



**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**

### **SUBORDINATED CREDIT FACILITY BETWEEN BANK OF CHINA LIMITED AND BANK OF CHINA (HONG KONG) LIMITED**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

BOC and BOCHK have approved in principle the main terms of a subordinated credit facility agreement pursuant to which BOC will extend a US\$2,500,000,000 subordinated credit facility to BOCHK. The Subordinated Loan is expected to be drawn down on or before 23 December 2008. BOC and BOCHK expect to enter into the subordinated credit facility agreement on or about 16 December 2008.

The Group’s financial performance has been subject to the negative impact of the global economic slowdown and the increased volatility in major financial markets. As a result, the Board expects the profit attributable to shareholders of the Company for the year ending 31 December 2008 to decrease considerably as compared to that for the year ended 31 December 2007. The Subordinated Loan will allow BOC to take advantage of its capital to strengthen BOCHK’s capital base, providing BOCHK with greater operating flexibility to meet its business development needs and to weather the economic uncertainties arising from the global financial turmoil.

The terms of the Subordinated Loan were negotiated on an arm’s length basis between the two parties, and are in the interests of the Company and its shareholders taken as a whole.

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 “**Listing Rules**”).

Bank of China Limited (“**BOC**”) and Bank of China (Hong Kong) Limited (“**BOCHK**”), the principal operating subsidiary of the Company and an authorized institution under the Banking Ordinance, have approved in principle the main terms of a subordinated credit facility agreement pursuant to which BOC will extend a US\$2,500,000,000 subordinated credit facility to BOCHK (the “**Subordinated Loan**”). The Subordinated Loan is expected to be drawn down on or before 23 December 2008. BOC and BOCHK expect to enter into the subordinated credit facility agreement on or about 16 December 2008. The Subordinated Loan will allow BOC to take advantage of its capital to strengthen BOCHK’s capital base, providing BOCHK with greater operating flexibility to meet its business development needs and to weather the economic uncertainties arising from the global financial turmoil.

As stated in the Company's Financial and Business Review for the Third Quarter of 2008 dated 29 October 2008, the Company and its subsidiaries (the "**Group**") recorded a net charge of impairment allowances of HK\$3,199,000,000 against its investments in securities, mainly related to the US non-agency mortgage-backed securities and senior unsecured debt issued by Lehman Brothers. The Group's insurance segment also registered an increase in operating loss caused by the weak performance of its investment assets. In view of the lack of liquidity and extreme price volatility in the major financial markets since the end of the third quarter, further write-downs in the value of the Group's securities investment portfolio is expected. The Group will also consider making provisions for its investments in The Bank of East Asia, Limited, in accordance with the accounting standards in the preparation of its full year financial statements for 2008. As a result of these factors and the adverse impact of the global economic slowdown and financial crisis, the board of directors of the Company (the "**Board**") expects that the Group's financial performance in the second half of 2008 will be affected and the profit attributable to shareholders of the Company for the full year ending 31 December 2008 is expected to decrease considerably as compared to that for the full year ended 31 December 2007.

The Board wishes to emphasize that the Group's overall financial position remains sound. The Group continues to exercise rigorous risk management and focuses on liquidity management and capital optimization. As at the end of the third quarter of 2008, the Group's liquidity position remained strong and its capital adequacy ratio, although having decreased from the end of June 2008, remained well above regulatory requirements. However, taking into account the increasing uncertainties in the current economic environment and continuing volatility in the capital markets, the Board believes that it is in the best interests of the shareholders to adopt a more prudent approach by further strengthening BOCHK's capital base with the Subordinated Loan.

### **Terms of the Subordinated Loan**

The Subordinated Loan for a term of 10 years is expected to be drawn down on or before 23 December 2008. BOCHK may elect to repay, subject to regulatory approval, the Subordinated Loan at any time on or after five years and one day of the date of drawdown. Interest on the Subordinated Loan shall be payable every six months at 2.00% + LIBOR for the initial period of 5 years from the date of the drawdown and, if not repaid, at 2.50% + LIBOR for the remaining period.

The terms of the Subordinated Loan were negotiated on an arm's length basis between the two parties, and are in the interests of the Company and its shareholders taken as a whole.

The Subordinated Loan will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. The Subordinated Loan will be provided on normal commercial terms. An independent board committee ("**IBC**") of the Company, comprising all of its independent non-executive directors and chaired by Mr. Tung Chee Chen, has reviewed the terms and conditions (including the pricing) of the Subordinated Loan. With the benefit of advice by an independent financial advisor, the IBC considers that they are fair and reasonable.

## **Classification of the Subordinated Loan**

All liabilities of BOCHK under the Subordinated Loan will rank pari passu with all its liabilities accruing under the agreement in respect of a subordinated credit facility of €660,000,000 between BOC and BOCHK dated 25 June 2008.

The Subordinated Loan will qualify as Tier 2 Capital of BOCHK pursuant to the regulatory requirements of the Hong Kong Monetary Authority and will improve the capital structure of BOCHK. Going forward, BOCHK will continue to take proactive measures to manage its capital, with a view to meeting its strategic development needs.

**In view of the market volatility, 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, 12 December 2008

*As at the date of this announcement, 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*