

2020 Interim Results

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



31 August 2020

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



≡ Agenda ≡

- **Strategy Review**
- **Financial Performance**
- **Outlook**



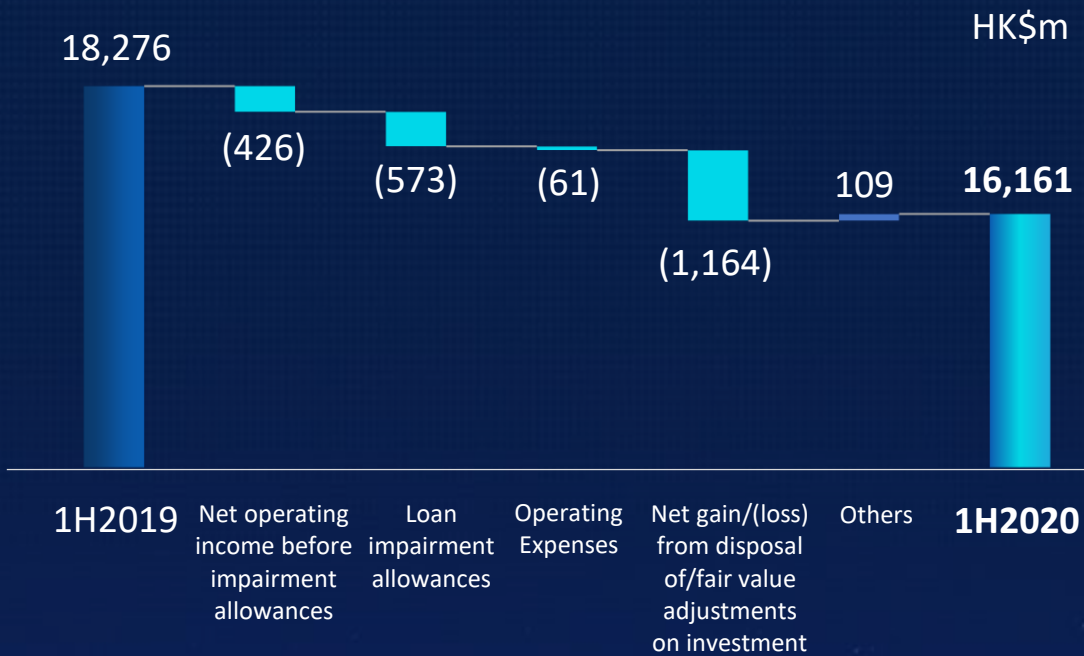
01

Strategy Review

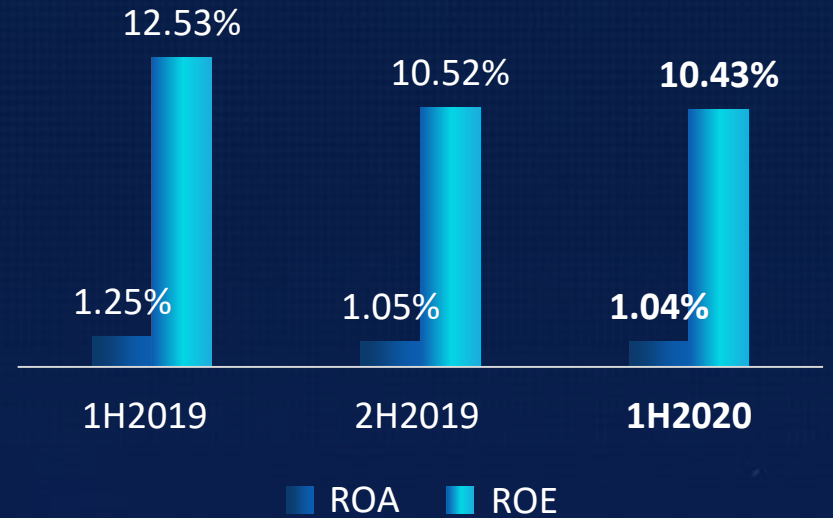


Financial Indicators Remained Stable through Active Responses to External Challenges

Profit after tax was HK\$16.2 bn



ROE was 10.43%



Enhancing Local Market Commitment by Constantly Strengthening our Service Capabilities



Personal Banking

- No. of mid-to-high end customers: **+15.5%**; private bank's AUM: **+4.6%**
- Maintained **top market position** in total number of new residential mortgage loans
- BOC Life became **3rd largest player** in 1Q in terms of standard new premium



Corporate Banking

- **Top** syndicated loans arranger in HK and Macao region & IPO receiving bank in HK
- Achieved **breakthroughs** in bond underwriting business
- Maintained **market leadership** in cash pooling business
- Assets under custody from institutional & corporate clients reached **record high**
- **Led global peers** in terms of number of Bond Connect customers



Financial Markets

- Offshore RMB clearing volume accounted for **70%** of global volume
- **Fast growth** in trading volume and enhanced online trading service capability
- AUM of BOCHK Asset Management Limited : **+15%**

Stable Development in Southeast Asian Network and Business

Pre-provisions
Net Operating Income

HK\$1.304bn

Customer Loans

HK\$53.4bn
+6.0%

Customer Deposits

HK\$60.4bn
+6.7%

Non-performing Loan Ratio

1.94%
Overall controllable

- Preliminary approval was granted to set up the Yangon Branch in Myanmar
- Jakarta Branch was approved to upgrade its status to “Commercial Bank Based on Business Activities 3”, becoming one of the mainstream foreign banks in Indonesia
- BOC Malaysia was reappointed as RMB clearing bank in Malaysia
- Phnom Penh Branch became the first overseas bank to be appointed as a quoting and trading bank for RMB to Cambodian Riel in the regional market



Facilitating Inter-connectivity in the GBA and Strengthening Featured Cross-border Services



No. of customers of
attestation services
> 100k



Cross-border
mortgage service
Launched



Cross-border
Wealth Management Connect
in Preparation



Loans to
technology startups
+9.1%

The Opinions on Financial Support for the Construction of the Greater Bay Area

Facilitating cross-border flows; Enhancing connectivity among financial markets; Promoting cross border usage of RMB;
Developing diversified and authentic financial services; Extending the breadth of cross border financial services

Accelerating Digital Transformation in a Customer-centric Philosophy

Payment-led Transformation

Won the bidding for numbers of e-payment and collection projects
BoC Bill: covering a wide range of industries closely related to people's daily lives
No. of BoC Pay customers: **+44%**

Focusing on Mobile Services

No. of mobile banking active users: **+23%**
No. of mobile banking transactions: **+66%**
iGTB: **Comprehensive corporate internet banking**

Smart Operations

95% of property valuations adopted by blockchain technology
Mobile account opening services in **10** overseas countries / regions
Exploring intelligent risk management, optimising i-Service

Virtual Bank

livi: **Launched on 12 August**

Coordinating Relief Efforts against Pandemic while Fulfilling our Social Responsibility



Supporting our Customers

- First to launch **Five Financial Support Initiatives**
- Full support to **Special 100% Loan Guarantee Scheme**, accounting for around **1/3** of market share
- Full support to **Pre-approved Principal Payment Holiday Scheme**

Giving Back to Society

- **HK\$15 million** in donations to help fight the pandemic in HK
- Contribution from our Southeast Asian entities to source and donate necessary supplies

Caring for Employees

- Ensuring adequate protective supplies, introducing employee-friendly measures such as split team and shift arrangements
- Among the first to announce **no layoffs** and **no pay freezes**

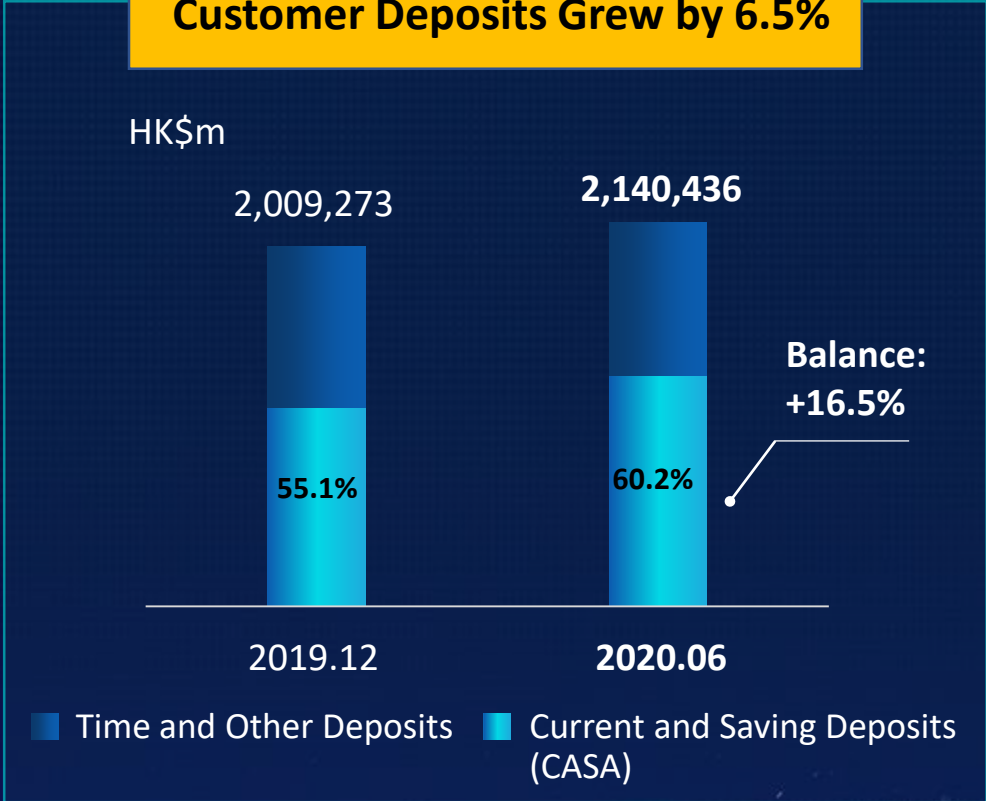
02

Financial Performance

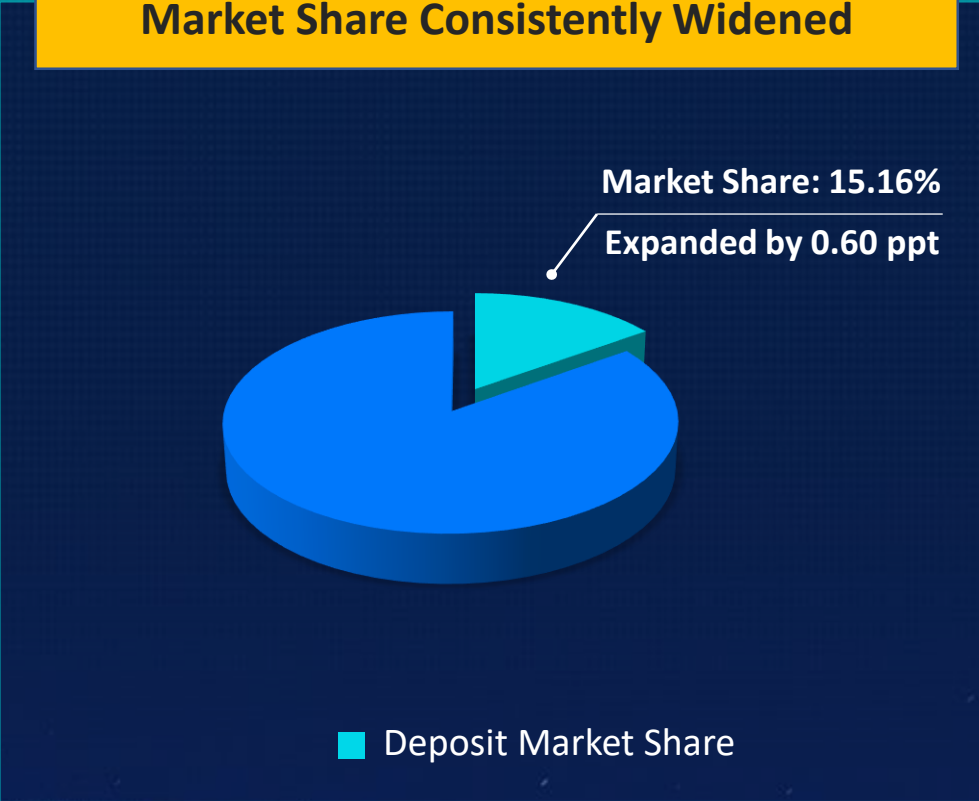


Improvement in Deposit Structure

Customer Deposits Grew by 6.5%

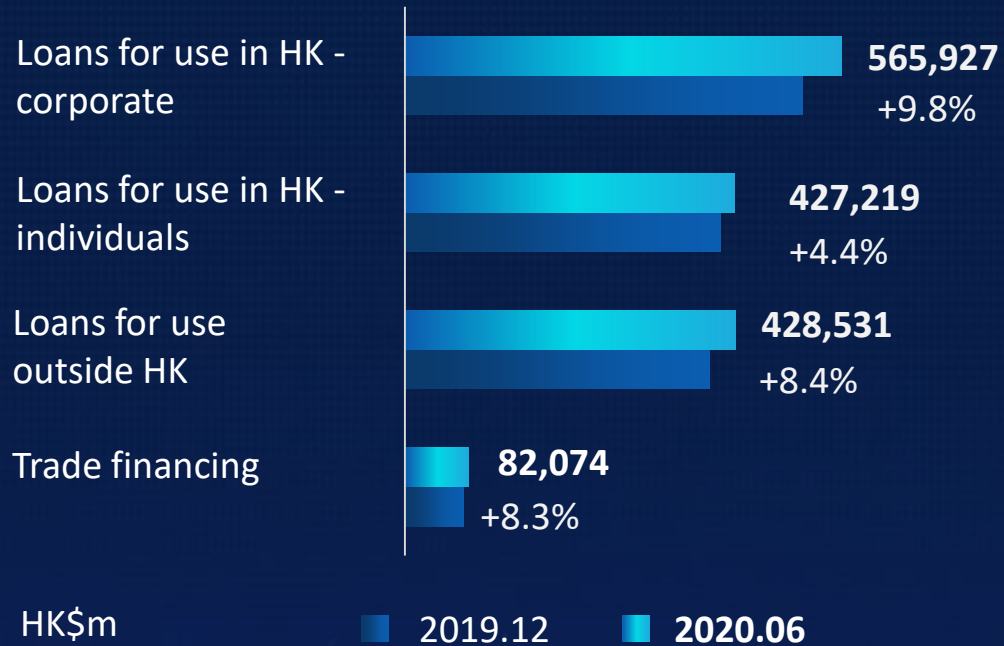


Market Share Consistently Widened

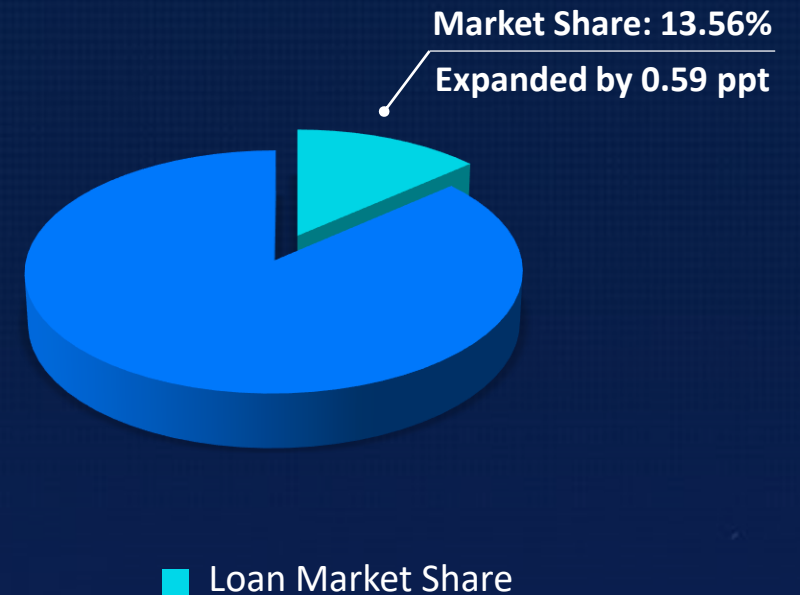


Solid Growth in Customer Loans

Customer Loans Grew by 7.7%

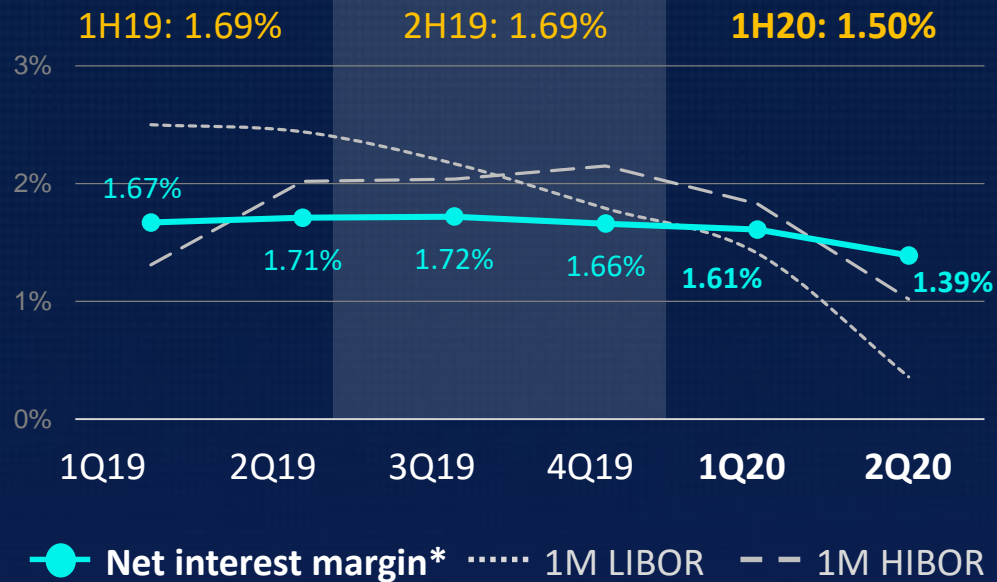


Market Share Constantly Increased

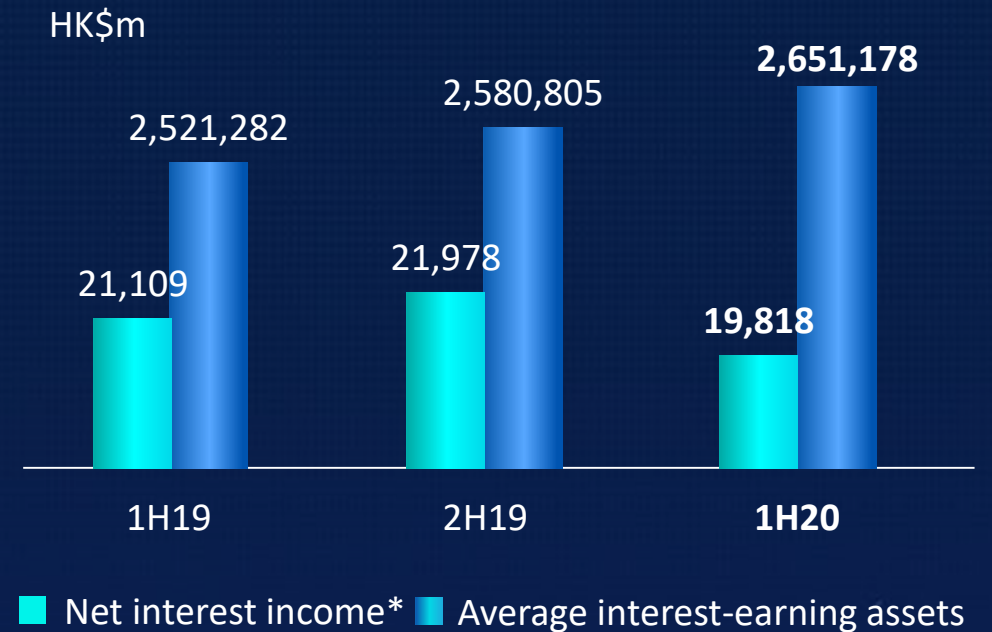


Net Interest Margin Declined along with Market Interest Rates

Net Interest Margin at 1.50%



Net Interest Income Decreased by 6.1%



*Including the funding income or cost of FX swap contracts

Market data source: Bloomberg

Net Fee Income Impacted by Market Environment

Net Fee & Commission Income down by 10% YoY

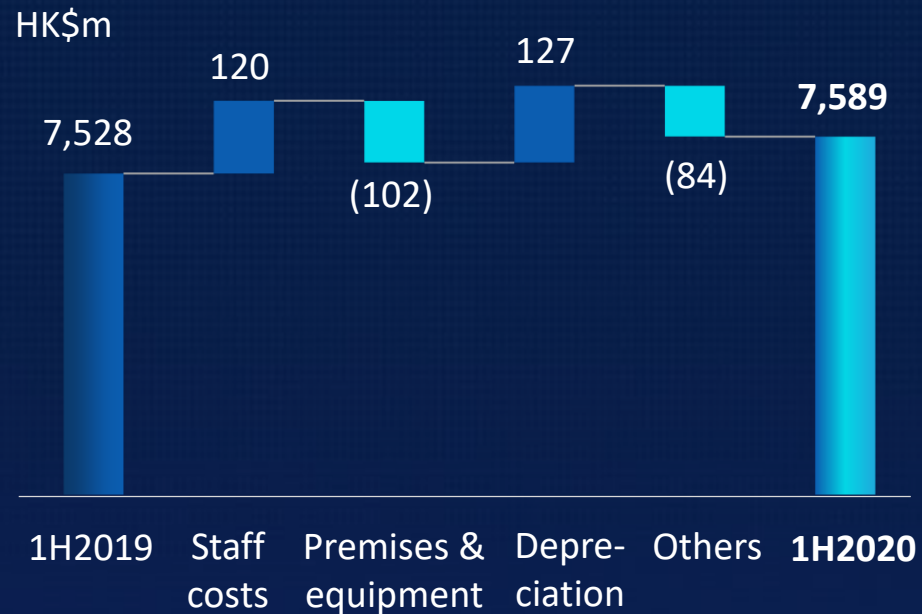
HK\$m

- Net Fee and Commission Income
- Credit related business - loan commissions
- Investment and Insurance
- Traditional business - non-credit related

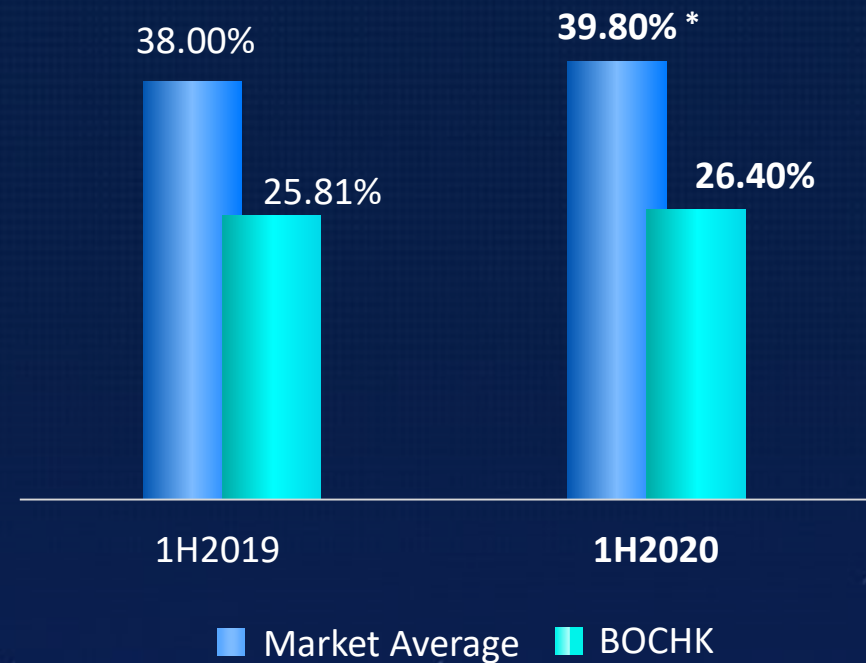


Cost Efficiency Outperformed the Market Average

Stable Operating Expenses



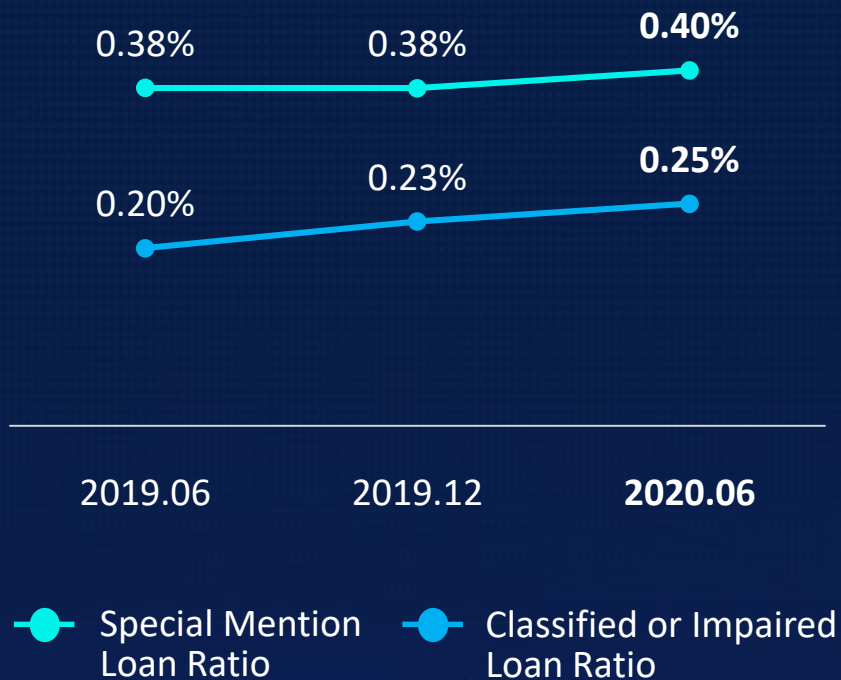
Cost to Income Ratio Better than Peers



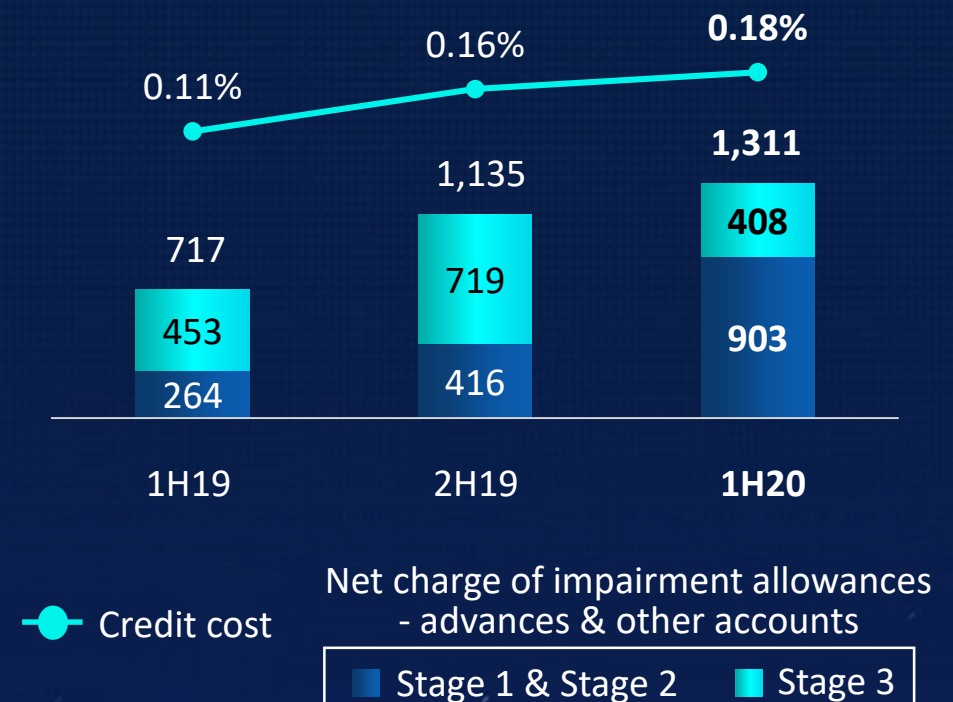
Market data source: HKMA
 *For first three months of 2020

Asset Quality Remained Stable

Solid Asset Quality

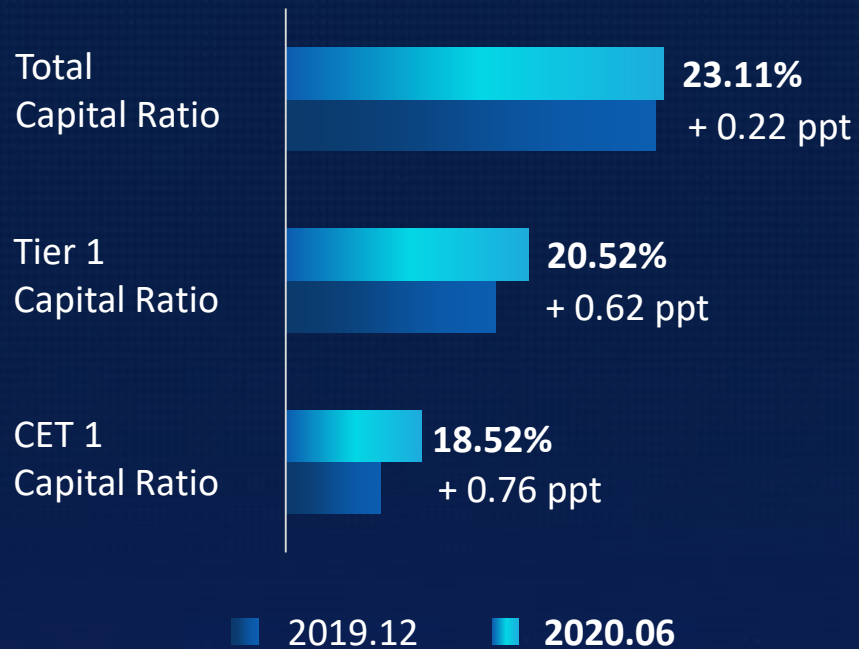


Sufficient Impairment Allowance

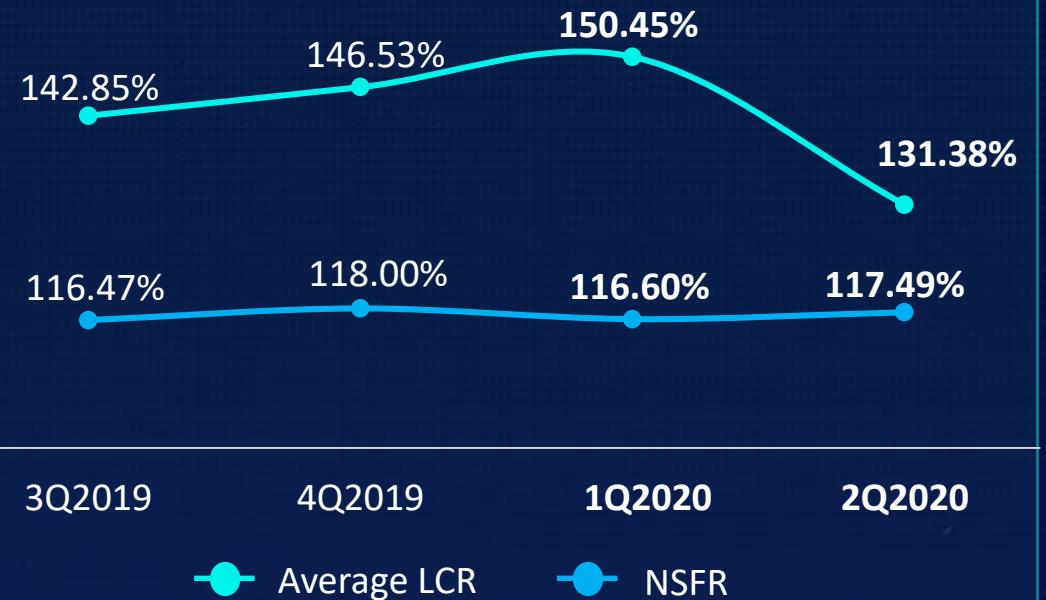


Solid Capital and Liquidity Positions

Steady Capital Ratios



Sufficient Liquidity



03

Outlook



Challenges

- Severe recession of worldwide economy
- Growing complexities in geopolitical landscape
- Sustained low interest rate environment globally

Opportunities

- Chinese mainland took lead in economy recovery, and solid long-term growth foundations
- Long term growth momentum for emerging markets in Asia Pacific remains strong
- New opportunities will arise from GBA development
- HK will play an important role as “Super Connector”

2020 Second Half Priorities

- Preventing the pandemic and strengthening risk management to realise stable business operation
- Supporting local commercial clients and key development projects to enhance commitment to the Hong Kong market
- Unleashing synergies in Southeast Asia and achieving broad business growth by leveraging our competitive advantages
- Seizing opportunities arising from the opening up of the financial sector in the GBA, to build an authentic brand for cross-border financial services
- Promoting digital transformation with a focus on the construction of payment scenarios
- Refining governance mechanisms to pursue green & sustainable growth



Appendices



Income Statement and Balance Sheet Summary

Income statement summary (HK\$m)	1H2020	1H2019	Change
Net interest income	18,636	19,903	-6.4%
Net fee and commission income	5,435	6,046	-10.1%
Other non-interest income	4,672	3,220	45.1%
Net operating income before impairment allowances	28,743	29,169	-1.5%
Operating expenses	(7,589)	(7,528)	0.8%
PPOP	21,154	21,641	-2.3%
Net charge of impairment allowances	(1,366)	(793)	72.3%
Operating profit	19,788	20,848	-5.1%
Profit for the year	16,161	18,276	-11.6%
Per share (HK\$)	1H2020	1H2019	Change
Basic earnings per share	1.4385	1.6319	-0.1934
Dividend per share	0.4470	0.5450	-0.0980
Balance sheet summary (HK\$m)	2020.06	2019.12	Change
Total assets	3,226,726	3,026,056	6.6%
Advances to customers	1,503,751	1,395,883	7.7%
Total liabilities	2,913,722	2,718,564	7.2%
Deposits from customers	2,140,436	2,009,273	6.5%
Capital and reserves attributable to equity holders	313,004	307,492	1.8%

Average Balances and Average Interest Rates

(HK\$m) / %	1H2020		1H2019	
	Average balance	Average yield	Average balance	Average yield
Assets				
Balances and placements with banks and other financial institutions	305,597	1.09%	334,982	1.82%
Debt securities investments and other debt instruments	839,362	2.04%	869,063	2.42%
Advances to customers	1,478,356	2.52%	1,298,560	3.09%
Other interest-earning assets	27,863	1.09%	18,677	2.80%
Total interest-earning assets	2,651,178	2.19%	2,521,282	2.69%
	1H2020		1H2019	
Liabilities	Average balance	Average rate	Average balance	Average rate
Deposits and balances from banks and other financial institutions	197,300	0.77%	198,894	1.22%
Current, savings and time deposits	1,964,093	0.94%	1,838,239	1.29%
Subordinated liabilities	2,920	5.50%	13,160	5.51%
Other interest-bearing liabilities	36,464	1.40%	41,671	1.78%
Total interest-bearing liabilities	2,200,777	0.94%	2,091,964	1.32%
Net interest margin	1H2020		1H2019	
Net interest margin		1.41%		1.59%
Net interest margin (adjusted)*		1.50%		1.69%

* Included the funding income or cost of FX swap contracts

Fee and Commission Income

HK\$m	1H2020	1H2019	Change
Securities brokerage	1,567	1,093	43.4%
Loan commissions	1,389	1,623	-14.4%
Credit card business	924	1,635	-43.5%
Insurance	713	1,160	-38.5%
Funds distribution	442	464	-4.7%
Payment services	358	339	5.6%
Trust and custody services	322	309	4.2%
Bills commissions	278	352	-21.0%
Currency exchange	157	323	-51.4%
Safe deposit box	153	144	6.3%
Others	495	678	-27.0%
Fees and commission income	6,798	8,120	-16.3%
Fees and commission expense	(1,363)	(2,074)	-34.3%
Net fee and commission income	5,435	6,046	-10.1%

Operating Expenses

HK\$m	1H2020	1H2019	Change
Staff costs	4,384	4,264	2.8%
Premises & equipment expenses	550	652	-15.6%
Depreciation	1,529	1,402	9.1%
Others	1,126	1,210	-6.9%
Total operating expenses	7,589	7,528	0.8%
Full-time staff headcount	14,867	13,964	6.5%

Customer Deposits

HK\$m	2020.06	2019.12	Change
Demand deposits and current accounts	293,328	207,013	41.7%
Saving deposits	996,215	900,009	10.7%
Time, call and notice deposits	850,893	902,251	-5.7%
Total deposits from customers	2,140,436	2,009,273	6.5%
CASA	1,289,543	1,107,022	16.5%

Advances to Customers

HK\$m	2020.06	2019.12	Change
Loans for use in Hong Kong - industrial, commercial and financial	565,927	515,548	9.8%
Property development	139,340	137,663	1.2%
Property investment	64,716	49,073	31.9%
Financial concerns	27,217	28,353	-4.0%
Stockbrokers	6,147	815	654.2%
Wholesale and retail trade	36,031	39,880	-9.7%
Manufacturing	60,077	42,719	40.6%
Transport and transport equipment	75,570	66,511	13.6%
Recreational activities	205	2,161	-90.5%
Information technology	24,321	22,464	8.3%
Others	132,303	125,909	5.1%
Loans for use in Hong Kong - individuals	427,219	409,186	4.4%
Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	21,239	19,855	7.0%
Loans for purchase of other residential properties	288,778	277,288	4.1%
Credit card advances	12,340	14,663	-15.8%
Others	104,862	97,380	7.7%
Trade financing	82,074	75,764	8.3%
Loans for use outside HK	428,531	395,385	8.4%
Gross advances to customers	1,503,751	1,395,883	7.7%

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

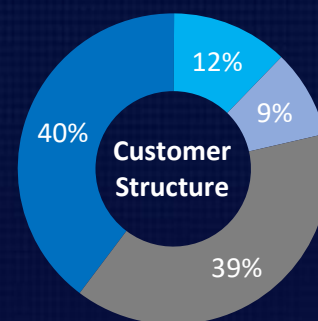
HK\$m	2020.06				2019.12			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Advances to customers	1,494,491	5,443	3,817	1,503,751	1,388,453	4,213	3,217	1,395,883
Pass	1,491,529	2,322	-	1,493,851	1,385,770	1,592	-	1,387,362
Special mention	2,962	3,121	-	6,083	2,683	2,621	-	5,304
Substandard or below	-	-	3,817	3,817	-	-	3,217	3,217
Trade bills	13,267	-	-	13,267	20,727	-	-	20,727
Pass	13,265	-	-	13,265	20,727	-	-	20,727
Special mention	2	-	-	2	-	-	-	-
Substandard or below	-	-	-	-	-	-	-	-
Advances to banks and other financial institutions	1,403	-	-	1,403	3,387	-	-	3,387
Pass	1,403	-	-	1,403	3,387	-	-	3,387
Special mention	-	-	-	-	-	-	-	-
Substandard or below	-	-	-	-	-	-	-	-
Gross advances and other accounts	1,509,161	5,443	3,817	1,518,421	1,412,567	4,213	3,217	1,419,997
Impairment allowances	(5,392)	(325)	(2,341)	(8,058)	(4,564)	(297)	(2,175)	(7,036)
Advances and other accounts	1,503,769	5,118	1,476	1,510,363	1,408,003	3,916	1,042	1,412,961

Non-bank Mainland Exposures

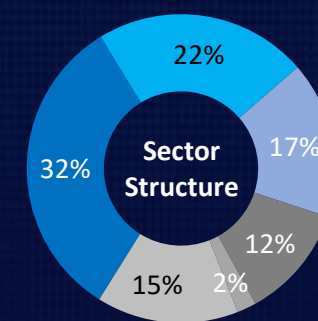
HK\$m	On-balance sheet exposure			Subtotal	Off-balance sheet exposure	Total exposure
	Total loans and advances	O/W: for use in Chinese Mainland	Debt securities and others			
Central government, central government-owned entities and their subsidiaries and joint ventures	282,891	87,669	69,027	351,918	34,077	385,995
Local governments, local government-owned entities and their subsidiaries and joint ventures	64,537	26,727	1,548	66,085	10,225	76,310
PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	100,139	20,188	9,419	109,558	22,585	132,143
Others	122,478	85,608	1,125	123,603	12,717	136,320
Total	570,045	220,192	81,119	651,164	79,604	730,768

With reference to the completion instructions for the HKMA return of Mainland activities (note 45 of Notes to the Interim Financial Information of 2020 Interim Report), as of 30 June 2020, the total on-balance sheet non-bank Mainland exposure was HK\$651.2bn, up 9.7% YTD, accounting for 20.2% of total assets.

Of which, total loans and advances was HK\$570.0bn, up HK\$48.6bn or 9.3% YTD. Asset quality was stable with NPL ratio of 0.19%. Loan for use in Mainland was HK\$220.2bn, accounting for 14.6% of total loans of the Group.



Analysis of the loans and advances for use in 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

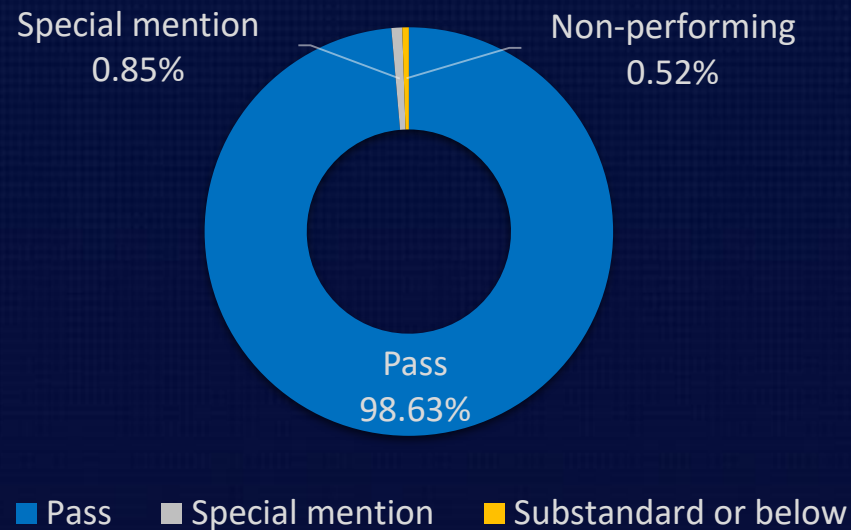
Customer Loans in Vulnerable Sectors

As of 30 June, 2020, customer loans in industries which are more affected by the impact of COVID-19 (including Trading, Retail, Aviation, Tourism (including hospitalism), Catering, Entertainment) amounted to HK\$160.6 billion, accounting for 10.68% of total loans, 98.63% of which are PASS loans.

Customer Structure: 91.4% were to large corporate customers; 8.6% were to small and medium corporate customers.

Asset Quality: Special mentioned loans totaled HK\$ 1,365 million, accounting for 0.85%; non-performing loans were HK\$ 836 million, accounting for 0.52%.

Loan Classification



Customer Distribution

