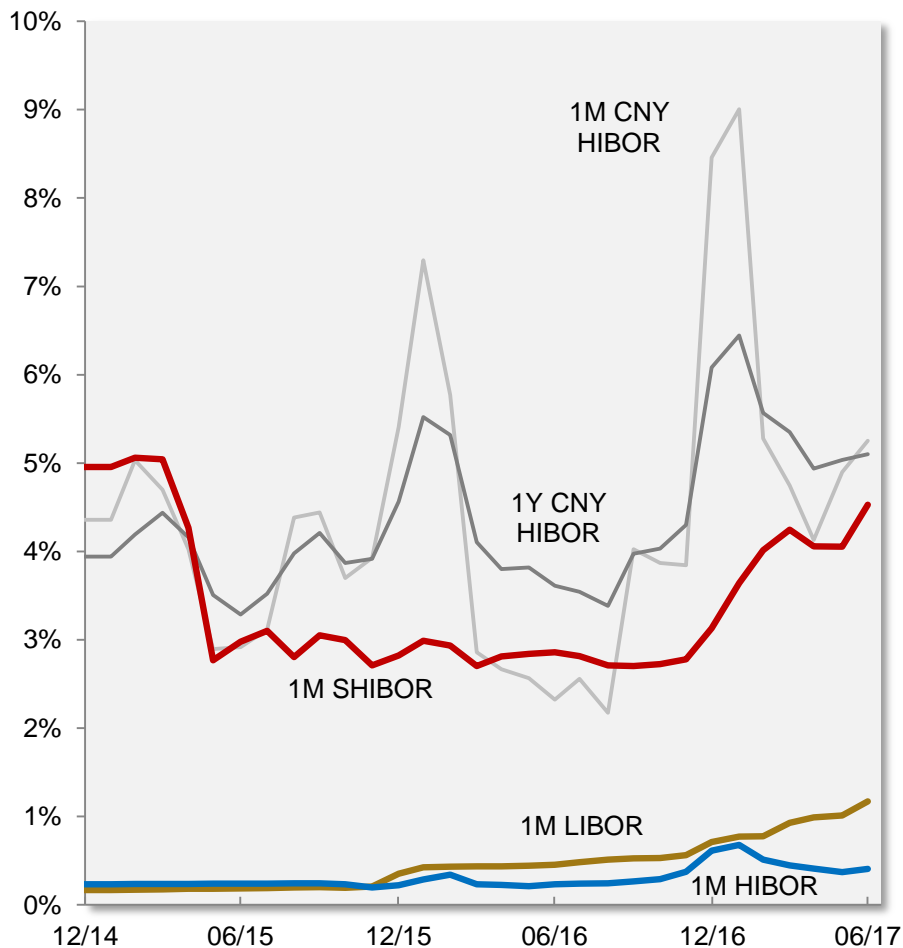




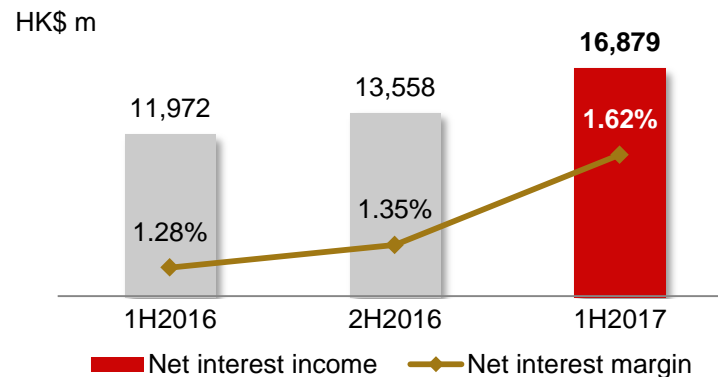
# Margins Improvements on Rising Market Interest Rates



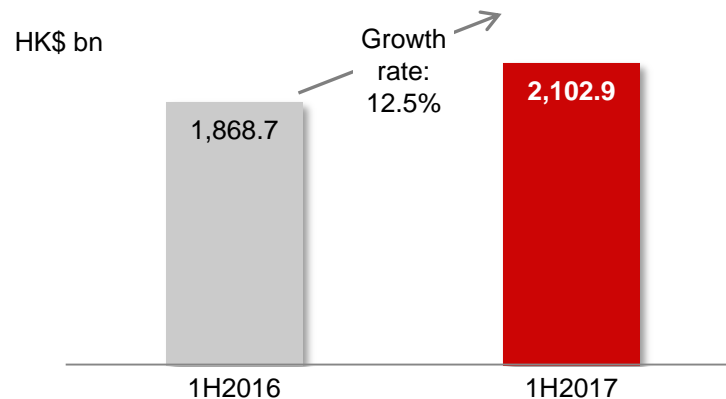
Market interest rates



NIM driven NII growth - up 41% yoy

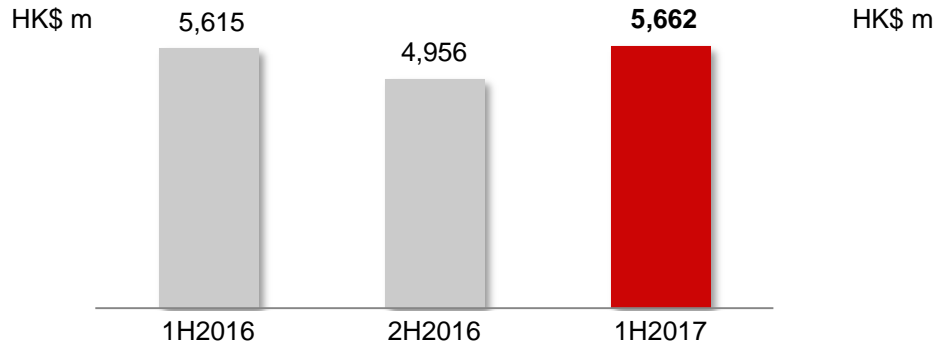


Steady growth in AIEA

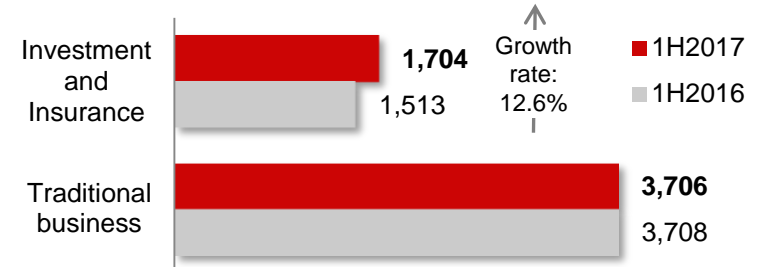


# Steady Fee Income Growth and Sound Operating Efficiency

Steady growth in net fee income



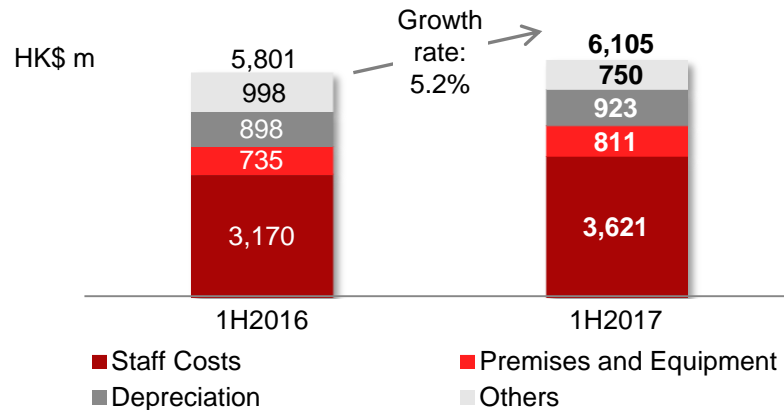
Net fee income by major category



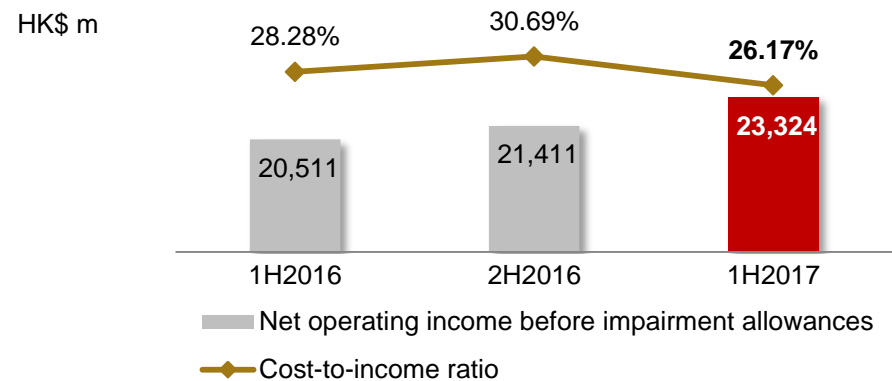
**Investment and insurance:** securities brokerage, life insurance, funds distribution

**Traditional business:** loan commissions, bills commissions, credit cards, payment services, currency exchange, trust and custody services and others

Operating expenses up 5.2% YoY



Consistently low cost-to-income ratio

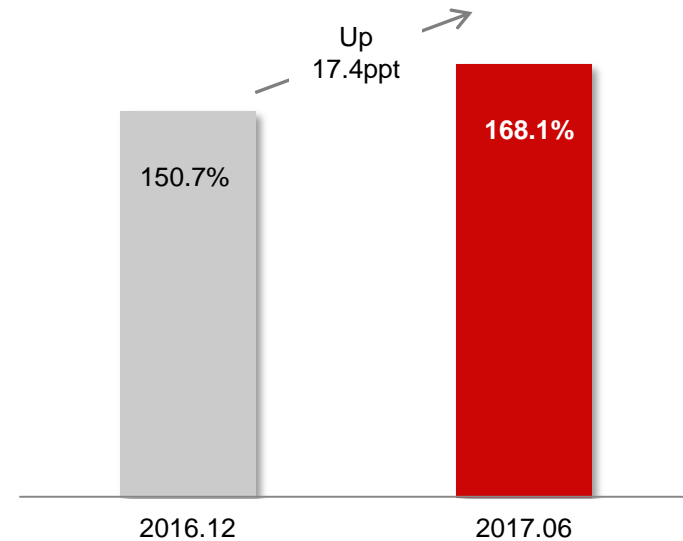
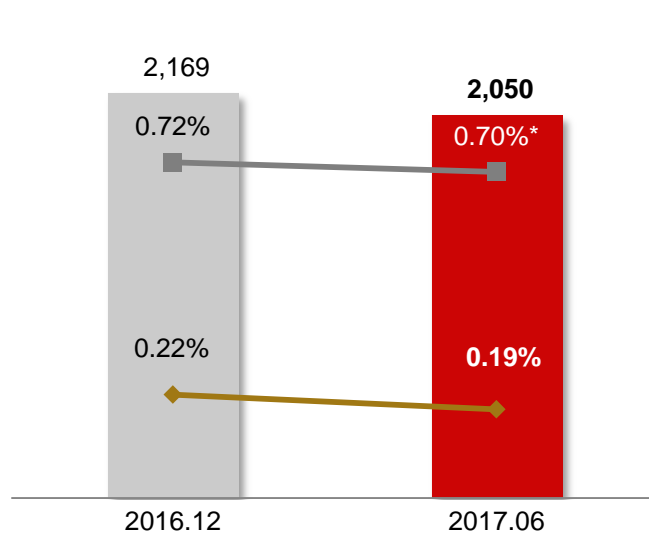


# Prudent Risk Management with Improved Asset Quality

Decline in both NPL amount and ratio

Increase in provision coverage

HK\$ m



- Classified or impaired loans
- ◆ Ratio (BOCHK)
- Ratio (Market)

\*Note: Market data as of March 2017

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# Outlook and Business Focus in 2H2017

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# More Opportunities than Challenges in 2H2017

## Opportunities

- The Belt and Road initiative is a new growth driver for the global economy
- The Guangdong-Hong Kong-Macau Greater Bay Area project will unleash the region's growth potential
- Potential scope for expansion in the Mutual Market Access programme
- China will continue to provide full support for the development of Hong Kong's economy and livelihood



## Challenges

- Uncertainties to remain in the global financial markets
- Intensifying market competition will add pressure on banking profitability
- The regulatory environment will tighten along with increasing capital requirements

## Strategic Position

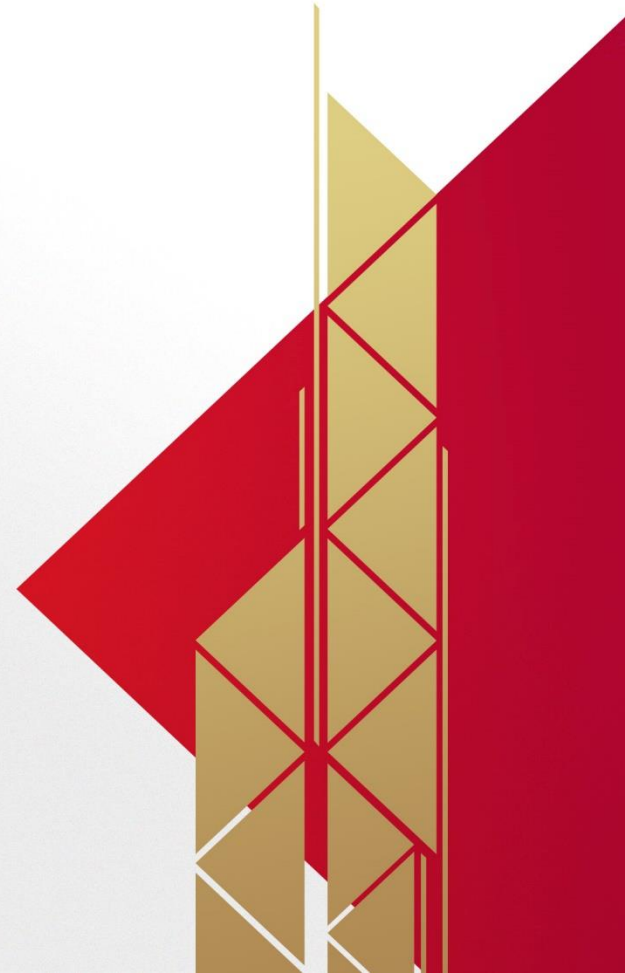
Our goal is to become an internationalised regional bank, and a flagship overseas financial institution for Chinese banks. We aim to achieve this by establishing a leading position in the Hong Kong market, strengthening our regional development capabilities and creating top-class customer experiences

- Deepen local market penetration and comprehensively enhance our influence as a mainstream bank
- Accelerate our regional development strategy with an internationalised model to become a local mainstream player
- Leverage the new collaborative mechanism for Guangdong, Hong Kong and Macau to accelerate cross-border business growth
- Capitalise on opportunities arising from major projects to achieve new breakthrough
- Overtake the competitors by taking lead in development of FinTech and intelligent branch network
- Strengthen our overall risk management to ensure long-term sustainable growth
- Continue to deliver a successful centennial celebration campaign to elevate our century-old brand
- Strengthen staff development and promote a good corporate culture



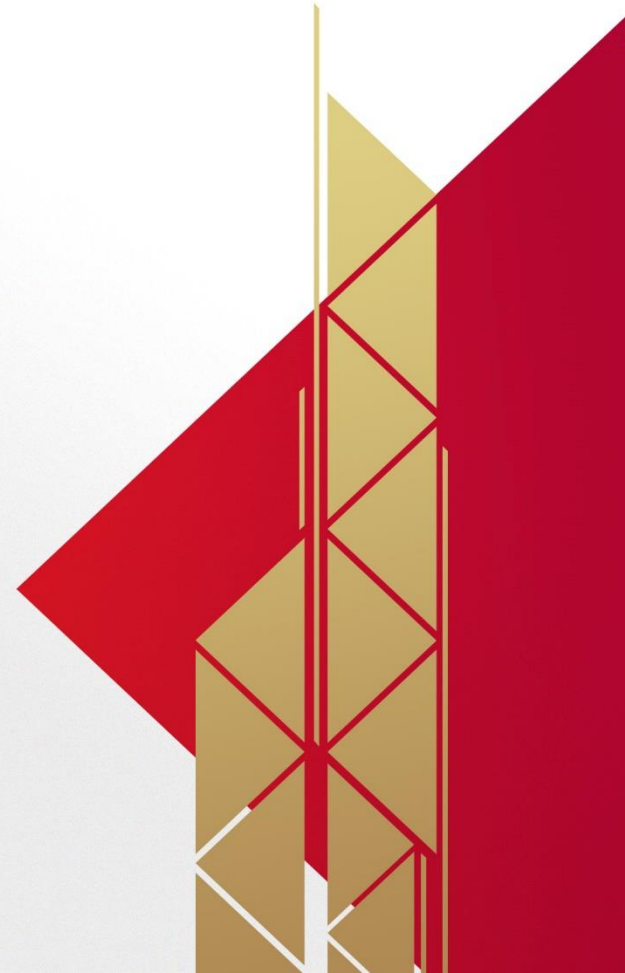
A large, faint world map composed of a grid of dots, centered on the Atlantic Ocean, serving as a background for the text.

# Q&A Session



A large, faded world map composed of a grid of dots, serving as a background for the central text.

# Appendix





# Condensed Income Statement

HK\$m	1H2017	Restated 1H2016	YoY%	Restated 2H2016	HoH%
Net interest income	16,879	11,972	41.0	13,558	24.5
Net fee and commission income	5,662	5,615	0.8	4,956	14.2
Other operating income	783	2,924	-73.2	2,897	-73.0
Net operating income before impairment allowances	23,324	20,511	13.7	21,411	8.9
Net charge of impairment allowances	(353)	(514)	-31.3	(72)	390.3
<b>Net operating income</b>	<b>22,971</b>	<b>19,997</b>	<b>14.9</b>	<b>21,339</b>	<b>7.6</b>
Operating expenses	(6,105)	(5,801)	5.2	(6,570)	-7.1
<b>Operating profit</b>	<b>16,866</b>	<b>14,196</b>	<b>18.8</b>	<b>14,769</b>	<b>14.2</b>
Non-operating items	919	153	500.7	336	173.5
<b>Profit attributable to the equity holders (continuing operations)</b>	<b>14,627</b>	<b>11,749</b>	<b>24.5</b>	<b>12,453</b>	<b>17.5</b>
Profit attributable to the equity holders (discontinued operations)	2,589	31,088	-91.7	214	1,109.8
<b>Profit attributable to the equity holders</b>	<b>17,216</b>	<b>42,837</b>	<b>-59.8</b>	<b>12,667</b>	<b>35.9</b>
<b>Key financial ratios</b>					
ROE of continuing operations	14.13%	11.78%	2.35pp	12.30%	1.83pp
ROA of continuing operations	1.24%	1.12%	0.12pp	1.12%	0.12pp
Net interest margin	1.62%	1.28%	0.34pp	1.35%	0.27pp
Credit cost	0.07%	0.12%	-0.05pp	0.01%	0.06pp
Cost-to-income ratio	26.17%	28.28%	-2.11pp	30.69%	-4.52pp

# Non-interest Income

HK\$m	1H2017	Restated 1H2016	YoY%	Restated 2H2016	HoH%
Fee and commission income					
Credit card business	1,536	1,863	-17.6	1,840	-16.5
Securities brokerage	1,053	852	23.6	1,102	-4.4
Loan commissions	2,051	2,191	-6.4	1,309	56.7
Insurance	628	842	-25.4	788	-20.3
Funds distribution	440	359	22.6	376	17.0
Bills commissions	344	338	1.8	324	6.2
Payment services	293	291	0.7	304	-3.6
Trust and custody services	254	225	12.9	245	3.7
Currency exchange	195	167	16.8	170	14.7
Others	708	585	21.0	637	11.1
<b>Net fee and commission income</b>	<b>5,662</b>	<b>5,615</b>	<b>0.8</b>	<b>4,956</b>	<b>14.2</b>
Net trading gain	639	2,336	-72.6	2,304	-72.3
Net gain/(loss) on financial instruments designated at FVTPL	1,188	1,034	14.9	(933)	---
Others	(1,044)	(446)	134.1	1,526	---
<b>Other operating income</b>	<b>783</b>	<b>2,924</b>	<b>-73.2</b>	<b>2,897</b>	<b>-73.0</b>
<b>Total</b>	<b>6,445</b>	<b>8,539</b>	<b>-24.5</b>	<b>7,853</b>	<b>-17.9</b>

# Condensed Balance Sheet

HK\$m	30.06.2017	Restated 31.12.2016	% Change
Cash and balances with banks and other financial institutions	399,830	232,546	71.9
Placements with banks and other financial institutions	81,856	70,392	16.3
Securities investments	630,473	654,557	-3.7
Advances and other accounts	1,135,330	996,754	13.9
Assets held for sale	0	53,293	-100.0
<b>Total assets</b>	<b>2,639,964</b>	<b>2,336,757</b>	<b>13.0</b>
Inter-bank deposits taken	303,802	194,233	56.4
Deposits from customers*	1,653,202	1,512,306	9.3
Subordinated liabilities	19,099	19,014	0.4
Liabilities associated with assets held for sale	0	47,013	-100.0
<b>Total liabilities</b>	<b>2,398,227</b>	<b>2,104,023</b>	<b>14.0</b>
<b>Total equity</b>	<b>241,737</b>	<b>232,734</b>	<b>3.9</b>
<b>Key financial ratio</b>			
Classified or impaired loans ratio	0.19%	0.22%	-0.03pp
Total capital ratio	21.76%	22.35%	-0.59pp
Tier 1 capital ratio	17.66%	17.69%	-0.03pp
Common Equity Tier 1 capital ratio	17.66%	17.64%	0.02pp
Loan-to-deposit ratio	66.78%	64.66%	2.12pp

\*Including structured deposits

# Advances to Customers

HK\$m	30.06.2017	As a % of total	% Change
<b>Loans for use in HK - corporate</b>	<b>427,436</b>	<b>38.7</b>	<b>13.8</b>
Property development	96,185	8.7	30.6
Property investment	53,729	4.8	-0.3
Financial concerns	7,611	0.7	40.0
Stockbrokers	1,657	0.1	-37.4
Wholesale and retail trade	38,436	3.5	9.5
Manufacturing	39,422	3.6	50.8
Transport and transport equipment	61,504	5.6	15.9
Recreational activities	2,296	0.2	-8.5
Information technology	21,875	2.0	21.9
Others	104,721	9.5	-0.4
<b>Loans for use in HK – individual</b>	<b>303,867</b>	<b>27.5</b>	<b>5.3</b>
Residential mortgages*	226,972	20.5	3.9
Credit card advances	13,193	1.2	-4.5
<b>Trade finance</b>	<b>77,199</b>	<b>7.0</b>	<b>7.0</b>
<b>Loans for use outside HK</b>	<b>295,471</b>	<b>26.8</b>	<b>22.3</b>
<b>Total</b>	<b>1,103,973</b>	<b>100.0</b>	<b>12.9</b>

\*Excluded loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme

# Customer Deposits

HK\$m	30.06.2017	Restated 31.12.2016	% Change
Demand deposits and current accounts	191,513	173,934	10.1
Saving deposits	845,593	796,805	6.1
Time, call and notice deposits	613,024	538,142	13.9
Structured deposits	3,072	3,425	-10.3
<b>Total deposits from customers</b>	<b>1,653,202</b>	<b>1,512,306</b>	<b>9.3</b>