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

Press Release | 新聞稿

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BOC Hong Kong (Holdings) 2019 first half profit reached HK$17,949 million
NIM rose year-on-year; Customer deposits and advances delivered solid growth

BOC Hong Kong (Holdings) Limited ("the Company", stock code "2388"; ADR OTC Symbol: "BHKLY") today announced its 2019 interim results. The Company and its subsidiaries ("the Group") are committed to pursuing the goal of "Building a Top-class, Full-service and Internationalised Regional Bank". By coping with market environment changes and adhering to our customer-centric approach, we made steady advances in transformation and innovation. Our growth quality has steadily improved, with major financial indicators maintaining at solid levels.

Achieved solid operating results with financial and risk indicators remaining sound
In the first half of 2019, the Group's profit attributable to equity holders and other equity instrument holders reached HK$17,949 million, up 2.2% year-on-year. Return on average shareholders' equity ("ROE") and return on average total assets ("ROA") were 12.53% and 1.25% respectively. Total capital ratio remained at a healthy level at 23.00%. The Board has declared an interim dividend per share of HK$0.545, consistent with the practice from recent years.

As of the end of June 2019, total assets amounted to HK$2,988,440 million. The size of customer deposits and loans continued to expand, with their growth rates higher than the market average. It resulted in further expansion of our market share in Hong Kong. Total deposits from customers rose by 6.3% from the end of last year to HK$2,018,236 million. Total advances to customers were HK$1,352,538 million, up 6.7% from the end of last year, with solid growths in various loan categories.

The Group took a proactive approach to managing its assets and liabilities by optimising its asset structure and expanding its average interest-earning assets. It strived to enhance the returns of customer loans and debt securities investments, while managing funding costs. Adjusted for swap-related impact, net interest margin was up 13 basis points year-on-year to 1.69%, while net interest income increased by 12.2%. In the face of challenging market conditions, we continued to explore business opportunities. We enhanced our insurance product and portfolio innovation, resulting in a year-on-year increase of 34.1% in insurance fee income. The Group's proactive development of its banknote business in Hong Kong, the Chinese mainland and Southeast Asia markets resulted in a 20.5% increase in commission income from currency exchange. However, due to weakening investor sentiment in the market, net fee and commission income decreased by 6.6% year-on-year.

During the period, major risk indicators remained healthy. The classified or impaired loan ratio was 0.20%, relatively stable from the end of last year. We provided adequate coverage for our portfolio, and our provision coverage ratio reached 227.5%. The Group further enhanced its capability to withstand liquidity risks with sound liquidity position. Average liquidity coverage ratio was 169.79% in the first half of 2019, while net stable funding ratio was 119.15% as of the end of the second quarter. Both ratios exceeded regulatory requirements.

Enhanced local market penetration and solidified foundation for growth

The Group remained committed to the development of the Hong Kong market so as to solidify its foundation for sustainable development. We further strengthened our personal banking franchise, with the number of mid- to high-end customers increasing by 7.8%. We maintained our leading market position in the new residential mortgage loan business. The Group accelerated the development of its mobile banking platform with active users growing by 20.6% from the end of last year.

The Group remained the top mandated lead arranger in the Hong Kong and Macao syndicated loan market. It also retained its market leadership as an IPO receiving bank. We supported the development of Hong Kong into a corporate treasury centre. This April, the global transaction banking platform ("iGTB NET") was launched to provide corporate customers with one-stop regional online integrated services that are competitive. We accelerated the development of key businesses such as cash management and trade finance, while maintaining our market leadership in the cross-border cash pooling business.

In addition, the Group consolidated its leading position in RMB business. In the first half of 2019, the offshore RMB clearing volume handled by Bank of China (Hong Kong) ("BOCHK") reached RMB129.3 trillion, up 19.7%. We completed the first settlement deal in the primary market for negotiable certificate of deposit under Bond Connect. Our custody funds value for Bond Connect also hit a record high.

In an effort to pursue financial inclusion, we have removed all service charges for integrated banking and general banking accounts for personal customers in Hong Kong since 1 August. We supported the Hong Kong SAR Government's measures in assisting SMEs by meeting the financing needs of quality industrial and commercial corporates as well as SMEs. We sustained a faster loan growth among our peers in the SME Financing Guarantee Scheme market. In addition, we launched the Business Lite account service to facilitate easier account opening for start-up enterprises and overseas enterprises investing in Hong Kong. The total number of business integrated accounts for small enterprises increased by 6.9%.

Proactively developed the GBA market and strengthened featured cross-border services

The Group focused on developing the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") market by venturing into livelihood finance, continuously promoting integrated development and collaboration in the area, and strengthening featured cross-border services. The total number of cross-border mid- to high-end customers increased by 12.8% from the end of last year. This March, we became the first bank in Hong Kong to launch a mainland personal account opening attestation service which facilitates mainland account opening for Hong Kong residents. This service allows customers to bind their mainland account to mainland mobile payment Apps for the convenience of digital payment in various aspects of everyday life across the GBA. We continued to enhance the cross-border payment, funds transfer and bill payment functions in our BoC Pay mobile App, which is now available to non-BOCHK customers. On the basis of the "Guangdong-Hong Kong Business Registration and Banking Services Connect", we worked with BOC Shenzhen Branch and BOC Shanghai Branch in launching mainland business registration services in April and May respectively. These services facilitate investment and business registration on the mainland for Hong Kong enterprises and individuals. Meanwhile, BOCHK Asset Management Limited launched the BOCHK All Weather Greater Bay Area Strategy Fund, the first bond fund in Hong Kong to adopt a GBA theme. Since its inception in early April, the fund's overall performance has remained satisfactory.

Achieved solid growth in SEA business to enhance synergies and growth quality

Southeast Asia is a growth market with strong potential for the Group. At the start of the year, the Group successfully completed the integration of BOC Vientiane Branch, further enhancing our regional presence. Meanwhile, we fully implemented a differentiated regional management model to enhance our synergies and growth quality.

Corporate banking stepped up co-marketing efforts and launched a number of major projects in the region relating to road and bridge infrastructure development, telecommunications equipment, energy and petroleum, as well as aviation facilities and ports. This facilitated our Southeast Asian entities' expansion into local mainstream markets. The Group steadily advanced the regional development of its Southeast Asian entities' personal banking business. We completed the pilot launch of BOC Wealth Management brand at BOC Malaysia, and enriched our product shelf with more investment fund and bond products.

The Group's financial markets unit further strengthened its business line management to enhance the trade and marketing capabilities of our Southeast Asian entities, and to push forward the development of our RMB business in the region. In the first half of the year, the Group's Southeast Asian entities recorded net operating income before impairment allowances of HK$1,389 million, a growth of 22.8% year-on-year. Deposits from customers and advances to customers reached HK$51,025 million and HK$44,869 million, up 6.7% and 12.9% respectively from the end of last year. In addition, the Group continued to strengthen its regional credit risk management. Its Southeast Asian entities' non-performing loan ratio stood at 1.27%, indicating a manageable risk level overall.

Fosters a sound bank culture and promotes sustainable development

In order to ensure its steady and sustainable development and win the trust from various stakeholders, the Group is committed to fostering a customer-centric service culture. We strive to create value for customers by diversifying financial service scenarios, improving its planning for its branch network, and driving digitalisation of the Group. Taking the people-oriented approach, we care about our employees' career development and strive to improve the work environment so that our employees can foster a sense of belonging in the workplace. In an effort to ensure its solid operation that is compliant with relevant laws and regulations, the Group encourages its employees to practise and promote the corporate values by applying the customer-centric principle and risk guidelines in their daily lives.

Having served Hong Kong for over a century, the Group is committed to giving back to society. Going forward, we will continue to take various stakeholders into account when pushing forward our long-term sustainable development in terms of environment, society and governance. The Group will spare no effort in fostering social prosperity and stability, while working to improve livelihoods, protect the environment and pursue financial inclusion.

Highlights of 2019 Interim Results

Key income statement figures

- Profit attributable to equity holders and other equity instrument holders amounted to HK$17,949 million, up 2.2% year-on-year.
- ROA and ROE were 1.25% and 12.53% respectively.
- Net operating income before impairment allowances increased by 5.6% year-on-year to HK$29,169 million.
- Operating profit before impairment allowances increased by 5.0% year-on-year to HK$21,641 million.
- Average interest-earning assets grew by 3.6% year-on-year to HK$2,521,282 million, with further optimised asset structure. Adjusted for swap-related impact, the Group's net interest margin was 1.69%, up 13 basis points year-on-year. Net interest income increased by 12.2% year-on-year.
- Total operating expenses increased by 7.4% year-on-year to HK$7,528 million. Cost to income ratio stood at 25.81%, remaining below industry average.
- The Board has declared an interim dividend per share of HK$0.545.

Key balance sheet figures

- Total assets increased by 1.1% from the end of last year to HK$2,988,440 million.
- Total deposits from customers rose by 6.3% to HK$2,018,236 million, and total advances to customers increased by 6.7% to HK$1,352,538 million compared to the end of last year.
- Asset quality remained benign. The classified or impaired loan ratio was 0.20% with adequate coverage.
- Sound capital position with Common Equity Tier 1 capital ratio at 17.85% and total capital ratio at 23.00%.
- The Group’s liquidity position remained sound. The average liquidity coverage ratio was 169.79% in the first half of 2019, while net stable funding ratio was 119.15% as of the end of the second quarter. Both ratios exceeded regulatory requirements.

For details of the 2019 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") was established by restructuring the businesses of Bank of China Group's member banks in Hong Kong. The Company was incorporated in Hong Kong on 12 September 2001 to hold the entire equity interest of Bank of China (Hong Kong) Limited ("BOCHK"), its principal operating subsidiary. Bank of China Limited ("BOC") holds approximately 66.06% of the equity interest in the Company through BOC Hong Kong (BVI) Limited, an indirect wholly-owned subsidiary of 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".

With the goal to "Build a Top-class, Full-service and Internationalised Regional Bank", BOCHK gives full play to its advantages as a major commercial banking group in Hong Kong to increase local market penetration and expand its business in the Southeast Asian region. We strive to provide customers with comprehensive, professional and high-quality services. As one of the three note-issuing banks and the sole clearing bank for Renminbi ("RMB") business in Hong Kong, BOCHK has strong market positions in all major businesses. We have the most extensive local branch network and diverse service platforms in Hong Kong, including approximately 200 branches, 270 automated banking centres, over 1,000 self-service machines, and efficient e-channels such as Internet and Mobile Banking services. We offer a comprehensive range of financial, investment and wealth management services to personal, corporate and institutional customers. Our strong RMB franchise has made us the first choice for customers in RMB business.

In an effort to implement the overseas development strategy of BOC Group, we are actively pushing forward our regional development. Aiming to provide customers in Southeast Asian countries with professional and high-quality financial services, we have extended our branches and subsidiaries to Thailand, Malaysia, Vietnam, the Philippines, Indonesia, Cambodia, Laos and Brunei. Through deep collaboration with our parent bank BOC, BOCHK provides a full range of high-quality cross-border services to multinationals, cross-border customers, mainland enterprises going global, central banks and super-sovereign organisations.

As a leading commercial and internationalised regional bank with roots firmly planted in Hong Kong for over 100 years, we are committed to undertaking our corporate social responsibility, promoting long-term and balanced sustainable development, and delivering greater value for our stakeholders and the community.