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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)

FINANCIAL AND BUSINESS REVIEW FOR THE FIRST QUARTER OF 2017

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 2017.

In the first quarter of 2017, there were no signs of a notable improvement in the trend of moderating growth in the global economy. In the US, where the Federal Reserve again raised the federal funds target rate in March, economic growth continued at a low level. The Eurozone economy continued to grow modestly despite several economic indicators approaching the highs of this growth cycle. In view of the limited pressure on inflation, the European Central Bank is expected to maintain an easing monetary policy. Improving momentum in the ASEAN economies was sustained, with several members reporting export growth in the first two months. In the Mainland of China, the economy continued to stabilise with the preliminary effects of structural reform. Hong Kong's economic growth remained moderate with improved performance from tourism, retail sales and trade in goods, as well as in the stock and property markets. Nevertheless, with sluggish global economic growth, rising trade protectionism, prevailing low interest rates and intensifying market competition, the overall operating environment filled with continuing challenges and opportunities for banks.

Financial Performance Highlights

- The Group's net operating income before impairment allowances grew by 21.7% year-on-year and 3.4% quarter-on-quarter.
- **Net interest income and net interest margin increased on a year-on-year and quarter-on-quarter basis.** The Group was proactive in managing assets and liabilities. Advances to customers increased in the first quarter coupled with the rise in average loan yield. Low-interest and interest free deposits increased.
- **Net fee and commission income increased year-on-year and quarter-on-quarter.** Commission income from securities brokerage, insurance and funds distribution rose year-on-year with improved investor sentiment.
- **Loan quality stayed solid in the first quarter. Net charge of impairment allowances on loans decreased year-on-year.**
- The Group maintained a proactive business strategy to **achieve solid development in key areas.** Total assets grew from the end of 2016 with **satisfactory growth in both advances to customers and deposits from customers.**
- **The Group completed the disposal of all of its 70.49% interest in Chiyu Banking Corporation Limited in the first quarter of 2017. The gain from the disposal further strengthened the capital position of the Group.**

Financial Performance

The table below summarises the key performance figures of the continuing operations[#] of BOC Hong Kong (Holdings) Limited and its subsidiaries (collectively known as the “Group”) in the first quarter of 2017:

Key Performance of the Group’s continuing operations					
<i>HK\$’m, except percentages</i>	2017Q1	(Restated) 2016Q1	(Restated) 2016Q4	Compared with 2016Q1	Compared with 2016Q4
Net operating income before impairment allowances	11,455	9,415	11,083	+21.7%	+3.4%
Operating expenses	(3,038)	(2,836)	(3,512)	+7.1%	-13.5%
Operating profit before impairment allowances	8,417	6,579	7,571	+27.9%	+11.2%

[#] The financial information provided in this announcement reflects only that of the Group’s continuing operations, and the comparative information has been restated accordingly. The operating results of Nanyang Commercial Bank, Limited and Chiyu Banking Corporation Limited are reported as discontinued operations. Following the completion of the share acquisition of Bank of China (Malaysia) Berhad and Bank of China (Thai) Public Company Limited on 17 October 2016 and 9 January 2017 respectively, the Group has applied the merger accounting method in the preparation of financial statements for the combination with entity under common control. The comparative information has also been restated accordingly.

2017 Q1 compared with 2016 Q1

In the first quarter of 2017, net operating income before impairment allowances of the Group’s continuing operations rose by 21.7% year-on-year. This growth was mainly driven by higher net interest income from the rebound in net interest margin and the expansion in average interest-earning assets. The Group was proactive in managing its assets and liabilities. Advances to customers increased in the first quarter coupled with the rise in average loan yield. Low-interest and interest free deposits increased. Net interest margin widened year-on-year. Net fee and commission income increased year-on-year, reflecting the Group’s efforts to capitalise on its diversified business platforms. Commission income from securities brokerage, insurance and funds distribution rose with improved investor sentiment. Commission income from bills, trust and custody services, payment services and currency exchange recorded healthy growth. Also contributing to the increase in net operating income was the higher net operating income of the Group’s insurance segment compared with the same period last year.

Operating expenses increased, reflecting the Group’s ongoing investment in human resources and enhancements in business systems and platforms to support long-term business growth.

Net charge of impairment allowances on loans decreased year-on-year, mainly due to the net reversal of individually assessed impairment allowances in this quarter as compared with the net charge in the same period last year.

2017 Q1 compared with 2016 Q4

On a quarter-on-quarter basis, net operating income before impairment allowances of the Group's continuing operations increased by 3.4%. Net interest income was higher quarter-on-quarter, driven by the widening of net interest margin and the expansion in average interest-earning assets. Advances to customers increased in the first quarter coupled with the rise in the average loan yield. Net fee and commission income rose with increases in commission income from loans, insurance, funds distribution, currency exchange and safe deposit box.

Operating expenses decreased due to lower staff costs and business-related expenses.

There was a net charge of impairment allowances on loans in this quarter as compared with the net reversal in the last quarter. Net charge of collectively assessed impairment allowances increased in this quarter, due to the growth in advances to customers. Meanwhile, there was a relatively large amount of net reversal of individually assessed impairment allowances in the last quarter, mainly caused by the reversal of impairment allowances for a few corporate advances.

Financial Position

As of 31 March 2017, the Group's total assets had grown from the end of 2016. The growth was mainly driven by the increases in advances to customers and balances with banks and other financial institutions, partially offset by the decreases in securities investments and assets held for sale. Advances to customers rose during the quarter, with increases in loans for use in Hong Kong covering various industry sectors, including manufacturing, property development, information technology, transport and transport equipment as well as wholesale and retail trade, and individual residential mortgage loans. Trade finance and loans for use outside Hong Kong also increased. Deposits from customers rose with increases in current accounts, savings and time deposits. The Group's classified or impaired loan ratio remained solid.

Business Review

The Group remained committed to sustainable development through innovation and transformation as well as regional development. It also continued to make good progress in its transformation from a local bank into a regional bank. In the first quarter of 2017, it completed the disposal of all of its 70.49% interest in Chiyu Banking Corporation Limited. The gain from the disposal further strengthened the capital position of the Group. The Group also completed the acquisition of Bank of China (Thai) Public Company Limited and entered into Asset Purchase Agreements with Bank of China in relation to the acquisition of the Indonesia Business and the Cambodia Business, respectively. It captured opportunities arising from national strategies such as the Belt and Road Initiative and the ASEAN region. It also cultivated the local market in Hong Kong, focused on cross-border businesses and accelerated the development of its eight key business platforms for business diversification. In addition, the Group stepped up its efforts in technological innovation, enhancing its competitive edge in Internet finance.

In the **Personal Banking** business, the Group focused on providing a diversified range of products and differentiated services to meet the varied needs of customers. With the launch of a number of deposit products and promotional programmes, the Group broadened its customer base and achieved a notable growth in deposits. It continued to strengthen relationships with mid- to high-end customers and successfully acquired new Wealth Management and Enrich Banking customers by conducting a series of marketing campaigns, customer events and investment seminars. To support the cross-border business, the Group reinforced its collaboration with Bank of China, further optimised its service model and launched promotional campaigns that attracted new cross-border customers. The Group's securities brokerage and funds distribution businesses also achieved satisfactory performance with a satisfactory year-on-year increase in related commission income as a result of improved market sentiment, increased stock market turnover and the Group's continuous efforts to enhance service to high-end customers and the overall customer experience through investment seminars. Moreover, the Group continued to refine its branch transformation project and upgraded its distribution channels to provide better service to personal and SME customers.

During the quarter, the Group continued to improve its Internet finance service and develop innovative applications to the market. The total number of customers using e-channels in the review period rose further, together with total number of related transactions year-on-year. Development of a blockchain technology application for property valuation also made good progress. In recognition of its effort to develop blockchain technology and its application in the local banking and finance industry, BOCHK won the Hong Kong ICT Awards 2017: Best FinTech (Emerging Solutions/Payment Innovation) Gold Award. The Group also signed a strategic cooperation agreement with China Mobile International and China Mobile Hong Kong. The partnership enables all parties to develop diversified service platforms, create a core customer base, accelerate regional development and jointly develop the Southeast Asian business.

The Group's **Corporate Banking** business exploited market opportunities along the Belt and Road and in the ASEAN region. During the quarter, the Group provided financing solutions to several leading enterprises in a number of ASEAN countries. It also deepened relationships with large corporate clients and arranged several syndicated loans. The local market continued to be cultivated by expanding business cooperation with trade associations, family-owned businesses and second- and third-tier listed companies. As the branch transformation progressed, the Group further enhanced its service capabilities for SME customers and attained solid increases in both business volume and product sales. With regard to the institutional business, the Group further expanded its customer base and, acting as one of the mandated arrangers, arranged China Development Bank's first syndicated loan in the overseas market. In addition, the Group continued to refine its cash management service and enrich its range of trade finance products. It also focused on developing the cross-border funding pool business in support of Mainland enterprises establishing corporate treasury centres in Hong Kong. Additionally, it co-organised the Global Summit – Enterprise Fund Management event with Bank of China and its Guangdong branch, encouraging large enterprises going global to set up treasury centres in Hong Kong.

In the **Treasury Segment**, the Group remained focused on developing innovative products and services that meet customers' needs. It proactively explored customers' business needs and provided tailored products and solutions to increase business volume and income. It made good progress in the structured products, derivatives and banknotes businesses. By capturing opportunities in Southeast Asia, the Group was able to provide its treasury products and services to a number of financial institutions. Moreover, it was proactive in managing its banking book investments while remaining alert to risk.

The Group's **Insurance Segment** remained committed to diversifying its distribution channels, increasing business volume from non-bank channels, including tied agency and broker channels, and broadening its range of products and services to meet the needs of customers. In addition to serving local customers in Hong Kong, the Group was active in capturing business opportunities from Mainland and Southeast Asian customers visiting Hong Kong. Diversified distribution channels were built and cross-selling activities strengthened in order to offer a one-stop financial service for customers. During the quarter, the Group expanded the corporate insurance business, launched several new products, optimised its service models and expanded its service facilities. The Group also launched Easy Claims, the first instant online claim approval service in Hong Kong with the aim of saving time for customers awaiting claim approvals.

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 2017.**

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
LUO Nan
Company Secretary

Hong Kong, 28 April 2017

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**, Dr CHOI Koon Shum**, Mr KOH Beng Seng** and Mr TUNG Savio Wai-Hok**.*

* *Non-executive Directors*

** *Independent Non-executive Directors*