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 2010

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 2010.

Financial Performance

The operating environment improved further in the first quarter of 2010 as the global economy continued to stabilise. The economic recovery of Hong Kong extended into 2010, which was demonstrated by the steady improvement in retail sales and the job market. In the three months ended 31 March 2010, the Group's[1] net operating income before impairment allowances was HK$6,412 million while operating expenses were HK$2,241 million, compared to HK$5,961 million and HK$1,960 million respectively for the same period last year (2009 Q4: HK$6,221 million and HK$2,891 million respectively). Operating profit before impairment allowances was HK$4,171 million, compared to HK$4,001 million for the same period last year (2009 Q4: HK$3,330 million).

2010 Q1 compared with 2009 Q1

Compared to the first quarter of 2009, the Group recorded an increase in net operating income before impairment allowances. The increase was driven by the rise in net fees and commission income as well as the improved performance of the Group's insurance segment. There was, however, a drop in net interest income as market interest rates stayed low. Operating expenses rose year-on-year. The Group registered a small net reversal of impairment allowances on securities investments as opposed to a net charge for the same period last year. The net charge of impairment allowances on loans remained at a low level.

The increase in net fees and commission income was largely attributable to higher fee income from loans and stock broking. Fees income from the Group's other core businesses also increased. The Group's insurance segment recorded a net gain in operating income as against a net loss a year ago. The improvement was mainly due to the improved underwriting business under a new sales model launched in April 2009 and the increase in the mark-to-market value of its securities investments. The drop in net interest income was caused by the narrowing of net interest margin under the low interest rate environment. This was partially offset by the growth in average interest-earning assets. The increase in operating expenses resulted from the Group's continued investment to better capture new business opportunities arising from the economic recovery. Staff costs also increased year-on-year.

2010 Q1 compared with 2009 Q4

The Group registered a modest increase in net operating income before impairment allowances. Downward pressure on both net interest income and net interest margin still existed. Net fees and commission income decreased mildly despite lower fee income from stock broking. The decline was partially offset by the growth in the net operating income of the Group's insurance segment. Operating expenses dropped when compared to the fourth quarter of 2009 during which higher staff costs as well as IT and business-related expenses were incurred. Net charge of impairment allowances on loans was comparatively lower.

Financial Position

As of 31 March 2010, the Group's total assets showed an increase from the end of 2009. Both customer deposits and advances to customers recorded decent growth. Securities investments also increased. The Group's loan quality remained solid. The Group continued to manage its capital prudently. The capital adequacy ratio of the banking group remained at a healthy level.

In February and April 2010, the Group successfully completed the issue of Subordinated Notes (the "Notes") of US$1,600 million and US$900 million respectively to global debt investors. The proceeds of the Notes were used to repay the subordinated credit facility provided by its parent, the Bank of China Limited ("BOC"), in December 2008. Pursuant to the regulatory requirements of the Hong Kong Monetary Authority, the Notes qualify as Tier 2 Capital. The issue of the Notes broadened the Group's investor base and established a market benchmark for the Group to tap the debt market as an alternative source of future funding for its growth and development.

Business Review

As economic conditions in Hong Kong improved further, the Group capitalised on its strong franchise to capture growth opportunities. In spite of intense competition, the Group's **Personal Banking** maintained its growth momentum and market leadership in the residential mortgage business. The Group continued to work closely with BOC in providing cross-border wealth management services. To capture the growth potential of Mainland customers, the Group provided various tailor-made services under the BOC Global Wealth Management Service and the Capital Investment Entrant Scheme. Meanwhile, the Group extended a bundled range of promotional offers to its wealth management customers and embarked on a number of acquisition campaigns to attract new deposits. In respect of the credit card business, both cardholder spending and merchant acquiring volume rose year-on-year. The number of RMB-HKD dual currency credit cards continued to increase.

The Group's **Corporate Banking** maintained its growth momentum in the first quarter. Corporate loans and trade finance outperformed the market and gained further market share. With a view to expanding the scope of its offshore RMB business, the Group stepped up its marketing efforts and strengthened its business cooperation with commercial banks in the Mainland, Taiwan and the ASEAN region. The Group also launched CNY HIBOR as an established reference for RMB trade settlement and commercial loans in Hong Kong. By fostering closer collaboration with BOC, the Group rolled out various RMB trade products. Meanwhile, further progress was made in the cross-border cash management projects for large Mainland enterprises seeking global expansion. The Group's Mainland business recorded encouraging growth in both customer deposits and advances to customers.

In respect of its **Treasury Segment**, the Group maintained a proactive approach in managing its banking book investments by expanding its investments in high-quality fixed-rate government-related securities. The Group recorded a net reversal of impairment allowances on securities investments of HK$66 million in the first quarter. At the end of March 2010, the total carrying value of the Group's exposure to US non-agency residential mortgage-backed securities comprising subprime, Alt-A and prime amounted to HK$3.2 billion, down HK$0.6 billion or 16.1% from the end of 2009.

With a new sales model, the Group's **Insurance Segment** made good progress and registered a healthy year-on-year growth in net insurance premium income. The new financial planning model was well received by customers, thus effectively boosting customer referral activities. The product mix improved further with a substantial increase in the sales of regular premium products. In the first quarter, the Group successfully launched a RMB life insurance product in Hong Kong with the settlement being made in HKD. This product offered greater flexibility to customers while retaining the return potential from the appreciation of RMB.

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 2010.**

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, 27 April 2010

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*