

30 August 2017

**BOC Hong Kong (Holdings) 2017 interim results reach a new high
Profit attributable to the equity holders from continuing operations increases by 24.5%**

BOC Hong Kong (Holdings) Limited (“the Company”, stock code “2388”; ADR OTC Symbol: “BHKLY”) today announced its 2017 interim results. The Company and its subsidiaries (“the Group”) made solid progress in major strategic initiatives and delivered satisfactory operating results by proactively capturing business opportunities, introducing innovations and transformations, and promoting regional and sustainable development.

Record high earnings with solid financial position

In the first half of 2017, profit attributable to the equity holders of the Group amounted to HK\$17,216 million. Profit attributable to the equity holders from continuing operations increased by 24.5% year-on-year to HK\$14,627 million, achieving a new high since the Company’s listing. To mark the centenary of Bank of China’s service to Hong Kong and the successful disposal of the shares of Chiyu Banking Corporation Limited, the Board has declared a special dividend of HK\$1 billion. Together with the normal interim dividend of HK\$0.545 per share, a total interim dividend of HK\$0.640 per share will be paid out.

As of the end of June 2017, the Group’s total assets amounted to HK\$2,639,964 million, up 13.0% compared with the end of last year. Return on average total assets (continuing operations) and return on average shareholders’ equity (continuing operations) were 1.24% and 14.13%, up 0.12 percentage points and 2.35 percentage points year-on-year respectively. The average value of liquidity coverage ratio in the first and second quarter of 2017 were 121.41% and 123.88% respectively, above the regulatory requirement.

We carefully managed our assets and liabilities and captured opportunities arising from the increase in market interest rates. Growth was recorded in the average balances of higher-yielding assets, such as advances to customers, debt securities investments as well as balances and placements with banks. Net interest margin was 1.62%, up 34 basis points year-on-year, leading to the increase of net interest income by 41.0% to HK\$16,879 million. Net fee and commission income amounted to HK\$5,662 million, up 0.8% year-on-year, or up 14.2% from the second half of last year. The Group remained focused on disciplined cost control while continuing to invest in its new businesses to enhance long-term competitiveness. Total operating expenses increased by 5.2%. The cost to income ratio was at 26.17%, which represents higher cost efficiency compared to industry peers.

The growth in our advances to customers and deposits from customers both outperformed the market. As of the end of June, our advances to customers amounted to HK\$1.10 trillion, up 12.9% from the end of last year, outpacing the market growth of 10.2%. Total deposits from customers reached HK\$1.65 trillion, up 9.3% from the end of last year, also outpacing the market growth of 5.6%.

The Group maintained solid capital position while driving strong business growth. The Common Equity Tier 1 capital ratio rose to 17.66%, and the total capital ratio reached 21.76%, laying a solid foundation for our healthy and sustainable business development in the future.

Greater local market penetration with balanced development in major businesses

In the first half of the year, the Group continued to deepen its penetration in local market and achieved balanced development in all major business segments. Three segments in particular registered impressive performance: Personal Banking, Corporate Banking and Treasury, which recorded year-on-year growth of 12.7%, 14.2% and 19.9% respectively in profit before taxation. We gained market share in the number

of new mortgage loans which grew by 74% year-on-year. Rapid growth was registered in wealth management business including securities brokerage and funds distribution. We succeeded in expanding our mid- to high-end customer base. Leveraging our strengths, we expanded our cross-border business with the number of cross-border Mainland customers increased by 17% year-on-year. In addition, we continued to rank first as mandated lead arranger in the Hong Kong and Macau syndicated loan market. In the receiving bank business for initial public offering, we consolidated our leading market position by processing more than half of the total funds raised in the market. By reinforcing our service capabilities for small and medium-sized enterprises (SMEs), we grew our SME loans under Corporate Banking segment by 10% compared with the end of last year. We were appointed as the sole account-opening bank for Bond Connect, following our appointment for the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. At the same time, we intensified our marketing efforts among new institutional clients including central banks, international financial organisations and sovereign wealth funds. Currently, we have 67 customers in these sectors, further promoting the internationalisation of RMB.

Positive results from regional development and branch transformation

To seize opportunities arising from the pursuit of national strategies such as the Belt and Road Initiative, the Group continued to restructure its ASEAN institutions and began to see results from its transformation into an internationalised regional banking group. We completed the acquisition of BOC Thailand and the Jakarta Branch in Indonesia in January and July 2017 respectively and signed an agreement to acquire the assets of the Phnom Penh Branch in Cambodia in February. We are also aiming to acquire the Manila Branch and the Ho Chi Minh City Branch from our parent bank as soon as practicable. Meanwhile, we enhanced the management system and developed mechanism for ASEAN institutions, stepped up to integrate our operations with them and strengthened business collaboration with the aim of upgrading and reforming ASEAN institutions. In the first half of 2017, BOC Malaysia, BOC Thailand and BOCHK Brunei Branch, on an aggregate basis, recorded 15% year-on-year growth in net operating income. The total amount of deposits from customers and advances to customers of these institutions grew by 35% and 18% respectively compared with the end of last year. As a result of increased business collaboration, our Southeast Asia-related loans grew by 9.4% compared with the end of last year to HK\$61.5 billion.

Leveraging our most extensive branch network in Hong Kong, we made progress in the transformation of our branch network. This included enhancements to our servicing capabilities for wealth management, and mid- to high-end customers as well as the cross-border business. In addition, we further strengthened the industrial/commercial services provided in our branches and continued to introduce more intelligent features that resulted in substantial increases in branch productivity. During the period, profits from our Hong Kong branch network grew by 13.9% year-on-year and assets expanded by 8.1% compared with the end of last year. What's more, by enhancing the customer structure in wealth management business, it achieved a remarkable increase in income contribution. The average number of daily account openings in Wealth Management and Enrich Banking rose by 48% and 27% respectively year-on-year. Income from mid- to high-end customers grew by nearly 20% year-on-year. The number of new Business Integrated Account openings by small enterprise customers increased by 7% year-on-year, and the income from small and micro enterprise customers rose by 17% year-on-year.

Stepping up development of eight key business platforms and promoting innovations in financial technology

We continued to develop our eight key business platforms and enhance our asset management and cross-selling capabilities, with a view to broadening our sources of non-interest income as well as creating new competitive advantages. In the first half of 2017, our eight key business platforms made good progress in business development. In our credit card business, we were proactive in devising payment scenarios and maintained our leadership in UnionPay merchant acquiring and card issuing businesses in Hong Kong. In

private banking, we continued to optimise our products, develop the cross-border business and explore customer needs, which resulted in a 73% increase year-on-year in average assets under management (“AUM”). BOC Group Life Assurance Company Limited recorded a 13% growth year-on-year in gross premiums and maintained its leading position in RMB insurance products. BOCHK Asset Management Limited, which was granted QFII qualification by the China Securities Regulatory Commission, increased its average AUM by nearly 200% year-on-year. In transaction banking, we pursued regional and global breakthroughs in the funding pool business that enabled us to maintain our leading position in the cross-border funding pool business. In our custody business, we introduced a greater variety of products and increased average assets under custody by 54% year-on-year. BOCI-Prudential Trustee Limited registered an increase of 13% year-on-year in the average value of total trust assets and an increase of 20% year-on-year in the average value of MPF assets. Po Sang Securities and Futures Limited continued to implement marketing strategy, enrich its product suite and develop its infrastructure.

In financial technology (“FinTech”), we continued to drive innovations and promote Internet finance. Currently, about 70% of our property valuations are processed via blockchain and, in May 2017, we successfully completed the first blockchain application in local trade finance. Other advances in FinTech included the use of biometric authentication technologies such as finger-vein authentication, making us the first bank in Hong Kong to introduce this service at counters. Finger-vein authentication was also provided at ATMs on a pilot basis, for the greater security and convenience of customers withdrawing cash. In big data application, we are establishing a tag database for a 360-degree view of our customers. Through creating over 1,000 tags for personal and corporate customers, it helps enhance analysis for more effective marketing. In addition, we promoted the development of intelligent electronic channels, leading to increases in the number of customers using our Mobile Banking, Personal Internet Banking and Corporate Internet Banking services of 19%, 12% and 11% year-on-year, respectively.

Prudent risk management with improved asset quality

In the first half of 2017, BOCHK continued to strengthen its risk management comprehensively and carefully managed its loans from pre-lending to post-lending, which resulted in a continuous improvement in credit quality. As of the end of June, the classified or impaired loan ratio of the Group was 0.19%, decreased by 3 basis points from the end of last year, which was notably better than the market average. The balance of classified or impaired loans fell by HK\$119 million to HK\$2,050 million. Provision coverage was 168.1%, up 17.4 percentage points from the end of last year, which reflected our prudent provisioning policy.

Highlights of 2017 Interim Results

Key income statement figures

- Profit attributable to the equity holders amounted to HK\$17,216 million or earnings per share of HK\$1.6283. Profit attributable to the equity holders from continuing operations increased by 24.5% year-on-year to HK\$14,627 million, a new high since the Company’s listing.
- Return on average total assets (continuing operations) and return on average shareholders’ equity (continuing operations) were 1.24% and 14.13%, up 0.12 percentage points and 2.35 percentage points respectively.
- Net operating income before impairment allowances (continuing operations) increased by 13.7% year-on-year to HK\$23,324 million.
- Operating profit before impairment allowances (continuing operations) increased by 17.1% year-on-year to HK\$17,219 million.
- The Board has declared a special dividend of HK\$1 billion, which together with the normal interim dividend of HK\$0.545 per share amounts to a total interim dividend of HK\$0.640 per share to be paid out.

- Net interest income (continuing operations) was HK\$16,879 million, an increase of 41.0% year-on-year. Average interest-earning assets increased by 12.5% year-on-year; net interest margin was 1.62%, up 34 basis points year-on-year.
- Net fee and commission income (continuing operations) increased by 0.8% year-on-year to HK\$5,662 million, or up 14.2% from the second half of last year.
- Total operating expenses (continuing operations) increased by 5.2% year-on-year to HK\$6,105 million. The cost to income ratio was 26.17%, outperforming local banking industry.

Key balance sheet figures

- As of 30 June 2017, total assets of the Group amounted to HK\$2,639,964 million, up 13.0% from the end of last year.
- Growth in advances to customers and deposits from customers outperformed the market. Compared with the end of last year, advances to customers and deposits from customers grew by 12.9% to HK\$1.10 trillion and 9.3% to HK\$1.65 trillion respectively.
- The loan to deposit ratio was 66.78%, up 2.12 percentage points from the end of last year.
- Asset quality remained benign with the classified or impaired loan ratio down 3 basis points from the end of last year to 0.19%, which was notably better than the market average.
- Our capital position remained strong. The Common Equity Tier 1 capital ratio increased to 17.66%, and the total capital ratio was 21.76%.
- The average value of liquidity coverage ratio in the first and second quarter of 2017 were 121.41% and 123.88% respectively, above the regulatory requirement.

For details of the 2017 interim results, please refer to the Company's announcement.

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About BOC Hong Kong (Holdings) Limited

BOC Hong Kong (Holdings) Limited (“the Company”) holds the entire equity interest of Bank of China (Hong Kong) Limited (“BOCHK”), its principal operating subsidiary. Bank of China Limited (stock code “3988” and “4601” (Preference Shares)) holds approximately 66.06% of the equity interest in the Company through BOC Hong Kong (BVI) Limited, an indirect wholly-owned subsidiary of Bank of China Limited (“BOC”). The Company began trading on the main board of the Stock Exchange of Hong Kong on 25 July 2002 and is one of the largest listed companies and commercial banking groups in Hong Kong, with stock code “2388” and ADR OTC Symbol: “BHKLY”.

BOCHK has strong market positions in all major businesses. We have the most extensive local branch network and diverse service platforms, including 196 branches, efficient e-channels of over 1,000 self-service machines, as well as Internet and Mobile Banking services. We offer a comprehensive range of financial, investment and wealth management services to personal, corporate and institutional customers. In accordance with the strategic plan of BOC Group, we have been driving our regional development through the acquisition of BOC's institutions in Southeast Asia and the establishment of a Brunei Branch. We are actively expanding our business in Southeast Asia and transforming BOCHK into an internationalised regional bank.

BOCHK is one of the three note-issuing banks and the sole clearing bank for Renminbi (“RMB”) business in Hong Kong. With our strong RMB franchise, we are the first choice of customers in this business. Through the deep collaboration with our parent bank, BOC, we provide a full range of high quality cross-border services to multinationals, cross-border customers, Mainland enterprises going global, central banks and super-sovereign organisations.