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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 FIRST QUARTER OF 2009

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 the first quarter of 2009.

Financial Performance

The operating environment in the first quarter of 2009 remained highly challenging for the banking sector as a whole because of the continued volatility of the financial markets and the global economic slowdown. During this period, the Group’s⁽¹⁾ main focus has been to safeguard its financial strength, preserve its capital, manage risks and control costs. In the three months ended 31 March 2009, the Group’s net operating income before impairment allowances was HK\$5,961 million and operating expenses were HK\$1,960 million, compared to HK\$7,218 million and HK\$1,958 million respectively for the same period last year (2008 Q4: HK\$5,979 million and HK\$2,502 million respectively). Operating profit before impairment allowances was HK\$4,001 million, compared to HK\$5,260 million for the same period last year (2008 Q4: HK\$3,477 million).

2009 Q1 compared with 2008 Q1

The Group’s financial performance in the first quarter of 2009 was subject to the adverse impact of the global economic downturn. Compared to the relatively strong first quarter of 2008, the Group registered a decrease in net operating income before impairment allowances mainly due to the decline in both net interest income and net fees and commission income as well as an increase in mark-to-market loss of investment assets held by the Group’s insurance segment. This was partially offset by the improvement in net trading income from mark-to-market changes of foreign exchange swap contracts and certain interest rate instruments. Operating expenses rose slightly compared to the same period last year. Cost-to-income ratio was higher mainly because of the decline in operating income. The Group has recently commenced discussions with the relevant regulatory authorities in relation to the Group’s distribution of Lehman Brothers Mini-bonds issue (“Mini-bonds issue”) which may or may not reach any agreement. Accordingly, it is also uncertain at this point in time whether these discussions may result in any material financial impact to the Group. The Group will make further public disclosures in accordance with regulatory requirements in due course. The Group recorded an increase in net charge of impairment allowances on securities investments while net charge of impairment allowances on loans decreased year-on-year.

The drop in net interest income was mainly attributable to the decline in the contribution of net free fund under the low interest rate environment together with the higher funding cost of the subordinated loans secured last year. This was, however, partially counterbalanced by the positive impact of improved deposit mix as well as the growth in average interest-earning assets. Net interest margin narrowed year-on-year. The decrease of net fees and commission income was caused primarily by the decrease in investment-related agency fee income as business volume declined in a sluggish market. Fees income from the Group's traditional banking services also recorded a decline, in line with the related business volume as economic activities slowed down. Owing to the widening of credit spread, the Group's insurance segment recorded an increase in mark-to-market loss on its investment assets.

2009 Q1 compared with 2008 Q4

The Group registered a slight decrease in net operating income before impairment allowances. Net interest income fell as net interest margin narrowed. Meanwhile, net fees and commission income recorded a mild decrease. The decline was partially offset by the increase in net trading income recorded by the Group's banking operation due to mark-to-market changes and the decrease in net operating loss incurred by the Group's insurance segment. Core operating expenses* declined as a result of the decrease in staff costs as well as computer and advertising expenses on the back of the Group's disciplined cost control. Net charge of impairment allowances on both securities investments and loans were lower.

* after excluding expenses mainly related to the Mini-bonds issue and adjusting an incomparable factor in 2008 Q4.

Financial Position

As of 31 March 2009, the Group's total assets decreased from the end of 2008. Both customer deposits and advances to customers fell marginally. Securities investments also declined. Classified or impaired loan ratio dropped from last year-end. The capital adequacy ratio of the banking group remained at a high level.

Business Review

The Group's **Personal Banking** segment continued to focus on business development despite the economic downturn. During the first quarter, the Group seized business opportunities arising from the stabilisation of the local property market by introducing the "Fixed Rate Mortgage Schemes". These schemes enable customers to lock in the mortgage rate during the fixed rate period, thus protecting them from any potential interest rate fluctuations. Meanwhile, the credit quality of residential mortgages remained strong with the delinquency and rescheduled loan ratio staying at a low level.

While the Group's **Corporate Banking** stepped up its risk management in view of the uncertain economic environment, it provided continuous support to those solid businesses that were in need of short-term liquidity. Additional resources were allocated to promote the "SME Loan Guarantee Scheme" and "Special Loan Guarantee Scheme", under which enterprises can secure loans with the Government acting as the guarantor. The Group's market position in loan syndication was further entrenched while the customer base of cash management and custody services expanded. The Group is well prepared for the imminent launch of the pilot scheme for RMB trade settlement, which allows the use of RMB as a trade settlement currency between Guangdong Province, Yangtze River Delta and HKSAR. In the Mainland, the Group continued to expand its network which included 20 branches and sub-branches at end-March 2009 following the commencement of Nanyang Commercial Bank (China)'s Shanghai Xuhui sub-branch and Chiyu's Xiamen Jimei sub-branch in January and March respectively this year.

In respect of its **Treasury Segment**, the Group continued to exercise rigorous risk control and liquidity management amid the global financial crisis. At the end of March 2009, the carrying value of the Group's exposure to US non-agency residential mortgage-backed securities comprising subprime, Alt-A and prime amounted to HK\$0.9 billion, HK\$2.0 billion and HK\$14.4 billion respectively. Meanwhile, the carrying value of exposures to senior unsecured debts issued by Lehman Brothers was HK\$0.04 billion while total exposures to Freddie Mac and Fannie Mae, the US mortgage agencies, amounted to HK\$4.3 billion. The Group recorded a net charge of impairment allowances of HK\$1,181 million for the first quarter of 2009 against its investments in securities, comprising a net charge of HK\$24 million for subprime, HK\$163 million for Alt-A, HK\$877 million for prime and HK\$117 million for other debt securities.

Regarding the **Insurance Segment**, the Group's product mix continued to improve with net insurance premium income from regular premium products recording a healthy year-on-year growth. However, it recorded a net operating loss in the first quarter of 2009 as its investment assets were adversely affected by the volatile financial market.

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 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 2009.**

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, 28 April 2009

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*