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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 2012

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 2012.

Financial Performance

The operating environment for Hong Kong’s banking industry remained tough so far this year. As the global economic growth stayed weak, the demand on financial services, such as loan, trade settlement and investment, generally decreased. Banks also faced with the operating pressure from intensified market competition and persistently low interest rates.

The summary below shows the key performance of BOC Hong Kong (Holdings) Limited and its subsidiaries (collectively known as the “Group”) in the nine months ended 30 September 2012 and in the third quarter of 2012:

Key Performance						
<i>HK\$m, except percentage amounts</i>	Nine months ended		Year over year change	Quarter ended		Quarter over quarter change
	30 Sep 2012	30 Sep 2011		30 Sep 2012	30 Jun 2012	
Net operating income before impairment allowances	27,096	22,602	+19.9%	8,931	8,790	+1.6%
Operating expenses	(8,167)	(4,536)	+80.0%	(2,776)	(2,779)	-0.1%
<i>Core operating expenses*</i>	(8,264)	(7,368)	+12.2%	(2,873)	(2,778)	+3.4%
Operating profit before impairment allowances	18,929	18,066	+4.8%	6,155	6,011	+2.4%
<i>Operating profit before impairment allowances*</i>	18,832	15,234	+23.6%	6,058	6,012	+0.8%

* *Excluding the net recovery from the underlying collateral of Lehman Brothers Minibonds and related expenses*

Nine months ended 30 September 2012 compared with the same period of 2011

In the first nine months of 2012, the Group’s net operating income before impairment allowances rose by 19.9% compared to the same period of 2011, mainly due to higher net interest income and net trading gain. The growth in net interest income was primarily attributable to the improvement in the return on the RMB business and the growth in the Group’s loan balance with improved yield. The Group’s net interest margin improved as the spread of the RMB business widened. The net interest margin of the non-local RMB business also improved slightly. The increase in net trading gain owed largely to the mark-to-market changes of certain interest rate instruments as well as the lower foreign exchange loss on foreign exchange swap contracts. Net fee and commission income dropped slightly. Commission income from loans, credit cards and funds distribution increased whereas that from securities brokerage and the insurance business decreased. Total operating expenses surged by 80.0%, mainly due to the impact of the Lehman Brothers-related products. Excluding this impact, core operating expenses increased by 12.2%, which was driven by higher staff costs, depreciation, rental and business-related expenses. The Group registered a net charge of impairment allowances on loans as opposed to a modest net reversal in the same period last year.

2012 Q3 compared with 2012 Q2

On a quarter-on-quarter basis, the Group's net operating income before impairment allowances increased by 1.6%. The increase was mainly driven by the higher net trading gain of the banking business and the improved performance of the Group's insurance segment. Net interest income decreased and net interest margin narrowed. Net fee and commission income was lower as commission income from loans and the insurance business declined from a relatively high level in the last quarter. Meanwhile, there was healthy growth in the commission income from credit cards, funds distribution and currency exchange. Core operating expenses went up due to higher depreciation, staff costs and business-related expenses. The Group recorded a lower net charge of impairment allowances on loans with some increase in the net charge of individually assessed impairment allowances.

Financial Position

As of 30 September 2012, the Group's total assets grew from the end of June 2012 and from the end of 2011. The increases were mainly supported by the rise in customer deposits. Advances to customers and securities investments rose. The Group's classified or impaired loan ratio stayed at a low level. Both the average liquidity ratio and capital adequacy ratio remained solid.

Business Review

The Group's **Personal Banking** business made good progress in expanding its business scope. It launched diversified RMB services for non-Hong Kong residents following the new arrangement announced by the Hong Kong Monetary Authority to further expand personal RMB services. To promote its product offerings and reinforce its leading position in residential mortgages, a number of promotional programmes were conducted during the quarter. The credit card business grew satisfactorily from the second quarter in terms of cardholder spending and merchant acquiring volume. The funds distribution business continued to grow. A new retail fund, the "BOCHK All Weather Global Opportunities Fund", was introduced to customers.

The Group's **Corporate Banking** business continued to provide total solution services to its core customers and enhance its customer management through improved segmentation. The introduction of "Integrated Branches for Commercial Business" for SME customers yielded satisfactory results, as evidenced by the increase in new customers and business. The Group's cash management business launched a new corporate internet banking platform, BOCNET HK, which meets customers' needs on cash management in addition to the comprehensive e-banking services currently provided. The custody business continued to grow well and remained the largest service provider for RQFII bond funds in the market.

In respect of its **Treasury Segment**, the Group continued to monitor closely and respond promptly to market changes. Amid the volatile global market environment, the investment portfolio was proactively managed with focus on safety and liquidity while striving for yield enhancement. The Group's continuous effort in innovating RMB-related treasury products has paid off well with good customer responses.

The Group's **Insurance Segment** focused on enhancing its service capabilities and customer relations. It continued to enlarge its product range to meet the diverse needs of customers. "RMB Universal Life Insurance Plan", "IncomeGrowth Annuity Insurance Plan" and "Tactics Investment Insurance Plan" continued to be well received by customers.

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 2012.**

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, 25 October 2012

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*, Mr. CHEN Siqing*, Mr. GAO Yingxin, Dr. FUNG Victor Kwok King**, Mr. KOH Beng Seng**, Mr. NING Gaoning**, Mr. SHAN Weijian**, Mr. TUNG Chee Chen** and Mr. TUNG Savio Wai-Hok**.*

* *Non-executive Directors*

** *Independent Non-executive Directors*