



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)



1917 - 2007

服務香港 共建未來

COMMITTED TO BUILDING A BETTER TOMORROW

ANNOUNCEMENT

FINANCIAL AND BUSINESS REVIEW FOR THE THIRD QUARTER OF 2007

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 data relating to the performance of the Company in and up to the third quarter of 2007.

Financial Performance

In the nine months ended 30 September 2007, the Group's⁽¹⁾ operating profit before loan impairment allowances was HK\$13,252 million; net operating income before loan impairment allowances was HK\$18,547 million and operating expenses were HK\$5,295 million.

First nine months of 2007 compared with first nine months of 2006

The Group recorded an increase in operating profit before loan impairment allowances in the first nine months of 2007 compared to the same period last year. This increase was led by the growth in both net interest income and net fees and commission income in spite of a decrease in net trading income of the banking operation and an increase in operating expenses.

The growth in net interest income was mainly attributable to the increase in the average balance of interest earning assets, continued improvement in the Group's assets and liabilities structure, effective control of deposits costs as well as higher market interest rates. The Group also recorded an improvement in both net interest margin and net interest spread. The rise in net fees and commission income was driven by significant increase in fee income from stock brokerage and sale of funds. Satisfactory growth was also recorded in fees from the credit card business. The decline in net trading income of the banking operation was mainly caused by increased costs associated with the foreign exchange funding swap contracts. The increase in operating expenses was largely due to higher staff costs resulting from a general salary increase given in the second quarter of this year and the costs associated with the Group's salary reform programme initiated earlier. Other expenses increased as a result of higher rental and IT related expenditures.

2007Q3 compared with 2007Q2

The Group's operating profit before loan impairment allowances in the third quarter increased from the previous quarter mainly as a result of higher net fees and commission income. While the Group's net interest income remained stable, net fees and commission income was boosted by the rise in stock brokerage fees spurred by active stock trading in Hong Kong. This was partially offset by the decline in net trading income of the banking operation and increased operating expenses. Nevertheless, the Group succeeded in maintaining its cost-to-income ratio at a low level.

Financial Position

The Group recorded an increase in total assets in the third quarter this year. Customer deposits declined as significant IPO-related deposits were recorded at end-June. Excluding the IPO factor, customer deposits actually increased. Total advances to customers continued to grow on the back of the momentum built up in the first half of the year. Classified and impaired loan ratio further improved. Capital adequacy ratio of the banking group remained at a healthy level.

Business Review

The Group's **retail banking business** maintained its growth momentum built up in the first half of the year. The performance of investment and insurance businesses in the third quarter was further boosted by the robust local stock market together with the strengthening of the Group's product platforms and distribution channels. Through effective marketing campaigns and the introduction of various new products, the Group maintained its leading position in the residential mortgage sector. To coincide with the one-year countdown to the 2008 Beijing Olympic Games, a series of promotional offers on mortgages and deposits as well as new credit card products were launched with good response from customers. In addition, to broaden its deposits base, the Group launched a tiered interest rate scheme on USD fixed deposits and introduced several promotional offers on other foreign currency deposits. Meanwhile, the Group acted as joint lead manager and bookrunner as well as placing bank for the RMB bonds issued by the Bank of China and the Export-Import Bank of China in Hong Kong. Regarding the credit card business, card-related fee income increased together with the growth in card receivables and cardholder spending volume as a result of successful marketing campaigns and the economic upturn.

The Group's **corporate banking business** continued to make good progress in the third quarter of the year. The Group registered broad-based growth in corporate loans compared to end-2006. Strong growth was witnessed in loans for use outside Hong Kong, IPO financing and other local corporate loans. The high-yielding loan segments such as SME loans and trade finance business continued to perform well. The Group remained the leader in syndicated loan markets. Various initiatives were taken to expand its cash management and custody services. As regards the Mainland business, total loans granted by the Group's Mainland branches continued to grow satisfactorily. With the approval of the China Banking Regulatory Commission, the Group has been proceeding at full speed to incorporate Nanyang Commercial Bank (China) Ltd. as a local bank in the Mainland. This new fully-owned subsidiary is scheduled to commence operation before the end of this year.

In respect of its **treasury business**, the Group continued to further strengthen its balance sheet management and risk management. Encouraged by the successful launch of its first notes programme in February this year and with a view to capturing customers' demand for investment products, the Group rolled out several series of structured notes in the third quarter. Additionally, ten new derivative warrants were listed and commenced trading on the Stock Exchange of Hong Kong during the same period. These new products not only helped enrich the Group's product offerings, but also improved the Group's market position. At the end of September 2007, the Group's exposure in US subprime asset-backed securities ("ABS") fell to HK\$9.6 billion from HK\$12.8 billion a quarter ago. An amount of HK\$51 million was charged to the income statement for the period as impairment allowances on the portfolio.

The Group's **insurance segment** achieved growth in net operating income in the third quarter over the previous quarter. Growth in net insurance premium income was primarily driven by higher premium income from single premium products. Concurrently, continuous effort was made to improve the Group's product mix with the introduction of new products and promotional campaigns to improve the sales of both long-term regular pay products and investment-linked plans.

Remark:

⁽¹⁾ "The Group" refers to BOC Hong Kong (Holdings) Limited and its subsidiaries.

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 on 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 attention of investors is also drawn to the announcement issued by Bank of China Limited ("BOC") (Stock Code: 3988) on 30 October 2007 in which BOC presents its unaudited quarterly results. The Company is owned as to 65.77% by BOC, and therefore its financial data has been consolidated into the data presented by BOC. The said announcement can be downloaded from BOC's website at www.boc.cn and from the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk. Investors are warned not to make any conclusions about the performance of the Company from the announcement issued by BOC.

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 2007.**

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
Jason C.W. Yeung
Company Secretary

Hong Kong, 30 October 2007

As at the date hereof, the board of directors of the Company comprises Mr. XIAO Gang (Chairman), Mr. SUN Changji* (Vice Chairman), Mr. HE Guangbei (Vice Chairman and Chief Executive), Mr. LI Zaohang*, Mr. ZHOU Zaiqun*, Mdm. ZHANG Yanling*, Mr. LEE Raymond Wing Hung, Mr. GAO Yingxin, Dr. FUNG Victor Kwok King**, Mr. KOH Beng Seng**, Mr. SHAN Weijian**, Mr. TUNG Chee Chen**, Mr. TUNG Savio Wai-Hok** and Mdm. YANG Linda Tsao**.*

* *Non-executive Directors*

** *Independent Non-executive Directors*