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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 THIRD 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 information relating to the performance of the Company in the third quarter of 2010.

Financial Performance

The Hong Kong economy continued to grow in the third quarter of 2010, as demonstrated by the increase in business investment, retail sales and property investment as well as the improvement in employment situation. However, the operating environment for the banking industry remained challenging due to intense competition in the market and persistently low interest rates. For the nine months ended 30 September 2010, the Group's⁽¹⁾ net operating income before impairment allowances was HK\$19,648 million and operating expenses were HK\$6,884 million, compared to HK\$19,834 million and HK\$9,250 million respectively for the corresponding period last year (2010 Q3: HK\$7,107 million and HK\$2,350 million respectively). Operating profit before impairment allowances was HK\$12,764 million, compared to HK\$10,584 million for the same period last year (2010 Q3: HK\$4,757 million).

First nine months of 2010 compared with first nine months of 2009

Compared to the first nine months of 2009, the Group's net operating income before impairment allowance decreased mildly. The decrease was mainly attributable to the decline in net trading gain, which was counterbalanced by the increase in both net interest income and net fee and commission income. Operating expenses decreased. The Group registered a net reversal of impairment allowances on securities investments as opposed to a net charge in the corresponding period last year. Meanwhile, a modest amount of net reversal of impairment allowances on loans was recorded.

Net interest income rose slightly year-on-year, driven by the expansion of average interest-earning assets as a result of the increase in loans and advances as well as securities investments. However, the rise was partially offset by the narrowing of net interest margin under the low interest rate environment. Net fee and commission income recorded a mild growth, mainly contributed by the Group's traditional banking businesses. Commission income from stock broking decreased. Net trading gain dropped, primarily due to the foreign exchange loss on foreign exchange swap contracts as well as mark-to-market loss on certain interest rate instruments. Meanwhile, gain from other foreign exchange activities rose with the increase in RMB exchange transaction volume. Operating expenses declined year-on-year versus the first nine months of 2009 when expenses amounting to HK\$3,242 million had been incurred for Lehman Brothers-related products. Staff costs and business-related expenses increased due to higher accrual of performance-related remuneration, as well as increased expenses incurred on marketing and promotion efforts to drive business growth.

2010 Q3 compared with 2010 Q2

On a quarter-to-quarter basis, the Group registered an increase in net operating income before impairment allowances in the third quarter. The increase was mainly driven by the mark-to-market gain on certain interest rate instruments as opposed to a loss in the second quarter. Despite lower net interest margin, net interest income increased due to the expansion of average interest-earning assets. Net fee and commission income was lower mainly because fee income from life insurance⁽²⁾ decreased after an exceptionally strong second quarter. Operating expenses rose moderately with higher staff costs and business-related expenses. During the third quarter, the Group recorded a net reversal of impairment allowances on both loans and securities investments.

Financial Position

As of 30 September 2010, the Group's total assets increased from the end of June 2010. Customer deposits grew satisfactorily with a robust growth in RMB deposits. Advances to customers and the securities investments portfolio also increased. The Group's loan quality remained sound. The Group continued to manage its capital prudently. The capital adequacy ratio of the banking group remained at a solid level.

Business Review

The Group's **Personal Banking** made good progress in business development. The Group maintained its market leadership and continued to grow its residential mortgages. In respect of stock broking, it further expanded its product features to better meet customer needs. The Group continued to strengthen its e-platform with the launch of the "BOCHK Mobile Banking" services. Customers can gain access to the latest market information and manage their finance and investment using their mobile phones. In view of the soaring demand for RMB products, the Group rolled out promotion campaigns and new products such as "RMB Triple Jump Time Deposit" and "Flexi Time Deposit" to attract RMB deposits. As regards its credit card business, the Group maintained its leadership in the China UnionPay ("CUP") merchant acquiring and CUP card issuing businesses. The new BOC CUP Dual Currency Credit Card Shenzhen-Hong Kong Cross-Border Autopay Services were introduced to provide a reliable and convenient cross-border payment service to frequent travelers between the two cities. Meanwhile, the Group continued to strengthen its customer segmentation and expand its high net-worth customer base.

The Group's **Corporate Banking** sustained its business growth in the third quarter. Corporate loans expanded further on the back of improved economic conditions and the Group's continued efforts to enhance its cross-border financial services for corporate clients. Trade finance also increased amid a more positive environment for global trade. The Group continued to focus on developing a wide spectrum of RMB products and services to meet the needs of its customers. The Group has also made further progress in enhancing its cash management services, including the RMB merchant collection services. The Group expanded the remittance points of BOC Remittance Plus to over 3,800 in China, covering all provinces and autonomous regions.

In respect of its **Treasury Segment**, the Group maintained a proactive approach in managing its banking book investments with increased investments made in high-quality government and financial institutions-related securities. The Group recorded a net reversal of impairment allowances on securities investments amounting to HK\$91 million in the third quarter. At the end of September 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\$2.2 billion, down HK\$0.8 billion or 26.7% from the end of June 2010. The Group has also made good progress in its traditional banking business, especially in RMB-related business. The Group recorded higher foreign exchange gain arising from increased transaction volume, particularly following the improvement in its service platform for RMB currency exchange. Acting as the sole lead manager and book runner, the Group successfully underwrote the first RMB corporate bonds in Hong Kong for a Hong Kong corporate. In September, it also underwrote and distributed the RMB bonds issued by Bank of China Limited which received positive market response.

The Group's **Insurance Segment** continued to roll out new products to meet customers' diverse needs. The Group introduced a new endowment product, the Multi-Plus Savings Insurance Plan, with high flexibility to help customers better meet their financial goals. The Group also launched various customer offers and marketing campaigns for its RMB insurance products, which drew positive response from customers. These efforts further enhanced the product diversity of the Group's insurance business. During the period, BOC Group Life Assurance Company Limited received the Silver Award under the Hong Kong Management Association Quality Award scheme in recognition of the company's outstanding standard of quality management.

The Group will continue its proactive business strategy to capture quality growth opportunities, especially from the further relaxation of offshore RMB business. During the quarter, the People's Bank of China has appointed Bank of China (Hong Kong) ("BOCHK") as the Clearing Bank of RMB cashnotes business for Taiwan. In addition, the "Settlement Agreement on the Clearing of RMB Businesses" has also been revised, which expands the scope of offshore RMB businesses and enhances the flexibility for Hong Kong and overseas banks to conduct RMB businesses. It is expected that the offshore RMB market will continue to expand in an incremental and orderly manner and present significant business opportunities for the banking sector and the Group in the longer term.

Remark:

- (1) "The Group" refers to BOC Hong Kong (Holdings) Limited and its subsidiaries.
- (2) Fee income from life insurance only included that from the Group's insurance business partner after group consolidation elimination.

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 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 October 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** and Mr. TUNG Savio Wai-Hok**.*

* *Non-executive Directors*

** *Independent Non-executive Directors*