

30 August 2020

**BOC Hong Kong (Holdings) 2020 first half profit reached HK\$16,161 million  
Customer deposits and advances delivered solid growth, financial indicators remained sound**

BOC Hong Kong (Holdings) Limited ("the Company", stock code "2388"; ADR OTC Symbol: "BHKLY") today announced its 2020 interim results. The Company and its subsidiaries ("the Group") remain committed to pursuing the strategic goal of "Building a Top-class, Full-service and Internationalised Regional Bank" despite a complex and adverse external environment. Leveraging its solid foundation and core business advantages, the Group continued to maintain a market-leading position in its major businesses and sound financial and risk indicators.

**Consolidating financial position with steady growths in core businesses**

In the first half of 2020, the Group's net operating income before impairment allowances amounted to HK\$28,743 million, down slightly by 1.5% year-on-year. The Group's profit for the period amounted to HK\$16,161 million, down 11.6% year-on-year, which was mainly due to a net loss from fair-value adjustments on investment properties and an increase in net charge of impairment allowances. Compared to the second half of 2019, profit for the period grew by 2.3%. Return on average shareholders' equity ("ROE") was 10.43%. The Board has declared an interim dividend per share of HK\$0.447.

In this challenging operating environment, the Group took a proactive approach to risk and cost control with a number of measures, further consolidating its financial position, increasing competitiveness, and supporting the development of core businesses. As of the end of June 2020, total assets amounted to HK\$3,226,726 million, an increase of 6.6% from the end of last year. The growth in both deposits from customers and advances to customers was above the market average, amounting to HK\$2,140,436 million and HK\$1,503,751 million, up 6.5% and 7.7% respectively from the end of last year. The growth indicates further expansion of its market share in Hong Kong. Asset quality remained benign overall, with the classified or impaired loan ratio staying below the market average at 0.25%, up by 0.02 percentage points. Provision continued to be adequate with provision coverage ratio standing at 211.06%.

The Group took a prudent approach to managing its assets and liabilities by expanding its loan portfolio as appropriate, optimising its deposit mix and enhancing deposit pricing management. Average interest-earning assets were expanded by 5.2% year-on-year, which partially mitigated the negative impact of declining interest rates. After adjustment of foreign exchange swap-related impact, net interest income dropped by 6.1% year-on-year, net interest margin was down 19 basis points to 1.50% year-on-year. During the period, while continuing to ensure resources for strategic projects, the Group exercised stringent cost control. Total operating expenses amounted to HK\$7,589 million, up slightly

by 0.8% year-on-year. The cost to income ratio continued to be below the market average at 26.40%, up slightly by 0.59 percentage points year-on-year.

The Group maintained a strong capital position and ample liquidity to strengthen its capability of withstanding risks. As of the end of June 2020, the Group's Common Equity Tier 1 capital ratio and Tier 1 capital ratio increased by 0.76 and 0.62 percentage points respectively from the end of last year. Total capital ratio was 23.11%, up 0.22 percentage points. The average value of liquidity coverage ratio was 140.92% in the first half of 2020, while net stable funding ratio was 117.49% as of the end of the second quarter, both staying at a solid level.

### **Leveraging professional service capabilities to fully support development of real economy**

The Group continued to consolidate its market position by remaining committed to enhancing local market penetration and pressing ahead steadily with various businesses. The Group led the new residential mortgage loan market with a market share of 24.6%. BOC Life's market ranking in terms of standard new premium climbed to the third place from the fifth in the first quarter. In addition to maintaining its position as the top mandated arranger in the Hong Kong and Macao syndicated loan market, the Group also retained its market leadership as an IPO receiving bank. Capturing the opportunities from the mutual market access policies, total assets under custody from corporate and institutional customers reached new heights, while the total number of Bond Connect customers ranked among the global top tier. The Group continued to consolidate its leading position in RMB business. In the first half of 2020, the offshore RMB clearing volume handled by Bank of China (Hong Kong) ("BOCHK") accounted for 70% of the world's total offshore RMB business volumes.

The Group played an active role in the construction of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), and promoted cross-border synergistic collaboration with its parent bank, Bank of China, so as to sharpen its integrated competitive strengths. The Group supported the development of tech enterprises, resulting in a satisfactory growth in financing to these enterprises. A GBA cross-border mortgage loan was launched to facilitate property purchase for Hong Kong residents in the GBA. In addition, payment mobile app BoC Pay was upgraded with a cross-border remittance function for mainland customers living in Hong Kong.

### **Optimising Southeast Asian business network with steady expansion of regional business**

The Group continued to optimise its regional business network, and was granted preliminary approval by Myanmar authorities to set up Yangon Branch in the country. In addition, Jakarta Branch received approval to upgrade its status to Commercial Bank based on Business Activities III Category, becoming one of the mainstream foreign banks in Indonesia. BOC Malaysia was successfully reappointed as the RMB clearing bank and settlement bank in Malaysia, while Phnom Penh Branch was appointed to be a quoting bank for RMB to Cambodian Riel ("KHR") in the regional market. Giving full play to the synergies generated from its regional network while exercising proper risk control, the Group endeavoured to expand its customer base and undertake major projects by arranging

syndicated loans for large corporates in Southeast Asia and offering comprehensive financial solutions including cash management service. Meanwhile, personal banking services provided by the regional entities were enhanced with the use of digital technology. In the first half of 2020, the business scale of the Southeast Asian entities showed a steady growth, with deposits from customers and advances to customers amounting to HK\$60,380 million and HK\$53,398 million, up 6.7% and 6.0% respectively.

### **Accelerating digital transformation in customer-centric approach**

The Group closely monitored changes in the market environment during the pandemic and accelerated its development into a digital bank. Continuous enhancements were made to its digital channels, including enhancing personal account opening service as well as investment functions on Mobile Banking, and expediting the digital transformation of mortgage business. In the first half of 2020, the total number of personal mobile banking active users increased by 23%, with the total number of transactions conducted via Mobile Banking increasing by over 60% year-on-year. The monthly average number of online mortgage applications was almost double that of last year's full-year figure. The Group pushed forward the development of its digital payment business by offering convenient payment and payment collection channels. BoC Bill, an integrated payment collection service, now covers a wide range of industries closely related to people's daily lives. Meanwhile, the total BoC Pay transaction volume grew by 44% as compared to the full year of 2019.

The Group continuously strengthened its support to local commercial customers by enhancing service quality through integrated digitalised and online financial services. The intelligent Global Transaction Banking Platform iGTB was enriched to ensure easy access to financial services for corporate customers. Meanwhile, the newly launched iGTB Mobile helps corporate customers maintain normal operation during the pandemic by facilitating flexible working. In addition, livi, a virtual bank established by the Company, Jingdong Digits Technology Holding Co., Ltd. and Jardine Matheson Group, commenced business on 12 August. It focuses on providing Hong Kong consumers with a virtual banking experience that is simple, secure and state-of-the-art.

### **Coordinating relief efforts against pandemic while supporting livelihood finance**

Deeply rooted in Hong Kong for more than a century serving a wide range of industries, the Group has been actively fulfilling its social responsibilities by navigating this difficult time with local communities in the face of the pandemic. In early February, the Group took the lead in introducing five financial support initiatives that provided timely relief to both SME and individual customers during the economic slowdown. The scope of these initiatives was then further broadened to better serve customers' needs as the situation evolved. The Group supported and worked in coordination with HKMC Insurance Limited on the SME Financing Guarantee Scheme. Full support was also offered to the Hong Kong Monetary Authority's Pre-approved Principal Payment Holiday Scheme, providing enterprises with timely relief. The Southeast Asian entities also contributed to the fight against the pandemic by donating epidemic prevention supplies and supporting customers in need.

## Outlook

Ensuring a steady operation will be our over-riding focus in view of a challenging operating environment. The Group will closely monitor the market situation, step up its control measures against the pandemic, and strengthen risk compliance and control. It will remain devoted to the local market by supporting various enterprises and major projects, while strengthening service capabilities through fintech innovation. The Group will continue to optimise its regional business network in Southeast Asia and leverage its regional synergies. It will seize the new opportunities arising from the financial opening-up in the GBA and endeavour to become the first-choice bank for customers in the area by continuing to enhance its financial service capabilities. The Group will accelerate its digital transformation by refining the financial ecosystem that is driven by digitalisation. Meanwhile, in an effort to promote green and sustainable development, the Group will focus on enhancing its governance capability and optimising its corporate governance mechanism by integrating ESG considerations into its overall strategy. The Group will also continue to contribute to the long-term economic and social prosperity and stability of Hong Kong.

## Highlights of 2020 Interim Results

### Key income statement figures

- Net operating income before impairment allowances was HK\$28,743 million, down 1.5% year-on-year.
- Operating profit before impairment allowances decreased by 2.3% year-on-year to HK\$21,154 million.
- Profit for the period amounted to HK\$16,161 million, down 11.6% year-on-year.
- Profit attributable to equity holders amounted to HK\$15,209 million, down 11.9% year-on-year.
- ROA and ROE were 1.04% and 10.43% respectively.
- The asset structure was further optimised with average interest-earning assets growing by 5.2% year-on-year to HK\$2,651,178 million. Adjusted for foreign exchange swap-related impact, the Group's net interest margin was 1.50%, down 19 basis points year-on-year. Net interest income decreased by 6.1% year-on-year.
- Net fee and commission income amounted to HK\$5,435 million, down 10.1% year-on-year, but rose by 11.5% from the second half of 2019.
- Total operating expenses increased by 0.8% year-on-year to HK\$7,589 million. Cost to income ratio stood at 26.40%, remaining below industry average.
- The Board has declared an interim dividend per share of HK\$0.447.

### Key balance sheet figures

- Total assets increased by 6.6% from the end of last year to HK\$3,226,726 million.
- Total deposits from customers rose by 6.5% to HK\$2,140,436 million, and total advances to customers increased by 7.7% to HK\$1,503,751 million compared to the end of last year.
- Asset quality stayed benign. The classified or impaired loan ratio was 0.25% with adequate provision coverage.

- Sound capital position with Common Equity Tier 1 capital ratio at 18.52% and total capital ratio at 23.11%, up 0.76 and 0.22 percentage points respectively.
- The Group maintained a sound liquidity position. The average value of liquidity coverage ratio was 140.92% in the first half of 2020, while net stable funding ratio was 117.49% as of the end of the second quarter. Both ratios exceeded regulatory requirements.

For details of the 2020 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”) is one of the largest listed companies and commercial banking groups in Hong Kong, holding the entire equity interest of Bank of China (Hong Kong) Limited (“BOCHK”), its principal operating subsidiary. Bank of China (“BOC”) established its foothold in Hong Kong in September 1917. Following the restructuring of the businesses of Bank of China Group’s member banks in Hong Kong, the Company was incorporated in Hong Kong on 12 September 2001 and has been listed on the Main Board of the Stock Exchange of Hong Kong since 25 July 2002 with stock code “2388” and ADR OTC Symbol “BHKLY”. BOC holds approximately 66.06% of the equity interest of the Company through BOC Hong Kong (BVI) Limited, an indirect wholly-owned subsidiary of BOC.

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.