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 2011

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 2011.

Financial Performance

The growth momentum of the Hong Kong economy remained intact. However, the global financial markets were becoming increasingly turbulent amidst concerns of economic recession and the intensification of the sovereign debt crisis in the advanced economies. There was a general deterioration in investment sentiments. The operating environment for the banking industry was therefore more challenging than the first two quarters.

For the first nine months ended 30 September 2011, BOC Hong Kong (Holdings) Limited and its subsidiaries (collectively known as the "Group") recorded net operating income before impairment allowances of HK$22,602 million (2010: HK$19,648 million). Operating expenses were HK$4,536 million (2010: HK$6,884 million). These included the net recovery of HK$2,854 million from the underlying collateral of the Lehman Brothers Minibonds in the second quarter of 2011. Operating profit before impairment allowances was HK$18,066 million (2010: HK$12,764 million). Should the impact of the above-mentioned net recovery together with the expenses of Lehman Brothers-related products (hereafter called "impact of Lehman Brothers-related products") be excluded, core operating expenses would have increased by HK$565 million or 8.3% year-on-year to HK$7,368 million. Operating profit before impairment allowances would have increased by HK$2,389 million or 18.6% year-on-year to HK$15,234 million.

For the third quarter of 2011, the Group's net operating income before impairment allowances was HK$7,476 million (2011 Q2: HK$7,436 million). Operating expenses were HK$2,543 million (2011 Q2: a net reversal of HK$380 million). Operating profit before impairment allowances was HK$4,933 million (2011 Q2: HK$7,816 million). Should the impact of Lehman Brothers-related products be excluded, core operating expenses would have increased by HK$77 million or 3.1% quarter-on-quarter to HK$2,540 million. Operating profit before impairment allowances would have decreased mildly by HK$37 million or 0.7% quarter-on-quarter to HK$4,936 million.

First nine months of 2011 compared with the same period of 2010

Compared to the first nine months of 2010, the Group's net operating income before impairment allowances increased mainly due to higher net interest income as well as net fee and commission income. Net trading gain from foreign exchange activities also rose. There was, however, certain mark-to-market loss on securities investments incurred by the Group's insurance segment. The Group registered a modest amount of net reversal of impairment allowances on loans. Meanwhile, a small net charge of impairment allowances on securities investments was recorded as opposed to a net reversal in the same period last year.

The growth in net interest income was attributable to the increase in average interest-earning assets, despite the narrowing of net interest margin. Net fee and commission income grew. Commission income from insurance and fund distribution increased while those from stock broking declined. Fee income from traditional banking business also recorded broad-based growth. Net trading gain from foreign exchange continued to grow, driven by the increase in foreign exchange activities. The increase was partly offset by mark-to-market loss on securities investments. Core operating expenses rose as staff costs increased, mainly due to the increase in headcount for business growth and salary adjustment. Rental, depreciation and business promotion expenses also rose.

2011 Q3 compared with 2011 Q2

On a quarter-on-quarter basis, the Group recorded a moderate increase in net operating income before impairment allowances. Net interest income increased from the last quarter. Net interest margin widened as the diluting effect of the Group's RMB clearing bank business partially eased. Meanwhile, net interest margin on non-RMB business narrowed slightly. Net fee and commission income grew steadily. Net trading gain from foreign exchange activities also maintained its growth momentum. However, the Group's insurance segment recorded mark-to-market loss on securities investments as a result of the widening of credit spread and the downturn of the equity market. Core operating expenses increased due to higher staff costs and business-related expenses.

Financial Position

As of 30 September 2011, the Group's total assets decreased mildly from the end of June 2011. Advances to customers increased and loan quality remained sound. Securities investments decreased as the Group continued to optimise asset allocation. During the quarter, market competition for deposits intensified. The Group's customer deposits dropped slightly while it maintained cautious funding cost control. Both liquidity and capital ratios remained healthy. As part of its proactive measures, the Group established a Medium Term Note Programme (the "Programme") on 2 September 2011, which provides an effective platform for the issue of notes to professional and institutional investors globally. The Programme will enhance the Group's flexibility, diversity and efficiency in funding from a medium-to long-term perspective.

Business Review

During the third quarter, the Group's **Personal Banking** business continued to step up its marketing effort and strengthen customer relationship. It further enhanced the service capability of its securities business platform. It also improved its product and service offerings to its high-end wealth management customers. The credit card business grew satisfactorily in terms of cardholder spending and merchant acquiring volumes. The fund distribution business maintained its good growth momentum from the first half. The Group continued to grow its residential mortgages. In view of rising funding costs, the Group raised the pricing of new HIBOR-based mortgage loans.

The Group's **Corporate Banking** business maintained its growth momentum in the third quarter. Corporate loans grew further with improvement in loan pricing. The Group continued to focus on enhancing its capability for servicing corporate customers. During the quarter, the geographical coverage for conducting cross-border RMB trade settlement transactions was extended to all the provinces and regions of the Mainland. This, coupled with the Group's continuous effort in strengthening its service platform, makes it possible for the Group to capture more opportunities arising from the offshore RMB business in the long term.

In respect of its **Treasury Segment**, the Group continued to maintain proactive and prudent management of its banking book to optimise its portfolio mix. It maintained a well-diversified portfolio with exposure mainly to core countries and institutions. It also adjusted its investment portfolio taking into account the recent market development. Meanwhile, the Group continued to provide tailor-made investment products to customers. During the quarter, it launched the "BOCHK RMB High Yield Bond Fund" to meet the needs of high-end customers. As for the issue of RMB Sovereign Bond in Hong Kong, the Group's subscription service has been well received by customers.

The Group's **Insurance Segment** capitalised on the momentum built up in the first half of the year to grow its business. To widen its product spectrum and meet customers' demand for RMB insurance products, the "RMB Universal Life Insurance Plan" was launched in July.

Remark: All comparisons are made with corresponding periods unless otherwise stated.

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 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 2011.**

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
Chan Chun Ying
Company Secretary

Hong Kong, 26 October 2011

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*