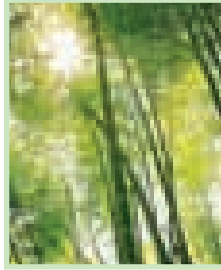




FORTIFYING OUR
FOUNDATIONS
in a challenging environment
Summary Financial Report 2008



This Summary Financial Report only gives a summary of the information and particulars contained in the "2008 Annual Report" ("Annual Report") of the Company from which this Summary Financial Report is derived. Both the Annual Report and this Summary Financial Report are available (in English and Chinese) on the Company's website at www.bochk.com and the Stock Exchange's website at www.hkexnew.hk. You may obtain, free of charge, a copy of the Annual Report (English or Chinese or both) from the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, details of which are set out in the "Shareholder Information" section of this Summary Financial Report.

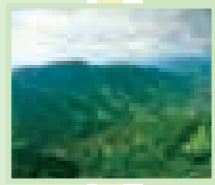
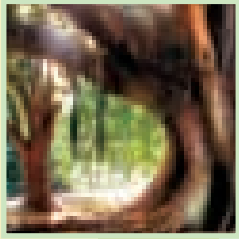


Theme

2008 was a highly challenging year for both the Group and Hong Kong. Our major focus has been to safeguard the Group's financial strength and competitiveness.

The Group, just like our great mother nature, has the regenerative strength to face the challenges ahead of us. This provides the theme for our annual report – "Fortifying our Foundations in a Challenging Environment".

By riding on our solid foundation and strong franchise, the Group is able to proactively realign our development strategy to capture growing opportunities from the changing industry landscape, creating brighter prospects for our stakeholders.



OUR VISION

**TO BE
YOUR
PREMIER
BANK**

Combining the initials of mission and core values, we have

BOC SPIRIT

OUR MISSION

Build
customer satisfaction and provide quality and professional service

Offer
rewarding career opportunities and cultivate staff commitment

Create
values and deliver superior returns to shareholders

OUR CORE VALUES

Social Responsibility
We care for and contribute to our communities

Performance
We measure results and reward achievement

Integrity
We uphold trustworthiness and business ethics

Respect
We cherish every individual

Innovation
We encourage creativity

Teamwork
We work together to succeed

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Shareholders may elect in writing to receive Annual Report or Summary Financial Report (as the case may be) for all future financial years by applying to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited or email to bochk.ecom@computershare.com.hk, details of which are set out in the "Shareholder Information" of this Summary Financial Report.

This Summary Financial Report is available in both English and Chinese. A copy prepared in the language different from that in which you have received is available by writing to the Company's Share Registrar.

If you have any queries about how to obtain copies of the Company's Annual Report or Summary Financial Report or how to access those documents on the Company's website, please call the Company's hotline at (852) 2846 2700.

BOC Hong Kong (Holdings) Limited ("the Company") was incorporated in Hong Kong on 12 September 2001 to hold the entire equity interest in Bank of China (Hong Kong) Limited ("BOCHK"), its principal operating subsidiary. Bank of China Limited holds a substantial part of its interests in the shares of the Company through BOC Hong Kong (BVI) Limited, an indirect wholly owned subsidiary of Bank of China Limited.

BOCHK is a leading commercial banking group in Hong Kong. With over 280 branches and 470 ATMs and other delivery channels in Hong Kong, BOCHK and its subsidiaries offer a comprehensive range of financial products and services to retail and corporate customers. BOCHK is one of the three note issuing banks in Hong Kong. In addition, BOCHK and its subsidiaries have 19 branches and sub-branches in the Mainland of China to provide cross-border banking services to customers in Hong Kong and the Mainland. BOCHK is appointed by the People's Bank of China as the Clearing Bank for Renminbi (RMB) business in Hong Kong.

The Company began trading on the main board of the Stock Exchange of Hong Kong on 25 July 2002, with stock code "2388", ADR OTC Symbol: "BHKLY".

FINANCIAL HIGHLIGHTS

For the year	2008 HK\$'m	2007 HK\$'m	Change +/(-)%
Net operating income before impairment allowances	25,526	27,254	(6.34)
Operating profit	4,182	18,033	(76.81)
Profit before taxation	4,078	19,126	(78.68)
Profit for the year	3,007	15,817	(80.99)
Profit attributable to the equity holders of the Company	3,343	15,446	(78.36)
Per share	HK\$	HK\$	+/(-)%
Earnings per share	0.3162	1.4609	(78.36)
Dividend per share	0.4380	0.9150	(52.13)
At year-end	HK\$m	HK\$m	+/(-)%
Capital and reserves attributable to the equity holders of the Company	82,719	92,842	(10.90)
Issued and fully paid share capital	52,864	52,864	–
Total assets	1,147,244	1,067,637	7.46
Financial ratios	%	%	
Return on average total assets ¹	0.27	1.53	
Return on average capital and reserves attributable to the equity holders of the Company ²	3.81	17.40	
Cost to income ratio	34.36	28.52	
Loan to deposit ratio ³	56.74	51.66	
Average liquidity ratio ⁴	41.74	50.92	
Capital adequacy ratio ⁵	16.17	13.08	

1. Return on average total assets = $\frac{\text{Profit for the year}}{\text{Daily average balance of total assets}}$

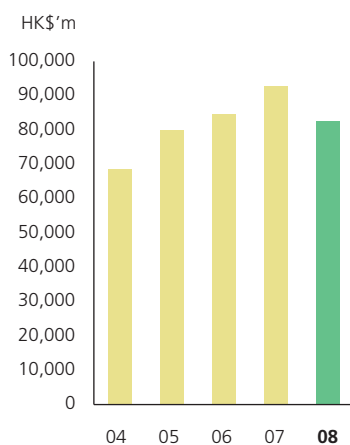
2. Return on average capital and reserves attributable to the equity holders of the Company
= $\frac{\text{Profit attributable to the equity holders of the Company}}{\text{Average of the beginning and ending balance of capital and reserves attributable to the equity holders of the Company}}$

3. Loan to deposit ratio is calculated as at year end. Loan represents gross advances to customers. Deposit also includes structured deposits reported as "Financial liabilities at fair value through profit or loss".

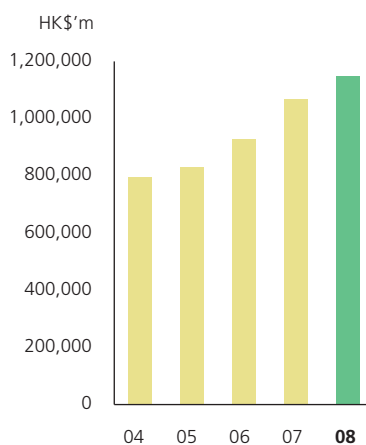
4. Average liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio of BOCHK for the year.

5. Capital adequacy ratio is computed on the consolidated basis that comprises the positions of BOCHK and certain subsidiaries specified by the HKMA for its regulatory purposes and in accordance with the Banking (Capital) Rules.

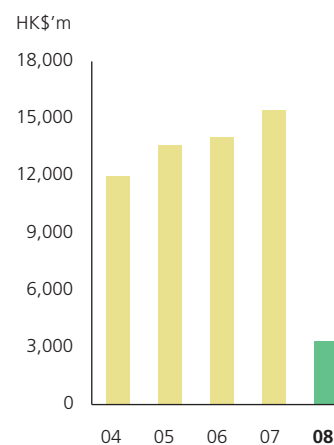
Capital and reserves attributable to the equity holders of the Company



Total assets



Profit attributable to the equity holders of the Company



FIVE-YEAR FINANCIAL SUMMARY

The financial information of the Group for the last five years commencing from 1 January 2004 is summarised below:

For the year	2008 HK\$'m	2007 HK\$'m	2006 HK\$'m	2005 ³ HK\$'m	2004 ^{2,4} HK\$'m
Net operating income before impairment allowances	25,526	27,254	21,309	18,158	15,909
Operating profit	4,182	18,033	16,545	15,052	12,184
Profit before taxation	4,078	19,126	17,139	16,502	14,252
Profit for the year	3,007	15,817	14,284	13,856	12,121
Profit attributable to the equity holders of the Company	3,343	15,446	14,007	13,596	11,963
Per share	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share	0.3162	1.4609	1.3248	1.2859	1.1315
At year-end	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Advances and other accounts	469,493	420,234	352,858	338,403	309,211
Total assets	1,147,244	1,067,637	928,953	831,002	796,776
Daily average balance of total assets	1,099,198	1,032,577	915,900	831,789	776,792
Deposits from customers ¹	811,516	799,565	703,776	639,031	631,330
Total liabilities	1,062,712	972,579	842,313	749,289	727,016
Issued and fully paid share capital	52,864	52,864	52,864	52,864	52,864
Capital and reserves attributable to the equity holders of the Company	82,719	92,842	84,655	79,935	68,521
Financial ratios	%	%	%	%	%
Return on average total assets	0.27	1.53	1.56	1.67	1.56
Cost to income ratio	34.36	28.52	30.78	31.75	34.72
Loan to deposit ratio ¹	56.74	51.66	49.32	52.27	49.61

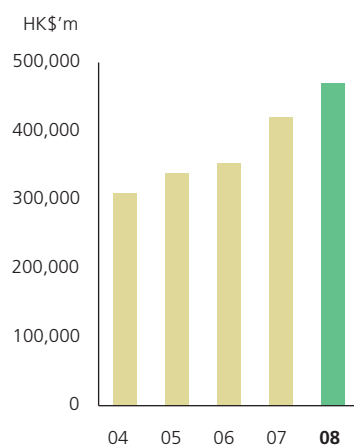
1. Since 2005, deposits from customers also include structured deposits reported as "Financial liabilities at fair value through profit or loss".

2. On 1 January 2005, a number of new and revised HKFRSs and HKASs came into effect. The resulting changes in accounting treatment and presentation of various income statement and balance sheet items may render certain comparative figures for the year 2004 not strictly comparable.

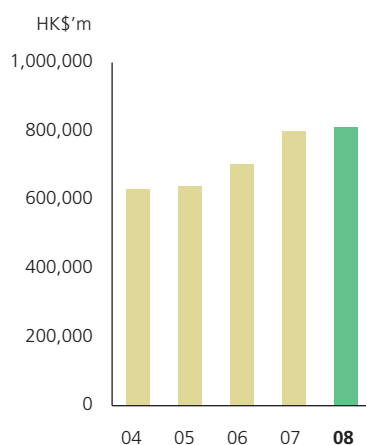
3. In June 2006, the Company acquired a 51% shareholding of an under common control entity, BOC Life. The financial statements have been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 "Merger accounting for common control combinations" issued by the HKICPA. The comparative amounts for the year 2005 have been restated in accordance with the principles for merger accounting to present the result and assets of the Group as if such combination had occurred from the date when the Company and BOC Life first came under common control.

4. The financial information of 2004 had not been restated to reflect the adoption of merger accounting upon the acquisition of BOC Life as the difference before and after restatement is insignificant.

Advances and other accounts



Deposits from customers







根深

**Solid
Foundation**

CHAIRMAN'S STATEMENT



2008 was a highly challenging year with an unusual combination of exceptionally difficult events. We were faced with the extreme volatilities in major financial markets, particularly in the second half of the year, triggered by the collapse of Lehman Brothers. The impact of the global financial turmoil on Hong Kong also became more noticeable in the latter half of the year. While the Group's traditional banking businesses continued to deliver solid performance, its investment-related businesses were negatively affected by the fallout of the financial crisis. The Group's net operating income before impairment allowances was HK\$25,526 million, down 6.3% while operating profit before impairment allowances was HK\$16,755 million, down 14.0%. The Group's profit attributable to shareholders decreased by 78.4% year-on-year to HK\$3,343 million or HK\$0.3162 per share. The substantial drop in our profit was largely due to the continued markdowns on the Group's securities investments, which resulted in total provisions of HK\$11,900 million for the period. The Board recommends no final dividend payment for 2008 (2008 interim dividend: HK\$0.4380 per share) in view of the earnings hit in the second half and the need to preserve capital strength in a turbulent market.

Throughout the year, our over-riding focus has been, and remains to be, the safeguard of the Group's financial strength and competitiveness amid this unparalleled crisis. A number of proactive initiatives have been taken, focusing on the management of our capital, liquidity and risks. We have reinforced our capital base through the subordinated loans granted by our parent bank, Bank of China Limited ("BOC"). A strong capital position provides the Group with greater operating flexibility to meet its business development needs and to weather the economic uncertainties arising from the global financial turmoil. Our consolidated capital adequacy ratio stood comfortably at 16.17% as at the end of 2008. In addition, we continued to exercise rigorous risk control and focus on liquidity management. As at the end of 2008, our financial position remained solid with total assets reaching HK\$1,147.2 billion, up 7.5% from the end of 2007. Our liquidity position remained strong at 41.74%. Loan quality was healthy with the classified or impaired loan ratio at a low level of 0.46%, edging up slightly from 0.44% a year ago.

In response to the market changes and uncertainties, we swiftly adjusted our business strategies based on a more prudent approach and streamlined our expenses. We continued to grow our franchise in a tough market. Our individual and corporate customer base continued to expand, especially with good progress in new focus areas such as custody and cash management. We maintained a strong deposit base which increased compared to the end of 2007 with improved deposit mix. We continued to focus on prudent lending business and maintained our leading market positions in residential mortgage and loan syndication businesses. Our net interest income reached a new record level despite the pressure from falling interest rates. Fee income from our traditional banking services, including fee income from loans, credit cards and RMB business also posted solid growth. We continued to solidify our leadership in RMB banking business in Hong Kong.

I would also like to say a few words about the Lehman Brothers Mini-bonds issue. The consequences of the collapse of Lehman Brothers have been more profound than the market expected, which unfortunately also affected our customers who had invested in Lehman related structured products. As a responsible banking group that cares for the interests of customers, we have been deeply concerned about the distress and anxiety of those affected customers. Each customer is important to us. We have been proactively addressing their concerns and I sincerely hope that the issue would be resolved as quickly and satisfactorily as possible.

For 2009, we expect the market environment to remain highly challenging and volatile while global economies will remain under stress. The global economic crisis may continue to affect us in the near term. It is extremely important for us to stay flexible, alert and proactive in managing our risks, capital, liquidity and expenses. While business activities may slow down amid the global economic downturn, we will focus on enhancing our business capabilities and operating efficiency to better position ourselves for the market recovery. In response to the changing industry landscape, we will adjust our business strategies accordingly by capitalising on our core strength areas. We will also continue to invest judiciously in accordance with our strategic priorities for our long-term growth.

Despite the market uncertainties ahead, we see considerable business opportunities for BOCHK, especially by fostering closer collaboration with our parent bank, BOC. The setup of BOC Group's Asia-Pacific Syndicated Loan Centre last year proved to be a great success by leveraging BOCHK's expertise, BOC's network in the Asia-Pacific Region and the BOC Group's franchise. With close cooperation with BOC, BOCHK is well positioned to provide comprehensive offshore financial services to the Chinese enterprises going global. We will continue to strengthen this unique collaborative platform between BOCHK and BOC in various business areas to extend our presence in the region and to better serve the needs of our customers. I am confident that these collaborative opportunities will create value for the customers and shareholders of both BOCHK and BOC.

Last year was a particularly busy year for our Board Members as we managed our way through the challenging environment. I would like to thank them for their dedication and wise counsel. I would also like to extend my heartfelt thanks to our Management team and all associates for their wholehearted commitments and efforts during the year. On behalf of the Board, I would like to take this opportunity to thank Mr. Lee Raymond Wing Hung, who will retire as the Group's Chief Financial Officer and Executive Director of the Company effective from 1 June 2009, for his service and contributions to the Company. We have already started the search for a suitably qualified candidate to fill the position of the Chief Financial Officer of the Company and the Bank. Announcement on the progress of the recruitment will be made in due course. Last but not least, I would like to thank the continued support of our shareholders and customers, which is important to the long-term success of the Group.



XIAO Gang
Chairman

24 March 2009

CHIEF EXECUTIVE'S REPORT



The operating environment in the past year was as challenging as any we had seen in decades. The negative impact of the global financial turmoil was felt in virtually all sectors of the global economy, particularly in the latter half of the year. We witnessed a widespread credit crunch and the liquidity problems encountered by a large number of major players in the financial, commercial and industrial sectors. Back home, the financial sector did not escape the crisis while the manufacturing and export sectors suffered from diminished external demand. This in turn affected the job market and income level, with the retailing sector hard hit. Pessimistic sentiment prevailed in most investment markets.

Key Initiatives

During this unprecedented crisis, our overall focus has been to safeguard the Group's financial strength and enhance its competitiveness. Throughout the year, we took various initiatives in the areas of capital preservation, liquidity management, risk control and cost containment, in order to fortify our foundation.

- We adopted decisive measures to enhance our capital base and optimise our capital structure with the support of our parent bank, BOC, from which we obtained two subordinated loans.
- We minimised the risk exposure of our balance sheet by proactively adjusting our asset allocation.
- We exercised rigorous control in liquidity management amid extremely volatile market conditions.
- We continuously reassessed the risk exposure of our loan portfolio and adjusted our lending strategies in a swift and prudent manner.
- We took prompt action to contain our costs in view of the weakening operating environment.

Business Highlights

In response to rapid market changes and amid economic uncertainties, we refined our business strategy, capitalising on our core strengths and continuing to grow our franchise under tough environment. This geared us towards the steady performance of our traditional business segments in what was a turbulent year during 2008.

- Net interest income – a key part of the Group's core operating income – continued to rise despite pressure from falling interest rates.
- Our lending business scored higher growth than the market in 2008. Total loans and advances registered double-digit growth.
- Our loan-to-deposit ratio rose steadily while loan quality remained satisfactory. The Group's deposit mix also improved on a strong deposit base.
- Fee income from traditional banking services grew by a healthy margin, reflecting our strength in these core business areas.
- We maintained our market leadership in residential mortgage lending, loan syndication and RMB-related banking in Hong Kong respectively.
- The Group's Mainland business registered growth in operating income. Our loan quality in the Mainland also remained good.
- Good progress was made in deepening our collaboration with BOC in various business fields.

Financial Performance

The Group's financial performance in 2008 was hurt by the increasingly difficult market conditions.

Operating income decreased by 6.3% to HK\$25,526 million. While there was an increase of 3.9% in net interest income, it was more than offset by the 17.5% reduction in fees and commission income as well as the operating loss incurred by the Group's insurance business. With the 12.8% rise in operating expenses, operating profit before impairment allowances was down by 14.0% to HK\$16,755 million. The Group's profit attributable to shareholders decreased by 78.4% year-on-year to HK\$3,343 million. This was caused mainly by the increase in impairment charges on securities investments amounting to HK\$11,900 million. Earnings per share were HK\$0.3162, representing a drop of 78.4%.

Return on total average assets (ROA) and return on average shareholders' funds (ROE) were 0.27% and 3.81%

respectively, versus 1.53% and 17.40% respectively for 2007. ROA and ROE before impairment allowances were 1.52% and 19.09% respectively.

Net interest income increased to HK\$20,157 million as the Group's average interest-earning assets grew by 7.3% to HK\$1,006,440 million. This growth was achieved by the expansion of our lending business and the increase in average deposits from customers, banks and financial institutions. We witnessed further growth in higher yielding loans. At the same time, we were able to adjust the pricing of new loan facilities to reflect the tightening of credit in the market. Net interest margin (NIM) was down by 0.07 percentage point to 2.0% in 2008, due mainly to decline in the contribution from net free fund as market interest rates dropped significantly. The substantial increase in RMB deposits from the participating banks also contributed to 0.04 percentage point decline in NIM given the Group's role as the RMB Clearing Bank in Hong Kong. Should this factor be excluded, the adjusted NIM would have been 2.07%, down by 0.03 percentage point.

The performance of our core lending business remained sound in 2008. Its growth slowed down somewhat in the second half as we opted for a more prudent lending policy in view of the increasing uncertainty in the credit market. Total loans and advances to customers rose by a healthy 11.5% to HK\$460,447 million. This was due to the across-the-board growth of loans, of which corporate loans grew by 13.7%, residential property mortgage by 9.1% and card advances by 13.7%. Loans for use outside Hong Kong registered a growth of 19.5% with Mainland lending up by 5.6%. The Group's loan-to-deposit ratio at end-2008 was up 5.08 percentage points to 56.74% as the growth of loans outpaced that of deposits.

The Group's net fees and commission income declined by 17.5% to HK\$5,179 million largely attributable to the fall in investment-related fee income. The investment environment turned sluggish in the aftermath of the global financial crisis. As customers mostly steered clear of investment products, the investment and insurance fee income decreased by 34.3% to HK\$2,964 million.

On the positive side, we recorded a growth of 16% in the fee income from our traditional banking business. Loan commission grew markedly by 47.8% to HK\$513 million, benefiting from our expanded loan portfolio and the

successful launch of BOC Group's Asia Pacific Loan Syndicated Centre. RMB-related business performed exceptionally well by recording an income growth of 62.8%. Our credit card business, bills service and currency exchange business also posted encouraging performance, growing their fee income by 18.8%, 16.2% and 10.9% respectively. Concurrently, we witnessed good progress in new business areas such as custody services and cash management, which have made new contribution to the Group's fee income.

Thanks to the strong performance in the first half of 2008, we achieved a year-on-year growth in net trading income of 88.9% to HK\$1,914 million. This remarkable growth was driven by the 126.1% surge in the trading income from currency exchange and foreign exchange products. We captured the opportunity by launching those products to meet the higher demand from customers for currency-related products in the volatile market and the anticipated appreciation of the RMB. We also saw a significant improvement in the net trading income from mark-to-market on foreign exchange swap contracts.

As for BOC Life, its insurance and investment income declined by HK\$1,497 million due to the weak performance of its investment assets and the lower business volume in the second half of the year.

In view of the unstable market conditions, we reassessed our impairment charges and increased our provisions accordingly. For the Group's US mortgage-backed securities and other debt securities, an amount of HK\$9,170 million was provided. A total of HK\$2,730 million was provided for the Group's investment in the shares of Bank of East Asia.

Amid the aggravating economic conditions, the Group was highly prudent in managing its operating expenses. In the second half of 2008, we even managed to trim down our core operating expenses by 4.3% as compared with the first half. For the whole year, we outperformed the market by containing the increase of our core operating expenses to 2.9% and the corresponding cost-to-income ratio by 2.83 percentage points to 31.35%. However, it was only due to the extraordinary expenses mainly in connection with the Lehman Brothers Mini-bonds issue totaling HK\$769 million that our total operating expenses rose by 12.8% while our cost-to-income ratio rose by 5.84 percentage points to 34.36%.

The Group's financial position remained stable. At the end of 2008, our total assets stood at HK\$1,147,244 million, representing an increase of 7.5% versus end-2007, which was mainly because of the expansion of our loan portfolio. The Group's classified or impaired loan ratio increased by a negligible margin of 0.02 percentage point to 0.46% – far below the market average of 1.24%.

To better prepare ourselves for the uncertainty in the financial market, we further strengthened our capital position by two subordinated loans from BOC. The first loan of 660 million Euros was made in June while the second loan of US\$2,500 million, in December. The Group's consolidated capital adequacy ratio was therefore up 3.09 percentage points to 16.17% at the end of 2008, with tier-one ratio at 10.86%. Reflecting our healthy liquidity position, the Group's average liquidity ratio stood at 41.74%, versus 50.92% in 2007.

Business Review

Personal Banking

The Group's Personal Banking business was subject to declining interest rates and the adverse change in market conditions in the second half of the year. Its operating income was HK\$10,690 million, down 24%. Net interest income and other operating income fell by 20.1% and 29.5% respectively. Profit before taxation was HK\$4,892 million, down 39.8%.

Over the year, we maintained growth in our traditionally strong segments. We also took various initiatives to reinforce our capabilities and strengthen our competitiveness.

We succeeded in driving the growth of the residential property mortgage business while consistently maintaining our market leadership. Through marketing promotion schemes and service enhancement, we outperformed the market by growing our mortgage loans by 9.1% year-on-year, higher than the market average of 5.1%. Towards the latter half of the year, we strengthened our risk assessment and control on the mortgage business. The quality of mortgage loans remained excellent with the delinquency and rescheduled loan ratio falling further to 0.05%, versus a market average of 0.19%.

We sustained the growth momentum of our credit card business. Card advances and card issuance increased by 13.7% and 2.8% respectively whereas cardholder spending and merchant acquiring volume rose by 12.7% and 19.9% respectively. We took advantage of new business opportunities, such as the Beijing Olympics, to launch a series of new cards and expand our card-related service. In collaboration with China UnionPay (CUP), the "BOC CUP Dual Currency Credit Card" was issued in December 2008. The asset quality of our card business remained good with the charge-off ratio standing well below the market average at 2.22%.

We maintained our market leadership in the RMB-related banking business in Hong Kong. We commanded the largest share of RMB deposits, which surged by 58.5% in 2008. We led the market in the RMB credit card business, growing our card issuance, cardholder spending and merchant acquiring volume by 24.6%, 49.8% and 60.5% respectively. To better serve our customers, our RMB cash withdrawal service has been extended to all of our ATMs located at MTR stations. During the year, we acted as the joint lead manager and bookrunner as well as placing bank for RMB bonds issued in Hong Kong by three major Mainland banks to a total value of 9 billion yuan.

Capitalising on our strong franchise, we continued to expand our high net-worth customer base and reinforce our status as a professional wealth management service provider. We have been working closely with BOC in preparation for the offering of cross-border wealth management services in the Mainland. This service will be offered through designated branches of BOC in the Mainland in the first half of 2009. As at the end of 2008, the number of wealth management customers increased by a very encouraging 21.5% from a year ago.

To enhance operational efficiency, we continued to consolidate our service platforms for investment, insurance and wealth management services. We also optimised our distribution channels. To provide more efficient and professional service to different customers, we added new wealth management centres and mortgage advice centres to our network in Hong Kong. Our e-banking channels have also been further upgraded to facilitate transactions with customers.

Corporate Banking

Throughout 2008, Corporate Banking basically maintained steady growth. It attained an increase of 7.1% in operating income to HK\$8,211 million with the rise in both net interest income and other operating income. Its profit before taxation was HK\$5,524 million, down 15.4% mainly due to the increase in net charge of loan impairment allowance.

Corporate Banking made considerable progress in growing both its core and new business segments as well as in reinforcing its service platform for corporate clients.

We strengthened our leading position and enlarged our shares in two syndicated loan markets, namely, the "Hong Kong-Macau" and the "Mainland-Hong Kong-Macau" regions. As reported in our Interim Report, the Group was appointed in January 2008 as BOC Group's Asia-Pacific Syndicated Loan Centre. After this appointment, we immediately proceeded to extend our reach to the Asia-Pacific region and succeeded in becoming the sole arranger for two major Australian enterprises, which helped to enhance our market status.

We continued to upgrade our business platform. Through the enhancement of product offerings, services and channels, we recorded a steady year-on-year rise in SME loans and received awards for supporting the development of SMEs in Hong Kong. Our trade finance business expanded through product innovation and the streamlining of credit approval. Strong upsurge was recorded in the first half of the year but it slowed down in the fourth quarter as the performance of Hong Kong's external trade weakened. The outstanding balance of trade finance showed a slight increase of 1.2% against end-2007 but there was still a strong increase of 32.0% in the volume of trade bills settlement.

We forged ahead with the development of new businesses with encouraging results. Our cross-border cash management business expanded as we continued to enhance our service for major Mainland enterprises. Locally we broadened our cash management customer base through product innovation and refinement. Meanwhile, our custody business advanced with the expansion of the number of customers. In 2008, we became the custodian for a number of locally-listed or offshore-incorporated investment funds. The Group was appointed by a joint-venture investment bank in the Mainland as the foreign custodian for its first QDII product,

which was also the first broker-type QDII product approved in the Mainland. By end-2008, total assets under the Group's custody was HK\$200 billion.

During the year we enhanced the Group's financial services for corporate customers by setting up a commercial wealth management team. This team of professionals is responsible for customising financial management strategy and conducting regular reviews to help customers in maximising their wealth potential and managing risks.

As the economic downturn lingered on, the Group took a number of proactive measures to contain its risk exposure to corporates. A special working group was established and tasked with evaluating the risk exposure of the Group's loan portfolio. Comprehensive and frequent re-assessment of credit risk and stress tests on customers from key business segments were conducted. In accordance with the market conditions, we adjusted our loan pricing strategy after taking into full account the liquidity and risk factors.

Mainland Business

The Group's Mainland business continued to make advances and attained satisfactory growth in 2008. Total advances to customers grew by 5.6%, of which RMB loans surged by 12.6%. Customer deposits up by 72.5%. Total operating income increased by 15.9% to HK\$990 million, which was driven primarily by the growth of net interest income as well as net fees and commission income. It was, however, partially offset by the foreign exchange loss resulting from the revaluation of NCB (China)'s HKD capital against the appreciated RMB. Operating profit before impairment allowances fell by 3.1% year-on-year. Should the revaluation factor be excluded, operating profit before impairment allowances would have increased by 23.3%. Our asset quality in the Mainland remained good, with the classified loan ratio standing at 0.88%, increasing by 0.20 percentage point mainly due to the downgrade of certain large accounts.

In 2008, we stepped up our effort in extending cross-border financial services to both personal and corporate customers. New deposits, mortgage and other lending products were rolled out with good response. New branches and sub-branches were opened in targeted locations, as a result of which our network in the Mainland comprised 18 branches and sub-branches by the end of 2008. The opening of more branches is underway.

Treasury

The Treasury segment registered a 32.6% growth in operating income in 2008. This was driven by the rise in both net interest income and other operating income. Operating profit before impairment allowances grew by 32.6% to HK\$7,226 million. However, the segment recorded a loss before taxation of HK\$1,944 million mainly due to the substantial increase in net charge of impairment allowance on securities investments.

As the global financial crisis unfolded during the year, we worked with relentless efforts on portfolio management so as to safeguard our investment portfolio and minimise potential loss. Fund safety and liquidity are our primary considerations in formulating investment strategies. As a result, the Group's exposure to US non-agency RMBS dropped by 51.3% to HK\$19.3 billion at end-2008, of which sub-prime-related investments decreased to HK\$1.05 billion. Despite the market volatility, there was no default in the RMBS portfolio and we continued to receive interest and repayments on those mortgage-backed securities. Our exposure was also reduced through disposal. We refined our investment strategy to give more weight to high-quality debt securities, including sovereign-related securities. By end-2008, the proportion of such investments in the Group's portfolio grew to 25%, versus 6% a year ago.

The Group succeeded in growing its traditional businesses and further improving its product manufacturing capability. Through the effective promotion of commodity and currency-related treasury products, we recorded robust growth in related income. At the same time, we expanded our product offerings by launching new investment products under our own brand. In view of the global financial turmoil, we promptly conducted a comprehensive evaluation of all products under distribution and reviewed our internal regulations, risk control measures and compliance procedures.

Insurance

The Group's Insurance segment recorded a fall of 32.5% to HK\$6,625 million in operating income. Net interest income was up 42.4% to HK\$1,122 million and other operating income was down 39.1% to HK\$5,503 million, caused by the weak performance of investment assets and the decline in premium income. A loss before taxation of HK\$1,231 million was registered.

We moved forward with our business strategy by introducing a broader range of products to serve customers' needs. Large-scale promotion and marketing campaigns were staged during the year to boost sales, reinforce our brand image and grow our market share. At the same time, we continued to develop a multi-channel platform and expand our sales force.

Outlook

Given the external-oriented nature of the Hong Kong economy, the economic outlook in Hong Kong for 2009 crucially hinges on the development in the global economy. As a high degree of uncertainty still hovers over the global financial market, the operating environment is expected to remain tough in the coming year and perhaps well beyond. We have seen contractions in our GDP growth, rising unemployment and negative wealth effects. However, we in Hong Kong are in a better position as we are blessed with the unswerving support of the Mainland, which maintains relatively stable economic conditions and financial strength. The RMB 4 trillion-yuan stimulus plan announced by the PRC Central Government in November 2008 and subsequent policies and measures to protect and stimulate the Chinese economy are expected to give rise to new opportunities for the Hong Kong economy and its financial services sector.

On the management side, to fend off any existing and unseen difficulties, we will continue to strengthen risk management and internal control. We will stay highly alert

and proactive in responding to market changes and in anticipating the development of the situation. Underpinned by a solid capital base and liquidity position, we are now better equipped to weather the current financial turmoil and provided with greater flexibility in meeting our development needs. However, in driving growth and developing new business, we will remain stringent in managing our costs.


On the business front, we should leverage our fundamental strengths to enhance the competitiveness of our core business. We will build on our strong franchise in traditional banking businesses. By attaining a more balanced loan portfolio, a better deposit mix and a stronger customer base, we seek to improve the overall business structure. We will also strive to boost our operational efficiency. To cater to the diverse needs of customers, we will align our strategy with the changing environment and provide quality banking and financial services that can also address customers' prime concerns such as stability, safety and liquidity.

While ensuring our market leadership in Hong Kong's existing RMB banking business, we expect the imminent launch of the RMB trade settlement pilot scheme that allows the use of RMB as a currency for trade settlement between Guangdong Province, Yangtze River Delta and HKSAR will open a major window of opportunities for expanding the Group's RMB banking business. Meanwhile, having launched the first dual currency (HKD-RMB) credit card jointly with China UnionPay in Hong Kong, we are now in an advantageous position to expand our credit card business in both Hong Kong and the Mainland. Furthermore, we will continue to expand our cross-border financial services to serve both corporate and personal customers.

We will continue to collaborate with BOC to capture emerging business opportunities in China and provide more wide-ranging cross-border banking services to Mainland enterprises intending to expand outside China. As BOC

Group's Asia-Pacific Syndicated Loan Centre, we will explore new business in the region so as to expand the territorial coverage of our loan syndication business. Riding on our experience and capabilities, we will act as an effective product manufacturing agent and a service support centre for BOC in the Asia-Pacific region. In anticipation of growing demand in the Mainland, we have already established a joint venture with BOC to provide bank card related services and support in this huge market.

In concluding, it is apparent that the current economic slowdown is unlikely to end soon. However, backed by the strong foundations we have systematically built for the Group in recent years and with the continued guidance of the Board as well as the support of shareholders, customers and colleagues, I truly believe that we will come through in better shape in the days ahead.



HE Guangbei
Vice Chairman & Chief Executive

Hong Kong, 24 March 2009





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**Extensive
Network**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following sections provide metrics and analytics of the Group's performance, financial position, and risk management. These should be read in conjunction with the financial statements included in the Annual Report.

PERFORMANCE MEASUREMENT

The following table highlights the Group's financial performance in terms of earnings, dividend payout, cost efficiency, asset growth, loan quality, and capital strength in 2008.

Financial Indicators	Performance	Result Highlights
Earnings	<p>Profitability declined as a result of the global economic slowdown and increased volatility in financial markets.</p> <ul style="list-style-type: none"> Operating profit before impairment allowances decreased by 14.0% to HK\$16,755 million. Profit attributable to shareholders decreased by 78.4% to HK\$3,343 million. 	<ul style="list-style-type: none"> Operating profit before impairment allowances: down 14.0% Profit attributable to shareholders: down 78.4%
ROE ¹ and ROA ²	<ul style="list-style-type: none"> ROE and ROA were 3.81% and 0.27% respectively. ROE and ROA before impairment allowances were 19.09% and 1.52% respectively. 	<ul style="list-style-type: none"> ROE: 3.81% ROA: 0.27%
Dividend payout ratio	An interim dividend of HK\$0.438 per share was paid to the shareholders. The Board proposes not to pay a final dividend for 2008.	<ul style="list-style-type: none"> Total dividend per share for 2008: HK\$0.438
Net interest income and net interest margin	<ul style="list-style-type: none"> Net interest income increased by 3.9% to HK\$20,157 million. Net interest margin was 2.00% in 2008. Net interest spread rose but was offset by the decline in contribution from net free fund because of falling market interest rates. The pricing of new corporate loan facilities also improved with the tightened credit environment. 	<ul style="list-style-type: none"> Net interest income: up 3.9% Net interest margin: 2.00%
Non-interest income ³	Non-interest income to operating income ⁴ ratio was 21.03%, a drop of 7.81 percentage points primarily due to the decrease in investment-related agency fee income as well as the operating loss of the life insurance business.	<ul style="list-style-type: none"> Non-interest income to operating income ratio: 21.03%
Cost efficiency	Cost-to-income ratio rose by 5.84 percentage points to 34.36% as operating expenses increased by 12.8% while operating income decreased by 6.3%.	<ul style="list-style-type: none"> Cost-to-income ratio: 34.36%, maintained well below the market average
Total assets	<ul style="list-style-type: none"> Total assets grew by 7.5% to HK\$1,147.2 billion. Loans and deposits⁵ rose by 11.5% and 1.5% respectively. 	<ul style="list-style-type: none"> Total assets: up 7.5%
Loan quality	<ul style="list-style-type: none"> Formation of new classified loans⁶ remained at a low level of less than 0.4% of total loans. Classified or impaired loan⁷ ratio was slightly up 0.02 percentage point from 0.44% at end-2007 to 0.46% at end-2008. 	<ul style="list-style-type: none"> Classified or impaired loan ratio: 0.46%, well below the market average
Capital strength and liquidity	<ul style="list-style-type: none"> Capital adequacy ratio was up 3.09 percentage points to 16.17% with improved capital structure. Tier one ratio stood at 10.86%. Liquidity remained abundant. 	<ul style="list-style-type: none"> Capital adequacy ratio: 16.17% Liquidity ratio: 41.74%

(1) ROE represents return on average capital and reserves attributable to the equity holders of the Company.

(2) ROA represents return on average total assets and is defined in "Financial Highlights".

(3) Non-interest income represents net fees and commission income, net trading income, net gain/(loss) on financial instruments designated at fair value through profit or loss, net gain/(loss) on investments in securities, net insurance premium income, other operating income and net insurance benefits and claims.

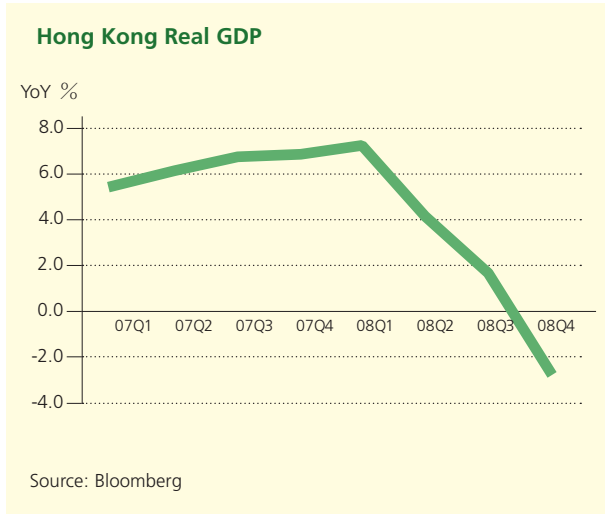
(4) Operating income comprises net interest income and non-interest income as defined in (3) above.

(5) Including structured deposits.

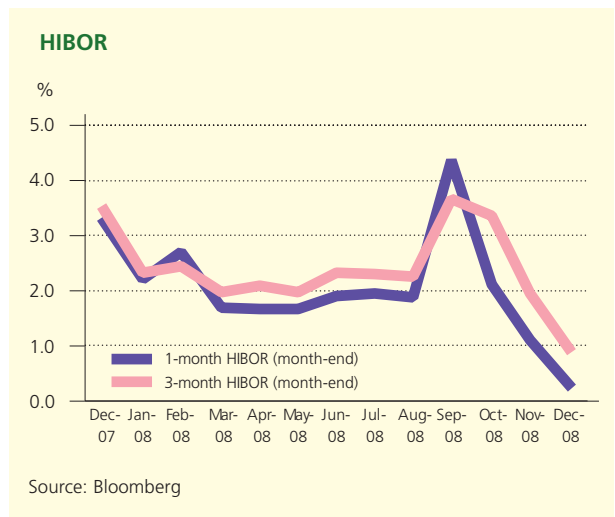
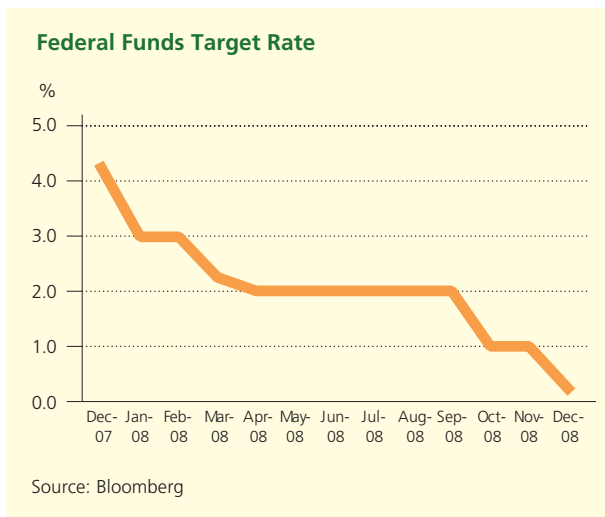
(6) Classified loans are advances to customers which have been classified as "substandard", "doubtful" or "loss" under the Group's classification of loan quality.

(7) Classified or impaired loans represent advances which have been classified as "substandard", "doubtful" or "loss" under the Group's classification of loan quality, or individually assessed to be impaired. Repossessed assets are initially recognised at the lower of their fair value less costs to sell or the amortised cost of the related outstanding loans on the date of repossession. The related loans and advances are deducted from loans and advances.

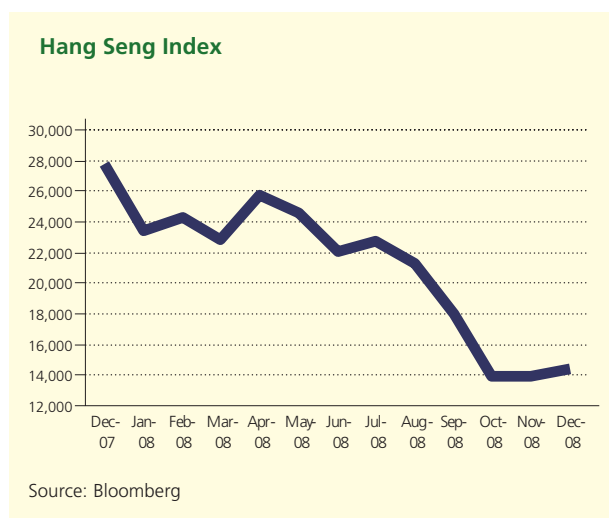
BUSINESS ENVIRONMENT



The economic environment deteriorated drastically in 2008 and made it unusually challenging for the operation of the banking industry. In the first half of the year, there were already signs of a global economic slowdown subsequent to the US subprime mortgage crisis. In the second half of the year, the US subprime crisis deepened and spread to other credit markets. The global financial landscape turned gloomy and the financial system came under severe strain. The need for rescuing the two US mortgage agencies, Fannie Mae and Freddie Mac, by the US government, the bankruptcy of the investment bank Lehman Brothers Holdings Inc. (“Lehman Brothers”), and the possible collapse of the insurance giant AIG sparked widespread concerns about the stability of financial institutions and the global interbank market was severely affected as counterparty risk surged. The global financial crisis and economic downturn inevitably had an adverse impact on Hong Kong. The Hong Kong economy recorded quarter-on-quarter contraction starting from the second quarter of 2008 following an extended period of expansion for four years. The slowing down of economic activity was primarily caused by weak private consumption, diminished merchandise exports and rising unemployment rate which reached 4.1% at the end of 2008. Inflationary pressure in Hong Kong was unabated in the first half of the year with the composite consumer price index (“CCPI”) rising by 3.3% in July compared with end-2007. The pressure was somewhat relieved in the second half as commodity and oil prices as well as wages began to fall, causing the CCPI to rise by a more modest 2.1% by end-2008.



Central governments around the world have taken drastic measures to rescue their respective financial systems and economies. The US Federal Reserve continued with the interest rate cut cycle since September 2007 and slashed the US Federal Funds Target Rate by an aggregate of 400 basis points in 2008 to 0.25% by the end of 2008. Meanwhile, banks in Hong Kong also lowered their Prime rates. Average 1-month HIBOR and 1-month LIBOR declined substantially from 4.97% and 5.49% respectively in September 2007 to 1.46% and 2.51% respectively in May 2008 but then rose in September to 2.75% and 2.93% respectively because of the higher counterparty risk and surging demand for liquidity after the bankruptcy of Lehman Brothers. Interest rate volatility rose and the HIBOR-LIBOR spread fluctuated sharply. To ease the money market stress, the Hong Kong Monetary Authority ("HKMA") injected liquidity into the banking system and at the same time took other pre-emptive measures such as providing liquidity assistance and lowering the borrowing costs to banks. As a result, HIBORs declined substantially along with LIBORs.



The downward trend of local stock market continued in 2008, with the Hang Seng Index ("HSI") falling further still. Local share prices rebounded in April after the announcements by major corporations of strong earnings. However, equity prices fell sharply during the second half of the year as the global financial crisis intensified. HSI closed at 14,387 points at end-2008, versus 27,813 points at end-2007, shedding almost half of the total market value.

In the local residential property market, prices declined notably in the third quarter of 2008 after the sharp increases recorded in late 2007 and early 2008. The transaction volume plunged as tightened credit sentiment and weakened economic prospects put a brake on housing demand and speculative activities. With a high degree of uncertainty still looming over the economy and labour market conditions, housing demand remained sluggish in the second half of 2008. Transaction volume, in terms of the

number of agreements for sale and purchase of all building units, contracted by 22.2% compared to 2007.

The financial crisis and economic downturn posed a number of formidable challenges to the local banking sector in 2008 and banks' profitability was severely eroded. Asset quality worsened, leading to a rise in the provisions for loans and investment portfolios. The classified loan ratio of retail banks rose to an average of 1.24% at end-2008.

CONSOLIDATED FINANCIAL REVIEW

The financial crisis took its toll on the global economy, including Hong Kong, in 2008, particularly in the second half of the year. The intensification of the financial crisis and increased volatility in financial markets led to the rapid deterioration of both the market sentiments and the operating environment. Against this background, the banking sector as a whole suffered. After registering satisfactory financial results with strong growth in core earnings in the first six months of the year, the Group's financial performance for the whole year of 2008 was severely tarnished by the drastic change in the market environment in the second half of the year. As a result, the Group's operating profit before impairment allowances decreased by HK\$2,726 million, or 14.0%, to HK\$16,755 million. There was growth in both net interest income and net trading income of the banking operation. However, these increases were more than offset by the operating loss recorded by the Group's insurance segment, lower net fees and commission income as well as higher operating expenses. The Group's profit attributable to shareholders decreased by HK\$12,103 million, or 78.4%, to HK\$3,343 million, due to the significant increase in impairment charge on securities investments, a net charge of loan impairment allowances as well as the deficit arising from the revaluation of properties. Earnings per share were HK\$0.3162. Return on average total assets ("ROA") and return on average shareholders' funds ("ROE") were 0.27% and 3.81% respectively. ROA and ROE before impairment allowances were 1.52% and 19.09% respectively.

Financial Highlights

HK\$m, except percentage amounts	2008	2007
Operating income	25,526	27,254
Operating expenses	(8,771)	(7,773)
Operating profit before impairment allowances	16,755	19,481
Net (charge)/reversal of impairment allowances	(12,573)	(1,448)
Others	(104)	1,093
Profit before taxation	4,078	19,126
Profit attributable to equity holders of the Company	3,343	15,446
Earnings per share (HK\$)	0.3162	1.4609
Return on average total assets	0.27%	1.53%
Return on average shareholders' funds*	3.81%	17.40%
Return on average total assets before impairment allowances	1.52%	1.89%
Return on average shareholders' funds before impairment allowances*	19.09%	21.95%
Net interest margin (NIM)	2.00%	2.07%
Adjusted NIM**	2.07%	2.10%
Non-interest income to operating income ratio	21.03%	28.84%
Cost-to-income ratio	34.36%	28.52%

* Shareholders' funds represent capital and reserves attributable to the equity holders of the Company.

** Adjusted for the estimated impact of BOCHK's RMB clearing function. Since December 2003, the Bank has been the clearing bank to provide RMB clearing services for banks in Hong Kong that operate RMB business. Acting as the clearing bank, the Bank deposits those RMB deposits taken in Hong Kong by the participating banks with the People's Bank of China ("PBOC"). At the same time, the Bank earns an interest spread between the RMB funds taken from participating banks and those placed with the PBOC. As RMB deposits grow, the impact on the Group's average interest-earning assets and net interest margin ("NIM") becomes more material. It is, therefore, considered necessary to also provide information on NIM before incorporating the estimated impact of RMB clearing services (hereafter called "Adjusted net interest margin").

Analyses of the Group's financial performance and business operations are set out in the following sections.

Net Interest Income and Margin

HK\$m, except percentage amounts	2008	2007
Interest income	35,281	46,056
Interest expense	(15,124)	(26,661)
Net interest income	20,157	19,395
Average interest-earning assets	1,006,440	938,377
Net interest spread	1.78%	1.65%
Net interest margin	2.00%	2.07%
Adjusted net interest margin*	2.07%	2.10%

* Excluding the estimated impact of BOCHK's RMB clearing function

Net interest income increased by HK\$762 million, or 3.9%, to HK\$20,157 million in 2008. Average interest-earning assets grew by HK\$68,063 million, or 7.3%, to HK\$1,006,440 million. Although net interest spread rose by 13 basis points, net interest margin fell by 7 basis points to 2.00% mainly due to a decline of 20 basis points in the contribution from net free fund. The significant increase in RMB deposits from participating banks in 2008 also led to the decrease in the net interest margin. Should the estimated impact of BOCHK's RMB clearing function in Hong Kong be excluded, the adjusted net interest margin would have been 2.07%, showing a fall of 3 basis points only.

Market interest rates fluctuated widely in 2008. Following the interest rate cut cycle kicked off by the US Federal Reserve in September 2007, market interest rates declined substantially and stayed at low levels in the first half of 2008. However, as the financial crisis continued to unfold and Lehman Brothers filed bankruptcy in mid-September 2008, the money market was under severe stress. One-month LIBOR once climbed to the peak of 4.59% in early October 2008. Further cuts in the Federal Funds Target Rate and the US government's US\$700 billion financial bailout package helped ease the interbank credit market tension. One-month LIBOR then dropped to 0.44% at end-2008. Meanwhile, HKD interest rates followed broadly the same direction as their USD counterparts. Average one-month HIBOR in 2008 fell by 228 basis points to 2.00% while average one-month LIBOR fell by 257 basis points to 2.68% compared to 2007. The Group's average HKD Prime rate decreased by 219 basis points to 5.40%, thus widening the HKD Prime-to-one month HIBOR spread (hereafter called "Prime-HIBOR spread") by 9 basis points to 3.40%.

The increase in net interest income was mainly attributable to the growth in average interest earning assets, driven by the increase in average customer deposits as well as average deposits of banks and other financial institutions. Net interest spread increased with the widened securities spread in the falling interest rate environment. Average higher yielding loans, such as Mainland lending and trade finance, continued to grow. At the same time, the pricing of new corporate loan facilities had improved under the tightening credit environment. Loan spread, however, was compressed by the lower average pricing on the mortgage portfolio. The Group also took extra care in managing funding costs and its deposit mix continued to improve with an increase in the proportion of average demand deposits and current accounts* as well as savings deposits in its average total deposits. Deposit spread decreased with lower market rates as deposits rates were already at a very low level. Contribution from net free fund decreased as market interest rates dropped significantly.

* excluding IPO-related funds

The summary below shows the average balances and average interest rates of individual assets and liabilities:

ASSETS	Year ended 31 December 2008		Year ended 31 December 2007	
	Average balance HK\$m	Average yield %	Average balance HK\$m	Average yield %
Loans to banks	261,660	2.11%	207,454	4.01
Debt securities investments	306,807	4.27%	331,422	4.92
Loans and advances to customers	424,187	3.83%	382,040	5.45
Other interest-earning assets	13,786	2.92%	17,461	3.73
Total interest-earning assets	1,006,440	3.51%	938,377	4.91
Non interest-earning assets	92,758	–	94,200	–
Total assets	1,099,198	3.21%	1,032,577	4.46

LIABILITIES	Year ended 31 December 2008		Year ended 31 December 2007	
	Average balance HK\$m	Average rate %	Average balance HK\$m	Average rate %
Deposits and balances of banks and other financial institutions	79,969	1.91%	45,819	3.38%
Current, savings and fixed deposits	767,006	1.65%	742,152	3.27%
Certificate of deposits issued	1,474	3.73%	2,266	3.58%
Other interest-bearing liabilities	27,597	3.08%	27,189	2.92%
Total interest-bearing liabilities	876,046	1.73%	817,426	3.26%
Non interest-bearing deposits	37,053	–	36,866	–
Shareholders' funds* and non interest-bearing liabilities	186,099	–	178,285	–
Total liabilities	1,099,198	1.38%	1,032,577	2.58%

* Shareholders' funds represent capital and reserves attributable to the equity holders of the Company.

Second Half Performance

Compared to the first half of 2008, net interest income increased by HK\$99 million, or 1.0%. Average interest-earning assets grew by HK\$35,292 million, or 3.6%. Net interest margin and net interest spread fell by 6 basis points and 2 basis points respectively. Contribution from net free funds fell by 4 basis points.

The increase in net interest income was mainly attributable to the growth in average interest earning assets, driven by the increase in average customer deposits as well as average deposits and balances of banks and other financial institutions. The increase was partially offset by the decline in contribution from net free funds with lower market interest rates. Gross rate of debt securities declined due to repricing and increase in lower yielding liquefiable securities in the intensifying financial crisis. Average pricing of new corporate loan facilities continued to improve, however, loan spread was compressed as Prime-HIBOR spread was narrowed by 48 basis points compared to the first half of 2008. Deposit mix improved with an increase in the proportion of average demand deposits and current accounts* as well as savings deposits in the Group's average total deposits. Deposit spread increased as the Group managed its funding costs more prudently.

* excluding IPO-related funds

Net Fees and Commission Income

HK\$m	2008	2007
Investment and insurance fee income	2,964	4,511
Securities brokerage (Stockbroking)	2,380	3,560
Securities brokerage (Bonds)	259	211
Sale of funds	218	683
Life insurance*	107	57
Credit cards	1,220	1,027
Bills commissions	683	588
Loan commissions	513	347
Payment services	486	464
Account services	261	290
RMB business	223	137
Currency exchange	204	184
Trust services	173	153
General insurance	102	96
Correspondent banking	44	37
Guarantees	37	32
Custody	45	4
IPO-related business	30	105
Others	229	202
Fees and commission income	7,214	8,177
Fees and commission expenses	(2,035)	(1,903)
Net fees and commission income	5,179	6,274

* Fee income from life insurance only included that from the Group's insurance business partner after group consolidation elimination.

Net fees and commission income decreased by HK\$1,095 million, or 17.5%, to HK\$5,179 million, mainly due to the decline in investment-related fee income, which will be discussed in the next section "Investment and Insurance Business". Fee income from the Group's traditional banking businesses improved. Loan commission grew strongly by HK\$166 million or 47.8%. This was mainly attributed to the successful implementation of the Group's new business model as well as the increase in syndicated loans following the Group's appointment as the "Asia-Pacific Syndicated Loan Centre" of the BOC Group in early 2008. Fees from the credit card business showed a satisfactory growth of HK\$193 million or 18.8% as cardholder spending and merchant acquiring volume were up 12.7% and 19.9% respectively. Fee income from bills, RMB-related business and currency exchange recorded double-digit growths of 16.2%, 62.8% and 10.9% respectively. Following the introduction of custody business in 2007, its contribution to the Group's fee income was encouraging in 2008. However, fee income from IPO-related business decreased markedly by 71.4% as IPO activities reduced significantly. Meanwhile, fees and commission expenses increased by HK\$132 million or 6.9%, mainly due to increase in credit card, currency exchange service and RMB-related business expenses.

Second Half Performance

Compared to the first half of 2008, net fees and commission income decreased by HK\$619 million or 21.4%, largely because of the decline in investment-related fee income, which will be discussed in the next section. Meanwhile, fees and commission income from RMB-related business and card business increased by 25.3% and 11.1% respectively. Fees and commission expenses were up 15.1%, mainly because of higher credit card, currency exchange service and RMB-related business expenses.

Investment and Insurance Business

HK\$m	2008	2007
Investment and insurance fee income		
Securities brokerage (Stockbroking)	2,380	3,560
Securities brokerage (Bonds)	259	211
Sale of funds	218	683
Life insurance*	107	57
	2,964	4,511
Insurance and investment income of BOC Life		
Net insurance premium income	5,891	8,426
Interest income	1,122	788
Net (loss)/gain on financial instruments designated at fair value through profit or loss	(136)	893
Others	17	15
Gross insurance and investment income of BOC Life#	6,894	10,122
Less: net insurance benefits and claims	(7,709)	(9,440)
	(815)	682
Total investment and insurance income	2,149	5,193
Of which: Life insurance fee income*	107	57
Insurance income of BOC Life#	(815)	682
Total life insurance income	(708)	739
Investment fee income	2,857	4,454
Total investment and insurance income	2,149	5,193

* Fee income from life insurance only included that from the Group's insurance business partner after group consolidation elimination.

Before commission expenses.

In 2008, particularly in the second half, as the financial crisis intensified, investors' appetite for investment and wealth management products weakened further. This had a negative impact on the Group's investment and insurance related business which declined significantly following an exceptionally strong 2007. The Group's total investment and insurance income decreased by HK\$3,044 million, or 58.6% to HK\$2,149 million, mainly due to the decrease in both the income from stock broking and sale of funds coupled with the loss incurred by its insurance segment. Income from stock broking declined by HK\$1,180 million or 33.1% due to lower business volume along with the fall in market transactions. Income from the sale of funds decreased by HK\$465 million or 68.1% as the sales of open-end funds fell with diminished demand. Meanwhile, commission from the sales of bonds rose by HK\$48 million, or 22.7% as sales of structured notes rose by 15.8% resulting from the successful private placement service introduced by the Group in the first half of the year. Fee income from the Group's insurance business partner also increased by HK\$50 million, or 87.7% on the back of the 56.9% increase in sales volume. As for BOC Life, insurance income decreased by HK\$1,497 million, which was mainly attributable to the weak performance of its investment assets with a loss of HK\$136 million compared to a gain of HK\$893 million in 2007. Net insurance premium income declined by HK\$2,535 million, or 30.1%, as sales slowed down. During the first half of the year, the Group launched several large-scale promotional and marketing activities to reinforce the Group's brand image and boost the sales of regular pay products. Product mix continued to improve with net insurance premium income from regular premium products increasing by 39.6% year-on-year.

Second Half Performance

Compared to the first half of 2008, total investment and insurance income decreased by HK\$1,443 million, or 80.3%. There was a broad-based decrease in investment and insurance fee income of HK\$522 million or 29.9% as market demand further weakened in the second half of the year. The insurance income of BOC Life was down HK\$921 million mainly due to the weak performance of its investment assets, lower net insurance premium income coupled with the increase in net insurance benefits and claims amid a falling interest rate environment.

Net Trading Income

HK\$'m	2008	2007
Foreign exchange and foreign exchange products	1,809	800
Interest rate instruments	(127)	30
Equity instruments	119	181
Commodities	113	2
Net trading income	1,914	1,013

Net trading income was HK\$1,914 million, up HK\$901 million or 88.9% year-on-year mainly due to the surge in net trading income from foreign exchange and foreign exchange products by HK\$1,009 million or 126.1%. During 2008, the currency market became volatile and the anticipated appreciation of the RMB boosted customers' appetite for currency-related products. Taking advantage of higher demand, the Group successfully grew its income from foreign exchange activities by HK\$482 million or 42.1%. Meanwhile, net trading income from mark-to-market on foreign exchange swap contracts* significantly improved by HK\$662 million. The increase was partially offset by a foreign exchange loss arising from the revaluation of Nanyang Commercial Bank (China), Limited's ("Nanyang (China)") Hong Kong Dollar capital funds against the appreciated RMB during the course of approval for conversion into RMB. Net trading income from interest rate instruments declined by HK\$157 million, which was caused by the mark-to-market loss on interest rate swap contracts. Net trading income of equity instruments decreased by HK\$62 million or 34.3%, mainly due to decline in the fair value of certain equity instruments. The decline was partly offset by the option premium income from the newly launched "Equity-Linked Investments". Net trading income from commodities increased by HK\$111 million because of higher customer demand for bullion products in a volatile commodity market.

* Foreign exchange swap contracts are usually used for the Group's liquidity management and funding activities. Under foreign exchange swap contracts, the Group exchanges one currency (original currency) for another (swapped currency) at the spot exchange rate (spot transaction) and commits to reverse the spot transaction by exchanging the same currency pair at a future maturity at a predetermined rate (forward transaction). In this way, surplus funds in original currency are swapped into another currency for liquidity and funding purposes without any foreign exchange risk. Under HKAS 39, the exchange difference between the spot and forward contracts is recognised as foreign exchange gain or loss (as included in "net trading income"), while the corresponding interest differential between the surplus funds in original currency and swapped currency is reflected in net interest income.

Second Half Performance

Compared to the first half of 2008, net trading income declined by HK\$560 million or 45.3% in the second half of the year. The decrease was mainly attributable to the decreased fair value of interest rate swap contracts. Income from foreign exchange transactions and structured deposits also dropped with lower customer demand when market sentiments deteriorated drastically and the US Dollar turned strong in the second half of 2008. This decline was offset by the mark-to-market gain on foreign exchange swap contracts.

Net (Loss)/Gain on Financial Instruments Designated at Fair Value through Profit or Loss (FVTPL)

HK\$'m	2008	2007
Net (loss)/gain on financial instruments designated at FVTPL of the banking business	(316)	(25)
Net (loss)/gain on financial instruments designated at FVTPL of BOC Life	(136)	893
Net (loss)/gain on financial instruments designated at FVTPL	(452)	868

Compared to the net gain of HK\$868 million recorded in 2007, a net loss on financial instruments designated at fair value through profit or loss of HK\$452 million was recorded in 2008. This was mainly due to the net loss on equity investments held by BOC Life against the net gain recorded in 2007. In addition, the Group's banking business and BOC Life registered mark-to-market loss on their certain debt securities designated at fair value through profit and loss as their market values were adversely affected by the financial crisis. This included a net loss of HK\$130 million with respect to the bonds issued by Lehman Brothers.

Second Half Performance

Compared to the net loss of HK\$1,484 million recorded in the first half of 2008, net gain on financial instruments designated at fair value through profit or loss in the second half of 2008 was HK\$1,032 million. This was mainly caused by the mark-to-market gain of certain debt securities investments of BOC Life recorded in the second half of 2008 under a low interest rate environment.

Operating Expenses

HK\$'m, except percentage amounts	2008	2007
Staff costs	4,554	4,656
Premises and equipment expenses (excluding depreciation)	1,076	958
Depreciation on owned fixed assets	992	787
Other operating expenses	2,149	1,372
Operating expenses	8,771	7,773
Cost-to-income ratio	34.36%	28.52%

In view of the weakening local economy and intensifying global financial crisis, the Group took pre-emptive measures by launching various cost containment programmes in the second half of the year. As a result, performance-related remuneration, promotional expenses and other business-related expenses had been well contained. These programmes proved to be effective as the growth in operating expenses in the second half of the year significantly slowed down versus the first half of the year.

Total operating expenses were up HK\$998 million, or 12.8%, to HK\$8,771 million which included the expenses* mainly related to the Lehman Brothers Mini-bonds issue ("Mini-bonds issue") totalling HK\$769 million. Cost-to-income ratio rose by 5.84 percentage points over 2007 to 34.36%. Should the said expenses mainly related to the Mini-bonds issue be excluded, the Group's operating expenses would have increased by HK\$229 million or 2.9% while the cost-to-income ratio would have risen by 2.83 percentage points to 31.35%.

Staff costs fell by HK\$102 million, or 2.2%, primarily due to lower performance-related remuneration. Compared to end-2007, headcount measured in full-time equivalents rose slightly by 36 to 13,463 at end-2008.

Premises and equipment expenses increased by HK\$118 million or 12.3% mainly because of higher IT costs and rental in 2008 and as inflationary pressure mounted in the first half of the year.

Depreciation on owned fixed assets rose by HK\$205 million, or 26.0%, to HK\$992 million due to the increase in computer equipment as the Group continued its infrastructure improvement as well as the effect of the appreciation of the value of bank premises in the first half of the year.

Other operating expenses were up HK\$777 million, or 56.6%, mainly due to the additional expenses in relation to the Mini-bonds issue. Higher business taxes due to increased business in the Mainland as well as a larger amount of donations also contributed to the rise. Promotional expenses, however, were lower. Should the expenses* mainly related to the Mini-bonds issue be excluded, other operating expenses would have increased slightly by HK\$8 million or 0.6%.

Second Half Performance

Compared to the first half of 2008, total operating expenses rose by HK\$595 million, or 14.6%, mainly due to additional expenses incurred in relation to the Mini-bonds issue. If the expenses* mainly related to the Mini-bonds issue were excluded, operating expenses would have decreased by HK\$174 million or 4.3%.

* including the related legal expenses

Net (Charge)/Reversal of Loan Impairment Allowances

HK\$'m	2008	2007
Net (charge)/reversal of loan impairment allowances		
Individual assessment		
– new allowances	(813)	(330)
– releases	83	299
– recoveries	722	1,311
Collective assessment		
– new allowances	(691)	(625)
– releases	10	–
– recoveries	28	30
Net (charge)/reversal to Income Statement	(661)	685

In 2008, the Group recorded a net charge of loan impairment allowances of HK\$661 million. Compared to a net reversal of HK\$685 million in 2007, this change in net charge of loan impairment allowances was mainly due to the increase in the net charge of allowances (before recoveries) from individual assessment and the decline in loan recoveries.

Net charge of individual impairment allowances (before recoveries) was HK\$730 million, up HK\$699 million from HK\$31 million recorded in 2007. The increase in net impairment charge (before recoveries) was caused by the increase in new allowances made to cover the formation of new impaired loans and further deterioration of existing impaired accounts as the repayment capability of borrowers deteriorated in the economic downturn. The reduction in the release of allowances, due to the repayment made by certain large accounts in 2007, also contributed to the increase in net impairment charge.

Net charge of collective impairment allowances (before recoveries) was HK\$681 million. The new allowances were mainly attributable to the expanded loan portfolio and the deterioration in asset quality of loans and advances amid the financial crisis.

The Group continued to make recoveries of loans that were previously written off. Total recoveries in individual and collective assessment amounted to HK\$750 million, down HK\$591 million compared to 2007 during which certain large accounts were recovered.

Second Half Performance

Net charge of loan impairment allowances increased by HK\$519 million in the second half of 2008, mainly because of the increase in new allowances from individual assessment as the formation of new impaired loans occurred mainly in the second half of the year when the economy began to slow down. Impairment charge from collective assessment increased as asset quality of loans and advances deteriorated in the second half of the year. The increase in impairment charge from individual and collective assessment was partially offset by the increase in recoveries.

Net Charge of Impairment Allowances on Securities Investments

HK\$m	2008	2007
Held-to-maturity securities	(4,061)	(1,844)
Available-for-sale securities	(7,839)	(289)
Net charge of impairment allowances on securities investments	(11,900)	(2,133)

As the global financial crisis intensified in the second half of the year, the Group's investments in securities were negatively affected. In view of the increased volatility in major capital markets, the Group carried out a comprehensive assessment on its impairment charges, taking into account the relevant criteria and specific features of the investments, and increased its provisions accordingly. As a result, the Group recorded a total of HK\$9,170 million of net charge of impairment allowances for its portfolio of US non-agency residential mortgage-backed securities ("RMBS") and other debt securities. The Group also recorded a charge of impairment allowance of HK\$2,730 million against its investments in The Bank of East Asia, Limited, the share price of which fell sharply in the financial turmoil. The table below illustrates the breakdown of the Group's net charge of impairment allowances against its investments in securities in 2008 and 2007.

HK\$'m	2008	2007
US non-agency residential mortgage-backed securities		
Subprime	522	(1,513)
Alt-A	(1,734)	(574)
Prime	(7,041)	(46)
	(8,253)	(2,133)
Other debt securities	(917)	–
	(9,170)	(2,133)
Investment in Bank of East Asia, Limited	(2,730)	–
Total net (charge)/reversal of impairment allowances on securities investments	(11,900)	(2,133)

For details about the composition of the Group's investment securities portfolio, and the impairment and provisioning policies on investments, please refer to Note 28, Note 2 and Note 3 to the Annual Financial Statements.

Second Half Performance

Compared to the first half of 2008, the net charge of impairment allowances rose significantly by HK\$7,602 million in the second half of the year.

As at 31 December 2008, the carrying value of the Group's exposure to bonds issued by Lehman Brothers was HK\$39 million, comprising solely senior unsecured bonds. In 2008, the Group recorded HK\$352 million net charge of impairment allowances and HK\$130 million of net loss on financial instruments designated at fair value through profit or loss with respect to the aforesaid bonds.

Property Revaluation

HK\$'m	2008	2007
Net (loss)/gain on revaluation of premises	(24)	19
Net (loss)/gain on fair value adjustments on investment properties	(132)	1,056
Deferred tax	93	(143)
Net (loss)/gain on fair value adjustments on investment properties, after tax	(39)	913

The aggregate impact of property revaluation before tax on the income statement in 2008 was a loss of HK\$156 million, of which HK\$132 million came from the revaluation of investment properties and HK\$24 million from the revaluation of premises. This was a reversal to the aggregate gain recorded in the first half of the year as property prices in Hong Kong suffered a slump since the third quarter after the sharp increase recorded in late 2007 and early 2008. The related deferred tax credit on revaluation of investment properties amounted to HK\$93 million. As a result, the net impact of fair value adjustments on investment properties on the Group's profit attributable to equity holders in 2008 was a loss of HK\$39 million.

Second Half Performance

A net loss of HK\$687 million from revaluation of investment properties after tax was recorded in the second half of 2008, against the net gain of HK\$648 million in the first half of 2008. This was broadly in line with the decline in property prices since the third quarter of the year.

Financial Position

HK\$m, except percentage amounts	At 31 December 2008	At 31 December 2007
Cash and balances with banks and other financial institutions	153,269	159,065
Placements with banks and other financial institutions maturing between one and twelve months	89,718	53,154
Hong Kong SAR Government certificates of indebtedness	34,200	32,770
Securities investments ¹	335,493	335,623
Advances and other accounts	469,493	420,234
Fixed assets and investment properties	30,522	31,351
Other assets ²	34,549	35,440
Total assets	1,147,244	1,067,637
Hong Kong SAR currency notes in circulation	34,200	32,770
Deposits and balances of banks and other financial institutions	88,779	60,599
Deposits from customers	802,577	793,606
Debt securities in issue at amortised cost ³	1,042	2,089
Insurance contract liabilities	28,274	22,497
Other accounts and provisions	80,501	61,018
Subordinated liabilities ⁴	27,339	–
Total liabilities	1,062,712	972,579
Minority interests	1,813	2,216
Capital and reserves attributable to the equity holders of the Company	82,719	92,842
Total liabilities and equity	1,147,244	1,067,637
Loan-to-deposit ratio	56.74%	51.66%

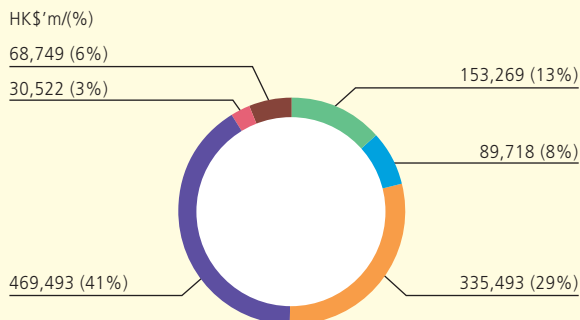
1 Securities investments comprise investment in securities and financial assets at fair value through profit or loss.

2 Interests in associates, deferred tax assets and derivative financial instruments are included in other assets.

3 Debt securities in issue at amortised cost represents the notes issued under the Group's notes programme.

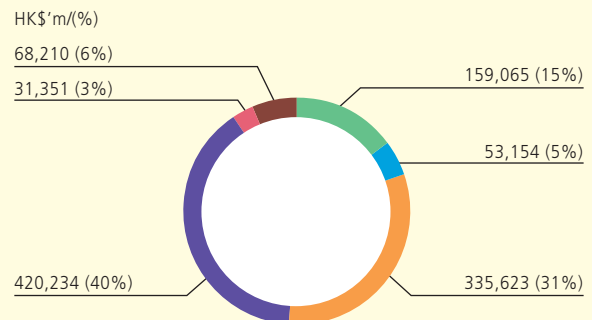
4 Subordinated liabilities represent the subordinated loans granted by the Group's parent bank, Bank of China Limited.

Balance Sheet Mix as at 31 December 2008



- Cash and balances with banks and other financial institutions
- Placements with banks and other financial institutions maturing between one and twelve months
- Securities investments

Balance Sheet Mix as at 31 December 2007



- Advances and other accounts
- Fixed assets and investment properties
- Other assets

The Group's total assets were HK\$1,147,244 million as at 31 December 2008, up HK\$79,607 million or 7.5% from the end of 2007. Key changes include:

- Cash and balances with banks and other financial institutions decreased by HK\$5,796 million or 3.6% mainly due to the decrease in placements with banks and other financial institutions maturing within one month. This was partially offset by the increase in RMB deposits from participating banks placed with the PBOC.
- Placements with banks and other financial institutions maturing between one and twelve months increased by HK\$36,564 million, or 68.8%, as the Group lengthened its interbank placements in the low interest rate environment.
- Advances and other accounts increased by HK\$49,259 million, or 11.7%, mainly due to the growth of advances to customers by HK\$47,385 million or 11.5%.
- Securities investments decreased slightly by HK\$130 million. To ensure liquidity and safeguard its surplus funds, the Group increased investments in short-term government bills and expanded its investments in debt securities of governments and government guaranteed agencies. As of 31 December 2008, the carrying value of the Group's total exposure to US non-agency RMBS dropped to HK\$19.3 billion from HK\$39.7 billion as of end-2007. The Group had exposures to structured investment vehicles ("SIV"s) held by its 51% owned subsidiary, BOC Life. The carrying value of total exposure to the SIV's amounted to HK\$57 million at end-2008 (At end-2007: approximately HK\$100 million). The Group did not have exposure to collateralised debt obligations at end-2008 (At end-2007: nil).

Advances to Customers

HK\$m, except percentage amounts	At 31 December 2008	%	At 31 December 2007	%
Loans for use in Hong Kong	336,597	73.1	305,677	74.0
Industrial, commercial and financial	188,774	41.0	168,656	40.8
Individuals	147,823	32.1	137,021	33.2
Trade finance	24,555	5.3	24,275	5.9
Loans for use outside Hong Kong	99,295	21.6	83,110	20.1
Total advances to customers	460,447	100.0	413,062	100.0

Total advances to customers rose by HK\$47,385 million or 11.5% to HK\$460,447 million, due to the growth in both corporate and individual loans as well as loans for use outside Hong Kong. This was attributable to the successful implementation of the Group's business strategies under its new business model, effective marketing, together with the Bank's appointment as the "Asia-Pacific Syndicated Loan Centre" of the BOC Group in early 2008.

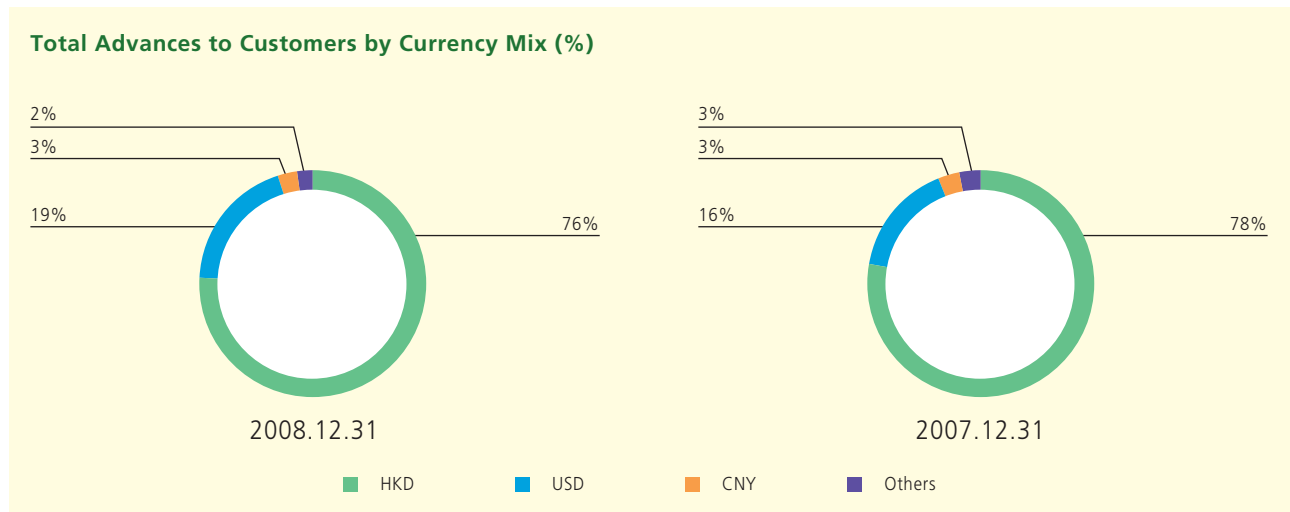
Loans for use in Hong Kong grew by 10.1%.

- Lending to the industrial, commercial and financial sectors increased by HK\$20,118 million, or 11.9%, to HK\$188,774 million, driven by the growth in loans for property investment, wholesale and retail trade, information technology, property development, as well as manufacturing.
- Residential mortgage loans (excluding those under the Government-sponsored Home Ownership Scheme) was up HK\$9,720 million, or 9.1%, to HK\$116,303 million. This was a result of the Group's effective marketing efforts and product innovation.
- Card advances surged by HK\$792 million, or 13.7%, to HK\$6,553 million, which was in line with the increase in cardholder spending.
- Other individual lending increased by HK\$782 million, or 7.3%, to HK\$11,490 million mainly due to the growth in personal loans.

Trade finance recorded a mild increase of HK\$280 million, or 1.2% against the decline in the import and export trade in Hong Kong in 2008. Meanwhile, loans for use outside Hong Kong grew strongly by HK\$16,185 million or 19.5%.

Second Half Performance

Compared to the strong first half, the economic environment significantly deteriorated in the second half of the year and hence hindered further growth in advances to customers. At the same time, the Group took various strategic measures to contain its risk exposure amidst the global economic downturn. As a result, the Group's total advances to customers decreased by HK\$15,140 million, or 3.2%, in the second half of the year.



In terms of currency mix, advances to customers in HKD and USD accounted for 75.5% and 19.0% respectively of the total at the end of 2008 while advances to customers in RMB and other currencies accounted for 3.3% and 2.2% respectively. The proportion of advances to customers in USD rose by 3.4% while advances to customers in HKD declined by 2.9%.

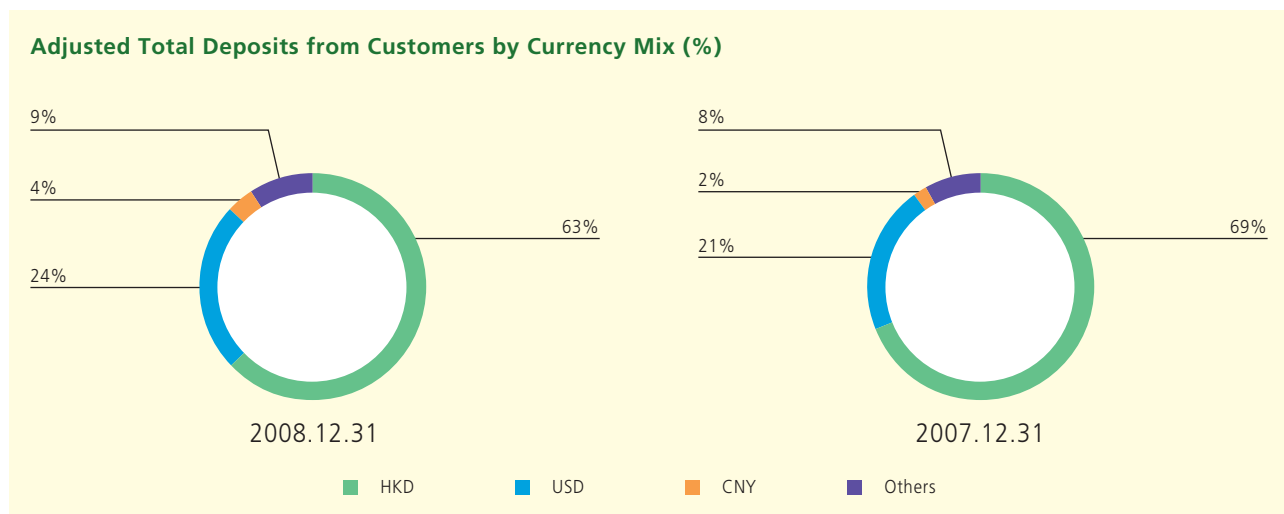
Deposits from Customers

HK\$m, except percentage amounts	At 31 December 2008		At 31 December 2007	
		%		%
Demand deposits and current accounts	46,042	5.7	40,499	5.1
Savings deposits	377,273	46.5	286,653	35.9
Time, call and notice deposits	379,262	46.7	466,454	58.3
Total deposits from customers	802,577	98.9	793,606	99.3
Structured deposits	8,939	1.1	5,959	0.7
Adjusted total deposits from customers	811,516	100.0	799,565	100.0

Total deposits from customers increased by HK\$8,971 million, or 1.1%, to HK\$802,577 million, with improved deposit mix. Demand deposits and current accounts increased by HK\$5,543 million or 13.7%. Savings deposits rose by HK\$90,620 million or 31.6%. Time, call and notice deposits were down HK\$87,192 million or 18.7% as customers sought liquidity under the low interest rate environment and switched their funds to savings deposits. Structured deposits, a hybrid of retail deposit and derivatives offering a higher nominal interest rate, increased by HK\$2,980 million, or 50.0%. The Group's loan-to-deposit ratio was up 5.08 percentage points to 56.74% at the end of 2008 as total loan growth outpaced deposits growth.

Second Half Performance

Total deposits from customers dropped by HK\$16,533 million, or 2.0% in the second half of 2008. Demand deposits and current accounts increased by HK\$5,135 million or 12.6% while savings deposits rose by HK\$81,771 million or 27.7%. However, time, call and notice deposits dropped by HK\$103,439 million or 21.4%. Structured deposits, on the other hand, rose significantly by HK\$5,338 million or 148.2% in the low interest rate environment.



In terms of currency mix, HKD and USD deposits accounted for 62.8% and 24.1% respectively at the end of 2008, while deposits in RMB and other currencies accounted for 3.7% and 9.4% respectively. The proportion of HKD deposits dropped by 6.3 percentage points while that of RMB and other currencies rose by 1.5 percentage points and 1.7 percentage points respectively from the end of 2007, reflecting customers' preference for shifting their funds into RMB deposits in anticipation of the appreciation of RMB and into other foreign currency deposits for higher returns. The proportion of USD deposits also rose by 3.1%. The Group's HKD loan-to-deposit ratio was 68.3%, up from 58.7% at end-2007 as HKD loans increased while HKD deposits decreased.

Loan Quality

HK\$m, except percentage amounts	At 31 December 2008	At 31 December 2007
Advances to customers	460,447	413,062
Classified or impaired loan ratio ¹	0.46%	0.44%
Impairment allowances	2,301	1,385
Regulatory reserve for general banking risks	4,503	4,130
Total allowances and regulatory reserve	6,804	5,515
Total allowances as a percentage of advances to customers	0.50%	0.34%
Total allowances and regulatory reserve as a percentage of advances to customers	1.48%	1.34%
Impairment allowances on classified or impaired loan ratio ²	38.96%	22.52%
Residential mortgage loans ³ – delinquency and rescheduled loan ratio ⁴	0.05%	0.15%
Card advances – delinquency ratio ^{4,5}	0.29%	0.28%

	2008	2007
Card advances – charge-off ratio ⁵	2.22%	2.40%

(1) Classified or impaired loans represent advances which have been classified as “substandard”, “doubtful” or “loss” under the Group’s classification of loan quality, or individually assessed to be impaired. Repossessed assets are initially recognised at the lower of their fair value less costs to sell or the amortised cost of the related outstanding loans on the date of repossession. The related loans and advances are deducted from loans and advances.

(2) Including impairment allowances on loans classified as “substandard”, “doubtful” or “loss” under the Group’s classification of loan quality, or individually assessed to be impaired.

(3) Residential mortgage loans exclude those under the Home Ownership Scheme and other government-sponsored home purchasing schemes.

(4) Delinquency ratio is measured by a ratio of total amount of overdue loans (more than three months) to total outstanding loans.

(5) Excluding Great Wall cards and computed according to the HKMA’s definition.

The Group’s loan quality remained sound with its classified or impaired loan ratio increasing slightly by 0.02 percentage point to 0.46%, well below the market average. Classified loans increased by approximately HK\$0.3 billion or 18.6% to HK\$2.1 billion. New classified loans in 2008 represented approximately 0.4% of total loans outstanding.

Total impairment allowances, including both individual assessment and collective assessment, amounted to HK\$2,301 million. Impairment allowances on classified or impaired loan ratio was 38.96%. The Group’s regulatory reserve rose by HK\$373 million to HK\$4,503 million as advances to customers increased.

The quality of the Group’s residential mortgage loans continued to improve with the combined delinquency and rescheduled loan ratio having fallen by 0.10 percentage point to 0.05% at end-2008. The quality of card advances remained strong, with the charge-off ratio declining from 2.40% in 2007 to 2.22% in 2008. Both ratios were well below the market average.

Capital and Liquidity Ratios

HK\$m, except percentage amounts	At 31 December 2008	At 31 December 2007
Core capital	65,172	67,145
Deductions	(1,536)	(483)
Core capital after deductions	63,636	66,662
Supplementary capital	32,675	5,161
Deductions	(1,536)	(483)
Supplementary capital after deductions	31,139	4,678
Total capital base after deductions	94,775	71,340
Risk-weighted assets		
Credit risk	545,107	510,970
Market risk	9,097	7,998
Operational risk	44,144	39,139
Deductions	(12,273)	(12,875)
Total risk-weighted assets	586,075	545,232
Capital adequacy ratios (consolidated basis)		
Core capital ratio	10.86%	12.23%
Capital adequacy ratio	16.17%	13.08%

	2008	2007
Average liquidity ratio	41.74%	50.92%

Consolidated capital adequacy ratio of the banking group at 31 December 2008 was 16.17%, up 3.09 percentage points from end-2007 due to the increase in total capital base. Total capital base rose by 32.8% to HK\$94,775 million mainly due to two subordinated loans of EURO 660 million and USD2,500 million respectively from its parent bank, Bank of China Limited, on 27 June 2008 and 23 December 2008 respectively. These subordinated loans meet the conditions laid down in the Banking (Capital) Rules and have been included as supplementary capital for the purpose of determining the capital base of the banking group. The Group's capital structure was therefore further improved with a higher proportion of supplementary capital to total capital base at end-2008. Meanwhile, risk-weighted assets rose by 7.5% to HK\$586,075 million, mainly due to the growth in advances to customers.

Average liquidity ratio remained strong at 41.74% in 2008.

BUSINESS REVIEW

This section covers the performance of the Group's business lines together with their respective financial results.

PERSONAL BANKING

HK\$m, except percentage amounts	Full-year ended 31 December 2008	Full-year ended 31 December 2007	Increase/ (decrease)
Net interest income	6,511	8,144	-20.1%
Other operating income	4,179	5,931	-29.5%
Operating income	10,690	14,075	-24.0%
Operating expenses	(5,669)	(5,829)	-2.7%
Operating profit before impairment allowances	5,021	8,246	-39.1%
Net charge of loan impairment allowances	(120)	(112)	+7.1%
Others	(9)	(5)	+80.0%
Profit before taxation	4,892	8,129	-39.8%

	At 31 December 2008	At 31 December 2007	Increase/ (decrease)
Segment assets	165,148	162,634	+1.5%
Segment liabilities	523,682	545,397	-4.0%

Note: For additional segmental information, see Note10 to the Summary Financial Statements.

Results

Personal Banking recorded a profit before taxation of HK\$4,892 million in 2008. Low interest rates and a sluggish investment market had an adverse impact on both its net interest income and fees and commission income from investment-related agency businesses. As a result, operating profit before impairment allowances decreased by 39.1% to HK\$5,021 million year-on-year.

Net interest income decreased by 20.1% to HK\$6,511 million primarily due to narrower deposits spread. Other operating income fell by 29.5% to HK\$4,179 million, mainly caused by the decline in fees and commission income from stock broking and sales of open-end funds. A non-recurring gain arising from the initial recognition of shares received from Visa Inc. in 2007 also caused the decline in other operating income in 2008 on a comparable basis.

Operating expenses were down by 2.7% to HK\$5,669 million, mainly due to the fall in staff costs as performance-related remuneration decreased. Lower promotional expenses also contributed to savings in operating expenses.

Net charge of loan impairment allowances rose by 7.1% to HK\$120 million, mainly due to the deterioration of borrowers' debt servicing capability and lower collateral values as well as the reduction in recoveries.

Advances and other accounts, including mortgage loans and card advances, increased by 7.1% to HK\$152,285 million. Customer deposits fell by 2.5% to HK\$500,391 million.

Maintaining market leadership in residential property mortgage

The local property market turned sluggish in the second half of 2008 after recording a revival in late 2007. Both housing prices and transaction volume have declined notably since the third quarter of 2008. Nevertheless, the Group managed to achieve good results in its residential mortgage business through effective marketing and the introduction of a wider range of mortgage products. By the end of 2008, outstanding residential mortgage loans grew by 9.1%, outperforming the market growth of 5.1%. To commemorate the 2008 Beijing Olympics, a series of new mortgage plans were rolled out, such as the "8 Privilege Offers for the 2008 Olympics Mortgage Scheme" and "Olympic Decathlon Mortgage Scheme". In order to enhance its marketing capacity, the Group strengthened its strategic partnership and participated in joint promotion campaigns with major property developers. In March 2008, the Group also set up four Mortgage Advice Centres in selected areas to provide convenient and professional consultancy services to customers. All these initiatives sustained the Group's competitive edge in the residential mortgage market and ensured its leading position in the underwriting of new mortgages. In view of the economic downturn and turbulence in the financial market, the Group further strengthened its risk assessment and control on its mortgage business. Meanwhile, the credit quality of residential mortgages remained strong with the delinquency and rescheduled loan ratio falling further to 0.05%. For its outstanding service, the Group was awarded the "Sing Tao Excellent Services Brand Award 2008 – Mortgage and Loan Services" by Sing Tao Daily and the "Capital Weekly Service Awards 2008 – Mortgage" by Capital Weekly.

Maintaining competitive edge in investment and insurance business

In 2008, in the wake of the global financial crisis, stock markets throughout the world experienced a slump. The local equity market also plummeted and the collapse of Lehman Brothers further weakened investors' appetite for investment and wealth management products. This had an adverse impact on the Group's investment-related distribution business. Nevertheless, the Group strove to maintain its competitiveness and enhance its trading platforms to meet the diverse needs of customers. The "Online Securities Margin Trading" and "Closing Auction Session for Securities Trading" services were introduced during the year. The Group also launched the "Automated Stock Trading Hotline" service exclusively for its wealth management customers. At the same time, the Group continued its support for environmental protection by introducing the "Securities e-Statement" service. In anticipation of a volatile market in 2008, the Group launched the "Balanced Investment Fund Series" (the "Series") at the end of 2007 to raise customers' awareness of portfolio risk management while offering a wide array of investment products.

In respect of its Bancassurance business, the Group continued to improve its product offerings, strengthen its brand and develop its sales force.

During the year, a series of new insurance products were launched to satisfy both personal and corporate customers' needs in the area of protection and wealth accumulation. For wealth accumulation side, the "Fortuitous Saving Protection Plan" was launched in the first quarter of 2008, and the "5-Year Joyful Life Insurance Plan" in the fourth quarter of 2008, providing customers with guaranteed cash value and guaranteed cash coupon. For protection, the "BOC Family Comprehensive Protection Plan", a first-of-its-kind bundled insurance product in the market, was launched in May 2008 to offer extensive protection covering home content, annual travel, personal accident, golfers and domestic helpers. In September 2008, the "BOC Business Comprehensive Insurance Plan", a professional all-in-one insurance package, was introduced to corporate customers. The Group's insurance product suite was also substantially enriched after the introduction of the "Pleasure 5-year Saving Protection Plan", "Harvest Joy Protection Plan", and "China Express Accidental Emergency Medical Plan", thus enabling customers to decide their financial and protection needs at different stages of their lives.

In addition to product innovation, different promotional and marketing campaigns were rolled out in major media during the year to help reinforce the Group's brand image and to reward the Group's customers for their support for the Group's Bancassurance Services. Extensive training and reinforcement were provided to frontline sales teams to upgrade their product and service proficiency.

Expanding high net worth customer base and service foothold

Despite the general slowdown in the local economy in the second half of 2008, the Group made good progress in expanding its high net worth customer base and in reinforcing its strong position as a professional wealth management service provider. During the year, the Group launched the "Olympic Five Rings Rewards" which offered its customers exclusive privileges in foreign currency fixed deposits, RMB services, investment funds subscription and securities trading. To promote its expertise in wealth management services, the Group staged a number of wealth management expositions and investment seminars and sponsored market information and forecast in local newspapers. The Group also seized increasing opportunities in the Mainland China by working closely with BOC in launching the cross-border wealth management service. This service will be offered through designated branches of BOC in the Mainland and will further simplify the operation flow in the first half of 2009. Meanwhile, the Group enhanced the procedures and provided additional channels for account opening through call centre and internet banking for potential customers to access the wealth management services. At the end of 2008, the total number of wealth management customers* grew by 21.5% while assets of wealth management customers maintained with the Group declined by 12.7% because of the negative market conditions.

Developing the mass retail customer base

The Group continued to exploit the growth potential of mass retail customers for expanding its personal banking business. In 2008, the Group re-packaged the i-Free Integrated Account service ("i-Free") which provides customers with a hassle-free and multi-dimensional banking service covering different banking areas. The service was re-positioned to appeal to the younger clientele with a healthy and dynamic life style. Various acquisition campaigns bundled with MPF, RMB deposits, payroll and investment services were launched. Meanwhile, the Group rolled out the "Operational Customer Relationship Management" system to provide front-line staff with an integrated customer contact platform to conduct sale and service, thus enhancing customer experience and reinforcing the Group's marketing capabilities. As a result, the total number of i-Free customers and related assets maintained with the Group surged by 322.4% and 197.3% respectively in 2008.

Continuing to grow credit card business

The Group's card business sustained its growth momentum in card advances and customer base. Card advances and the number of cards in issue increased by 13.7% and 2.8% respectively from the end of last year. Cardholder spending volume and merchant acquiring volume grew by 12.7% and 19.9% respectively. At the same time, the Group continued its product innovation by offering a wide range of new products. To promote the Beijing 2008 Olympic Games, the Group introduced the "VISA BOC Olympic Games Platinum Card" in May 2008. In August 2008, the Group also launched the "BOC Elite Platinum Commercial Card" as a flexible financing solution for corporate customers. Two co-branded cards namely "BOC Esso MasterCard" and "SOGO VISA Platinum Card" were introduced in May and September respectively to provide customers with unsurpassed shopping experience and lifestyle privileges. In partnership with China UnionPay, the "BOC CUP Dual Currency Credit Card" was launched in December 2008. Acting as the event partner bank, the Group was authorised to provide acquiring services to merchants located at the Olympic Village, equestrian game venue and media hotels in Hong Kong. Meanwhile, the Group's card business in the Mainland continued to grow and the "EMV Titanium Card" was introduced during the year. Following the establishment of BOC Services Company, Limited, a joint venture between BOC Credit Card (International) Ltd. and BOC in late 2007, the Group has been benefiting from the strengthening of its bank card-related service and support in the rapidly growing market in the Mainland. Meanwhile, the charge-off ratio stood at 2.22%, well below the market average.

Leading RMB banking business in Hong Kong

The Group continued to lead the RMB banking business in Hong Kong. The Group secured the largest market share in the RMB deposits-taking business in Hong Kong with the amount of RMB deposits increasing by 58.5% in 2008. At the same time, the Group maintained its leading position in the RMB credit card business as the number of RMB credit cards issued increased by 24.6% while the RMB card acquiring volume and RMB cardholder spending volume increased by 60.5% and 49.8% respectively. To meet the huge demand for RMB deposits, the Group launched the "RMB Exchange Express" to provide customers with a more convenient RMB exchange service. At the same time, the Group also introduced the "RMB Remittance Express", providing customers with RMB remittance service to bank accounts of the Group's branches in the Mainland with preferential handling charges. During the year, the Group acted as the joint lead manager, bookrunner and placing bank for RMB bonds valued at a total of 9 billion yuan issued in Hong Kong by major Mainland banks.

* Including wealth management VIP and wealth management Prime customers

Channel rationalisation and e-channel development

The Group continued to optimise its distribution channels. During 2008, the Group added 14 wealth management centres and 4 Mortgage Advice Centres to its network in Hong Kong. At the end of 2008, the Group's service network in Hong Kong included a total of 286 branches (versus 288 at end-2007). Within this network, to provide exclusive financial services to selected customers, 108 Wealth Management Prime centres and 21 Wealth Management VIP centres have been in operation.

To strengthen its leading position in providing RMB services in Hong Kong, the Group extended its RMB ATM withdrawal services to all of its ATMs located in MTR stations. The number of ATMs with RMB withdrawal service reached 429 at the end of 2008 while the number of RMB withdrawals from the Group's ATM network in 2008 registered a significant increase against that of 2007. In view of the increasing demand of customers for RMB withdrawal and payment services, the Group collaborated with China UnionPay to enable the Group's new cardholders to enjoy RMB ATM services at China UnionPay's extensive ATM network and Point of Sale services in over one million shops all over China and around the world. Moreover, money exchange services were expanded to all branches.

The Group continued to enhance its internet banking platform to provide more efficient internet banking services to its customers. The number of personal e-banking customers increased by 12.2% while stock trading transactions through all e-channels accounted for 76.2% of total transactions. The Group also enhanced the Interactive Voice Response System to provide more user-friendly phone banking services and strengthened the telemarketing capability of call centres.

The staff of the Group won the "Outbound Contact Centre Agent of the Year" Silver Award and the "Inbound Contact Centre Agent of the Year" Bronze Award in the 9th Annual Contact Centre Awards 2008 competition organised by the Hong Kong Call Centre Association.

Launch of Beijing 2008 Olympic Games Hong Kong Dollar Commemorative Banknotes

In celebration of the Beijing 2008 Olympic Games, the Group as the sole banking sponsor launched the Beijing 2008 Olympic Games Hong Kong Dollar Commemorative Banknotes for public sale in July 2008 and received overwhelming response. This was the first time ever in the history of modern Olympic Games that commemorative banknotes were issued. Proceeds generated from the sale of the HKD Olympic Banknote were donated to charity.

CORPORATE BANKING

HK\$m, except percentage amounts	Full-year ended 31 December 2008	Full-year ended 31 December 2007	Increase/ (decrease)
Net interest income	5,949	5,739	+3.7%
Other operating income	2,262	1,930	+17.2%
Operating income	8,211	7,669	+7.1%
Operating expenses	(2,143)	(1,940)	+10.5%
Operating profit before impairment allowances	6,068	5,729	+5.9%
Net (charge)/release of loan impairment allowances	(541)	797	-167.9%
Others	(3)	-	N/A
Profit before taxation	5,524	6,526	-15.4%

	At 31 December 2008	At 31 December 2007	Increase/ (decrease)
Segment assets	324,606	281,680	+15.2%
Segment liabilities	309,254	284,353	+8.8%

Note: For additional segmental information, see Note 10 to the Summary Financial Statements.

Results

Corporate Banking achieved good results in pre-provision profit and business development. Operating profit before impairment allowances rose by 5.9% to HK\$6,068 million year-on-year. The increase was mainly driven by the growth of net interest income and other operating income. However, after accounting for the net charge of loan impairment allowances, profit before taxation declined by 15.4%.

Net interest income rose by 3.7% to HK\$5,949 million, mainly due to the increase in average loans and advances, which was partly offset by narrowed deposit spread as market interest rates declined. Other operating income was up by 17.2%, primarily attributable to the growth in both fees income from loan and bills services.

Operating expenses increased by 10.5% to HK\$2,143 million mainly because of higher staff cost after the headcount increase in the Mainland branches, higher business tax for Mainland business as well as increased depreciation charges on computer equipment.

Net charge of loan impairment allowances was HK\$541 million, compared to the net release of loan impairment allowances of HK\$797 million in 2007. The net charge reflected the reduction of loan recoveries and the increase in the loan impairment allowances made to cover the formation of new impaired loans and further deterioration of existing impaired accounts as the repayment capability of certain accounts deteriorated amid the economic downturn.

Advances and other accounts increased by 15.2% to HK\$323,268 million. Customer deposits rose by 8.5% to HK\$305,546 million.

Maintaining market leadership in loan syndication

The Group maintained its leading position in loan syndication. Not only did the Group remain the top mandated arranger in both the Hong Kong-Macau and the Mainland-Hong Kong-Macau syndicated loan markets in 2008, its market shares also rose significantly. Following its appointment as the "Asia-Pacific Syndicated Loan Centre" of the BOC Group in January 2008, the Group extended its strength in loan syndication business to the wider Asia-Pacific region. During the year, the Group successfully won the bid to become the sole arranger for the syndicated loan for two well-established enterprises in Australia, thus enhancing its market status in the region. As a result, the ranking of BOC Group in the Asia-Pacific region was considerably elevated in the year. The Group established the first phase of its "Loan Syndication Information Management System" in the first half of 2008. This new system links up similar networks of the BOC Group's major branches, thus optimising the sharing of supporting information among group members and enhancing overall operational efficiency.

Market recognition of SME business

The Group continued to expand and refine its product offerings to meet changing market needs. In early 2008, the Group and the Hong Kong Productivity Council jointly introduced the "Green Equipment Financing Scheme", a preferential lending package for corporate customers to acquire environment-friendly equipment. The Group also introduced the "Corporate Privilege" services at 74 selected branches to provide tailor-made services to targeted customers. At the same time, two Commercial Centres and an SME Centre were established to strengthen its service support to the SME business. In response to the HKSAR Government's initiatives of supporting SME businesses in the global financial crisis, the Group devoted more resources to promote the "SME Loan Guarantee Scheme", which helps enterprises secure loans from participating banks for meeting general business needs with the Government acting as the guarantor. In recognition of its success and innovative services provided to the SME business, the Group was given the "SME's Best Partner Award 2008" by the Hong Kong Chamber of Small and Medium Business Limited as well as the "Capital Weekly Service Awards 2008 – SME Banking" by *Capital Weekly*. In 2008, the Group recorded a steady year-on-year growth of SME loans.

Trade finance business adversely affected by contraction in global trade

During the year, the Group continued to actively develop its trade finance business by introducing a number of new factoring products with enhanced product features in order to enhance its competitiveness and market penetration. The "Trade Facilities Reform Programme" was launched to streamline the credit approval process and improve the credit utilisation rate. As a result, the trade finance business attained a strong growth in the first half of the year. However, it decelerated in the fourth quarter as the external economic environment deteriorated. Coupled with the risk management measures taken by the Group, the outstanding balance of trade finance slowed to a 1.2% increase over end-2007. The Group recorded a 32.0% increase in the volume of trade bills settlement compared to 2007, primarily driven by the strong import and export trade in the first three quarters of 2008.

Robust expansion of cash management

The Group made good progress in developing its cash management business. During the year, the Group continued to design and consolidate cross-border cash management projects for top-tier Mainland enterprises. Agreements on cash management services were concluded with several large Mainland corporates seeking overseas expansion. At the same time, the Group strove to enhance its competitive edge in the local cash management business. Refinement of existing products such as "Integrated Receivables and Payment Solutions" and continuous development of new products have been underway to meet the diverse needs of customers. In July 2008, the Group introduced the "Enterprise Resource Planning Integration" to make it easier for customers to handle various cash management transactions through their own financial systems. The remittance points of BOC Remittance Plus increased to over 2900. At the end of 2008, the number of CBS Online customers increased by 60.5% while that of BOC Wealth Master customers rose by 32.7%.

Forging ahead with the development of custody services

Following the establishment of a custody team in 2007, the Group's custody business continued to grow in 2008 with the number of clients recording satisfactory increase from end-2007. The Group has been the safe harbour for parking investment assets by institutional clients in the volatile market. During the year, the Group succeeded in becoming the custodian for a number of investment funds listed locally or incorporated offshore. In January 2008, the Group was appointed by a joint venture investment bank in the Mainland as the foreign custodian for its first QDII product, which was also the first broker-type QDII product ever approved in the Mainland. Through close collaboration with its parent, BOC, the Group successfully implemented several QDII mandates during the year. At the same time, the Group worked closely with BOC to conduct business reviews and explore new business opportunities. At end-2008, total assets under the Group's custody were valued at HK\$200 billion.

Expansion of financial services to corporate customers

The Group is committed to offering a comprehensive range of financial services to meet customers' needs. In 2008, the Group established a specialised team for commercial wealth management to provide professional wealth management services for its corporate customers. The team formulates tailor-made financial management strategy and provides regular reviews to help customers in maximising their wealth potential while managing risks with the professional tools.

Proactive measures in risk management against global economic downturn

In response to the global economic downturn, the Group formulated a series of strategic measures to contain its risk exposure. These measures included stepping up the scrutiny of corporate risk and setting up a specialised working group on "crisis and risk management" for a full evaluation of the Group's risk exposure in its loan portfolio. Meanwhile, the Group conducted comprehensive re-assessments of credit risks and stress tests on customers from key business segments, especially those more adversely affected by the global economic downturn. Those customers identified with higher risk were closely monitored. Moreover, the Group lifted the average pricing of new corporate loan facilities granted during the year, in view of higher risk premium amidst the general tightening in liquidity.

MAINLAND BUSINESS

Making good progress in expanding Mainland business

Mainland business remains one of the Group's strategic focuses and continued to record satisfactory growth. With the local incorporation of NCB (China) since December 2007, the Group's Mainland operation has been making good progress in business development. In 2008, total advances to customers grew by 5.6%, with RMB loans surging by 12.6%. Customer deposits increased strongly by 72.5%. Total operating income recorded a growth of 15.9%, driven by the growth of both net interest income and net fees and commission income which was, however, partially offset by the foreign exchange loss arising from the revaluation of NCB (China)'s Hong Kong Dollar capital funds against the appreciated RMB. Operating profit before impairment allowances dropped by 3.1% year-on-year. Should the estimated impact of the exchange revaluation of the Mainland operation's capital funds be excluded**, operating profit before impairment allowances would have increased by 23.3%. Loan quality remained sound. The classified loan ratio stood at 0.88%, representing an increase of 0.20 percentage point from end-2007 mainly due to the downgrade of several large accounts.

** The estimated impact of the exchange revaluation of the Mainland operation's capital funds included the exchange revaluation loss of NCB (China)'s HKD capital funds and the revaluation gain of the RMB operating funds of the Group's other mainland branches.

The Group continued to make good progress in expanding its cross-border financial services to better serve both personal and corporate customers. With the opening of its Guangzhou Panyu sub-branch and Hangzhou and Nanning branches, the Group's total number of branches and sub-branches in the Mainland increased to 18 by the end of 2008. Of these 18 branches and sub-branches, 6 had been approved to conduct full RMB businesses while 10 had been permitted to conduct RMB businesses except for Mainland residents. In addition, NCB (China)'s Shanghai Xuhui sub-branch already commenced business in January 2009 while the preparation for the opening of its Chengdu branch and Beijing Jianguomen sub-branch is underway following the approval granted by the China Banking Regulatory Commission ("CBRC"). The Group actively promoted its cross-border services, including RMB remittance and account opening services for non-domestic customers. With the expansion of domestic RMB businesses in the Mainland, the Group launched a wide range of deposits products such as "call deposits" and the "Smart Banking Account" as well as various mortgage products including the "All-You-Want Mortgage Scheme". In addition, new lending products had been introduced with good response from corporate customers.

TREASURY

HK\$m, except percentage amounts	Full-year ended 31 December 2008	Full-year ended 31 December 2007	Increase/ (decrease)
Net interest income	7,178	5,869	+22.3%
Other operating income	879	206	+326.7%
Operating income	8,057	6,075	+32.6%
Operating expenses	(831)	(627)	+32.5%
Operating profit before impairment allowances	7,226	5,448	+32.6%
Net charge of impairment allowances on securities investments	(9,170)	(2,133)	+329.9%
(Loss)/Profit before taxation	(1,944)	3,315	-158.6%

	At 31 December 2008	At 31 December 2007	Increase/ (decrease)
Segment assets	603,965	566,661	+6.6%
Segment liabilities	203,481	116,095	+75.3%

Note: For additional segmental information, see Note 10 to the Summary Financial Statements.

Results

The Treasury segment registered a 32.6% growth in operating income in 2008, mainly driven by the increase in net interest income and other operating income. The increase was partially offset by the rise in operating expenses. Operating profit before impairment allowances grew by 32.6% to HK\$7,226 million. However, the segment recorded a loss before taxation of HK\$1,944 million mainly due to a net charge of impairment allowance of HK\$9,170 million on the Group's portfolio of US non-agency RMBS and other debt securities.

Net interest income rose by 22.3% mainly due to higher interest spread on the debt securities portfolio with lower funding cost as market rates declined.

Other operating income surged by 326.7% mainly because of the improvement of net trading income from mark-to-market on foreign exchange swap contracts as well as higher income from other foreign exchange activities. During the year, the currency market was volatile and the anticipated appreciation of the RMB boosted the demand for currency-related products. As a result, the business volume of the foreign exchange businesses rose. Growth in income from commodities also contributed to the increase in operating income due to higher demand for bullion products amid the volatile commodity market.

Operating expenses increased by 32.5% to HK\$831 million mainly due to the increase in depreciation charges on computer equipment and higher staff costs.

Safeguarding investment assets and enhancing portfolio management

The crash of the global stock markets, the virtual halt of inter-bank lending and diminished risk appetite of investors created a very challenging environment for the Group's investment portfolio management in the latter half of 2008. To ensure the liquidity and safety of surplus funds, the Group adjusted its asset allocation and increased its investments in short-term government bills. Meanwhile, by expanding its investments in high-quality fixed rate debt securities of high quality governments and government guaranteed agencies, the Group was able to generate a stable income stream despite a low interest rate environment. Moreover, the Group's investment decision-making process and portfolio risk management have been enhanced through the operation of three specialised investment teams focusing on different markets and with the Asset Liability Management System which was launched last year. Communication on the latest market developments between investment teams and the Group's subsidiaries was further strengthened.

In response to the financial crisis, the Group closely monitored the market movement, conducted detailed analysis of the underlying risks of its portfolio and managed its banking book investments proactively. The Group has established disposal and watch lists and has taken appropriate actions to safeguard its investments based on dynamic assessment of the market environment. The carrying value of the Group's exposure to US non-agency RMBS dropped by 51.3% to HK\$19.3 billion at end-2008. In addition to the impairment allowances provided for the portfolio, the reduction in exposure was also attributable to repayment and disposal. Of the Group's total exposure to US non-agency RMBS, about 39.5% was originated* prior to 2006, 53.3% in 2006 and 7.2% in 2007 (Further analysis of the Group's US non-agency RMBS is available in Note 4.1 to the Annual Financial Statements).

* The vintage analysis of US non-agency RMBS was based on their year of first issue.

In respect of the Group's total exposure in debt securities issued by banks and other financial institutions, the Group maintained a diversified portfolio in terms of names and geography. The following table presents an analysis of these securities as at 31 December 2008 by related issuers' country of residence and by credit rating and credit risk characteristic, based on Moody's ratings or their equivalent to the respective issues of the debt securities, in terms of the proportion to the total exposure:

%	United States	Australia	United Kingdom	European Union	Mainland China	Canada	Others	Total	Total**
Aaa	0.7	1.6	1.8	6.6	–	2.1	3.8	16.6	18.9
Aa1 to Aa3	6.9	12.0	7.3	11.1	–	3.0	8.2	48.5	60.1
A1 to A3	5.3	0.4	0.5	1.6	3.9	0.1	2.7	14.5	17.6
Lower than A3	–	–	0.2	0.5	0.3	–	0.1	1.1	1.1
Unrated	–	1.1	4.2	6.2	3.3	0.5	4.0	19.3	2.3
Total	12.9	15.1	14.0	26.0	7.5	5.7	18.8	100.0	100.0

** Including issuer rating distribution for debt securities with no issue rating.

Growing traditional businesses while improving product manufacturing capabilities

The fluctuation of the currency and precious metal markets and the anticipated appreciation of the RMB created business opportunities for traditional treasury products in 2008. The Group grasped the opportunities to promote its traditional products and recorded robust growth in foreign exchange as well as commodity-related income. Meanwhile, the Group continued to improve its product manufacturing capabilities and introduce new treasury products to meet the diverse needs of customers. During the year, the Group further expanded its product offerings by launching its first equity-linked investment products under its own brand and introducing a number of new equity-linked notes and equity warrants. In view of the global financial turmoil, the Group acted promptly by conducting a comprehensive evaluation of all products under distribution and reviewed its internal regulations, risk control measures and compliance procedures. The Group also provided customers with up-to-date market information in order to safeguard their investments and at the same time delivered thematic training and services to front-line staff to respond to customers' enquiries.

INSURANCE

HK\$m, except percentage amounts	Full-year ended 31 December 2008	Full-year ended 31 December 2007	Increase/ (decrease)
Net interest income	1,122	788	+42.4%
Other operating income	5,503	9,030	-39.1%
Operating income	6,625	9,818	-32.5%
Net insurance benefits and claims	(7,709)	(9,440)	-18.3%
Net operating income	(1,084)	378	-386.8%
Operating expenses	(147)	(117)	+25.6%
(Loss)/Profit before taxation	(1,231)	261	-571.6%

	At 31 December 2008	At 31 December 2007	Increase/ (decrease)
Segment assets	31,703	24,545	+29.2%
Segment liabilities	30,977	23,182	+33.6%

Note: For additional segmental information, see Note 10 to the Summary Financial Statements.

Results

The Group's Insurance segment recorded a loss before taxation of HK\$1,231 million in 2008 mainly due to the decline in other operating income caused by the weak performance of its investment assets and decrease in premium income. The decline was partly offset by the increase in net interest income and the fall in net insurance benefits and claims.

Net interest income rose by 42.4% mainly due to the growth of the investment in debt securities made by the premium income in 2008. Other operating income fell by 39.1% primarily due to the decline in net insurance premium income as sales contracted substantially and a net loss on its investment assets compared to a gain recorded in 2007. Net insurance benefits and claims were down 18.3% mainly due to the decline in net insurance premium income.

Operating expenses increased by 25.6% mainly because of higher staff costs after headcount increase.

Assets in the insurance segment grew by 29.2% because of the growth of debt securities investments and deposits with banks. Liabilities rose by 33.6% with increases in insurance contract liabilities and subordinated liabilities.

Expanding product offerings and enhancing brand awareness

The Group continued to broaden its product range and create new products to meet the emerging needs of customers. New single-premium products such as the "Fortuitous Saving Protection Plan", "Pleasure 5-year Saving Protection Plan" and "5-Year Joyful Life Insurance Plan" were launched with good response. To keep up with the ever-changing market, a new life product targeting the SME segment was launched in the first half of the year. In July, the Group introduced the "Harvest Joy Protection Plan", a unique back-end charged investment-linked insurance plan. In addition to product innovation, large-scale promotional and marketing activities were rolled out during the first half of the year to help reinforce the brand's image and boost the sales of various regular-pay products. The premium income of regular-pay products was up 40.1% year-on-year while the Group's market share and market ranking in terms of total individual new business standard premium in 2008 went up over the same period last year.

Focusing on further development of multi-channel platform

The development of a multi-channel platform remained the Group's focus in 2008. Following the establishment of BOC Life's telemarketing call centre in late 2007, a branch-based direct insurance specialist team was set up in the first half of 2008. The team specialised in analyzing the financial need of customers and in cross-selling life insurance products. A mobile sales team was launched in the fourth quarter to further expand the sales network. Contribution to new business sales from non-branch channels rose significantly in 2008.

REGULATORY DEVELOPMENT

Basel II Capital Accord

Basel II is an international capital adequacy framework introduced by the Basel Committee on Banking Supervision in 2004 to replace the 1988 Basel Accord. The new framework comprises 3 pillars which align regulatory capital requirements more closely with inherent risks and introduce new capital charge on operational risk. It also stipulates a framework for the supervisory review of capital adequacy by the regulatory authority and a greater scope of disclosure on capital adequacy and risk management. Since the introduction of Basel II by Hong Kong banks in 2007, the Group has adopted the Standardised Approach to calculate statutory minimum capital requirement on credit risk, market risk and operational risk under Pillar One. The Group intends to gradually adopt the Foundation Internal Ratings-Based ("FIRB") approach which is a more risk-sensitive approach on the calculation of the regulatory capital requirements. During 2008, the Group continues to devote substantial resources to the preparation for the implementation of Basel II. With the implementation of the Borrower Rating models and Facility Grading system for the Group's corporate banking business and Probability of Default, Exposure at Default and Loss Given Default models for the Group's personal banking business, together with their supporting system platforms, an electronic workflow system to support the automated credit application and approval process, and the Capital Adequacy Ratio calculation engine, the Group has established a solid foundation for the adoption of the FIRB approach. The core infrastructure required for the FIRB approach, including the related key models, system platforms, procedures and policies are all close to completion while the user acceptance test for the calculation of the regulatory capital requirement is in progress.

Under Pillar Two, the Group has implemented its internal capital adequacy assessment process ("ICAAP"). Using the statutory minimum capital adequacy ratio ("CAR") as a starting point, requirement for extra capital (capital add-on) needed to cover the risks not captured under Pillar One was assessed. Scorecard methodology has been used to evaluate the Group's risk profile in order to assess the capital add-on and determine the Group's minimum CAR. An Operating CAR Range has also been established which also considers the need for future business growth and efficiency of capital utilisation.

To comply with Pillar Three on the disclosure requirements prescribed by the Banking (Disclosure) Rules ("Disclosure Rules"), the Group has formulated its Financial Disclosure Policy, and the relevant disclosures made in 2008 were in accordance with the Disclosure Rules.

RELATIONSHIP-PRODUCT-CHANNEL ("RPC") MODEL

Following the implementation of the Relationship-Product-Channel ("RPC") Model in March 2007, the Group has continued to reinforce its capabilities in customer relationship management, product management and channel management by adopting a more focused customer segmentation model, putting in place professional product management and servicing teams, and optimising channels and workflows. During the year, the Group made further progress in strengthening the model and ensure its effectiveness. This includes the filling of some vacant key positions or hiring of senior executives from other market-leading institutions and realignment of product management teams, formulating new sales programmes to target on the Group's corporate customers, enhancing internal management information system and business intelligence capabilities for Relationship Managers or frontline sales staff to better understand customers' needs and identify cross-selling opportunities, and further streamlining operation and procedures in branches to improve sales and servicing ratios and to reinforce marketing efforts.

CORPORATE DEVELOPMENT, TECHNOLOGY AND OPERATIONS

Human Resources

Despite the difficult business environment brought about by the financial crisis, the Group has continued to invest in human resources development for long-term business growth and the realisation of its vision and strategic goals. During the year, the Group reviewed and put forward its mid-term human resources strategies for 2008-2012 which will form the blueprint for the Group's human resources development to improve manpower structure and staff quality in the next few years. At the same time, the Group also refined its staff performance management system. Taken as a whole, these measures were meant to enhance the Group's manpower structure, staff quality and productivity.

In 2008, the Group continued to provide comprehensive training programmes for all levels of staff. EMBA programmes and executive development programmes conducted jointly with reputable universities such as Harvard University and Oxford University were organised for the senior management and selected staff. During the year, 2,400 internal training courses were organised with over 134,000 attendees. Training programmes were offered to frontline staff to help them acquire professional qualifications. Meanwhile, an e-learning platform is available as a supplementary channel to provide an easy and convenient way of staff training. Moreover, a three-year Management Trainee Programme and a one-year Officer Trainee Programme have also been in place since 2006.

Technology and operations

In 2008, the Group continued to strengthen its information technology infrastructure under its 5-year IT development strategy. Several projects were completed during the year. The second phase of the new treasury platform revamp programme was implemented to support limit monitoring and strengthen position management. The Continuous Linked Settlement platform was established to enhance liquidity and risk management for foreign exchange transactions. The Credit and Facility Rating platform, an electronic credit workflow process, was launched to improve the credit approval efficiency. Both the cash management and custody platforms were enhanced to ensure higher operational efficiency and better service quality. Meanwhile, Phase 2 of the Operational Customer Relationship Management platform was launched to enhance overall customer relationship management. The new teller platform has been rolled out in most of the Group's local branches.

As part of the Group's long-term IT strategy, the Group initiated the Financial and Financial Risk Management System ("FRMS") in 2006 to revamp the existing computer systems for different finance functions, including financial accounting, management reporting, multi-dimension profitability analysis, capital management, and asset and liability management. Subsequent to the launch of the Asset Liability Management System in 2007, both the General Ledger and the Fund Transfer Pricing systems were successfully implemented in the fourth quarter of 2008.

CREDIT RATINGS

As at 31 December 2008	Long-term	Short-term
Fitch	A	F1
Moody's	Aa3	P-1
Standard & Poor's	A-	A-2

There has been no change in BOCHK's credit ratings since end-2007.

As at 31 December 2008, BOCHK's long-term and short-term foreign currency issuer default ratings assigned by Fitch Ratings were A and F1 respectively while the support rating was 2.

In respect of the ratings assigned by Moody's Investors Service, BOCHK's long-term and short-term local and foreign currency bank deposit ratings remained Aa3 and P-1 respectively. Financial Strength Rating was C+.

BOCHK's long-term and short-term counterparty credit ratings assigned by Standard & Poor's were A- and A-2 respectively. The Bank Fundamental Strength Rating was B.

RISK MANAGEMENT

Banking Group

Overview

The Group believes that sound risk management is crucial to the success of any organisation. In its daily operation, the Group attaches a high degree of importance to risk management and emphasises that a balance must be struck between risk control and business growth and development. The principal types of risk inherent in the Group's businesses are reputation risk, legal and compliance risk, strategic risk, credit risk, market risk, interest rate risk, liquidity risk and operational risk. The Group's risk management objective is to enhance shareholder value by maintaining risk exposures within acceptable limits.

Risk Management Governance Structure

The Group's risk management governance structure is designed to cover the whole process of all businesses and ensure that various risks are properly managed and controlled in the course of conducting business. The Group has a sound risk management organisational structure for implementing a comprehensive set of policies and procedures to identify, measure, monitor and control various risks that may arise. These risk management policies and procedures are regularly reviewed and modified to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

The Board of Directors, representing the interests of shareholders, is the highest decision-making authority of the Group and has the ultimate responsibility for risk management. The Board, with the assistance of its committees, has the primary responsibility for formulating risk management strategies and ensuring that the Group has an effective risk management system to implement these strategies. The Risk Committee (RC), a standing committee established by the Board of Directors, is responsible for overseeing the Group's various types of risks, reviewing and approving high-level risk-related policies and overseeing their implementation, reviewing significant or high risk exposures or transactions and exercising its power of veto if it considers that any transaction should not proceed. The Audit Committee (AC) assists the Board in fulfilling its role in overseeing the internal control system.

The Chief Executive (CE) is responsible for managing the Group's various types of risks, approving detailed risk management policies, and approving material risk exposures or transactions within his authority delegated by the Board of Directors. The Chief Risk Officer (CRO) assists the CE in fulfilling his responsibilities in the day-to-day management of risks. The CRO is responsible for initiating new risk management strategies, projects and measures that will enable the Group to better monitor and manage new risk issues or areas that may arise from time to time from new businesses, products and changes in the operating environment. He may also take appropriate initiatives in response to regulatory changes. The CRO is also responsible for reviewing material risk exposures or transactions within his delegated authority and exercising his power of veto if he believes that any transaction should not proceed.

Various units of the Group have their respective risk management responsibilities. Business units act as the first line of defence while risk management units, which are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibilities for drafting, reviewing and updating various risk management policies and procedures.

The Group's principal banking subsidiaries, Nanyang, Nanyang (China) and Chiyu, are subject to risk policies that are consistent with those of the Group. These subsidiaries execute their risk management strategies independently and report to the Group's management on a regular basis.

Credit Risk Management

Credit risk is the risk that a customer or counterparty will be unable to or unwilling to meet its obligations under a contract. It arises principally from the lending, trade finance and treasury businesses, and covers inter-bank transactions as well as investments in bonds and securities. For details of the Group's Credit Risk Management, please refer to Note 4 to the Financial Statements in the Annual Report.

Interest Rate Risk Management

The Group's interest rate risk exposures are mainly structural. The major types of interest rate risk from structural positions are repricing risk, basis risk, yield curve risk and option risk. For details of the Group's Interest Rate Risk Management, please refer to Note 4 to the Financial Statements in the Annual Report.

Market Risk Management

Market risk is the risk of loss that results from movements in market rates and prices. The Group's market risk in the trading book arises from customer-related business and proprietary trading. For details of the Group's Market Risk Management, please refer to Note 4 to the Financial Statements in the Annual Report.

Liquidity Risk Management

The aim of liquidity management is to enable the Group to meet, even under adverse market conditions, all its maturing repayment obligations on time, and to fund all its asset growth and strategic opportunities without forced liquidation of its assets at short notice.

The Group funds its operations principally by accepting deposits from retail and corporate depositors. In addition, the Group may issue certificates of deposit to secure long-term funds. Funding may also be secured through adjusting the asset mix in the Group's investment portfolio. The Group uses the majority of funds raised to extend loans, to purchase debt securities or to conduct interbank placements.

The Group monitors the liquidity risks using cash flow analysis (under normal condition and stress conditions respectively) and by examining deposit stability, concentration risk, mismatch ratios, loan-to-deposit ratio and liquidity profile of the investment portfolio. The primary objective of the Group's asset and liability management strategy is to achieve optimal returns while ensuring adequate levels of liquidity and capital within an effective risk control framework and Asset and Liability Management Committee (ALCO) is responsible for establishing these policy directives (including the liquidity contingency plan), and RC sanctions the liquidity management policies. The Treasury Department (TD) manages the liquidity risk according to the established policies. The Finance Department (FD) monitors the Group's liquidity risks and reports to ALCO regularly. RMD reviews the policies, guidelines and limits proposed by TD.

In 2008, the Group further enhanced its liquidity risk management process by putting in place more stringent stress testing requirements in view of the then prevailing market situation.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Group has put in place an effective internal control process which requires the establishment of detailed policies and control procedures for all the key activities. Proper segregation of duties and authorisation is the fundamental principle followed by the Group. RMD formulates corporate-level policies and procedures concerning operational risk management which are approved by RC. The management of respective business lines is responsible for managing and reporting operational risks specific to their business units by applying the respective tools such as key risk indicators, self assessment and operational risk events reporting mechanism to identify, assess and control the risks inherent in their business processes, activities and products. These are followed by periodic monitoring and ongoing review of changes by RMD. Besides the current operational risk status, trends derived from historical data are served as alert on potential risks. RMD evaluates the operational risk profile, records operational risk data and reports operational risk issues to RC and the senior management. The Group also takes out insurance to mitigate unforeseeable operational risks.

Business continuity plans are in place to support business operations in the event of emergency or disaster. Adequate backup facilities are maintained and periodic drills are conducted.

Reputation Risk Management

Reputation risk is the risk that negative publicity regarding the Group's business practices, whether genuine or not, will cause a potential decline in the customer base or lead to costly litigation or revenue erosion. Reputation risk is inherent in every aspect of business operation and covers a wide spectrum of issues.

In order to mitigate reputation risk, the Group has formulated and duly followed its Reputation Risk Management Policy. The policy aims to prevent and manage reputation risk proactively at an early stage when an incident occurs. The system entails continuous monitoring of external reputation risk incidents and published failures of risk incidents in the financial industry.

The recent Lehman Minibonds incident has had an adverse impact on the Group's reputation as there have been alleged cases of mis-selling. The Group is handling customer's complaints cautiously so as to minimise the reputation risk.

Legal and Compliance Risk Management

Legal risk is the risk that unenforceable contracts, lawsuits or adverse judgments may disrupt or otherwise negatively affect the operation or financial condition of the Group. Compliance risk is the risk of legal or regulatory sanctions, financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with all applicable laws and regulations. Legal and compliance risks are managed by the Legal and Compliance Department headed by a General Manager who reports to the Chief Risk Officer.

Strategic Risk Management

Strategic risk generally refers to the risks that may induce immediate or future negative impact on the financial and market positions of the Group because of poor strategic decisions, improper implementation of strategies and lack of response to the market. The Board of Directors reviews and approves the policy for the management of strategic risks. Key strategic issues have to be fully evaluated and properly endorsed by the senior management and the Board.

The Group will regularly review its business strategies to cope with the latest market situation and developments.

Capital Management

The major objective of capital management is to maximise shareholders' total return while maintaining a capital adequacy position commensurate with the Group's overall risk profile. The Group periodically reviews its capital structure and adjusts the capital mix where appropriate to achieve the targeted weighted average cost of capital. ALCO monitors the Group's capital adequacy. The Group complied with all the statutory capital standards for all the periods in 2008.

To comply with HKMA's requirements as stated in the Supervisory Policy Manual "Supervisory Review Process", the Group has implemented its internal capital adequacy assessment process (ICAAP). Using the statutory minimum capital adequacy ratio (CAR), 8%, as a starting point, extra capital (capital add-on) needed to cover the risks not captured under Pillar I was assessed. Scorecard methodology has been used to evaluate the Group's risk profile in order to assess the capital add-on and determine the minimum CAR. An Operating CAR Range has also been established which incorporates the need for future business growth and efficiency of capital utilisation.

In 2008, the Group took further measures to strengthen its capital position, including the borrowing of subordinated loans from the parent bank.

Stress Testing

The Group supplements the analysis of various types of risks with stress testing. Stress testing is a risk management tool for estimating the Group's risk exposures under stressed conditions arising from extreme but plausible market or macroeconomic movements. These tests are conducted on a regular basis and ALCO monitors the results against limits approved by RC. Stress test results are also reported to the Board and RC regularly.

BOC Life Insurance

The principal activity of BOC Life's business is the underwriting of long-term insurance business in life and annuity, linked long-term business and retirement scheme management in Hong Kong. Major types of risks arising from the BOC Life's insurance business are insurance risk and market risk. BOC Life manages these risks independently and reports to RC on a regular basis. The key risks of its insurance business and related risk control process are as follows:

Insurance Risk Management

BOC Life is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. BOC Life manages these risks through the application of its underwriting policies and reinsurance arrangement.

The underwriting strategy is intended to set premium pricing at an appropriate level that corresponds with the underlying exposure of the risks underwritten. Screening processes, such as the review of health condition and family medical history, are also included in BOC Life's underwriting procedures.

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon BOC Life's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

For the in-force insurance contracts, most of the underlying insurance liabilities are related to endowment and unit-linked insurance products. For most of the insurance policies issued by it, BOC Life has a retention limit on any single life insured. BOC Life reinsures the excess of the insured benefit over the limit for standard risks (from a medical point of view) under an excess of loss reinsurance arrangement. BOC Life does not have in place any reinsurance for contracts that insure against survival risk.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and persistency. In order to assess the uncertainty due to the mortality assumption and lapse assumption, BOC Life conducts mortality study and lapse study in order to determine the appropriate assumptions. In these studies, consistent results are reflected in both assumptions with appropriate margins.

Market Risk Management

(i) Interest Rate Risk Management

An increase in interest rates may result in the depreciation of the value of the bond portfolio. It may also result in customers accelerating surrenders. A decrease in interest rates may result in an inability to adequately match guarantees or lower returns leading to customer dissatisfaction. BOC Life manages the asset liability matching of its portfolios within an asset liability management (ALM) framework, that has been developed to achieve investment returns that match its obligations under insurance contracts.

(ii) Liquidity Risk Management

Liquidity risk is the risk of not being able to meet obligations as they fall due without incurring unacceptable loss. BOC Life's asset liability matching framework includes cashflow management in a bid to preserve liquidity to match policy payout from time to time. In the normal course of BOC Life's business, new business premiums generate constant cash inflows and as a result, the portfolios also grow gradually to meet future liquidity requirement.

(iii) Credit Risk Management

BOC Life has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas to which BOC Life's insurance business is exposed include:

- Default risk of bond issuers or the counterparties of structured products
- Credit spread widening as a result of credit migration (downgrade)
- reinsurers' share of insurance unpaid liabilities
- amounts due from re-insurers in respect of claims already paid
- amount due from insurance contract holders
- amount due from insurance intermediaries

BOC Life manages credit risk by placing limits on its exposure to each investment counterparty or group of counterparties. Such limits are subject to annual or more frequent review by the management.

In order to enhance the credit risk management, BOC Life has strengthened its communication with the Treasury Department of the Group and closely monitors and updates the established Disposal and Watch Lists to ensure consistency with the Group's credit risk management and investment strategy.





茁
長

Growth

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

XIAO Gang[#]

Vice Chairmen

SUN Changji[#]

HE Guangbei

Directors

LI Zaohang[#]

ZHOU Zaiqun[#]

ZHANG Yanling[#]

LEE Raymond Wing Hung

GAO Yingxin

FUNG Victor Kwok King*

KOH Beng Seng*

SHAN Weijian*

TUNG Chee Chen*

TUNG Savio Wai-Hok*

YANG Linda Tsao*

[#] Non-executive Directors

^{*} Independent Non-executive Directors

REGISTERED OFFICE

52nd Floor
Bank of China Tower
1 Garden Road
Hong Kong

AUDITORS

PricewaterhouseCoopers

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Rooms 1712 – 1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

SENIOR MANAGEMENT

Chief Executive

HE Guangbei

Deputy Chief Executive

LAM Yim Nam

Chief Financial Officer

LEE Raymond Wing Hung

Deputy Chief Executive

GAO Yingxin

Chief Risk Officer

CHEUNG Yau Shing

Deputy Chief Executive

WONG David See Hong

Company Secretary

YEUNG Jason Chi Wai

ADS DEPOSITARY BANK

Citibank, N.A.
388 Greenwich Street
14th Floor
New York, NY 10013
United States of America

WEBSITE

www.bochk.com

BOARD OF DIRECTORS AND SENIOR MANAGEMENT



Mr. XIAO Gang



Mr. SUN Changji



Mr. HE Guangbei



Mr. LI Zaohang



Mr. ZHOU Zaiqun



Mdm. ZHANG Yanling



Mr. LEE Raymond Wing Hung



Mr. GAO Yingxin



Dr. FUNG Victor Kwok King



Mr. KOH Beng Seng

Directors

Mr. XIAO Gang

Chairman

Aged 50. Chairman of the Board of Directors of the Company and BOCHK. Chairman of BOC. Director of BOC (BVI) and BOCHKG.

Mr. SUN Changji

Vice Chairman

Aged 66. Vice Chairman of the Board of Directors and Chairman of Nomination and Remuneration Committee of the Company and BOCHK. Director of BOC (BVI) and BOCHKG.

Mr. HE Guangbei

Vice Chairman and Chief Executive

Aged 54. Vice Chairman, Chief Executive and member of Strategy and Budget Committee of the Company and BOCHK. Chairman of Nanyang, Nanyang (China), Chiyu and BOC Life, Vice Chairman of Hong Kong General Chamber of Commerce and director of Hong Kong Interbank Clearing Limited, HKICL Services Limited and Hong Kong Note Printing Limited. Designated representative of BOCHK to the Hong Kong Association of Banks and presiding Chairman in 2008. Member of the Exchange Fund Advisory Committee and Banking Advisory Committee of the HKMA. Board member of Hong Kong Airport Authority, member of the Hong Kong Government Commission on Strategic Development.

Mr. LI Zaohang

Non-executive Director

Aged 53. Non-executive Director and member of Nomination and Remuneration Committee of the Company and BOCHK. Executive Director and Executive Vice President of BOC.

Mr. ZHOU Zaiqun

Non-executive Director

Aged 56. Non-executive Director and member of Audit Committee and Strategy and Budget Committee of the Company and BOCHK. Executive Director and Executive Vice President of BOC and Chairman of BOC-CC.

Mdm. ZHANG Yanling

Non-executive Director

Aged 57. Non-executive Director and member of Risk Committee of the Company and BOCHK. Executive Vice President of BOC. Chairman of Bank of China (UK) Limited and Vice Chairman of BOCI.

Mr. LEE Raymond Wing Hung

Executive Director and Chief Financial Officer

Aged 59. Executive Director of the Company and the Bank as well as Chief Financial Officer of the Group. Director of Nanyang, Nanyang (China), BOC-CC and BOC Life.

Mr. GAO Yingxin

Executive Director and Deputy Chief Executive

Aged 46. Executive Director of the Company and the Bank as well as Deputy Chief Executive in charge of Corporate Banking and Financial Institutions. Vice Chairman of Nanyang (China) and director of Nanyang and BOC Insurance.

Dr. FUNG Victor Kwok King

Independent Non-executive Director

Aged 63. Independent Non-executive Director and member of Audit Committee and Nomination and Remuneration Committee of the Company and BOCHK. Chairman of the Li & Fung Group of companies.

Mr. KOH Beng Seng

Independent Non-executive Director

Aged 58. Independent Non-executive Director and Chairman of Risk Committee and member of the Audit Committee of the Company and BOCHK. Chief Executive Officer of Octagon Advisors Pte Ltd.



Mr. SHAN Weijian



Mr. TUNG Chee Chen



Mr. TUNG Savio Wai-Hok



Mdm. YANG Linda Tsao



Mr. LAM Yim Nam



Mr. CHEUNG Yau Shing



Mr. WONG David See Hong



Mr. YEUNG Jason Chi Wai

Directors

Mr. SHAN Weijian

Independent Non-executive Director

Aged 55. Independent Non-executive Director and Chairman of Audit Committee and member of Nomination and Remuneration Committee of the Company and BOCHK. Partner of TPG Capital.

Mr. TUNG Chee Chen

Independent Non-executive Director

Aged 66. Independent Non-executive Director and member of Audit Committee and

Nomination and Remuneration Committee of the Company and BOCHK. Chairman and Chief Executive Officer of Orient Overseas (International) Limited.

Mr. TUNG Savio Wai-Hok

Independent Non-executive Director

Aged 57. Independent Non-executive Director and member of Audit Committee, Risk Committee and Strategy and Budget Committee of the Company and BOCHK.

Mdm. YANG Linda Tsao

Independent Non-executive Director

Aged 82. Independent Non-executive Director and member of Audit Committee and Nomination and Remuneration Committee of the Company and BOCHK. Chairlady of Strategy and Budget Committee of the Company and BOCHK. Chairlady of the Asian Corporate Governance Association (ACGA).

Senior Management

Mr. LAM Yim Nam

Deputy Chief Executive

Aged 56. Deputy Chief Executive in charge of Personal Banking and Product Management, Channel Management and BOC-CC. Director of BOC-CC and BOC Life. Deputy General Manager of the Kwangtung Provincial Bank, Hong Kong Branch from 1989 to 1998.

Mr. CHEUNG Yau Shing

Chief Risk Officer

Aged 47. Chief Risk Officer in charge of the Group's overall risk management function,

overseeing BOCHK's Risk Management Department and Legal and Compliance Department. Director of Nanyang and Nanyang (China).

Mr. WONG David See Hong

Deputy Chief Executive

Aged 55. Deputy Chief Executive of the Group in charge of the financial market businesses. Board Members of Energy Market Authority and Civil Service College in Singapore.

Mr. YEUNG Jason Chi Wai

Board Secretary and Company Secretary

Aged 54. Board Secretary and Company Secretary of the Company and BOCHK.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the Summary Financial Statements of the Company and its subsidiaries for the year ended 31 December 2008.

Principal Activities

The principal activities of the Group are the provision of banking and related financial services. An analysis of the Group's performance for the year by business segments is set out in Note 10 to the Summary Financial Statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 83.

The Board has recommended keeping sufficient funds for operation in the future and does not propose any final dividend for the year ended 31 December 2008. With the interim dividend per share of HK\$0.438 paid during 2008, the total dividend per share amounted to HK\$0.438 for the whole year.

Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 15 May 2009 to Thursday, 21 May 2009 (both days inclusive), during

which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 14 May 2009.

Reserves

Details of movements in the reserves of the Group are set out in Note 9 to the Summary Financial Statements.

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK\$21 million.

Properties, Plant and Equipment

Details of movements in properties, plant and equipment of the Group are set out in Note 6 to the Summary Financial Statements.

Share Capital

Details of the share capital of the Company are set out in Note 8 to the Summary Financial Statements.

As at the latest practicable date prior to the issue of this Summary Financial Report and based on publicly available information, the public float of the Company was approximately 34%. The Directors consider that there is sufficient public float in the shares of the Company.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2008, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to approximately HK\$2,747 million.

Five-year Financial Summary

A summary of the results, assets and liabilities of the Group for the last five years is set out on page 3.

Directors

The present Directors of the Company are set out on page 54. The biographical details of the Directors and senior management are set out on pages 55 to 56 of this Summary Financial Report. The term of office for each Non-executive Director is approximately three years.

Mr. Lee Raymond Wing Hung will retire as an Executive Director and the Chief Financial Officer of the Group with effect from 1 June 2009 as announced by the Company on 6 February 2009.

In accordance with Article 98 of the Company's Articles of Association, at each annual general meeting, one-third of the Directors or the nearest number to but not less than one-third of the Directors shall retire from office by rotation and be eligible for re-election. Accordingly, Messrs. Xiao Gang, Li Zaohang, Zhou Zaiqun, Koh Beng Seng and Tung Savio Wai-Hok will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Each of the retiring Independent Non-executive Directors, namely, Mr. Koh Beng Seng and Mr. Tung Savio Wai-Hok, has given an annual confirmation of his independence to the Company. Based on such confirmation and the information available to the Board, and by reference to the "Policy on Independence of Directors" adopted by the Board which sets out more stringent independence criteria than those contained in the Listing Rules, the Board considers that Mr. Koh and Mr. Tung are independent. Further, in view of their extensive knowledge and experience, the Board believes that their re-election is in the best interests of the Company and the shareholders as a whole.

Directors' Service Contracts

No Director offering for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries

which is not determinable by the employing company within one year without payment of compensation other than the normal statutory compensation.

Directors' Interests in Contracts of Significance

No contracts of significance, in relation to the Group's business to which the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

Messrs. Xiao Gang, Li Zaohang and Zhou Zaiqun are executive directors of BOC. Mdm. Zhang Yanling is a member of the senior management of BOC.

BOC is a joint stock limited liability commercial bank in the Mainland of China providing a full range of commercial banking and other financial services through its associates throughout the world. Certain of the Group's operations overlap with and/or are complementary to those of BOC and its associates. To the extent that BOC or its associates compete with the Group, the Directors believe that the Group's interests are adequately protected by

good corporate governance practices and the involvement of the Independent Non-executive Directors.

Further, the Board's mandate also expressly provides that unless permissible under applicable laws or regulations, if a substantial shareholder or a Director has a conflict of interest in the matter to be considered by the Board, the matter shall not be dealt with by way of written resolutions, but a Board meeting attended by Independent Non-executive Directors who have no material interest in the matter shall be held to deliberate on the same.

Save as disclosed above, none of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

Directors' Rights to Acquire Shares

On 5 July 2002, the following Directors were granted options by BOC (BVI), the immediate holding company of the Company, pursuant to a Pre-Listing Share Option Scheme to purchase from BOC (BVI) existing issued shares of the Company at a price of HK\$8.50 per share. These options have a vesting period of four years from 25 July 2002 with a valid exercise period of ten years.

Particulars of the outstanding options granted to the Directors under the Pre-Listing Share Option Scheme as at 31 December 2008 are set out below:

Name of Director	Date of grant	Exercise price (HK\$)	Exercisable period	Number of share options					
				Granted on 5 July 2002	Balances as at 1 January 2008	Exercised during the year	Surrendered during the year	Lapsed during the year	Balances as at 31 December 2008
SUN Changji	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,590,600	1,590,600	–	–	–	1,590,600
HE Guangbei	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,446,000	723,000	–	–	–	723,000
LI Zaohang	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,446,000	1,446,000	–	–	–	1,446,000
ZHOU Zaiqun	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,446,000	1,446,000	361,500	–	–	1,084,500
ZHANG Yanling	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,446,000	1,446,000	–	–	–	1,446,000
Total				7,374,600	6,651,600	361,500	–	–	6,290,100

Save as disclosed above, at no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 31 December 2008, the Directors, the Chief Executive and their respective associates had the following interests in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

Name of Director	Number of shares/underlying shares held				Total	% of the issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
SUN Changji	1,590,600 ¹	–	–	–	1,590,600	0.015%
HE Guangbei	723,000 ¹	–	–	–	723,000	0.007%
LI Zaohang	1,446,000 ¹	–	–	–	1,446,000	0.014%
ZHOU Zaiqun	1,085,000 ²	–	–	–	1,085,000	0.010%
ZHANG Yanling	1,446,000 ¹	–	–	–	1,446,000	0.014%
Total	6,290,600	–	–	–	6,290,600	0.060%

Notes:

- Such interests represented the respective Directors' interests in underlying shares in respect of the share options granted to him/her pursuant to the Pre-Listing Share Option Scheme, details of which are set out in the section titled "Directors' Rights to Acquire Shares" above.
- Such interests included Mr. Zhou's interests in 500 shares and interests in 1,084,500 underlying shares in respect of the share options granted to him pursuant to the Pre-Listing Share Option Scheme, details of which are set out in the section titled "Directors' Rights to Acquire Shares" above.

Save as disclosed above, as at 31 December 2008, none of the Directors or the Chief Executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Substantial Interests in Share Capital

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 31 December 2008, the following parties had the following interests (as defined in the SFO) in the Company set opposite their respective names:

Name of Corporation	No. of shares of HK\$5 each in the Company (% of total issued shares)	
Central SAFE	6,953,617,435	(65.77%)
BOC	6,953,617,435	(65.77%)
BOCHKG	6,949,330,256	(65.73%)
BOC (BVI)	6,949,330,256	(65.73%)

Notes:

- Following the reorganisation of BOC in August 2004, Central SAFE holds the controlling equity capital of BOC on behalf of the State. Accordingly, for the purpose of the SFO, Central SAFE is deemed to have the same interests in the Company as BOC.
- BOC holds the entire issued share capital of BOCHKG, which in turn holds the entire issued share capital of BOC (BVI). Accordingly, BOC and BOCHKG are deemed to have the same interests in the Company as BOC (BVI) for the purpose of the SFO. BOC (BVI) beneficially held 6,949,330,256 shares of the Company.
- The interest in the Company held by BOC included 4,000,000 shares held by BOC Insurance, a wholly-owned subsidiary of BOC, which had been disposed of by BOC Insurance during the reporting period.
- BOC holds the entire issued share capital of BOCI, which in turn holds the entire issued share capital of BOCI Asia Limited and BOCI Financial Products Limited. Accordingly, BOC is deemed to have the same interests in the Company as BOCI Asia Limited and BOCI Financial Products Limited for the purpose of the SFO. BOCI Asia Limited had an interest in 91,500 shares of the Company and an interest in 117,000 shares held under physically settled equity derivatives while BOCI Financial Products Limited had an interest in 78,679 shares of the Company.

All the interests stated above represented long positions. Save as disclosed above, as at 31 December 2008, no other interests or short positions were recorded in the register maintained by the Company under section 336 of the SFO.

Management Contracts

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Share Options

Pursuant to written resolutions of all the Company's shareholders passed on 10 July 2002, the Company has approved and adopted two share option schemes, namely, the Share Option Scheme and the Sharesave Plan. No options have been granted by the Company pursuant to the Share Option Scheme or the Sharesave Plan during the year.

The following is a summary of the Share Option Scheme and the Sharesave Plan disclosed in accordance with the Listing Rules:

	Share Option Scheme	Sharesave Plan
Purpose	To provide the participants with the opportunity to acquire proprietary interests in the Company, to attract and retain the best available personnel, to encourage and motivate the participants to work towards enhancing the value of the Company and its shares, to allow the participants to participate in the growth of the Company and to align the interests of the Company's shareholders with those of the participants.	To encourage broad-based employee ownership of the Company's shares, to increase employee awareness and participation in the Company's share price performance, to provide employees with an additional vehicle for asset accumulation and to align the interests of all employees with those of the Company's shareholders.
Participants	Subject to compliance with applicable laws, any full-time or part-time employee, executive or officer of the Group, executive or non-executive director of the Group, or full-time or part-time employee, executive, officer or director of BOC or any of its subsidiaries serving as a member of any committee of the Group.	Any employee, executive, officer or director of the Group, having such qualifying period of service (if any) as the Board may determine from time to time and not having been granted any options under the Share Option Scheme.
Total number of shares available for issue and percentage of issued share capital as at 31 December 2008	The maximum number of shares in respect of which options may be granted under the Share Option Scheme, the Sharesave Plan and any other share option schemes and savings-based share option plans of any company in the Group (the "Other Schemes and Plans") shall not in aggregate exceed 10% of the shares in issue on 10 July 2002, that is, 1,057,278,026 shares.	Same as Share Option Scheme.

	Share Option Scheme	Sharesave Plan
Maximum entitlement of each participant	The total number of shares issued and to be issued upon the exercise of the options granted and to be granted to any one participant under the Share Option Scheme and the Other Schemes and Plans (including exercised, cancelled and outstanding options) in any twelve-month period up to and including the date of grant shall not exceed 1% of the shares in issue from time to time.	The maximum number of shares (rounded down to the next whole number) which can be paid for at the exercise price with monies equal to the aggregate of the savings contributions the participant has undertaken to make by the Maturity Date (defined as below) and interest which may be accrued thereon. Provided that the total number of shares issued and to be issued upon the exercise of the options granted and to be granted to any one participant under the Sharesave Plan and the Other Schemes and Plans (including exercised, cancelled and outstanding options) in any twelve-month period up to and including the date of grant shall not exceed 1% of the shares in issue from time to time. The amount of the monthly contribution to be made by a participant shall not be less than 1% and not more than 10% of the participant's monthly salary or such other maximum or minimum amounts as permitted by the Board.
Period within which the shares must be taken up under an option	Such period as shall be prescribed by the directors and specified in the letter of offer.	The thirty-day period (excluding the anniversary days) immediately after the first and second anniversary days from the date of grant or such other date as determined by the Board, or the thirty-day period immediately after the third anniversary of the date of grant or such other date as determined by the Board (the "Maturity Date"), or such other period(s) as may be determined by the Board.

	Share Option Scheme	Sharesave Plan
Minimum period for which an option must be held before it can be exercised	Such minimum period as shall be prescribed by the directors and specified in the letter of offer.	One year.
(a) Amount payable on acceptance of the option	(a) HK\$1.00	(a) HK\$1.00
(b) Period within which payments or calls must or may be made	(b) Payment or an undertaking to make payment on demand of the Company must be received by the Company within the period open for acceptance as set out in the letter of offer which shall not be less than 7 days after the offer date.	(b) Payment or an undertaking to make payment on demand of the Company must be received by the Company not later than the date specified in the letter of invitation as the directors may determine.
(c) The period within which loans for such purposes must be repaid	(c) Not applicable.	(c) Not applicable.
Basis of determining the exercise price	The exercise price is determined on the date of grant by the directors and shall not be less than the highest of: <ul style="list-style-type: none"> (a) the nominal value of the Company's shares; (b) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (c) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. 	Same as Share Option Scheme.
Remaining life	The Share Option Scheme shall remain in force for a period of ten years commencing on the first day of dealings in the Company's shares on the Stock Exchange which was 25 July 2002.	The Sharesave Plan shall remain in force for a period of ten years after the date of approval and adoption of the Sharesave Plan by the Company's shareholders which was 10 July 2002.

Please refer to the section "Directors' Rights to Acquire Shares" for details of the options granted by BOC (BVI) over shares of the Company pursuant to the Pre-Listing Share Option Scheme.

Purchase, Sale or Redemption of the Company's Shares

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Compliance with "Code on Corporate Governance Practices"

The Company is in full compliance with all the code provisions set out in the "Code on Corporate Governance Practices" contained in Appendix 14 of the Listing Rules and also complies with nearly all the recommended best practices set out in the said Code. For further details, please refer to the "Corporate Governance Report" contained in this Summary Financial Report.

Major Customers

During the year, the five largest customers of the group accounted for less than 30% of the total of interest income and other operating income of the Group.

Connected Transactions

The Independent Non-executive Directors have reviewed the transactions which the Company disclosed in a public announcement on 2 January 2008 and confirmed that these transactions were:

- (i) entered into in the ordinary and usual course of business of the Group;
- (ii) conducted either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, were on terms that were fair and reasonable so far as the Company's shareholders are concerned;

(iii) entered into either in accordance with the terms of the agreements governing such transactions or (where there were no such agreements) on terms no less favourable than those available to or from independent third parties, as applicable; and

(iv) in each case where an annual cap had been set, that such cap was not exceeded.

In accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Board of Directors engaged the auditors of the Company to perform certain factual finding procedures on the above continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings on the selected samples based on the agreed procedures to the Board of Directors.

Budgetary Discipline and Reporting

The annual budget of the Group is reviewed and approved by the Board of Directors prior to its implementation by the Management. Financial and business targets are allocated to business units and subsidiaries. There are defined procedures for the appraisal, review and approval of major capital and recurring expenditures. Proposed significant expenditures outside the approved budget will be referred to the Board or the relevant Board committee

for decision. Financial performance against targets is reported to the Board regularly.

Compliance with the Banking (Disclosure) Rules and the Listing Rules

The financial statements for the year ended 31 December 2008 comply with the requirements set out in the Banking (Disclosure) Rules under the Banking Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Auditors

The financial statements have been audited by PricewaterhouseCoopers. A resolution for their re-appointment as auditors for the ensuing year will be proposed at the forthcoming annual general meeting.

On behalf of the Board



XIAO Gang
Chairman

Hong Kong, 24 March 2009

CORPORATE GOVERNANCE

The Company is **committed to maintaining and upholding good corporate governance** in order to protect the interests of shareholders, customers and staff. The Company abides strictly by the laws and regulations of the jurisdiction where it operates, and observes the guidelines and rules issued by regulatory authorities such as the Hong Kong Monetary Authority, the Hong Kong Securities and Futures Commission and the Stock Exchange of Hong Kong. The Company also keeps its corporate governance system under constant review to ensure that it is in line with international and local best practices.

The Company is **in full compliance with all the provisions of the Code on Corporate Governance Practices** (the Code) as appended to the Listing Rules of Hong Kong. It also **complies with nearly all the recommended best practices** set out in the Code. In particular, the Company **publishes quarterly financial and business reviews** so that shareholders can be better updated of the performance, financial position and prospects of the Company. BOCHK, the Company's wholly-owned and principal operating subsidiary, is in full compliance with the guideline in the Supervisory Policy Manual module CG-1 issued by the Hong Kong Monetary Authority and entitled "Corporate Governance of Locally Incorporated Authorised Institutions".

This Summary Corporate Governance Report only gives a summary of the information contained in the full Corporate Governance Report which is set out in the 2008 Annual Report of the Company. The Annual Report, incorporating the full Corporate Governance Report, is available (in English and Chinese) on the Company's website at www.bochk.com and the Stock Exchange's website at www.hkexnews.hk.

Corporate Governance Framework

The **Board is at the core of the Company's corporate governance framework**, and there is **clear division of responsibilities between the Board and the Management**. The Board is responsible for providing high-level guidance and effective oversight of the Management. Generally, the Board is responsible for:

- formulating the Group's long-term strategy and monitoring the implementation thereof;
- reviewing and approving the annual business plan and financial budget;
- approving the annual, interim and quarterly reports;
- reviewing and monitoring risk management and internal control;

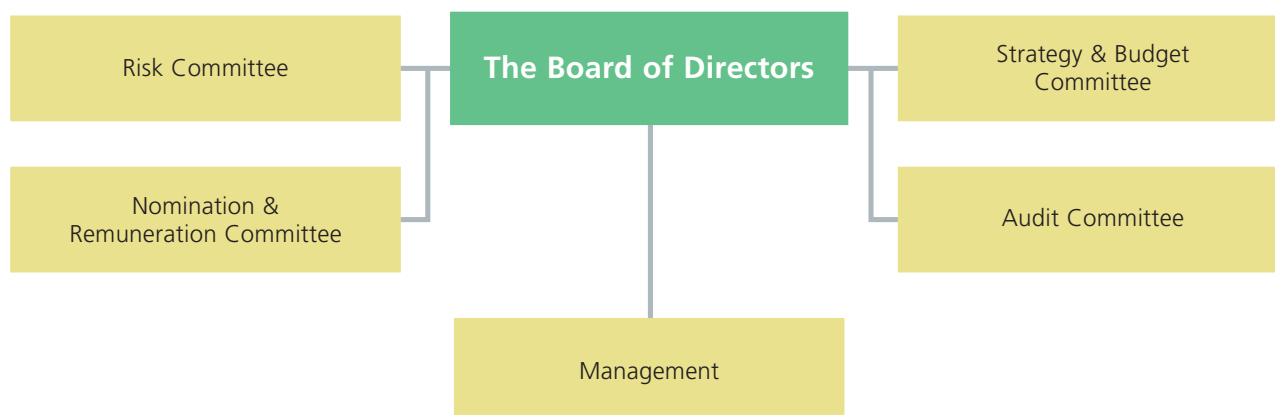
- ensuring good corporate governance and effective compliance; and
- monitoring the performance of the Management.

The Board authorises the Management to execute strategies that have been approved. The Management reports to the Board and is responsible for the day-to-day operation of the Group.

To avoid the concentration of power in any single individual, the **positions of the Chairman and the Chief Executive are held by two different individuals. Their roles are distinct and are clearly established and stipulated in the Board's Mandate.**

Taking into consideration market practices and international best practices in corporate governance, **the Board has established four standing Board Committees** to assist it in carrying out its responsibilities. They are the Audit Committee, Nomination and Remuneration Committee, Risk Committee, and Strategy and Budget Committee. Should the need arise, the Board will authorise an independent board committee comprising all the independent non-executive Directors to review, approve and monitor connected transactions (including the continuing connected transactions) that should be approved by the Board.

The following chart sets out the Company's corporate governance framework.



The Company's corporate website (www.bochk.com) contains detailed information on the Company's corporate governance principles and framework, the compositions of the Board and Board Committees and a summary of their respective terms of reference, shareholders' rights and the Company's Fair Disclosure Policy.

Board of Directors

Non-executive Directors and independent non-executive Directors form the majority of the Board. This structure ensures the independence and objectivity of the Board's decision-making process as well as the thoroughness and impartiality of the Board's oversight of the Management. The Board acts honestly and in good faith in order to maximise long-term shareholder value and fulfill its corporate responsibility to other stakeholders of the Group. Its decisions are made objectively and in the best interests of the Group.

The Board currently has 14 members, comprising six independent non-executive Directors, five non-executive Directors and three executive Directors. There was no change to the composition of the Board in 2008 and up to the date of this report.

All Directors possess extensive experience in banking and management, and over one third of them are independent non-executive Directors, of whom several are experts in financial and/or risk management. The Board has adopted the "Policy on Independence of Directors", some provisions of which are even more stringent than Rule 3.13 of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence by reference to the Policy. On the basis of these confirmations and information available to it, the Company considers all

of them to be independent. Biographical details of the Directors are set out in the "Board of Directors and Senior Management" section of this Summary Financial Report and the Company's website at www.bochk.com.

All the existing **non-executive Directors and independent non-executive Directors** of the Company have been **appointed for a fixed term, with formal letters of appointment** setting out the key terms and conditions of their appointment. The Nomination and Remuneration Committee has established a **written and formal process for the appointment of independent non-executive Directors to ensure that the appointment procedures are standardised, thorough and transparent.**

There is **no relationship (including financial, business, family or other material/relevant relationship(s)) among the Board members.** It is expressly provided in the Board's Mandate that, unless permissible under applicable laws or regulations, if a substantial shareholder or Director has a conflict of interest in the matter to be considered by the Board, a Board meeting attended by independent non-executive Directors who have no material interest in the matter shall be held to deliberate on the same.

The Company has arranged for **appropriate Directors' Liability Insurance Policy to indemnify the Directors for liabilities arising out of corporate activities.** The coverage and the sum insured under the policy are reviewed annually.

To ensure that newly appointed Directors have adequate understanding of the Company's business and operation, and to enable current Directors to constantly update their skills and knowledge so that they can continue to offer informed advice and

contribute to the Board, the Board enforces a **formal system for the initial induction and ongoing professional development of the Directors.**

Ten Board meetings were held during the year with an average attendance rate of 89%.

Apart from formal Board meetings and general meetings, there are opportunities for the Board and the Management to interact and communicate on relatively less formal occasions. Further, **off-site events have been held to enhance communication among Board members, and between the Board and the Management.**

Audit Committee

The Audit Committee currently has seven members comprising one non-executive Director and all the six independent non-executive Directors. Independent non-executive Directors make up 86% of the Committee members. The Committee is chaired by Mr. Shan Weijian, an independent non-executive Director.

The Committee assists the Board in fulfilling its oversight role over the Company and its subsidiaries in, among others, the following areas:

- integrity of financial statements and financial reporting process;
- internal control systems;
- effectiveness of internal audit function and performance appraisal of the Head of Internal Audit;
- appointment of external auditors and assessment of their qualifications, independence and performance and, with authorisation of the Board, determination of their remuneration;

- periodic review and annual audit of the Company's and the Group's financial statements, and financial and business review;
- compliance with applicable accounting standards as well as legal and regulatory requirements on financial disclosures; and
- corporate governance framework of the Group and implementation thereof.

The work performed by the Audit Committee in 2008 included the review and, where applicable, approval of:

- the Company's Directors' Report and financial statements for the year ended 31 December 2007 and the annual results announcement that were recommended to the Board for approval;
- the Company's interim financial statements for the six months ended 30 June 2008 and the interim results announcement that were recommended to the Board for approval;
- the Company's announcement on quarterly financial and business review for the period ended 31 March 2008 and 30 September 2008 that were recommended to the Board for approval;
- the audit reports and report on internal control recommendations submitted by the external auditors, and the on-site examination reports issued by regulators;
- the re-appointment of external auditors, the fees payable to external auditors for the annual audit, interim review and other non-audit services;
- the Group's internal audit plan for 2008 and key issues identified;

- the deployment of human resources and pay level of the Internal Audit, and the department's budget for 2008; and
- the 2008 key performance indicators for and 2007 performance appraisal of the Head of Internal Audit and the Internal Audit Department.

The "**Policy on Staff Reporting of Irregularities**" adopted by the Board has **proved to be effective**. Last year, reports on a number of cases were received and handled satisfactorily through the channels and procedures set out in the said Policy.

Pursuant to paragraph C.2 of the Code, the Audit Committee conducted an annual review of the effectiveness of the internal control systems of the Group in 2008. This review covered all material controls, including financial, operational and compliance controls as well as risk management. For detailed information on this topic, please refer to the "Internal Control" section below.

Six Audit Committee meetings were held during the year with an average attendance rate of 93%.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee currently has six members comprising two non-executive Directors and four independent non-executive Directors. The independent non-executive Directors represent two-thirds of the Committee members. The Committee is chaired by Mr. Sun Changji, Vice-chairman of the Board.

The Committee assists the Board in fulfilling its oversight role over the Company and its subsidiaries in, among others, the following areas:

- overall human resources and remuneration strategies of the Group;

- selection and nomination of Directors, Board Committee members and certain senior executives as designated by the Board from time to time;
- structure, size and composition (including skills, experience and knowledge) of Directors and Board Committee members;
- remuneration of Directors, Board Committee members and designated senior management, and
- effectiveness of the Board and Board Committees.

The work performed by the Committee in 2008 included the review and where applicable, approval of:

- performance appraisal of the executive Directors and designated senior executives for year 2007;
- proposal on staff bonus for year 2007 and salary adjustment for year 2008 for the Group, including the designated senior executives;
- key performance indicators of the Group and the designated senior executives for year 2008;
- implementation progress of the Group's medium-term human resources strategies and other major human resources policies;
- reports on self-evaluation of the Board and Board Committees, which were analyzed by the Committee. The Committee also made recommendations to the Board regarding the results of the self-evaluation, with a view to further enhancing the role and effectiveness of the Board and Board Committees;
- recruitment of the Group's designated senior executives;

- formulation, review and amendment on major HR and compensation policies; and
- matters relating to the appointment of directors to the boards of certain major subsidiaries of the Group.

Pursuant to the “**Policy on Directors’ Remuneration**” adopted by the Company, in recommending the remuneration of Directors, the Committee makes reference to companies of comparable business type or scale, and the nature and quantity of work at both Board and Board Committee levels (including frequency of meetings and nature of agenda items) in order to compensate Directors reasonably for their time and efforts spent. **No individual Director is allowed to participate in the procedures for deciding his/her individual remuneration package.**

The **Nomination and Remuneration Committee** also has the delegated responsibility to **determine the specific remuneration packages of the executive Directors and designated senior executives**, including share options, benefits in kind, pension rights, etc. Currently the principal components of the Company’s remuneration packages for the executive Directors and designated senior executives include basic salary, discretionary bonus and other benefits in kind. A significant portion of the executive Directors’ or designated senior executives’ discretionary bonus is based on the Group’s and the individual’s performance during the year. The Committee reviews and recommends to the Board the annual performance targets for the executive Directors and designated senior executives by reference to the corporate goals and objectives approved by the Board from time to time. The Committee also reviews the performance of the executive Directors and designated senior executives against the targets set

on an ongoing basis, and reviews and approves their specific performance-based remuneration.

Eight Nomination and Remuneration Committee meetings were held during the year with an average attendance rate of 92%.

Risk Committee

The Risk Committee has three members in 2008. Two of them are independent non-executive Directors and one is a non-executive Director. The Committee is chaired by Mr. Koh Beng Seng, an independent non-executive Director. Mdm. Yang Linda Tsao, an independent non-executive director and the Chairlady of the Strategy and Budget Committee, attended the Risk Committee meetings from time to time as an observer.

The Committee assists the Board in fulfilling its oversight role over the Company and its subsidiaries in, among others, the following areas:

- formulation of the risk appetite and risk management strategy of the Group, and determination of the Group’s risk profile;
- identification, assessment and management of material risks faced by the various business units of the Group;
- review and assessment of the adequacy and effectiveness of the Group’s risk management process, system and internal control;
- review and monitoring of the Group’s capital management;
- review and monitoring of the Group’s compliance with the risk management process, system and internal control, including the Group’s compliance with prudential, legal and regulatory requirements governing the business of the Group;

- review and approval of high-level risk-related policies of the Group; and
- review of significant or high risk exposures and transactions.

The work performed by the Committee in 2008 included the following:

- review of risk management limits;
- review of Group Operational Principles, Risk Management Policy Statement and a range of risk management policies covering strategic risk, reputation risk, credit risk, market risk, interest rate risk, liquidity risk, operational risk, legal and compliance risk and stress testing;
- review and monitoring of Basel II implementation especially the implementation progress of FIRB and ICAAP; as well as approval of FIRB models;
- approval of the Bank’s Capital Management Policy, capital optimisation plans, ICAAP Framework and Minimum CAR, as well as BOCHK Group’s Operating CAR Range;
- review of the fixed income investment strategy;
- review of significant high risk exposures and transactions; and
- review of various periodic risk management reports.

Nine Risk Committee meetings were held during the year with an average attendance rate of 100%.

Strategy and Budget Committee

The Strategy and Budget Committee comprises four members: two independent non-executive directors, one non-executive director, and the

Chief Executive, an executive Director. The Committee is chaired by Mdm. Yang Linda Tsao, an independent non-executive Director. and

The Committee assists the Board in fulfilling its oversight role over the Company and its subsidiaries in, among others, the following areas:

- draft, review, motion, and monitor the Group's medium to long-term strategy;
- review and monitor the Group's regular/periodic (including annual) business plan and financial budget;
- draft and review the process for formulating the Group's medium to long-term strategy to ensure that they are sufficiently robust to take into account a range of alternatives;
- monitor implementation of the Group's medium to long-term strategy through pre-determined metrics and provide guidance to Management; and
- make recommendations to the Board on major capital expenditures and strategic commitments of the Group and monitor implementation of the same.

During the year, the Strategy and Budget Committee monitored Management's implementation of the Group's medium to long-term strategy as approved by the Board. The Committee also played a prominent role in driving the formulation and implementation of the Group's key business strategies, including those for the development of the bank's China business and bank card's cooperation with China UnionPay. In early 2008, the

Committee reviewed the 2008-2012 rolling strategic plan for the Group and the Group's 2008 financial budget and business plan, and recommended the same to the Board for approval. In late 2008, the Committee reviewed the Group's preliminary financial budget and business plan for 2009.

Eight Strategy and Budget Committee meetings were held during the year with an average attendance rate of 97%.

Directors' Securities Transactions

The Company has adopted the "Code for Securities Transactions by Directors" to govern securities transactions by Directors. The terms of the said Code are more stringent than the mandatory standards set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix 10 of the Listing Rules. Apart from the securities of the Company, the Code applies equally to the Director's dealings in the securities of BOC which was listed on the Stock Exchange of Hong Kong in June 2006. In this connection, the Company had made specific enquiry of all Directors, who confirmed that they had complied with the standards set out in both the Company's Code and the said Model Code throughout year 2008. The Code has been revised in January and March 2009 to reflect changes made to the Model Code, including the extended "black out" period for Directors' dealing in the Company's securities.

External Auditors

Pursuant to the "Policy on External Auditors" adopted by the Board, the **Audit Committee** reviewed and monitored and **was satisfied with the independence and objectivity of PricewaterhouseCoopers**, the Group's external auditors, **and**

the effectiveness of their audit procedures.

The Audit Committee was satisfied that the non-audit services did not affect the independence of PricewaterhouseCoopers. The non-audit service fees paid to PricewaterhouseCoopers in 2008 comprised mainly the tax-related services fee of HK\$3 million, fee in relation to advisory service on New Accounting Standard, Cut-off Date Audit and Capital Injection Verification for Nanyang Commercial Bank (China) Limited of HK\$1 million and miscellaneous non-audit services fee of HK\$1 million.

Internal Control

The Board has the responsibility to ensure that the Group maintains sound and effective internal controls to safeguard the Group's assets. According to the Board's delegation, the Management is responsible for the day-to-day operations and risk management.

The Group conducts an annual review of the effectiveness of its internal control systems covering all material controls, including financial, operational and compliance controls as well as risk management. The review is conducted by making reference to the guidelines and definitions given by the regulatory and professional bodies for the purpose of assessing five different internal control elements, namely, the control environment, risk assessment, control activities, information and communication, and monitoring. The assessment covers all the major internal controls and measures, including financial, operational and compliance controls as well as risk management functions.

The Group is committed to maintaining and upholding good corporate governance practices and internal control system of all subsidiaries and foreign operations are reviewed regularly. During the year of 2008, continuous improvement on the organization structure and segregation of duty, the risk management policy and procedure, and the enhancement of disclosure transparency have been undertaken. In response to the dramatic changes in the economic environment resulting from the global economic crisis, the Group has implemented a series of measures and undertaken an on-going review on the effectiveness and efficiency of the internal control mechanism. In 2008, areas for improvement have been identified and appropriate measures have been implemented.

Communication with Shareholders and Shareholders' Rights

The Board attaches a high degree of importance to continuous communication with shareholders, especially direct dialogue with them at the Company's annual general meetings. Shareholders are therefore encouraged to actively participate at such meetings.

The Chairman of the Board, the Chairmen and members of Board Committees, and representatives of PricewaterhouseCoopers were present at the Company's 2008 annual general meeting held on 20 May 2008 at the Bank of China Tower to respond to questions and comments raised by shareholders.

The Board is aware of investors' concern regarding the potential dilution of the shareholders' value arising from

the exercise of power pursuant to the grant of a general mandate to issue shares to the Board. To alleviate those concerns, the Board has voluntarily reduced the general mandate to issue shares to 5% of the issued share capital as compared to the 20% permitted under the Listing Rules in the event that the issue of shares is for cash and not related to any acquisition of assets for approval by the shareholders at the 2009 annual general meeting. Further, given its commitment to high standards of corporate governance, the Board announced at the 2008 annual general meeting certain **internal policies for the exercise of the powers granted to the Board under the general mandates to issue shares solely for cash and repurchase shares to safeguard shareholders' rights.** The Board has resolved to adopt the same policies if it is granted by the shareholders the general mandates to issue and repurchase shares at the 2009 annual general meeting.

In order that shareholders can have a better understanding of the agenda items to be discussed at the 2009 annual general meeting and to encourage their active participation so that exchange of views and communication can be further enhanced, **the Company has provided detailed information on the 2009 annual general meeting in a circular** which is despatched together with this Summary Financial Report to the shareholders.

Further shareholder information is set out in the "Shareholder Information" section of this Summary Financial Report. Shareholders who wish to raise any queries with the Board may write to the Company Secretary at 52nd Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

Directors' Responsibility Statement in relation to Financial Statements

The following statement should be read in conjunction with the auditors' statement of their responsibilities as set out in the auditors' report contained in this Summary Financial Report. The statement is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are required by the Hong Kong Companies Ordinance to prepare financial statements, which give a true and fair view of the state of affairs of the Company. The financial statements should be prepared on a going concern basis unless it is not appropriate to do so. The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the requirements of the Hong Kong Companies Ordinance. The Directors also have general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors consider that in preparing the financial statements contained in this Summary Financial Report, the Company has adopted appropriate accounting policies which have been consistently applied with the support of reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.





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Prospects

CORPORATE SOCIAL RESPONSIBILITY

As we adhere to our motto of "Taking Root in Hong Kong and Serving Hong Kong", the Group fully understands that undertaking corporate social responsibility underpins the success of a corporation. We are committed to reciprocating to the community by supporting a wide spectrum of activities, and our dedication has won us the honour of being named a Caring Company by the Hong Kong Council of Social Service for six consecutive years.

Meanwhile, BOCHK Charitable Foundation ("the Foundation") has participated in a diverse range of charitable activities, covering education and culture, sports and health, environmental protection, social welfare and assistance to the needy in Hong Kong, Macau and the Mainland of China.

Promoting Sports Development

The 2008 Olympics and Paralympics in Beijing and the co-hosting of the Equestrian Events in Hong Kong created a golden opportunity for

fostering sports development in Hong Kong. Bank of China was the official banking partner of the Beijing 2008 Olympic Games. To commemorate the Games, BOCHK launched the Beijing Olympic Games Commemorative Banknote denominated in HK\$20 for public sale as well as Charity Sets of Olympic Banknotes for public bidding. The response was overwhelming. All the net proceeds generated will be donated to charitable causes.

To capitalise on the opportunity of the Olympics, the Group has supported and pioneered a number of sports and cultural activities highlighting the themes of "People's Olympics" and "Green Olympics" to share the joy of the Beijing Olympics with the public. The series of activities leading to the Olympic climax included *BOCHK People's Olympics Carnival at Lan Kwai Fong*, *BOCHK Olympic Carnival at New Town Plaza*, *Bank of China (Hong Kong) Olympian City: Flights of Fantasy*, *Heavenly Horse – The Horse in Chinese Art and Culture Exhibition* jointly presented by the State Administration

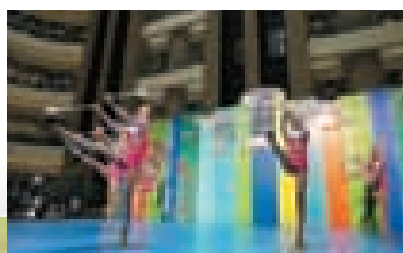
of Cultural Heritage and the Leisure and Cultural Services Department, and the *Olympic Piazza* organised by the Hong Kong Tourism Board. A diverse range of activities themed with the "Olympics" organised by the Group was granted the Gold Prize by the 2008 US Mercury Awards.

To extend its support to local elite athletes and contribute to the athletic training and sustainable development of sports in Hong Kong, the Foundation took the lead in donating HK\$1 million to the *Hong Kong Athletes Career and Education Programme* launched by the Sports Federation and Olympic Committee of Hong Kong, China (SF&OC). The Foundation also gave high recognition to the excellent achievements of these sports elites by supporting the *Bank of China Hong Kong Sports Stars Awards* organised by the SF&OC and setting up in 2006 the *Best of the Best Bank of China Hong Kong Sports Stars Award*.

The Foundation advocated a sporting lifestyle and the Sport for All message



We have sponsored an array of Olympic-related programs like the *Bank of China (Hong Kong) Festival of Sport*, with an aim to promote the message of "Sport for all"



to the public by sponsoring the *Bank of China (Hong Kong) Festival of Sport* for the third consecutive year. More than 80 events were organised throughout the 18 districts by national sports associations. The opening ceremony, characterised by the People's Olympics element, was held at a shopping mall with high pedestrian flow attracting more than 10,000 participants and audiences.

Badminton is the key focus of our sports initiatives. The Foundation has allocated over HK\$9.55 million for development of badminton in the past 10 years, benefiting nearly 620,000 participants. To continue our long-standing support for badminton in Hong Kong, the Foundation committed to contributing HK\$3.6 million to the *2008-2011 Hong Kong Badminton Development & Training Scheme*.

For seven consecutive years, the Foundation sponsored the *Hong Kong Island & Kowloon Regional Inter-school Sports Competition* – the largest school sports competition of its kind in Hong

Kong with the longest history, and the competition's top-honour award – the *BOCHK Bauhinia Bowls Award*. A total of 74,000 athletes from 275 schools participated in 8,400 events in this competition during 2008. Tickets of the Beijing Olympics and the Olympic Equestrian Events, as well as the Paralympics Equestrian Events were offered to various school sports organisations and the Hong Kong Council of Social Service by the Group, providing them with valuable opportunities to witness and experience these international sports events.

Enriching Cultural Life

During the year, we supported a number of international arts and cultural performances manifesting the theme of People's Olympics. *Zingaro*, a world-renowned creative entertainment spectacle blending equestrian with opera and dancing, and staged in Hong Kong for the first time, was sponsored by the Foundation and presented by the Hong Kong Arts Festival. This French equestrian performance echoed the 2008 Olympics Equestrian

Events held in Hong Kong and won 39,500 spectators' applause at 32 exhilarating shows. In November, the Foundation also sponsored *Yo-Yo Ma and HKPO* presented by the Hong Kong Philharmonic Orchestra and donated 120 complimentary tickets to the Community Chest and the Hong Kong Academy for Performing Arts, enabling more people to appreciate the inspiring performances of Maestro Yo-Yo Ma.

Other major cultural events which we lent support to were the Hong Kong Philharmonic's *Yundi Li's Prokofiev* and the *Appointment of Yundi Li as Visiting Fellow of the Hong Kong Academy for Performing Arts* in which Yundi Li coached young pianists in Hong Kong in four master classes.

Building a Green Hong Kong

To promote environmental protection, the Group and the Hong Kong Productivity Council jointly launched the Green Equipment Financing Scheme.



The innovative Charity Green Walk put the elements of the Olympic Games, environmental protection and charity under one roof

The sponsorship of Yo-Yo Ma and Hong Kong Philharmonic Orchestra by the Foundation enabled the audience to appreciate the inspiring performances of Yo-Yo Ma



Photo by Stephan Danelian

This is a preferential lending package for small and medium-sized enterprises to purchase environmentally-friendly equipment to enhance their productivity and operating efficiency while helping reduce environmental pollution.

We encouraged our customers to manage their finances via Internet Banking and switch to e-Statements to reduce paper use. In addition, our annual reports are printed on environmentally-friendly and elemental chlorine-free papers, and shareholders are urged to use online channels for corporate communications, including browsing annual reports and notices of meetings. We are working towards a paperless office by promoting the use of electronic correspondence and documents. For the same purpose, training materials are available on our electronic learning platform. Paper recycling bins are placed at Bank of China Tower, Bank of China Centre and Bank of China Building for recycling books, newspapers and magazines.

During the year, the environmental management systems of Bank of China Tower and Bank of China Centre attained ISO 14001 accreditation. Bank of China Tower was also awarded the Indoor Air Quality Certificate (Excellent Class) from the Environmental Protection Department and complied with the requirements of the Fresh Water Plumbing Quality Maintenance Recognition Scheme of the Water Supplies Department. We continued with our efforts to reduce carbon dioxide emissions by installing energy-saving light bulbs and replacing more efficient chillers with environment protection refrigerants in Bank of China Tower and Bank of China Centre. Water conserving devices have also been installed. In June, we participated in the "Dim it – lights out event" organised by Friends of the Earth which raised the community's awareness of energy conservation and pollution reduction.

To further echo the theme of Green Olympics, the Group launched the *Green Olympics – Charity Green Walk* at Victoria Peak that put the elements

of the Olympic Games, environmental protection and charity under one roof. A total of 2,008 participants, including 800 staff and their family members, over 1,000 citizens, teachers and students of the *Green School Award*, participated in the event. They learned about the ecological attractions of the Peak with an introduction by professional eco-guides. Through this charity walk, the Foundation made a donation to the Polar Museum Foundation. Furthermore, the Foundation has been sponsoring the *Green School Award* to promote environmental awareness among teachers, parents and students.

Nurturing the Younger Generation

Educating and nurturing the younger generation remains one of the principal areas of support of the Foundation. During the year, the Foundation awarded scholarships and bursaries to all the universities and tertiary education institutions in Hong Kong, bringing the total number of benefited students to 1,194, and the gross contribution to HK\$11.38 million since 1990.



We actively support youth sports development by sponsoring "The Inter-school Sports Competition HK & In Secondary School Region"



The Group gave timely assistance to the earthquake victims of the afflicted areas in Sichuan

In view of the increasing economic integration between Hong Kong and the Mainland of China, the Foundation organised for the fourth year the *Internship Programme for Financial Professionals in the Mainland of China*, together with the *Summer Internship Programme for Tertiary Institution Students* for the first time. Students from universities and tertiary institutions were therefore able to have a better understanding of the economic and financial developments in our motherland and equip themselves for future challenges by undertaking an internship at branches of Bank of China in the Mainland.

Help for the Needy

In order to give timely assistance to the victims of the Mainland's snowstorms in February 2008, the Foundation took the lead in donating HK\$3 million to the afflicted areas. It also leveraged the extensive branch network of the Group and set up designated accounts to collect donations from the community. The donations collected from staff, customers and the general public

reached HK\$1.88 million, which has been transferred to the Mainland.

A massive earthquake jolted Sichuan on 12 May 2008. The Foundation became the first institution to make a donation of HK\$3 million to the afflicted areas through the Hong Kong Red Cross. With this donation inclusive, the Group has donated a total amount of HK\$10 million to the Sichuan earthquake victims. The aggregate sum of donations collected from customers and the public stood at HK\$24.91 million, helping rescue work and reconstruction of the afflicted areas.

The Foundation also fully supported the *Community Chest New Territories Walk – Route 8*. There were over 32,000 participants, including some 1,000 of our staff and their family members, all contributing to this record-breaking number for the Territories Walk.

What is more, the Foundation offered donations in a wide variety of charitable activities, such as being the Diamond Sponsor of Po Leung Kuk for 11

consecutive years, and sponsoring the *Charity Golf Tournament* of Po Leung Kuk as well as the *Tung Wah Charity Gala* of Tung Wah Group of Hospitals. We were also the sponsor of the Christmas parties for special schools under the Hong Kong Red Cross and *Corporate Challenge 2008* of Outward Bound Hong Kong. The Foundation supported the *Better Health for a Better Hong Kong campaign* through our staff participation in the *MTR Hong Kong Race Walking 2008* in both sports and cheering teams.

Riding on the Group's branch network, we have helped seven charitable organisations to send out 2.8 million inserts with bank statements.

Going forward, we will continue to undertake corporate social responsibility and contribute our part in fostering a harmonious society.



The sponsorship of "Exhibition of Securities Certificates in Modern China" helped enrich the knowledge of the public about securities development in China

The world-renowned *Zingaro*, blending equestrian with opera and dancing, was well-received by the audience



Photo by Antoine Poupel

OUR PEOPLE

People are the most valuable assets of any company. During the year, we enhanced our human resources management, recruitment procedures and staff training programmes in order to echo our core value of "Respect" to staff. To celebrate the Beijing 2008 Olympics and Paralympics that all Chinese people in the world are proud of, we have actively initiated a diverse range of related activities.

Reforming our Human Resources Mechanism

To keep abreast of the latest market developments and realise the core value of "Respect" to staff, the Group has been continually enhancing its human resources and compensation policies. With competitive remuneration and benefit packages, we aim to retain, attract and motivate talents.

To ensure that the job-based mechanism is in line with the Group's business development, we have accelerated the rationalisation of our staff structure in accordance with the changing market. By rationalising job establishment and

developing professional job teams, the Group offered employees a platform to fully utilise their competencies while driving the Group's business growth.

Recruiting Top Talent

To support our business growth and strengthen our human capital, we are committed to recruiting high quality management and business professionals locally as well as from the Mainland of China and overseas. Through the application of a series of systematic and scientific assessment instruments, the quality of our professional staff has been further strengthened.

Meanwhile, we continued to introduce our Management Trainee Programme and Officer Trainee Programme to attract and nurture high-potential university graduates to become the future management talent and backbone of the Group.

Strengthening Staff Training

In 2008, we provided 2,400 courses for about 134,000 attendees. Our training programmes were designed with three

objectives: 1) to meet the Group's overall development and human resources plans to accomplish the business objectives of each unit; 2) to further promote the staff's self-enhancement as well as career development, and for the establishment of a learning organisation; 3) to optimise the input and utilisation of training resources, strengthen the cooperation with our parent bank, and enhance the overall training effectiveness.

Major training activities came in a series of workshops and seminars covering risk management, legal and compliance, corporate governance, corporate culture, sales and services skills, and leadership programmes for senior management. In addition, CUHK's Executive MBA programme and executive development programmes of Oxford University, Harvard Business School and Hong Kong University of Science & Technology were arranged for our senior management and talent pool members. Our relationship managers were required to undertake credit risk management courses and



tests by Moody's to increase their professional capability. We provided continuous training for intermediaries, professional qualification certificate courses and training on professional sales techniques, and training on new products and new systems for our frontline staff before implementation. In addition, the Wealth Management Academy of BOCHK continued to offer training in customer relationship management and sales techniques to our Wealth Management staff. What is more, the establishment of an e-learning platform, a supplementary training channel, offered added flexibility and convenience in our staff training.

Fostering a Corporate Culture

During the year, we continued to encourage our staff to help those in need by participating in various voluntary projects organised by external organisations, including the *ATM education campaign* organised by the Hong Kong Association of Banks, the *Elderly Service Scheme* by Po Leung Kuk, the family programmes

held in new towns by Yan Oi Tong, the *Community Chest Walk and Race Walking*. To further demonstrate our commitment to social responsibility, we made generous donations and appealed to our staff to participate in the donation campaign for those affected by the Sichuan Earthquake.

To highlight our core value of Respect, we organised different types of activities to express our care for staff. These included management visits to retired staff, cultural and recreational programmes and a free body check-up service.

Moreover, in view of the financial crisis, with staff under heavy pressure and considerable workloads, we have created a greetings card and prepared a healthy breakfast as well as electronic health tips leaflet for each member of our staff.

Promoting Staff Communications

We realised the importance of strengthening effective two-way communications between staff and

management. An Awards Presentation Ceremony was held in 2008 in recognition of staff members who delivered exceptional performance. A total of 10 BOC Stars were selected, and 412 staff and 43 teams were granted outstanding performance awards. To demonstrate our "Teamwork" spirit, we continued to hold the *Teamwork Activities Rewards Scheme* which encouraged our staff to participate in inter-departmental activities.

In welcoming the Beijing 2008 Olympic Games, the Group also held a number of athletic competitions and activities themed on the Olympics, covering badminton, tennis and bowling. By including parent-child activities, our staff and their family members were able to enjoy a fun-filled day in celebration of the Olympics, while cultivating team spirit and sportsmanship. In addition, some of our staff members were selected as torchbearers in the Olympic Torch Relay. The Group also fully supported 25 staff and their family members to take part in the voluntary work of the Olympic financial service.



Awards Presentation Ceremony was held in recognition of the excellent performance of our staff



We organised diverse recreational and sports activities for staff and their relatives

Snapshots of the Beijing 2008 Olympic Games



SWIFTER, HIGHER, STRONGER

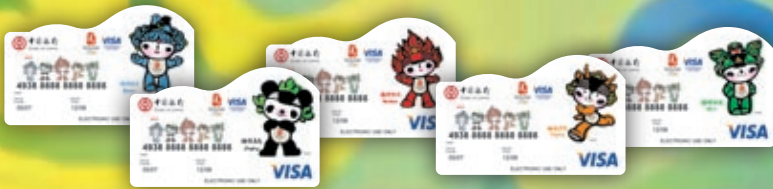


We launched the first-ever Beijing 2008 Olympic Games HK Dollar Commemorative Banknote in the history of the modern Olympic Games



We rolled out a series of Olympic count-down advertising campaigns





VISA BOC Olympic Games Prepaid Card featuring the Beijing Olympic mascots of "Fuwa"



VISA BOC Olympic Games Card five-ring-five-color series



Specially-designed ATM of BOCHK was installed at the Olympic Equestrian venue



Quality on-site banking services were provided to athletes, audiences, judges and the International Olympic Committee members at the Olympic Equestrian venues



The Beijing 2008 Olympic Flagship Store (Hong Kong) in BOC Tower, the largest of its kind in Hong Kong offering the most comprehensive range of Olympic souvenirs, was well-received by the public



Our staff in smart uniform and high spirit were well prepared to welcome the Beijing Olympics

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December	Notes	2008 HK\$'m	2007 HK\$'m
Interest income		35,281	46,056
Interest expense		(15,124)	(26,661)
Net interest income		20,157	19,395
Fees and commission income		7,214	8,177
Fees and commission expenses		(2,035)	(1,903)
Net fees and commission income		5,179	6,274
Net trading income		1,914	1,013
Net (loss)/gain on financial instruments designated at fair value through profit or loss		(452)	868
Net loss on investment in securities		(15)	(53)
Net insurance premium income		5,891	8,426
Other operating income		561	771
Total operating income		33,235	36,694
Net insurance benefits and claims		(7,709)	(9,440)
Net operating income before impairment allowances		25,526	27,254
Net charge of impairment allowances		(12,573)	(1,448)
Net operating income		12,953	25,806
Operating expenses		(8,771)	(7,773)
Operating profit		4,182	18,033
Net (loss)/gain from disposal of/fair value adjustments on investment properties		(118)	1,064
Net gain from disposal/revaluation of properties, plant and equipment		7	26
Share of profits less losses of associates		7	3
Profit before taxation		4,078	19,126
Taxation		(1,071)	(3,309)
Profit for the year		3,007	15,817
Attributable to:			
Equity holders of the Company		3,343	15,446
Minority interests		(336)	371
		3,007	15,817
Dividends		4,631	9,674
		HK\$	HK\$
Earnings per share for profit attributable to the equity holders of the Company	3	0.3162	1.4609

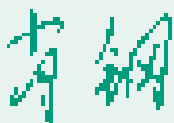
The notes on pages 85 to 108 are an integral part of these Summary Financial Statements.

CONSOLIDATED BALANCE SHEET


As at 31 December	Notes	2008 HK\$'m	2007 HK\$'m
ASSETS			
Cash and balances with banks and other financial institutions		153,269	159,065
Placements with banks and other financial institutions maturing between one and twelve months		89,718	53,154
Financial assets at fair value through profit or loss		43,812	34,440
Derivative financial instruments		19,628	14,477
Hong Kong SAR Government certificates of indebtedness		34,200	32,770
Advances and other accounts		469,493	420,234
Investment in securities		291,681	301,183
Interests in associates		88	83
Investment properties	5	7,727	8,058
Properties, plant and equipment	6	22,795	23,293
Deferred tax assets	7	154	23
Other assets		14,679	20,857
Total assets		1,147,244	1,067,637
LIABILITIES			
Hong Kong SAR currency notes in circulation		34,200	32,770
Deposits and balances of banks and other financial institutions		88,779	60,599
Financial liabilities at fair value through profit or loss		21,938	11,405
Derivative financial instruments		20,450	11,092
Deposits from customers		802,577	793,606
Debt securities in issue at amortised cost		1,042	2,089
Other accounts and provisions		34,873	33,344
Current tax liabilities		441	1,210
Deferred tax liabilities	7	2,799	3,967
Insurance contract liabilities		28,274	22,497
Subordinated liabilities		27,339	–
Total liabilities		1,062,712	972,579
EQUITY			
Share capital	8	52,864	52,864
Reserves	9	29,855	39,978
Capital and reserves attributable to the equity holders of the Company		82,719	92,842
Minority interests		1,813	2,216
Total equity		84,532	95,058
Total liabilities and equity		1,147,244	1,067,637

The notes on pages 85 to 108 are an integral part of these Summary Financial Statements.

Approved by the Board of Directors on 24 March 2009 and signed on behalf of the Board by:



XIAO Gang
Director



HE Guangbei
Director

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

These Summary Financial Statements have been prepared from the Annual Financial Statements of the BOC Hong Kong (Holdings) Limited ("Annual Financial Statements") for the year ended 31 December 2008.

The Annual Financial Statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, HK GAAP and the requirements of the Hong Kong Companies Ordinance.

The Annual Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, investment properties which are carried at fair value and premises which are carried at fair value or revalued amount less accumulated depreciation and accumulated impairment losses.

2. Financial risk management

The Group is exposed to financial risks as a result of engaging in a variety of business activities. The principal financial risks are credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. This note summarises the Group's exposures to these risks.

2.1 Credit Risk

Credit risk is the risk that a customer or counterparty will be unable to or unwilling to meet its obligations under a contract. It arises principally from lending, trade finance and treasury businesses including inter-bank transactions, investments in bonds and securities.

Credit exposures

Maximum exposures to credit risk before collateral held or other credit enhancements are summarised as follows:

	2008 HK\$'m	2007 HK\$'m
Credit risk exposures relating to on-balance sheet assets are as follows:		
Cash and balances with banks and other financial institutions	153,269	159,065
Placements with banks and other financial institutions maturing between 1 and 12 months	89,718	53,154
Financial assets at fair value through profit or loss		
– debt securities	41,438	30,856
Derivative financial instruments	19,628	14,477
Hong Kong SAR Government certificates of indebtedness	34,200	32,770
Advances and other accounts	469,493	420,234
Investment in securities		
– debt securities – available-for-sale	170,935	100,073
– debt securities – held-to-maturity	106,465	165,428
– debt securities – loans and receivables	12,595	31,102
Other assets	13,332	20,857
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of guarantee issued	11,838	9,407
Loan commitment and other credit related liabilities	241,551	221,896
	1,364,462	1,259,319

2.2 Market Risk

Market risk is the risk of loss that results from movements in market rates and prices. The Group's market risk in trading book arises from trading positions taken from customer-related business and proprietary trading. These positions are subject to daily mark-to-market valuation. The risk includes potential losses arising from changes in foreign exchange and interest rates as well as equities and commodities prices. On the other hand, the major market risk in banking book arises from the group's investment portfolio. The risk includes potential losses arising from changes in market parameters such as credit, liquidity, and interest rate risk and price movements which prevent the Group from realising its investment securities at their carrying amounts. These positions are subject to monthly mark-to-market valuation. The Group manages market risk in its trading book separately from its banking book.

2. Financial risk management (continued)

2.2 Market Risk (continued)

Currency risk

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 31 December. Included in the tables are the Group's assets and liabilities at carrying amounts in HK\$ equivalent, categorised by the original currency.

	2008							Total HK\$'m
	Renminbi HK\$'m	US Dollars HK\$'m	HK Dollars HK\$'m	EURO HK\$'m	Japanese Yen HK\$'m	Pound Sterling HK\$'m	Others HK\$'m	
Assets								
Cash and balances with banks and other financial institutions	53,381	36,592	53,720	2,662	1,425	3,163	2,326	153,269
Placements with banks and other financial institutions maturing between one and twelve months	504	31,441	38,728	5,924	-	6,487	6,634	89,718
Financial assets at fair value through profit or loss	1,274	7,670	34,817	-	-	-	51	43,812
Derivative financial instruments	-	485	19,032	99	1	-	11	19,628
Hong Kong SAR Government certificates of indebtedness	-	-	34,200	-	-	-	-	34,200
Advances and other accounts	15,056	97,002	347,249	2,915	1,622	1,002	4,647	469,493
Investment in securities								
– Available-for-sale securities	828	71,883	25,396	21,160	40,652	1,651	11,051	172,621
– Held-to-maturity securities	2,165	52,352	33,652	6,132	1,823	791	9,550	106,465
– Loans and receivables	-	2,243	9,039	108	-	110	1,095	12,595
Interests in associates	-	-	88	-	-	-	-	88
Investment properties	63	-	7,664	-	-	-	-	7,727
Properties, plant and equipment	98	-	22,697	-	-	-	-	22,795
Other assets (including deferred tax assets)	121	244	13,545	596	220	19	88	14,833
Total assets	73,490	299,912	639,827	39,596	45,743	13,223	35,453	1,147,244
Liabilities								
Hong Kong SAR currency notes in circulation	-	-	34,200	-	-	-	-	34,200
Deposits and balances of banks and other financial institutions	38,131	24,191	18,558	2,251	693	2,494	2,461	88,779
Financial liabilities at fair value through profit or loss	-	1,852	19,890	-	-	-	196	21,938
Derivative financial instruments	-	513	19,622	297	1	-	17	20,450
Deposits from customers	30,518	193,952	502,199	15,584	2,135	13,445	44,744	802,577
Debt securities in issue at amortised cost	-	148	845	-	-	-	49	1,042
Other accounts and provisions (including current and deferred tax liabilities)	1,331	9,682	17,874	325	7,907	348	646	38,113
Insurance contract liabilities	-	4,447	23,827	-	-	-	-	28,274
Subordinated liabilities	-	19,394	735	7,210	-	-	-	27,339
Total liabilities	69,980	254,179	637,750	25,667	10,736	16,287	48,113	1,062,712
Net on-balance sheet position	3,510	45,733	2,077	13,929	35,007	(3,064)	(12,660)	84,532
Off-balance sheet net notional position*	(4)	(33,929)	68,465	(13,826)	(34,817)	3,043	12,542	1,474
Contingent liabilities and commitments	9,132	62,401	176,092	3,032	551	303	1,878	253,389

* Off-balance sheet net notional position represents the net notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements.

2. Financial risk management (continued)

2.2 Market Risk (continued)

Currency risk (continued)

	2007							
	Renminbi HK\$'m	US Dollars HK\$'m	HK Dollars HK\$'m	EURO HK\$'m	Japanese Yen HK\$'m	Pound Sterling HK\$'m	Others HK\$'m	Total HK\$'m
Assets								
Cash and balances with banks and other financial institutions	30,849	49,833	71,731	1,147	160	1,815	3,530	159,065
Placements with banks and other financial institutions maturing between one and twelve months	375	23,854	28,750	-	-	-	175	53,154
Financial assets at fair value through profit or loss	917	8,997	24,286	-	-	-	240	34,440
Derivative financial instruments	-	773	13,703	-	-	-	1	14,477
Hong Kong SAR Government certificates of indebtedness	-	-	32,770	-	-	-	-	32,770
Advances and other accounts	13,335	71,309	323,495	4,202	1,667	1,006	5,220	420,234
Investment in securities								
– Available-for-sale securities	90	62,612	26,697	7,005	28	1,321	6,900	104,653
– Held-to-maturity securities	864	84,686	59,565	2,486	-	1,554	16,273	165,428
– Loans and receivables	-	3,594	26,511	428	-	-	569	31,102
Interests in associates	-	-	83	-	-	-	-	83
Investment properties	-	-	8,058	-	-	-	-	8,058
Properties, plant and equipment	72	1	23,220	-	-	-	-	23,293
Other assets (including deferred tax assets)	69	947	19,361	161	61	145	136	20,880
Total assets	46,571	306,606	658,230	15,429	1,916	5,841	33,044	1,067,637
Liabilities								
Hong Kong SAR currency notes in circulation	-	-	32,770	-	-	-	-	32,770
Deposits and balances of banks and other financial institutions	27,173	19,422	9,090	147	2,141	92	2,534	60,599
Financial liabilities at fair value through profit or loss	-	2,717	8,688	-	-	-	-	11,405
Derivative financial instruments	-	1,257	9,824	-	-	-	11	11,092
Deposits from customers	17,360	166,416	548,223	8,432	2,492	12,284	38,399	793,606
Debt securities in issue at amortised cost	-	667	1,422	-	-	-	-	2,089
Other accounts and provisions (including current and deferred tax liabilities)	574	9,751	26,706	311	31	387	761	38,521
Insurance contract liabilities	-	4,284	18,213	-	-	-	-	22,497
Total liabilities	45,107	204,514	654,936	8,890	4,664	12,763	41,705	972,579
Net on-balance sheet position	1,464	102,092	3,294	6,539	(2,748)	(6,922)	(8,661)	95,058
Off-balance sheet net notional position	394	(97,215)	89,481	(6,478)	2,436	7,050	8,975	4,643
Contingent liabilities and commitments	4,873	55,183	163,697	4,693	1,017	259	1,581	231,303

2. Financial risk management (continued)

2.2 Market Risk (continued)

Interest rate risk

The tables below summarise the Group's exposure to interest rate risk as at 31 December. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	2008						Total HK\$m
	Up to 1 month HK\$m	1-3 months HK\$m	3-12 months HK\$m	1-5 years HK\$m	Over 5 years HK\$m	Non-interest bearing HK\$m	
Assets							
Cash and balances with banks and other financial institutions	134,723	-	-	-	-	18,546	153,269
Placements with banks and other financial institutions maturing between one and twelve months	-	38,622	51,096	-	-	-	89,718
Financial assets at fair value through profit or loss	5,103	7,473	2,311	9,415	17,136	2,374	43,812
Derivative financial instruments	-	-	-	-	-	19,628	19,628
Hong Kong SAR Government certificates of indebtedness	-	-	-	-	-	34,200	34,200
Advances and other accounts	366,619	76,378	20,873	1,258	159	4,206	469,493
Investment in securities							
– Available-for-sale securities	31,282	28,066	42,437	47,155	21,995	1,686	172,621
– Held-to-maturity securities	24,837	38,406	12,514	17,371	13,337	-	106,465
– Loans and receivables	1,755	2,675	8,165	-	-	-	12,595
Interests in associates	-	-	-	-	-	88	88
Investment properties	-	-	-	-	-	7,727	7,727
Properties, plant and equipment	-	-	-	-	-	22,795	22,795
Other assets (including deferred tax assets)	-	-	-	-	-	14,833	14,833
Total assets	564,319	191,620	137,396	75,199	52,627	126,083	1,147,244
Liabilities							
Hong Kong SAR currency notes in circulation	-	-	-	-	-	34,200	34,200
Deposits and balances of banks and other financial institutions	55,274	10,655	3,272	-	-	19,578	88,779
Financial liabilities at fair value through profit or loss	6,769	13,412	1,749	8	-	-	21,938
Derivative financial instruments	-	-	-	-	-	20,450	20,450
Deposits from customers	629,855	102,169	32,532	253	-	37,768	802,577
Debt securities in issue at amortised cost	459	148	435	-	-	-	1,042
Other accounts and provisions (including current and deferred tax liabilities)	8,036	116	493	136	-	29,332	38,113
Insurance contract liabilities	-	-	-	-	-	28,274	28,274
Subordinated liabilities	-	735	26,604	-	-	-	27,339
Total liabilities	700,393	127,235	65,085	397	-	169,602	1,062,712
Interest sensitivity gap	(136,074)	64,385	72,311	74,802	52,627	(43,519)	84,532

2. Financial risk management (continued)

2.2 Market Risk (continued)

Interest rate risk (continued)

	2007						
	Up to 1 month HK\$'m	1-3 months HK\$'m	3-12 months HK\$'m	1-5 years HK\$'m	Over 5 years HK\$'m	Non-interest bearing HK\$'m	Total HK\$'m
Assets							
Cash and balances with banks and other financial institutions	152,746	–	–	–	–	6,319	159,065
Placements with banks and other financial institutions maturing between one and twelve months	–	42,230	10,924	–	–	–	53,154
Financial assets at fair value through profit or loss	3,562	1,839	2,164	5,894	17,397	3,584	34,440
Derivative financial instruments	–	–	–	–	–	14,477	14,477
Hong Kong SAR Government certificates of indebtedness	–	–	–	–	–	32,770	32,770
Advances and other accounts	328,750	58,396	19,372	9,487	643	3,586	420,234
Investment in securities							
– Available-for-sale securities	11,668	21,320	6,257	19,959	40,869	4,580	104,653
– Held-to-maturity securities	25,562	43,920	18,534	43,022	34,390	–	165,428
– Loans and receivables	7,459	11,444	12,199	–	–	–	31,102
Interests in associates	–	–	–	–	–	83	83
Investment properties	–	–	–	–	–	8,058	8,058
Properties, plant and equipment	–	–	–	–	–	23,293	23,293
Other assets (including deferred tax assets)	–	–	–	–	–	20,880	20,880
Total assets	529,747	179,149	69,450	78,362	93,299	117,630	1,067,637
Liabilities							
Hong Kong SAR currency notes in circulation	–	–	–	–	–	32,770	32,770
Deposits and balances of banks and other financial institutions	45,728	3,428	6,897	–	–	4,546	60,599
Financial liabilities at fair value through profit or loss	6,600	2,355	1,531	919	–	–	11,405
Derivative financial instruments	–	–	–	–	–	11,092	11,092
Deposits from customers	623,009	98,440	35,157	547	–	36,453	793,606
Debt securities in issue at amortised cost	–	–	1,977	112	–	–	2,089
Other accounts and provisions (including current and deferred tax liabilities)	7,624	107	–	128	–	30,662	38,521
Insurance contract liabilities	–	–	–	–	–	22,497	22,497
Total liabilities	682,961	104,330	45,562	1,706	–	138,020	972,579
Interest sensitivity gap	(153,214)	74,819	23,888	76,656	93,299	(20,390)	95,058

2. Financial risk management (continued)

2.3 Liquidity Risk

Maturity analysis

Tables below analyse assets and liabilities of the Group as at 31 December into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	2008							
	On demand HK\$'m	Up to 1 month HK\$'m	1-3 months HK\$'m	3-12 months HK\$'m	1-5 years HK\$'m	Over 5 years HK\$'m	Indefinite HK\$'m	Total HK\$'m
Assets								
Cash and balances with banks and other financial institutions	77,935	75,334	-	-	-	-	-	153,269
Placements with banks and other financial institutions maturing between one and twelve months	-	-	38,622	51,096	-	-	-	89,718
Financial assets at fair value through profit or loss								
– debt securities held for trading								
– certificate of deposit held	-	-	-	-	-	-	-	-
– others	-	4,628	6,685	1,927	685	6	-	13,931
– debt securities designated at fair value through profit or loss								
– certificates of deposit held	-	25	-	-	2,008	1,536	-	3,569
– others	-	226	426	384	7,058	15,840	4	23,938
– equity securities	-	-	-	-	-	-	2,374	2,374
Derivative financial instruments	14,844	756	1,253	1,439	1,216	120	-	19,628
Hong Kong SAR Government certificates of indebtedness	34,200	-	-	-	-	-	-	34,200
Advances and other accounts								
– advances to customers	21,980	17,656	31,084	51,336	197,399	137,684	1,007	458,146
– trade bills	-	2,910	4,022	677	-	-	-	7,609
– advances to banks and other financial institutions	27	-	-	885	2,826	-	-	3,738
Investment in securities								
– debt securities held for available-for-sale								
– certificates of deposit held	-	-	23	5,236	2,096	-	-	7,355
– others	-	19,849	13,349	40,054	58,135	26,164	6,029	163,580
– debt securities held for held-to-maturity								
– certificates of deposit held	-	2,040	2,173	2,162	6,073	-	-	12,448
– others	-	2,115	4,933	14,560	49,480	15,905	7,024	94,017
– debt securities held for loans and receivables	-	1,755	2,675	8,165	-	-	-	12,595
– equity securities	-	-	-	-	-	-	1,686	1,686
Interests in associates	-	-	-	-	-	-	88	88
Investment properties	-	-	-	-	-	-	7,727	7,727
Properties, plant and equipment	-	-	-	-	-	-	22,795	22,795
Other assets (including deferred tax assets)	2,185	12,027	11	126	157	-	327	14,833
Total assets	151,171	139,321	105,256	178,047	327,133	197,255	49,061	1,147,244

2. Financial risk management (continued)

2.3 Liquidity Risk (continued)

Maturity analysis (continued)

	2008							
	On demand HK\$'m	Up to 1 month HK\$'m	1-3 months HK\$'m	3-12 months HK\$'m	1-5 years HK\$'m	Over 5 years HK\$'m	Indefinite HK\$'m	Total HK\$'m
Liabilities								
Hong Kong SAR currency notes in circulation	34,200	-	-	-	-	-	-	34,200
Deposits and balances of banks and other financial institutions	61,206	13,646	10,655	3,272	-	-	-	88,779
Financial liabilities at fair value through profit or loss								
– certificates of deposit issued	-	-	-	858	-	-	-	858
– others	-	6,111	6,363	8,170	166	270	-	21,080
Derivative financial instruments	10,556	2,137	1,689	1,967	2,822	1,279	-	20,450
Deposits from customers	428,849	238,769	100,891	32,696	1,372	-	-	802,577
Debt securities in issue at amortised cost	-	459	148	435	-	-	-	1,042
Other accounts and provisions (including current and deferred tax liabilities)	16,328	16,003	204	2,341	2,857	232	148	38,113
Insurance contract liabilities	1,406	792	2	16	18,033	8,025	-	28,274
Subordinated liabilities	-	-	-	21	735	26,583	-	27,339
Total liabilities	552,545	277,917	119,952	49,776	25,985	36,389	148	1,062,712
Net liquidity gap	(401,374)	(138,596)	(14,696)	128,271	301,148	160,866	48,913	84,532

2. Financial risk management (continued)**2.3 Liquidity Risk (continued)****Maturity analysis (continued)**

	2007							
	On demand HK\$'m	Up to 1 month HK\$'m	1-3 months HK\$'m	3-12 months HK\$'m	1-5 years HK\$'m	Over 5 years HK\$'m	Indefinite HK\$'m	Total HK\$'m
Assets								
Cash and balances with banks and other financial institutions	40,100	118,965	-	-	-	-	-	159,065
Placements with banks and other financial institutions maturing between one and twelve months	-	-	42,230	10,924	-	-	-	53,154
Financial assets at fair value through profit or loss								
– debt securities held for trading								
– certificates of deposit held	-	-	-	80	-	-	-	80
– others	-	1,697	779	2,342	1,307	32	-	6,157
– debt securities designated at fair value through profit or loss								
– certificates of deposit held	-	-	-	415	393	2,316	-	3,124
– others	-	36	343	272	5,376	15,468	-	21,495
– equity securities	-	-	-	-	-	-	3,584	3,584
Derivative financial instruments	12,686	228	129	929	459	46	-	14,477
Hong Kong SAR Government certificates of indebtedness	32,770	-	-	-	-	-	-	32,770
Advances and other accounts								
– advances to customers	21,196	16,345	25,968	43,608	173,120	130,067	1,373	411,677
– trade bills	12	2,815	2,227	280	-	-	-	5,334
– advances to banks and other financial institutions	27	-	600	440	2,156	-	-	3,223
Investment in securities								
– debt securities held for available-for-sale								
– certificates of deposit held	-	701	462	2,614	3,689	-	-	7,466
– others	-	5,886	3,776	7,515	30,790	44,084	556	92,607
– debt securities held for held-to-maturity								
– certificates of deposit held	-	1,097	1,490	2,426	6,351	624	-	11,988
– others	-	4,278	12,309	17,166	81,918	34,031	3,738	153,440
– debt securities held for loans and receivables	-	7,459	11,444	12,199	-	-	-	31,102
– equity securities	-	-	-	-	-	-	4,580	4,580
Interests in associates	-	-	-	-	-	-	83	83
Investment properties	-	-	-	-	-	-	8,058	8,058
Properties, plant and equipment	-	-	-	-	-	-	23,293	23,293
Other assets (including deferred tax assets)	3,360	16,219	24	174	202	-	901	20,880
Total assets	110,151	175,726	101,781	101,384	305,761	226,668	46,166	1,067,637

2. Financial risk management (continued)

2.3 Liquidity Risk (continued)

Maturity analysis (continued)

	2007							
	On demand HK\$'m	Up to 1 month HK\$'m	1-3 months HK\$'m	3-12 months HK\$'m	1-5 years HK\$'m	Over 5 years HK\$'m	Indefinite HK\$'m	Total HK\$'m
Liabilities								
Hong Kong SAR currency notes in circulation	32,770	-	-	-	-	-	-	32,770
Deposits and balances of banks and other financial institutions	28,200	22,074	3,428	6,897	-	-	-	60,599
Financial liabilities at fair value through profit or loss								
– certificates of deposit issued	-	-	-	1,086	868	-	-	1,954
– others	-	2,554	1,925	3,680	983	309	-	9,451
Derivative financial instruments	8,320	418	355	954	831	214	-	11,092
Deposits from customers	329,544	329,918	98,440	35,157	547	-	-	793,606
Debt securities in issue at amortised cost	-	-	-	1,977	112	-	-	2,089
Other accounts and provisions (including current and deferred tax liabilities)	15,446	15,543	1,071	1,660	4,100	-	701	38,521
Insurance contract liabilities	2,054	-	-	535	13,786	6,122	-	22,497
Total liabilities	416,334	370,507	105,219	51,946	21,227	6,645	701	972,579
Net liquidity gap	(306,183)	(194,781)	(3,438)	49,438	284,534	220,023	45,465	95,058

The above maturity classifications have been prepared in accordance with relevant provisions under the Banking (Disclosure) Rules. The Group has reported assets such as advances and debt securities which have been overdue for not more than one month as "Repayable on demand". In the case of an asset that is repayable by different payments or instalments, only that portion of the asset that is actually overdue is reported as overdue. Any part of the asset that is not due is reported according to the residual maturity unless the repayment of the asset is in doubt in which case the amount is reported as "Indefinite". The above assets are stated after deduction of provisions, if any.

The analysis of debt securities by remaining period to maturity is disclosed in order to comply with relevant provisions under the Banking (Disclosure) Rules. The disclosure does not imply that the securities will be held to maturity.

The above analysis in respect of insurance contract liabilities represents the estimated timing of net cash outflows resulting from recognised insurance contract liabilities on the balance sheet as at 31 December.

2.4 Insurance Risk

The Group is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. The Group manages these risks through the application of its underwriting policies and reinsurance arrangement.

2. Financial risk management (continued)

2.5 Capital Management

The major objective of the Group's capital management is to maximise total shareholders' return while maintaining a capital adequacy position in relation to the Group's overall risk profile. The Group periodically reviews its capital structure and adjusts the capital mix where appropriate to achieve the required rate of return on capital.

(a) Capital adequacy ratio

	2008	2007
Capital adequacy ratio	16.17%	13.08%
Core capital ratio	10.86%	12.23%

The capital ratios are computed on the consolidated basis that comprises the positions of BOCHK and certain subsidiaries specified by the HKMA for its regulatory purposes and in accordance with the Banking (Capital) Rules.

(b) Components of capital base after deductions

The consolidated capital base after deductions used in the calculation of the above capital adequacy ratio as at 31 December and reported to the HKMA is analysed as follows:

	2008 HK\$'m	2007 HK\$'m
Core capital:		
Paid up ordinary share capital	43,043	43,043
Reserves	18,049	22,611
Profit and loss account	2,956	207
Minority interests	1,124	1,284
	65,172	67,145
Deductions from core capital	(1,536)	(483)
Core capital	63,636	66,662
Supplementary capital:		
Fair value gains arising from holdings of available-for-sale securities	87	18
Fair value gains arising from holdings of securities designated at fair value through profit or loss	–	9
Collective loan impairment allowances	1,502	1,004
Regulatory reserve	4,503	4,130
Term subordinated debt	26,583	–
	32,675	5,161
Deductions from supplementary capital	(1,536)	(483)
Supplementary capital	31,139	4,678
Total capital base after deductions	94,775	71,340

Term subordinated debt represents subordinated loans qualified as Tier 2 Capital of BOCHK pursuant to the regulatory requirements of the HKMA. Going forward, BOCHK will continue to take proactive measures to manage its capital, with a view to meet its strategic development needs.

2. Financial risk management (continued)

2.6 Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable.

Balances with banks and other financial institutions and Trade bills

The maturities of these financial assets and liabilities are within one year and the carrying value approximates fair value.

Advances to customers, banks and other financial institutions

Substantially all the advances to customers, banks and other financial institutions are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

Held-to-maturity securities

Fair value for held-to-maturity securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. The carrying value and fair value as at 31 December 2008 amounted to HK\$106,465 million (2007: HK\$165,428 million) and HK\$103,220 million (2007: HK\$166,110 million) respectively.

Loans and receivables, Certificates of deposit issued and Debt securities in issue

A discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity and their carrying value approximates fair value.

Deposits from customers

Substantially all the deposits from customers mature within one year from balance sheet date and their carrying value approximates fair value.

Subordinated liabilities

All the subordinated liabilities are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

3. Earnings per share for profit attributable to the equity holders of the Company

The calculation of basic earnings per share is based on the consolidated profit attributable to the equity holders of the Company for the year ended 31 December 2008 of approximately HK\$3,343 million (2007: HK\$15,446 million) and on the ordinary shares in issue of 10,572,780,266 shares (2007: 10,572,780,266 ordinary shares).

There was no dilution of earnings per share as no potential ordinary shares were in issue for the year ended 31 December 2008 (2007: Nil).

4. Directors' and senior management's emoluments

(a) Directors' emoluments

Details of the emoluments paid to or receivable by the directors of the Company in respect of their services rendered for the Company and managing the subsidiaries within the Group during the year are as follows:

For the year 2008	Directors' fees HK\$'000	Basic salaries, allowances and benefits in kind HK\$'000	Contributions to pension schemes HK\$'000	Bonus HK\$'000	Total HK\$'000
Executive Directors					
He Guangbei	100	6,013	–	–	6,113
Lee Raymond Wing Hung	414	6,979	247	–	7,640
Gao Yingxin	100	4,308	–	–	4,408
	614	17,300	247	–	18,161
Non-executive Directors					
Xiao Gang	–	–	–	–	–
Sun Changji	300	–	–	–	300
Li Zaohang	250	–	–	–	250
Zhou Zaiqun	365	–	–	–	365
Zhang Yanling	250	–	–	–	250
Fung Victor Kwok King*	300	–	–	–	300
Koh Beng Seng*	350	–	–	–	350
Shan Weijian*	350	–	–	–	350
Tung Chee Chen*	300	–	–	–	300
Tung Savio Wai-Hok*	350	–	–	–	350
Yang Linda Tsao*	400	–	–	–	400
	3,215	–	–	–	3,215
	3,829	17,300	247	–	21,376

Note: Basic salaries, allowances and benefits in kind for the year 2008 include fixed guaranteed bonus.

4. Directors' and senior management's emoluments (continued)

(a) Directors' emoluments (continued)

For the year 2007	Directors' fees HK\$'000	Basic salaries, allowances and benefits in kind HK\$'000	Contributions to pension schemes HK\$'000	Bonus HK\$'000	Total HK\$'000
Executive Directors					
He Guangbei	100	5,326	–	3,000	8,426
Lee Raymond Wing Hung**	259	3,044	112	1,339	4,754
Gao Yingxin**	100	2,278	–	1,120	3,498
	459	10,648	112	5,459	16,678
Non-executive Directors					
Xiao Gang	–	–	–	–	–
Sun Changji	300	–	–	–	300
Hua Qingshan	137	–	–	–	137
Li Zaohang	250	–	–	–	250
Zhou Zaiqun	300	–	–	–	300
Zhang Yanling	250	–	–	–	250
Fung Victor Kwok King*	300	–	–	–	300
Koh Beng Seng*	350	–	–	–	350
Shan Weijian*	350	–	–	–	350
Tung Chee Chen*	300	–	–	–	300
Tung Savio Wai-Hok*	350	–	–	–	350
Yang Linda Tsao*	400	–	–	–	400
	3,287	–	–	–	3,287
	3,746	10,648	112	5,459	19,965

Note:

* Independent Non-executive Directors

** The directors were appointed on 25 May 2007, therefore the accounts of their emoluments for 2007 were disclosed on a pro-rata basis.

In July 2002, options were granted to several directors of the Company by the immediate holding company, BOC (BVI), under the Pre-Listing Share Option Scheme. During the year, certain options were exercised, but no benefits arising from the granting of these share options were included in the directors' emoluments disclosed above or recognised in the income statement.

For the year ended 31 December 2008, one of the directors waived emoluments of HK\$200,000 (2007: HK\$200,000).

4. Directors' and senior management's emoluments (continued)**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include 2 (2007: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2007: 3) individuals during the year are as follows:

	2008 HK\$m	2007 HK\$m
Basic salaries and allowances	13	11
Bonuses	–	4
Contributions to pension schemes	1	1
Director's fee from subsidiaries	1	–
Amount paid as an inducement to join the Group	–	4
	15	20

Note: Basic salaries and allowances for the year 2008 include fixed guaranteed bonus.

Emoluments of individuals were within the following bands:

	Number of individuals	
	2008	2007
HK\$4,000,001 – HK\$4,500,000	1	–
HK\$4,500,001 – HK\$5,000,000	1	–
HK\$5,500,001 – HK\$6,000,000	1	1
HK\$6,500,001 – HK\$7,000,000	–	1
HK\$7,500,001 – HK\$8,000,000	–	1

5. Investment properties

	2008 HK\$'m	2007 HK\$'m
At 1 January	8,058	7,481
Disposals	(186)	(200)
Fair value (losses)/gains	(132)	1,056
Reclassification to properties, plant and equipment (Note 6)	(13)	(279)
At 31 December	7,727	8,058

As at 31 December 2008, investment properties are included in the consolidated balance sheet at valuation carried out at 31 December 2008 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited.

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

	2008 HK\$'m	2007 HK\$'m
Held in Hong Kong		
On long-term lease (over 50 years)	7,040	7,251
On medium-term lease (10 – 50 years)	505	528
On short-term lease (less than 10 years)	–	48
Held outside Hong Kong		
On long-term lease (over 50 years)	1	3
On medium-term lease (10 – 50 years)	177	224
On short-term lease (less than 10 years)	4	4
	7,727	8,058

6. Properties, plant and equipment

	Premises HK\$'m	Equipment, fixtures and fittings HK\$'m	Total HK\$'m
Net book value at 1 January 2008	20,783	2,510	23,293
Additions	42	776	818
Disposals	(68)	(5)	(73)
Revaluation	(265)	–	(265)
Depreciation for the year	(400)	(592)	(992)
Reclassification from investment properties (Note 5)	13	–	13
Exchange difference	–	1	1
Net book value at 31 December 2008	20,105	2,690	22,795
At 31 December 2008			
Cost or valuation	20,105	6,239	26,344
Accumulated depreciation and impairment	–	(3,549)	(3,549)
Net book value at 31 December 2008	20,105	2,690	22,795
Net book value at 1 January 2007	17,906	1,834	19,740
Additions	–	1,147	1,147
Disposals	(16)	(17)	(33)
Revaluation	2,946	–	2,946
Depreciation for the year	(332)	(455)	(787)
Reclassification from investment properties (Note 5)	279	–	279
Exchange difference	–	1	1
Net book value at 31 December 2007	20,783	2,510	23,293
At 31 December 2007			
Cost or valuation	20,783	5,642	26,425
Accumulated depreciation and impairment	–	(3,132)	(3,132)
Net book value at 31 December 2007	20,783	2,510	23,293
The analysis of cost or valuation of the above assets is as follows:			
At 31 December 2008			
At cost	–	6,239	6,239
At valuation	20,105	–	20,105
	20,105	6,239	26,344
At 31 December 2007			
At cost	–	5,642	5,642
At valuation	20,783	–	20,783
	20,783	5,642	26,425

6. Properties, plant and equipment (continued)

The carrying value of premises is analysed based on the remaining terms of the leases as follows:

	2008 HK\$'m	2007 HK\$'m
Held in Hong Kong		
On long-term lease (over 50 years)	12,825	12,955
On medium-term lease (10 – 50 years)	6,873	7,584
Held outside Hong Kong		
On long-term lease (over 50 years)	75	57
On medium-term lease (10 – 50 years)	306	170
On short-term lease (less than 10 years)	26	17
	20,105	20,783

As at 31 December 2008, premises are included in the consolidated balance sheet at valuation carried out at 31 December 2008 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited.

As a result of the above-mentioned revaluations, changes in value of the Group's premises were recognised in the Group's premises revaluation reserve, the income statement and minority interests respectively as follows:

	2008 HK\$'m	2007 HK\$'m
(Decrease)/increase in valuation (charged)/credited to premises revaluation reserve	(250)	2,910
(Decrease)/increase in valuation (charged)/credited to income statement	(24)	19
Increase in valuation credited to minority interests	9	17
	(265)	2,946

As at 31 December 2008, the net book value of premises that would have been included in the Group's consolidated balance sheet had the assets been carried at cost less accumulated depreciation and impairment losses was HK\$6,123 million (2007: HK\$6,072 million).

7. Deferred taxation

Deferred tax is recognised in respect of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements in accordance with HKAS 12 "Income Taxes".

The major components of deferred tax assets and liabilities recorded in the consolidated balance sheet, and the movements during the year are as follows:

	2008					
	Accelerated tax depreciation HK\$'m	Asset revaluation HK\$'m	Losses HK\$'m	Impairment allowance HK\$'m	Other temporary differences HK\$'m	Total HK\$'m
At 1 January 2008	533	3,777	(15)	(169)	(182)	3,944
Charged/(credited) to income statement	12	(205)	(111)	(85)	(75)	(464)
Credited to equity and minority interests	-	(108)	-	-	(727)	(835)
At 31 December 2008	545	3,464	(126)	(254)	(984)	2,645

	2007					
	Accelerated tax depreciation HK\$'m	Asset revaluation HK\$'m	Losses HK\$'m	Impairment allowance HK\$'m	Other temporary differences HK\$'m	Total HK\$'m
At 1 January 2007	401	3,155	(71)	(89)	(74)	3,322
Charged/(credited) to income statement	132	143	56	(80)	1	252
Charged/(credited) to equity and minority interests	-	479	-	-	(109)	370
At 31 December 2007	533	3,777	(15)	(169)	(182)	3,944

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2008 HK\$'m	2007 HK\$'m
Deferred tax assets	(154)	(23)
Deferred tax liabilities	2,799	3,967
	2,645	3,944

	2008 HK\$'m	2007 HK\$'m
Deferred tax assets to be recovered after more than twelve months	(154)	(23)
Deferred tax liabilities to be settled after more than twelve months	3,762	4,115
	3,608	4,092

7. Deferred taxation (continued)

The deferred tax (credited)/charged to equity during the year is as follows:

	2008 HK\$m	2007 HK\$m
Fair value reserves in shareholders' equity:		
– premises	(109)	476
– available-for-sale securities	(727)	(109)
– minority interests	1	3
	(835)	370

8. Share capital

	2008 HK\$m	2007 HK\$m
Authorised: 20,000,000,000 ordinary shares of HK\$5 each	100,000	100,000
Issued and fully paid: 10,572,780,266 ordinary shares of HK\$5 each	52,864	52,864

9. Reserves

	Attributable to equity holders of the Company								
	Share capital HK\$m	Premises revaluation reserve HK\$m	Reserve for fair value changes of available- for-sale securities HK\$m	Regulatory reserve* HK\$m	Translation reserve HK\$m	Retained earnings HK\$m	Total HK\$m	Minority interests HK\$m	Total equity HK\$m
At 1 January 2007	52,864	6,040	(115)	3,621	-	22,245	84,655	1,985	86,640
Net profit for the year	-	-	-	-	-	15,446	15,446	371	15,817
Currency translation difference	-	-	-	-	14	-	14	-	14
2006 final dividend paid	-	-	-	-	-	(4,726)	(4,726)	(79)	(4,805)
2007 interim dividend paid	-	-	-	-	-	(4,525)	(4,525)	(78)	(4,603)
Revaluation of premises	-	2,910	-	-	-	-	2,910	17	2,927
Release upon disposal of premises	-	(23)	-	-	-	23	-	-	-
Change in fair value of available-for-sale securities taken to equity	-	-	(768)	-	-	-	(768)	3	(765)
Amortisation with respect to available-for-sale securities transferred to held-to-maturity securities	-	-	12	-	-	(115)	(103)	-	(103)
Net impairment charges transferred to income statement	-	-	289	-	-	-	289	-	289
Release of reserve upon disposal of available-for-sale securities	-	-	17	-	-	-	17	-	17
Release of deferred tax	-	(476)	109	-	-	-	(367)	(3)	(370)
Transfer from retained earnings	-	-	-	509	-	(509)	-	-	-
At 31 December 2007	52,864	8,451	(456)	4,130	14	27,839	92,842	2,216	95,058
Company and subsidiaries	52,864	8,451	(456)	4,130	14	27,794	92,797		
Associates	-	-	-	-	-	45	45		
	52,864	8,451	(456)	4,130	14	27,839	92,842		

9. Reserves (continued)

	Attributable to equity holders of the Company								
	Share capital HK\$'m	Premises revaluation reserve HK\$'m	Reserve for fair value changes of available- for-sale securities HK\$'m	Regulatory reserve* HK\$'m	Translation reserve HK\$'m	Retained earnings HK\$'m	Total HK\$'m	Minority interests HK\$'m	Total equity HK\$'m
At 1 January 2008	52,864	8,451	(456)	4,130	14	27,839	92,842	2,216	95,058
Net profit for the year	-	-	-	-	-	3,343	3,343	(336)	3,007
Currency translation difference	-	-	-	-	212	-	212	-	212
2007 final dividend paid	-	-	-	-	-	(5,149)	(5,149)	(107)	(5,256)
2008 interim dividend paid	-	-	-	-	-	(4,631)	(4,631)	(217)	(4,848)
Revaluation of premises	-	(250)	-	-	-	-	(250)	9	(241)
Release upon disposal of premises	-	(96)	-	-	-	96	-	-	-
Change in fair value of available-for-sale securities taken to equity	-	-	(12,251)	-	-	-	(12,251)	4	(12,247)
Amortisation with respect to available-for-sale securities transferred to held-to-maturity securities	-	-	1	-	-	(88)	(87)	-	(87)
Net impairment charges transferred to income statement	-	-	7,839	-	-	-	7,839	-	7,839
Release of reserve upon disposal of available-for-sale securities	-	-	15	-	-	-	15	-	15
Release of deferred tax	-	109	727	-	-	-	836	(1)	835
Transfer from retained earnings	-	-	-	373	-	(373)	-	-	-
Increase in minority interest arising from capital issuance of a subsidiary	-	-	-	-	-	-	-	245	245
At 31 December 2008	52,864	8,214	(4,125)	4,503	226	21,037	82,719	1,813	84,532
Company and subsidiaries	52,864	8,214	(4,125)	4,503	226	20,987	82,669		
Associates	-	-	-	-	-	50	50		
	52,864	8,214	(4,125)	4,503	226	21,037	82,719		

* In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised under HKAS 39.

10. Segmental reporting

The Group engages in many businesses in several regions. For segmental reporting purposes, information is solely provided in respect of business segments. Geographical segment information is not presented because over 90% of the Group's revenues, profits before tax and assets are derived from Hong Kong.

Information about four business segments is provided in segmental reporting. They are Personal Banking, Corporate Banking, Treasury and Insurance.

Both Personal Banking and Corporate Banking segments provide general banking services. Personal Banking serves individual customers while Corporate Banking deals with non individual customers. The Treasury segment is responsible for managing the capital, liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. The Insurance segment shows business relates to the Group's long-term life insurance products, including traditional and linked individual life insurance and group life insurance products. "Others" refers to those items related to the Group as a whole but independent of the other four business segments, including the Group's holdings of premises, investment properties, equity investments and interests in associates.

Revenues, expenses, assets and liabilities of any business segment mainly include items directly attributable to the segment. In relation to occupation of the Group's premises, rentals are internally charged on market rates according to the areas occupied. For management overheads, allocations are made on reasonable bases. Inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group. The charge on any such funding is mainly made by reference to the corresponding money market rate.

10. Segmental reporting (continued)

	2008							
	Personal HK\$'m	Corporate HK\$'m	Treasury HK\$'m	Insurance HK\$'m	Others HK\$'m	Subtotal HK\$'m	Eliminations HK\$'m	Consolidated HK\$'m
Net interest (expenses)/income								
– external	(3,241)	6,924	15,322	1,122	30	20,157	–	20,157
– inter-segment	9,752	(975)	(8,144)	–	(633)	–	–	–
	6,511	5,949	7,178	1,122	(603)	20,157	–	20,157
Net fees and commission income/(expenses)	3,597	2,032	(95)	(277)	35	5,292	(113)	5,179
Net trading income/(expenses)	548	186	1,298	–	(119)	1,913	1	1,914
Net loss on financial instruments designated at fair value through profit or loss	–	–	(316)	(136)	–	(452)	–	(452)
Net loss on investment in securities	–	–	(15)	–	–	(15)	–	(15)
Net insurance premium income	–	–	–	5,899	–	5,899	(8)	5,891
Other operating income	34	44	7	17	1,829	1,931	(1,370)	561
Total operating income	10,690	8,211	8,057	6,625	1,142	34,725	(1,490)	33,235
Net insurance benefits and claims	–	–	–	(7,709)	–	(7,709)	–	(7,709)
Net operating income/(expense) before impairment allowances	10,690	8,211	8,057	(1,084)	1,142	27,016	(1,490)	25,526
Net charge of impairment allowances	(129)	(544)	(9,170)	–	(2,730)	(12,573)	–	(12,573)
Net operating income/(expense)	10,561	7,667	(1,113)	(1,084)	(1,588)	14,443	(1,490)	12,953
Operating expenses	(5,669)	(2,143)	(831)	(147)	(1,471)	(10,261)	1,490	(8,771)
Operating profit/(loss)	4,892	5,524	(1,944)	(1,231)	(3,059)	4,182	–	4,182
Net loss from disposal of/fair value adjustments on investment properties	–	–	–	–	(118)	(118)	–	(118)
Net gain from disposal/ revaluation of properties, plant and equipment	–	–	–	–	7	7	–	7
Share of profits less losses of associates	–	–	–	–	7	7	–	7
Profit/(loss) before taxation	4,892	5,524	(1,944)	(1,231)	(3,163)	4,078	–	4,078
Assets								
Segment assets	165,148	324,606	603,965	31,703	32,016	1,157,438	(10,844)	1,146,594
Interests in associates	–	–	–	–	88	88	–	88
Unallocated corporate assets	–	–	–	–	562	562	–	562
	165,148	324,606	603,965	31,703	32,666	1,158,088	(10,844)	1,147,244
Liabilities								
Segment liabilities	523,682	309,254	203,481	30,977	1,447	1,068,841	(10,844)	1,057,997
Unallocated corporate liabilities	–	–	–	–	4,715	4,715	–	4,715
	523,682	309,254	203,481	30,977	6,162	1,073,556	(10,844)	1,062,712
Other information								
Additions of properties, plant and equipment	12	5	–	5	796	818	–	818
Depreciation	271	132	108	3	478	992	–	992
Amortisation of securities	–	–	149	–	–	149	–	149

10. Segmental reporting (continued)

	2007							
	Personal HK\$m	Corporate HK\$m	Treasury HK\$m	Insurance HK\$m	Others HK\$m	Subtotal HK\$m	Eliminations HK\$m	Consolidated HK\$m
Net interest (expenses)/income								
– external	(8,552)	5,067	22,015	788	77	19,395	–	19,395
– inter-segment	16,696	672	(16,146)	–	(1,222)	–	–	–
	8,144	5,739	5,869	788	(1,145)	19,395	–	19,395
Net fees and commission income/(expenses)	4,983	1,778	47	(307)	(116)	6,385	(111)	6,274
Net trading income	538	151	236	–	87	1,012	1	1,013
Net (loss)/gain on financial instruments designated at fair value through profit or loss	–	–	(25)	893	–	868	–	868
Net loss on investment in securities	–	–	(53)	–	–	(53)	–	(53)
Net insurance premium income	–	–	–	8,429	–	8,429	(3)	8,426
Other operating income	410	1	1	15	1,688	2,115	(1,344)	771
Total operating income	14,075	7,669	6,075	9,818	514	38,151	(1,457)	36,694
Net insurance benefits and claims	–	–	–	(9,440)	–	(9,440)	–	(9,440)
Net operating income before impairment allowances	14,075	7,669	6,075	378	514	28,711	(1,457)	27,254
Net (charge)/reversal of impairment allowances	(112)	797	(2,133)	–	–	(1,448)	–	(1,448)
Net operating income	13,963	8,466	3,942	378	514	27,263	(1,457)	25,806
Operating expenses	(5,829)	(1,940)	(627)	(117)	(717)	(9,230)	1,457	(7,773)
Operating profit/(loss)	8,134	6,526	3,315	261	(203)	18,033	–	18,033
Net gain from disposal of/ fair value adjustments on investment properties	–	–	–	–	1,064	1,064	–	1,064
Net (loss)/gain from disposal/ revaluation of properties, plant and equipment	(5)	–	–	–	31	26	–	26
Share of profits less losses of associates	–	–	–	–	3	3	–	3
Profit before taxation	8,129	6,526	3,315	261	895	19,126	–	19,126
Assets								
Segment assets	162,634	281,680	566,661	24,545	37,567	1,073,087	(5,771)	1,067,316
Interests in associates	–	–	–	–	83	83	–	83
Unallocated corporate assets	–	–	–	–	238	238	–	238
	162,634	281,680	566,661	24,545	37,888	1,073,408	(5,771)	1,067,637
Liabilities								
Segment liabilities	545,397	284,353	116,095	23,182	2,539	971,566	(5,771)	965,795
Unallocated corporate liabilities	–	–	–	–	6,784	6,784	–	6,784
	545,397	284,353	116,095	23,182	9,323	978,350	(5,771)	972,579
Other information								
Additions of properties, plant and equipment	14	8	–	2	1,123	1,147	–	1,147
Depreciation	234	90	56	2	405	787	–	787
Amortisation of securities	–	–	2,075	–	–	2,075	–	2,075

11. Loans to directors and officers

Particulars of advances made to directors and officers of the Company pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	2008 HK\$'m	2007 HK\$'m
Aggregate amount of relevant loans outstanding at year end	655	622
Maximum aggregate amount of relevant loans outstanding during the year	667	839

12. Approval of summary financial statements

These Summary Financial Statements were approved and authorised for issue by the Board of Directors on 24 March 2009.

CONNECTED TRANSACTIONS

In 2008, BOCHK, a wholly owned subsidiary of the Company, and its subsidiaries engaged on a regular basis in the usual course of their business in numerous transactions with BOC and its Associates. As BOC is the Company's controlling shareholder and therefore a connected person of the Company, all such transactions constituted connected transactions for the purposes of the Listing Rules. Central SAFE is the ultimate controlling shareholder of the Company, with the stated purpose of exercising the rights of an equity investor on behalf of the PRC Government and not to have any commercial operations. For the purposes of this report, therefore, Central SAFE and her associates has not been treated as connected persons to the Company.

The transactions fell into the following three categories:

1. exempted transactions entered into in the usual course of business and under normal commercial terms. Such transactions were exempted from disclosure and independent shareholder approval by virtue of Rules 14A.31, 14A.33 and 14A.65 of the Listing Rules;
2. certain regular banking transactions entered into on a continual basis throughout the year. On 2 January 2008 the Company made an announcement (the "Announcement") in accordance with Rule 14A.47 of the Listing Rules, and has got the approval from the independent shareholders on 20 May 2008. The Announcement listed those continuing connected transactions that exceeded the de minimus threshold and set out caps in respect of such transactions for the three years 2008-2010. These transactions were conducted in the ordinary course of its business and on normal commercial terms. Details of these continuing connected transactions are set out below and are described in the announcements which may be viewed at the Company's website.

Type of Transaction	2008 Cap (HK\$'m)	2008 Actual Amount (HK\$'m)
Securities Transactions	2,700	324
Fund Distribution Transactions	2,700	70
Credit Card Services	1,100	116
Information Technology Services	1,100	42
Property Transactions	1,100	104
Bank-note Delivery	1,100	88
Insurance Agency	2,700	343
Provision of Insurance Cover	1,100	105
Foreign Exchange Transactions	2,700	200
Trading of Financial Assets	50,000	4,150
Inter-bank Capital Markets	50,000	1,709

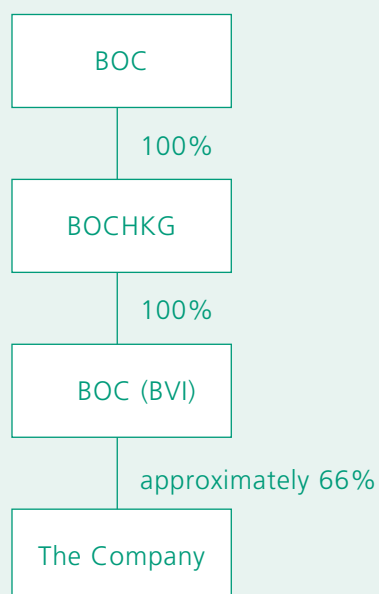
3. The Company disclosed in two connected transactions announcements on 25 June 2008 and 12 December 2008 respectively that it entered into two subordinated credit facility agreements with BOC. Pursuant to such agreements, BOC extended a €660,000,000 subordinated credit facility and a US\$2,500,000,000 subordinated credit facility to BOCHK respectively. The terms of the subordinated credit facilities were negotiated on an arm's length basis between the two parties and the subordinated loans were provided on normal commercial terms. With the benefit of advice by an independent financial adviser in each transaction, the independent board committee considers that the terms are fair and reasonable. Details of these connected transactions are described in the announcements which may be viewed at the Company's website.

RECONCILIATION BETWEEN HKFRSs VS IFRS/CAS

The Company understands that BOC, an intermediate holding company as well as controlling shareholder of the Company, will prepare and disclose consolidated financial information in accordance with IFRS and CAS for which the Company and its subsidiaries will form part of the consolidated financial statements. CAS is the new set of PRC accounting standards that has been effective for annual periods beginning on or after 1 January 2007 for companies publicly listed in PRC. The requirements of CAS have substantially converged with IFRS and HKFRSs.

The consolidated financial information of “BOC Hong Kong Group” for the periods disclosed by BOC in its consolidated financial statements is not the same as the consolidated financial information of the Group for the periods published by the Company pursuant to applicable laws and regulations in Hong Kong. There are two reasons for this.

First, the definitions of “BOC Hong Kong Group” (as adopted by BOC for the purpose of its own financial disclosure) and “Group” (as adopted by the Company in preparing and presenting its consolidated financial information) are different: “BOC Hong Kong Group” refers to BOCHKG and its subsidiaries, whereas “Group” refers to the Company and its subsidiaries (see the below organisation chart). Though there is difference in definitions between “BOC Hong Kong Group” and “Group”, their financial results for the periods presented are substantially the same. This is because BOCHKG and BOC (BVI) are holding companies only and have no substantive operations of their own.



Second, the Group has prepared its consolidated financial statements in accordance with HK GAAP prior to 1 January 2005 and as from 1 January 2005 onwards in accordance with HKFRSs; whereas the consolidated financial information reported to BOC is prepared in accordance with IFRS and CAS respectively. Despite the fact that HKFRSs have converged with IFRS, there is a timing difference in the initial adoption of HKFRSs and IFRS by the Group and by BOC respectively.

The Board considers that the best way to ensure that shareholders and the investing public understand the material differences between the consolidated financial information of the Group published by the Company on the one hand, and the consolidated financial information of BOC Hong Kong Group disclosed by BOC in its financial statements on the other hand, is to present reconciliations of the profit after tax/net assets of the Group prepared under HKFRSs to the profit after tax/net assets of the Group prepared under IFRS and CAS respectively for the periods presented.

The major differences between HKFRSs and IFRS/CAS, which arise from the difference in measurement basis in IFRS or CAS and the timing difference in the initial adoption of HKFRSs and IFRS relate to the following:

- re-measurement of carrying value of treasury products;
- restatement of carrying value of bank premises; and
- deferred taxation impact arising from the above different measurement basis.

(a) Re-measurement of carrying value of treasury products

Due to the difference in the timing of first adoption of HKFRSs and IFRS, classification and measurement of certain investment securities under HK GAAP/HKFRSs and IFRS were different. Therefore, investment securities were reclassified and re-measured to align with the accounting policies of BOC for the relevant periods. Classification and measurement under IFRS and CAS is basically the same.

(b) Restatement of carrying value of bank premises

The Company has elected for a revaluation basis rather than cost basis to account for bank premises and investment properties under HKFRSs. On the contrary, BOC has elected for the cost convention for bank premises and revaluation basis for investment properties under IFRS and CAS. Therefore, adjustments have been made to the carrying value of bank premises as well as to re-calculate the depreciation charge and disposal gain/loss under IFRS and CAS.

(c) Deferred tax adjustments

These represent the deferred tax effect of the aforesaid adjustments.

Going forward, the differences relating to the restatement of carrying value of bank premises as a result of the election of the different measurement basis allowed under HKFRSs, IFRS and CAS will be recurring in the future, while the timing difference related to the measurement of investment securities will be reversed gradually and eliminated in future years.

Profit after tax/Net assets reconciliation**HKFRSs Vs IFRS/CAS**

	Profit after tax		Net assets	
	2008 HK\$'m	2007 HK\$'m	2008 HK\$'m	2007 HK\$'m
Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under HKFRSs	3,007	15,817	84,532	95,058
Add: IFRS/CAS adjustments				
Re-measurement of carrying value of treasury products	(54)	(146)	35	1
Restatement of carrying value of bank premises	280	125	(9,445)	(9,990)
Deferred tax adjustments	(51)	(3)	1,534	1,692
Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under IFRS/CAS	3,182	15,793	76,656	86,761

INDEPENDENT AUDITOR'S STATEMENT ON THE SUMMARY FINANCIAL REPORT

TO THE SHAREHOLDERS OF BOC HONG KONG (HOLDINGS) LIMITED

(incorporated in Hong Kong with limited liability)

We have examined the summary financial report of BOC Hong Kong (Holdings) Limited for the year ended 31 December 2008 on pages 2 to 108.

Directors' responsibility

Under the Hong Kong Companies Ordinance, the directors are responsible for preparing the summary financial report which complies with section 141CF(1) of the Hong Kong Companies Ordinance. In preparing the summary financial report, section 141CF(1) of the Hong Kong Companies Ordinance requires that the summary financial report be derived from the annual financial statements and the independent auditor's report thereon and the directors' report for the year ended 31 December 2008, be in such form and contain such information and particulars as specified in section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and be approved by the board of directors.

Auditor's responsibility

It is our responsibility to form an independent opinion on the summary financial report, based on our examination, and to report our opinion solely to you, as a body, and we are also required to state whether the independent auditor's report on the annual financial statements for the year ended 31 December 2008 is qualified or otherwise modified, in accordance with section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this statement.

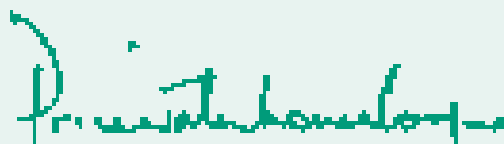
We conducted our engagement in accordance with Hong Kong Standards on Assurance Engagements and with reference to Practice Note 710 "The auditors' statement on the summary financial report" issued by the Hong Kong Institute of Certified Public Accountants. Our examination includes examining evidence supporting the consistency of the summary financial report with the annual financial statements and the independent auditor's report thereon and the directors' report for the year ended 31 December 2008 and the compliance of the summary financial report with the requirements of section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Opinion

Based on the foregoing, in our opinion the summary financial report on pages 2 to 108:

- (a) is consistent with the annual financial statements and the independent auditor's report thereon and the directors' report of BOC Hong Kong (Holdings) Limited for the year ended 31 December 2008 from which it is derived; and
- (b) complies with the requirements of section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation.

We have audited the annual financial statements of BOC Hong Kong (Holdings) Limited for the year ended 31 December 2008 and have issued an independent auditor's report thereon dated 24 March 2009 which is unqualified or otherwise unmodified.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2009

SHAREHOLDER INFORMATION

Financial Calendar 2009

Announcement of 2008 annual results	24 March (Tuesday)
Last day in Hong Kong of dealings in the Company's shares with entitlement to attend the 2009 annual general meeting	12 May (Tuesday)
Latest time in Hong Kong for lodging transfers for entitlement to attend the 2009 annual general meeting	14 May (Thursday) 4:30 p.m.
Book closure period (both days inclusive)	15 May (Friday) to 21 May (Thursday)
Record date for the 2009 annual general meeting	21 May (Thursday)
Latest time for lodging proxy forms for 2009 Annual General Meeting	19 May (Tuesday) 3:00 p.m.
2009 Annual General Meeting	21 May (Thursday) 3:00 p.m.
Announcement of 2009 interim results	Mid to late August

Annual General Meeting

The 2009 Annual General Meeting will be held at 3:00 p.m. on Thursday, 21 May 2009 at Meeting Room S421, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong (please use Harbour Road Entrance).

Dividends

The Directors do not recommend a final dividend. With the interim dividend per share of HK\$0.438 paid during 2008, the total dividend per share amounted to HK\$0.438 for the whole year.

Share Information

Listing

The Company's ordinary shares are listed and traded on the Stock Exchange of Hong Kong Limited (HKEX). In addition, the Company maintains a Level 1 ADR facility for its ADSs. Each ADS represents 20 ordinary shares of the Company.

Ordinary shares (as at 31 December 2008)

Issued shares:	10,572,780,266
Public float:	Approximately 34%

Nominal value

HK\$5.00 per share

Market capitalisation (as at 31 December 2008)

HK\$92.8 billion

Share Price

Closing price on 29 December 2006:	HK\$21.10
Closing price on 31 December 2007:	HK\$21.85
Closing price on 31 December 2008:	HK\$8.78
Highest trading price during the year:	HK\$24.10
Lowest trading price during the year:	HK\$7.33

Credit ratings (long term)

Standard & Poor's:	A-
Moody's Investors Service:	Aa3
Fitch Ratings:	A

SHAREHOLDER INFORMATION

Index constituent

The Company is a constituent of the following indices:

Hang Seng Index
MSCI Index
FTSE Index Series

Stock codes

Ordinary shares:

HKEX	2388
Reuters	2388.HK
Bloomberg	2388 HK

Level 1 ADR Programme:

CUSIP No.:	096813209
OTC Symbol:	BHKLY

Shareholder Enquiries

Any matters relating to your shareholding, e.g. transfer of shares, change of name or address, lost share certificates and dividend warrants, should be sent in writing to:

Hong Kong	Computershare Hong Kong Investor Services Limited Rooms 1806 – 1807 18th Floor, Hopewell Centre 183 Queen's Road East, Hong Kong Telephone: (852) 2862 8555 Facsimile: (852) 2865 0990 / (852) 2529 6087 E-mail: bochk.ecom@computershare.com.hk
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USA	Citibank Shareholder Services 250 Royall Street Canton, MA 02021, USA Telephone: 1-877-248-4237 (toll free) 1-781-575-4555 (outside USA) E-mail: Citibank@shareholders-online.com
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Investor Relations Contact

Enquiries may be directed to:

Investor Relations Division
BOC Hong Kong (Holdings) Limited
52nd Floor
Bank of China Tower
1 Garden Road
Hong Kong
Telephone: (852) 2903 6602 / (852) 2826 6314
Facsimile: (852) 2810 5830
E-mail: investor_relations@bochk.com

DEFINITIONS

In this Summary Financial Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

Terms	Meanings
"AC"	The Audit Committee
"ADR"	American Depositary Receipt
"ADS(s)"	American Depositary Share(s)
"ALCO"	The Asset and Liability Management Committee
"ATM"	Automated Teller Machine
"Annual Financial Statements"	the annual financial statements of BOC Hong Kong (Holdings) Limited
"Associate(s)"	has the meaning ascribed to "associate(s)" in the Listing Rules
"Board" or "Board of Directors"	the Board of Directors of the Company
"BOC"	Bank of China Limited, a joint stock commercial bank with limited liability established under the laws of the PRC, the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
"BOC (BVI)"	BOC Hong Kong (BVI) Limited, a company incorporated under the laws of the British Virgin Islands and a wholly owned subsidiary of BOCHK
"BOC Insurance"	Bank of China Group Insurance Company Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOC
"BOC Life"	BOC Group Life Assurance Company Limited, a company incorporated under the laws of Hong Kong, in which the Group and BOC Insurance hold equity interests of 51% and 49% respectively
"BOC-CC"	BOC Credit Card (International) Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOCHK
"BOCHK" or "the Bank"	Bank of China (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of the Company
"BOCHK Charitable Foundation"	Bank of China (Hong Kong) Limited Charitable Foundation (formerly known as the "Bank of China Group Charitable Foundation"), a charitable foundation being established in July 1994
"BOCHKG"	BOC Hong Kong (Group) Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOC
"BOCI"	BOC International Holdings Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOC
"CAR"	Capital Adequacy Ratio, computed on the consolidated basis that comprises the positions of BOCHK and certain subsidiaries specified by the HKMA for its regulatory purposes and in accordance with the Banking (Capital) Rules
"CAS"	China Accounting Standards
"CBS"	Corporate Banking Services
"CE"	Chief Executive
"CRO"	Chief Risk Officer
"Central SAFE"	Central SAFE Investments Limited
"Chiyu"	Chiyu Banking Corporation Limited, a company incorporated under the laws of Hong Kong, in which BOCHK holds an equity interest of 70.49%
"Company"	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong

DEFINITIONS

Terms	Meanings
"Fitch"	Fitch Ratings
"GDP"	Gross Domestic Product
"Group"	the Company and its subsidiaries collectively referred as the Group
"HIBOR"	Hong Kong Interbank Offered Rate
"HK GAAP"	Generally Accepted Accounting Principles in Hong Kong
"HKAS(s)"	Hong Kong Accounting Standard(s)
"HKFRS(s)"	Hong Kong Financial Reporting Standard(s)
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKMA"	Hong Kong Monetary Authority
"Hong Kong" or "Hong Kong SAR"	Hong Kong Special Administrative Region
"IPO"	Initial Public Offering
"IT"	Information Technology
"LIBOR"	London Interbank Offered Rate
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"The Mainland" or "Mainland China" or "The Mainland of China"	The mainland of the PRC
"MPF"	Mandatory Provident Fund
"MSCI Index"	Morgan Stanley Capital International Index
"Moody's"	Moody's Investors Service
"Nanyang"	Nanyang Commercial Bank, Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOCHK
"Nanyang (China)"	Nanyang Commercial Bank (China) Limited, a company incorporated under the laws of the PRC and a wholly owned subsidiary of Nanyang
"PRC"	The People's Republic of China
"QDII(s)"	Qualified Domestic Institutional Investor(s)
"RC"	The Risk Committee
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RMD"	The Risk Management Department
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SME(s)"	Small and medium-sized enterprise(s)
"Share Option Scheme"	the Share Option Scheme conditionally approved and adopted by the shareholders of the Company on 10 July 2002
"Sharesave Plan"	the Sharesave Plan conditionally approved and adopted by the shareholders of the Company on 10 July 2002
"Standard & Poor's"	Standard & Poor's Ratings Services
"Stock Exchange" or "Stock Exchange of Hong Kong"	The Stock Exchange of Hong Kong Limited
"TD"	The Treasury Department
"UK"	United Kingdom
"US" or "USA"	The United States of America

BRANCH NETWORK & CORPORATE BANKING CENTRES

Bank of China (Hong Kong) – Branch Network Hong Kong Island

Branch	Address	Telephone
Central & Western District		
Bank of China Tower Branch	1 Garden Road, Hong Kong	2826 6888
Sheung Wan Branch	252 Des Voeux Road Central, Hong Kong	2541 1601
Queen's Road West (Sheung Wan) Branch	2-12 Queen's Road West, Sheung Wan, Hong Kong	2815 6888
Connaught Road Central Branch	13-14 Connaught Road Central, Hong Kong	2841 0410
Central District Branch	2A Des Voeux Road Central, Hong Kong	2160 8888
Central District (Wing On House) Branch	71 Des Voeux Road Central, Hong Kong	2843 6111
Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui, Hong Kong	2819 7277
Western District Branch	386-388 Des Voeux Road West, Hong Kong	2549 9828
Shun Tak Centre Branch	Shop 225, 2/F, Shun Tak Centre, 200 Connaught Road Central, Hong Kong	2291 6081
Queen's Road Central Branch	81-83 Queen's Road Central, Hong Kong	2588 1288
Bonham Road Branch	63 Bonham Road, Hong Kong	2517 7066
IFC Wealth Management Centre	Shop 3001, Level 3, IFC Mall, 1 Harbour View Street, Central, Hong Kong	2523 8180
Kennedy Town Branch	Harbour View Garden, 2-2F Catchick Street, Kennedy Town, Hong Kong	2818 6162
Caine Road Branch	57 Caine Road, Hong Kong	2521 3318
First Street Branch	55A First Street, Sai Ying Pun, Hong Kong	2517 3399
United Centre Branch	Shop 1021, United Centre, 95 Queensway, Hong Kong	2861 1889
Wyndham Street Branch	1-3 Wyndham Street, Central, Hong Kong	2843 2888
Des Voeux Road West Branch	111-119 Des Voeux Road West, Hong Kong	2546 1134
Gilman Street Branch	136 Des Voeux Road Central, Hong Kong	2135 1123
Wan Chai District		
409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai, Hong Kong	2835 6118
Johnston Road Branch	152-158 Johnston Road, Wan Chai, Hong Kong	2574 8257
Harbour Road Branch	Shop 4, G/F, Causeway Centre, 28 Harbour Road, Wan Chai, Hong Kong	2827 8407
Jardine's Bazaar Branch	G/F, Siki Centre, No.23 Jardine's Bazaar, Causeway Bay, Hong Kong	2882 1383
Happy Valley Branch	11 King Kwong Street, Happy Valley, Hong Kong	2838 6668
Causeway Bay Branch	18 Percival Street, Causeway Bay, Hong Kong	2572 4273
Wan Chai (China Overseas Building) Branch	139 Hennessy Road, Wan Chai, Hong Kong	2529 0866
Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai, Hong Kong	2892 0909
Hennessy Road (Wan Chai) Branch	310-312 Hennessy Road, Wan Chai, Hong Kong	2923 5628
Wan Chai Road Branch	127-135 Wan Chai Road, Wan Chai, Hong Kong	2577 4862
Eastern District		
Siu Sai Wan Branch	Shop 19, Cheerful Garden, Siu Sai Wan, Hong Kong	2505 2399
Taikoo Shing Branch	Shop G1012, Yiu Sing Mansion, Taikoo Shing, Hong Kong	2886 0612
Taikoo Shing Branch Safe Box Service Centre	Shop G1006, Hoi Shing Mansion, Taikoo Shing, Hong Kong	2885 4582
North Point Branch	Roca Centre, 464 King's Road, North Point, Hong Kong	2811 8880
North Point (King's Centre) Branch	193-209 King's Road, North Point, Hong Kong	2286 2000
North Point (Hang Ying Building) Branch	Shop B1, 318-328 King's Road, North Point, Hong Kong	2887 1199
North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point, Hong Kong	2562 6108
Sai Wan Ho Branch	142-146 Shau Kei Wan Road, Sai Wan Ho, Hong Kong	2886 3344
Lee Chung Street Branch	29-31 Lee Chung Street, Chai Wan, Hong Kong	2557 3283
Heng Fa Chuen Branch	Shop 205-208, East Wing Shopping Centre, Heng Fa Chuen, Chai Wan, Hong Kong	2897 1131
Kam Wa Street Branch	3 Kam Wa Street, Shau Kei Wan, Hong Kong	2885 9311
City Garden Branch	233 Electric Road, North Point, Hong Kong	2571 2878
King's Road Branch	131-133 King's Road, North Point, Hong Kong	2887 0282
Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan, Hong Kong	2558 6433
Chai Wan Branch Safe Box Service Centre	27 Gold Mine Building, 345 Chai Wan Road, Chai Wan, Hong Kong	2557 0248
Healthy Village Branch	Shop 182, Healthy Village Phase II, 668 King's Road, North Point, Hong Kong	2563 2278
Sheung On Street Branch	77 Sheung On Street, Chai Wan, Hong Kong	2897 0923
Aldrich Garden Branch	Shop 58, Aldrich Garden, Shau Kei Wan, Hong Kong	3196 4956

Branch	Address	Telephone
Shau Kei Wan (Po Man Building) Branch	260-262 Shau Kei Wan Road, Shau Kei Wan, Hong Kong	2568 5211
Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay, Hong Kong	2564 0333
Southern District		
Tin Wan Branch	2-12 Ka Wo Street, Tin Wan, Hong Kong	2553 0135
Stanley Branch	Shop 401, Shopping Centre, Stanley Plaza, Hong Kong	2813 2290
Aberdeen Branch	25 Wu Pak Street, Aberdeen, Hong Kong	2553 4165
South Horizons Branch	G38, West Centre Marina Square, South Horizons, Ap Lei Chau, Hong Kong	2580 0345
South Horizons Branch Safe Box Service Centre	Shop 118, Marina Square East Centre, Ap Lei Chau, Hong Kong	2555 7477
Wah Kwai Estate Branch	Shop 17, Shopping Centre, Wah Kwai Estate, Hong Kong	2550 2298
Wong Chuk Hang Road Branch	40 Wong Chuk Hang Road, Hong Kong	2814 8272
Chi Fu Landmark Branch	Shop 510, Chi Fu Landmark, Pok Fu Lam, Hong Kong	2551 2282
Ap Lei Chau Branch	13-15 Wai Fung Street, Ap Lei Chau, Hong Kong	2554 6487

Kowloon

Branch	Address	Telephone
Kowloon City District		
Prince Edward Road (Kowloon City) Branch	382-384 Prince Edward Road, Kowloon City, Kowloon	2926 6038
To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan, Kowloon	2364 4344
Pak Tai Street Branch	4-6 Pak Tai Street, To Kwa Wan, Kowloon	2760 7773
Hung Hom Wealth Management Centre	37-39 Ma Tau Wai Road, Hung Hom, Kowloon	2170 0888
Hung Hom (Eldex Industrial Building) Branch	21 Ma Tau Wai Road, Hung Hom, Kowloon	2764 8363
OUHK Branch	The Open University of Hong Kong, 30 Good Shepherd Street, Ho Man Tin, Kowloon	2760 9099
Ma Tau Kok Road Branch	39-45 Ma Tau Kok Road, To Kwa Wan, Kowloon	2714 9118
Ma Tau Wai Road Branch	47-49 Ma Tau Wai Road, Hung Hom, Kowloon	2926 5123
Site 11 Whampoa Garden Branch	Shop G6, Site 11 Whampoa Garden, Hung Hom, Kowloon	2363 3982
Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom, Kowloon	2764 7233
Nga Tsin Wai Road Branch	25 Nga Tsin Wai Road, Kowloon City, Kowloon	2383 2316
Waterloo Road Branch	Shop A2, Man Kee Mansion, 86 Waterloo Road, Kowloon	2363 9231
Wong Tai Sin District		
Tai Yau Street Branch	35 Tai Yau Street, San Po Kong, Kowloon	2328 0087
Chuk Yuen Estate Branch	Shop S1, Chuk Yuen Shopping Centre, Chuk Yuen South Estate, Kowloon	2325 5261
Choi Hung Branch	19 Clear Water Bay Road, Ngau Chi Wan, Kowloon	2327 0271
Choi Hung Road Branch	58-68 Choi Hung Road, San Po Kong, Kowloon	2927 6111
Choi Wan Estate Branch	A3-18 Commercial Complex, Choi Wan Estate, Kowloon	2754 5911
Wong Tai Sin Branch	Shop G13, Wong Tai Sin Shopping Centre, Wong Tai Sin, Kowloon	2327 8147
San Po Kong (Wing Lok Building) Branch	28-34 Tseuk Luk Street, San Po Kong, Kowloon	2328 7915
Yuk Wah Street Branch	46-48 Yuk Wah Street, Tsz Wan Shan, Kowloon	2927 6655
Lok Fu Branch	Shop 2, Lok Fu Plaza II, Lok Fu, Kowloon	2337 0271
Tseuk Luk Street Wealth Management Centre	86 Tseuk Luk Street, San Po Kong, Kowloon	2326 2883
Sheung Fung Street Branch	66-68 Sheung Fung Street, Tsz Wan Shan, Kowloon	2327 8118
Diamond Hill Branch	G107 Plaza Hollywood, Diamond Hill, Kowloon	2955 5088
Kwun Tong District		
Kowloon Bay Wealth Management Centre	Shop 2, Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon	2759 9339
Kowloon Bay Branch	17 Wang Hoi Road, Kowloon Bay, Kowloon	2331 3783
Ngau Tau Kok (Garden Estate) Branch	Shop 6, Lotus Tower 2, Kwun Tong Garden Estate, 297 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon	2763 5456
169 Ngau Tau Kok Road Branch	169 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon	2750 7311
177 Ngau Tau Kok Road Branch	177 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon	2927 4321

Bank of China (Hong Kong) – Branch Network (continued)

Branch	Address	Telephone
Ping Tin Estate Branch	Shop 225, 2/F Ping Tin Shopping Centre, Lam Tin, Kowloon	2927 7828
Wang Kwun Road Branch	Unit G1, Nan Fung Commercial Centre, Wang Kwun Road, Kowloon Bay, Kowloon	2755 0268
Sau Mau Ping Branch	Shop 214, Sau Mau Ping Shopping Centre, Sau Mau Ping, Kowloon	2772 0028
Hip Wo Street Branch	195-197 Hip Wo Street, Kwun Tong, Kowloon	2345 0102
Ting Fu Street Branch	11-13 Ting Fu Street, Ngau Tau Kok, Kowloon	2756 4621
Yau Tong Branch	Shop G1-G27, Ka Fu Arcade, Yau Tong Centre, Kowloon	2349 9191
Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong, Kowloon	2763 2127
Tsui Ping Estate Branch	Shop 116, 1/F Shopping Circuit, Tsui Ping Estate, Kwun Tong, Kowloon	2345 3238
26 Fu Yan Street Branch	26-32 Fu Yan Street, Kwun Tong, Kowloon	2342 5262
95 Fu Yan Street Branch	95 Fu Yan Street, Kwun Tong, Kowloon	2343 4141
Telford Gardens Wealth Management Centre	Shop P8A, Telford Gardens, Kowloon Bay, Kowloon	2758 3987
Telford Gardens Branch	Shop P2, Telford Gardens, Kowloon Bay, Kowloon	2796 1551
Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin, Kowloon	2347 1456
Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong, Kowloon	2344 4116
Ngau Tau Kok Road (Kwun Tong) Branch	327 Ngau Tau Kok Road, Kwun Tong, Kowloon	2389 3301
Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong, Kowloon	2342 4295
Yau Tsim Mong District		
Tai Kok Tsui Branch	73-77 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon	2395 3269
Shan Tung Street Branch	42-48 Shan Tung Street, Mong Kok, Kowloon	2332 5461
China Hong Kong City Branch	Shop 28, UG/F, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon	2367 6164
Shanghai Street (Prince Edward) Branch	689-693 Shanghai Street, Mong Kok, Kowloon	2391 0502
Prince Edward Branch	774 Nathan Road, Kowloon	2399 3000
Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon	2721 6242
Tsim Sha Tsui East Branch	Shop G02-03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui, Kowloon	2739 0308
Jordan Branch	328-330 Nathan Road, Kowloon	2928 6111
Jordan Road Branch	1/F, Sino Cheer Plaza, 23-29 Jordan Road, Kowloon	2730 0883
Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok, Kowloon	2394 4181
Mong Kok Branch	589 Nathan Road, Mong Kok, Kowloon	2332 0111
Prince Edward Road West (Mong Kok) Branch	116-118 Prince Edward Road West, Mong Kok, Kowloon	2928 4138
Mong Kok Road Branch	50-52 Mong Kok Road, Mong Kok, Kowloon	2395 3263
Mong Kok (Silvercorp Int'l Tower) Branch	Shop B, 707-713 Nathan Road, Mong Kok, Kowloon	2391 6677
Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok, Kowloon	2384 7191
Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei, Kowloon	2780 2307
Kimberley Road Branch	37 Kimberley Road, Tsim Sha Tsui, Kowloon	2739 1886
Cameron Road Wealth Management Centre	30 Cameron Road, Tsim Sha Tsui, Kowloon	2312 0010
Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui, Kowloon	2311 3822
Olympian City Branch	Shop 133, 1/F, Olympian City 2, 18 Hoi Ting Road, Kowloon	2749 2110
Fuk Tsun Street Branch	32-40 Fuk Tsun Street, Tai Kok Tsui, Kowloon	2391 8468
Canton Road Branch	60 Canton Road, Tsim Sha Tsui, Kowloon	2730 0688
Sham Shui Po District		
Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road, Kowloon	2370 8928
Festival Walk Branch	Unit LG256, Festival Walk, Kowloon Tong, Kowloon	2265 7288
Yu Chau Street Branch	42-46 Yu Chau Street, Sham Shui Po, Kowloon	2397 1123
Dragon Centre Branch	Shop 206A, Dragon Centre, 37K Yen Chow Street, Sham Shui Po, Kowloon	2788 3238
Lei Cheng Uk Estate Branch	Shop 108, Lei Cheng Uk Commercial Centre, Lei Cheng Uk Estate, Kowloon	2729 8251
Castle Peak Road (Cheung Sha Wan) Branch	365-371 Castle Peak Road, Cheung Sha Wan, Kowloon	2728 3311
108 Cheung Sha Wan Road Branch	108 Cheung Sha Wan Road, Sham Shui Po, Kowloon	2779 0157
194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road, Sham Shui Po, Kowloon	2728 9389
Cheung Sha Wan Plaza Branch	Shop G08, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon	2745 7088
248 Castle Peak Road Branch	244-248 Castle Peak Road, Cheung Sha Wan, Kowloon	2386 1233
223 Nam Cheong Street Branch	223 Nam Cheong Street, Sham Shui Po, Kowloon	2928 2088
Stage 2 Mei Foo Sun Chuen Branch	19 Glee Path, Mei Foo Sun Chuen, Kowloon	2370 8382

Branch	Address	Telephone
Mei Foo VIP Centre	Shop N47-49, Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon	2742 8003
Mei Foo Mount Sterling Mall Branch	17-B Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon	2742 6611
Lai Chi Kok Road Branch	282-284 Lai Chi Kok Road, Sham Shui Po, Kowloon	2728 7216
Sham Shui Po Branch	207-211 Nam Cheong Street, Sham Shui Po, Kowloon	2777 0171
Sham Shui Po (On Ning Building) Branch	147-149 Castle Peak Road, Sham Shui Po, Kowloon	2708 3678

New Territories & Outlying Islands

Branch	Address	Telephone
Sha Tin District		
Jat Min Chuen Branch	Shop 1, G/F Ming Yiu Lau, Jat Min Chuen, Sha Tin, New Territories	2647 8784
41 Tai Wai Road Branch	41-45 Tai Wai Road, Sha Tin, New Territories	2929 4288
74 Tai Wai Road Branch	74-76 Tai Wai Road, Sha Tin, New Territories	2699 9523
Fo Tan Branch	No 2, 1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, New Territories	2691 7193
Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Sha Tin, New Territories	2605 6556
City One Sha Tin Branch	Shop A, 16-20 Ngan Shing Commercial Centre, City One, Sha Tin, New Territories	2648 8083
Sha Tin VIP Centre	Shop 18, L1, Shatin Plaza, Sha Tin, New Territories	2688 7668
Sha Kok Estate Branch	Shop 39, Sha Kok Shopping Centre, Sha Kok Estate, Sha Tin, New Territories	2648 0302
Heng On Estate Branch	Shop 203, Commercial Centre, Heng On Estate, Ma On Shan, New Territories	2642 0111
Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan, New Territories	2631 0063
Lung Hang Estate Branch	103 Lung Hang Commercial Centre, Sha Tin, New Territories	2605 8618
New Town Plaza Branch	Shop 608, Level 6 Phase One, New Town Plaza, Sha Tin, New Territories	2606 6163
Sunshine City Branch	Shop 16, Blocks C & D, Sunshine City, Ma On Shan, New Territories	2631 1011
Lek Yuen Branch	No 1, Fook Hoi House, Lek Yuen Estate, Sha Tin, New Territories	2605 3021
Tai Po District		
Tai Kwong Lane Branch	16-22 Tai Kwong Lane, Tai Po Market, New Territories	2652 2133
Tai Po Branch	68-70 Po Heung Street, Tai Po Market, New Territories	2657 2121
Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza, 1 On Tai Road, Tai Po, New Territories	2665 5890
On Chee Road Branch	Shop 10-11, Jade Plaza, 3 On Chee Road, Tai Po, New Territories	2665 1966
Fu Heng Estate Branch	Shop 1-2, Fu Heng Shopping Centre, Tai Po, New Territories	2661 6278
Fu Shin Estate Branch	Shop G11, Fu Shin Shopping Centre, Tai Po, New Territories	2663 2788
Kwong Fuk Road Branch	40-50 Kwong Fuk Road, Tai Po Market, New Territories	2658 2268
Sai Kung District		
Sai Kung Branch	7-11 Wan King Path, Sai Kung, New Territories	2792 1465
East Point City Branch	Shop 101, East Point City, Tseung Kwan O, New Territories	2628 7238
Hau Tak Estate Branch	Shop 15, Hau Tak Shopping Centre, Tseung Kwan O, New Territories	2703 5203
HKUST Branch	The Hong Kong University of Science & Technology, Clear Water Bay Road, New Territories	2358 2345
Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O, New Territories	2702 0282
Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O, New Territories	2701 4962
Tsuen Wan District		
Tai Wo Hau Branch	5-9 Tai Ha Street, Tai Wo Hau, Tsuen Wan, New Territories	2429 0304
407 Castle Peak Road Branch	407-411 Castle Peak Road, Tsuen Wan, New Territories	2920 3211
Clague Garden Branch	Shop 1-3, Commercial Complex, Clague Garden Estate, 24 Hoi Shing Road, Tsuen Wan, New Territories	2412 2202
Tsuen Wan Branch	297-299 & 313 Sha Tsui Road, Tsuen Wan, New Territories	2411 1321
Castle Peak Road (Tsuen Wan) Wealth Management Centre	167 Castle Peak Road, Tsuen Wan, New Territories	2406 9932
Castle Peak Road (Tsuen Wan) Branch	201-207 Castle Peak Road, Tsuen Wan, New Territories	2416 6577

Bank of China (Hong Kong) – Branch Network (continued)

Branch	Address	Telephone
Tsuen Wan VIP Centre	31-33 Chung On Street, Tsuen Wan, New Territories	2406 8908
Sham Tseng Branch	Shop G1 & G2, Rhine Garden, Sham Tseng, New Territories	2491 0038
Fuk Loi Estate Branch	129-135 Sha Tsui Road, Tsuen Wan, New Territories	2499 0755
Texaco Road Branch	Shop A112, East Asia Gardens, 36 Texaco Road, Tsuen Wan, New Territories	2414 4287
Kwai Tsing District		
Ha Kwai Chung Branch	192-194 Hing Fong Road, Kwai Chung, New Territories	2424 9823
Sheung Kwai Chung Branch	7-11 Shek Yi Road, Sheung Kwai Chung, New Territories	2480 6161
Cheung Hong Estate Branch	201-202 Commercial Centre No 2, Cheung Hong Estate, Tsing Yi Island, New Territories	2497 7718
Cheung Fat Estate Branch	Shop 317, Cheung Fat Shopping Centre, Tsing Yi Island, New Territories	2433 1689
Cheung Hong Estate Commercial Centre Branch	2 G/F, Commercial Centre, Cheung Hong Estate, Tsing Yi Island, New Territories	2497 0325
Maritime Square Branch	Shop 115, Maritime Square, Tsing Yi Island, New Territories	2436 9298
Lei Muk Shue Branch	Shop 22, Lei Muk Shue Shopping Centre, Kwai Chung, New Territories	2428 5731
Metroplaza Branch	Shop 260-265, Metroplaza, 223 Hing Fong Road, Kwai Chung, New Territories	2420 2686
Kwai Cheong Road Branch	40 Kwai Cheong Road, Kwai Chung, New Territories	2480 3311
Kwai Chung Branch	432-436 Castle Peak Road, Kwai Chung, New Territories	2410 9133
Kwai Chung Road Branch	1009 Kwai Chung Road, Kwai Chung, New Territories	2424 3021
Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung, New Territories	2920 2468
Tuen Mun District		
Tuen Mun Wealth Management Centre	Shop 5, Level 1, North Wing, Trend Plaza, Tuen Mun, New Territories	2404 9777
Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza phase II, Tuen Mun, New Territories	2450 8877
Tuen Mun Fa Yuen Branch	Shop G & H, 6 Tsing Hoi Circuit, Tuen Mun, New Territories	2458 1033
Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun, New Territories	2457 3501
Siu Hong Court Branch	226 Commercial Centre, Siu Hong Court, Tuen Mun, New Territories	2466 6703
Leung King Estate Branch	Shop 211, Leung King Shopping Centre, Tuen Mun, New Territories	2463 3855
Kin Wing Street Branch	24-30 Kin Wing Street, Tuen Mun, New Territories	2465 2212
Venice Gardens Branch	Shop 13-15, G/F Venice Gardens, Leung Tak Street, Tuen Mun, New Territories	2455 1288
Butterfly Estate Branch	Shop 123-130, Tip Ling House, Butterfly Estate, Tuen Mun, New Territories	2920 5188
Yuen Long District		
Tai Tong Road Branch	Shop A135, 1/F Hop Yick Plaza, 23 Tai Tong Road, Yuen Long, New Territories	2479 2113
Yuen Long Branch	102-108 Castle Peak Road, Yuen Long, New Territories	2474 2211
Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long, New Territories	2476 2193
Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long, New Territories	2475 3777
Tin Shui Estate Branch	Shop 108-109, Tin Shui Shopping Centre, Tin Shui Wai, New Territories	2445 8728
Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long, New Territories	2473 2833
Kingswood Villas Branch	A189 Kingswood Richly Plaza, Tin Shui Wai, New Territories	2448 3313
Kingswood Ginza Branch	Shop G73, Phase 1 Kingswood Ginza, Tin Shui Wai, New Territories	2616 4233
North District		
Sheung Shui Centre Branch	Shop 1007-1009, Level 1, Sheung Shui Centre, Sheung Shui, New Territories	2670 3131
Sheung Shui Branch	61 San Fung Avenue, Sheung Shui, New Territories	2671 0155
Sheung Shui VIP Centre	33 San Fung Avenue, Sheung Shui, New Territories	2639 9233
Sha Tau Kok Branch	Block 16-18, Sha Tau Kok Chuen, Sha Tau Kok, New Territories	2674 4011

Branch	Address	Telephone
Flora Plaza Branch	Shop 28, Flora Plaza, 88 Pak Wo Road, Fanling, New Territories	2675 6683
Fanling Centre Branch	Shop 2D-E & H, Fanling Centre, Fanling, New Territories	2669 7899
136 San Fung Ave Branch	136 San Fung Avenue, Sheung Shui, New Territories	2670 6138
Luen Wo Market Branch	17-19 Wo Fung Street, Luen Wo Market, Fanling, New Territories	2675 5113
Luen Shing Street Branch	Shop B, 10-16 Luen Shing Street, Luen Wo Market, Fanling, New Territories	2675 6113
Outlying Island District		
Cheung Chau Branch	53-55 Tai Sun Street, Cheung Chau, New Territories	2981 0021
Hong Kong International Airport Branch	Unit 77075, Passenger Terminal Building, Hong Kong International Airport	2326 1883

Mainland Branches

Branch	Address	Telephone
Shenzhen Branch	G/F, The Kwangtung Provincial Bank Building, 1013 Ren Min Nan Road, Shenzhen, China	(86-755) 8233 0230
Shenzhen Baoan Sub-Branch	Unit 108 Xushida Garden, Xin An Si Road, Baoan District 34-2, Shenzhen, China	(86-755) 2785 3302
Shenzhen Futian Sub-Branch	1/F, Shen Ye Garden Club House, Caitian Road, Futian District, Shenzhen, China	(86-755) 8294 2929
Shantou Branch	G/F, 3 Yingbin Road, Shantou, China	(86-754) 8826 8266
Shanghai Branch	Room B201-B202, 2/F Tomorrow Square, 389 Nanjing West Road, Shanghai, China	(86-21) 2306 9090
Qingdao Branch	G/F, 2nd Building, 41 West Donghai Road, Qingdao, China	(86-532) 6670 7676

Corporate Banking Centres & SME Centres

Network & Centres	Address	Telephone
Corporate Business	10/F, Bank of China Tower, 1 Garden Road, Hong Kong	2826 6889
Corporate Finance	10/F, Bank of China Tower, 1 Garden Road, Hong Kong	2826 6491
Commercial Business I	9/F, Bank of China Tower, 1 Garden Road, Hong Kong	3419 3509
Commercial Business II	9/F, Bank of China Tower, 1 Garden Road, Hong Kong	3419 3555
Commercial Business III	Unit 701-706, The Gateway Tower 3 (Prudential Tower), 21 Canton Road, Tsim Sha Tsui, Kowloon	2247 8888
Financial Institutions	33/F, Bank of China Tower, 1 Garden Road, Hong Kong	2903 6666
Hong Kong Central and West Commercial Centre Hong Kong Central and West SME Centre	24/F, Bank of China Tower, 1 Garden Road, Hong Kong	3419 3513
Central District Commercial Centre Central District SME Centre	1/F, Wing On House, 71 Des Voeux Road Central, Hong Kong	2109 5888
Hong Kong East Commercial Centre Hong Kong East SME Centre	13/F, Cambridge House, Taikoo Place, 981 King's Road, Island East, Hong Kong	2910 9393
Causeway Bay Commercial Centre Causeway Bay SME Centre	3/F, Eastern Commercial Centre, 393-407 Hennessy Road, Wan Chai, Hong Kong	2833 8790
Kowloon East Commercial Centre Kowloon East SME Centre	Room 607-610, 6/F, Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon	3406 7300
San Po Kong Commercial Centre San Po Kong SME Centre	Room 601, 6/F, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon	2263 4900
Hung Hom Commercial Centre Hung Hom SME Centre	Room 506-507, 5/F, Tower A, Hung Hom Commercial Centre, 37-39 Ma Tau Wai Road, Hung Hom, Kowloon	2197 0188
Kowloon West Commercial Centre Kowloon West SME Centre	9/F, Kwangtung Provincial Bank Building, 589 Nathan Road, Mongkok, Kowloon	3412 1688
Tsim Sha Tsui Commercial Centre Tsim Sha Tsui SME Centre	Shop UG 01, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui, Kowloon	2301 9788
New Territories East Commercial Centre New Territories East SME Centre	3/F, 68-70 Po Heung Street, Tai Po Market, New Territories	2654 3222
Fo Tan Commercial Centre Fo Tan SME Centre	Room 7-12, 15-17 & 19, 14/F, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, Shatin, New Territories	2687 5665
New Territories West Commercial Centre New Territories West SME Centre	Room 1720-1724 & 1716B-1719, Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, New Territories	3412 7044

Corporate Banking Centres & SME Centres (continued)

Network & Centres	Address	Telephone
Yuen Long Commercial Centre Yuen Long SME Centre	4/F, The Kwangtung Provincial Bank Building, 102-108 Castle Peak Road, Yuen Long, New Territories	2442 8788
Trade Product	5/F, Bank of China Centre, Olympian City, 11 Hoi Fai Road, West Kowloon	3198 3544
Shun Tak Centre Commercial Services Centre	Shop 225, 2/F, Shun Tak Centre, 200 Connaught Road Central, Sheung Wan, Hong Kong	2108 9662
Cheung Sha Wan Commercial Services Centre	Unit 1, Kowloon Plaza, 485 Castle Peak Road, Kowloon	2370 8928

Nanyang Commercial Bank – Branch Network

Branch	Address	Telephone
Head Office	151 Des Voeux Road, Central, Hong Kong	2852 0888
Hong Kong Island		
Western Branch	128 Bonham Strand East, Sheung Wan, Hong Kong	2851 1100
Causeway Bay Branch	472 Hennessy Road, Causeway Bay, Hong Kong	2832 9888
Happy Valley Branch	29 Wong Nei Chung Road, Happy Valley, Hong Kong	2893 3383
Kennedy Town Branch	86 Belcher's Street, Kennedy Town, Hong Kong	2817 1946
Quarry Bay Branch	1014 King's Road, Quarry Bay, Hong Kong	2563 2286
Des Voeux Road West Branch	334 Des Voeux Road West, Hong Kong	2540 4532
Aberdeen Branch	171 Aberdeen Main Road, Aberdeen, Hong Kong	2553 4115
North Point Branch	351 King's Road, North Point, Hong Kong	2566 8116
Sheung Wan Branch	21 Connaught Road West, Sheung Wan, Hong Kong	2559 0888
Sai Wan Ho Branch	63 Shaukeiwan Road, Sai Wan Ho, Hong Kong	2567 0315
Wanchai Branch	123 Johnston Road, Wanchai, Hong Kong	2574 8118
Causeway Centre Branch	Shop 9-10, Causeway Centre, 28 Harbour Road, Wanchai, Hong Kong	2827 6338
Central District Branch	2/F Century Square, 1-13 D'Aguilar Street, Central, Hong Kong	2522 5011
Sunning Road Branch	8 Sunning Road, Causeway Bay, Hong Kong	2882 7668
Kowloon		
Mongkok Branch	727 Nathan Road, Mongkok, Kowloon	2394 8206
Yaumati Branch	309 Nathan Road, Yaumati, Kowloon	2782 9888
Ferry Point Branch	Shops D-F, G/F, Best-O-Best Commercial Centre, 32-36 Ferry Street, Yaumati, Kowloon	2332 0738
Homantin Branch	71A Waterloo Road, Homantin, Kowloon	2715 7518
Nathan Road Branch	570 Nathan Road, Mongkok, Kowloon	2780 0166
Laichikok Road Branch	236 Laichikok Road, Shamshui, Kowloon	2396 4164
Jordan Road Branch	20 Jordan Road, Yaumati, Kowloon	2735 3301
Tokwawan Branch	62 Tokwawan Road, Kowloon	2764 6666
Kwun Tong Branch	G/F Shop 1, 1/F Shop 2, 410 Kwun Tong Road, Kowloon	2389 6266
Tsimshatsui Branch	Shop A, 1/F, Hong Kong Pacific Centre, 28 Hankow Road, Tsimshatsui, Kowloon	2376 3988
Hunghom Branch	69A Wuhu Street, Hunghom, Kowloon	2362 2301
Shamshui Branch	198-200 Tai Po Road, Shamshui, Kowloon	2777 0147
Yee On Street Branch	Shops 4-6, G/F, Yee On Centre, 45 Hong Ning Road, Kowloon	2790 6688
Peninsula Centre Branch	Shop G48 Peninsula Centre, 67 Mody Road, Tsimshatsui, Kowloon	2722 0823
San Po Kong Branch	41-45, Yin Hing Street, San Po Kong, Kowloon	2328 5555
Kowloon City Branch	86 Nga Tsin Wai Road, Kowloon City, Kowloon	2716 6033
Laguna City Branch	Shop No. 26, Phase 1 Laguna City, Cha Kwo Ling Road, Kowloon	2772 3336
New Territories		
Kwai Chung Branch	100 Lei Muk Road, Kwai Chung, New Territories	2480 1118
Tai Po Branch	Shop No. 11, G/F, Treasure Garden, 1 On Chee Road, Tai Po, New Territories	2656 5201
Yuen Long Branch	G/F, Tung Yik Building, Tai Tong Road, Yuen Long, New Territories	2479 0231
Ha Kwai Chung Branch	180 Hing Fong Road, Kwai Chung, New Territories	2429 4242
Tsuen Wan Branch	78 Chung On Street, Tsuen Wan, New Territories	2492 0243
Sheung Shui Branch	31 Fu Hing Street, Sheung Shui, New Territories	2679 4333
Tuen Mun Branch	Forward Mansion, Yan Ching Circuit, Tuen Mun, New Territories	2459 8181
Shatin Branch	Shop 7-8, Lucky Plaza, Shatin, New Territories	2605 9188
Fou Wah Centre Branch	Shop A, 2/F, Fou Wah Centre, 210 Castle Peak Road, Tsuen Wan, New Territories	2498 4411
Sai Kung Branch	Shop 11-12 Sai Kung Garden, Man Nin Street, New Territories	2791 1122
Cheung Sha Wan Commercial Banking Centre	Unit 1005, 10/F, Tower II, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon	2785 6182
Overseas		
San Francisco Branch	31/F, 50 California Street, San Francisco, CA94111, USA	(1-415) 398 8866

Nanyang Commercial Bank (China) – Branch Network

Branch	Address	Telephone
The Mainland of China		
Head Office	19-20/F, Mirae Asset Tower, 166 Lujiazui Ring Road, Pudong, Shanghai, China	(86-21) 3856 6666
Shenzhen Branch	Nanyang Mansion, 2002 Jian She Road, Luohu District, Shenzhen, China	(86-755) 2515 6333
Shenzhen Shekou Sub-Branch	G/F, Finance Centre, No.22, Taizi Road, Shekou, Shenzhen, China	(86-755) 2682 8788
Haikou Branch	1st Floor, Time Square, No.2, Guomao Road, Haikou, Hainan, China	(86-898) 6650 0038
Guangzhou Branch	Room 402, Skygalleria CITIC Plaza, 233 Tianhe North Road, Guangzhou, China	(86-20) 3891 2668
Guangzhou Panyu Sub-branch	C001-C008 & C101-C106, No. 2, Fuhua West Road, Shiqiao, Panyu, Guangzhou, China	(86-20) 3451 0228
Dalian Branch	B1/F, 1/F, 2/F, 3/F, 5/F Anho Building, No.87 Renmin Road, Dalian, China	(86-411) 3984 8888
Beijing Branch	No. 88, Jian Guo Men Wai Da Jie, Chaoyang District, Beijing, China	(86-10) 6568 4728
Shanghai Branch	Room A103-A107, Tomorrow Square, 389 Nanjing West Road, Shanghai, China	(86-21) 6375 5858
Shanghai Xuhui Sub-branch	Huafu City, No.1, Lane 500, Tian Yao Qiao Ro, Xuhui District, Shanghai, China	(86-21) 6468 1999
Hangzhou Branch	1-2/F, International Business Building, 195-1 Qingchun Road, Hangzhou, Zhejiang, China	(86-571) 8703 8080
Nanning Branch	1/F-2/F, Kings Wealth CBD Modern Town, No.63, Jinhu Road, Nanning, Guangxi, China	(86-771) 555 8333

Chiyu Banking Corporation – Branch Network

Branch	Address	Telephone
Head Office	78 Des Voeux Road Central, Hong Kong	2843 0111
Hong Kong Island		
North Point Branch	390-394 King's Road, North Point, Hong Kong	2570 6381
Wanchai Branch	325 Hennessy Road, Wanchai, Hong Kong	2572 2823
Sheung Wan Branch	Shop 3, G/F, Lee Fung Building, 315-319 Queen's Road Central, Hong Kong	2544 1678
Western Branch	443 Queen's Road West, Hong Kong	2548 2298
Quarry Bay Branch	967-967A, King's Road, Quarry Bay, Hong Kong	2811 3131
Aberdeen Branch	G/F, 138-140, Aberdeen Main Road, Aberdeen, Hong Kong	2553 0603
Kowloon		
Hung Hom Branch	23-25 Gillies Avenue, Hung Hom, Kowloon	2362 0051
Kwun Tong Branch	42-44 Mut Wah Street, Kwun Tong, Kowloon	2343 4174
Sham Shui Po Branch	235-237 Laichikok Road, Kowloon	2789 8668
San Po Kong Branch	61-63 Hong Keung Street, San Po Kong, Kowloon	2328 5691
Yau Ma Tei Branch	117-119 Shanghai Street, Yaumatei, Kowloon	2332 2533
Castle Peak Road Branch	226-228 Castle Peak Road, Kowloon	2720 5187
Kowloon Bay Branch	Shop 10, G/F, Kai Lok House, Kai Yip Estate, Kowloon Bay, Kowloon	2796 8968
Tokwawan Branch	G/F, Shop11-13, 78 Tokwawan Road, Kowloon	2765 6118
Tsz Wan Shan Branch	Shop 703A, 7/F, Tsz Wan Shan Shopping Centre, 23 Yuk Wah Street, Tsz Wan Shan, Kowloon	2322 3313
New Territories		
Yau Oi Estate Branch	Shop 103-104, G/F, Restaurant Block, Yau Oi Estate, Tuen Mun, New Territories	2452 3666
Kwai Hing Estate Branch	Shop 1, G/F, Hing Yat House, Kwai Hing Estate, Kwai Chung, New Territories	2487 3332
Tai Wo Estate Branch	Shop 112-114, G/F, On Wo House, Tai Wo Estate, Tai Po, New Territories	2656 3386
Belvedere Garden Branch	Shop 5A, G/F, Belvedere Square, Tsuen Wan, New Territories	2411 6789
Tsuen Wan Branch	Shop 1 & 1d, Level 2, Discovery Park Commercial Centre, Tsuen Wan, New Territories	2413 8111
Sui Wo Court Branch	Shop F7, Commercial Centre, Sui Wo Court, Shatin, New Territories	2601 5888
Ma On Shan Branch	Shop 313, Level 3, Ma On Shan Plaza, Bayshore Tower, Ma On Shan, New Territories	2640 0733
Sheung Tak Estate Branch	Shop 238, Sheung Tak Shopping Centre, Sheung Tak Estate, Tseung Kwan O, New Territories	2178 2278
The Mainland of China		
Xiamen Branch	1/F, 859 Xiahe Road, Xiamen, Fujian Province, China	(86-592) 5851 691
Fuzhou Branch	1/F, International Building, 210 Wusi Road, Fuzhou Fujian Province, China	(86-591) 8781 0078
Xiamen Jimei Sub-branch	No.88 Jiuyan Road Jimei Xiamen	(86-592) 6193 302

Be environmentally friendly for our better future

As a good corporate citizen, we do not use lamination and spot UV as normally adopted by the industry in our Annual Report 2008. Instead, we use varnishing, an environmentally friendly technique. The whole report is also printed on recyclable and elemental chlorine-free paper. This demonstrates our efforts in working for the betterment of our future generations.



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