

BOCHK: In Pursuit of Growth and Excellence



Since its incorporation in 2001 and listing in mid 2002, Bank of China (Hong Kong) has striven to deliver value to its shareholders. The bank priced its IPO at HK\$8.50 and hit a high of HK\$15.95 in 2004. The market capitalization of BOCHK was HK\$157 billion by the end of 2004.

Who are we?

BOCHK has the largest bank distribution network in Hong Kong with nearly 300 branches and 450 ATMs. Around 2.5 million people in Hong Kong hold an account with BOCHK, which is about a third of the Hong Kong SAR's population. It is one of the three note-issuing banks in the SAR and is uniquely positioned to benefit from the closer economic integration between Hong Kong and the Mainland of China. Crucially, it is a member of the Bank of China Group - the highest rated of China's four state-owned banks. It is the only Renminbi Clearing Bank in Hong Kong.

Retail banking

Over half of BOCHK's customers have banked with the organization for more than three years, a good indicator of the customer loyalty base and the quality of service delivered. Being a market leader in deposit taking and mortgage businesses, BOCHK offers a wide range of retail banking products including personal loans, credit cards and personal wealth management services. Since February 2004 it has also been offering personal Renminbi banking services to local customers.

Corporate banking

BOCHK is a major corporate lender to companies conducting business in Hong Kong, the Mainland of China and elsewhere. It continuously ranks in the top tier in the syndicated loan market and offers its corporate and institutional customers a wide variety of products and services that include working capital finance, project and asset finance, trade finance, credit facility arrangements, cash management as well as Mandatory Provident Fund and insurance services.

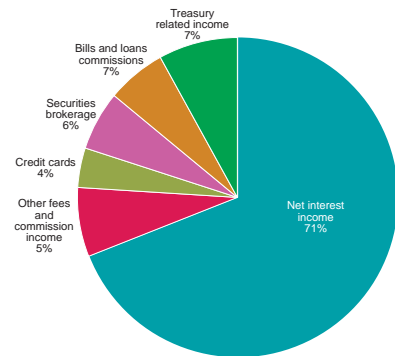
Treasury

As one of the leading and most active participants in the treasury market, BOCHK provides professional services to broad-based customers in the area of foreign exchange market, money market, capital market, bullions market, and derivatives such as equity-linked and structured deposits.

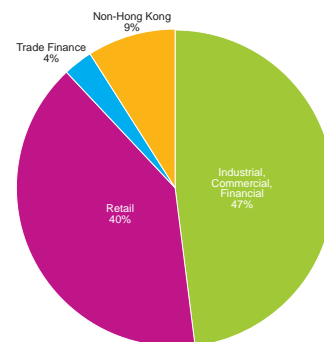
Financial performance

BOCHK has seen an improving trend in its financial performance - reflecting the improvements in corporate governance and risk management that have positively benefited BOCHK in the wake of its IPO. Its return on assets had more than quadrupled since 2001 to 1.56% and

Year ended December 31, 2004
Operating Income Breakdown



December 31, 2004
Industry Lending Exposure



Profit & Loss Account (HK\$ millions)	FY 2004	FY 2003	FY 2002	FY 2001
Operating Income	15,857	17,253	18,114	19,009
Operating Expenses	(5,505)	(5,658)	(6,025)	(5,847)
Operating Profit Before Provisions	10,352	11,595	12,089	13,162
Write-back of/(charge for) Bad and Doubtful Debts	1,628	(1,671)	(2,855)	(7,412)
Operating Profit After Provisions	11,980	9,924	9,234	5,750
Property Revaluation	1,862	(1,111)	(977)	(1,241)
Profit Attributable to Shareholders	11,963	7,963	6,787	2,768
EPS (HK\$)	1.1315	0.7532	0.6419	0.2618

Balance Sheet (HK\$ millions)	2004.12.31	2003.12.31	2002.12.31	2001.12.31
Total Assets	796,776	762,587	735,536	766,140
Total Liabilities	727,016	701,170	677,751	712,904
Shareholders' Funds	68,521	60,261	56,671	52,170
ROE	18.58%	13.62%	12.52%	7.31%
Tier 1	15.19%	14.22%	13.12%	13.37%
Total CAR	16.14%	15.11%	13.99%	14.38%

its NPLs had declined from above 10% in 2001 to 2.95% in 2004. Its return on equity had improved to 18.58% by the end of 2004 and the capital adequacy ratio had improved to 16.14% from 14.38% in 2001. In the same timeframe, total assets have grown from HK\$766 billion to HK\$797 billion.

To summarise, profitability has been greatly enhanced in the past three years. The profit attributable to shareholders reached a record high of HK\$11,963 million for 2004 versus the same period in 2003 of HK\$7,963 million.

Goals and strategies

BOCHK's vision is to become the customer's premier bank and to create superior returns on shareholder value. To this end, BOCHK's primary focus is to achieve higher revenue growth and to diversify its revenue mix. Efforts are focused on growing high-margin businesses particularly wealth management, SME loans, trade financing and consumer credit. Cross-selling has become a key strategy and the bank strives to improve its sales of fee-based products through improved sales of wealth management and trust services, credit cards, insurance, securities brokerage, bills and loan commissions and guarantees to corporate and retail customers. It is also working to enhance its balance sheet management to fully take advantage of its surplus fund and high capital adequacy ratio.

BOCHK has also embarked on a programme to enhance operating efficiency through enhancing operating processes and systems at virtually all levels of the company

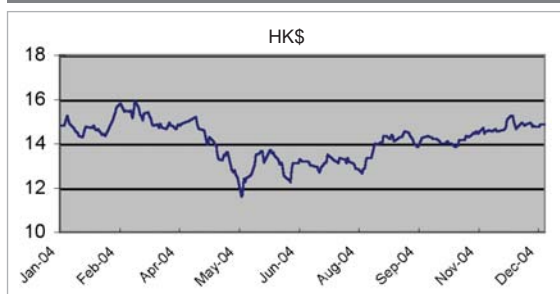
and in all departments. Other parts of bank-wide efficiency programmes include network rationalization, channel modernization and human resources development.

BOCHK will likewise capitalize on China's growth opportunities. By capitalizing on the relationship with its parent, Bank of China, BOCHK is better positioned than any other bank in Hong Kong to serve its broad-based clients. BOCHK has fine-tuned its China Business Model to take advantage of the opportunities created by the implementation of the Closer Economic Partnership Agreement (CEPA), further opening of individual visits of Mainland Chinese to Hong Kong and the launch of personal RMB business in early 2004. Growth potential is expected to be substantial in mortgage, corporate lending, equipment finance, trade finance, cross-border activities, multi-currency credit cards and cash management products.

The final, and obviously critical component for BOCHK is to maintain this strong and vibrant growth while assuring asset quality and implementing the highest levels of risk management. To lower its NPL ratio to the industry average, BOCHK has therefore enhanced its risk management systems to meet the best market practices.

With analyst coverage from over 20 brokers, BOCHK's performance and corporate governance has never been more closely monitored. These are exciting times for BOCHK and its shareholders. The organization is fully committed to serving its customers and shareholders as it seeks to become a best of breed bank in Asia and the wider world.

Stock Price Performance



Market Facts

HKSE: 2388
 Bloomberg: 2388 HK
 Reuters: 2388.HK
 ADR OTC: BHKLY

Shares Outstanding 10,572,780,266

Free Float 34%
 Market Cap at the end of 2004: HK\$ 157b (US\$20b)

2004 Dividend HK\$ 0.715
 Fiscal Year End December 31