

BOC HONG KONG (HOLDINGS) LIMITED

Data Pack

FY2018

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The financial information is extracted from the *2018 Annual Report* of BOC Hong Kong (Holdings) Limited (the Company), which is not complete and should be read in conjunction with the 2018 Annual Report and other reports and financial information published by the Company.

Financial Highlights

	2018	2017
For the year	HK\$m	HK\$m
Net operating income before impairment allowances ¹	54,411	49,006
Operating profit ¹	37,994	34,103
Profit before taxation ¹	38,988	35,375
Profit for the year ¹	32,584	29,307
Profit attributable to equity holders of the Company ¹	32,000	28,574
	2018	2017
Per share	HK\$	HK\$
Basic earnings per share ¹	3.0266	2.7026
Dividend per share	1.468	1.398
	2018	2017
At year-end	HK\$m	HK\$m
Total assets	2,952,903	2,651,086
Issued and fully paid up share capital	52,864	52,864
Capital and reserves attributable to equity holders of the Company	257,070	244,018
	2018	2017
Financial ratios	%	%
Return on average total assets ²	1.16	1.24
Return on average shareholders' equity ³	12.83	13.15
Cost to income ratio ¹	27.90	28.26
Loan to deposit ratio ⁴	66.82	64.48
Average value of liquidity coverage ratio ⁵		
First quarter	134.33	121.41
Second quarter	146.39	123.88
Third quarter	141.44	121.12
Fourth quarter	160.23	135.64
Quarter-end value of net stable funding ratio ⁵		
First quarter	118.98	-
Second quarter	118.82	-
Third quarter	122.24	-
Fourth quarter	124.41	-
Total capital ratio ⁶	23.10	20.39

1. The financial information is from continuing operations.

2. Return on average total assets = Profit for the period / Daily average balance of total assets

3. Return on average shareholders' equity = Profit attributable to equity holders of the Company / Average of the beginning and ending balance of capital and reserves attributable to equity holders of the Company

4. Loan to deposit ratio is calculated as at year end. Loan represents gross advances to customers. Deposit represents deposits from customers including structured deposits reported as "Financial liabilities at fair value through profit or loss".

5. Liquidity coverage ratio and net stable funding ratio are computed on the consolidated basis which comprises the positions of BOCHK and certain subsidiaries specified by the HKMA in accordance with the Banking (Liquidity) Rules.

6. Total capital ratio is computed on the consolidated basis for regulatory purposes that comprises the positions of BOCHK and certain subsidiaries specified by the HKMA in accordance with the Banking (Capital) Rules.

7. The Group has applied the merger accounting method in the preparation of financial statements for the combination with entities under common control in 2018. The comparative information for the year 2017 has been restated accordingly.

Consolidated Income Statement

	(Restated)	
	2018	2017
	HK\$m	HK\$m
CONTINUING OPERATIONS		
Interest income	61,736	49,077
Interest expense	(22,342)	(14,259)
Net interest income	39,394	34,818
Fee and commission income	15,513	15,500
Fee and commission expense	(4,206)	(3,899)
Net fee and commission income	11,307	11,601
Gross earned premiums	20,858	21,792
Gross earned premiums ceded to reinsurers	(6,735)	(7,127)
Net insurance premium income	14,123	14,665
Net trading gain	3,078	1,368
Net (loss)/gain on other financial instruments at fair value through profit or loss	(1,282)	2,181
Net gain on other financial assets	19	1,163
Other operating income	981	931
Total operating income	67,620	66,727
Gross insurance benefits and claims and movement in liabilities	(21,236)	(25,881)
Reinsurers' share of benefits and claims and movement in liabilities	8,027	8,160
Net insurance benefits and claims and movement in liabilities	(13,209)	(17,721)
Net operating income before impairment allowances	54,411	49,006
Net charge of impairment allowances	(1,237)	(1,055)
Net operating income	53,174	47,951
Operating expenses	(15,180)	(13,848)
Operating profit	37,994	34,103
Net gain from disposal of/fair value adjustments on investment properties	906	1,197
Net gain/(loss) from disposal/revaluation of properties, plant and equipment	18	(25)
Share of profits less losses after tax of associates and joint ventures	70	100
Profit before taxation	38,988	35,375
Taxation	(6,404)	(6,068)
Profit from continuing operations	32,584	29,307
DISCONTINUED OPERATIONS		
Profit from discontinued operations	-	2,623
Profit for the year	32,584	31,930
Profit attributable to:		
Equity holders of the Company		
- from continuing operations	32,000	28,574
- from discontinued operations	-	2,589
	32,000	31,163
Non-controlling interests		
- from continuing operations	584	733
- from discontinued operations	-	34
	584	767
	32,584	31,930
Dividends	15,521	14,781
	HK\$	HK\$
Earnings per share		
Basic and diluted		
- profit for the year	3.0266	2.9475
- profit from continuing operations	3.0266	2.7026

Consolidated Balance Sheet

	2018	(Restated) 2017
	HK\$m	HK\$m
ASSETS		
Cash and balances and placements with banks and other financial institutions	431,524	426,604
Financial assets at fair value through profit or loss	300,929	93,194
Derivative financial instruments	34,912	33,543
Hong Kong SAR Government certificates of indebtedness	156,300	146,200
Advances and other accounts	1,282,472	1,191,554
Investment in securities	598,247	618,191
Interests in associates and joint ventures	483	417
Investment properties	19,684	19,669
Properties, plant and equipment	49,430	47,268
Current tax assets	65	-
Deferred tax assets	270	58
Other assets	78,587	74,388
	2,952,903	2,651,086
LIABILITIES		
Hong Kong SAR currency notes in circulation	156,300	146,200
Deposits and balances from banks and other financial institutions	376,807	223,427
Financial liabilities at fair value through profit or loss	15,535	19,720
Derivative financial instruments	30,880	31,046
Deposits from customers	1,893,357	1,775,090
Debt securities and certificates of deposit in issue	9,453	21,641
Other accounts and provisions	59,420	53,088
Current tax liabilities	2,510	4,338
Deferred tax liabilities	5,765	5,704
Insurance contract liabilities	104,723	103,229
Subordinated liabilities	13,246	18,980
	2,667,996	2,402,463
EQUITY		
Share capital	52,864	52,864
Reserves	204,206	191,154
	257,070	244,018
Capital and reserves attributable to equity holders of the Company	257,070	244,018
Other equity instruments	23,476	-
Non-controlling interests	4,361	4,605
	284,907	248,623
Total equity	284,907	248,623
Total liabilities and equity	2,952,903	2,651,086

Segmental reporting

Year ended 31 December 2018 CONTINUING OPERATIONS	Personal	Corporate	Treasury	Insurance	Others	Subtotal	Eliminations	Consolidated
	Banking	Banking						
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Net interest income/(expense)								
- External	1,362	15,735	17,074	3,055	2,168	39,394	-	39,394
- Inter-segment	10,030	(2,664)	(6,105)	(31)	(1,230)	-	-	-
	11,392	13,071	10,969	3,024	938	39,394	-	39,394
Net fee and commission income/(expense)	6,846	3,364	995	(667)	1,140	11,678	(371)	11,307
Net insurance premium income	-	-	-	14,142	-	14,142	(19)	14,123
Net trading gain/(loss)	784	1,438	740	(244)	302	3,020	58	3,078
Net gain/(loss) on other financial instruments at fair value through profit or loss	10	-	512	(1,811)	(1)	(1,290)	8	(1,282)
Net (loss)/gain on other financial assets	-	(3)	4	18	-	19	-	19
Other operating income	48	2	16	155	2,075	2,296	(1,315)	981
Total operating income	19,080	17,872	13,236	14,617	4,454	69,259	(1,639)	67,620
Net insurance benefits and claims and movement in liabilities	-	-	-	(13,209)	-	(13,209)	-	(13,209)
Net operating income before impairment allowances	19,080	17,872	13,236	1,408	4,454	56,050	(1,639)	54,411
Net charge of impairment allowances	(123)	(784)	(3)	(5)	(322)	(1,237)	-	(1,237)
Net operating income	18,957	17,088	13,233	1,403	4,132	54,813	(1,639)	53,174
Operating expenses	(8,756)	(3,001)	(1,350)	(465)	(3,247)	(16,819)	1,639	(15,180)
Operating profit	10,201	14,087	11,883	938	885	37,994	-	37,994
Net gain from disposal of/fair value adjustments on investment properties	-	-	-	-	906	906	-	906
Net (loss)/gain from disposal/revaluation of properties, plant and equipment	(4)	-	-	(1)	23	18	-	18
Share of profits less losses after tax of associates and joint ventures	72	-	1	-	(3)	70	-	70
Profit before taxation	10,269	14,087	11,884	937	1,811	38,988	-	38,988
At 31 December 2018								
ASSETS								
Segment assets	378,547	887,367	1,439,655	132,417	137,581	2,975,567	(23,147)	2,952,420
Interests in associates and joint ventures	422	-	1	-	60	483	-	483
	378,969	887,367	1,439,656	132,417	137,641	2,976,050	(23,147)	2,952,903
LIABILITIES								
Segment liabilities	1,038,673	839,457	616,617	124,085	72,311	2,691,143	(23,147)	2,667,996

Year ended 31 December 2017 CONTINUING OPERATIONS	Personal	Corporate	Treasury	Insurance	Others	Subtotal	Eliminations	Consolidated
	Banking	Banking						
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Net interest income/(expense)								
- External	3,243	12,366	15,385	2,687	1,137	34,818	-	34,818
- Inter-segment	6,467	(635)	(4,906)	(31)	(895)	-	-	-
	9,710	11,731	10,479	2,656	242	34,818	-	34,818
Net fee and commission income/(expense)	6,340	4,264	853	(658)	1,159	11,958	(357)	11,601
Net insurance premium income	-	-	-	14,683	-	14,683	(18)	14,665
Net trading gain/(loss)	876	1,270	(1,182)	100	223	1,287	81	1,368
Net gain/(loss) on other financial instruments at fair value through profit or loss	9	-	(3)	2,168	-	2,174	7	2,181
Net gain on other financial assets	-	30	698	435	-	1,163	-	1,163
Other operating income	82	8	37	165	2,017	2,309	(1,378)	931
Total operating income	17,017	17,303	10,882	19,549	3,641	68,392	(1,665)	66,727
Net insurance benefits and claims and movement in liabilities	-	-	-	(17,721)	-	(17,721)	-	(17,721)
Net operating income before impairment allowances	17,017	17,303	10,882	1,828	3,641	50,671	(1,665)	49,006
Net charge of impairment allowances	(754)	(73)	-	-	(228)	(1,055)	-	(1,055)
Net operating income	16,263	17,230	10,882	1,828	3,413	49,616	(1,665)	47,951
Operating expenses	(7,949)	(2,834)	(1,358)	(427)	(2,945)	(15,513)	1,665	(13,848)
Operating profit	8,314	14,396	9,524	1,401	468	34,103	-	34,103
Net gain from disposal of/fair value adjustments on investment properties	-	-	-	-	1,197	1,197	-	1,197
Net loss from disposal/revaluation of properties, plant and equipment	(5)	(4)	(1)	-	(15)	(25)	-	(25)
Share of profits less losses after tax of associates and joint ventures	94	-	2	-	4	100	-	100
Profit before taxation	8,403	14,392	9,525	1,401	1,654	35,375	-	35,375
At 31 December 2017								
ASSETS								
Segment assets	355,060	832,946	1,213,510	130,597	130,831	2,662,944	(12,275)	2,650,669
Interests in associates and joint ventures	350	-	2	-	65	417	-	417
	355,410	832,946	1,213,512	130,597	130,896	2,663,361	(12,275)	2,651,086
LIABILITIES								
Segment liabilities	957,439	810,020	457,289	121,752	68,238	2,414,738	(12,275)	2,402,463

Net Interest Income and Net Interest Margin

(Restated)

HK\$m, except percentages	2018	2017
Interest income	61,736	49,077
Interest expense	(22,342)	(14,259)
Net interest income	39,394	34,818
Average interest-earning assets	2,434,966	2,222,258
Net interest spread	1.44%	1.44%
Net interest margin	1.62%	1.57%
Net interest margin (adjusted)*	1.63%	1.44%

* Including the funding income or cost of foreign currency swap contracts.

Average Balance and Average Interest Rates

(Restated)

	2018		2017	
	Average balance HK\$m	Average yield %	Average balance HK\$m	Average yield %
ASSETS				
Balances and placements with banks and other financial institutions	414,900	1.90%	442,157	2.17%
Debt securities investments and other debt instruments	783,128	2.39%	669,950	1.98%
Advances to customers	1,219,376	2.85%	1,093,445	2.38%
Other interest-earning assets	17,562	2.13%	16,706	1.29%
Total interest-earning assets	2,434,966	2.54%	2,222,258	2.21%
Non interest-earning assets ¹	379,452	-	348,958	-
Total assets	2,814,418	2.19%	2,571,216	1.91%
LIABILITIES				
	Average balance HK\$m	Average rate %	Average balance HK\$m	Average rate %
Deposits and balances from banks and other financial institutions	226,141	1.10%	226,067	0.92%
Current, savings and time deposits	1,724,063	1.03%	1,562,583	0.68%
Subordinated liabilities	18,237	5.44%	19,312	4.82%
Other interest-bearing liabilities	55,080	1.95%	47,781	1.41%
Total interest-bearing liabilities	2,023,521	1.10%	1,855,743	0.77%
Shareholders' funds ² and other non interest-bearing deposits and liabilities ¹	790,897		715,473	
Total liabilities	2,814,418	0.79%	2,571,216	0.55%

1. Including assets held for sale and liabilities associated with assets held for sale respectively.

2. Shareholders' funds represent capital and reserves attributable to the equity holders of the Company.

Net Fee and Commission Income

	2018	2017
CONTINUING OPERATIONS	HK\$m	HK\$m
Fee and commission income		
Credit card business	3,441	3,202
Securities brokerage	2,769	2,625
Loan commissions	2,613	3,608
Insurance	1,546	1,326
Funds distribution	929	985
Bills commissions	738	816
Payment services	679	649
Trust and custody services	633	555
Currency exchange	590	433
Safe deposit box	285	291
Others	1,290	1,010
	15,513	15,500
Fee and commission expense		
Credit card business	(2,545)	(2,327)
Insurance	(344)	(311)
Securities brokerage	(323)	(312)
Others	(994)	(949)
	(4,206)	(3,899)
Net fee and commission income	11,307	11,601

Operating Expenses

HK\$m	2018	2017
Staff costs	8,627	7,901
Premises and equipment expenses (excluding depreciation)	1,859	1,721
Depreciation	2,063	1,951
Other operating expenses	2,631	2,275
Total operating expenses	15,180	13,848

Deposits from Customers

	2018	2017
	HK\$m	HK\$m
Current, savings and other deposit accounts	1,893,357	1,775,090
Structured deposits reported as financial liabilities at fair value through profit or loss	2,199	2,784
	1,895,556	1,777,874
Analysed by:		
Demand deposits and current accounts		
- Corporate	144,985	145,029
- Personal	62,812	58,808
	207,797	203,837
Savings deposits		
- Corporate	336,333	372,909
- Personal	516,006	540,283
	852,339	913,192
Time, call and notice deposits		
- Corporate	487,433	409,151
- Personal	347,987	251,694
	835,420	660,845
	1,895,556	1,777,874

Gross Advances to Customers

	2018	2017
	HK\$'m	HK\$'m
Loans for use in Hong Kong		
Industrial, commercial and financial		
- Property development	126,328	99,987
- Property investment	50,223	53,581
- Financial concerns	21,239	13,461
- Stockbrokers	1,171	1,027
- Wholesale and retail trade	38,147	34,931
- Manufacturing	51,093	45,075
- Transport and transport equipment	66,256	61,786
- Recreational activities	1,675	2,040
- Information technology	18,006	23,900
- Others	118,574	100,966
Individuals		
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	11,150	9,874
- Loans for purchase of other residential properties	243,963	234,434
- Credit card advances	15,613	14,620
- Others	78,282	63,356
Total loans for use in Hong Kong	841,720	759,038
Trade finance	65,437	78,196
Loans for use outside Hong Kong	359,548	309,192
Gross advances to customers	1,266,705	1,146,426

Loan Quality

HK\$m, except percentages	At 31 December 2018	(Restated) At 31 December 2017
Advances to customers	1,266,705	1,146,426
Classified or impaired loan ratio	0.19%	0.18%
Total impairment allowances	5,411	4,106
Total impairment allowances as a percentage of advances to customers	0.43%	0.36%
Residential mortgage loans ¹ - delinquency and rescheduled loan ratio ²	0.01%	0.01%
Card advances - delinquency ratio ²	0.19%	0.21%
	2018	2017
Card advances - charge-off ratio ³	1.40%	1.51%

1. Residential mortgage loans exclude those under the Home Ownership Scheme and other government-sponsored home purchasing schemes.

2. The delinquency ratio is the ratio of the total amount of overdue advances (more than three months) to total outstanding advances.

3. The charge-off ratio is the ratio of total write-offs made during the year to average card receivables during the year.

Capital Ratio

HK\$m, except percentages	At 31 December 2018	At 31 December 2017
Consolidated capital after deductions		
Common Equity Tier 1 capital	180,202	170,012
Additional Tier 1 capital	23,476	-
Tier 1 capital	203,678	170,012
Tier 2 capital	34,393	39,816
Total capital	238,071	209,828
Total risk-weighted assets	1,030,815	1,029,152
Common Equity Tier 1 capital ratio	17.48%	16.52%
Tier 1 capital ratio	19.76%	16.52%
Total capital ratio	23.10%	20.39%