28 August 2018

BOCHK achieved 17.7% year-on-year growth in profit attributable to equity holders from continuing operations in the first half

BOC Hong Kong (Holdings) Limited ("the Company", stock code "2388"; ADR OTC Symbol: "BHKLY") today announced its 2018 interim results. The Company and its subsidiaries ("the Group") earnestly implemented BOC Group's strategic plans and worked towards its goal of "Building a Top-class, Full-service and Internationalised Regional Bank". We actively responded to market changes, made advances in our areas of business focus and achieved robust growth in profitability.

Recorded robust growth in profitability and solid performance in major financial indicators

In the first half of 2018, the profit attributable to equity holders of the Group amounted to HK$17,528 million, up 17.7% year-on-year in terms of the profit attributable to equity holders from continuing operations. Return on average total assets ("ROA") and return on average shareholders' equity ("ROE") maintained at good level, which were 1.27% and 14.32% respectively. The Board has declared an interim dividend per share of HK$0.545.

Total assets amounted to HK$2,774,445 million as of end of June 2018, up 4.7% compared to the end of last year. During the period, the Group proactively managed its assets and liabilities, further optimised its asset-liability mix and achieved solid growth in average interest-earning assets, with net interest income increasing by 7.5% year-on-year. Net interest margin widened further, owing to the rise in market interest rates together with a stable loan-to-deposit spread and a higher average yield on its debt securities investments. Including the funding income or cost of foreign exchange swap contracts, net interest margin was 1.56%, up 10 basis points year-on-year. By actively capturing market opportunities and diversifying our income sources, we steadily increased net fee and commission income by 12.0% year-on-year, of which, investment and insurance-related net fee income increased by 46.0% year-on-year. We intensified our efforts to expand our mid-to-high end and cross-border customer bases while strengthening our products and services. As a result, net fee income from securities brokerage, funds distribution, and insurance increased by 62.1%, 25.5% and 27.4% year-on-year, respectively. The Group remained focused on disciplined cost control while continuing to invest in its businesses in order to enhance overall service capacity and support long-term growth. Our cost to income ratio stood at 25.4%, down 0.79 percentage points year-on-year, representing a continuously solid level of cost efficiency relative to industry peers.

Achieved balanced development in major businesses with continuous enhancement in full service capabilities

As of end of June 2018, total advances to customers reached HK$1,230,508 million, up 7.3% from the end of 2017. In terms of composition, loans for use outside Hong Kong continued to grow at a relatively faster pace of 13.1% over the end of last year. This was mainly driven by loan demand from the Chinese mainland and Southeast Asia. We enhanced the professional services capability of our mortgage business by setting up six mortgage centres, thus maintaining stable growth in residential mortgages. The Group continued to implement a number of strategic customer acquisition initiatives, including the launch of featured deposit products for targeted customer groups, the development of employee payroll accounts combined with comprehensive wealth management solutions, and the deepening of business relationships with major central banks, national treasuries and sovereign wealth funds. As a result, the Group achieved satisfactory growth in deposits. Total deposits from customers amounted to HK$1,856,155 million, up 4.4% from the end of last year. The growth rates of advances to customers and deposits from customers outpaced the market.

We continued to invest in our diversified business platform and enhance our comprehensive service capabilities. Our key business platforms further increased their contribution to overall operating profit. In our credit card business, cardholder spending and merchant acquiring volume increased by 12.5% and 19.1% year-on-year, respectively. Our private banking maintained satisfactory growth in both the number of clients and the average value of assets under management ("AUM"). BOC Life achieved 34.9% year-on-year growth in net insurance premium income. Our asset management business proactively explored new markets, growing its average value of AUM by 19.8% year-on-year. Aiming to become the first-choice bank for cross-border pooling services, our cash management business accelerated the development of its cash pooling and treasury centre businesses and successfully launched a global cash management platform. Our custody business grew its total assets under custody to HK$1,167.7 billion and maintained a leading position in "Bond Connect" custody business. BOCI-Prudential Trustee achieved a 13.3% year-on-year growth in MPF-related AUM. Po Sang Securities and Futures saw total transaction volumes grow by 83% year-on-year, underpinned by a larger client base and an expanded range of products and services.

Strengthened regional management with solid growth in Southeast Asian business

During the period, we further expanded our regional coverage in Southeast Asia by completing the acquisitions of Vietnam and the Philippines Businesses of BOC, joining our four previously acquired Southeast Asian institutions and our self-established Brunei Branch. Capitalising on BOCHK's strengths in business, products and management, we enhanced our support to the Southeast Asian institutions and gradually developed differentiated regional management approaches for the front, middle and back offices to drive integrated development in our Southeast Asian businesses. In the first half of the year, the aggregate net operating income before impairment allowances of the seven Southeast Asian institutions was up 24.4% year-on-year. Deposits from customers and advances to customers grew by 7.2% and 11.3% from the end of 2017, respectively. We adhered to prudent credit risk management principles and adopted proactive monitoring measures, so as to maintain the asset quality of our Southeast Asian institutions at a sound level, with respective non-performing loan ratio outperforming market averages.

Enhanced cross-border collaboration within BOC Group and drove integrated development in the Greater Bay Area

As chair of BOC Group's integrated development committee for the Guangdong-Hong Kong-Macao Greater Bay Area, we gave full play to our competitive advantages, strengthened our collaboration with BOC's entities in the Greater Bay Area. We drove forward integrated development in terms of service model, brand promotion and talent exchange. To facilitate the cross-border payment in the Greater Bay Area, we launched BOC Greater Bay Area Themed Dual Currency Card. In addition, we promoted cross-border two-way RMB cash pooling services to enhance the competitiveness of our corporate customers. We also innovated new cross-border services to support Hong Kong corporates investing in Guangdong by providing remote cross-border business registration services. We collaborated with BOC Guangdong Branch, Shenzhen Branch and Macao Branch to provide a consistent experience for Wealth Management customers in the Greater Bay Area.

Accelerated technology innovation and advanced digital development

We strived to advance our business through technology and innovation, and persistently enhanced our Fintech competitiveness as part of our wider effort to become a leading digital bank. In March this year, we launched a brand new version of Mobile Banking, which supports fingerprint authentication, facial recognition and mobile token, allowing for higher service efficiency and a better customer experience. The number of active customers using our mobile banking increased 25% compared with the end of last year, with much faster growth among our youth customer base. At the same time, we accelerated innovation in online financial services that support people's day-to-day life. This included introducing a new generation of iService and opening the Science Park Banking Services Centre, which features new 24-hour video banking services, representing our efforts to explore the "bank branch of the future". We also completed a smooth integration of our core banking systems which supports the further development of our regional business.

Strengthened risk and internal control management to facilitate balanced and long-term sustainable development

We continued to strengthen our comprehensive risk management. Ongoing efforts were made to enhance standards and practices with respect to risk management, internal control and anti-money laundering ("AML"). We maintained solid performance in our key risk indicators. The classified or impaired loan ratio was 0.22%, better than the market average. Provision remained sufficient, with the classified or impaired loans coverage ratio standing at 193%. The Group's liquidity position remained sound. The average value of liquidity coverage ratio in the first and second quarter remained stable at 134.33% and 146.39%, respectively. Net stable funding ratio at the end of June stood at 118.82%. These ratios were above regulatory requirements. The Group's capital adequacy was sufficient. The Common Equity Tier 1 capital ratio stood at 16.62% and the total capital ratio at 20.12%, forming a solid foundation for our healthy and sustainable future business development.

Highlights of 2018 Interim Results

Key income statement figures

- The profit attributable to equity holders amounted to HK$17,528 million, up 17.7% year-on-year in terms of the profit attributable to equity holders from continuing operations. Earnings per share was HK$1.6578.
- ROA and ROE were 1.27% and 14.32%, respectively.
- Net operating income before impairment allowances on continuing operations increased by 15.7% year-on-year to HK$27,557 million.
- Operating profit before impairment allowances on continuing operations increased by 17.0% year-on-year to HK$20,557 million.
- Net interest income increased by 7.5% year-on-year. Average interest earnings assets grew by 14.4% year-on-year to HK$2,432,178 million, with further optimised asset-liability mix. Including the funding income or cost of foreign exchange swap contracts, net interest margin was 1.56%, up 10 basis points year-on-year.
- The Board has declared an interim dividend per share of HK$0.545.
- Net fee and commission income amounted to HK$6,474 million, up 12.0% year-on-year.
- Total operating expenses was HK$7,000 million. The cost to income ratio stood at 25.4%, better than industry average.

Key balance sheet figures

- As of end of June 2018, total assets of the Group expanded by 4.7% to HK$2,774,445 million and total liabilities amounted to HK$2,522,120 million, up 5.0% compared to the end of last year.
- Total deposits from customers increased by 4.4% to HK$1,856,155 million and total advances to customers increased by 7.3% to HK$1,230,508 million compared to the end of last year. Both growth rates outpaced market average.
- The classified or impaired loan ratio of the Group was 0.22%, better than the market average. Provision remained sufficient, with the classified or impaired loans coverage ratio standing at 193%.
- The Group’s capital adequacy was sufficient. The Common Equity Tier 1 capital ratio at 16.62% and total capital ratio at 20.12%.
- The Group’s liquidity position continued to improve. The average value of liquidity coverage ratio in the first and second quarter remained stable at 134.33% and 146.39%, respectively. Net stable funding ratio at the end of June stood at 118.82%. These ratios were above regulatory requirements.

For details of the 2018 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 approximately 200 branches, more than 250 automated banking centres, 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. To implement the overseas development strategy of BOC Group, we strive to drive our regional development by expanding our business in the Southeast Asian region. Our branches and subsidiaries have been extended to Southeast Asian countries such as Malaysia, Thailand, Indonesia, Cambodia, Brunei, Vietnam and the Philippines, with the provision of professional and high-quality financial services to local customers. We will also expedite our development into a top-class, full-service and 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.