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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 2014

**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 2014.

In the third quarter of 2014, major economies continued their moderate pace of recovery with signs of divergence beginning to emerge. While the US economic recovery stayed broadly intact, the Eurozone’s growth witnessed deceleration. In the Mainland of China, economic expansion slowed somewhat. Meanwhile, Hong Kong’s growth momentum weakened with lacklustre private consumption.

#### 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 2014 and in the third quarter of 2014:

Key Performance						
	Nine months ended		Year on year change	Quarter ended		Quarter on quarter change
	30 Sep 2014	30 Sep 2013		30 Sep 2014	30 Jun 2014	
<i>HK\$m, except percentages</i>						
Net operating income before impairment allowances	<b>33,253</b>	29,522	+12.6%	<b>11,604</b>	10,765	+7.8%
Operating expenses	<b>(9,412)</b>	(8,680)	+8.4%	<b>(3,196)</b>	(3,169)	+0.9%
Operating profit before impairment allowances	<b>23,841</b>	20,842	+14.4%	<b>8,408</b>	7,596	+10.7%

### *Nine months ended 30 September 2014 compared with the same period of 2013*

In the first nine months of 2014, the Group's net operating income before impairment allowances rose by 12.6% compared to the same period of 2013. The increase was mainly driven by higher net interest income, which was contributed by growth in higher-yielding assets in loans to customers, RMB bonds as well as balances and placements with banks. Net interest margin widened year-on-year. Net fee and commission income increased, driven by higher income from funds distribution, insurance, securities brokerage, credit cards, trust and custody services as well as currency exchange. The net gain from disposal of certain equity instruments also contributed to the increase of net operating income. The increases were partially offset by the decline in net operating income of the Group's insurance segment. Operating expenses increased with higher staff costs, depreciation charges, rental and IT expenses. Net charge of impairment allowances on loans rose with the increase in the net charge of individually assessed impairment allowances.

### *2014 Q3 compared with 2014 Q2*

On a quarter-on-quarter basis, the Group's net operating income before impairment allowances increased by 7.8%. Net interest income continued to grow with higher average interest-earning assets. Net interest margin narrowed. Net fee and commission income remained stable as increased income from securities brokerage, insurance, funds distribution, currency exchange and credit cards were mostly offset by the decrease in loan commissions. The Group recorded a net gain from disposal of certain equity instruments, which made a notable contribution to the increase in net operating income. Net trading gain of the banking business and net operating income of the Group's insurance segment increased. Operating expenses were up marginally with higher staff costs. The Group registered a higher net charge of impairment allowances on loans, mainly from the increase in net charge of individually assessed impairment allowances.

## **Financial Position**

As of 30 September 2014, the Group's total assets registered an increase from the end of June 2014. Customer deposits and advances to customers grew during the quarter. The Group's classified or impaired loan ratio was higher but continued to stay at a low level. The average liquidity ratio was sound while capital ratios remained stable and maintained at a strong position.

## **Business Review**

The Group's **Personal Banking** business continues to meet customers' needs through product branding and strives to become customers' main bank. During the quarter, the Group delivered differentiated services to customers of Wealth Management, Enrich Banking and i-Free Banking as well as those across the border, resulting in a healthy growth of transaction volumes. Taking advantage of the pick-up in residential property market activities, the Group introduced new business partners and sales models, maintaining its position as the key mortgage service provider to home buyers. In preparation for "Shanghai-Hong Kong Stock Connect", the Group invested in customer education, information provision and system development. It took a leadership role in the market with the launch of the A Shares Information Web Page, which provides free A-share stock quotes and information.

The Group's **Corporate Banking** business maintained its growth trajectory from the first half of the year. The cohesive relationship with BOC enabled the Group to capture increasing demand for cross-border banking services from BOC Group's customers around the globe. Together with BOC, the Group continued to support the financing needs of Mainland enterprises expanding abroad. It further extended its geographical presence by securing relationships with financial institutions and central banks in numerous overseas regions. In the cash management business, the Group became the arranger for cross-border funding pools of various major corporates.

In the **Treasury Segment**, the Group closely monitored market conditions and proactively managed its investment portfolio to balance risk and return. It continued to diversify its product offerings to meet the diverse needs of customers. Meanwhile, to promote and strengthen Hong Kong's position as the premium offshore RMB centre, the Group extended the RMB clearing service hours to 20.5 hours per day with effect from 1 October 2014. This distinguishes the Hong Kong RMB clearing system as the world's first clearing system to cover time zones in Europe, America and Asia with the longest operating hours globally.

The Group's **Insurance Segment** continued to pursue business growth through diversification of product offerings and distribution channels. Key initiatives during the quarter included the launch of new channel-specific products and the holding of cross-selling events and promotional activities, all of which enhanced reach to different customer segments.

## 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 2014.**

**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, 30 October 2014

*As at the date of this announcement, the board of directors of the Company comprises Mr TIAN Guoli\* (Chairman), Mr CHEN Siqing\* (Vice Chairman), Mr HE Guangbei (Vice Chairman and Chief Executive), Mr LI Zaohang\*, Mr ZHU Shumin\*, Mr YUE Yi\*, Mr GAO Yingxin, Madam CHENG Eva\*\*, Mr KOH Beng Seng\*\*, Mr SHAN Weijian\*\* and Mr TUNG Savio Wai-Hok\*\*.*

\* Non-executive Directors

\*\* Independent Non-executive Directors