

A white wireframe graphic of a tall, modern skyscraper, resembling the Bank of China Tower, is positioned on the left side of the slide. The background is a vibrant red with a subtle pattern of light streaks and a curved gradient at the top.

# 2014 Interim Results

2014.08.19



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

## ▶ **Forward-Looking Statement Disclaimer**

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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.

## ▶ **Management Team**

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<b>Mr Gary He</b>	<b>Vice Chairman &amp; Chief Executive</b>
<b>Mr Gao Yingxin</b>	<b>Executive Director &amp; Deputy Chief Executive</b>
<b>Mr Zhuo Chengwen</b>	<b>Chief Financial Officer</b>
<b>Mr Jason Yeung</b>	<b>Deputy Chief Executive</b>
<b>Mr Huang Hong</b>	<b>Deputy Chief Executive</b>

# ▶ Agenda

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- **Key Performance Highlights**
- **Financial Results**
- **Outlook and Strategy**

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# Key Performance Highlights

## ► Operating Environment

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- External economic environment witnessed mixed growth trajectory
- Local economic growth faced headwinds amid weak external demand and slower private consumption
- Banks faced challenges from keen competition and subdued property market
- RMB internationalisation continued to fuel healthy growth in cross-border activities

## ▶ Performance Overview

**Solid performance driven by core businesses**

- Sustainable growth with improved core income
- Proactive capital, liquidity and risk management to support long-term development
- Reinforced market leadership in RMB business capitalising on enhanced service platforms
- Deepened collaboration with BOC to provide comprehensive customer solutions

## ▶ Key Financial Highlights

HK\$m	1H2014	1H2013	% YoY
Net operating income before impairment allowances	21,649	19,791	9.4
Operating profit before impairment allowances	15,433	14,099	9.5
Profit attributable to the equity holders	12,083	11,252	7.4
EPS (HK\$)	1.143	1.064	7.4
DPS (HK\$)	0.545	0.545	---
ROE	14.75%	14.87%	(0.12pp)
ROA	1.20%	1.27%	(0.07pp)

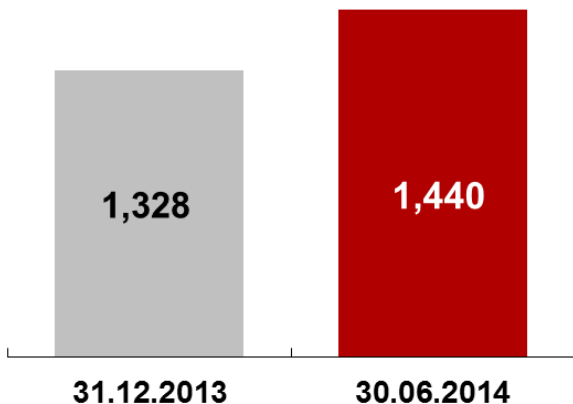
- Solid income growth mainly driven by net interest income
- Net operating income, PPOP and attributable profit achieved new interim highs



# Strong Financial Position

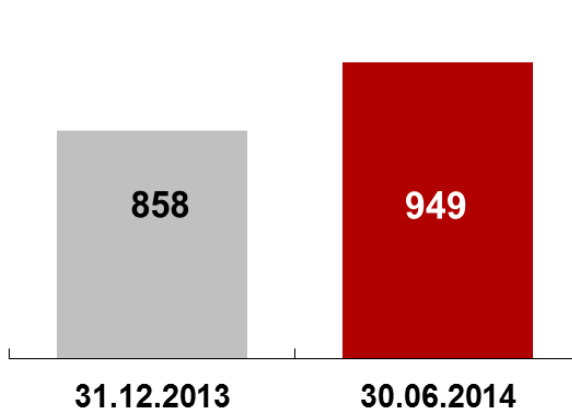
## Strong Deposit Base

HK\$ bn +8.5% YTD



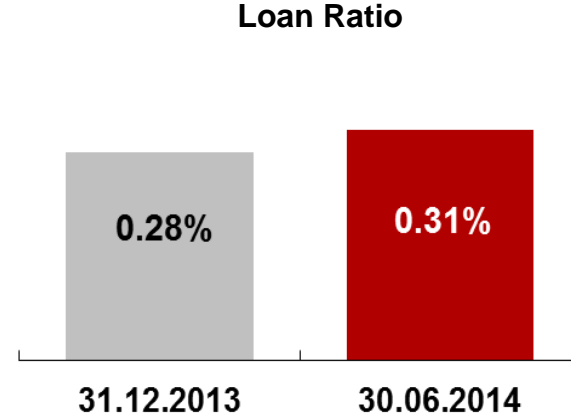
## Sound Loan Growth

HK\$ bn + 10.5% YTD



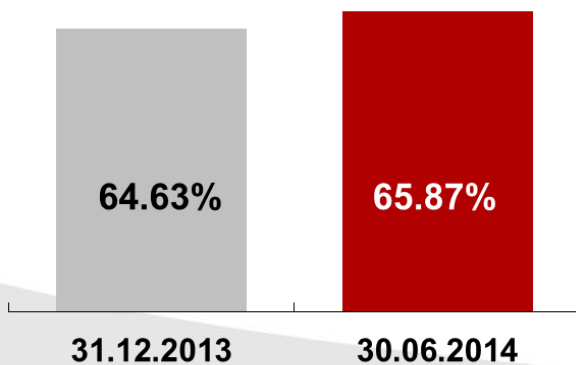
## Benign Loan Quality

Classified or Impaired Loan Ratio



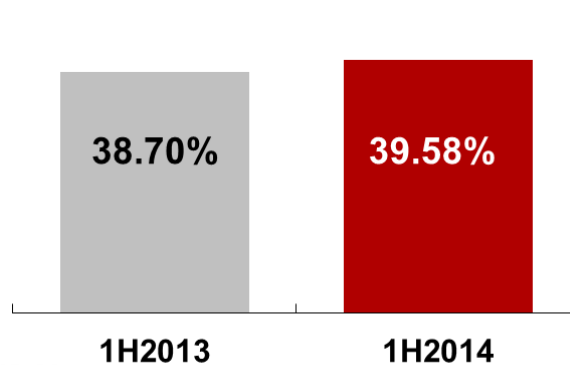
## Healthy LDR

Loan-to-deposit Ratio



## Stable Liquidity

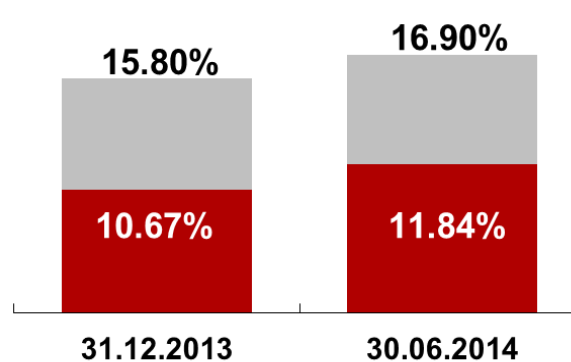
Average Liquidity Ratio



## Enhanced Capital Position

Total Capital Ratio

■ Tier 1



A white wireframe structure of a skyscraper, resembling the Bank of China Tower, is positioned on the left side of the page. The background is a vibrant red-to-orange gradient with dynamic, glowing light streaks that create a sense of movement and energy.

# Financial Results

# Condensed Income Statement

Sustainable growth in core income and profits

HK\$ m	1H2014	1H2013	% YoY	2H2013	% HoH
Net interest income	15,656	13,331	17.4	14,585	7.3
Net fee and commission income	4,815	4,681	2.9	4,284	12.4
Other operating income	1,178	1,779	(33.8)	1,653	(28.7)
Net operating income before impairment allowances	21,649	19,791	9.4	20,522	5.5
Net charge of impairment allowances	(379)	(371)	2.2	(366)	3.6
Net operating income	21,270	19,420	9.5	20,156	5.5
Operating expenses	(6,216)	(5,692)	9.2	(6,391)	(2.7)
Operating profit	15,054	13,728	9.7	13,765	9.4
Non-operating items	125	220	(43.2)	80	56.3
Profit attributable to the equity holders	12,083	11,252	7.4	11,000	9.8

## ▶ Net Interest Income

**Strong net interest income growth on higher AIEA and NIM expansion**

HK\$ m	1H2014	1H2013	% YoY	2H2013	% HoH
Interest income	23,304	18,459	26.2	20,920	11.4
Interest expense	7,648	5,128	49.1	6,335	20.7
<b>Net interest income</b>	<b>15,656</b>	<b>13,331</b>	<b>17.4</b>	<b>14,585</b>	<b>7.3</b>
<b>Average interest earning assets (AIEA)</b>	<b>1,814,625</b>	<b>1,607,052</b>	<b>12.9</b>	<b>1,706,560</b>	<b>6.3</b>
<b>Net interest margin (NIM)</b>	<b>1.74%</b>	<b>1.67%</b>	<b>7bps</b>	<b>1.70%</b>	<b>4bps</b>

## ► Non-interest Income

Moderate growth in net fee and commission income  
Other operating income decreased due to lower net trading gain  
and insurance segment

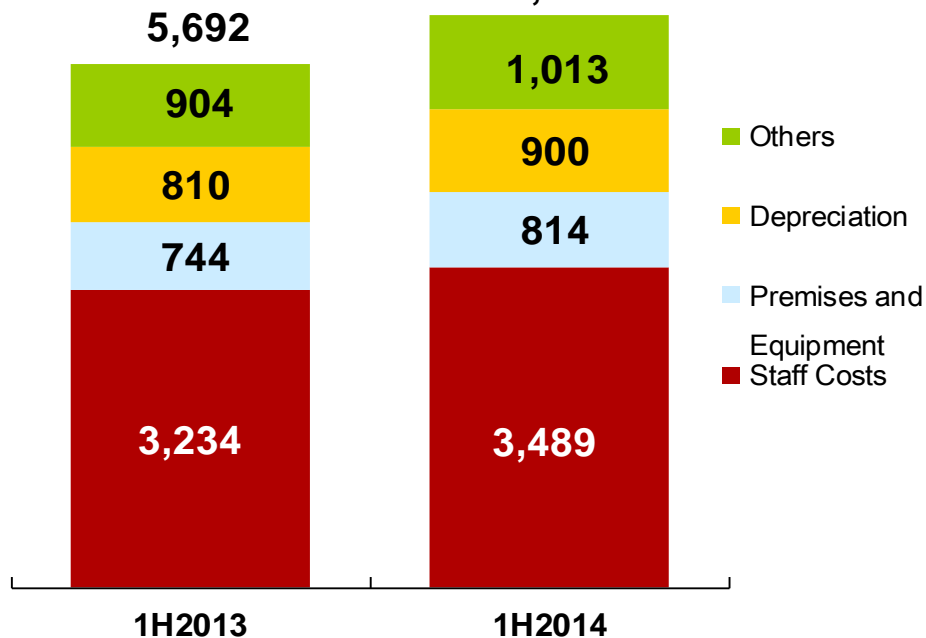
HK\$ m	1H2014	1H2013	% YoY	2H2013	% HoH
<b>Fee and commission income</b>					
Credit card business	1,792	1,734	3.3	1,782	0.6
Securities brokerage	1,180	1,224	(3.6)	1,208	(2.3)
Loan commissions	1,134	1,078	5.2	822	38.0
Insurance	677	708	(4.4)	577	17.3
Funds distribution	513	441	16.3	380	35.0
Bills commissions	413	387	6.7	432	(4.4)
Payment services	300	322	(6.8)	343	(12.5)
Trust and custody services	206	181	13.8	206	---
Currency exchange	105	88	19.3	109	(3.7)
Others	395	346	14.2	348	13.5
<b>Net fee and commission income</b>	<b>4,815</b>	<b>4,681</b>	<b>2.9</b>	<b>4,284</b>	<b>12.4</b>
<b>Net trading gain</b>	<b>1,329</b>	<b>1,441</b>	<b>(7.8)</b>	<b>1,516</b>	<b>(12.3)</b>
<b>Net gain/(loss) on financial instruments designated at FVTPL</b>	<b>18</b>	<b>(520)</b>	<b>---</b>	<b>361</b>	<b>(95.0)</b>
<b>Others</b>	<b>(169)</b>	<b>858</b>	<b>---</b>	<b>(224)</b>	<b>(24.6)</b>
<b>Other operating income</b>	<b>1,178</b>	<b>1,779</b>	<b>(33.8)</b>	<b>1,653</b>	<b>(28.7)</b>
<b>Total</b>	<b>5,993</b>	<b>6,460</b>	<b>(7.2)</b>	<b>5,937</b>	<b>0.9</b>

# Operating Expenses

Continuous investment in service capabilities and new business platforms while ensuring cost efficiency

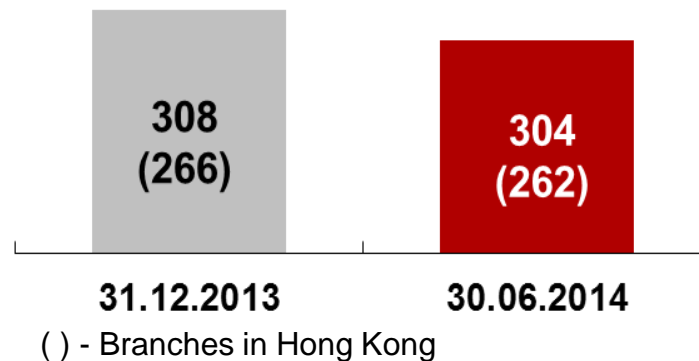
## Operating Expenses

HK\$ m +9.2% YoY 6,216

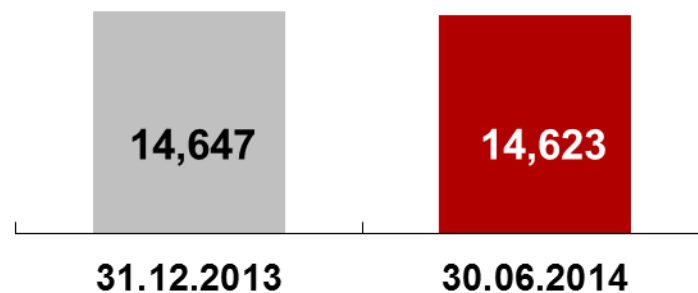


28.76% 28.71%  
Cost-to-income ratio

## Number of Branches



## Staff Number



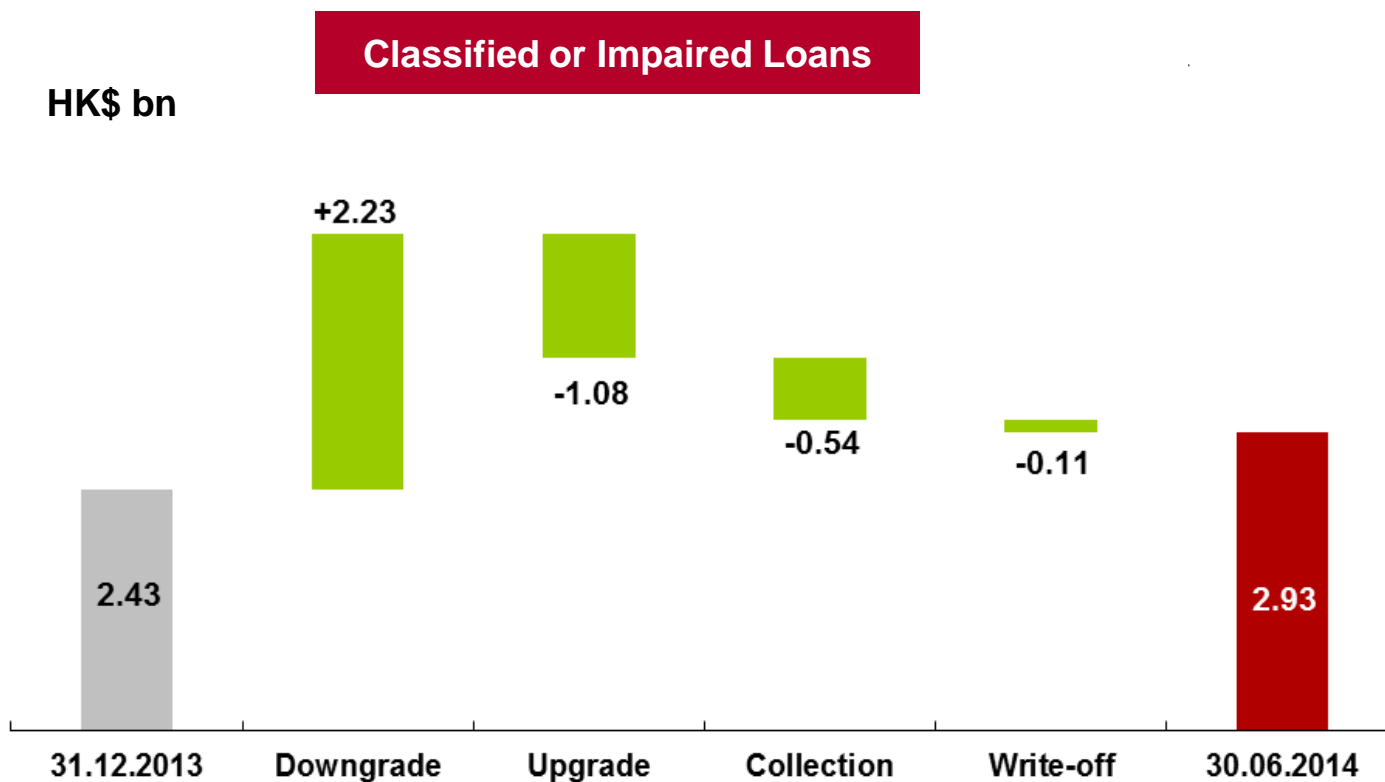
# ▶ Net Charge of Impairment Allowances

Net charge of impairment allowances increased mildly

HK\$ m	1H2014	1H2013	% YoY	2H2013	% HoH
<u>Advances to customers</u>					
Net charge of allowances before recoveries					
- individual assessment	(152)	(82)	85.4	(231)	(34.2)
- collective assessment	(326)	(476)	(31.5)	(229)	42.4
Recoveries	101	190	(46.8)	98	3.1
Net charge of loan impairment allowances	(377)	(368)	2.4	(362)	4.1
<u>Securities Investments</u>					
Net reversal of impairment on securities investments	2	1	100.0	4	(50.0)
Others	(4)	(4)	---	(8)	(50.0)
Total charge to income statement	(379)	(371)	2.2	(366)	3.6

## ▶ Loan Quality

Quality of overall loan portfolio remained sound  
Classified or impaired loan ratio stayed at a low level of 0.31%





## Condensed Balance Sheet

Optimised asset mix to drive growth and profitability

HK\$ m	30.06.2014	31.12.2013	% Change
Cash and balances with banks and other financial institutions	340,517	353,741	(3.7)
Placements with banks and other financial institutions	33,496	46,694	(28.3)
Securities investments	466,236	484,213	(3.7)
Advances and other accounts	1,013,705	924,943	9.6
<b>Total assets</b>	<b>2,085,236</b>	<b>2,046,936</b>	<b>1.9</b>
Inter-bank deposits taken	184,885	278,273	(33.6)
Deposits from customers*	1,440,376	1,327,980	8.5
Subordinated liabilities	19,768	19,849	(0.4)
<b>Total liabilities</b>	<b>1,911,858</b>	<b>1,883,928</b>	<b>1.5</b>
<b>Total equity</b>	<b>173,378</b>	<b>163,008</b>	<b>6.4</b>

\* Including structured deposits

## ▶ Customer Deposits

Effective deposit strategy to support lending business

HK\$ m	30.06.2014	31.12.2013	% Change
Demand deposits and current accounts	103,033	104,784	(1.7)
Saving deposits	621,513	636,137	(2.3)
Time, call and notice deposits	711,816	583,227	22.0
Structured deposits	4,014	3,832	4.7
<b>Total deposits from customers</b>	<b>1,440,376</b>	<b>1,327,980</b>	<b>8.5</b>

## ▶ Advances to Customers

### Quality loan growth with stringent risk control

HK\$ m	30.06.2014	31.12.2013	% Change
Loans for use in HK - corporate	310,341	267,632	16.0
Loans for use in HK - individual	252,077	240,339	4.9
Residential mortgages*	193,775	190,031	2.0
Credit card advances	11,845	12,223	(3.1)
Trade finance	92,749	85,413	8.6
Loans for use outside HK	293,537	264,948	10.8
<b>Total advances to customers</b>	<b>948,704</b>	<b>858,332</b>	<b>10.5</b>
<b>Loan-to-deposit ratio</b>	<b>65.87%</b>	<b>64.63%</b>	

\*Loans for purchase of residential properties other than flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme

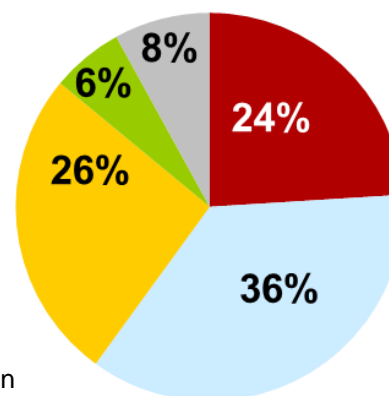
# Securities Investments

Optimised portfolio mix to maximise return  
while staying attuned to risk

HK\$ m	30.06.2014	31.12.2013	% Change
Sovereign	87,475	73,344	19.3
Public Sector	43,146	46,601	(7.4)
Corporate entities	92,350	93,118	(0.8)
Banks and other FIs	243,265	271,150	(10.3)
<b>Total</b>	<b>466,236</b>	<b>484,213</b>	<b>(3.7)</b>

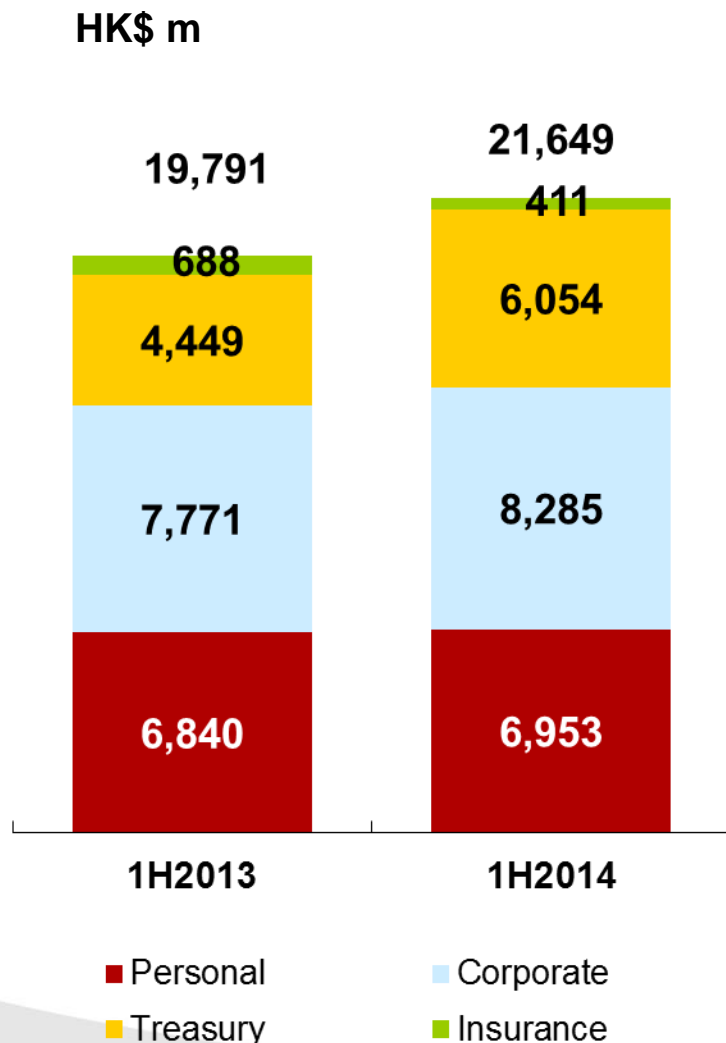
## Credit rating distribution

- Aaa
- Aa1 to Aa3
- A1 to A3
- Lower than A3
- Unrated



Note: Including issuer rating distribution for issues with no issue rating

# ▶ Operating Income by Segments



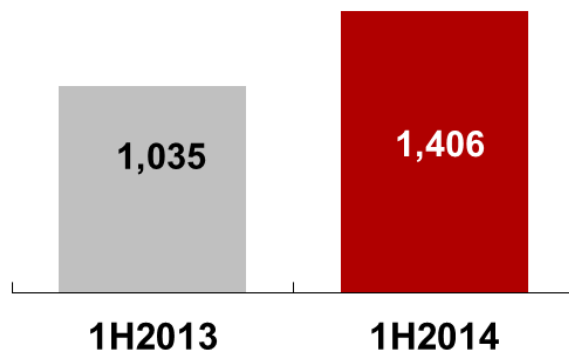
- **Personal:** Residential mortgages maintained market leadership. Encouraging growth in funds distribution
- **Corporate:** Quality loan growth with further enhancement in service capabilities
- **Treasury:** Proactive investment strategy and good growth in RMB FX-related businesses
- **Insurance:** Continuous product enhancement and maintained leadership in the RMB insurance market

# Mainland Business

Satisfactory growth amid a challenging operating environment

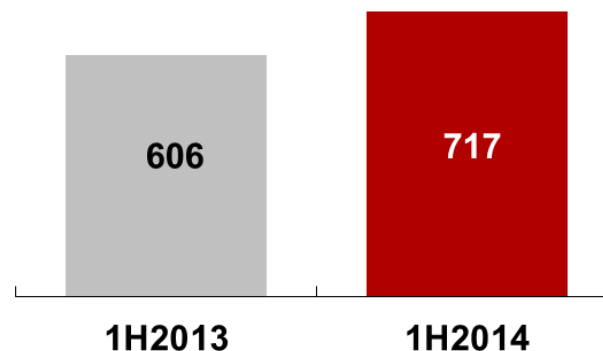
## Operating Income

HK\$ m + 35.8% YoY



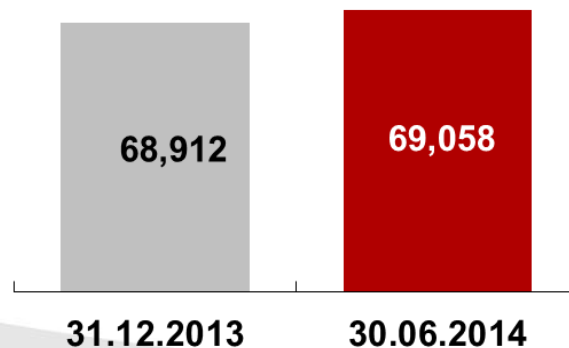
## Operating Expenses

HK\$ m + 18.3% YoY



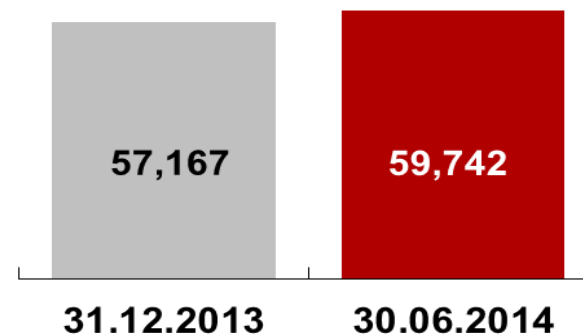
## Deposits from Customers

HK\$ m + 0.2% YTD



## Gross Advances to Customers

HK\$ m + 4.5% YTD



0.61%

1.58%

Classified or Impaired Loan Ratio

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# Outlook and Strategy

## ▶ Outlook and Strategy

Enhanced competitiveness to capture business opportunities

- Stay vigilant as uncertainties still exist amid the challenging operating environment
- Comprehensive collaboration with BOC to further strengthen synergies within the BOC Group
- Maintain strong financial position and rigorous risk management
- Continue to explore new business areas and expand new business platforms for quality growth



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