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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)

ANNOUNCEMENT

FINANCIAL AND BUSINESS REVIEW FOR THE THIRD QUARTER OF 2015

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 third quarter of 2015.

Major economies experienced divergent growth in the third quarter of 2015. The US recovery stayed on track with the improving labour and housing markets, while the accommodative monetary environment in the Eurozone continued to support economic growth although momentum remained modest. In the Mainland of China, the authorities introduced supportive measures in response to the slowdown in economic expansion. The Hong Kong economy maintained a steady expansionary pace, supported by domestic demand and stable labour market conditions. Recent turmoil in financial markets, however, created economic uncertainty and a challenge to the operating environment.

Financial Performance

The summary below shows the key performance figures of BOC Hong Kong (Holdings) Limited and its subsidiaries (collectively known as the “Group”) in the nine months ended 30 September 2015 and in the third quarter of 2015 without taking into account the impact of the Potential Disposal[#]:

Key Performance						
	Nine months ended		Year on year change	Quarter ended		Quarter on quarter change
	30 Sep 2015	30 Sep 2014		30 Sep 2015	30 Jun 2015	
<i>HK\$'m, except percentages</i>						
Net operating income before impairment allowances	34,860	33,253	+4.8%	11,172	12,308	-9.2%
Operating expenses	(9,980)	(9,412)	+6.0%	(3,404)	(3,386)	+0.5%
Operating profit before impairment allowances	24,880	23,841	+4.4%	7,768	8,922	-12.9%

[#] Relating to the potential disposal of the interest in Nanyang Commercial Bank, Limited by Bank of China (Hong Kong) Limited.

Nine months ended 30 September 2015 compared with the same period of 2014

In the first nine months of 2015, the Group's net operating income before impairment allowances rose by 4.8% compared with the same period of 2014, driven by the growth in net fee and commission income. Also contributing to the increase in net operating income was a higher net gain from the disposal of certain equity instruments. The increases were partially offset by the lower net trading gain of the banking business. Net interest income was broadly unchanged with the growth in average interest-earning assets, offset by the narrowing of net interest margin. The lower net interest margin was mainly due to the increase in short-term debt securities investments and the decrease in average interest spread of RMB assets, caused by the drop in RMB market interest rates and the increase in RMB deposit costs. Net fee and commission income grew amid the improved investment sentiment in the market in the first half of the year. Commission income from securities brokerage, insurance and funds distribution grew markedly, while those of loans, credit cards and currency exchange also increased. Operating expenses increased owing to higher staff costs, depreciation charges and business promotion expenses. Net charge of impairment allowances on loans decreased slightly with the rise in the net charge of individually assessed impairment allowances, offset by the decline in the net charge of collectively assessed impairment allowances.

2015 Q3 compared with 2015 Q2

On a quarter-on-quarter basis, the Group's net operating income before impairment allowances decreased by 9.2%. Net interest income dropped mildly, mainly due to the narrowing of net interest margin, caused by the decrease in the average interest spread of RMB assets. Investment sentiments weakened notably in the third quarter. Net fee and commission income fell from its high level in the last quarter as a result of the decrease in commission income from securities brokerage, funds distribution and loans. Commission income from currency exchange and insurance, however, rose. Net trading gain of the banking business improved, mainly contributed by the growth in income from currency exchange transactions. Operating expenses increased marginally owing to higher staff costs. Net charge of impairment allowances on loans decreased with the decline in the net charge of individually assessed impairment allowances. Meanwhile, there was a net charge of collectively assessed impairment allowances as compared with the net reversal in the last quarter.

Financial Position

As of 30 September 2015, the Group's total assets were down slightly from the end of June 2015. Customer deposits dropped while advances to customers remained relatively stable during the quarter. The Group's classified or impaired loan ratio continued to improve.

Business Review

In the **Personal Banking** business, the Group made a stronger effort to deepen its existing customer relationships and acquire new customers. Service to payroll customers was also enhanced during the quarter. Other customer segments were targeted through sales and promotions using various channels, including programmes with Family banking concept and targeting to university students and younger customers. The Group continued to enrich the spectrum of mortgage services offered with a new fixed-rate mortgage scheme that allows customers to lock in loan expenses ahead of anticipated interest rate hikes. Support was also provided to the Hong Kong Mortgage Corporation Limited via the launch of the new Premium Loan Insurance Scheme to expand the Group's subsidised housing business. During the period, the Group further invested in customer education and system development relating to A share-related services. It took a leadership role in the market to provide Shenzhen A share stock quotes and information and optimised the Virtual Securities Investment Platform.

The Group enhanced the service capabilities of its **Corporate Banking** business and expanded its customer coverage through increased collaboration with BOC. In order to optimise its portfolio of services and achieve balanced growth, the Group leveraged its competitive advantage across various business lines and increased cross-selling activities. During the quarter, the Group successfully extended services to new customers in various industries and made a conscious effort to spur its business development in countries along the One Belt, One Road and the ASEAN region. In addition, the Group participated in a number of significant syndicated loans, acted as the receiving bank for a number of major IPOs in Hong Kong, and expanded its services to local SME customers.

In the **Treasury Segment**, the Group continued to exercise prudence in the management of its banking book investments, while closely monitoring changes in the market and adjusting its investment portfolio accordingly to enhance returns, while remaining alert to any potential risks. During the quarter, the People's Bank of China changed the RMB exchange rate fixing mechanism. On the back of a volatile market situation, increased demand was seen in currency exchange transactions. The Group met the related needs of customers through its diversified product offerings. The Group successfully issued RMB1 billion in financial bonds, making it the first international commercial bank to do so in the domestic interbank bond market of the Mainland of China. This landmark transaction not only opens up a new source of funding for the Group, but also sets a precedent for other foreign institutions that plan to tap the Mainland's capital market. To further enhance its real-time RMB clearing services for Participating Banks, the Group extended the clearing service hours of its RMB Real Time Gross Settlement System to 20.5 hours per day, with effect from 20 July 2015, in order to cover Europe and the Americas.

The Group's **Insurance Segment** continued to broaden its product and service offerings and diversify its distribution channels. During the quarter, the Group launched enhanced products, including the RMB ULife Insurance Plan II and UltiChoice ULife Insurance Plan II. It also conducted a series of sales and marketing campaigns in order to acquire a new and wider range of customers. Enhanced collaboration with BOC helped to develop the Group's cross-border business and acquire new customers visiting from the Mainland of China.

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 30 September 2015.**

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, 29 October 2015

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*