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 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 third quarter of 2009.

Financial Performance

The operating environment for the banking and financial services sector in Hong Kong has been stabilising since the second quarter of the year. Market sentiments have been improving in general. Most conspicuously, there has been a strong rebound in both the stock and property markets. During the third quarter of 2009, the Group[(1)] continued to proactively seize business opportunities arising from the positive market changes while safeguarding its financial strength. In the nine months ended 30 September 2009, the Group's net operating income before impairment allowances[(2)] was HK$19,834 million and operating expenses were HK$9,250 million, compared to HK$19,547 million and HK$6,269 million respectively for the same period last year. Operating profit before impairment allowances was HK$10,584 million, compared to HK$13,278 million for the same period last year.

First nine months of 2009 compared with first nine months of 2008

Compared to the same period last year, the Group registered a mild increase in net operating income before impairment allowances. This growth was led by the improvement in net fees and commission income and the net operating income recorded by the Group's insurance segment, which was partially offset by the decline in net interest income. Operating expenses increased considerably due to expenses incurred on Lehman Brothers related products of HK$3,242 million, primarily in relation to the Lehman Brothers Mini-bonds ("Mini-bonds") repurchase arrangement as announced on 22 July 2009[(3)]. Should these expenses for Mini-bonds be excluded, both core operating expenses* and the cost-to-income ratio would have been lower on a year-on-year basis. The Group registered a substantial decrease in net charge of impairment allowances on securities investments and a net reversal of impairment allowances on loans vis-à-vis a net charge recorded in the same period last year.

The Group continued to grow its average interest-earning assets. 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 as well as the higher funding cost of the subordinated loans secured in 2008. The increase of net fees and commission income was largely attributable to higher fee income from stock broking in the buoyant stock market and also higher loans commissions derived from the Group's enlarged loan portfolio. Furthermore, the Group also recorded an increase in commission income generated from loan syndication in the Asia-Pacific region in its role as the BOC Group's Asia-Pacific Syndicated Loan Centre. The Group's insurance segment recorded a net operating income as against a net loss a year ago, mainly due to improvement in mark-to-market results of its securities investments.

2009 Q3 compared with 2009 Q2

On a quarter-on-quarter basis, the Group recorded a modest decrease in net operating income before impairment allowances[(2), (4)]. The decrease was caused mainly by the decline in net trading income of the Group's banking operation as well as a lower net operating income of the Group's insurance segment. Net interest income rose mildly due to the increase in average interest-earning assets. Net interest margin continued to narrow but at a slower pace in recent months. Net fees and commission income recorded a mild increase driven by the growth in fees from the Group's credit card business and loan commission income. Core operating expenses* increased slightly. In the third quarter this year, the Group recorded a net reversal of impairment allowances and net realised gain on impaired securities investments. The Group also registered a net reversal of impairment allowances on loans during the period.

* excluding expenses mainly related to the Mini-bonds.

Financial Position

Total assets of the Group as of 30 September 2009 showed an increase from end-June 2009. The growth momentum of the Group's customer deposits and advances to customers extended from the first half of the year to the third quarter. The Group's loan quality remained solid in the quarter. The capital adequacy ratio of the banking group remained at a high level.

Business Review

The Group's **Personal Banking** continued to capture growth opportunities arising from the relatively robust stock and property markets. Despite fierce market competition, the Group maintained its growth momentum in the residential mortgage business. The Group's stock brokerage business continued to grow in market share with a strong year-on-year increase in business volume. In July this year, the Group joined hands with Hong Kong Chinese Enterprises Association ("HKCEA") and China UnionPay to launch the "BOC HKCEA Dual Currency Credit Card", a new dual currency co-branded credit card. Card receivables registered an increase during the third quarter. As for the RMB banking business, the Group acted as the joint lead manager and bookrunner for the first offering of RMB sovereign bonds in Hong Kong.

The Group's **Corporate Banking** maintained its growth momentum during the third quarter. Corporate loans and trade finance continued to grow. In respect of loan syndication, several large syndicated loans were successfully completed via the Asia-Pacific Syndicated Loan Centre. At the same time, the Group continued to expand its SME customer base through the "Special Loan Guarantee Scheme" after introduction of various enhanced measures in June by the HKSAR Government. Following the announcement of the Pilot Scheme for cross-border trade settlement in RMB by the central government in early July, the Group pioneered the first cross-border RMB trade settlement in Hong Kong on 6 July 2009. To capture business opportunities arising from the RMB cross-border trade settlement, the Group actively promoted relevant RMB services to corporate customers and financial institutions in the region in the past quarter with positive feedback. In September, the Group signed the RMB clearing and settlement agreement with an Indonesian bank, the first of such agreements in the ASEAN countries. This marks the expansion of the Group's RMB banking services outside Hong Kong. In the Mainland, Nanyang Commercial Bank (China), Limited's Shanghai Lujiazui sub-branch commenced business on 15 September 2009. In terms of business performance, total advances to customers increased satisfactorily during the third quarter, and registered a positive growth from the end of last year.

In respect of its **Treasury Segment**, the Group continued to proactively manage its banking book investments. During the third quarter, the Group expanded its investments in high-quality fixed-rate debt securities of government-related and government-guaranteed securities, thus gaining a stable return amidst the low interest rates environment. At the same time, the Group continued to optimise the overall credit risk of its investment portfolio by disposing of higher risk securities. At the end of September 2009, the total carrying value of the Group's exposure to US non-agency residential mortgage-backed securities ("RMBS") comprising subprime, Alt-A and prime amounted to HK$10.8 billion, down HK$4.1 billion, or 27.5% from the end of June 2009. The Group recorded a net reversal of impairment allowances and net realised gain on impaired securities of HK$1,061 million in the third quarter of 2009, mainly attributable to consistent repayment and disposal of US non-agency RMBS.

In April this year, the Group's **Insurance Segment** has set up a new financial planning team at selected branches to provide "Need-based" insurance services to take care of clients' needs at different stages of life and received very encouraging feedback. In view of the positive response, the Group further extended this service to its branches in different districts and recorded encouraging sales growth in the third quarter. The Group's product mix further improved with healthy year-on-year growth in the sales of regular premium products.

Remarks:

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

(2) This does not include realised gain or loss on impaired securities.

(3) On 22 July 2009, the Group agreed with the Securities and Futures Commission, the Hong Kong Monetary Authority and thirteen other distributing banks (the "Agreement") to make an offer to eligible customers to repurchase their holdings in all outstanding Lehman Brothers Mini-bonds ("Mini-bonds") subscribed through the Group (the "Repurchase Scheme"). The Group will further make available an amount equivalent to the total commission income received as a Mini-bonds distributor to the trustee of the Mini-bonds to fund the trustee's expenses in realising the value of the underlying collateral in respect of the outstanding Mini-bonds (For details of the Agreement, please refer to the Group's announcement dated 22 July 2009).

(4) In the third quarter of 2009, the Group's net operating income before impairment allowances[2] was HK$6,806 million (2009 Q2: HK$7,067 million) and operating expenses were HK$5,056 million (2009 Q2: HK$2,234 million). Operating profit before impairment allowances was HK$1,750 million (2009 Q2: HK$4,833 million). Taking into account the uncertainties surrounding the amount recoverable from the Mini-bonds, a charge of HK$3,008 million, comprising HK$2,848 million relating to the Repurchase Scheme and HK$160 million for trustee's expenses, was included in the operating expenses in the third quarter of 2009.

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 30 September 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, 29 October 2009

As at the date hereof, the board of directors of the Company comprises Mr. XIAO Gang (Chairman), Mr. LI Lihui* (Vice-chairman), Mr. HE Guangbei (Vice-chairman and Chief Executive), Mr. LI Zaohang*, Mr. ZHOU Zaiqun*, Mdm. ZHANG Yanling*, 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*