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BOC Hong Kong (Holdings) 2019 profit records HK\$34,074 million
Full-year total dividend of HK\$1.537 per share, up 4.7% year-on-year

BOC Hong Kong (Holdings) Limited (“the Company”, stock code “2388”; ADR OTC Symbol: “BHKLY”) today announced its 2019 results. In 2019, the Company and its subsidiaries (“the Group”) earnestly carried out the plans and decisions of the Board of Directors and continued to pursue its strategic goal of "Building a Top-class, Full-service and Internationalised Regional Bank". We expedited technological innovation and digital transformation, striving to achieve high-quality growth and sustainable development. We endeavour to provide financial services to the public and our communities while maintaining sound operation.

Achieved steady growth in profitability with financial indicators remaining solid

The Group’s profit for the year grew to HK\$34,074 million, up 4.3% year-on-year. Return on average shareholders’ equity (“ROE”) stood at 11.51% and total capital ratio was 22.89%, both remaining sound. The Board has proposed a final dividend of HK\$0.992 per share for 2019. Together with the interim dividend, our full-year total dividend will be HK\$1.537 per share, representing an increase of HK 6.9 cents per share or 4.7% year-on-year, and a dividend payout ratio of 50.5%.

As of 31 December 2019, the Group's total assets increased by 2.4% from the end of 2018 to HK\$3,026,056 million. Deposits from customers and advances to customers delivered solid growth. Total deposits from customers and total advances to customers grew to HK\$2,009,273 million and HK\$1,395,883 million respectively, up 5.9% and 10.2% from the end of last year, with increased market shares in Hong Kong. Adjusted for swap-related impact, net interest margin was 1.69%, up 6 basis points year-on-year, while net interest income increased by 8.4% year-on-year. The cost to income ratio of 28.52% remained well below the market average. The total capital ratio was 22.89% and the Tier 1 capital ratio was 19.90%, both above the market average. Our liquidity remained ample, with liquidity indicators exceeding regulatory requirements. Asset quality remained benign. The classified or impaired loan ratio was 0.23%, which continued to be below the market average.

Strengthened core capabilities in digitalisation to push forward business transformation

Taking a top-down approach to promoting the development of digital banking, the Group formulated a blueprint for BOCHK's digital transformation as well as an IT 3-Year Plan. Data governance planning was carried out and the first phase of the construction of BOCHK’s digital management platform was completed. We enhanced fintech application. Our property valuation process has been optimised through the application of blockchain technology, which is now used in approximately 85% of our property valuations, with over 70,000 cases processed in total since its application. We became the first bank in Hong Kong to connect via API to eTradeConnect, a blockchain-based trade finance platform facilitated by the Hong Kong Monetary Authority. In an effort to build an open platform and facilitate cross-industry integration, we have opened up access to more than 90 Open APIs and collaborated with over 130 partners. We built a smart operation system in which Robotic Process Automation (“RPA”) and Optical Character Recognition

(“OCR”) technology are applied in middle and back office operations so as to improve operational efficiency.

We made good progress in driving innovative payment solutions. To facilitate mobile payment using FPS as a core infrastructure, we provided a comprehensive service solution for clothing, food, accommodation and transport, by integrating a variety of existing payment instruments. The Group is committed to promoting cross-border financial innovation, market connectivity and resource flow within the Guangdong-Hong Kong-Macao Greater Bay Area. To that end, we became the first bank to launch a pilot mainland personal account opening attestation service for Hong Kong residents, facilitating the linking of mobile apps in the Chinese mainland for digital payment. As of the end of 2019, the total number of applicants exceeded 90,000.

To promote the digitalisation of our service outlets, we built an omni-channel synergistic service model and sharpened our digital capabilities. Innovative services, such as the Global Transaction Banking Platform, online account opening for personal customers and a virtual assistant, were launched. Enhanced features for investment, insurance, payment, credit card and remittance, etc are added to our new version of Mobile Banking. The total number of personal mobile banking active users increased by 36.9% compared to the prior year-end, and over 80% of transactions were conducted via digital channels, up 4 percentage points year-on-year. We strengthened the application of biometric authentication, with finger vein authentication now being extended to all of BOCHK's automated and iService teller machines in Hong Kong. In addition, we actively promoted the diverse development of the banking industry with innovative technology and achieved financial inclusion. In March 2019, Livi VB Limited, a joint venture formed with JD Digits and Jardine Matheson, was among the first financial institutions in Hong Kong to be granted a virtual banking licence.

Leveraged professional service capabilities to fully support Hong Kong's economic and financial development

The Group continued to leverage its advantages and maintain strong market positions in all major businesses. We remained the top mandated arranger in the Hong Kong and Macao syndicated loan market, and maintained a market-leading position in the IPO main receiving bank business. We continued our efforts to solidify Hong Kong's position as a global offshore RMB business hub, with the RMB business volumes cleared via BOCHK accounting for 70% of the world's total offshore RMB business volumes. Our RMB insurance business sustained its leading market share for the ninth consecutive year. We served as the top underwriter for new mortgage loans. BOCHK is committed to supporting Hong Kong's development as a hub for corporate treasury centres and secured market leadership in cash pooling business. We supported local SMEs by launching a number of relief initiatives to help ease SMEs' cash flow pressures. The total amount approved for the SME Financing Guarantee Scheme (“SFGS”) introduced by the HKSAR Government in 2019 increased by nearly five times compared to last year.

Expedited regional development and achieved satisfactory results in integrated operation in Southeast Asia

With the completion of the acquisition of BOC Vientiane Branch, the Group now has extended its operation to eight countries in Southeast Asia. As of the end of 2019, deposits from customers and advances to customers of the Group's Southeast Asian entities increased by 18.3% and 26.7%

respectively from the end of the previous year, while net operating income before impairment allowances increased by 16.4% year-on-year. On 21 September 2019, BOC Financial Services (Nanning) Co., Ltd. was officially established following a plaque unveiling ceremony. This signified a new milestone in the centralisation of the Group's operations in Southeast Asia. In addition, we actively promoted the use of RMB in Southeast Asia. BOC Manila Branch was officially appointed by the People's Bank of China as the clearing bank for RMB business in the Philippines. In addition to its role as the clearing bank for RMB business in Malaysia, BOC Malaysia was designated as the RMB clearing bank for Labuan, an offshore financial centre in Malaysia.

Fulfilled corporate social responsibilities and promoted green and sustainable development

The Group continued to support community development by various means, and share its achievements with society. During the year, we announced to donate in full the net proceeds of HK\$627 million from the sale of the BOCHK Centenary Commemorative Banknote to local charitable causes that benefit various communities. The Group formulated a green and sustainable financial plan that further optimised its ESG governance structure, while integrating the concept of sustainable development into its core values and corporate culture.

In 2020, the overall market environment will remain extremely challenging as the COVID-19 outbreak becomes a key factor affecting the global economy. It has also taken a toll on Hong Kong. However, the more challenges we face, the more we need to work together to overcome them. BOCHK took the lead in launching financial support initiatives during the epidemic, and will continue to explore more effective measures to help local enterprises and communities navigate through the difficult times during this economic downturn. At the same time, we strengthened situation analysis, closely monitored financial markets while remained committed to guarding against various risks. As always, with challenges come opportunities. BOCHK will continue to relentlessly pursue its strategic goals and execute its strategic plans in line with the approach of “boosting vitality, enhancing agility and achieving breakthroughs in key areas”. We will strengthen the foundations of our future growth, accelerate business transformation, expedite the digitalisation of the Bank, enhance our regional development capabilities, holding to the risk management bottom line, and contribute to the economic and social development of Hong Kong by promoting high-quality and sustainable development.

Highlights of 2019 Results

Key income statement figures

- Profit for the year amounted to HK\$34,074 million, an increase of 4.3% year-on-year.
- Return on average shareholders' equity and return on average total assets were 11.51% and 1.15% respectively.
- Net operating income before impairment allowances increased by 7.2% year-on-year to HK\$58,444 million.
- Operating profit before impairment allowances increased by 6.2% year-on-year to HK\$41,777 million.
- Adjusted for swap-related impact, net interest income was HK\$43,087 million, up 8.4% year-on-year. The increase was mainly driven by improvement in net interest margin and growth in average interest-earning assets.
- Net fee and commission income amounted to HK\$10,919 million, down 3.5% year-on-year.

- Total operating expenses increased by 9.6% year-on-year to HK\$16,667 million. The cost to income ratio stayed at 28.52%, remaining well below the market average.

Key balance sheet figures

- Total assets amounted to HK\$3,026,056 million, up 2.4% from the end of 2018.
- Our capital position remained strong. Tier 1 capital ratio was 19.90%, and total capital ratio was 22.89%.
- Total deposits from customers and total advances to customers grew to HK\$2,009,273 million and HK\$1,395,883 million respectively, up 5.9% and 10.2% from the end of 2018, outpacing the corresponding average market growth rates.
- The classified or impaired loan ratio was 0.23%, which continued to be below the market average.

For details of the 2019 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 more than 190 branches, 280 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.