

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



# 中銀香港(控股)有限公司

BOC HONG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(the “Company”, Stock Code: 2388)

## FINANCIAL AND BUSINESS REVIEW FOR THE FIRST QUARTER OF 2016

**THIS ANNOUNCEMENT IS MADE BY THE COMPANY PURSUANT TO RULE 13.09 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED**

The following description provides certain financial information relating to the performance of the Company in the first quarter of 2016.

In the first quarter of 2016, the global economy continued to grow moderately. The US recovery stayed on track in an improving labour market. In the Mainland of China, economic restructuring was still underway with slowdowns in industrial production, investment and consumption. The growth momentum of the Hong Kong economy slowed with weakness in private consumption and downward pressures on asset prices. Market interest rates continued at low levels, and the RMB market experienced volatility in the first two months of the year and only gradually restored stability in March, the overall operating environment of the banking industry remained highly challenging.

### Financial Performance

The summary below shows the key performance figures of the continuing operations<sup>#</sup> of BOC Hong Kong (Holdings) Limited and its subsidiaries (collectively known as the “Group”) in the first quarter of 2016:

Key Performance of the Group’s continuing operations					
<i>HK\$m, except percentages</i>	<b>2016Q1</b>	(Restated) 2015Q1	2015Q4	Compared with 2015Q1	Compared with 2015Q4
Net operating income before impairment allowances	<b>9,490</b>	9,899	10,643	-4.1%	-10.8%
Operating expenses	<b>(2,847)</b>	(2,673)	(3,438)	+6.5%	-17.2%
Operating profit before impairment allowances	<b>6,643</b>	7,226	7,205	-8.1%	-7.8%

<sup>#</sup> Due to the Group’s proposed disposal of Nanyang Commercial Bank, Limited (“NCB”), the financial information provided in this announcement reflects only that of the Group’s continuing operations. The operating results of NCB are reported as discontinued operations in the Company’s Annual Report 2015.

### *2016 Q1 compared with 2015 Q1*

The Group maintained its proactive growth strategy to overcome challenges in the operating environment and achieved satisfactory development in all areas. Net operating income before impairment allowances of the Group's continuing operations decreased by 4.1% year-on-year. Excluding the major net gain from the Group's disposal of certain equity instruments in the first quarter of 2015, it would have increased slightly year-on-year. Net interest income dropped due to the narrowing of net interest margin but was partially offset by the growth in average interest-earning assets. The decline in net interest margin was mainly due to the decrease in average interest spread, caused by the drop in onshore RMB market interest rates and the decrease in higher-yielding RMB balances and placements with banks, as well as the increase in short-term debt securities investments. The above negative impact was partially offset by the Group's efforts to manage both deposit and loan pricing, an improved non-RMB deposit mix and lower related costs, as well as increased advances to customers during the period. At the same time, the Group was proactive in managing its assets and liabilities and recorded a net gain on foreign exchange swap contracts from the banking business. Net fee and commission income grew as a result of increases in commission income from loans, currency exchange and payment services. However, commission income from securities brokerage, insurance and funds distribution declined as investment sentiment weakened. There was also an increase in currency exchange income from customer transactions. Operating expenses increased owing to higher business taxes, depreciation charges, staff costs and promotional expenses. Net charge of impairment allowances on loans rose as net charge of individually assessed impairment allowances increased, as compared with the low level of the same period last year.

### *2016 Q1 compared with 2015 Q4*

On a quarter-on-quarter basis, net operating income before impairment allowances of the Group's continuing operations decreased by 10.8%, affected by the volatility in the RMB market as well as festivals and holidays in the first quarter of the year. Net interest income dropped slightly, mainly due to the narrowing of net interest margin caused largely by the rise in deposit costs and the decrease in higher-yielding RMB balances and placements with banks. Net fee and commission income dropped from its high level in the last quarter, with decreases in commission income from loans, credit cards, insurance and securities brokerage. Commission income from funds distribution and currency exchange, however, rose. Net operating income of the Group's insurance segment also dropped. Operating expenses decreased due to lower staff costs and promotional expenses. Net charge of impairment allowances on loans fell from the last quarter with the lower net charge of individually assessed impairment allowances.

## **Financial Position**

As of 31 March 2016, the Group's total assets had grown from the end of 2015. Customer deposits and advances to customers increased during the quarter, while the Group's classified or impaired loan ratio remained solid.

## Business Review

In the **Personal Banking** business, the Group made a continuous effort to solidify customer relationships as part of its customer-centric strategy. It rolled out a series of promotional campaigns through different channels to increase business penetration with targeted segments, including payroll, family and youth customers. It continued to strengthen its residential mortgage products and services to meet the needs of different customer segments. The extensive range of products and services enabled the Group to maintain its market leadership in new residential mortgages for private and subsidised housing in the first quarter. The Group also continued to broaden its selection of wealth management products and strengthened its cross-border financial services to meet the diverse needs of customers. Two southbound funds under the Mainland-Hong Kong Mutual Recognition of Funds were distributed to give customers a wider range of Mainland investment fund choices. In addition, the Group continued to invest and held a series of seminars for customers to learn about different investment opportunities, further strengthening the Group's professional image. The Group also made good progress in its branch network transformation project. During the period, BOCHK was awarded the Best Retail Bank in Hong Kong for the second consecutive year and Wealth Management Business of the Year 2016, both by *The Asian Banker*.

The Group's **Corporate Banking** business continued to expand its customer coverage and deepen customer relationships. During the period, satisfactory year-on-year growth was recorded in syndicated loans, in terms of the number of transactions completed and loan amounts. In the local market, the Group stepped up its cross-selling activities to capture business opportunities with large corporates, SMEs, government agencies and institutions. Together with the Federation of Hong Kong Industries and UnionPay International, the Group launched BOC UnionPay FHKI Dual Currency Platinum Card with cross-border spending privileges. In collaboration with its parent bank, Bank of China ("BOC"), it successfully provided financing services to leading Mainland enterprises expanding into the ASEAN region as well as corporates in countries along the Belt and Road. The Group also established additional business relationships with overseas central banks and institutions.

In the **Treasury Segment**, the Group offered time-to-market products to customers in response to changing market conditions to meet customer preferences and needs. Satisfactory growth was recorded in foreign exchange and banknotes business. Additionally, the Group continued to take a proactive but prudent approach in managing its banking book investments in order to enhance returns while remaining alert to risks. It adjusted its investment portfolio and effectively managed its liquidity during a period of volatility in the offshore RMB market.

The Group's **Insurance Segment** continuously optimised its product and service portfolio to cater for the changing needs of customers. During the period, it launched MaxiWealth ULife Insurance Plan and partnered with Bank of China Group Insurance Company Limited ("BOCG Insurance") to distribute BOCG Insurance's BOC Asia Medical Insurance Plan through its tied agency channel for high-end customers. In addition, further collaboration with BOC and the broker channel led to more referral and cross-border business opportunities.

## GENERAL

This announcement may contain forward-looking statements that involve risks and uncertainties. The Company's shareholders and potential investors should not place undue reliance on these forward-looking statements, which reflect our belief only as of the date of these statements. These forward-looking statements are based on the Group's own information and information from other sources we believe to be reliable. The Group's actual results may be materially less favourable than those expressed or implied by these forward-looking statements, which could depress the market price of the Company's American Depositary Shares and local shares.

The Company's shareholders and potential investors should note that **all the figures contained herein are unaudited. Accordingly, figures and discussions contained in this announcement should in no way be regarded as to provide any indication or assurance on the financial results of the Group for the period ended 31 March 2016.**

**The Company's shareholders and potential investors are urged to exercise caution in dealing in the securities of the Company and are recommended to consult their own professional advisers if they are in doubt as to their investment positions.**

By Order of the Board  
CHAN Chun Ying  
Company Secretary

Hong Kong, 26 April 2016

*As at the date of this announcement, the Board comprises Mr TIAN Guoli\* (Chairman), Mr CHEN Siqing\* (Vice Chairman), Mr YUE Yi (Vice Chairman and Chief Executive), Mr REN Deqi\*, Mr GAO Yingxin\*, Mr XU Luode\*, Mr LI Jiuzhong, Madam CHENG Eva\*\*, Mr KOH Beng Seng\*\*, Mr SHAN Weijian\*\* and Mr TUNG Savio Wai-Hok\*\*.*

\* Non-executive Directors

\*\* Independent Non-executive Directors