

# 2019 Interim Results



30 August 2019

## 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

Following the completion of the acquisition of the Vientiane Branch of BOC on 21 January 2019, the Company has applied the merger accounting method in the preparation of financial information for the combination with entity under common control. The comparative information for 2018 has been restated accordingly. During the reporting period, under aforesaid merger accounting method, Southeast Asian entities refer to BOC Thailand, BOC Malaysia, Ho Chi Minh City Branch, Manila Branch, Jakarta Branch, Phnom Penh Branch, Vientiane Branch and Brunei Branch.

▶ **Strategy Review**

▶ **Financial Performance**

▶ **Outlook**

# Strategy Review

# Solid Operating Results and Stable Financial Indicators

Profit attributable to equity holders of the Company and other equity instrument holders

HK\$ **17.9bn**  
+2.2%

Return on Average Shareholders' Equity

**12.53%**

Total Capital Ratio

**23.00%**

# Strengthening Foundation for Growth by Enhancing Local Market Commitment

## Personal Banking

- > Mid-to-high end customers: **+7.8%**
- > Sustained **leading position** in new residential mortgage loans market
- > Active mobile banking customers: **+20.6%**

## Corporate Banking

- > **Ranked the top** syndicated loans arranger in HK and Macao, and leading IPO receiving bank in HK
- > **Outperformed** the market in loan growth associated with SFGS
- > Launched global transaction banking platform, while maintaining **market leading position** in cross-border cash pooling business

## Financial Markets

- > Offshore RMB clearing value: **+19.7%**
- > Completed **first** settlement deal in the primary market for negotiable certificates of deposit under Bond Connect

# Proactively Developing the GBA Market and Strengthening Featured Cross-border Services

## Focus on Customers, Makes Living Easier across GBA

Mid-to-high end  
cross-border customers

**+12.8%**

- > GBA Account Opening Attestation Services
- > Shenzhen-HK Business Registration Connect
- > Shanghai-HK Business Registration Connect
- > BOCHK All Weather GBA Strategy Fund
- > GBA Service Connect
- > BoC Pay Cross-border Payment

# Solid Growth in SEA Business to Enhance Synergies and Quality



**Pre-provisions  
net operating income**

**+22.8%**  
HK\$1.39bn

**Customer deposits**

**+6.7%**  
HK\$51.0bn

**Customer loans**

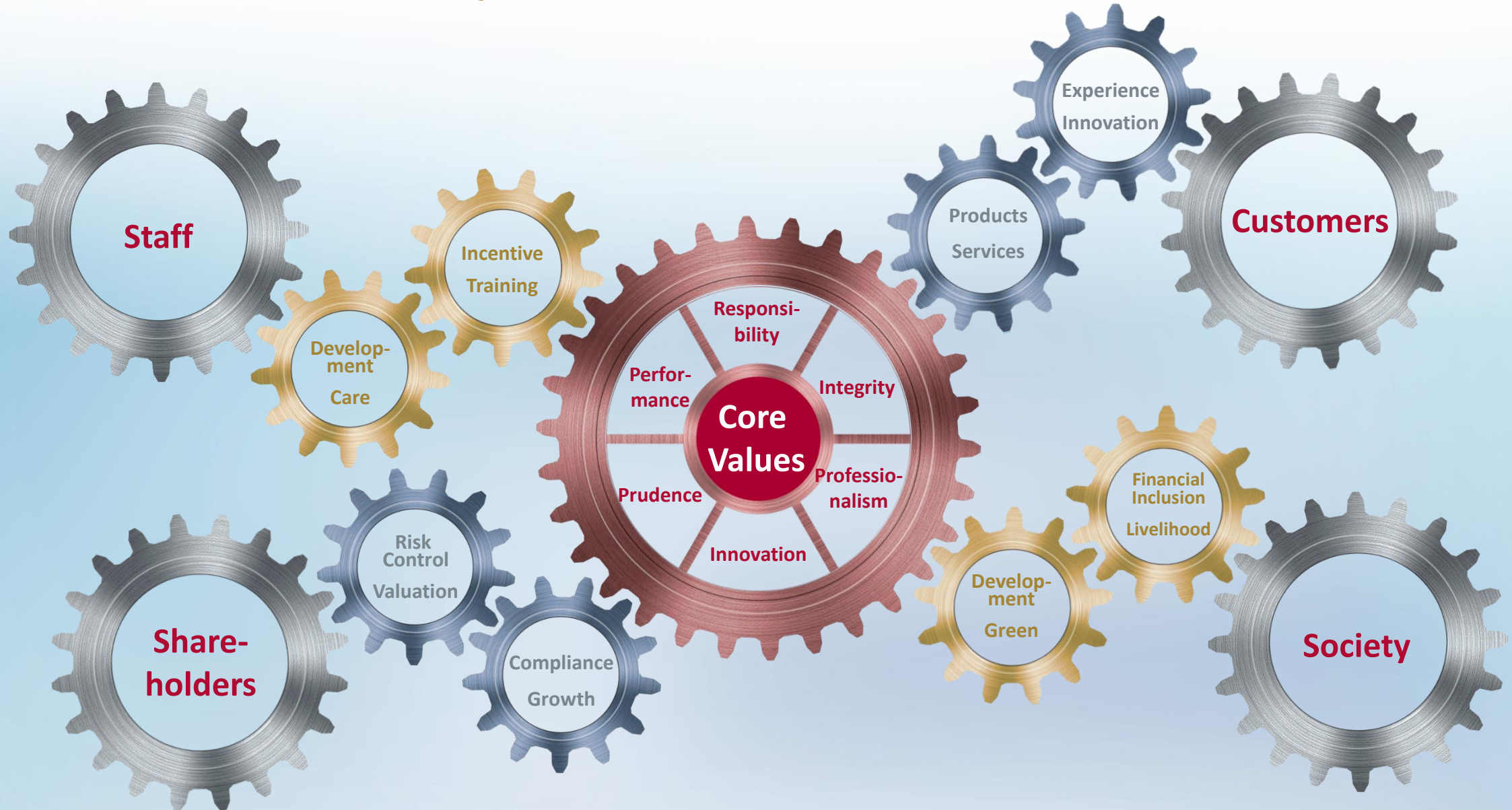
**+12.9%**  
HK\$44.9bn

**NPL ratio**

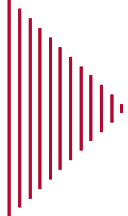
**1.27%**  
At manageable level



# Reinforcing Stronger Corporate Culture to Foster Sustainable Development

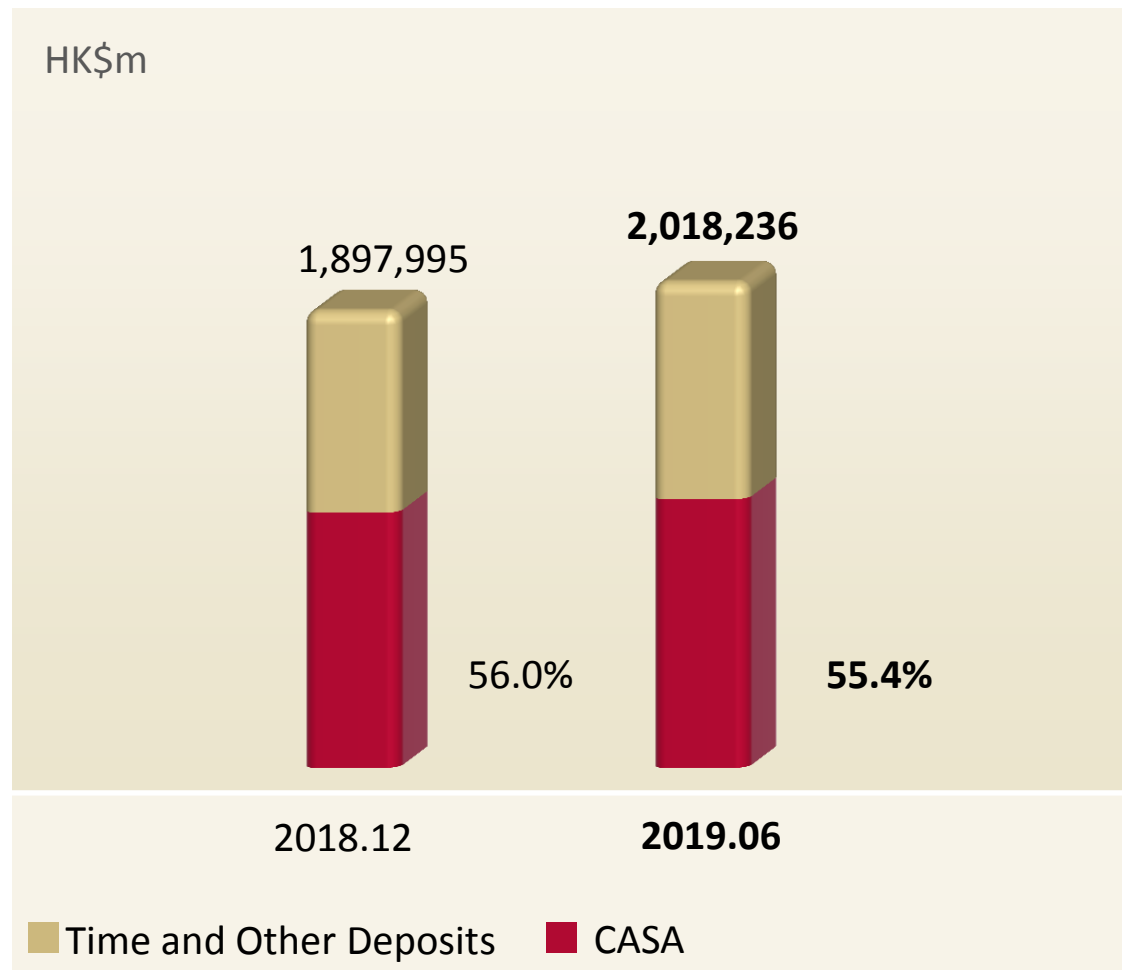


# Financial Performance

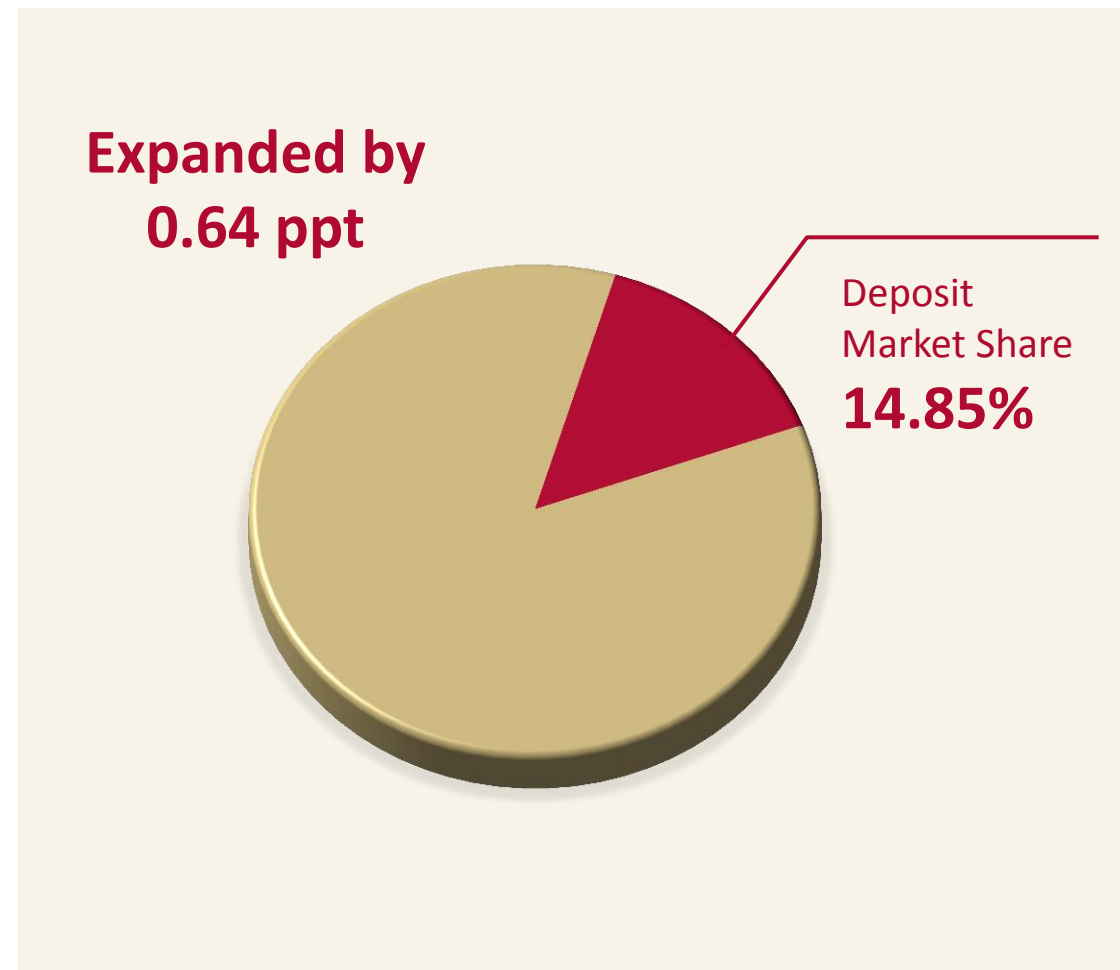


# Constant Expansion of Deposit Base

## Customer Deposits Grew by 6.3%

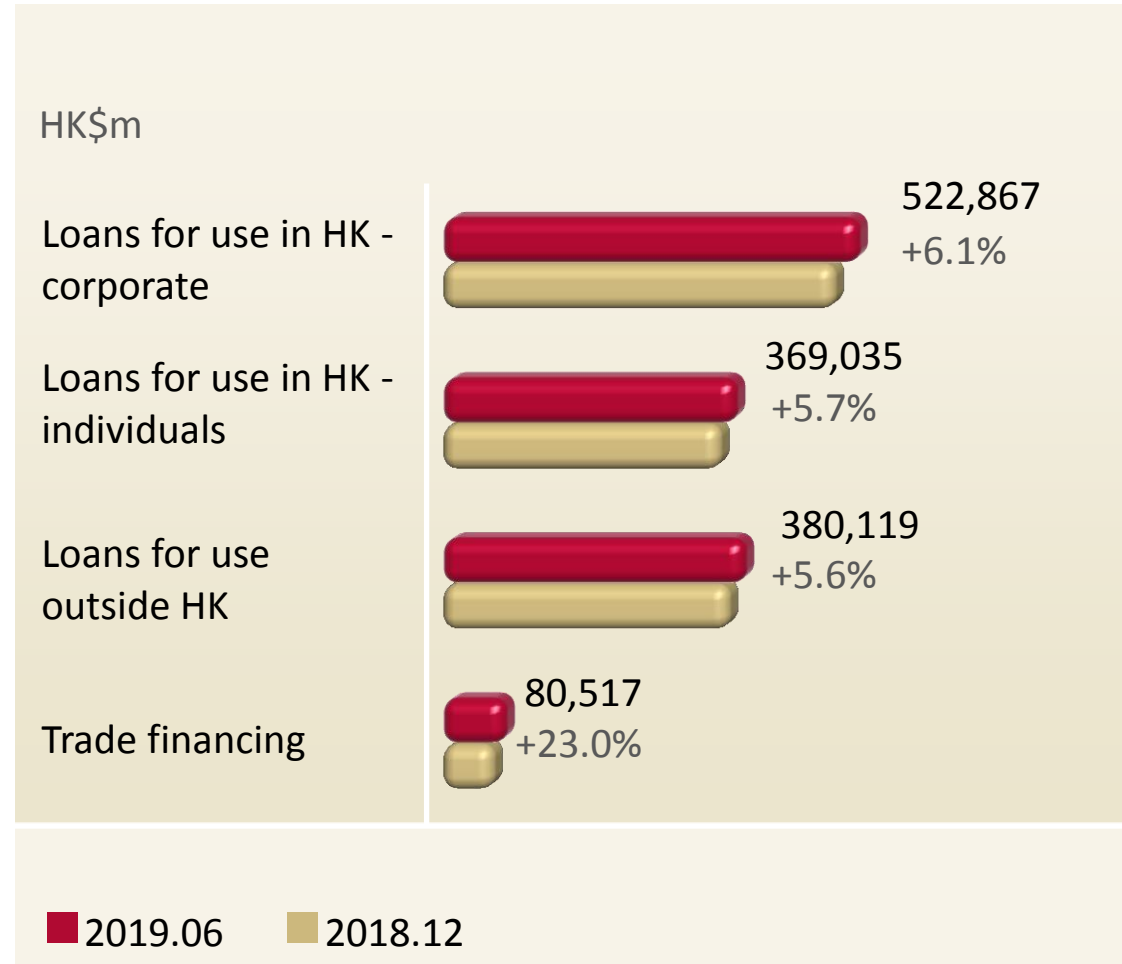


## Deposit Market Share Steadily Improved

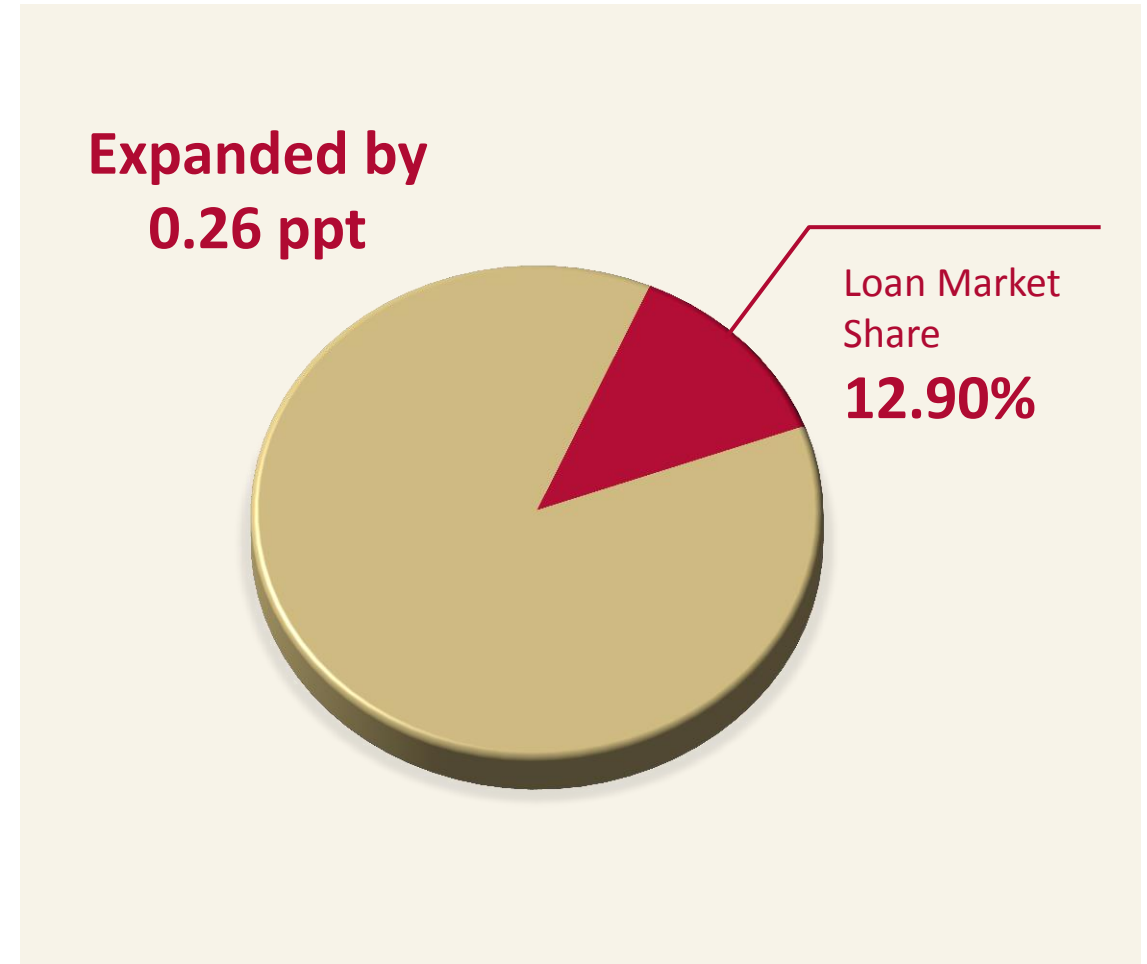


# Solid Growth in Customer Loans

## Customer Loans Grew by 6.7%

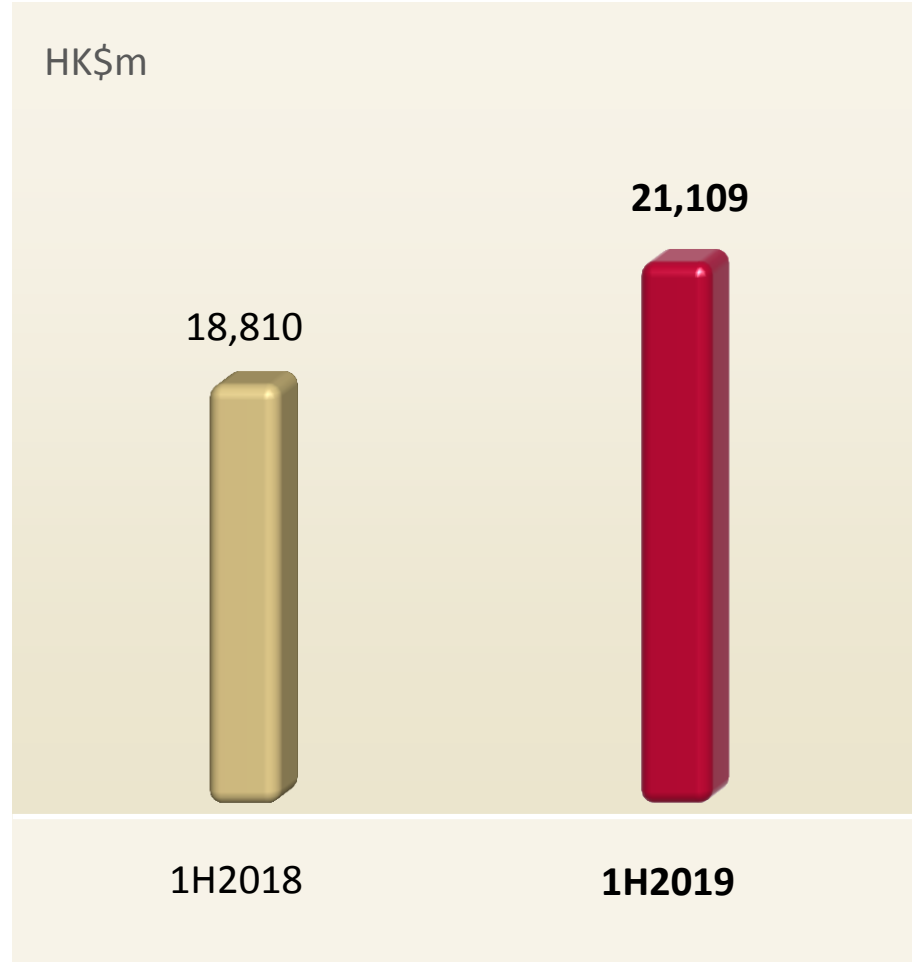


## Loan Market Share Constantly Increased

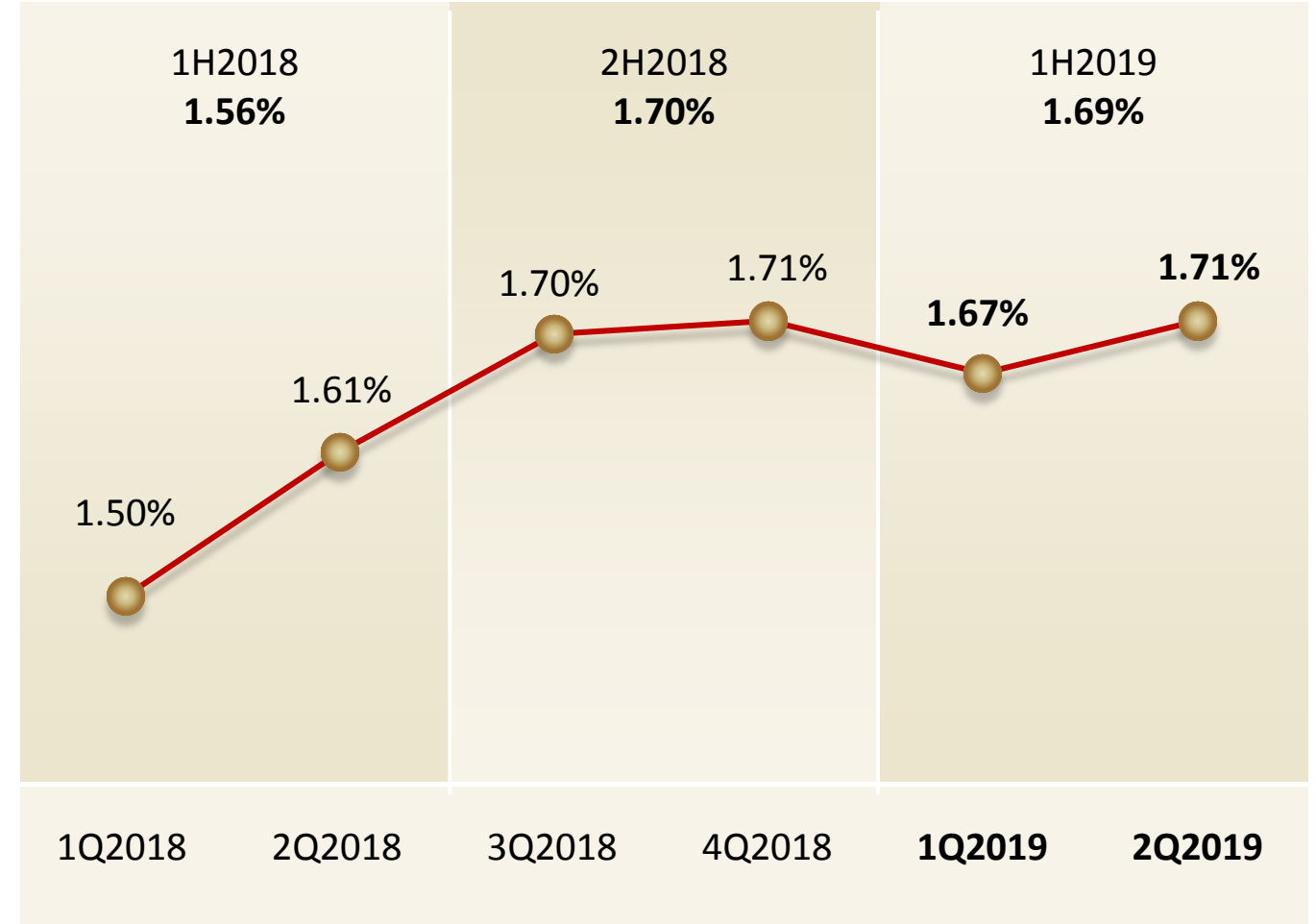


# Margin Improvements amid a Steady Trend

## Net Interest Income Rose by 12.2%



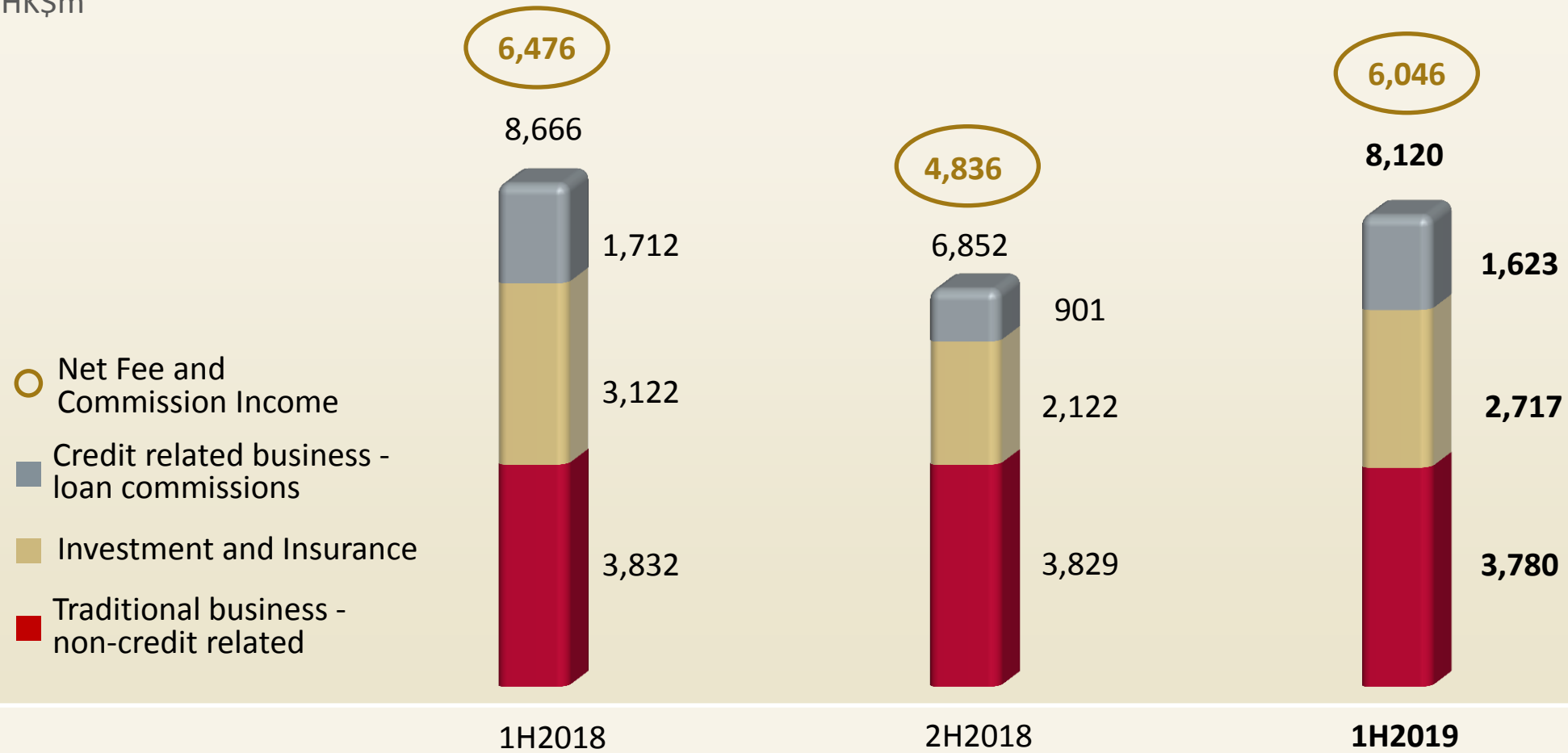
## Net Interest Margin Climbed amid a Steady Trend

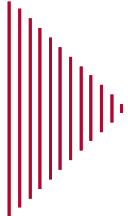


\*Included the funding income or cost of FX swap contracts

# Sequential Rebound in Net Fee Income

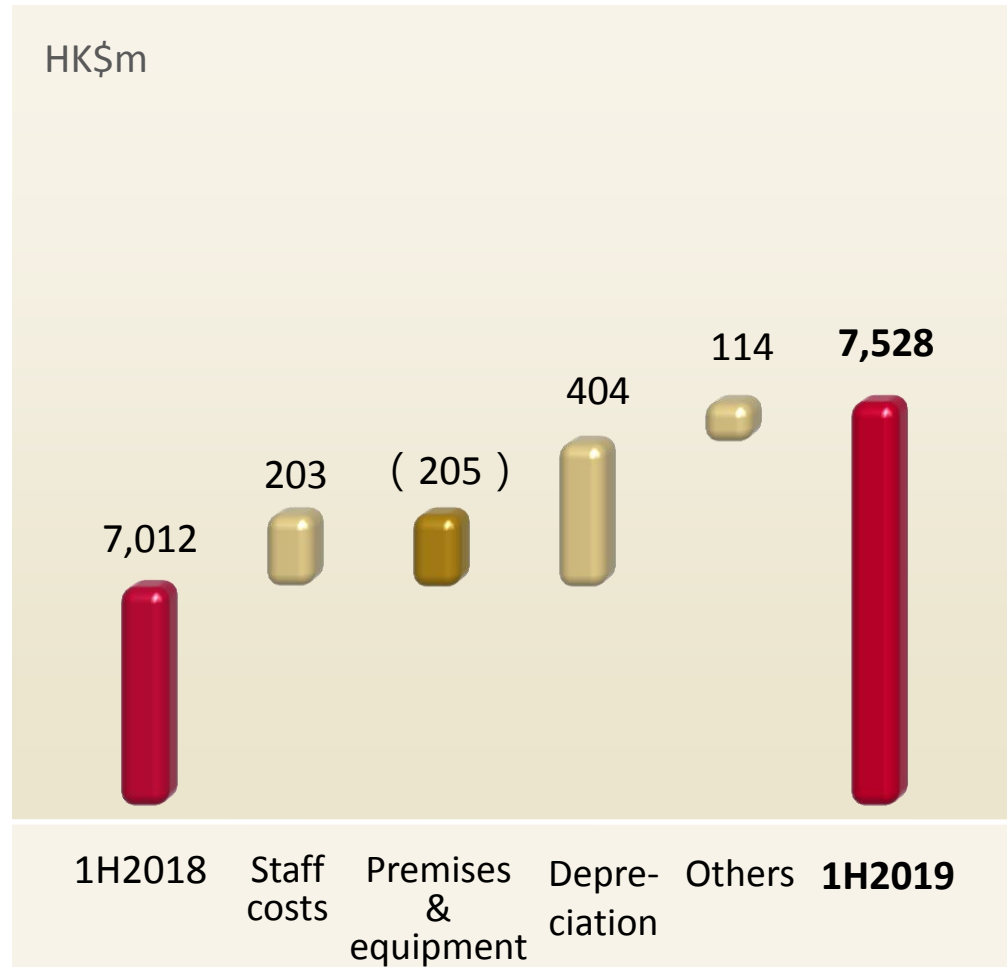
HK\$m



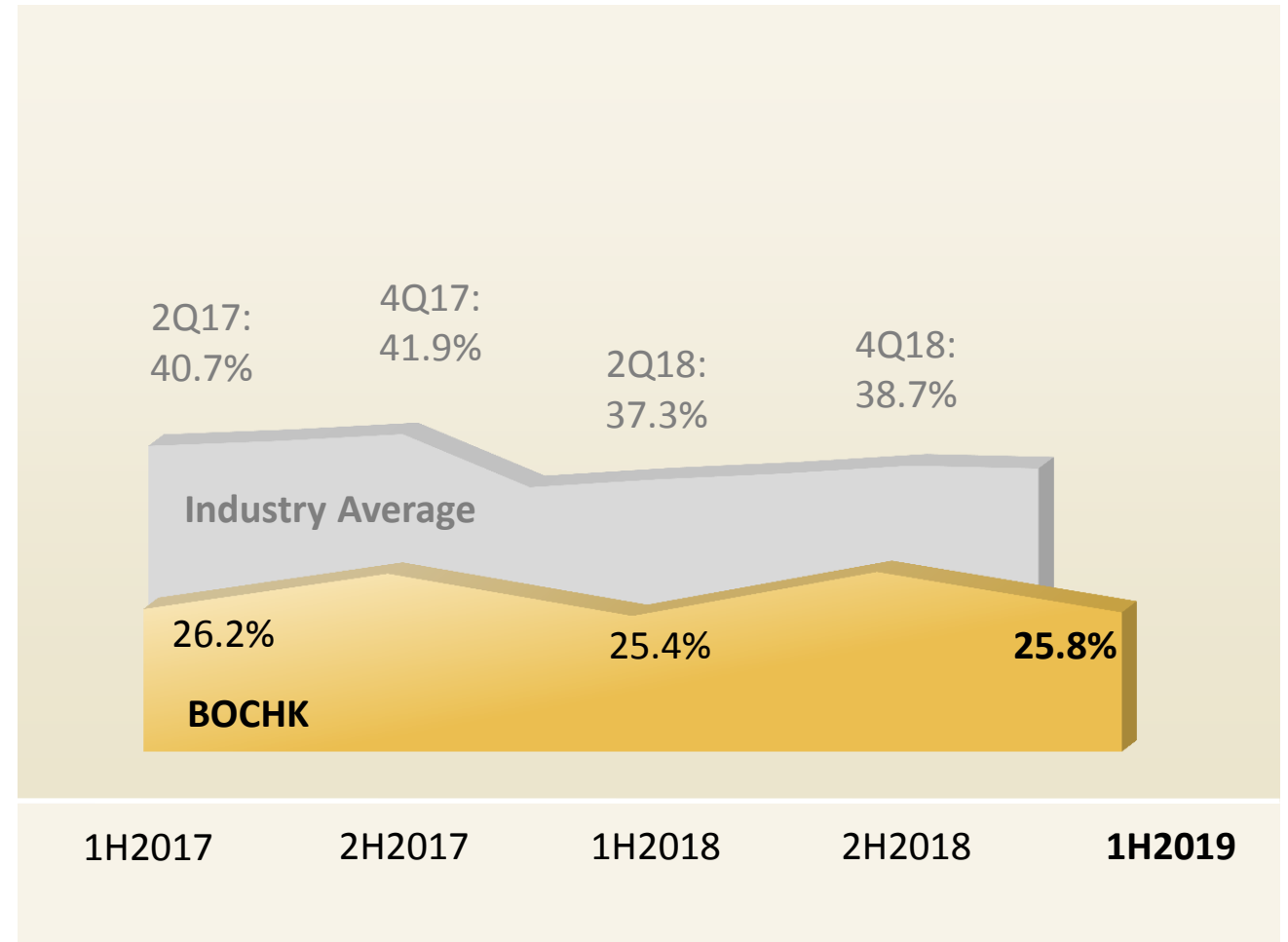


# Healthy Cost Efficiency

## Operating Expenses Increased by 7.4%

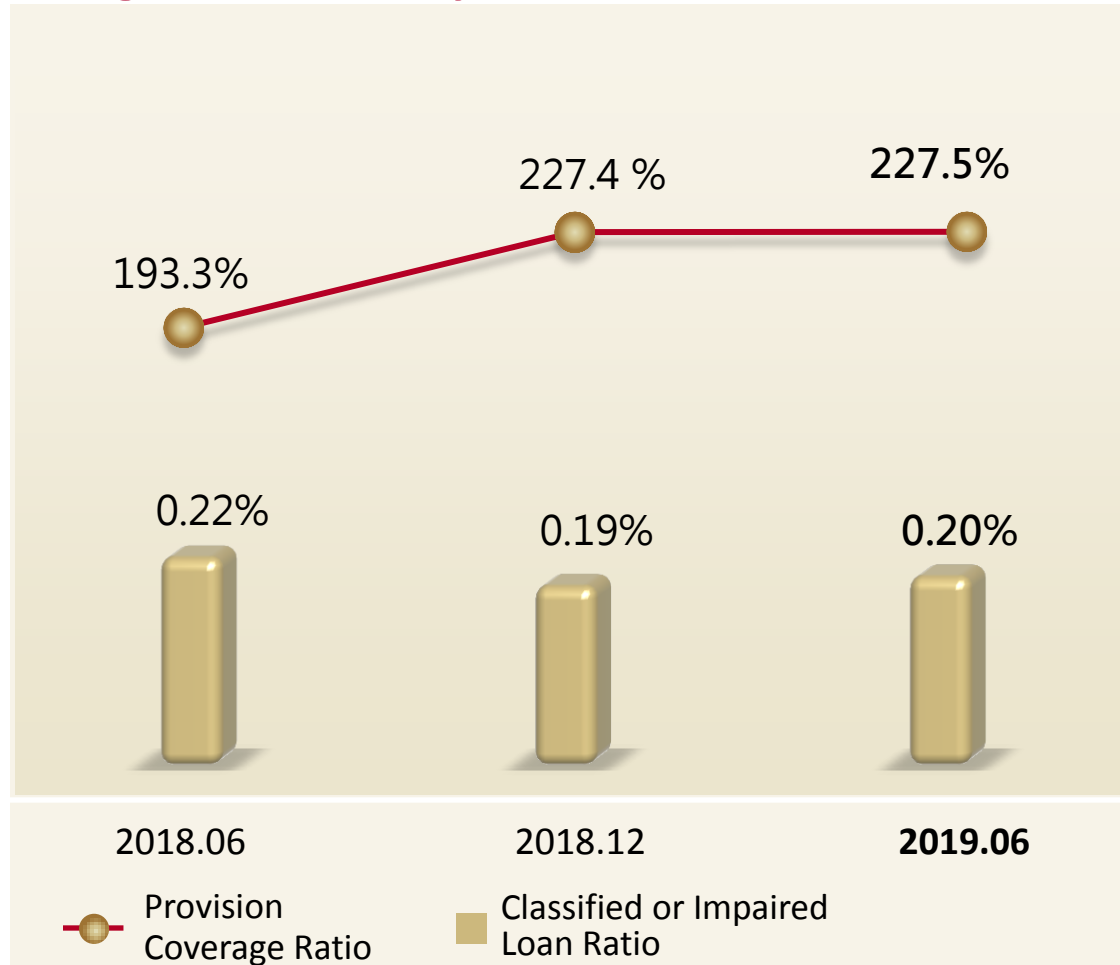


## Cost to Income Ratio at 25.8%

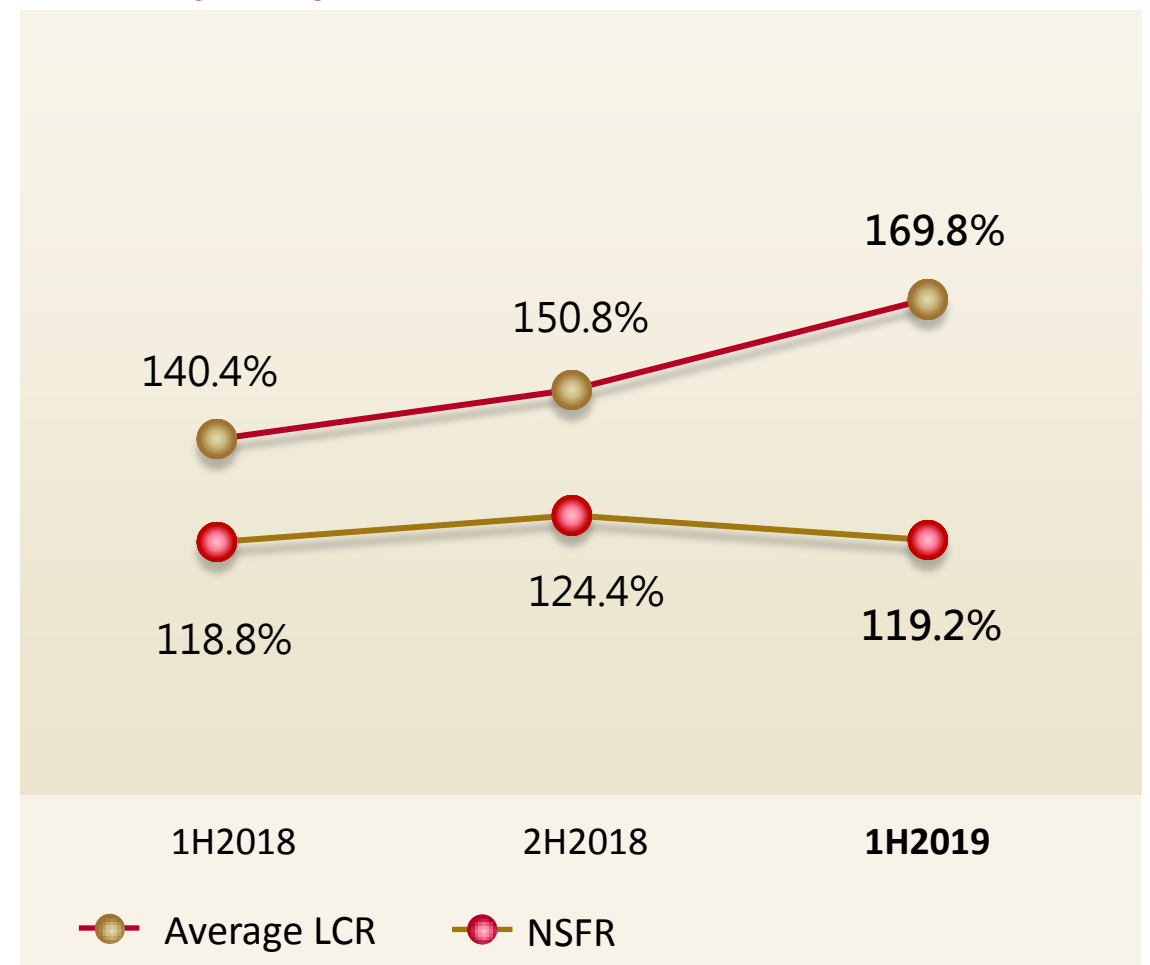


# Steady Performance of Risk Indicators

## Benign Asset Quality



## Solid Liquidity Position





# Outlook



## *Opportunities*

- Opportunities from B&R Initiative
- Development plan for the GBA
- New measures to boost local economy by HKSAR government

## *Challenges*

- Uncertainties in China-US trade friction
- Loosening monetary policy worldwide
- Downward pressure on HK economy

### *Maintain Solid Operations to Achieve Long Term Sustainable Development*

- Capture business opportunities in **Hong Kong, Greater Bay Area and Southeast Asia**
- Facilitate **fintech** innovation and enhance **digitalisation** progress
- Adopt refined **asset and liabilities management** and stringent **risk management and control**
- Foster **ESG development** for sustainable development

# Appendices

# Income Statement and Balance Sheet Summary

| <b>Income statement summary (HK\$m)</b>   | <b>1H2019</b>    | <b>1H2018</b>  | <b>Change</b> |
|---|------------------|----------------|---------------|
| Net interest income   | <b>19,903</b>    | 18,539         | 7.4%          |
| Net fee and commission income   | <b>6,046</b>     | 6,476          | -6.6%         |
| Other non-interest income   | <b>3,220</b>     | 2,599          | 23.9%         |
| Net operating income before impairment allowances   | <b>29,169</b>    | 27,614         | 5.6%          |
| Operating expenses  | <b>(7,528)</b>   | (7,012)        | 7.4%          |
| <b>PPOP</b>   | <b>21,641</b>    | 20,602         | 5.0%          |
| Net charge of impairment allowances   | <b>(793)</b>     | (344)          | 130.5%        |
| <b>Profit attributable to equity holders of the Company and other equity instrument holders</b> | <b>17,949</b>    | 17,561         | 2.2%          |
| <b>Balance sheet summary (HK\$m)</b>  | <b>2019.06</b>   | <b>2018.12</b> | <b>Change</b> |
| <b>Total assets</b>   | <b>2,988,440</b> | 2,956,004      | 1.1%          |
| Advances to customers   | <b>1,352,538</b> | 1,267,235      | 6.7%          |
| <b>Total liabilities</b>  | <b>2,691,573</b> | 2,670,631      | 0.8%          |
| Deposits from customers   | <b>2,018,236</b> | 1,897,995      | 6.3%          |
| <b>Capital and reserves attributable to equity holders</b>                                      | <b>296,867</b>   | 285,373        | 4.0%          |

## Average Balances and Average Interest Rates

|   | 1H2019                   |                     | 1H2018                   |                     |
|---|--------------------------|---------------------|--------------------------|---------------------|
|   | Average balance<br>HK\$m | Average yield<br>%  | Average balance<br>HK\$m | Average yield<br>%  |
| <b>Assets</b>   |                          |                     |                          |                     |
| Balances and placements with banks and other financial institutions | 353,996                  | 1.87%               | 456,406                  | 1.95%               |
| Debt securities investments and other debt instruments              | 869,063                  | 2.42%               | 754,110                  | 2.16%               |
| Advances to customers   | 1,279,546                | 3.10%               | 1,206,431                | 2.67%               |
| Other interest-earning assets                                       | 18,677                   | 2.80%               | 17,751                   | 1.66%               |
| <b>Total interest-earning assets</b>                                | <b>2,521,282</b>         | <b>2.69%</b>        | <b>2,434,698</b>         | <b>2.37%</b>        |
|   |                          |                     |                          |                     |
| <b>Liabilities</b>  | <b>Average balance</b>   | <b>Average rate</b> | <b>Average balance</b>   | <b>Average rate</b> |
|   | <b>HK\$m</b>             | <b>%</b>            | <b>HK\$m</b>             | <b>%</b>            |
| Deposits and balances from banks and other financial institutions   | 198,894                  | 1.22%               | 228,106                  | 1.05%               |
| Current, savings and time deposits                                  | 1,838,239                | 1.29%               | 1,726,102                | 0.90%               |
| Subordinated liabilities  | 13,160                   | 5.51%               | 20,458                   | 5.46%               |
| Other interest-bearing liabilities                                  | 41,671                   | 1.78%               | 60,946                   | 1.91%               |
| <b>Total interest-bearing liabilities</b>                           | <b>2,091,964</b>         | <b>1.32%</b>        | <b>2,035,612</b>         | <b>1.00%</b>        |
|   |                          |                     |                          |                     |
| Net interest margin   |                          | 1.59%               |                          | 1.54%               |
| <b>Net interest margin (adjusted)*</b>                              |                          | <b>1.69%</b>        |                          | <b>1.56%</b>        |

\* Included the funding income or cost of FX swap contracts

## Fee and Commission Income

| HK\$m   | 1H2019         | 1H2018  | Change |
|---|----------------|---------|--------|
| <b>Investment and Insurance</b>                   | <b>2,717</b>   | 3,122   | -13.0% |
| Securities brokerage                              | <b>1,093</b>   | 1,705   | -35.9% |
| Funds distribution                                | <b>464</b>     | 552     | -15.9% |
| Insurance   | <b>1,160</b>   | 865     | 34.1%  |
| <b>Traditional business - non-credit related</b>  | <b>3,780</b>   | 3,832   | -1.4%  |
| Credit card business                              | <b>1,635</b>   | 1,734   | -5.7%  |
| Bills commissions                                 | <b>352</b>     | 401     | -12.2% |
| Payment services                                  | <b>339</b>     | 326     | 4.0%   |
| Trust and custody services                        | <b>309</b>     | 313     | -1.3%  |
| Currency exchange                                 | <b>323</b>     | 268     | 20.5%  |
| Safe deposit box                                  | <b>144</b>     | 154     | -6.5%  |
| Others  | <b>678</b>     | 636     | 6.6%   |
| <b>Credit related business - loan commissions</b> | <b>1,623</b>   | 1,712   | -5.2%  |
| <b>Fees and commission income</b>                 | <b>8,120</b>   | 8,666   | -6.3%  |
| Fees and commission expense                       | <b>(2,074)</b> | (2,190) | -5.3%  |
| <b>Net fee and commission income</b>              | <b>6,046</b>   | 6,476   | -6.6%  |

# Operating Expenses

| HK\$m                           | 1H2019         | 1H2018         | Change        |
|---------------------------------|----------------|----------------|---------------|
| Staff costs                     | 4,264          | 4,061          | 5.0%          |
| Premises & equipment expenses   | 652            | 857            | -23.9%        |
| Depreciation                    | 1,402          | 998            | 40.5%         |
| Others                          | 1,210          | 1,096          | 10.4%         |
| <b>Total operating expenses</b> | <b>7,528</b>   | <b>7,012</b>   | <b>7.4%</b>   |
|                                 | <b>2019.06</b> | <b>2018.12</b> | <b>Change</b> |
| Full-time staff headcount       | 13,964         | 14,084         | -0.9%         |



## Customer Deposits

| HK\$m                                | 2019.06          | 2018.12          | Change      |
|--------------------------------------|------------------|------------------|-------------|
| Demand deposits and current accounts | 217,317          | 207,812          | 4.6%        |
| Saving deposits                      | 900,580          | 854,117          | 5.4%        |
| Time, call and notice deposits       | 900,326          | 833,867          | 8.0%        |
| Structured deposits                  | 13               | 2,199            | -99.4%      |
| <b>Total deposits from customers</b> | <b>2,018,236</b> | <b>1,897,995</b> | <b>6.3%</b> |
| CASA                                 | 1,117,897        | 1,061,929        | 5.3%        |

| HK\$m   | 2019.06          | 2018.12   | Change |
|---|------------------|-----------|--------|
| <b>Loans for use in Hong Kong - industrial, commercial and financial</b>  | <b>522,867</b>   | 492,712   | 6.1%   |
| Property development  | <b>134,293</b>   | 126,328   | 6.3%   |
| Property investment   | <b>50,528</b>    | 50,223    | 0.6%   |
| Financial concerns  | <b>26,710</b>    | 21,239    | 25.8%  |
| Stockbrokers  | <b>2,407</b>     | 1,171     | 105.6% |
| Wholesale and retail trade  | <b>41,497</b>    | 38,147    | 8.8%   |
| Manufacturing   | <b>48,743</b>    | 51,093    | -4.6%  |
| Transport and transport equipment   | <b>67,935</b>    | 66,256    | 2.5%   |
| Recreational activities   | <b>1,750</b>     | 1,675     | 4.5%   |
| Information technology  | <b>20,760</b>    | 18,006    | 15.3%  |
| Others  | <b>128,244</b>   | 118,574   | 8.2%   |
| <b>Loans for use in Hong Kong - individuals</b>   | <b>369,035</b>   | 349,008   | 5.7%   |
| Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme | <b>14,453</b>    | 11,150    | 29.6%  |
| Loans for purchase of other residential properties  | <b>255,698</b>   | 243,963   | 4.8%   |
| Credit card advances  | <b>14,362</b>    | 15,613    | -8.0%  |
| Others  | <b>84,522</b>    | 78,282    | 8.0%   |
| <b>Trade financing</b>  | <b>80,517</b>    | 65,437    | 23.0%  |
| <b>Loans for use outside HK</b>   | <b>380,119</b>   | 360,078   | 5.6%   |
| <b>Gross advances to customers</b>  | <b>1,352,538</b> | 1,267,235 | 6.7%   |

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

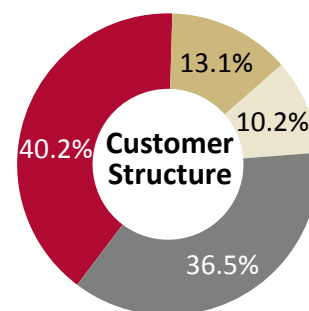
| HK\$m   | 2019.06          |              |              |                  | 2018.12          |              |              |                  |
|---|------------------|--------------|--------------|------------------|------------------|--------------|--------------|------------------|
|   | Stage 1          | Stage 2      | Stage 3      | Total            | Stage 1          | Stage 2      | Stage 3      | Total            |
| <b>Advances to customers</b>                              |                  |              |              |                  |                  |              |              |                  |
| Pass  | 1,340,752        | 3,921        | -            | 1,344,673        | 1,254,766        | 5,019        | -            | 1,259,785        |
| Special mention   | 2,629            | 2,584        | -            | 5,213            | 1,934            | 3,133        | -            | 5,067            |
| Substandard or below                                      | -                | -            | 2,652        | 2,652            | -                | -            | 2,383        | 2,383            |
|   | <b>1,343,381</b> | <b>6,505</b> | <b>2,652</b> | <b>1,352,538</b> | <b>1,256,700</b> | <b>8,152</b> | <b>2,383</b> | <b>1,267,235</b> |
| <b>Trade bills</b>  |                  |              |              |                  |                  |              |              |                  |
| Pass  | 20,530           | -            | -            | 20,530           | 17,357           | -            | -            | 17,357           |
| Special mention   | -                | -            | -            | -                | -                | -            | -            | -                |
| Substandard or below                                      | -                | -            | 4            | 4                | -                | -            | 4            | 4                |
|   | <b>20,530</b>    | <b>-</b>     | <b>4</b>     | <b>20,534</b>    | <b>17,357</b>    | <b>-</b>     | <b>4</b>     | <b>17,361</b>    |
| <b>Advances to banks and other financial institutions</b> |                  |              |              |                  |                  |              |              |                  |
| Pass  | 3,248            | -            | -            | 3,248            | 3,822            | -            | -            | 3,822            |
| Special mention   | -                | -            | -            | -                | -                | -            | -            | -                |
| Substandard or below                                      | -                | -            | -            | -                | -                | -            | -            | -                |
|   | <b>3,248</b>     | <b>-</b>     | <b>-</b>     | <b>3,248</b>     | <b>3,822</b>     | <b>-</b>     | <b>-</b>     | <b>3,822</b>     |
| <b>Gross advances and other accounts</b>                  | <b>1,367,159</b> | <b>6,505</b> | <b>2,656</b> | <b>1,376,320</b> | <b>1,277,879</b> | <b>8,152</b> | <b>2,387</b> | <b>1,288,418</b> |
| Impairment allowances                                     | (4,089)          | (313)        | (1,637)      | (6,039)          | (3,748)          | (546)        | (1,130)      | (5,424)          |
| <b>Advances and other accounts</b>                        | <b>1,363,070</b> | <b>6,192</b> | <b>1,019</b> | <b>1,370,281</b> | <b>1,274,131</b> | <b>7,606</b> | <b>1,257</b> | <b>1,282,994</b> |

# Non-bank Mainland Exposures

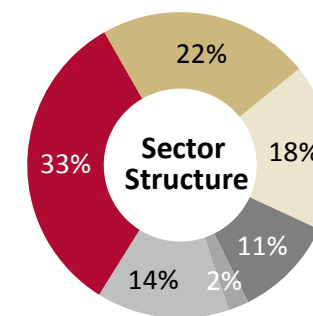
| HK\$m   | On-balance sheet exposure |                                  |                            |                | Off-balance sheet exposure | Total exposure |
|---|---------------------------|----------------------------------|----------------------------|----------------|----------------------------|----------------|
|   | Total loans and advances  | O/W: for use in Chinese Mainland | Debt securities and others | Subtotal       |                            |                |
| Central government, central government-owned entities and their subsidiaries and joint ventures                         | 262,187                   | 79,178                           | 62,125                     | 324,312        | 39,180                     | 363,492        |
| Local governments, local government-owned entities and their subsidiaries and joint ventures                            | 59,170                    | 25,843                           | 3,714                      | 62,884         | 16,654                     | 79,538         |
| PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures | 96,584                    | 20,162                           | 7,434                      | 104,018        | 22,220                     | 126,238        |
| Others  | 105,462                   | 72,059                           | 658                        | 106,120        | 11,598                     | 117,718        |
| <b>Total</b>  | <b>523,403</b>            | <b>197,241</b>                   | <b>73,931</b>              | <b>597,334</b> | <b>89,652</b>              | <b>686,986</b> |

➤ With reference to the completion instructions for the HKMA return of Mainland activities (note 45 of Notes to the Interim Financial Information of 2019 Interim Report), as of 30 June 2019, the total on-balance sheet non-bank Mainland exposure was HK\$597.3bn, up HK\$50.0bn or 9.1% YTD.

➤ Of which, total loans and advances was HK\$523.4bn, up HK\$36.2bn or 7.4% YTD. Asset quality was stable with NPL ratio of 0.14%. Loan for use in Mainland was HK\$197.2bn, accounting for 14.6% of total loans.



Analysis of the loans and advances for use in Chinese 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
- Wholesale and retail trade
- Others