



# Solid FOUNDATIONS for SUSTAINABLE GROWTH

## Summary Financial Report 2009

This Summary Financial Report only gives a summary of the information and particulars contained in the "2009 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](http://www.bochk.com) and the Stock Exchange's website at [www.hkex.com.hk](http://www.hkex.com.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**

Hong Kong's modern cityscape is complemented by its wealth of natural resources. The formation of these world-class rock and geological features takes hundred million of years. Hong Kong Geopark helps ensure that our future generations will be able to enjoy the legacy of these beautiful natural wonders.

The Group takes great pleasure in pioneering the "Hong Kong Geopark Charity Green Walk", a key focus of our Corporate Social Responsibility (CSR) programme in the year ahead. Our commitment to CSR is at the heart of our long-term competitiveness, enabling younger generations to enjoy the natural environment we are endowed with, and contributing to the sustainable development of the economy, society and environment as a whole.

By embracing CSR, we reinforce our vision of becoming the premier bank of choice and creating greater value for our customers, shareholders and employees.

**OUR VISION**

**TO BE YOUR PREMIER BANK**

**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

Combining the initials of mission and core values, we have

**BOC SPIRIT**

**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

**Be environmentally friendly for our better future:** As a good corporate citizen, we do not use lamination as normally adopted by the industry in our Annual Report 2009. 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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**中銀香港(控股)有限公司**  
BOC HONG KONG (HOLDINGS) LIMITED

*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, 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 270 branches and 480 ATMs and other delivery channels in Hong Kong, BOCHK and its subsidiaries offer a comprehensive range of financial products and services to individual and corporate customers. BOCHK is one of the three note issuing banks in Hong Kong. In addition, the BOCHK Group (comprising BOCHK, Nanyang Commercial Bank and Chiyu Banking Corporation) and its subsidiaries have 23 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	2009 HK\$'m	2008 HK\$'m	Change +/(-)%
Net operating income before impairment allowances	<b>26,055</b>	25,526	2.07
Operating profit	<b>15,104</b>	4,182	261.17
Profit before taxation	<b>16,724</b>	4,078	310.10
Profit for the year	<b>14,046</b>	3,007	367.11
Profit attributable to the equity holders of the Company	<b>13,725</b>	3,343	310.56
<b>Per share</b>	<b>HK\$</b>	HK\$	+/(-)%
Earnings per share	<b>1.2981</b>	0.3162	310.56
Dividend per share	<b>0.8550</b>	0.4380	95.21
<b>At year-end</b>	<b>HK\$'m</b>	HK\$'m	+/(-)%
Capital and reserves attributable to the equity holders of the Company	<b>102,902</b>	82,719	24.40
Issued and fully paid share capital	<b>52,864</b>	52,864	–
Total assets	<b>1,212,791</b>	1,147,244	5.71
<b>Financial ratios</b>	<b>%</b>	%	
Return on average total assets <sup>1</sup>	<b>1.19</b>	0.27	
Return on average capital and reserves attributable to the equity holders of the Company <sup>2</sup>	<b>14.79</b>	3.81	
Cost to income ratio	<b>46.60</b>	34.36	
Loan to deposit ratio <sup>3</sup>	<b>60.98</b>	56.74	
Average liquidity ratio <sup>4</sup>	<b>40.18</b>	41.74	
Capital adequacy ratio <sup>5</sup>	<b>16.85</b>	16.17	

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

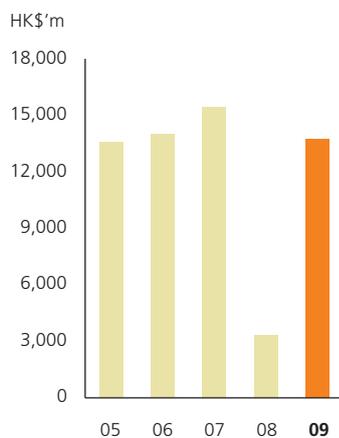
2. Return on average capital and reserves attributable to the equity holders of the Company  
=  $\frac{\text{Profit attributable to the equity holders of the Company}}{\text{Average of the beginning and ending balance of capital and reserves attributable to the equity holders of the Company}}$

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".

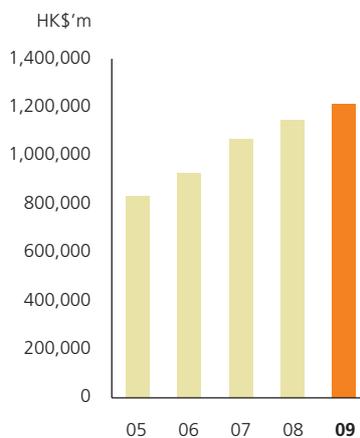
4. Average liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio of BOCHK for the year.

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.

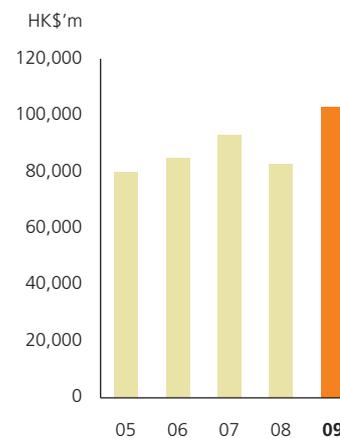
## Profit attributable to the equity holders of the Company



## Total assets



## Capital and reserves attributable to the equity holders of the Company



# FIVE-YEAR FINANCIAL SUMMARY

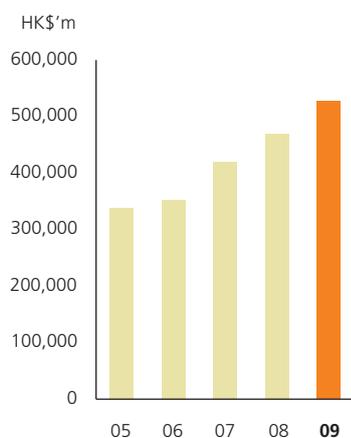
The financial information of the Group for the last five years commencing from 1 January 2005 is summarised below:

	2009	2008	2007	2006	2005 <sup>2</sup>
For the year	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Net operating income before impairment allowances	<b>26,055</b>	25,526	27,254	21,309	18,158
Operating profit	<b>15,104</b>	4,182	18,033	16,545	15,052
Profit before taxation	<b>16,724</b>	4,078	19,126	17,139	16,502
Profit for the year	<b>14,046</b>	3,007	15,817	14,284	13,856
Profit attributable to the equity holders of the Company	<b>13,725</b>	3,343	15,446	14,007	13,596
<b>Per share</b>	<b>HK\$</b>	HK\$	HK\$	HK\$	HK\$
Earnings per share	<b>1.2981</b>	0.3162	1.4609	1.3248	1.2859
<b>At year-end</b>	<b>HK\$'m</b>	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Advances and other accounts	<b>527,135</b>	469,493	420,234	352,858	338,403
Total assets	<b>1,212,791</b>	1,147,244	1,067,637	928,953	831,002
Daily average balance of total assets	<b>1,178,513</b>	1,099,198	1,032,577	915,900	831,789
Deposits from customers <sup>1</sup>	<b>844,453</b>	811,516	799,565	703,776	639,031
Total liabilities	<b>1,107,156</b>	1,062,712	972,579	842,313	749,289
Issued and fully paid share capital	<b>52,864</b>	52,864	52,864	52,864	52,864
Capital and reserves attributable to the equity holders of the Company	<b>102,902</b>	82,719	92,842	84,655	79,935
<b>Financial ratios</b>	<b>%</b>	%	%	%	%
Return on average total assets	<b>1.19</b>	0.27	1.53	1.56	1.67
Cost to income ratio	<b>46.60</b>	34.36	28.52	30.78	31.75
Loan to deposit ratio <sup>1</sup>	<b>60.98</b>	56.74	51.66	49.32	52.27

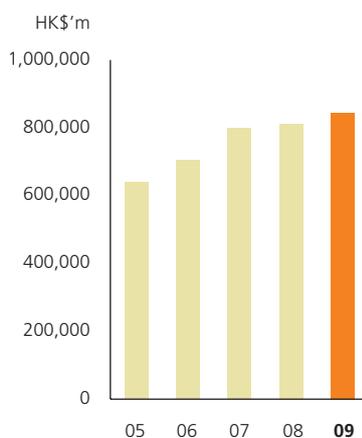
1. Deposits from customers also include structured deposits reported as "Financial liabilities at fair value through profit or loss".

2. 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.

## Advances and other accounts



## Deposits from customers





The launch ceremony of RMB 6 billion Sovereign Bonds by the Central Government in Hong Kong was held at 70/F of Bank of China Tower.



矗立

OUTSTANDING



# CHAIRMAN'S STATEMENT



An uncertain economic environment made 2009 a challenging year for the entire banking industry but the opportunities we captured were greater than ever. During the financial turmoil, we took proactive and effective measures to safeguard our financial strengths, focusing on the management of our capital, liquidity and risks. Our solid fundamentals enabled us to capture business opportunities and to grow our franchise in a tough market during 2009. On the back of the Group's financial strengths and proactive business strategies, we managed to respond to the changing market environment with speed and success.

Despite the weak market demand and pressure from low interest rates, the Group reported a mild increase in net operating income before impairment allowances to HK\$26,055 million. Operating profit before impairment allowances declined by 17.0% to HK\$13,914 million, due to the expenses mainly in relation to the Lehman minibonds issue. If excluding the related expenses, operating profit before impairment allowances would be down modestly by 1.9%. The Group's profit attributable to shareholders increased by 310.6% year-on-year to HK\$13,725 million or HK\$1.2981 per share. The substantial increase in our profit was also helped by the improvement in the securities investment provision. The Board recommends a final dividend of HK\$0.57 per share for 2009. Together with the interim dividend of HK\$0.285 per share, this will mean a total dividend of HK\$0.855 per share for 2009.

The Group maintained a strong financial position, which provided us the flexibility to grasp the business opportunities in tough times. As at end December 2009, our consolidated capital adequacy ratio stood comfortably at 16.85% and core capital ratio of 11.64%. Our liquidity position remained solid at 40.18%. Total assets amounted to HK\$1,212.8 billion. Our loan quality remained strong with classified or impaired loan ratio further improving to 0.34% from 0.46% at end 2008. We continued to manage our treasury investments proactively and optimised our investment mix in response to the market changes.

Despite the turbulences arising from the financial crisis, we have not lost focus and remain committed to our long-term

vision "to be a top-quality financial services group with an extensive base in Hong Kong, a solid presence in China and a strategic foothold in the region". I am pleased with the continued progress we made in the past year in enhancing our franchise and business capabilities in key strategic areas. We have further strengthened our competitive position in our core businesses and deepened our relationship with customers. Our long-term growth strategy is working, as demonstrated in our 2009 performance. As at end 2009, we grew our loans by 11.8% despite the muted market demand. We expanded our market share in corporate loans and maintained our leadership in residential mortgage as well as Hong Kong-Macau loan syndication. Our net fees and commission income also grew 25.7%, driven by the strong performance in stock brokerage business and loan commissions income. When I reported our 2009 interim results, I have talked about the new sales model of our life insurance business launched in April 2009. I am pleased to share with you the remarkable progress we have achieved with substantial sales growth and enhancement in our market share.

During the year, we continued to deepen our business collaboration with our parent bank, Bank of China Limited ("BOC") with solid results, demonstrating the strength of our combined efforts. Through the Asia Pacific Syndicated Loan Centre, we enhanced our penetration in the region and related income contribution while BOC Group's ranking in the Asia Pacific loan syndication business in 2009 was enhanced to No.1. We also continued to enhance the Global Relationship Manager pilot scheme which was launched in April 2009 to provide one-stop services to cater to the global needs of our leading corporate customers. We will continue to capitalise on our fundamental strengths and foster closer collaboration with BOC to capture the emerging business opportunities in China and the Asia Pacific region for mutual gain.

2009 also marked a key milestone for the development of the offshore RMB business with the launch of the Pilot RMB Trade Settlement Scheme in July. We have launched a wide spectrum of RMB trade settlement and finance services for our corporate customers. With the increasing significance of RMB in the global economy, we believe that

there will be increasing demand for RMB as the settlement currency for cross-border trade transactions. The newly introduced RMB trade service will broaden the scope of our offshore RMB services, not just in Hong Kong but also in the Asia Pacific region. We will further strengthen our cooperation with commercial banks in ASEAN and other related countries to promote our clearing services and other banking business.

Looking forward, while there are signs of gradual economic recovery, we need to stay alert to the possible headwinds arising from the credit tightening measures by global governments. As economic conditions remain fragile, we will maintain our prudent approach and adjust our strategies in response to the economic uncertainties and the changes in the regulatory environment. In particular, it is expected that capital requirements on banks will be tightened. While I am confident in the Group's capital strength, we need to stay vigilant about the evolving development of the new capital requirements. We will maintain our proactive capital management to ensure our competitiveness and resilience. In February 2010, as part of the Group's proactive measures to manage its capital, we have successfully completed our maiden issue of subordinated notes of US\$1.6 billion to global debt investors. The proceeds were used to partly repay the subordinated credit facility provided by BOC in December 2008. The offering received very positive market response, reflecting the strong market recognition of BOCHK's strength and franchise. It also broadened our investor base and established a market benchmark to enable the Group to tap the debt market as an alternative source of future funding for its growth and development.

During the year, the Group tried its utmost to address issues arising from the Lehman Brothers minibonds incident which was largely resolved through the repurchase agreement for the eligible customers reached among the regulatory authorities and distributing banks. We are refining our strategy and business model in wealth management in response to the changing customer expectation and regulatory environment. Going forward, in developing our wealth management business, we will focus on addressing customer needs, enhancing our sales culture and strengthening our internal control mechanism.

We will also work closely together with the regulators to reinforce public confidence in the banking, financial and regulatory systems in Hong Kong.

While growing our business, we are also committed to making a positive difference to the communities we serve. Last year, we have intensified our efforts to promote the sustainable development of the economy where we operate. To ensure the long-term development of the Group, we also focus on maintaining a strong management team. On behalf of the Board, I would like to take this opportunity to welcome Mr. Li Jiuzhong who was appointed as the Group's Chief Risk Officer with effect from 1 March 2010. As we always believe, our people are the Company's greatest asset. I am very proud of our more than 13,000 employees, who contributed wholeheartedly to fortifying the solid foundation of our Company and establishing a sustainable and vibrant growth platform. I would also like to thank my fellow Board members and our management team for their efforts and commitment to ensuring the effectiveness of our strategy and maintaining our strong corporate governance structure. Lastly, I would like to express my appreciation to our shareholders and customers for their continuous support and trust, which enable us to realise our potential to deliver greater value to them.



**XIAO Gang**  
Chairman

23 March 2010

# CHIEF EXECUTIVE'S REPORT



The year of 2009 was a fruitful year for the Group amid an unusually challenging environment. Despite persistent uncertainty and volatility in the global financial market, we achieved very strong business growth and outperformed the industry in our core business segments. This is a reflection of our solid foundations and unique competitiveness which enabled us to capture new opportunities and sustain growth throughout the year.

Hong Kong's operating environment began to stabilise in the second quarter of 2009 as witnessed by the revival of the financial and property markets as well as domestic demand and inbound tourism. Although external trade was still sluggish, domestic consumption recovered with an improved labour market.

Riding on the growth momentum regained by us in the first half, we took full advantage of the reviving economy to drive business and earnings growth. We maintained our leading positions and enlarged our market shares in various core businesses. Through closer collaboration with our parent BOC, we established a stronger presence in the Mainland market. We further expanded our service scope and extended our reach to markets in the Asia-Pacific region.

In response to changes in the operating and regulatory environment, we took decisive steps to maintain capital strength and liquidity, fortify risk management and safeguard asset quality. At the same time, a comprehensive policy has been formulated for us to fulfil corporate social responsibility in a more cohesive manner.

## Business Highlights

The following is a summary of the Group's major business initiatives and achievements in 2009:

- Our profit attributable to shareholders grew more than three times.
- The performance of our lending business was particularly impressive. We achieved double-digit growth in total loans to customers while the market as a whole was muted over the year.
- We grew our market shares and maintained our leading market positions in corporate lending, loan syndication, residential mortgage, stock brokerage and RMB-related services.
- We pioneered cross-border RMB trade settlement and finance in Hong Kong with the advancement of a comprehensive range of RMB services. Since then we have extended our RMB trade settlement services to ASEAN countries with very positive response.
- The Group acted as the joint lead manager, bookrunner and placing bank for the first RMB sovereign bond issued in Hong Kong. The success of the issuance, as reflected by the overwhelming response from the market, laid a solid foundation for the Group in the development of RMB bond business in Hong Kong.
- We achieved important breakthroughs in our collaboration with our parent BOC for mutual gains, thus expanding our business in such areas as loan syndication, wealth management, cash management and custody while extending our foothold to the Asia-Pacific region.

- The Group's stock brokerage service saw exceptionally robust growth in related fee income and market share. This was supported by our enhanced service platform, especially the efficient e-channel.
- BOC Life, our life insurance subsidiary, secured a conspicuous turnaround in business by increasing both its income and profit substantially. It also advanced its market share and ranking.
- We improved our investment portfolio and reduced our credit risk exposure while gaining better returns. Meanwhile, on account of improved sentiment in the capital market, we registered a net write-back of impairment allowances on securities investment.
- The Group's loan quality was excellent. We led the industry by maintaining our classified or impaired loan ratio at an extremely low level.
- Our capital base remained strong for sustaining our growth and development.

## Financial Performance

Benefiting from the robust performance of the Group's core businesses in a reviving market, we achieved spectacular financial results in 2009.

The Group's net operating income before impairment allowances increased by 2.1% year-on-year to HK\$26,055 million as a result of higher net fees and commission income and net operating income recorded by the Group's insurance segment. Profit attributable to the Company's shareholders surged strongly by 310.6% to HK\$13,725 million. Return on average total assets (ROA) and return on average capital and

reserves attributable to the equity holders (ROE) were 1.19% and 14.79% respectively, improving significantly from 0.27% and 3.81% respectively for 2008.

Net interest income decreased by 11.0% to HK\$17,932 million. As interest rates remained exceptionally low throughout the year, net interest margin narrowed by 31 basis points to 1.69%. However, there was a growth of 5.4% in the Group's average interest-earning assets, which reached HK\$1,060,961 million by end-2009.

Net fees and commission income grew substantially by 25.7% to HK\$6,508 million. A main driver of this growth was our stock brokerage business which generated a fee income of HK\$3,638 million, up 52.9%. Another main driver is the lending business which contributed HK\$922 million in loan commissions, representing an even more striking growth of 79.7%. Our credit card business experienced healthy growth with fee income rising by 6.6% to HK\$1,511 million.

Net trading income dropped by 22.4% to HK\$1,485 million with lower net trading income from foreign exchange and related products. This was mainly due to a reduction in business volume of structured deposits and the decline in RMB-related foreign exchange transactions as the market's expectation for RMB appreciation cooled down. However, there was an increase in income from interest rate instruments due to the mark-to-market gain from interest rate swap contracts, versus a mark-to-market loss in 2008.

We remained highly prudent over expenditure and took initiatives to contain expenses where possible. But, to ensure that we would be in a better position to capture business opportunities in the recovering economy, we continued to invest in product development, human resources, brand building and marketing. In 2009, total operating expenses increased by 38.4% to HK\$12,141 million, of which HK\$3,278 million was mainly incurred for the Lehman Brothers minibonds ("Minibonds") repurchase scheme. In July 2009, we worked together with the regulatory authorities and other banks to implement a comprehensive repurchase of the Minibonds. Over 99% of the Group's customers eligible for the repurchase have responded positively by the end of the year. If not for the Minibonds-related expenses, total operating expenses would have increased by 10.8%. The Group's cost-to-income ratio stood at 46.60%, versus 34.36% a year ago. Excluding the Minibonds expenses, the cost-to-income ratio would have been 34.02%.

By proactively disposing of higher-risk securities, the Group recorded a net write-back of HK\$1,302 million in impairment allowances on its investment in securities. Meanwhile, the stabilisation of the credit environment led to a significant drop of 84.4% in the net charge of loan impairment allowances to HK\$103 million.

At end-2009, our total assets were valued at HK\$1,212,791 million, representing an increase of 5.7% versus end-2008. Our asset structure continued to improve with a greater proportion of assets bearing higher yield. Total advances to customers grew strongly by 11.8% to HK\$514,972 million. Total deposits from customers increased by a total of 4.1% to HK\$844,453 million and the deposit mix also improved. The loan-to-deposit ratio at the end of 2009 was 60.98%, versus 56.74% at end-2008.

The Group's loan quality improved further. Our classified or impaired loan ratio dropped by 0.12 percentage point to 0.34%, which was far below the industry average of 1.35% (for classified loans) in 2009.

We maintained a sound financial position in 2009. The Group's consolidated capital adequacy ratio rose by 0.68 percentage point to 16.85% at end-2009 as its total capital base expanded by 10.2% to HK\$104,435 million. Core capital ratio stayed solid at 11.64%. The average liquidity ratio for 2009 was at 40.18%.

In early February 2010, BOCHK successfully completed the issue of US\$1,600 million 10-year Subordinated Notes

("the Notes"), which is the largest ever single-tranche bank capital deal in Asia except Japan (in any currency) and the only global bond transaction by a Hong Kong-based bank. The proceeds from the issue were used to partly repay the Subordinated Credit Facility provided by BOC in December 2008. The creation of a new type of listed securities has broadened our investor base and provided an alternative for investing in our securities. As the Notes were offered to institutional investors globally, it has established a market benchmark, diversified our future funding channels for development, and enhanced our international profile.

## **Business Review**

### ***Personal Banking***

Our main focus for Personal Banking was on driving business growth, maintaining our market leadership in core areas, adjusting to changes in the operating and regulatory environment, expanding our customer base and establishing a distinctive position for offshore RMB service. Total operating income was stable at HK\$10,648 million whereas profit before tax was HK\$4,504 million, down 7.9%.

The local property market turned active again after the first quarter. Through an aggressive business strategy, we led the market in the underwriting of new residential mortgages and grew our mortgage loans by 9.4% year-on-year. The credit quality of residential mortgages remained solid with the delinquency and rescheduled loan ratio dropping further to 0.04%.

We expanded our investment and insurance business by a large extent in 2009. Our stock brokerage volume and fee income surged by 45.0% and 52.9% respectively. We enlarged our market share and reinforced our position in the retail stock market. In the same vein, by acting as the receiving bank for 22 IPOs in Hong Kong, we grew our IPO-related business and consolidated our leading position in the market. As for the Bancassurance business, we made much headway in upgrading our service and broadening our product range.

Our customer segmentation strategy enabled us to broaden our high net-worth customer base and strengthen our relationship with customers by tailoring wealth management solutions for their diverse needs. We also expanded our cross-border wealth management services. As a result, our wealth management customer base and assets under our management grew by 11.9% and 31.2% respectively.

Our credit card business flourished with the improvement in consumer sentiment and domestic spending. There was very encouraging growth in card advances, card issuance, cardholder spending and merchant acquiring volume. We maintained our lead in the merchant acquiring business of China UnionPay Card and remained the market leader in RMB-HKD dual currency credit cards.

In 2009, we solidified our leading position in RMB business in Hong Kong and further expanded our scope of service. We were mandated by the Ministry of Finance of the Central Government as the joint lead manager, bookrunner and placing bank for the first RMB sovereign bond issued in Hong Kong. We acted in the same capacity for the majority of RMB bonds issued in Hong Kong during the year. By working closely with BOC, we started conducting RMB-related business with some of the BOC branches in the Asia-Pacific region and kick-started a number of other projects, such as the "Asia-Pacific Personal Finance Product Centre", "Overseas Banking Card Business" and "Customer Hotline Centre". In other words, we have covered considerable mileage toward the goal of becoming the BOC Group's major production platform and servicing support centre in the Asia-Pacific region.

Our efforts in maximising the use of e-platform by customers paid off. The number of Internet Banking customers increased by 10.1%. Stock trading transactions through e-channels accounted for 76.2% of total transactions.

### **Corporate Banking**

Corporate Banking's strategic focus in 2009 was to drive growth and develop comprehensive customer relationships by offering a full range of products and services. We also aimed at ensuring the Group's outstanding position in offshore RMB banking through closer cooperation with BOC and the enhancement of system connectivity. Profit before tax increased by 7.1% to HK\$5,915 million.

By focusing on the financing needs of both local and Mainland enterprises, we outperformed the market as a whole by growing corporate loans by 14.5%. We also succeeded in capturing a larger market share and maintaining our position of top mandated arranger in the Hong Kong-Macau syndicated loan market for the fifth consecutive year. In our role as BOC's Asia-Pacific Syndicated Loan Centre, we expanded our business in the region and contributed to BOC's advancement to the region's top mandated arranger in 2009. At the same time, we further enhanced our services for SMEs and grew our

SME loans by actively assisting enterprises to secure loans under the HKSAR Government's SME Loan Guarantee Scheme and Special Loan Guarantee Scheme.

In 2009 we made major breakthroughs in the trade settlement and finance business. We initiated the first cross-border trade settlement in RMB in July, which was followed by a comprehensive range of related services. We extended our RMB trade settlement service to ASEAN countries with very positive response. We also outperformed the market by growing our trade finance by 19.4% against the backdrop of an overall decline in Hong Kong's external trade and trade finance.

During the year, we deepened our collaboration with our parent BOC for service enhancement and business growth. The Group's cash management service platform was linked up with those of BOC and its overseas branches to facilitate customers in transferring funds between Hong Kong, the Mainland and a number of countries in the region. We also strengthened our capability in serving large corporate clients around the world through the launching of the Global Relationship Manager Programme and the Global Unified Facilities Arrangement, introduced by BOC in conjunction with the Group as a partner.

The Group's custody business made notable progress last year. We extended our custody service to various Central Government entities and state-owned banks while penetrating the Taiwan market. Our custody business now covers MPF assets. In cooperation with BOC, we opened accounts in Hong Kong for a considerable number of high net-worth Mainland customers for providing escrow services. At end-2009, total assets in our custody were valued at HK\$392 billion, up 95.9% from a year ago.

### **Mainland Business**

Our Mainland operation witnessed healthy growth in loans and greater improvement in loan quality. Total advances to customers increased by 14.9% year-on-year. RMB loans were up by 5.1%. Customer deposits increased by 48.8%, of which RMB deposits were up 58.7%. There was a rise in net fees and commission as well as other operating income whereas net interest income dropped. Loan quality was sound.

We continued to drive the development of cross-border services for both corporate and individual customers in the Mainland. With a focus on establishing NCB (China)

as the main brand, we progressively expanded our branch network which now comprises a total of 23 branches and sub-branches. For developing personal banking in the Mainland, we devoted more resources for product and service innovation and rolled out a wide range of products in deposits, wealth management, mortgage and debit card business.

## **Treasury**

During the year under review, Treasury's main focus was to manage the Group's banking book more prudently, de-risk the Group's investment portfolio and secure better returns. With a substantial net release of impairment allowances on securities investment, we achieved a profit before tax of HK\$6,964 million in 2009.

In view of volatility in the market, we adopted a proactive yet prudent approach in managing banking book investments and made timely adjustments to our portfolio in response to market changes. We reduced our exposure to credit and interest rate risks and secured stable and higher returns. We invested more in high-quality government-related/guaranteed fixed-rate debt securities with slightly longer duration. Through selective disposal, we reduced the exposure of our investment portfolio to US non-agency RMBS substantially by 80.4% to HK\$3.8 billion.

Our main focus in business development was on traditional products related to foreign exchange and precious metals to individual customers. Hedging and investment products linked to foreign exchange and interest rates were offered to corporate customers with good response. The trading volume of RMB non-deliverable forward contracts conducted with corporate customers reached a record high.

## **Insurance**

BOC Life achieved significant turnaround in its business and financial results. We followed a need-based approach, enriched our product range and started offering professional financial planning service. We also intensified our effort in selling regular premium products to improve our product mix. These strategies enabled us to establish a stronger presence in the local insurance market.

Net operating income grew sturdily by 143.5% to HK\$471 million. Net interest income increased by 13.3% while other operating income grew by 17.9%. During the year, we introduced a total of 23 new products, primarily focused on the retirement and wealth management needs of our customers. Premium income from regular-premium products jumped up by 141.8% year-on-year.

## **Outlook**

While the global financial market is gradually stabilising, we cannot afford to ignore the volatility and potential risks that still exist in individual markets. We therefore remain cautious as to the economic outlook for 2010 especially with regard to the possible effects of the "Exit Policy" to be taken by major economies. For Hong Kong, we should be heartened by the upward trend of GDP growth since the last quarter of 2009. The Hong Kong economy is likely to recover further this year by deepening its economic integration with the Mainland which, given its strong fundamentals and momentum, should remain one of the major growth engines for the Asia-Pacific and global economies.

For the Group, we consider 2010 to be an important year for accelerating our growth momentum and consolidating our leadership in core areas.

We will capitalise on our core competencies and competitive advantages to grow our major businesses, diversify our sources of income, and build a more balanced and sustainable revenue platform. Through service enhancement and product innovation, coupled with better use of our distribution network, we will further consolidate our leading position and capture bigger market shares specifically in our traditionally strong business areas, including corporate lending, residential mortgage, RMB business and stock brokerage. Meanwhile, we will boost the growth of promising areas like wealth management, life insurance, cash management and custody. We will enhance our efforts to offer a "Total Solution" to meet the demand of our customers through an integrated service platform and reinforced service capabilities.

In light of the further development of offshore RMB business, we will continue to leverage our unique advantage as the sole RMB clearing bank in Hong

Kong. We will fortify our market leadership in RMB deposits, exchange, remittance, dual-currency cards, trade settlement and finance as well as bond issuance and distribution by diversifying our RMB products and services for both individual and corporate customers. We will also broaden the scope of our RMB trade settlement service and explore the development of other new products, and seek to expand our RMB business in the region.

The Mainland being a main driver for the regional and global economies, we will grow our Mainland business through closer collaboration with our parent BOC on the one hand and reinforcing the role played by NCB (China) on the other. BOC's extensive network and strong franchise in the Mainland have allowed us to increase our presence there so that we can better serve our customers, maximise cross-selling efforts and expand our product range. At the same time, we will continue to build up the brand and branch network of NCB (China), an integral part of the BOC Group, to grow its business in the Mainland and expand its cross-border services.

Together with BOC, we can capture emerging business opportunities not only in the Mainland but also in the Asia-Pacific region for mutual benefits. We will continue to play our prominent role as BOC's Asia-Pacific Syndicated Loan Centre. It is expected that we can be further benefited to a greater extent from the implementation of the Global Relationship Manager Programme. The interconnection between the Group's cash management service platform and that of BOC and its overseas branches will give us an added advantage in serving major corporate clients around the world. We will exploit our expertise and experience to support BOC in developing wealth management products for the Mainland market and for penetrating the regional market. All these will enable us to establish a stronger strategic foothold in the Asia-Pacific region and ensure our unique function in the BOC Group's global strategy.

While focusing on business growth, it is important that we continue to safeguard our capital strength and asset quality. Rigorous risk management and internal control measures will also be adopted to avoid any potential pitfalls.

### Corporate Social Responsibility

As a leading banking group in Hong Kong with a long history, we are committed to playing an increasingly active role as good corporate citizens and contributing to the community's well-being and development. To integrate this fine tradition into our long-term development strategy for creating greater value for the Group, we formulated a comprehensive corporate social responsibility (CSR) policy which was approved by the Board earlier this year. This policy is applicable to the Group as a whole and guides us in fulfilling our commitment to CSR and in contributing to the sustainable development of the economy, society and environment.

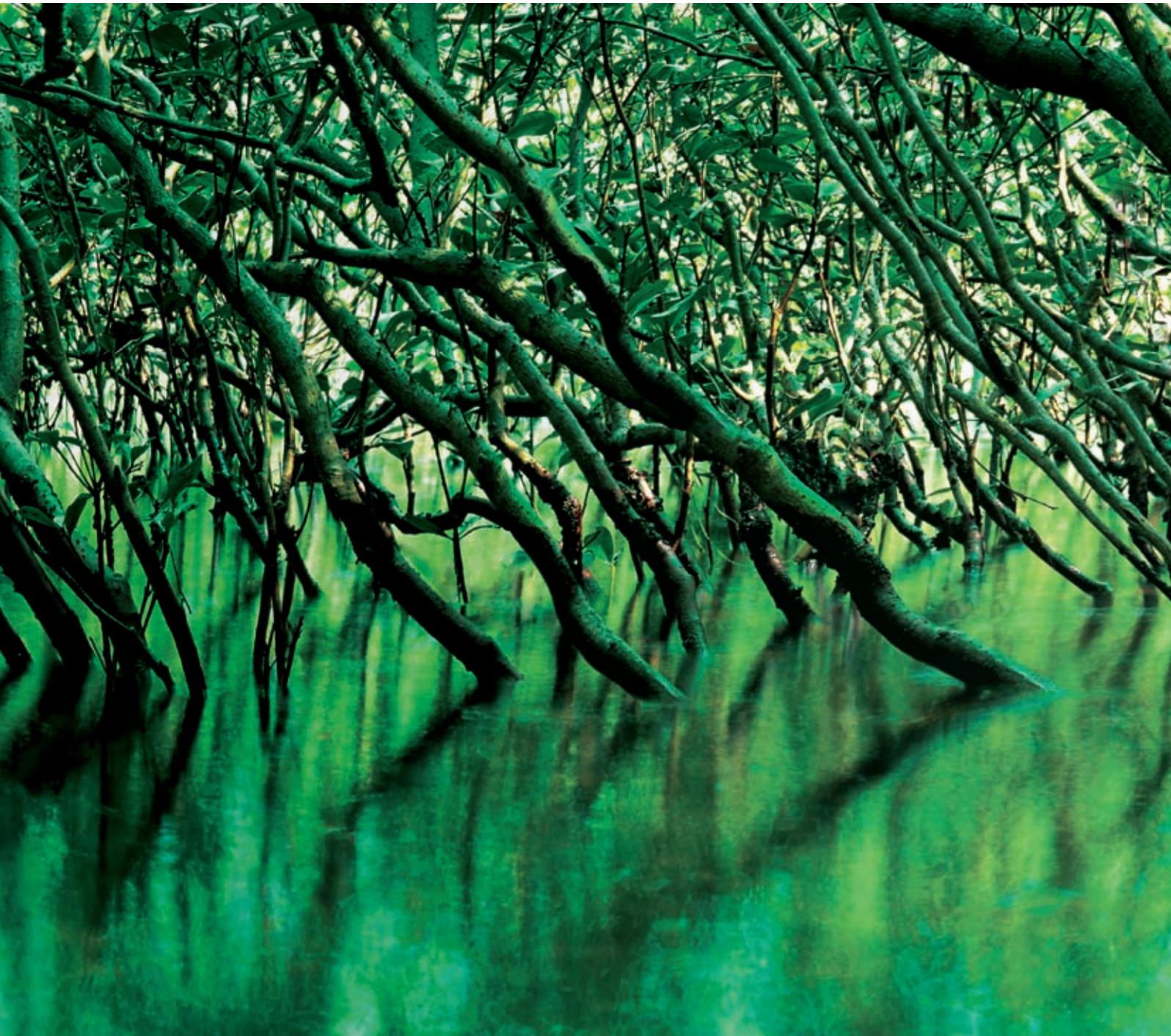
The scope of the CSR policy encompasses the Group's responsibility toward society, shareholders, customers, employees, and the environment respectively. For the purpose of implementation, the Group has set up the CSR Committee chaired by me and comprising our senior management as members. The Committee will decide on the Group's CSR strategies and policies and oversee their execution. Details of the Group's CSR-related work accomplished last year are covered in a separate section in this annual report.

In concluding, I am very grateful to the Board of Directors, shareholders and customers for their continued trust and support. Of equal importance is of course the indispensable contribution of all my colleagues through their talent, devotion and hard work. We have once again demonstrated our ability to grow and rise to challenges through different phases of the economic cycle. Going forward, I am confident that we are able to implement our development strategy in a proactive and sustainable manner.



**HE Guangbei**  
*Vice Chairman & Chief Executive*

23 March 2010



HK\$90 million of the net proceeds generated from "Beijing 2008 Olympic Games Hong Kong Dollar Commemorative Banknote" was designated for the "Caring Hong Kong – A Heart Warming Campaign" by BOCHK to provide timely support to those in need.



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# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following sections provide metrics and analytics of the Group's performance, financial position, and risk management in the year 2009. These should be read in conjunction with the financial statements included in the Annual Report.

## FINANCIAL PERFORMANCE AND CONDITION IN BRIEF

The following table is a summary of the Group's key financial results for the year 2009 with a comparison with the previous two financial periods.

Financial Indicators		2009 Performance								
<b>1. Profit Attributable to Shareholders</b>	HK\$'m <table border="1"> <tr> <th>Year</th> <th>Profit (HK\$'m)</th> </tr> <tr> <td>2007</td> <td>15,446</td> </tr> <tr> <td>2008</td> <td>3,343</td> </tr> <tr> <td>2009</td> <td>13,725</td> </tr> </table>	Year	Profit (HK\$'m)	2007	15,446	2008	3,343	2009	13,725	<b>Profit attributable to shareholders</b> <ul style="list-style-type: none"> <li>Profit attributable to shareholders was HK\$13,725 million, up strongly from 2008. This demonstrated the Group's strengths in core banking businesses amid the challenging operating environment</li> </ul>
Year	Profit (HK\$'m)									
2007	15,446									
2008	3,343									
2009	13,725									
<b>2. Return on Average Capital and Reserves Attributable to the Equity Holders of the Company ("ROE")<sup>1</sup></b>	% <table border="1"> <tr> <th>Year</th> <th>ROE (%)</th> </tr> <tr> <td>2007</td> <td>17.40</td> </tr> <tr> <td>2008</td> <td>3.81</td> </tr> <tr> <td>2009</td> <td>14.79</td> </tr> </table>	Year	ROE (%)	2007	17.40	2008	3.81	2009	14.79	<b>ROE</b> <ul style="list-style-type: none"> <li>ROE was 14.79%, up 10.98 percentage points year-on-year, representing a strong rebound from 2008</li> </ul>
Year	ROE (%)									
2007	17.40									
2008	3.81									
2009	14.79									
<b>3. Return on Average Total Assets ("ROA")<sup>2</sup></b>	% <table border="1"> <tr> <th>Year</th> <th>ROA (%)</th> </tr> <tr> <td>2007</td> <td>1.53</td> </tr> <tr> <td>2008</td> <td>0.27</td> </tr> <tr> <td>2009</td> <td>1.19</td> </tr> </table>	Year	ROA (%)	2007	1.53	2008	0.27	2009	1.19	<b>ROA</b> <ul style="list-style-type: none"> <li>ROA was 1.19%, up 0.92 percentage point year-on-year</li> </ul>
Year	ROA (%)									
2007	1.53									
2008	0.27									
2009	1.19									
<b>4. Net Interest Margin ("NIM")</b>	% <table border="1"> <tr> <th>Year</th> <th>NIM (%)</th> </tr> <tr> <td>2007</td> <td>2.07</td> </tr> <tr> <td>2008</td> <td>2.00</td> </tr> <tr> <td>2009</td> <td>1.69</td> </tr> </table>	Year	NIM (%)	2007	2.07	2008	2.00	2009	1.69	<b>NIM</b> <ul style="list-style-type: none"> <li>NIM was 1.69%, down 31 basis points year-on-year due to lower market interest rates in 2009</li> </ul>
Year	NIM (%)									
2007	2.07									
2008	2.00									
2009	1.69									
<b>5. Cost-to-Income Ratio ("CIR")<sup>3</sup></b>	% <table border="1"> <tr> <th>Year</th> <th>CIR (%)</th> </tr> <tr> <td>2007</td> <td>28.52</td> </tr> <tr> <td>2008</td> <td>34.36</td> </tr> <tr> <td>2009</td> <td>46.60</td> </tr> </table>	Year	CIR (%)	2007	28.52	2008	34.36	2009	46.60	<b>CIR</b> <ul style="list-style-type: none"> <li>CIR was 46.60%, up 12.24 percentage points year-on-year as operating expenses increased by 38.4% due largely to the expenses incurred on Lehman Brothers related products<sup>3</sup>. Operating income increased by 2.1%</li> </ul>
Year	CIR (%)									
2007	28.52									
2008	34.36									
2009	46.60									

Financial Indicators		2009 Performance								
<b>6. Deposits from Customers (including structured deposits)</b>	HK\$'bn <table border="1"> <tr> <th>Year</th> <th>2007.12.31</th> <th>2008.12.31</th> <th>2009.12.31</th> </tr> <tr> <td>Value (HK\$'bn)</td> <td>799.6</td> <td>811.5</td> <td>844.5</td> </tr> </table>	Year	2007.12.31	2008.12.31	2009.12.31	Value (HK\$'bn)	799.6	811.5	844.5	<b>Deposits from Customers</b> <ul style="list-style-type: none"> <li>Total deposits increased by 4.1% from the end of 2008 to HK\$844.5 billion, with continuous improvement in deposit mix</li> </ul>
Year	2007.12.31	2008.12.31	2009.12.31							
Value (HK\$'bn)	799.6	811.5	844.5							
<b>7. Advances to Customers</b>	HK\$'bn <table border="1"> <tr> <th>Year</th> <th>2007.12.31</th> <th>2008.12.31</th> <th>2009.12.31</th> </tr> <tr> <td>Value (HK\$'bn)</td> <td>413.1</td> <td>460.4</td> <td>515.0</td> </tr> </table>	Year	2007.12.31	2008.12.31	2009.12.31	Value (HK\$'bn)	413.1	460.4	515.0	<b>Advances to Customers</b> <ul style="list-style-type: none"> <li>The Group's advances to customers increased strongly by 11.8% year-on-year to HK\$515.0 billion, outperforming the local loans market where loan growth remained lackluster in 2009</li> </ul>
Year	2007.12.31	2008.12.31	2009.12.31							
Value (HK\$'bn)	413.1	460.4	515.0							
<b>8. Classified or Impaired Loan Ratio<sup>4</sup></b>	% <table border="1"> <tr> <th>Year</th> <th>2007.12.31</th> <th>2008.12.31</th> <th>2009.12.31</th> </tr> <tr> <td>Value (%)</td> <td>0.44</td> <td>0.46</td> <td>0.34</td> </tr> </table>	Year	2007.12.31	2008.12.31	2009.12.31	Value (%)	0.44	0.46	0.34	<b>Classified or Impaired Loan Ratio</b> <ul style="list-style-type: none"> <li>Classified or impaired loan ratio was 0.34%, down from 0.46% at the end of 2008</li> <li>Formation of new classified loans remained at a low level, representing approximately 0.3% of total loans</li> </ul>
Year	2007.12.31	2008.12.31	2009.12.31							
Value (%)	0.44	0.46	0.34							
<b>9. Capital Adequacy Ratio ("CAR")</b>	% <table border="1"> <tr> <th>Year</th> <th>2007.12.31</th> <th>2008.12.31</th> <th>2009.12.31</th> </tr> <tr> <td>Value (%)</td> <td>13.08</td> <td>16.17</td> <td>16.85</td> </tr> </table>	Year	2007.12.31	2008.12.31	2009.12.31	Value (%)	13.08	16.17	16.85	<b>CAR</b> <ul style="list-style-type: none"> <li>CAR maintained at a high level of 16.85% at the end of 2009</li> <li>Core capital ratio stood at 11.64%</li> </ul>
Year	2007.12.31	2008.12.31	2009.12.31							
Value (%)	13.08	16.17	16.85							
<b>10. Average Liquidity Ratio</b>	% <table border="1"> <tr> <th>Year</th> <th>2007</th> <th>2008</th> <th>2009</th> </tr> <tr> <td>Value (%)</td> <td>50.92</td> <td>41.74</td> <td>40.18</td> </tr> </table>	Year	2007	2008	2009	Value (%)	50.92	41.74	40.18	<b>Average Liquidity Ratio</b> <ul style="list-style-type: none"> <li>Average liquidity ratio remained healthy at 40.18% in 2009</li> </ul>
Year	2007	2008	2009							
Value (%)	50.92	41.74	40.18							

1 Return on Average Capital and Reserves Attributable to the Equity Holders of the Company as defined in "Financial Highlights".

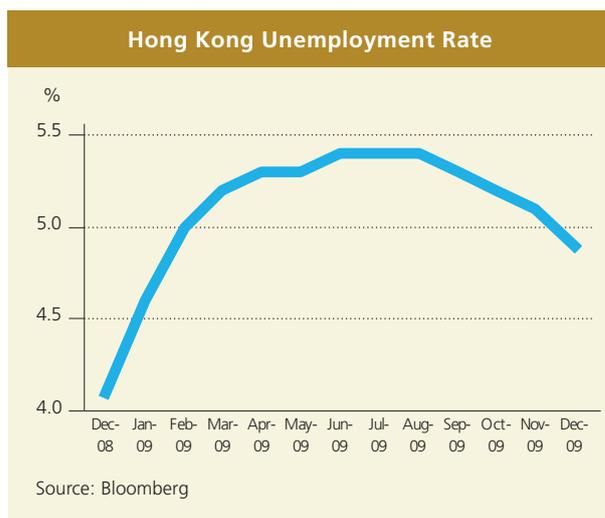
2 Return on Average Total Assets as defined in "Financial Highlights".

3 Expenses incurred on Lehman Brothers related products were primarily in relation to the Lehman Brothers minibonds ("Minibonds") repurchase arrangements announced on 22 July 2009. Excluding expenses incurred on Lehman Brothers related products, core cost-to-income ratio in 2009 and 2008 would have been 34.02% and 31.35% respectively.

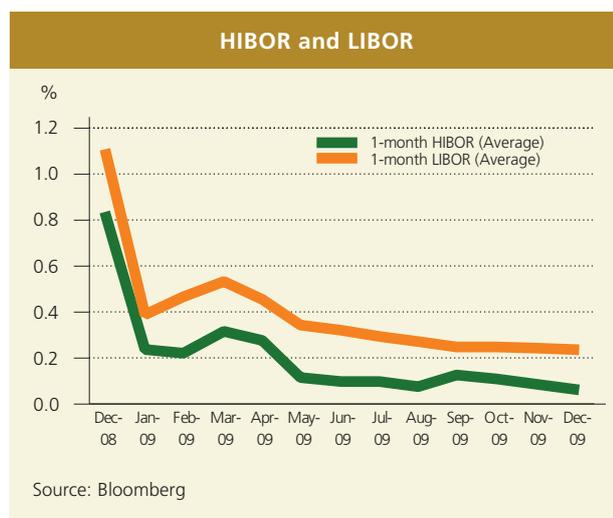
4 Classified or impaired loans represent advances which have been classified as "substandard", "doubtful" or "loss" under the Group's classification of loan quality, or individually assessed to be impaired.

## ECONOMIC BACKGROUND & OPERATING ENVIRONMENT

The global economic environment remained highly challenging in 2009 as the severe impact of the financial crisis from 2008 was still keenly felt. In the first half of the year, the global economy was undergoing a downturn. Most governments and central banks around the world had to resort to drastic measures to boost demand and stabilise the economy. The US Federal Reserve maintained its target interest rate at close to zero while other central banks also kept their benchmark rates low. In the second half of the year, these extraordinary fiscal and monetary policies were beginning to bear fruit. Some major economies, including the US and the Eurozone, showed signs of recovery. The momentum of economic recovery was stronger in Asia. The Mainland economy, in particular, resumed much faster growth that was spurred by public investment in infrastructure and a revival of the real estate sector. Other Asian economies also recovered, though to a lesser extent, driven by fiscal stimulus, rising confidence and the wealth effect of a rebound in the equity market.



The Hong Kong economy showed clearer signs of improvement in the fourth quarter of the year with the real GDP recording a year-on-year growth of 2.6%. This was mainly led by the rise in domestic demand and business investment. Consumer sentiments revived with the improvement in the labour market in the second half of the year when the unemployment rate fell to 5.3% in the third quarter before edging further down to 4.9% at the end of 2009. There was therefore a rebound in private consumption expenditure. At the same time, overall investment spending increased, which was largely attributable to public sector construction work. The property market recovered and investment in the stock market also rose strongly as the financial markets stabilised. Inflationary pressure in Hong Kong remained largely subdued with the composite consumer price index recording a modest year-on-year growth of 1.3% by the end of 2009.



In the local money market, the Hong Kong Monetary Authority ("HKMA") introduced various accommodative measures in response to the global financial crisis. Interbank interest rates for the Hong Kong Dollar generally stayed at low levels in the first quarter and dropped further during the year with USD interest rates. Average 1-month HIBOR and LIBOR decreased from 0.23% and 0.38% respectively at the beginning of the year to 0.06% and 0.23% in December.



With the improvement in market sentiments and inflow of funds, the local stock market rebounded and remained buoyant since the second quarter of the year. The Hang Seng Index (“HSI”) closed at 21,873 points at the end of 2009, representing an increase of more than 50% versus 14,387 points at the end of 2008. IPO activities revived since September 2009 and recorded a total of HK\$243.9 billion raised in 2009, up 269.6% year-on-year.

The local residential property market turned buoyant with both prices and transaction volume returning to the pre-crisis level. Property transaction regained its growth momentum from the second quarter onward when signs of economic recovery became more apparent. It cooled down somewhat in the last quarter with the anticipation of a possible rise of interest rates. Transaction volume, in terms of the number of sale and purchase agreements of all building units, in 2009 increased by 18.2% compared to 2008. Prices of private domestic properties in 2009 recorded a cumulative increase of 27.6% versus 2008.

While 2009 remained challenging for the local banking sector as competition remained acute and interest rates were low, the gradual stabilisation of the financial markets and improvement in investor and consumer sentiments helped improve the profitability of banks. Although interest income was further depleted by persistently low interest rates and intense price competition, buoyancy in the stock market generated higher non-interest income. Improvement in asset quality also led to lower provisions for loans and investment portfolios.

### Outlook for 2010

Before reviewing the Group’s 2009 financial performance in detail, here are certain factors that may affect the Group’s financial outlook in 2010:

- Economic fundamentals remain fragile as the impetus for recovery primarily comes from fiscal and monetary easing policies adopted by individual governments. Governmental measures to stimulate the economy may result in inflationary and therefore asset bubbles. Faced with such a dilemma, major central banks might be forced to tighten the monetary policies. The subsequent withdrawal of liquidity could dampen economic activities.
- In Hong Kong, a possible reversal of the trend of capital inflow might trigger changes in interest rates and asset values, thus resulting in uncertainties that may hinder the pace of the economic recovery.
- Banks are faced with increasing regulatory pressure as regards the selling of products, customer service, liquidity and capital management, etc. Corresponding steps have to be taken to cope with the changes in regulatory requirements.

## CONSOLIDATED FINANCIAL REVIEW

### Financial Performance

Despite the challenging economic environment in 2009, the Group achieved encouraging financial results. By capitalising on its strengths in core businesses and seizing opportunities arising from the recovering economy, the Group quickly resumed growth in its earnings. It expanded its service scope in various business areas and captured bigger market shares. It also continued to strengthen its financial position and risk management in the uncertain market conditions.



In 2009, the Group's net operating income before impairment allowances increased by HK\$529 million, or 2.1%, to HK\$26,055 million, led by the improvement in net fees and commission income and the net operating income recorded by the Group's insurance segment. There was, however, a reduction in net interest income. Operating expenses increased mainly due to the expenses incurred on Lehman Brothers related products. The Group recorded a net write-back in impairment allowances on securities investments versus a net charge in 2008 while the net charge of impairment allowances on loans significantly decreased. Meanwhile, the Group's properties registered a revaluation gain versus a loss last year.

The Group's profit attributable to shareholders increased strongly by HK\$10,382 million, or 310.6%, to HK\$13,725 million. Earnings per share were HK\$1.2981, up from HK\$0.3162 in 2008. ROA was 1.19% while ROE was 14.79%.

### Factors Affecting the Group's Performance in 2009

Amid uncertainties in the market resulting from the global financial crisis, the Group continued to enhance its franchise and strengthen its business capabilities. It refined its business strategies to drive the growth of its traditional core businesses and successfully captured new business opportunities.

- With ample liquidity and improved sentiments in the market, the local stock market rebounded strongly. The Group captured this business opportunity with its enhanced and reliable stock trading platform. It recorded a robust growth of 52.9% in stock broking fee income, outperforming the market. The fee income from core businesses also surged in the second half of the year.
- By reinforcing its services for local and Mainland enterprises as well as playing an active role as the BOC's "Asia-Pacific Syndicated Loan Centre", the Group grew its loan balance and remarkably expanded its market share. Loan commissions also rose strongly.
- With an enhanced service platform and the stabilisation of the capital markets, the Group's insurance segment improved its financial performance considerably with notable growth in its net operating income as well as market share.
- The Group proactively managed its US non-agency residential mortgage-backed securities ("RMBS") portfolio. As investment sentiments and market liquidity improved, the Group acted promptly by reducing to a large extent its exposure to US non-agency RMBS, thus generating a substantial write-back of impairment allowances.

The Group's financial performance in 2009 was also subject to the following negative factors:

- Exceptionally low interest rates coupled with the full-year impact of the two subordinated loans secured in 2008 adversely affected the Group's net interest income.
- Substantial expenses incurred on Lehman Brothers related products were recorded in 2009 (For details, please refer to Note 13 to the Financial Statements in the Annual Report).

**Financial Highlights**

HK\$m, except percentage amounts	2009	2008
Net interest income	<b>17,932</b>	20,157
Other operating income	<b>8,123</b>	5,369
Operating income	<b>26,055</b>	25,526
Operating expenses	<b>(12,141)</b>	(8,771)
Operating profit before impairment allowances	<b>13,914</b>	16,755
Net reversal/(charge) of impairment allowances	<b>1,190</b>	(12,573)
Others	<b>1,620</b>	(104)
Profit before taxation	<b>16,724</b>	4,078
Profit attributable to the equity holders of the Company	<b>13,725</b>	3,343
Earnings per share (HK\$)	<b>1.2981</b>	0.3162
Return on average total assets	<b>1.19%</b>	0.27%
Return on average capital and reserves attributable to the equity holders of the company	<b>14.79%</b>	3.81%
Net interest margin (NIM)	<b>1.69%</b>	2.00%
Non-interest income ratio	<b>31.18%</b>	21.03%
Cost-to-income ratio	<b>46.60%</b>	34.36%

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	2009	2008
Interest income	<b>21,684</b>	35,281
Interest expense	<b>(3,752)</b>	(15,124)
Net interest income	<b>17,932</b>	20,157
Average interest-earning assets	<b>1,060,961</b>	1,006,440
Net interest spread	<b>1.62%</b>	1.78%
Net interest margin	<b>1.69%</b>	2.00%

With sizable capital inflows and ample liquidity in the interbank market, Hong Kong's short-term market interest rates in 2009 declined further and remained at an exceptionally low level. Average one-month HIBOR in 2009 fell by 185 basis points to 0.15% while average one-month LIBOR fell by 235 basis points to 0.33% compared to 2008. The Group's average HKD Prime rate decreased by 40 basis points to 5.00%, thus widening the HKD Prime-to-one-month HIBOR spread (hereafter called "Prime-HIBOR spread") by 145 basis points to 4.85%. Meanwhile, the yield curve steepened, as evidenced by the broader average interest spread of 164 basis points in 2009 between 2-year Exchange Fund notes and its 10-year counterparts, versus 111 basis points in 2008.

The Group's net interest income decreased by HK\$2,225 million, or 11.0%, to HK\$17,932 million in 2009. The decrease was mainly attributable to the drop in net interest margin, which was partially offset by the growth in average interest-earning assets. Net interest margin fell by 31 basis points to 1.69% as both net interest spread and contribution from net free fund declined by 16 basis points and 15 basis points respectively. Average interest-earning assets grew by HK\$54,521 million, or 5.4%, to HK\$1,060,961 million.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Year ended 31 December 2009		Year ended 31 December 2008**	
	Average balance HK\$'m	Average yield %	Average balance HK\$'m	Average yield %
<b>ASSETS</b>				
Loans to banks	241,683	1.21	228,901	2.41
Debt securities investments	332,865	2.44	306,807	4.27
Loans and advances to customers	473,888	2.22	456,946	3.56
Other interest-earning assets	12,525	1.16	13,786	2.92
Total interest-earning assets	1,060,961	2.04	1,006,440	3.51
Non interest-earning assets	117,552	–	92,758	–
Total assets	1,178,513	1.84	1,099,198	3.21

	Year ended 31 December 2009		Year ended 31 December 2008**	
	Average balance HK\$'m	Average rate %	Average balance HK\$'m	Average rate %
<b>LIABILITIES</b>				
Deposits and balances of banks and other financial institutions	100,284	1.44	79,969	1.91
Of which: subordinated loans	27,092	3.40	4,442	5.61
Current, savings and fixed deposits	777,529	0.29	767,006	1.65
Certificate of deposits issued	519	4.06	1,474	3.73
Other interest-bearing liabilities	21,940	0.25	27,597	3.08
Total interest-bearing liabilities	900,272	0.42	876,046	1.73
Non interest-bearing deposits	73,376	–	37,053	–
Shareholders' funds* and non interest-bearing liabilities	204,865	–	186,099	–
Total liabilities	1,178,513	0.32	1,099,198	1.38

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

\*\* During the year, the Company has made certain enhancements on the compilation basis and the 2008 comparative figures of certain items have been adjusted.

Compared to 2008, the average yield of total interest-earning assets declined by 1.47 percentage points in 2009 while the average rate of total interest-bearing liabilities fell by 1.31 percentage points, thus narrowing the net interest spread by 16 basis points. The contribution from net free fund declined as a result of the decrease in market interest rates.

The average yield of total interest-earning assets dropped following their re-pricing at lower interest rates. The average rate of total interest-bearing liabilities fell by a lesser extent largely due to the full-year impact of the two subordinated loans\* secured in June and December 2008 respectively as their costs were fully reflected in 2009. Further reduction in deposits costs was also limited as they were already at a very low level.

\* Bank of China (Hong Kong) Limited ("BOCHK"), the principal operating subsidiary of the Group, secured two subordinated loans from BOC in June and December 2008 respectively. Subsequent to the balance sheet date, BOCHK issued fixed rate subordinated notes with the aggregate principal amount of US\$1,600 million on 11 February 2010. BOCHK applied the proceeds from the issue of the subordinated notes to partly repay the subordinated loan secured from BOC in December 2008 (For details of this issue, please refer to Note 12 to the Summary Financial Statements).

Nevertheless, the Group's deposit mix continued to improve with an increase in the proportion of average demand deposits and current accounts as well as savings deposits in average total deposits. This helped alleviate the negative impact of the above factors. Higher-yielding assets such as loans and advances to customers and securities investments also registered growth.

### *Second Half Performance*

Compared to the first half of 2009, short-term market interest rates further decreased. Average one-month HIBOR dropped by 12 basis points while average one-month LIBOR dropped by 17 basis points. The Group's net interest income increased by HK\$74 million, or 0.8%. Average interest-earning assets grew by HK\$74,405 million, or 7.3%. Net interest margin and net interest spread fell by 13 basis points and 11 basis points respectively.

The increase in net interest income was mainly attributable to the increase in average interest-earning assets, which was mostly offset by the drop in net interest margin. Net interest spread narrowed as the decline in average yield of total interest-earning assets outpaced that of deposit costs which were already close to zero and further reduction was limited. The positive impact of the increase in the proportion of loans to customers in the average interest-earning assets as well as the improvement in deposit mix partially offset the decline in net interest spread.

### **Net Fees and Commission Income**

HK\$m	2009	2008
Investment and insurance fee income	<b>3,886</b>	2,964
Securities brokerage		
– Stockbroking	<b>3,638</b>	2,380
– Bonds	<b>39</b>	259
Funds distribution	<b>97</b>	218
Life insurance*	<b>112</b>	107
Credit cards	<b>1,511</b>	1,417
Loan commissions	<b>922</b>	513
Bills commissions	<b>627</b>	683
Payment services	<b>495</b>	486
Account services	<b>276</b>	261
Currency exchange	<b>213</b>	204
Trust services	<b>178</b>	173
General insurance	<b>100</b>	102
Correspondent banking	<b>45</b>	44
Custody	<b>36</b>	45
IPO-related business	<b>41</b>	30
Others	<b>206</b>	292
Fees and commission income	<b>8,536</b>	7,214
Fees and commission expenses	<b>(2,028)</b>	(2,035)
Net fees and commission income	<b>6,508</b>	5,179

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Net fees and commission income increased by HK\$1,329 million, or 25.7%, to HK\$6,508 million, mainly driven by the strong growth in fee income from stock broking of HK\$1,258 million, or 52.9%, which is discussed in the next section "Investment and Insurance Business". Loan commissions also recorded a significant growth of HK\$409 million or 79.7% as a result of the expansion of the Group's loan portfolio and the increase in contribution from its role as the BOC Group's "Asia-Pacific Syndicated Loan Centre". Fees from the credit card business grew by HK\$94 million or 6.6% with the increase in cardholder spending and merchant acquiring volume by 9.4% and 11.4% respectively. Fees income from IPO-related business increased by 36.7% as the Group successfully captured business opportunities arising from the upsurge of IPO activities since September 2009. Fees income from the Group's other traditional banking businesses such as payment services, account services and currency exchange also recorded a steady growth. However, bills commissions decreased by HK\$56 million or 8.2%, which was in line with the drop in Hong Kong's external trade during the year. Meanwhile, fees and commission expenses decreased by HK\$7 million or 0.3%.

## Second Half Performance

Compared to the first half of 2009, net fees and commission income increased by HK\$614 million, or 20.8%, in the second half largely because of the increase in fee income from stock broking by HK\$388 million, or 23.9%. Loan commissions and fees from the credit card business went up by HK\$126 million or 31.7% and HK\$101 million or 14.3% respectively. IPO activities flourished since September 2009, driving up the Group's related fee income by HK\$39 million. Meanwhile, fees and commission income from payment services, currency exchange, trust services, corresponding banking and custody in general registered double-digit growth over the first half of the year. Fees and commission expenses were up 16.4%, mainly because of higher credit card and stock broking business expenses.

## Investment and Insurance Business

HK\$'m	2009	2008
Investment and insurance fee income		
Securities brokerage		
– Stockbroking	<b>3,638</b>	2,380
– Bonds	<b>39</b>	259
Funds distribution	<b>97</b>	218
Life insurance*	<b>112</b>	107
	<b>3,886</b>	2,964
Net operating income/(loss) of BOC Life#		
Net insurance premium income	<b>7,744</b>	5,891
Interest income	<b>1,271</b>	1,122
Net loss on financial instruments designated at fair value through profit or loss	<b>(939)</b>	(136)
Others	<b>10</b>	17
	<b>8,086</b>	6,894
Less: net insurance benefits and claims	<b>(7,286)</b>	(7,709)
	<b>800</b>	(815)
Total investment and insurance income	<b>4,686</b>	2,149
Of which: Life insurance fee income*	<b>112</b>	107
Net operating income/(loss) of BOC Life#	<b>800</b>	(815)
Total life insurance income/(loss)	<b>912</b>	(708)
Investment fee income	<b>3,774</b>	2,857
Total investment and insurance income	<b>4,686</b>	2,149

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

# Before commission expenses.

With the continuous influx of capital and the return of investors' confidence, the capital market began to stabilise and the local stock market turned buoyant since the second quarter of the year. Against this backdrop, the Group's total investment and insurance income increased strongly by HK\$2,537 million, or 118.1%, to HK\$4,686 million, driven by the increase in fee income from stock broking and the income from BOC Life. The Group continued to enhance its trading platform and seized opportunities arising from increased stock transactions, growing its stock broking income significantly by HK\$1,258 million or 52.9%. As for BOC Life, it recorded a net operating income of HK\$800 million, versus the loss of HK\$815 million in 2008. The significant improvement in BOC Life's performance was mainly attributable to the improved underwriting results. Net insurance premium income increased significantly by HK\$1,853 million, or 31.5%, as sales improved following the successful implementation of new product and distribution strategies. During the year, a financial planning team was established to provide professional insurance services for customers by means of in-depth analysis of their specific financial needs. The product mix continued to improve and contributed to the substantial increase of 142.4% in net insurance premium income from regular premium products.

As the demand for structured products and funds remained weak, the Group's fee income from the sales of bonds dropped by HK\$220 million, or 84.9%. Commission from funds distribution decreased by HK\$121 million, or 55.5%.

### *Second Half Performance*

Compared to the first half of 2009, total investment and insurance income increased by HK\$536 million, or 25.8%. Investment and insurance fee income grew by HK\$404 million, or 23.2%, as market demand increased with the improvement of market sentiments in the second half of the year. Fee income from stock broking rose by HK\$388 million or 23.9%. Benefiting from the Group's role as the joint lead manager and bookrunner as well as placing Bank for a number of RMB bond issues, fee income from the distribution of bonds increased. Fee income from the distribution of funds also rose, driven by the sales of open-ended funds. The net operating income of BOC Life increased by HK\$132 million, or 39.5%. The increase was mainly attributable to the strong growth of net insurance premium income following the establishment of the financial planning team in April 2009 and the mark-to-market gain of certain debt securities caused by the narrowing of credit spread during the period.

### **Net Trading Income**

HK\$'m	2009	2008
Foreign exchange and foreign exchange products	<b>1,273</b>	1,809
Interest rate instruments	<b>62</b>	(127)
Equity instruments	<b>26</b>	119
Commodities	<b>124</b>	113
Net trading income	<b>1,485</b>	1,914

Net trading income was HK\$1,485 million, down HK\$429 million or 22.4% year-on-year, mainly due to the decrease of HK\$536 million, or 29.6%, in the net trading income from foreign exchange and related products, but this was partially counterbalanced by the increase of HK\$189 million in net trading income from interest rate instruments. The decrease in foreign exchange income was mainly attributable to the decline in RMB-related foreign currency transactions as the market's anticipation of the RMB's appreciation cooled off and the business volume of structured deposits also saw a reduction. Net trading income from interest rate instruments rose as a result of the mark-to-market gain of interest rate swap contracts versus the mark-to-market loss in 2008. Net trading income from equity instruments decreased by HK\$93 million or 78.2% mainly as a result of the decline in income from equity-linked products as market demand for related products was weak.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Second Half Performance

Compared to the first half of 2009, net trading income declined by HK\$293 million or 33.0% in the second half of the year. The decrease was mainly attributable to the loss from foreign exchange swap contracts\*, compared to a gain recorded in the first half. Should the drop in income from foreign exchange swap contracts be excluded, the net trading income from foreign exchange and foreign exchange products would have increased by 10.5%.

\* Foreign exchange swap contracts are usually used for the Group's liquidity management and funding activities. Under the 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. 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.

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

HK\$m	2009	2008
Banking business of the Group	261	(316)
BOC Life	(939)	(136)
Total net loss on financial instruments designated at FVTPL	(678)	(452)

Net loss on financial instruments designated at FVTPL increased by HK\$226 million or 50.0%, mainly due to the mark-to-market loss of debt securities of BOC Life in 2009 caused by the rebound of long-term market interest rates from exceptional low level at the end of 2008. The loss was more than offset by the corresponding decrease in policy reserves, as reflected in the decrease in net insurance benefits and claims, attributable to market interest rate movement.

## Second Half Performance

Compared to the net loss of HK\$1,395 million recorded in the first half of 2009, the Group recorded a net gain of HK\$717 million on financial instruments designated at FVTPL in the second half of 2009. This was mainly attributable to the mark-to-market gain of certain debt securities investments of BOC Life in the second half of 2009 caused by the rapid narrowing of credit spread versus a mark-to-market loss in the first half.

## Operating Expenses

HK\$m, except percentage amounts	2009	2008
Staff costs	5,091	4,554
Premises and equipment expenses (excluding depreciation)	1,160	1,076
Depreciation on owned fixed assets	1,018	992
Other operating expenses	1,594	1,380
Core operating expenses	8,863	8,002
Expenses incurred on Lehman Brothers related products <sup>#</sup>	3,278	769
Total operating expenses	12,141	8,771
Cost-to-income ratio	46.60%	34.36%
Core cost-to-income ratio	34.02%	31.35%

<sup>#</sup> including the related legal expenses

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The Group's total operating expenses increased by HK\$3,370 million, or 38.4%, to 12,141 million which included expenses incurred on Lehman Brothers related products totalling HK\$3,278 million. An amount of HK\$769 million was recorded in 2008 relating to the Lehman Brothers related products. Should such expenses be excluded for both 2009 and 2008, the Group's core operating expenses would have increased by HK\$861 million or 10.8% while the core cost-to-income ratio would have risen by 2.67 percentage points to 34.02% in 2009.

The Group continued to streamline its costs in 2009 by implementing a number of cost containment measures. As the market environment showed clearer signs of improvement in the second half of the year, the Group invested and incurred additional business-related expenses, such as promotion and marketing, so that the Group would be in a better position to capture emerging business opportunities and drive business growth from the economic recovery.

Staff costs increased by HK\$537 million, or 11.8%, primarily due to higher performance-related remuneration and more human resources inputs to its Mainland operation. Compared to the end of 2008, headcount measured in full-time equivalents fell by 219 to 13,244 at the end of 2009.

Premises and equipment expenses increased by HK\$84 million or 7.8% mainly because of higher rental for branches in Hong Kong and new branches in the Mainland.

Depreciation on owned fixed assets rose by HK\$26 million, or 2.6%, to HK\$1,018 million due to the increase in computer equipment as the Group continued its infrastructure improvement.

Other operating expenses increased by HK\$214 million or 15.5% to HK\$1,594 million.

## *Second Half Performance*

Compared to the first half of 2009, total operating expenses rose by HK\$3,753 million, or 89.5%, primarily due to expenses incurred on Lehman Brothers related products. Should these expenses be excluded, operating expenses would have increased by HK\$919 million or 23.1% due to higher staff costs and promotional expenses.

## **Net Charge of Loan Impairment Allowances**

HK\$'m	2009	2008
Net (charge)/reversal of loan impairment allowances		
Individual assessment		
– new allowances	<b>(391)</b>	(813)
– releases	<b>150</b>	83
– recoveries	<b>446</b>	722
Collective assessment		
– new allowances	<b>(358)</b>	(691)
– releases	<b>15</b>	10
– recoveries	<b>35</b>	28
Net charge to Income Statement	<b>(103)</b>	(661)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

In 2009, the Group's loan quality continued to improve. The net charge of loan impairment allowances dropped significantly by HK\$558 million or 84.4% to HK\$103 million. New allowances from both individual and collective assessment declined but were partially offset by the decrease in loan recoveries.

New individual impairment allowances was HK\$391 million, down HK\$422 million from HK\$813 million recorded in 2008.

New collective impairment allowances was HK\$358 million, down HK\$333 million from HK\$691 million registered in 2008. The overall asset quality of loans and advances improved in 2009.

Recoveries in individual assessment amounted to HK\$446 million, down HK\$276 million from 2008.

## *Second Half Performance*

The Group recorded a net charge of loan impairment allowances of HK\$163 million in the second half of 2009 relative to a net reversal of HK\$60 million in the first half of the year. Net charge of loan impairment allowances from collective assessment increased as a result of the expansion of the loan portfolio and refinement of the assessment methodology in the second half of the year. Meanwhile, higher net charge of loan impairment allowances from individual assessment was recorded in the second half of the year due to certain new impaired loans.

## **Net Reversal/(Charge) of Impairment Allowances on Securities Investments**

HK\$m	2009	2008
Held-to-maturity securities	<b>690</b>	(4,061)
Available-for-sale securities	<b>612</b>	(7,839)
Net reversal/(charge) of impairment allowances on securities investments	<b>1,302</b>	(11,900)

The stabilisation of the capital markets since the second quarter of 2009 had a favourable impact on the Group's securities investments and hence the related provisions. The Group took active steps to reduce the overall credit risk of its investment portfolio by disposing of higher-risk securities, including impaired US non-agency RMBS, resulting in the write-back of impairment allowances. Meanwhile, an improved investing climate also led to fewer newly impaired securities and hence lower charge of impairment allowances. As a result, the Group recorded a net reversal of impairment allowances on securities investments of HK\$1,302 million in 2009 versus a net charge of HK\$11,900 million in 2008. The Group's total net charge of impairment allowances in 2008 included a charge of HK\$2,730 million against its investments in Bank of East Asia, Limited ("BEA") for the depreciation of its share price. The share price of BEA rose subsequently and was higher at the end of 2009 relative to the end of 2008. However, according to accounting policies, the favourable change in fair value has been made through the reserve for fair value changes of available-for-sale securities within equity. The table below illustrates the breakdown of the Group's net reversal/(charge) of impairment allowances against its securities investments in 2009 and 2008.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

HK\$'m	2009	2008
US non-agency residential mortgage-backed securities		
Subprime	30	522
Alt-A	16	(1,734)
Prime	1,140	(7,041)
	1,186	(8,253)
Other debt securities	116	(917)
Sub-total	1,302	(9,170)
Investments in Bank of East Asia, Limited	–	(2,730)
Total net reversal/(charge) of impairment allowances on securities investments	1,302	(11,900)

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 Financial Statements in the Annual Report.

## Second Half Performance

In the second half of 2009, the Group recorded a net reversal of impairment allowances of HK\$2,470 million versus a net charge of HK\$1,168 million in the first half of the year. This was primarily attributable to the Group's disposal of US non-agency RMBS in the second half of the year as market sentiments improved.

## Property Revaluation

HK\$'m	2009	2008
Net gain/(loss) on fair value adjustments on investment properties	1,554	(132)
Deferred tax (charge)/credit	(237)	93
Net gain/(loss) on fair value adjustments on investment properties, after tax	1,317	(39)
Net gain/(loss) on revaluation of premises	15	(24)
Deferred tax (charge)/credit	(2)	4
Net gain/(loss) on revaluation of premises, after tax	13	(20)

The aggregate impact of property revaluation before tax on the income statement in 2009 was a gain of HK\$1,569 million, which comprised a net gain of HK\$1,554 million from the revaluation of investment properties and a net gain of HK\$15 million from the revaluation of premises. The related deferred tax charge on revaluation of investment properties amounted to HK\$237 million. As a result, the net impact of fair value adjustments on investment properties on the Group's profit attributable to the equity holders in 2009 was a gain of HK\$1,317 million. The net gain on property revaluation was in line with the rebound of property prices in 2009.

## Second Half Performance

A net gain of HK\$872 million from the revaluation of investment properties after tax was recorded, up HK\$427 million from the first half of 2009.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Financial Position

HK\$m, except percentage amounts	At 31 December 2009	At 31 December 2008
Cash and balances with banks and other financial institutions	<b>160,788</b>	153,269
Placements with banks and other financial institutions maturing between one and twelve months	<b>60,282</b>	89,718
Hong Kong SAR Government certificates of indebtedness	<b>38,310</b>	34,200
Securities investments <sup>1</sup>	<b>358,349</b>	335,493
Advances and other accounts	<b>527,135</b>	469,493
Fixed assets and investment properties	<b>35,650</b>	30,522
Other assets <sup>2</sup>	<b>32,277</b>	34,549
<b>Total assets</b>	<b>1,212,791</b>	1,147,244
Hong Kong SAR currency notes in circulation	<b>38,310</b>	34,200
Deposits and balances of banks and other financial institutions	<b>99,647</b>	88,779
Deposits from customers	<b>842,321</b>	802,577
Debt securities in issue at amortised cost <sup>3</sup>	–	1,042
Insurance contract liabilities	<b>33,408</b>	28,274
Other accounts and provisions <sup>4</sup>	<b>66,694</b>	80,501
Subordinated liabilities <sup>5</sup>	<b>26,776</b>	27,339
<b>Total liabilities</b>	<b>1,107,156</b>	1,062,712
Minority interests	<b>2,733</b>	1,813
Capital and reserves attributable to the equity holders of the Company	<b>102,902</b>	82,719
<b>Total liabilities and equity</b>	<b>1,212,791</b>	1,147,244
Loan-to-deposit ratio <sup>6</sup>	<b>60.98%</b>	56.74%

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.

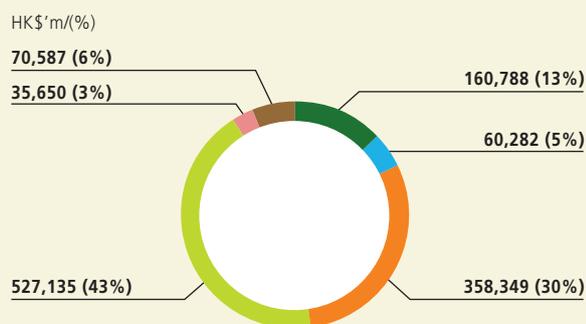
3 Debt securities in issue at amortised cost represents the notes issued under the Group's notes programme.

4 Financial liabilities at fair value through profit or loss, derivative financial liabilities, current tax liabilities and deferred tax liabilities are included in other accounts and provisions.

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

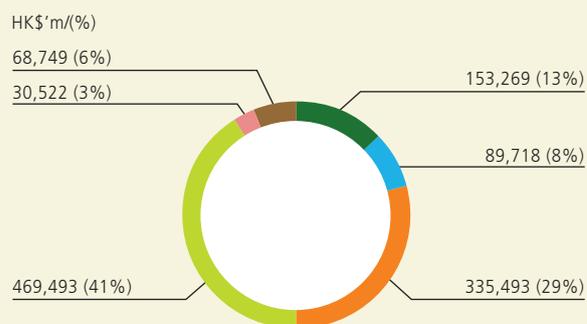
6 Of which deposits from customers also include structured deposits reported as "Financial liabilities at fair value through profit or loss".

Balance Sheet Mix as at 31 December 2009



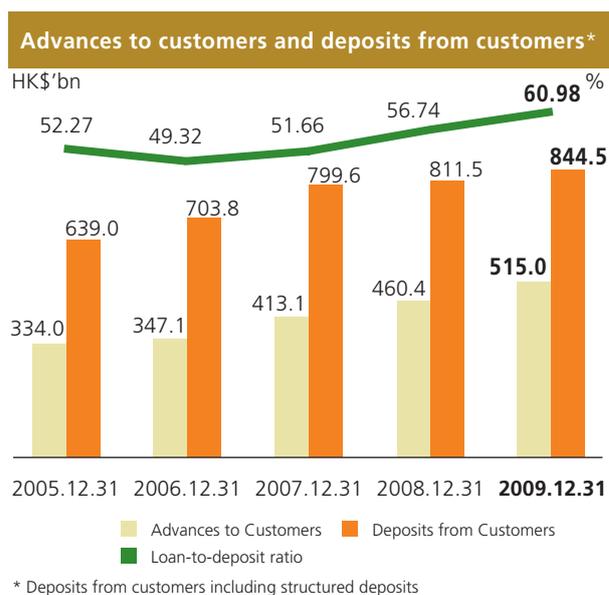
- Cash and balances with banks and other financial institutions
- Placements with banks and other financial institutions maturing between one and twelve months
- Securities investments
- Advances and other accounts
- Fixed assets and investment properties
- Other assets

Balance Sheet Mix as at 31 December 2008



The Group's total assets were HK\$1,212,791 million as at 31 December 2009, up HK\$65,547 million or 5.7% from the end of 2008. The overall assets structure of the Group further improved with growth in higher-yielding assets such as advances to customers as well as securities investments. Key changes include:

- Cash and balances with banks and other financial institutions increased by HK\$7,519 million or 4.9% mainly due to the increase in balances with central banks including RMB deposits from participating banks placed with the PBOC.
- Placements with banks and other financial institutions maturing between one and twelve months decreased by HK\$29,436 million, or 32.8%, as the Group redeployed its funds to advances to customers and debt securities investments.
- Advances and other accounts increased by HK\$57,642 million, or 12.3%, mainly due to the growth of advances to customers by HK\$54,525 million or 11.8%.
- Securities investments increased by HK\$22,856 million or 6.8%. The Group actively disposed of higher-risk securities and expanded its investments in government-related and government-guaranteed securities. As at 31 December 2009, the carrying value of the Group's total exposure to US non-agency RMBS dropped significantly by 80.4% to HK\$3.8 billion from HK\$19.3 billion as at the end of 2008. The reduction in exposure was mainly attributable to active disposal and consistent repayment.



### Advances to Customers

HK\$m, except percentage amounts	At 31 December 2009		At 31 December 2008	
		%		%
Loans for use in Hong Kong	381,394	74.1	336,597	73.1
Industrial, commercial and financial	224,261	43.6	188,774	41.0
Individuals	157,133	30.5	147,823	32.1
Trade finance	29,321	5.7	24,555	5.3
Loans for use outside Hong Kong	104,257	20.2	99,295	21.6
Total advances to customers	514,972	100.0	460,447	100.0

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Notwithstanding a general sluggishness in loan demand in the Hong Kong market, the Group's total advances to customers rose strongly by HK\$54,525 million or 11.8% to HK\$514,972 million. This was attributable to the Group's proactive business strategies, effective marketing activities as well as the Bank's vital role as the "Asia-Pacific Syndicated Loan Centre" of the BOC Group.

Loans for use in Hong Kong grew by 13.3%.

- Lending to the industrial, commercial and financial sectors increased by HK\$35,487 million, or 18.8%, to HK\$224,261 million, covering a wide range of industries.
- Residential mortgage loans (excluding those under the Government-sponsored Home Ownership Scheme) were up HK\$10,905 million, or 9.4%, to HK\$127,208 million. This was the result of the Group's effective marketing efforts as well as greater demand in the property market in the second half of 2009.
- Card advances increased by HK\$795 million, or 12.1%, to HK\$7,348 million, which was in line with the increase in cardholder spending.

Trade finance recorded a robust growth of 19.4% or HK\$4,766 million despite the decline in Hong Kong's merchandised trade in 2009. This outstanding performance was mainly attributable to the Group's enhanced service platform as well as the strong demand for commodities from the Mainland.

Loans for use outside Hong Kong increased by HK\$4,962 million or 5.0% due mainly to the growth in the loan business of the Group's Mainland operation.

## Second Half Performance

Compared to the first half of the year, the growth momentum of the Group's lending business was further strengthened in the second half of the year. By capturing the opportunities arising from the economic recovery, the Group's total advances to customers rose strongly by HK\$39,408 million, or 8.3 %, in the second half of the year.

## Deposits from Customers\*

HK\$m, except percentage amounts	At 31 December 2009	%	At 31 December 2008	%
Demand deposits and current accounts	65,440	7.7	46,042	5.7
Savings deposits	495,512	58.7	377,273	46.5
Time, call and notice deposits	281,369	33.3	379,262	46.7
	842,321	99.7	802,577	98.9
Structured deposits	2,132	0.3	8,939	1.1
Deposits from customers	844,453	100.0	811,516	100.0

\* including structured deposits

Deposits from customers increased by HK\$32,937 million, or 4.1%, to HK\$844,453 million, with an improved deposit mix. Demand deposits and current accounts increased significantly by HK\$19,398 million, or 42.1%. Savings deposits rose by HK\$118,239 million, or 31.3%. Time, call and notice deposits were down HK\$97,893 million, or 25.8% as customers switched their funds to more liquid savings deposits as well as demand deposits and current accounts under the low interest rate environment. Structured deposits, a hybrid of retail deposit and derivatives offering a higher nominal interest rate, dropped by HK\$6,807 million, or 76.1%. The Group's loan-to-deposit ratio was up 4.24 percentage points to 60.98% at the end of 2009 as total loan growth outpaced deposit growth.

## Second Half Performance

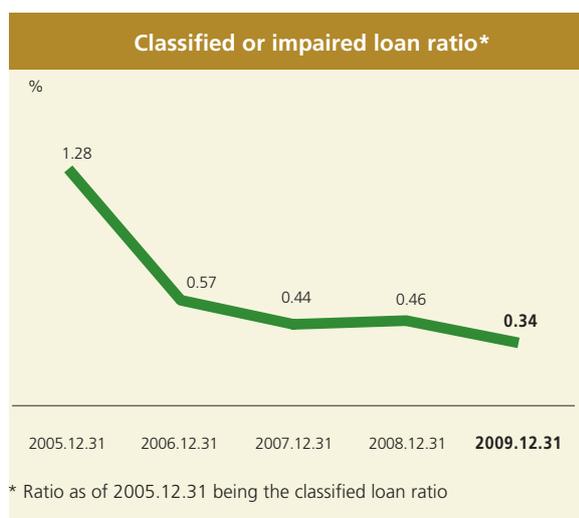
Deposits from customers increased by HK\$19,709 million, or 2.4% in the second half of 2009. The changes in the deposit mix were consistent with the full-year changes with increments in demand deposits and current accounts as well as savings deposits which increased by HK\$5,920 million, or 9.9% and HK\$45,452 million, or 10.1% respectively. Time, call and notice deposits decreased by HK\$30,028 million, or 9.6% while structured deposits declined by HK\$1,635 million, or 43.4% in the low interest rate environment.

**Loan Quality**

HK\$m, except percentage amounts	At 31 December 2009	At 31 December 2008
Advances to customers	<b>514,972</b>	460,447
Classified or impaired loan ratio <sup>1</sup>	<b>0.34%</b>	0.46%
Impairment allowances	<b>2,269</b>	2,301
Regulatory reserve for general banking risks	<b>4,040</b>	4,503
Total allowances and regulatory reserve	<b>6,309</b>	6,804
Total allowances as a percentage of advances to customers	<b>0.44%</b>	0.50%
Total allowances and regulatory reserve as a percentage of advances to customers	<b>1.23%</b>	1.48%
Impairment allowances on classified or impaired loan ratio <sup>2</sup>	<b>39.57%</b>	38.96%
Residential mortgage loans <sup>3</sup> – delinquency and rescheduled loan ratio <sup>4</sup>	<b>0.04%</b>	0.05%
Card advances – delinquency ratio <sup>4,5</sup>	<b>0.23%</b>	0.29%

	2009	2008
Card advances – charge-off ratio <sup>5,6</sup>	<b>2.69%</b>	2.22%

- 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.
- 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.
- 6 Charge-off ratio is measured by a ratio of total write-offs made during the year to total card receivables as at the end of the year.



The Group’s loan quality further improved with its classified or impaired loan ratio falling by 0.12 percentage point to 0.34%. Classified or impaired loans decreased by approximately HK\$369 million, or 17.3%, to HK\$1,769 million mainly due to write-offs and collections. New classified loans in 2009 represented approximately 0.3% of total loans outstanding.

Total impairment allowances, including both individual assessment and collective assessment, amounted to HK\$2,269 million. Total impairment allowances in respect of the classified or impaired loans as a percentage of total classified or impaired loans was 39.57%.

The quality of the Group’s residential mortgage loans continued to improve with the combined delinquency and rescheduled loan ratio falling by 0.01 percentage point to 0.04% at the end of 2009. The charge-off ratio of card advances rose by 0.47 percentage point to 2.69% in 2009 mainly due to the general deterioration of cardholders’ debt servicing capability in the overall economic downturn in the first half of the year.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Capital and Liquidity Ratios

HK\$m, except percentage amounts	At 31 December 2009	At 31 December 2008
Core capital	<b>72,465</b>	65,172
Deductions	<b>(334)</b>	(1,536)
Core capital after deductions	<b>72,131</b>	63,636
Supplementary capital	<b>32,638</b>	32,675
Deductions	<b>(334)</b>	(1,536)
Supplementary capital after deductions	<b>32,304</b>	31,139
Total capital base after deductions	<b>104,435</b>	94,775
Risk-weighted assets		
Credit risk	<b>578,374</b>	545,107
Market risk	<b>12,023</b>	9,097
Operational risk	<b>47,352</b>	44,144
Deductions	<b>(17,954)</b>	(12,273)
Total risk-weighted assets	<b>619,795</b>	586,075
Capital adequacy ratios (consolidated basis)		
Core capital ratio	<b>11.64%</b>	10.86%
Capital adequacy ratio	<b>16.85%</b>	16.17%

	2009	2008
Average liquidity ratio	<b>40.18%</b>	41.74%

The Group adopted the Standardised Approach in calculating capital adequacy ratios.

Consolidated capital adequacy ratio of the banking group at 31 December 2009 was 16.85%, up 0.68 percentage point from the end of 2008. Total capital base expanded by 10.2% to HK\$104,435 million following the increase in retained earnings and decrease in the deficit value of reserve for fair value changes of available-for-sale securities. The increase in capital base was also attributable to the decrease in deductions as a result of the Group's active disposal of US non-agency RMBS during the year. Meanwhile, risk-weighted assets for credit risk increased by 6.1% to HK\$578,374 million with the growth in advances to customers. Risk-weighted assets for market risk increased by 32.2% mainly due to increase in volume of the trading book business.

The average liquidity ratio in 2009 remained strong at 40.18%.

## BUSINESS REVIEW

### 2009 Business Highlights

Business Focuses	2009 Highlights
<p><b>Personal Banking</b></p> <ul style="list-style-type: none"> <li>To grow on the Group's core strengths and fortify leading position in retail banking business</li> <li>To review and adjust the Group's wealth management business strategy in response to the changing operating and regulatory environment</li> <li>To extend wealth management and cross-border services to Mainland customers</li> <li>To foster closer cooperation with BOC</li> <li>To grow individual RMB businesses in Hong Kong by capitalising on the Group's market leadership</li> </ul>	<ul style="list-style-type: none"> <li>Maintained leading position in residential mortgage with 9.4% growth in outstanding mortgage loans</li> <li>Stock brokerage business grew strongly by 45.0% in transaction volume versus a decline registered in the market</li> <li>Revamped wealth management model and sales culture, focusing on client needs and offering tailor-made wealth management products and professional financial planning services</li> <li>Worked closely with BOC in providing Mainland customers with cross-border wealth management services and comprehensive banking services</li> <li>Kick started various projects with BOC: "Asia-Pacific Personal Finance Product Centre"; "Overseas Banking Card Business" and "Customer Hotline Centre"</li> <li>Led the Hong Kong market in issuing RMB and HKD dual currency credit cards with total reaching around 400,000</li> <li>Being the joint lead manager, bookrunner and placing bank for the issue of the first RMB sovereign bonds as well as the majority of other RMB bonds in Hong Kong</li> </ul>
<p><b>Corporate Banking</b></p> <ul style="list-style-type: none"> <li>To deepen customer relationship and develop businesses with major enterprises and SMEs while exercising prudent risk management</li> <li>To develop closer collaboration with BOC to better serve customers and extend the Group's presence outside Hong Kong</li> <li>To enhance business capabilities to provide "Total Solution" services</li> <li>To seize new opportunities from the expanding scope of the offshore RMB business</li> </ul>	<ul style="list-style-type: none"> <li>A strong growth of 14.5% in corporate loans over the end of 2008, significantly outperforming the market</li> <li>Actively promoted SME business and participated in the HKSAR Government's "Loan Guarantee Schemes"</li> <li>Consolidated its top position in the Hong Kong-Macau syndicated loan market</li> <li>Strengthened cash management service platform through expansion of direct network connection with BOC's platform</li> <li>Being the "Asia-Pacific Syndicated Loan Centre" for BOC, the Group achieved significant business penetration in the Asia-Pacific region and contributed to the top position of BOC in the Asia-Pacific syndicated loan market</li> <li>Provided one-stop services to BOC Group's major customers through "Global Relationship Manager Programme" and "Global Unified Facilities Arrangement"</li> <li>Pioneered the first cross-border RMB trade settlement in Hong Kong, expanded the Group's service scope and product offerings and extended RMB trade settlement services to ASEAN countries</li> </ul>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Focuses	2009 Highlights
<p><b>Treasury</b></p> <ul style="list-style-type: none"> <li>To maintain proactive management of the banking book and adjust the investment mix in response to market changes</li> <li>To optimise risk-adjusted return in accordance with market trends</li> <li>To focus on traditional investment products for personal customers and cross-border investments for corporate customers for hedging and investment purposes</li> </ul>	<ul style="list-style-type: none"> <li>Increased investment in fixed-rate government-related securities with longer duration for yield enhancement</li> <li>Selectively disposed of higher-risk US non-agency RMBS and credit securities. Significantly reduced exposure to US non-agency RMBS by 80.4% from the end of 2008</li> <li>Achieved promising results from offering traditional products in foreign exchange and precious metals to retail customers. Trading volume of RMB non-deliverable forward contracts from corporate customers reached a record high</li> </ul>
<p><b>Insurance</b></p> <ul style="list-style-type: none"> <li>To implement a new life insurance business model with a greater focus on "need-based selling", serving customers' needs in different life stages, to be complemented by new product lines</li> <li>To significantly improve sales of regular-premium products to secure stable return and enlarge revenue stream</li> <li>To revise the risk management strategy with emphasis on risk diversification and proactive asset and liability management.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented and expanded a new financial planning model with promising results</li> <li>Net insurance premium income of regular premium products rose by 141.8 % over 2008</li> <li>Remarkable improvement in market share and market ranking in terms of total standard new business premium</li> <li>Established the target solvency framework and refined the solvency at risk governance in accordance with the regulatory solvency margin requirement</li> </ul>
<p><b>Mainland Business</b></p> <ul style="list-style-type: none"> <li>To ensure smooth integration of the Group's branches in the Mainland, establish NCB (China) as the primary brand and enlarge its business operation</li> <li>To enhance the Group's business platform and expand product and service offerings to both corporate and personal customers</li> </ul>	<ul style="list-style-type: none"> <li>Completed the restructuring of BOCHK's branches and sub-branches in the Mainland under NCB (China)</li> <li>Expanded the network with 5 new branches and sub-branches</li> <li>Accelerated personal banking development through enrichment of product range in debit cards, deposits, mortgages, wealth management services and cross-border attestation service</li> <li>Total advances to customers recorded an encouraging growth</li> </ul>

## 2010 Business Focuses

The Group will continue to safeguard its financial strength and upgrade its core competences in key business segments. In Personal Banking, the Group will continue to capitalise on its strong franchise and provide a wider range of mortgage products to solidify its market leadership. As for wealth management, the Group will continue to grow its stock broking business and revamp its business model for wealth management products to focus on customers' needs. The Group will also work closely with BOC to extend its banking services to Mainland customers.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For Corporate Banking, the Group will deepen its relationship with corporate customers to create more cross-selling opportunities. While further strengthening its leading position in the local corporate loans market, the Group will strive to grow its corporate lending prominently in the Mainland and the Asia-Pacific area through closer collaboration with BOC. It will further strengthen the "Global Relationship Manager" platform and maintain its market leadership in the syndicated loan business by consolidating its strategic position as BOC's "Asia-Pacific Syndicated Loan Centre". To capture opportunities arising from the expanding scope of offshore RMB business, the Group will focus on developing more featured and comprehensive RMB products and services in RMB trade settlement and financing services.

The Group will continue to adopt a prudent approach in managing its banking book investments. At the same time, it will establish a customer-oriented model in developing treasury products to cater for customers' needs. It will facilitate BOC in extending its treasury business to the Asia-Pacific region and overseas.

In respect of its insurance business, the Group aims to capture growth opportunities from its Bancassurance model. It will improve its product mix to meet the needs of customers and the new financial planning teams will operate at more branches.

In the Mainland, the Group will continue to expand its corporate banking business by acquiring deposits and placing advances. At the same time, it will continue to accelerate its retail banking business development by focusing on cross-border and local customers. It will actively promote its cross-border wealth management business and reinforce its marketing efforts in major cities.

The following section provides a review of the Group's business lines together with their respective financial results in 2009.

## PERSONAL BANKING

HK\$'m, except percentage amounts	2009	2008	Increase/ (decrease)
Net interest income	5,795	6,511	-11.0%
Other operating income	4,853	4,179	+16.1%
Operating income	10,648	10,690	-0.4%
Operating expenses	(5,983)	(5,669)	+5.5%
Operating profit before impairment allowances	4,665	5,021	-7.1%
Net charge of loan impairment allowances	(150)	(120)	+25.0%
Others	(11)	(9)	+22.2%
Profit before taxation	4,504	4,892	-7.9%

	At 31 December 2009	At 31 December 2008	Increase/ (decrease)
Segment assets	178,026	165,148	+7.8%
Segment liabilities	570,566	523,682	+9.0%

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

## Financial Results

Personal Banking recorded a profit before taxation of HK\$4,504 million in 2009. Despite the downward pressure on net interest income, operating income was maintained at the same level as the previous year as there was a strong growth in other operating income in 2009. Operating profit before impairment allowances declined by 7.1% to HK\$4,665 million due to the increase in operating costs.

Net interest income decreased by 11.0% to HK\$5,795 million, mainly due to narrower deposits spread in the low interest rate environment. Other operating income increased by 16.1% to HK\$4,853 million, primarily driven by the strong growth in fee income from stock broking. This increase was partially offset by the decline in fee income from the distribution of funds and sales of bonds as well as the decrease in net trading income from foreign exchange activities as related business volumes were affected by weak demand.

Operating expenses were up 5.5% to HK\$5,983 million, mainly due to increase in staff costs. Rental expenses for branches also increased.

Net charge of loan impairment allowances rose by 25.0% to HK\$150 million, mainly due to the growth of credit card receivables and the general deterioration of cardholders' debt servicing capability in the overall economic downturn in the first half of the year.

Advances and other accounts, including mortgage loans and cards advances, increased by 6.7% to HK\$162,422 million. Customer deposits rose by 8.4% to HK\$542,652 million.

## Business Operation

Personal Banking made good progress in business development and attained solid growth in the stock broking, residential property mortgage, credit card and RMB banking businesses in 2009. Despite very keen competition in the mortgage business, the Group grew its mortgage lending and maintained its leading market position. It also achieved impressive results in both stock broking and IPO activities. Not only did it maintain its leading position in the RMB banking business in Hong Kong, it also expanded its RMB-related business in the Asia-Pacific region by working closely with BOC.

### *Regaining growth momentum in residential property mortgage*

With the revival of the local property market since the second quarter of 2009, the Group succeeded in capturing new business opportunities and achieving an increase in the underwriting of new residential mortgage loans through effective marketing and the offering of a wide array of mortgage products. During the year, the Group launched the "Fixed-Rate Mortgage Schemes" to meet the different financial needs of customers. In addition, the Group refined the HIBOR-based mortgage scheme by allowing customers to follow more closely movements in market interest rates. In response to the government's offer of unsold and returned Home Ownership Scheme ("HOS") flats in the last quarter of 2009, the Group tailored promotion plans with on-site sales promotion and advertising campaigns which were supported by various attractive offers. The Group also strengthened its co-operative relationship with major property developers by actively participating in the newly launched properties campaigns, and achieved satisfactory results in prime property development projects through joint promotions. Meanwhile, the Group enhanced its online service platform in the second half of 2009 by launching a number of new functions. These initiatives helped sustain the Group's leading position in the underwriting of new mortgages. By the end of 2009, the Group's outstanding residential mortgage loans grew by 9.4% year-on-year. During the year, the Group maintained its rigorous risk assessment and control over its mortgage business. The credit quality of residential mortgages remained sound with the delinquency and rescheduled loan ratio for 2009 falling further to 0.04% from 0.05% in 2008.

**Robust expansion of investment and insurance business**

Supported by its strong distribution network and trading platform as well as effective marketing strategies, the Group was able to capture business opportunities arising from the rebound of the local stock market. During the year, the Group launched a series of promotion and marketing campaigns including radio programme sponsorships and investment seminars. Various promotion programmes were offered to attract different targeted segments of stock-trading customers. The Group also bundled promotional offers with "Wealth Management" and "i-Free Integrated Account Service" to acquire new stock-trading customers. At the same time, the Group implemented the "Share Margin e-Approval Flow System" which helped shorten account opening time by simplifying the overall approval flow. As a result, the volume of the Group's stock broking business in 2009 surged by 45.0% with an encouraging increase in market share. In 2009, the Group also successfully acted as the major receiving bank for 22 IPOs in Hong Kong.

Regarding its Bancassurance business, the Group continued with a customer-oriented approach by upgrading its services and broadening its product spectrum by introducing core products with guaranteed value and protection element for customers. These products included the "5-Year Joyful Life Insurance Plan", "Target 5 Year Insurance Plan" and "Long Life and Harvest Year Plan". The Group also launched a new medical protection product, "BOC Medical Comprehensive Protection Plan". Meanwhile, the Group refined the "Universal Travel Insurance" plan by offering customers with better protection and pricing. The Group enhanced its brand image and market awareness by rolling out a series of marketing campaigns and rewarding customers with incentives, the response to which was overwhelming.

**Expanding high net-worth customer base and entrenching service foothold in the Mainland**

The Group continued with its customer segmentation strategy and further expanded its high net-worth customer base. During the year, the Group introduced the "New Customer Engagement Programme" and launched a series of "Wealth Management Acquisition Campaigns" to acquire new customers. At the same time, the Group developed an "Anti-attrition Model" for customer retention and provided tailor-made wealth management solutions to strengthen long-term customer relationship. In the Mainland, the Group worked closely with BOC in providing cross-border wealth management services. It expanded its high net-worth customer base in the Mainland by providing Mainland customers with professional service for better deployment and management of their assets across the border. In addition, the Group enhanced the operating procedures of the "Cross Border Attestation Service" with 187 BOC branches in 17 Mainland cities to raise the overall efficiency. The Group also seized rising opportunities by working closely with branches of BOC in providing comprehensive banking services to Mainland customers under the BOC Global Wealth Management Service and the Capital Investment Entrant Scheme launched by the HKSAR government. Meanwhile, a series of wealth management seminars were organised in 2009 to provide customers with the latest investment market information. By the end of 2009, the total number of wealth management customers\* and their assets maintained with the Group grew by 11.9% and 31.2% respectively versus the end of 2008.

\* Including Wealth Management VIP and Wealth Management Prime customers

**Solid growth in credit card business**

Despite the negative impact of the global financial crisis and the outburst of Influenza A (H1N1) in the first half of the year, the Group's credit card business sustained its growth momentum throughout 2009. Card advances and the total number of cards issued grew by 12.1% and 12.7% respectively while cardholder spending rose by 9.4%. The Group maintained its leadership in the acquiring business of the China UnionPay ("CUP") card, with merchant acquiring volume surging by 53.1%, which contributed significantly to the increase of 11.4% in total merchant acquiring volume. Meanwhile, the launch of the "BOC CUP Dual Currency Credit Card" in December 2008 received overwhelming response from customers and the number of new cards issued reached around 400,000 at the end of 2009. Riding on its strong competitive edge in the credit card market, the Group continued to extend appealing merchant offer programmes to customers through its comprehensive merchant network sprawling Hong Kong, Macau and the Mainland. At the same time, the Group introduced the "CUP-Secure Internet Payment Service" to allow merchants to offer secure Internet payment services to their customers particularly in the Mainland. In August 2009, the "CUP Instalment Payment Service" was launched for merchants targeting CUP cards issued in the Mainland. The credit quality of the Group's card advances remained sound with the charge-off ratio standing at 2.69% in 2009.

The Group's success in developing its credit card business in 2009 was widely recognised in the industry, as evidenced by a total of 28 awards received from VISA International, MasterCard and China UnionPay.

## ***Consolidated leadership in providing comprehensive RMB banking business in Hong Kong***

The Group remained the market leader in RMB banking business in Hong Kong. During 2009, the Group focused on two RMB integrated services – “RMB Remittance Express” and “RMB Exchange Express” – and launched promotional offers to further boost its RMB deposits. As a result, RMB deposits increased by 16.9% versus 2008. The launch of “BOC CUP Dual Currency Credit Card” in December 2008 to cater for the needs of Hong Kong-Mainland cross-border travelers was well received by customers. During the year, the Group was mandated by the Ministry of Finance of the People's Republic of China (“PRC”) as the joint lead manager and bookrunner for its maiden issue of RMB sovereign bonds outside the Mainland. The Group also acted as the joint lead manager, bookrunner and placing bank for the majority of RMB bonds issued in Hong Kong. These achievements reinforced the Group's leading position in the RMB bonds market in Hong Kong.

Meanwhile, the Group continued to work closely with its parent, BOC, to extend its RMB-related business and began conducting RMB business with some BOC branches in the Asia-Pacific region. With BOC's support, the Group kick-started various projects, including the “Asia-Pacific Personal Finance Product Centre”; “Overseas Banking Card Business”; and “Customer Hotline Centre”. The Group also set up a framework to deepen its cooperation with BOC in product development and expertise transfer, with the aim of establishing the Group's position as the BOC Group's major production platform and servicing support centre in the Asia-Pacific region.

## ***Channel rationalisation and e-channel development***

The optimisation of distribution channels continued to be a strategic focus for the Group in 2009. In response to the changing economic environment and new business opportunities, the Group revamped its branch network to meet the needs of different customer segments. At the end of 2009, the Group's service network in Hong Kong comprised of 272 branches.

To encourage more customers to use the e-platform for transactions and services, the Group launched a large-scale marketing campaign which effectively propelled the growth in Internet banking accounts and transactions. In 2009, the number of Internet banking customers increased by 10.1%. With the support of its efficient platform, stock trading transactions carried out through the e-channels accounted for 76.2% of total transactions. The Group also improved its phone banking services which helped to boost the subscription of the first RMB sovereign bonds in Hong Kong.

The Group continued to enhance its automated banking facilities by installing new ATMs at non-branch locations, as well as increasing the number of cheque deposit machines and cash deposit machines. It also launched the payment collection feature at its cheque deposit machines, which was the first of its kind in the market.

In response to regulatory requirements involving product sales and customer services, the Group enhanced its sale process and had undergone intensive reinforcement courses to its sales staff to ensure their knowledge adequacy and adherence to regulatory requirements. In the meantime, the Group strengthened its customer service training programmes for customer service staff with the aim of enhancing overall service quality and customer experience.

In recognition for its service excellence, the Group was awarded the “Best Internet Banking Award 2009” by Capital, a local financial magazine. The Group's call centre also won a number of awards in The 10th Anniversary of Hong Kong Call Centre Awards 2009 organised by Hong Kong Call Centre Association. These awards included the “Best Contact Centre in Corporate Social Responsibility” and “Outbound Contact Centre of the Year (Under 50 Seats)” gold awards, as well as six other individual awards.

**CORPORATE BANKING**

HK\$m, except percentage amounts	2009	2008	Increase/ (decrease)
Net interest income	<b>5,502</b>	5,949	-7.5%
Other operating income	<b>2,685</b>	2,262	+18.7%
Operating income	<b>8,187</b>	8,211	-0.3%
Operating expenses	<b>(2,321)</b>	(2,143)	+8.3%
Operating profit before impairment allowances	<b>5,866</b>	6,068	-3.3%
Net release/(charge) of loan impairment allowances	<b>47</b>	(541)	+108.7%
Others	<b>2</b>	(3)	+166.7%
Profit before taxation	<b>5,915</b>	5,524	+7.1%

	At 31 December 2009	At 31 December 2008	Increase/ (decrease)
Segment assets	<b>372,443</b>	324,606	+14.7%
Segment liabilities	<b>304,882</b>	309,254	-1.4%

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

**Financial Results**

Corporate Banking recorded satisfactory financial results in 2009. Profit before taxation grew by 7.1% to HK\$5,915 million. The increase was mainly driven by higher other operating income and a decrease in new impairment allowances, though there was a reduction in net interest income and an increase in operating costs.

The decline of 7.5% in net interest income resulted mainly from narrower deposits spread in the low interest rate environment despite an increase in the average balance of loans and advances and improved pricing of new corporate loan facilities under the tightened credit environment. Other operating income rose strongly by 18.7% primarily due to the growth in fee income from the lending business.

Operating expenses increased by 8.3% to HK\$2,321 million mainly due to increase in staff costs as well as expenses in relation to the expansion of the branch network in the Mainland.

Net release of loan impairment allowances was HK\$47 million in 2009, compared to a net charge of HK\$541 million in 2008. The net release in 2009 reflected the improved asset quality of the segment as new impairment allowances significantly declined. The net charge in 2008 was primarily due to the need to cover certain impaired loans amid the economic downturn.

Advances and other accounts increased by 14.6% to HK\$370,523 million. Customer deposits fell by 1.4% to HK\$301,363 million.

**Business Operation**

In 2009, Corporate Banking achieved strong business growth despite sluggish market demand. Loans to the industrial, commercial and financial sector in Hong Kong registered a remarkable growth over 2008. Apart from securing several large financing projects, it also grew its SME business by allocating additional resources to help its SMEs customers weather the adverse impact of the global financial crisis. As BOC's "Asia-Pacific Syndicated Loan Centre", it registered strong growth in syndicated loans. It pioneered the first cross-border RMB trade settlement in Hong Kong in early July, and made satisfactory progress in expanding its cash management and custody businesses. While focusing on business growth, the Group also exercised a high degree of prudence in risk management throughout the year to ensure sound asset quality.

## ***Growth in corporate loans surpassing the market***

The global economy exhibited the first signs of recovery in 2009 but overall loan demand began to pick up only towards the end of the year. With its strong capital strength and close collaboration made with BOC, the Group adjusted its business strategy to focus more on the financing needs of local and Mainland enterprises. This strategy was highly effective in driving loan growth. Overall corporate loans grew strongly by 14.5% over 2008, outperforming the market as a whole.

The Group not only remained the top mandated arranger in the Hong Kong-Macau syndicated loan market, but also captured a significantly larger market share. Being the "Asia-Pacific Syndicated Loan Centre" for BOC, the Group expanded its business penetration in the Asia-Pacific region and contributed to BOC's elevation to the position of top mandated arranger in the region in 2009. After the successful launch of the first phase in 2008, the second phase of the "Loan Syndication Information Management System" proceeded well in 2009. This new system links up similar networks of the BOC Group's major branches in the Asia-Pacific region, thus strengthening information management and enhancing overall operational efficiency in the region.

## ***Market recognition of SME business***

The Group devoted additional resources to promote the "SME Loan Guarantee Scheme" and "Special Loan Guarantee Scheme" launched by the HKSAR Government, helping enterprises to secure loans to weather the impact of the financial crisis. In May 2009, the Group launched the "BOC Octopus Merchant Services", providing merchants with a one-stop cash management solution for customer payment and transaction settlement. The new services were well received, with over 1,000 merchants already enrolled by the end of 2009. In recognition of its quality services and contribution to the SME business, the Group was awarded the "SME's Best Partner Award" for the second consecutive year by the Hong Kong Chamber of Small and Medium Business Limited.

## ***Breakthrough in cross-border trade settlement and finance business***

Following the announcement of the "Pilot Scheme for Settlement of Cross-Border Trade in RMB" by the PRC government, the Group pioneered the first of such transactions in Hong Kong through the clearing channel on 6 July 2009. Its expertise in trade services and trade finance in both Mainland and Hong Kong as well as its unique position as the sole RMB clearing bank in Hong Kong provided the Group with a distinctive edge in its launch of comprehensive services in cross-border RMB trade settlement. By the end of 2009, the Group opened over 5,000 RMB trade settlement accounts with corporate customers. The Group also launched RMB trade settlement services for the ASEAN countries during the year, signifying that the Group's RMB banking services are now extended beyond Hong Kong. The Group also launched a number of innovative RMB trade products and services with flexible pricing and business flows to complement its business strategy.

Despite the lacklustre external trade environment, the Group managed to grow its trade finance portfolio. The outstanding balance went up strongly by 19.4% versus 2008, again outperforming the market. During the year, the Group introduced several new trade products with cross-boundary features. Through the revamped Corporate Banking Services Online ("CBS Online") system, the Group provided more online trade services and enhanced credit card account management.

## ***Significant progress in cash management***

The Group made significant progress in its cash management business. During the year, the Group's e-banking platform was successfully connected with that of its parent, BOC, as well as its overseas branches so that customers can now conduct account balance enquiry and fund transfers between their accounts in Hong Kong, the Mainland and some countries in the Asia-Pacific region. At the same time, the Group enriched its product offering by introducing new account receivable, account payable and corporate deposit products. It also pioneered the bill payment feature of its Cheque Deposit Machines. In March 2009, the Group was designated as the USD settlement bank in Hong Kong for the Real Time Gross Settlement System linkage between Hong Kong and the Mainland. At the end of 2009, the remittance points of BOC Remittance Plus reached over 3,000 in the Mainland while the service has been extended to some countries in the Asia-Pacific region. The Group also enhanced its investment functions of the Internet banking platform for corporate customers. The number of CBS Online customers surged by 43.4%.

## ***Expanding foothold in custody services***

In the first half of the year, the Group actively strengthened its customer relationship and product diversifications to prepare for the economic recovery. With market sentiments becoming more positive in the second half, the Group's custodian business made successful breakthroughs in a number of areas. Firstly, it successfully secured custody business from various PRC Government entities and state-owned banks by processing their overseas investments. Secondly, it became the custodian for a securities broker of Taiwan origin, thus paving the way for more business opportunities from Taiwan. Thirdly, the Group has been accepted as the MPF scheme custodian by a MPF trustee company, only pending formality with the regulatory authority. This means that the Group's custody services now cover MPF assets as well. Lastly, in collaboration with BOC's Shanghai Branch, the Group achieved account opening in Hong Kong for a considerable number of high net-worth individual customers from the Mainland for providing escrow services. Based on the experience gained, this unique service model is likely to be replicated in other cities of the Mainland going forward. At the end of 2009, total assets under the Group's custody were valued at HK\$392 billion, representing an increase of 95.9% from the end of 2008.

## ***Closer business collaboration with Bank of China***

The Group continued to strengthen the collaboration with its parent, BOC. With the latter's support, the Group implemented the "Global Relationship Manager Programme" and "Global Unified Facilities Arrangement". These schemes enable the Group to consolidate global credit facilities and enhance overall service capability for serving its high-end corporate customers. During the year, a number of enterprises have been selected as trial customers for promoting various trade products. In addition, a mechanism has been built up for enhancing the cooperation with BOC in product development and expertise transfer.

## ***Greater efficiency in managing corporate credit and customer relationship***

The Group continued to streamline the credit approval process during 2009 by setting up the "Corporate Credit Management Centre" to enhance the overall efficiency in credit vetting. Through the launch of "Total Solution" services, the Group aims to strengthen relationship with its key corporate customers on the one hand, and improve overall return from selling packaged products on the other. In addition, the Group provided tailor-made marketing strategies to targeted customers and successfully expanded the wealth management and payroll accounts, mortgage, investment and credit card businesses that cater to corporate customers.

## ***Implementation of proactive measures in risk management throughout the credit cycle***

In spite of improved market sentiments, the Group continued to exercise stringent risk management. The Group closely monitored corporate customers in various business segments, especially those severely affected by the global economic downturn. The Group strengthened the information sharing mechanism among the three sister banks to enhance overall risk monitoring capabilities. Coupled with enhanced management of credit risks before and after credit approval, the Group could formulate risk mitigation measures at an early stage. Marketing units also stepped up due diligence on potential customers, and enhanced product compliance and risk management.

## **MAINLAND BUSINESS**

### ***Integration and expansion of Mainland business operation***

Having obtained the approval of China Banking Regulatory Commission ("CBRC") on 4 May 2009, BOCHK's Mainland branches and sub-branches were restructured under the brand of NCB (China), while the Shanghai Branch was renamed as Nanyang Commercial Bank, Limited's Shanghai Branch for conducting foreign currency wholesale banking business. This restructuring, which came into effect on 1 August 2009, not only enables the Group to fully explore the potential of its Mainland business and capitalise on the Group's unique strengths, but also signifies a major move by NCB (China) to expand its business network.

In 2009, the Group continued to expand its cross-border financial services to serve both personal and corporate customers. With the opening of NCB (China)'s branches and sub-branches in Shanghai Xuhui, Shanghai Lujiazui, Beijing Jianguomen and Chengdu respectively together with the opening of Xiamen Jimen Sub-branch of Chiyu Banking Corporation Limited, the Group's total number of branches and sub-branches in the Mainland reached 23 by the end of 2009. Of these, 18 have been approved to conduct the full range of RMB businesses, 4 can conduct RMB businesses for non-Mainland residents, and the remaining one operates foreign exchange businesses only. With the approval of the CBRC, the Group is in the process of establishing NCB (China)'s Wuxi Branch.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Development of retail banking business gaining momentum

The Group has established business cooperation with a number of insurance companies for cross-selling various general and life insurance products to customers. NCB (China) launched its debit card business in the last quarter of 2009 and by sharing the ATM network of China UnionPay, it has been able to expand its selling channels to retail customers. At the same time, NCB (China) launched a range of deposits products such as "club deposits", "premium product" and "non-standardised fixed deposits". NCB (China) also promoted diversified mortgage products, such as the "All-You-Want Mortgage Scheme", and "overseas studies loans" for retail customers as well as hypothecated loans for export tax rebate for corporate customers. Meanwhile, several newly-launched guaranteed wealth management products were well received by both corporate and retail customers.

## Satisfactory growth of customer deposits and advances to customers

In terms of business performance, customer deposits grew by 48.8%, of which RMB deposits increased by 58.7% during 2009. Total advances to customers rose by 14.9%, reversing the decline recorded in the first half of the year, and RMB loans were up 5.1%. Total operating income dropped by 2.8% as improvements in net fees and commission income and other operating income were outweighed by the decline in net interest income. Loan quality remained solid, with the classified loan ratio at 0.44%, down significantly from 0.88% at the end of 2008.

## TREASURY

HK\$m, except percentage amounts	2009	2008	Increase/ (decrease)
Net interest income	5,422	7,178	-24.5%
Other operating income	982	879	+11.7%
Operating income	6,404	8,057	-20.5%
Operating expenses	(742)	(831)	-10.7%
Operating profit before impairment allowances	5,662	7,226	-21.6%
Net release/(charge) of impairment allowances on securities investments	1,302	(9,170)	+114.2%
Profit/(Loss) before taxation	6,964	(1,944)	+458.2%

	At 31 December 2009	At 31 December 2008	Increase/ (decrease)
Segment assets	593,807	603,965	-1.7%
Segment liabilities	195,956	203,481	-3.7%

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

## Financial Results

Treasury's profit before taxation amounted to HK\$6,964 million, compared to a loss of HK\$1,944 million in 2008. This turnaround was mainly driven by the net release of impairment allowances on securities investments in 2009 versus the substantial net charge in 2008. Operating profit before impairment allowances decreased by 21.6% to HK\$5,662 million as a result of the decline in net interest income.

Net interest income fell by 24.5% to HK\$5,422 million with the reduction in the contribution of net free fund under the low interest rate environment.

Other operating income increased by 11.7%, primarily attributable to the mark-to-market gain on certain debt securities. This gain was partially offset by the mark-to-market loss on foreign exchange swap contracts and decrease in income from structured deposits.

Operating expenses decreased by 10.7% to HK\$742 million because of a decrease in both computer-related expenses and the depreciation charge on computer equipment.

Net release of impairment allowances on securities investment was HK\$1,302 million in 2009, versus the net charge of HK\$9,170 million in 2008. The net release was mainly due to the write-back of impairment allowances from the disposal of US non-agency RMBS as the Group took advantage of improved market sentiments in 2009 to dispose of higher-risk securities. Meanwhile, improved market sentiments also led to fewer newly impaired securities and hence lower charge of impairment allowances.

## **Business Operation**

### ***Maintaining proactive investment strategy and prudently securing risk-adjusted return***

In view of the uncertainty of market conditions and prospects, the Group adopted a more prudent approach in asset and liability management and proactively managed its banking book investments. Taking advantage of the steepening yield curve, the Group expanded its investments in high-quality fixed rate debt securities of government-related and government-guaranteed securities, leading to a stable return amid the low interest rates environment while bearing relatively lower credit and interest rate risk. Meanwhile, as market sentiments improved after the US Government's Public-Private Investment Plan came on stream, the Group reduced the overall credit risk of its investment portfolio by disposing of higher-risk US non-agency RMBS and credit securities. The carrying value of the Group's exposure to US non-agency RMBS dropped drastically by HK\$15.5 billion, or 80.4% from the end of 2008 to HK\$3.8 billion at the end of 2009. The reduction in exposure was mainly attributable to active disposal and consistent repayment. (Further analysis of the Group's US non-agency RMBS is available in Note 4.1 to the Financial Statements in the Annual Report). In addition, the Group increased investments in short-term government securities so as to minimise the credit risk of residual funds and enhance liquidity against contingencies.

From late 2009, the credit crisis in certain European countries resulted in growing concerns over debt securities issued by Portugal, Ireland, Italy, Greece and Spain. Among these countries, the Group only had exposure to debt securities issued by financial institutions of Ireland and Italy amounting to a total of HK\$3,217 million as at 31 December 2009. There were no signs of impairment on these debt securities. The Group will continue to monitor the developments of the issues.

### ***More focus on traditional businesses and internal control***

While the currency, precious metal and stock markets remained volatile, customers' confidence returned as market sentiments improved, especially in the second half of 2009. Against this backdrop, the Group's strategy of promoting traditional products related to foreign exchange and precious metals received promising results. The Group focused on providing its corporate customers with hedging products linked to foreign exchange and interest rate amid the low interest rate environment. Through BOC, the Group offered its self-developed gold-linked investment products for selling to customers in the Mainland. With the credit support of BOC, the Group provided offshore hedging products to corporate customers with Mainland background. As a result, the trading volume of RMB non-deliverable forward contracts reached a record high during the year. Meanwhile, the Group thoroughly reviewed and updated the relevant internal regulations, selling process and risk disclosure policies for structured treasury products to better safeguard investors' interests. The Treasury Product Committee (the "Committee"), which was set up at the end of 2008, started its operation in 2009. The Committee is responsible for overseeing and strengthening the management of all treasury products offered by the Group. During the year, a series of business strategies and product management guidelines were discussed and approved by the Committee to ensure the Group's business development would be in line with the latest supervisory requirements, best market practices and customer expectation.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## INSURANCE

HK\$m, except percentage amounts	2009	2008	Increase/ (decrease)
Net interest income	<b>1,271</b>	1,122	+13.3%
Other operating income	<b>6,486</b>	5,503	+17.9%
Operating income	<b>7,757</b>	6,625	+17.1%
Net insurance benefits and claims	<b>(7,286)</b>	(7,709)	-5.5%
Net operating income	<b>471</b>	(1,084)	+143.5%
Operating expenses	<b>(176)</b>	(147)	+19.7%
Profit/(Loss) before taxation	<b>295</b>	(1,231)	+124.0%

	At 31 December 2009	At 31 December 2008	Increase/ (decrease)
Segment assets	<b>37,963</b>	31,703	+19.7%
Segment liabilities	<b>35,355</b>	30,977	+14.1%

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

### Financial Results

The Group's Insurance segment recorded a major turnaround in 2009 with a profit before taxation of HK\$295 million, versus a loss of HK\$1,231 million in 2008. The recovery of the financial markets together with BOC Life's success in service platform enhancement, product development and distribution led to the substantial improvement in BOC Life's business performance in 2009. Net operating income grew strongly to HK\$471 million.

Net interest income rose by 13.3%, which was largely driven by the growth of securities investments. Other operating income increased by 17.9% to HK\$6,486 million primarily due to the growth of net insurance premium income by 31.5%. Majority of the sales were achieved in the second half of the year following the launch of the financial planning model in April 2009. Rise in long-term market interest rates had an overall positive impact on the profit of the segment. Net loss on financial instruments designated at fair value through profit or loss increased as the market values of debt securities reduced, caused by the rebound of long-term market interest rates from exceptional low level at end of 2008. Nevertheless, the increase in market interest rates has given rise in a corresponding decrease in policy reserve, and hence a decline in net insurance benefits and claims which has offset the negative impact of the market price movement of debt securities.

Operating expenses increased by 19.7%. The increase was due to higher staff costs for the establishment of the financial planning team and higher rental expenses.

Assets in the Insurance segment grew by 19.7% because of the increase in both debt and equity securities which was made possible by the strong growth in premium income. Liabilities rose by 14.1% with the increase in insurance contract liabilities.

### Business Operation

#### *Enlargement of product range and significant sales improvement of regular-premium products*

In 2009, the Group continued to expand its range of insurance products and services to meet the diverse needs of customers. During the year, a total of 23 new products were launched, primarily focused on retirement and wealth management needs of clients. The continuous product rationalisation reinforced the emphasis on sales of regular-premium products. Net insurance premium income from regular premium products was up 141.8% year-on-year.

## ***Implementation of new Life Insurance business model to focus on "need-based selling"***

Following the pilot launch of the new financial planning model at selected branches in April 2009, the Group extended this new model across all branches in different districts, thus enhancing the penetration of the life insurance business among bank customers. While developing the new financial planning model, the Group continued to strengthen its telemarketing sales. A more diversified product portfolio was developed to meet the different needs of various customer segments. All these initiatives contributed to the hefty growth of 31.5 % in premium income.

## ***Improvement of market image and ranking***

With the aim of further reinforcing the Group's corporate image in the market, the Group launched large-scale advertising and promotional campaigns with the theme of "Endless Caring" in the second half of 2009 which resulted in overwhelming market response. The TV advertisements played an important part in enhancing the brand awareness of the Group in the insurance segment. The successful performance of the Group in 2009 was reflected in the remarkable improvement in market share and market ranking in terms of standard new business premium.

## ***Capital injection into BOC Life***

In July 2009, BOC Hong Kong (Holdings) Limited ("the Company") injected a capital of HK\$765 million into BOC Life. The previous capital injection involving HK\$255 million was made in June 2008. Both capital injections were financed by the Company's internal resources and paid in cash. After the capital injections, BOC Life remains 51% held by the Company and 49% by Bank of China Group Insurance Co. Ltd.. The strengthened capital base will support BOC Life future growth and development.

## **REGULATORY DEVELOPMENT**

### **Basel II Capital Accord**

Since the introduction of Basel II regulatory framework for compliance 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 upgrade to the Foundation Internal Ratings-Based approach to calculate non-retail credit exposures and Advanced Internal Ratings-Based approach to calculate retail credit exposures. Both are more risk-sensitive approaches for the calculation of the regulatory capital requirements. During 2009, the Group completed the development of most of the Internal Ratings-Based ("IRB") regulatory requirement and the implementation of IRB approach with regard to its credit businesses. The Group now adopts a two-dimensional internal rating system with 27 obligor rating grades (consisting of 26 performing grades and 1 default grade) and 21 facility rating grades for its corporate and bank customers. The rating system has been integrated in the Group's credit process in credit approval, credit monitoring and credit reporting to the Management and future public disclosure. Going forward, these internal rating-based systems will serve as key input in the calculation of regulatory capital for credit risk and form the key foundation for decision-making on credit, thereby further advancing the Group's risk management practices.

Under Pillar Two of the Basel II Capital Accord, the Group has implemented and reviewed its internal capital adequacy assessment process ("ICAAP") and continued to make improvements to better align the Group's business strategies with regulatory requirements. While the widening of the risk coverage as well as improvement of risk measuring methodologies have been made, forward looking factors have been incorporated to provide a more comprehensive and precise assessment of risk profile to reflect the Group's risk appetite and capital needs in the future.

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 2009 were in compliance with the requirements set out in the Disclosure Rules.

## HUMAN RESOURCES, TECHNOLOGY AND OPERATIONS

### Human Resources

The Group values human resources development as a crucial factor for long-term business growth and the realisation of its strategic goals. The Group introduced a corporate culture programme – “Corporate Culture Starts with Me” – to boost staff morale and enhance their sense of belonging. The Group has been implementing the mid-term human resources strategies for 2008-2012 since 2008 and made further progress in enhancing corporate culture, improving manpower structure and staff quality as well as optimising the human resources mechanism in 2009. Meanwhile, refinement to the staff performance management system continued with the inclusion of “core values” as one of the performance measurement parameters.

In 2009, the Group continued to provide comprehensive training programmes for all levels of staff. A total of some 2,900 courses were organised with over 210,000 attendees. Executive development programmes conducted jointly with reputable universities were organised for the senior management and selected staff. Major training activities included a series of workshops and seminars covering risk management, legal and compliance topics, corporate governance, corporate culture, sales and services, skills development and leadership development. They were offered to both frontline and back-office staff to equip them with the knowledge needed to face the economic turmoil, to meet and comply with new selling regulatory requirements as well as to enhance self development. An e-learning platform is available as a supplementary channel for staff training.

### Technology and operations

In 2009, the Group continued to strengthen its information technology infrastructure under its 5-year IT development strategy. Several major projects were completed during the year. With the rollout of the new teller platform, frontline branches are better equipped to meet customers' needs. The Fixed Deposit System was revamped to facilitate the launch of new products. A new feature was introduced to enable the setting of securities margin limit based on asset value of wealth management customers while the workflow process for setting securities margin was streamlined. In late 2009, the Group kicked off the project on “Mobile Banking”, which provides banking services via mobile phones, aiming to enrich its service capability via e-channels and broaden its customer base from the Mainland as well as overseas. The cash management platform was enhanced to ensure higher operational efficiency and better service quality. With the implementation of the Basel II Capital Accord, the establishment of the capital adequacy ratio calculation engine was completed. It serves to strengthen the Group's credit risk management capability and facilitate better utilisation of the Group's capital. At the same time, the Group continued to streamline and centralise workflows to improve overall operational efficiency. These included physical and geographical relocation of job duties and operations from frontline to back-office units as well as from Hong Kong to the Mainland. The Group also participated in various projects with BOC in order to enhance synergies within the BOC Group. These included the “Continuous Linked Settlement System” which enhances liquidity and risk management for foreign exchange transactions; “China Link”, a foreign currency real-time gross settlement system between Hong Kong and the Mainland; and “Cash Management System Linkage” which links up the Group's cash management service platform with that of BOC to provide cross-border cash management services to customers.

As part of the Group's long-term IT strategy, the Group initiated the Financial Risk Management System (“FRMS”) in 2006 to enhance 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, the General Ledger and the Fund Transfer Pricing systems in the fourth quarter of 2008, both the Accounts Payable System and the Fixed Asset Module were implemented in November 2009. The Profitability Analysis project and Capital Management Module were also kicked off during the year.

## CREDIT RATINGS

As at 31 December 2009	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 the end of 2007.

As at 31 December 2009, 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 risks inherent in the Group's businesses are credit risk, interest rate risk, market risk, liquidity risk, operational risk, reputation risk, legal and compliance risk, and strategic 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 various risks are properly managed and controlled in the course of conducting business. The Group has a sound risk management organisational structure. It implements 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 assists the Board in fulfilling its role in overseeing the internal control system.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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 for 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, NCB (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 lending, trade finance and treasury businesses, and covers inter-bank transactions, foreign exchange and derivative 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 of both the trading book and banking book. 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 with reasonable costs.

Liquidity management is carried out at both the Group and subsidiary level. BOCHK and its subsidiaries are required to maintain a strong daily liquidity position and a healthy cash flow aligning risk-taking incentives with liquidity exposures and to make sure that all funding obligations are met when due. The subsidiaries are required to report their respective liquidity positions to BOCHK on a regular basis. In 2009, the Group conducted more stress testing under different stress conditions to ensure that risks were managed within the Group's tolerance level.

The risk measurement and monitoring process is set in accordance with the requirements and guidelines issued by the regulatory authorities and is stated in the policies and procedures endorsed by RC and ALCO. 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. ALCO is responsible for establishing these policy directives (including the liquidity contingency plan), and RC sanctions the liquidity management policies. The Asset and Liability Management Department ("ALMD") manages the liquidity risk according to the established policies and reports to ALCO regularly. RMD reviews the policies, guidelines and limits proposed by ALMD. Liquidity risk measurements include cash flow analysis (under normal and stress conditions respectively), deposits maturity structure, concentration risk, mismatch ratios, loan-to-deposit ratio and liquidity profile of the investment portfolio.

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.

## **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 risk is inherent in every aspect of business operations and confronted by the Bank in its day to day operational activities.

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. Corporate-level policy and procedure on operational risk management are formulated by the Operational Risk & Compliance Department ("OR&CD") and approved by RC.

The Group has adopted the "Three Lines of Defence" model for its operational risk management framework. All departments and business units are the first line of defence, responsible for managing and reporting operational risks specific to their business/functional areas 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/functional processes, activities and products. OR&CD together with certain operational risk-related functional departments within the Group are the second line of defence. In addition to formulating the operational risk management policy and procedure, OR&CD is also responsible for developing and introducing operational risk management tools, monitoring the performance and result of operational risk management in various units, assessing operational risk profile, recording operational risk data and reporting operational risk events to RC and the senior management in order to assist the overall management of the Group's operational risk. Certain functional departments, including Human Resources Department, Information Technology Department, Corporate Services Department, Financial Management Department, General Accounting & Accounting Policy Department and OR&CD, are required to carry out the corporate-level operational risk management for the risk areas that are under their functional responsibilities and to provide other units with professional advice/training in respect of certain operational risk categories. The Audit Department is the third line of defence, responsible for conducting independent audit of the operational risk management activities to evaluate their compliance and effectiveness.

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 an 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.

In the Lehman Brothers minibonds incident, the Group has handled customer complaints in accordance with regulatory guidelines to minimise the reputation risk and repurchased most of the outstanding Minibonds under the Repurchase Scheme and its complaint handling process.

## **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 OR&CD headed by a General Manager who reports to CRO.

## **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 its capital mix where appropriate. ALCO monitors the Group's capital adequacy position. The Group has complied with all the statutory capital standards for all the periods in 2009.

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 is 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.

## **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 by various risk management units and ALCO monitors the results against limits approved by RC. The Financial Management Department reports the combined stress test results 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, unit-linked long-term business and retirement scheme management in Hong Kong. Major types of risk arising from the BOC Life's insurance business are insurance risk, interest rate risk, liquidity risk and credit risk. BOC Life closely monitors these risks and reports to its 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 to 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 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, BOC Life has a retention limit on any single life insured. BOC Life cedes the excess of the insured benefit over the limit for standard risks (from a medical point of view) to reinsurer under an excess of loss reinsurance arrangement.

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.

### **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.

### **Liquidity Risk Management**

Liquidity risk is the risk of not being able to fund increases in assets or meet obligations as they fall due without incurring unacceptable loss. BOC Life's asset liability matching framework includes cash flow management 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.

### **Credit Risk Management**

BOC Life has exposure to credit risk, which is the risk that a customer or counterparty will be unable to or unwilling to meet a commitment that it has entered into. 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)
- Re-insurers' 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 Investment Management 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.



The first BOC HKCEA Dual Currency Credit Card provides various promotion offers and is well received by the members of Hong Kong Chinese Enterprises Association in Hong Kong.



# 遠見

## VISIONARY



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

*Chairman*

**XIAO Gang**<sup>#</sup>

*Vice Chairmen*

**LI Lihui**<sup>#</sup> (appointed on 26 June 2009)

**SUN Changji**<sup>#</sup> (retired and resigned on 26 June 2009)

**HE Guangbei**

*Directors*

**LI Zaohang**<sup>#</sup>

**ZHOU Zaiqun**<sup>#</sup>

**ZHANG Yanling**<sup>#</sup>

**LEE Raymond Wing Hung**

(retired and resigned on 1 June 2009)

**GAO Yingxin**

**FUNG Victor Kwok King**<sup>\*</sup>

**KOH Beng Seng**<sup>\*</sup>

**SHAN Weijian**<sup>\*</sup>

**TUNG Chee Chen**<sup>\*</sup>

**TUNG Savio Wai-Hok**<sup>\*</sup>

**YANG Linda Tsao**<sup>\*</sup>

<sup>#</sup> Non-executive Directors

<sup>\*</sup> Independent Non-executive Directors

## REGISTERED OFFICE

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

## AUDITOR

PricewaterhouseCoopers

## SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
17M Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## SENIOR MANAGEMENT

*Chief Executive*

**HE Guangbei**

*Deputy Chief Executive*

**LAM Yim Nam**

*Deputy Chief Executive*

**GAO Yingxin**

*Chief Financial Officer*

**ZHUO Chengwen** (appointed on 1 June 2009)

**LEE Raymond Wing Hung**

(retired and resigned on 1 June 2009)

*Chief Risk Officer*

**LI Jiuzhong** (appointed on 1 March 2010)

**CHEUNG Yau Shing**

(term of office ceased from 1 March 2010)

*Deputy Chief Executive*

**WONG David See Hong**

*Chief Operating Officer*

**LEE Alex Wing Kwai** (appointed on 2 July 2009)

*Company Secretary*

**YEUNG Jason Chi Wai**

## ADS DEPOSITORY BANK

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

## WEBSITE

[www.bochk.com](http://www.bochk.com)

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT



Mr. XIAO Gang



Mr. LI Lihui



Mr. HE Guangbei



Mr. LI Zaohang



Mr. ZHOU Zaiqun



Mdm. ZHANG Yanling



Mr. GAO Yingxin



Dr. FUNG Victor Kwok King



Mr. KOH Beng Seng



Mr. SHAN Weijian

## Directors

### Mr. XIAO Gang

*Chairman*

Aged 51. Chairman of the Board of Directors of the Company and BOCHK. Chairman of BOC. Director of BOC (BVI) and BOCHKG.

### Mr. LI Lihui

*Vice Chairman*

Aged 57. Vice Chairman of the Board of Directors and Chairman of the Nomination and Remuneration Committee of the Company and BOCHK. Vice Chairman and the President of BOC. Director of BOC (BVI) and BOCHKG.

### Mr. HE Guangbei

*Vice Chairman and Chief Executive*

Aged 55. Vice Chairman, Chief Executive and member of the Strategy and Budget Committee of the Company and BOCHK. Chairman of Nanyang, NCB (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 54. Non-executive Director and member of the Risk Committee and the Nomination and Remuneration Committee of the Company and BOCHK. Executive Director and Executive Vice President of BOC.

### Mr. ZHOU Zaiqun

*Non-executive Director*

Aged 57. Non-executive Director and member of the Audit Committee and the 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 58. Non-executive Director and member of the Risk Committee and the Strategy and Budget Committee of the Company and BOCHK. Executive Vice President of BOC. Chairman of Bank of China (UK) Limited and BOC Aviation Pte. Ltd and Vice Chairman of BOCI.

### Mr. GAO Yingxin

*Executive Director and Deputy Chief Executive*

Aged 47. 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 NCB (China) and Director of Nanyang and BOC Insurance.

### Dr. FUNG Victor Kwok King

*Independent Non-executive Director*

Aged 64. Independent Non-executive Director and member of the Audit Committee and the 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 59. Independent Non-executive Director and Chairman of the Risk Committee and member of the Audit Committee of the Company and BOCHK. Chief Executive Officer of Octagon Advisors Pte Ltd.

### Mr. SHAN Weijian

*Independent Non-executive Director*

Aged 56. Independent Non-executive Director and Chairman of the Audit Committee and member of the Nomination and Remuneration Committee of the Company and BOCHK. Partner of TPG Capital.

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT



Mr. TUNG Chee Chen



Mr. TUNG Savio Wai-Hok



Mdm. YANG Linda Tsao



Mr. LAM Yim Nam



Mr. ZHUO Chengwen



Mr. LI Jiuzhong



Mr. WONG David See Hong



Mr. LEE Alex Wing Kwai



Mr. YEUNG Jason Chi Wai

## Directors

### Mr. TUNG Chee Chen

*Independent Non-executive Director*

Aged 67. Independent Non-executive Director and member of the Audit Committee and the 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 58. Independent Non-executive Director and member of the Audit Committee, the Risk Committee and the Strategy and Budget Committee of the Company and BOCHK.

### Mdm. Linda Tsao Yang

*Independent Non-executive Director*

Aged 83. Independent Non-executive Director and Chairlady of the Strategy and Budget Committee and member of the Audit Committee and the Nomination and Remuneration Committee of the Company and BOCHK. Chairlady of the Asian Corporate Governance Association (ACGA).

## Senior Management

### Mr. LAM Yim Nam

*Deputy Chief Executive*

Aged 57. 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. ZHUO Chengwen

*Chief Financial Officer*

Aged 39. Chief Financial Officer of the Group. Director of Nanyang and NCB (China).

### Mr. LI Jiuzhong

*Chief Risk Officer*

Aged 47. Chief Risk Officer of the Group. Director of Nanyang, BOC-CC and BOC Life.

### Mr. WONG David See Hong

*Deputy Chief Executive*

Aged 56. Deputy Chief Executive of the Group in charge of the financial market businesses. Director of BOC Life. Board Member of Civil Service College in Singapore and Customer Advisory Board Member of Thomson Reuters in Hong Kong.

### Mr. LEE Alex Wing Kwai

*Chief Operating Officer*

Aged 51. Chief Operating Officer of the Group. Director of BOC-CC.

### Mr. YEUNG Jason Chi Wai

*Company Secretary*

Aged 55. 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 2009.

## 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 91.

The Board has recommended a final dividend of HK\$0.57 per share, amounting to approximately HK\$6,027 million, subject to the approval of shareholders at the forthcoming annual general meeting to be held on Thursday, 20 May 2010. If approved, the final dividend will be paid on Thursday, 27 May 2010 to shareholders whose names appear on the Register of Members of the Company on Thursday, 20 May 2010. Together with the interim dividend of HK\$0.285 per share declared in August 2009, the total dividend payout for 2009 would be HK\$0.855 per share.

## Closure of Register of Members

The Register of Members of the Company will be closed, for the purpose of determining shareholders'

entitlement to the final dividend, from Thursday, 13 May 2010 to Thursday, 20 May 2010 (both days inclusive), during which period no transfer of shares will be registered. In order to rank for the final dividend, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are 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 Wednesday, 12 May 2010. Shares of the Company will be traded ex-dividend as from Tuesday, 11 May 2010.

## 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\$0.4 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 Reports 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 2009, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to approximately HK\$10,027 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 56. The biographical details of the Directors and senior management are set out on pages 57 to 58 of this Summary Financial Report. The term of office for each Non-executive Director is approximately three years.

Mr. Lee Raymond Wing Hung retired and resigned as an Executive Director and the Chief Financial Officer of the Company with effect from 1 June 2009. Mr. Sun Changji retired and resigned as a Vice-chairman and a Non-executive Director of the Company with effect from 26 June 2009. Mr. Li Lihui was appointed as a Vice-chairman and a Non-executive Director of the Company on 26 June 2009.

# REPORT OF THE DIRECTORS

Article 103 of the Company's Articles of Association provides that any Director appointed by the Board shall hold office only until the next annual general meeting of the Company, but shall be eligible for re-election at such meeting. Accordingly, Mr. Li Lihui being a Director so appointed, shall retire at the forthcoming annual general meeting and, being eligible, offer himself for election.

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, Mdm. Zhang Yanling, Mr. Gao Yingxin, Mr. Tung Chee Chen and Mdm. Yang Linda Tsao will retire by rotation at the forthcoming annual general meeting. Mdm. Zhang Yanling, Mr. Gao Yingxin and Mr. Tung Chee Chen offer themselves for re-election. Mdm. Yang Linda Tsao has indicated to the Board that she wishes to retire from the Group and hence will not stand for re-election at the forthcoming annual general meeting.

The term of office of the retiring Independent Non-executive Director, namely, Mr. Tung Chee Chen who was appointed in 2002, will be more than 9 years if he is re-elected at the forthcoming annual general meeting for a further term of approximately 3 years. Other than the annual confirmation of independence given by him to the Company, he has also given a confirmation of independence in view of his term of office of more than 9 years if re-elected at the forthcoming

annual general meeting. Based on such confirmations 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. Tung is independent. Further, in view of Mr. Tung's extensive knowledge and experience, the Board believes that his 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 Lihui, 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 2009 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			Balances as at 31 December 2009	
					1 January 2009	Exercised during the year	Surrendered during the year		Lapsed during the year
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	1,084,500	–	–	–	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				5,784,000	4,699,500	723,000	–	–	3,976,500

Note: On 26 June 2009, Mr. Sun Changji retired and resigned from the post of Vice Chairman and Non-executive Director of the Company. According to the terms of the Pre-Listing Share Option Scheme, the options of 1,590,600 granted to Mr. Sun Changji on 5 July 2002 could be exercised within three months after his retirement and resignation.

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 2009, 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			
HE Guangbei	100,000	–	–	–	–	100,000	0.001%
LI Zaohang	1,446,000 <sup>1</sup>	–	–	–	–	1,446,000	0.014%
ZHOU Zaiqun	1,085,000 <sup>2</sup>	–	–	–	–	1,085,000	0.010%
ZHANG Yanling	1,446,000 <sup>1</sup>	–	–	–	–	1,446,000	0.014%
Total	4,077,000	–	–	–	–	4,077,000	0.039%

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.

# REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2009, 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 2009, 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 Huijin	6,984,274,213	(66.06%)
BOC	6,984,274,213	(66.06%)
BOCHKG	6,984,175,056	(66.06%)
BOC (BVI)	6,984,175,056	(66.06%)

### Notes:

1. Following the reorganisation of BOC in August 2004, Central Huijin holds the controlling equity capital of BOC on behalf of the State. Accordingly, for the purpose of the SFO, Central Huijin is deemed to have the same interests in the Company as BOC.
2. 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 6,984,175,056 shares of the Company.
3. 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 24,479 shares of the Company and an interest in 72,000 shares held under physically settled equity derivatives while BOCI Financial Products Limited had an interest in 2,678 shares of the Company.

All the interests stated above represented long positions. Save as disclosed above, as at 31 December 2009, BOCI Financial Products Limited had an interest in 143,522 shares which represented short positions. BOC and Central Huijin are deemed to be interested in such amount of shares for the purpose of the SFO. Save as disclosed, no other interests or short positions were recorded in the register maintained by the Company under section 336 of the SFO as at 31 December 2009.

## 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 2009	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.

## REPORT OF THE DIRECTORS

	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"> <li>(a) the nominal value of the Company's shares;</li> <li>(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</li> <li>(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.</li> </ul>	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 auditor 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 auditor has reported its 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. Should significant changes in relation to the operations arise, a revised financial forecast will be submitted to the Board for review and approval in a timely manner.

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

The financial statements for the year ended 31 December 2009 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.

## Auditor

The financial statements for the year 2009 have been audited by PricewaterhouseCoopers. A resolution for their re-appointment as auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

On behalf of the Board



**XIAO Gang**  
Chairman

Hong Kong, 23 March 2010

# 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 Authorized 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 2009 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](http://www.bochk.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://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 mid and 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;

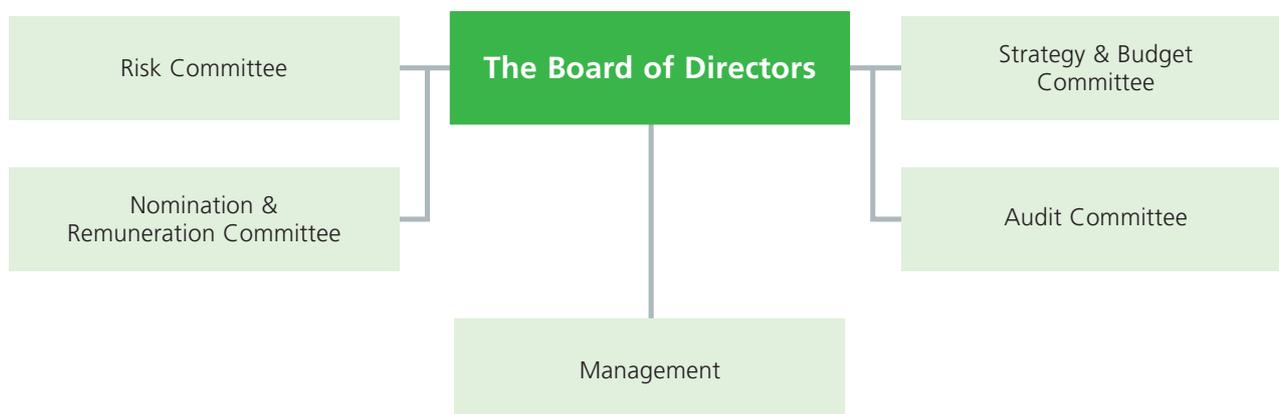
- ensuring good corporate governance and effective compliance; and
- monitoring the performance of the Management.

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](http://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 13 members, comprising six independent non-executive Directors, five non-executive Directors and two executive Directors. The changes to the composition of the Board during the year include the following: Mr. Lee Raymond Wing Hung retired and resigned as an Executive Director of the Company with effect

from 1 June 2009; Mr. Sun Changji retired and resigned as a Vice-chairman and a Non-executive Director of the Company on 26 June 2009; Mr. Li Lihui was appointed as a Vice-chairman and a Non-executive Director of the Company on 26 June 2009. Save as disclosed above, there were no other changes to the composition of the Board in 2009 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" (the "Independence Policy"), 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 Independence Policy. In particular, an independent non-executive Director, namely, Mr. Tung Chee Chen, who was appointed in 2002, will retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election pursuant to the Articles of Association. His term of office will be more than 9 years if he is re-elected at the forthcoming annual

general meeting for a further term of approximately 3 years. Other than the annual confirmation of independence given by him to the Company as mentioned above, Mr. Tung has also given a confirmation of independence in view of his term of office of more than 9 years if re-elected at the forthcoming annual general meeting by reference to the Independence Policy. On the basis of these confirmations and information available to it, the Company considers all of the Independent Non-executive Directors 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](http://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 also 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**.

**Nine Board meetings were held during the year with an average attendance rate of 95%.**

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 auditor 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 2009 included the review and, where applicable, approval of:

- the Company's Directors' Report and financial statements for the year ended 31 December 2008 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 2009 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 2009 and 30 September 2009 that were recommended to the Board for approval;
- the audit reports and report on internal control recommendations submitted by the external auditor, and the on-site examination reports issued by regulators;
- the re-appointment of external auditor, the fees payable to external auditor for the annual audit, interim review and other non-audit services;
- the Group's internal audit plan for 2009 and key issues identified;
- the deployment of human resources and pay level of the Internal Audit, and the department's budget for 2009; and
- the 2009 key performance indicators for and 2008 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 2009. This review covered all material controls, including financial, operational and compliance controls as well as risk management. The review also considers the adequacy of resources, staff qualifications and experience and training of the Group’s accounting and financial reporting functions. For detailed information on this topic, please refer to the “Internal Control” section below.

**Eight Audit Committee meetings were held during the year with an average attendance rate of 89%.**

### 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. Li Lihui, 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 2009 included the review and where applicable, approval of:

- performance appraisal of the executive Directors and designated senior executives for year 2008;
- proposal on staff incentive for year 2008 for the Group including the designated senior executives;
- key performance indicators of the Group and the designated senior executives for years 2009 and 2010;
- proposal on human resources budget of the Group for years 2009 and 2010;
- 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 analysed 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.

**Seven Nomination and Remuneration Committee meetings were held during the year with an average attendance rate of 88%.**

### Risk Committee

The Risk Committee has four members in 2009. Two of them are independent non-executive Directors and the remaining two are non-executive Directors. Among those four members, Mr. Li Zaohang, a non-executive Director was appointed as the member of the Risk Committee on 9 December 2009. 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, attends 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 policies, system and internal control;
- review and monitoring of the Group's capital management;
- review of the Group's target balance sheet;

- review and monitoring of the Group's compliance with the risk management polices, 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 2009 included the following:

- review and approval of policies, including the "Group's Operating Principles", the "Risk Management Policy Statement", the "Requirements Relating to the Approval, Formulation, Review and Revision of Risk Management Policies and Procedures", the "Capital Management Policy of BOCHK", the "Staff Code of Conduct", the "Policy for Validating Internal Rating Systems" 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 of the Group's operating plan, including the Group's target balance sheet, the Bank's banking book investment plan and risk management limits;
- review and monitoring of Basel II implementation, including approval of FIRB models, review of model validation reports, as well as receiving the implementation progress report of FIRB and ICAAP;

- review of various periodic risk management reports; and
- review of significant high risk exposures and transactions.

**Seven 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 five members: two independent non-executive directors, two non-executive directors, and the Chief Executive, an executive Director. The Committee is chaired by Mdm. Yang Linda Tsao, an independent non-executive Director. Among those five members, Mdm. Zhang Yanling, a non-executive Director was appointed as the member of the Strategy and Budget Committee on 9 December 2009.

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;
- 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;
- review and monitor the Group's regular/periodic (including annual) business plan and financial budget; and

- make recommendations to the Board on major capital expenditures, merger & acquisition and strategic commitments of the Group and monitor implementation of the same.

During the year, the Strategy and Budget Committee guided and monitored the Management's implementation of the Group's strategic focus in response to the profound impact on the banking landscape from the financial crisis. 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 China business, cooperation with the parent bank (BOC), life insurance and capital management. In particular, the Committee guided the Management on formulating the medium to long-term rolling strategic plan of the Group as it faced new opportunities and threats arising from the new operating environment. Furthermore, the Committee monitored the implementation of the Group's budget and business plan for 2009. In planning for 2010, the Committee reviewed and endorsed the Group's 2010 financial budget and business plan, and recommended the same to the Board for approval.

**Six Strategy and Budget Committee meetings were held during the year with an average attendance rate of 100%.**

### 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 2009. 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 Auditor

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 auditor, **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 amount paid to PricewaterhouseCoopers for non-audit services in 2009 comprised mainly the tax-related services fee of HK\$3 million, Cut-off Date Audit and Capital Injection Verification for NCB (China) of HK\$2 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 review also considers the adequacy of resources, staff qualifications and experience and training of the Group's accounting and financial reporting functions.

The Group is committed to maintaining and upholding good corporate governance practices, internal control system of all subsidiaries and foreign operations are reviewed regularly. During the year of 2009, continuous improvement on the organisation structure and segregation of duty, the risk management policy and procedure, and the enhancement of disclosure transparency have been undertaken. In response to the volatility in global financial markets and unstable momentum of economic recovery, the Group has implemented a series of measures and undertaken an on-going review on the effectiveness of the internal control mechanism. In 2009, 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 2009 annual general meeting held on 21 May 2009 at the Hong Kong Convention and Exhibition Centre to respond to questions and comments raised by shareholders.

As disclosed in the Annual Report for 2008 of the Company, in view of the 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, 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. The Board would also recommend the 5% threshold at the forthcoming 2010 annual general meeting for approval by shareholders. Further, given its commitment to high

standards of corporate governance, the Board announced at the 2009 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 forthcoming 2010 annual general meeting.

In order that shareholders can have a better understanding of the agenda items to be discussed at the 2010 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 2010 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 auditor's

statement of their responsibilities as set out in the auditor's 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 auditor 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.



About 1,200 BOCHK staff, their family members and our customers, as well as over 30,000 participants from other organisations joined forces to support "The Community Chest New Territories Walk – Stonecutters Bridge". A total of HK\$12 million was raised, a new record for the Community Chest New Territories Walks.



傳承

SUSTAINABLE



# CORPORATE SOCIAL RESPONSIBILITY



We have the most extensive branch network in Hong Kong. The above shows BOCHK's Citywalk Branch and its specially designed self-service banking area, showcasing our innovative services.



With our commitment to delivering comprehensive, professional and quality banking services to the general public as well as the business sector, the Group attaches great importance to Corporate Social Responsibility ("CSR"). We undertake CSR with a view to contribute to the sustainable development of the economy, society and environment. This is crucial to our long-term core competitiveness, and enables us to strengthen our relationship with shareholders, employees, customers, business partners, the government and the community. In January 2010, with the approval of the Board, the Group formulated the "Corporate Social Responsibility Policy".

To ensure the fulfilment of the policy, the Group set up a CSR Committee chaired by the Chief Executive and comprising the senior management and chief executives of subsidiaries as members. The Committee is responsible for formulating the overall strategies and policies of our CSR and overseeing its execution.

## Customer-centric through Innovation and Service

To better serve various customer groups and deliver diversified financial services, we endeavour to enhance our product and service offerings. We strive to improve our services and strengthen customer relationships with better quality services. In doing so, we contribute to sustainable economic development while at the same time growing the Group's business.

## Enhancing Service Platforms

With the most extensive branch network in Hong Kong, the Group has over 270 branches across Hong Kong, Kowloon and the New Territories as at the end of 2009. We have 24-hour self-service banking centres in major transport interchanges and public housing estates in Hong Kong. We are the first banking group in Hong Kong to offer both HKD and RMB cash withdrawal services along all MTR routes. For its unique and user-friendly design, BOCHK's self-service banking

centre at Mongkok East Station (East Rail Line) was awarded "Annual Best Shop Image 2009" by MTR.

We care about elderly customers and offer convenient ATM services. The Group has launched the "BOC Fast Cash Card" and organised workshops to teach our elderly customers how to use ATM services. We are a pioneer in the market, having extended the functions of its cheque deposit machine to bill payments. Our customers can then easily and conveniently make bill payments to designated merchants at over 170 service outlets in Hong Kong.

To enhance our service efficiency, we strive to offer a stable and reliable services platform. We have invested significant resources in advanced technology to enhance the functions of our e-Banking service. We also expanded the capacity of our online securities trading platform to cope with the ever-increasing transactions volume while offering flexible, reliable



We help operationally sound SME clients weather difficulties during financial crises.



In early July 2009, BOCHK successfully launched the first cross-border RMB trade settlement and finance in Hong Kong.



and secured services to our customers. During the year, BOCHK launched the online subscription service for the RMB sovereign bond to meet the growing market demand. We have been duly recognised for our efforts in the market. In 2009, BOCHK was awarded "Best Internet Banking Award 2009" by "Capital Weekly".

With continuous upgrade of the service quality of our phone banking centres, we won the Gold Awards of "Best Contact Centre in Corporate Social Responsibility" and "Outbound Contact Centre of the Year (Under 50 Seats)" granted by Hong Kong Call Centre Association.



**BOCHK**  
Corporate Social  
Responsibility

# CORPORATE SOCIAL RESPONSIBILITY



We joined hands with China UnionPay to pioneer the global launch of the first “BOC CUP Dual Currency Credit Card”, bringing convenience to frequent travelers between Hong Kong and the Mainland of China.



NCB (China) is our key business platform and brand in the Mainland of China, offering full banking services to our customers.

## Supporting Economic Growth

Since its establishment over 90 years ago, the Group has grown and prospered along with Hong Kong. With solid operations and continuous development, we serve millions of customers while contributing to the prosperity and stability of Hong Kong’s financial industry and the economy as a whole. As the Mainland economy continues to open up, we remain playing an important role in strengthening the economic integration between Hong Kong and the Mainland of China.

The stable development of small and medium-sized enterprises (“SME”) is an important pillar of the Hong Kong economy. The Group has lent great support to SME clients which have prudent operations. We proactively supported the “SME Loan Guarantee Scheme” and “Special Loan Guarantee Scheme” launched by the Hong Kong SAR Government. As at the end of 2009, we have approved credit amounting to HKD16 billion under the two schemes.

The Group brings convenience to frequent travelers between Hong Kong and the Mainland of China. At the end of 2008, BOC Credit Card and China UnionPay jointly issued the first “BOC CUP Dual Currency Credit Card” in Hong Kong. This new credit card enables customers to settle payments in either HKD or RMB. For purchases made in the Mainland of China, cardholders can settle in RMB and save on exchange expenses. Those purchases made in Hong Kong and overseas can be settled in HKD. Charges for overseas purchases are waived. Furthermore, BOC Card and Octopus Card jointly launched “BOC Octopus Merchant Services”, a one-stop cash management solution for receiving customer payments and transaction settlement enables retail merchants to enhance operation efficiency.

Riding on the advantage of our parent, BOC, in the Mainland and our leading position in RMB services in Hong Kong, BOCHK offers an expanding range of

cross-border banking and RMB services to Mainland enterprises wishing to expand in overseas markets. As the sole clearing bank for RMB services in Hong Kong, BOCHK was well positioned to launch the first cross-border RMB trade settlement service in Hong Kong on 6 July 2009. NCB (China), the Group’s key business platform and brand in the Mainland of China, was among the first batch of foreign banks in China to offer cross-border RMB trade settlement services.

We have strengthened our collaboration with BOC to offer innovative cross-border banking services and enhanced global financial services to clients of both banks. For example, we have extended the “BOC Remittance Plus” service to 3,000 remittance points including Macau and spanning across 24 provinces in the Mainland of China. The network is the largest among all Hong Kong banks that provide same-day remittance services. We also tailor cross-border trade finance products,



We assisted BOC to become the sole lead arranger of the project finance for the "Hong Kong-Zhuhai-Macao Bridge".

BOC Life launched a series of diversified products which have been well-received by customers. It has become a strong player in the market, having doubled its market share.



including "Supply Chain Financing", "China-Hong Kong Trade Finance" and "Quadrilateral Agreement", to the needs of our corporate clients. In conjunction with our parent, BOC, we launched "Global Relationship Manager Programme" and "Global Unified Facilities Arrangement", which allow both parties to flexibly extend credit lines to corporate clients and enhance client management model. We also conduct real-time cash management across the globe via the online banking systems of BOCHK and that of BOC in the Mainland and selected branches in the Asia-Pacific region. As the USD agent bank in Hong Kong, BOCHK provides the Hong Kong interbank market with new fund transfer channel through the real-time settlement system of BOC, the sole USD settlement bank in the Mainland of China. During the year, BOC, China UnionPay and BOC Credit Card jointly established the

"BOC Expresspay Company Ltd." to expand their prepaid card business.

In 2009, BOCHK joined hands with the Macau and Guangdong branches of BOC, to assist our parent, BOC, to become the sole lead arranger of the project financing for the "Hong Kong-Zhuhai-Macao Bridge". We are proud to play a key role in this landmark cross-border infrastructure project.

### Conservation of Resources for Environmental Protection

BOCHK is committed to reducing any negative impact on our ecological environment from our business operation. We encourage our staff, customers and business partners to be environmentally friendly, and help promote the awareness of environmental protection to various sectors of society.

### Creating a Green Office

To promote the important message of a green office, the Group put into practice an environmental management system by formulating a policy for environmental protection to reduce carbon dioxide emissions. In 2009, the centrifugal chillers of the air conditioning system at Bank of China Tower ("BOC Tower") were replaced by more efficient chillers using eco-friendly refrigerants, while the air-cooled chillers at Bank of China Building ("BOC Building") were replaced by water-cooled chillers. Other measures adopted to make our office greener include installing energy-saving light bulbs and tubes, and ballasts and time switches in the lighting system; installing time zone control in the lift system or temporary suspension of lift service during non-peak hours; and a dual-speed system in the escalators of BOC Tower to reduce energy

# CORPORATE SOCIAL RESPONSIBILITY



We spare no effort in promoting environmental protection. BOC Tower and BOC Centre have been granted numerous environmental awards.

consumption and heat production. With these measures, BOCHK's annual electricity consumption was reduced by about 2.85 million kWh, resulting in the reduction of carbon dioxide emissions by 1,700 tons and a saving of HK\$4.3 million in energy costs per year.

Water conserving devices such as water tap sensors, auto-flushing sensors and dual-flush water saving toilets were installed in our premises, resulting in an annual saving of water of 70,000 cubic metres. We continue our efforts to reduce consumption of natural resources and encourage the use of recycled or environmentally friendly materials whenever and wherever possible. We have an in-house recycling system for waste paper, newspapers and magazines, aluminium, plastic and used batteries. More than 280,000 kg of recycled paper was collected during the year. In partnership with Hong Kong Caritas, a social welfare organisation, we carried out a Computer Recycling Project in our premises and donated refurbished computers to those in need. A warehouse was established during the year for the collection and redeployment of reusable furniture and equipment to minimise waste disposal.

Our sound environmental practices to reduce energy and water consumption have earned us recognition and environmental accreditations from a number of professional organisations. Both BOC Tower and Bank of China Centre ("BOC Centre") attained the *ISO 14001 certifications* granted by Det Norske Veritas in 2009; BOC Building received the *Carbon Reduction Label* awarded by the Hong Kong Quality Assurance Agency; and BOC Tower and BOC Centre obtained the *Indoor Air Quality Certificates (Excellent Class)* from the Environmental Protection Department in 2009. All our three major premises – BOC Tower, BOC Building and BOC Centre, received Certificates of the "Quality Water Recognition Scheme for Building" from the Water Supplies Department.

We have put into place clear procurement policies requesting suppliers to provide environmentally friendlier materials and services which are in compliance with the requirements. We also purchase eco-friendly toners as well as energy-saving or energy efficient appliances and equipment for use in the office. When selecting suppliers and





The "Hong Kong Geopark Charity Green Walk", spearheaded by BOCHK, promotes conservation of resources. The campaign received overwhelming response from the public, customers and staff.

contractors, we consider whether they conform to environmental management standards. At corporate banquets, shark's fin, endangered reef species and black mosses are no longer served in order to comply with the guidelines set out by WWF Hong Kong.

In June 2009, we participated in the "Dim It – Lights Out Event" organised by Friends of the Earth and signed the first "Dim It" Charter, making an open

commitment to conserving energy and reducing carbon dioxide emissions, light pollution and light nuisance.

Our customers are encouraged to manage their finances via Internet Banking and switch to e-Statement services. We are working towards a paperless office by promoting the use of electronic documents or correspondence, while training materials are available on the electronic learning platform. As a listed company with a large shareholder base, the Group encourages our shareholders to view annual reports online or choose to receive summary financial reports to reduce paper use. In addition, our annual reports are printed on environmentally friendlier

papers using eco-friendly printing techniques.

#### Launch of Green Credit Services

BOCHK has spared no effort in spreading the green message and incorporating it in business operations. We actively promote "green credit" services through collaboration with Hong Kong Productivity Council ("HKPC") in offering the "Green Equipment Financing Scheme". The scheme encourages corporate customers to purchase environmentally friendlier equipment to increase their productivity and operating efficiency while reducing environmental pollution. BOCHK donates HK\$1 per HK\$2,000 loan amount to designated green groups via the HKPC for supporting environmental protection initiatives. We also jointly launched the "Energy Efficiency Loan Scheme" with the two electricity companies in Hong Kong to provide loans to commercial and industrial customers for implementation of energy saving initiatives and encourage them to switch to energy efficient electrical appliances and equipments.



# CORPORATE SOCIAL RESPONSIBILITY



We advocate the "Sport for All" message in the community through sponsorship of the *Festival of Sport*, which is in its fourth consecutive year.

To support sports development in Hong Kong, BOCHK donated HK\$10 million to the Sports Federation and the Olympic Committee of Hong Kong, China and its affiliated "Hong Kong Athletes Career and Education Programme".



## In Support of Bio-environmentalism

Natural resources are fundamental to the survival of mankind and their conservation is crucial to sustainable development. Following the establishment of Hong Kong National Geopark in eight geosites in Northeast New Territories and Sai Kung by the Ministry of Land and Resources, China, BOCHK introduced the "Hong Kong Geopark Charity Green Walk", which brought together the important elements of environmental protection and charity. From the end of 2009 to the first four months of 2010, a number of eco-tours were organised for the general public to learn more about Hong Kong's geological and geomorphologic features in the Sai Kung Volcanic Rock Region and Northeast New Territories Sedimentary Rock Region. With BOCHK Charitable Foundation ("The Foundation") sponsoring the relevant costs, the enrolment fees paid by the participants have been donated to Polar Museum Foundation for educational and conservation purposes. The HKSAR Government is prepared to apply for the listing of Hong Kong Geopark as a world-class geopark, and we will continue to organise such activities from April to December 2010 to support conservation of the eco-environment of the Geopark.

## Caring for Community We Serve

With the understanding that the fulfilment of corporate social responsibility is crucial to the long-term development of a corporation, the Group reciprocates support to the community through a wide spectrum of activities. Our dedication to charitable causes has earned us the recognition of being a Caring Company by the Hong Kong Council of Social Service ("HKCSS") for seven successive years. Through cooperation with the Foundation, we participate 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.

## Fostering Sports Development

The best-ever performance of Hong Kong athletes in the 5<sup>th</sup> East Asian Games has ignited enthusiasm for and raised public interest in sports. Participation in sports not only promotes good health, but also helps one develop a positive attitude towards life. We were delighted to become one of the first few Diamond Partners of the East Asian Games and proactively involved in the

promotion of the relevant activities. We advocate the "Sport for All" message in the community through sponsorship of the *Festival of Sport* from 2007 for four consecutive years. In 2009, more than 155,000 people participated in over 80 sports competitions, demonstrations and fun days throughout 18 districts in Hong Kong organised by the *Bank of China (Hong Kong) 52<sup>nd</sup> Festival of Sport*.

In recognition of the Hong Kong athletes for their excellent performance at large-scale sport games and for inspiring the public with their perseverance, we have been supporting the *Bank of China Hong Kong Sports Stars Awards* for four years in a row and set up the *Best of the Best Hong Kong Sports Stars Award*. In the online public voting of the *Hong Kong Sports Stars Awards 2008* held in 2009, we recorded a total of 55,000 votes from nearly 27,000 voters.

Badminton is the key sports initiative of the Foundation. A total of more than HK\$10.75 million was allocated for development of the sport of badminton



In celebration of the 60<sup>th</sup> anniversary of the founding of the People's Republic of China, BOCHK donated 60 sets of specially-selected banknotes to six local charitable organisations.



BOCHK volunteers visited the afflicted areas of Sichuan earthquake, organised by the Hong Kong Red Cross.

in the past 11 years, benefiting over 800,000 participants. The Badminton Development & Training Scheme encompasses a variety of activities such as tournaments, systematic training programmes for the general public and school students as well as family fun days. We also continue our sponsorship of the *Hong Kong Island & Kowloon Regional Inter-school Sports Competition* – the largest school sports competition of its kind in Hong Kong with also the longest history, and the competition's top-honour award – the *BOCHK Bauhinia Bowls Award* for eight consecutive years. In 2009, we recorded a total of 75,000 athlete enrolments from 272 schools which participated in 8,400 matches of this competition.

Among the net proceeds, a total of HK\$153 million was donated to the Foundation, which lends its support to numerous charitable activities in Hong Kong. Another HK\$50 million was donated to the Community Chest of Hong Kong ("The Chest") to assist the beneficiaries of its member agencies. BOCHK was presented with the "Magnificent Award" and "The Community Chest 40<sup>th</sup> Anniversary Benefactor of the Year Award" in recognition of its generosity.

In view of the adverse impact of global financial crisis on the local economy and community, we designated

HK\$90 million of the net proceeds to set up the BOCHK's "*Caring Hong Kong – A Heart Warming Campaign*" ("The Campaign") administered and monitored by a "Special Allocation Committee" formed by the Chest. Over 300 member social welfare agencies of the Chest and HKCSS were eligible to apply for funding from the Campaign. An aggregate of around HK\$27 million was allocated to subvent 25 projects for the first phase of the Campaign with the objectives to mitigate the impact of the economic turmoil on those affected, to support Hong Kong's economy and to build a harmonious community.

### Building a Harmonious Community

To commemorate the 2008 Olympic Games, BOCHK issued the "Beijing 2008 Olympic Games Hong Kong Dollar Commemorative Banknote", from which the net proceeds of HK\$313 million generated were donated to charitable causes.



Our volunteer team actively participates in a wide range of charity events in Hong Kong and the Mainland of China.

## CORPORATE SOCIAL RESPONSIBILITY



BOCHK sponsored the "Be a Star" Charity Christmas Lunch organised by The Community Chest.



In celebration of the 200<sup>th</sup> anniversary of the birth of Chopin, BOCHK presented the "Yundi Li & the HKPO" concert.

To mark the significance of the issuance of the Olympic Banknote, BOCHK donated HK\$10 million to the Sports Federation and the Olympic Committee of Hong Kong, China and its affiliated "Hong Kong Athletes Career and Education Programme". What is more, as an expression of the wishes of Hong Kong people to continuously support Sichuan people in rebuilding their home, BOCHK made a donation of HK\$10 million for post-Sichuan earthquake reconstruction and rehabilitation projects on the eve of the first anniversary of the Sichuan Wenchuan earthquake.

In celebration of the 60<sup>th</sup> anniversary of the founding of the People's Republic of China, BOCHK donated 60 sets of specially-selected banknotes to six local charitable organisations, namely The Chest, Tung Wah Group of Hospitals, Po Leung Kuk, Pok Oi Hospital, Yan Chai Hospital and Hong Kong Red Cross, hoping to raise funds to help those in need.

We fully supported *The Community Chest New Territories Walk 2009* held at the soon-to-be-opened Stonecutters Bridge at that time. About 1,200 BOCHK staff, their family members and the Bank's customers, as well as over 30,000 participants from some 200 walking teams formed by different businesses, organisations, government departments and social welfare agencies joined forces to raise funds for the underprivileged.

Our staff proactively spread the message of "Caring for Society" by participating in various community and volunteer activities, including visiting elderly and low-income families, organising a Mid-Autumn charity sale,

sending condolences to those affected by Sichuan Earthquake through a visit arranged by the Hong Kong Red Cross, and serving as eco-ambassadors of the *Hong Kong Geopark Charity Green Walk*.





We organised an award presentation ceremony to recognise the excellent performance of our staff and boost morale.



We attach great importance to staff training and encourage continuous learning for self enhancement.

Capitalising on the large customer base of the Group, the Foundation helped 11 charitable organisations to send out 3.78 million appeal inserts with bank statements in 2009, representing an increase of 35% compared with the previous year.

### Nurturing Future Talent

We spare no effort in nurturing our younger generation to build a better society. Since 1990, the Foundation has awarded HK\$12.33 million scholarships and bursaries to nine universities in Hong Kong, benefiting a total of 1,303 students.

We organised the fifth *Internship Programme for Financial Professionals in the Mainland of China*, together with the *Summer Internship Programme for Tertiary Institution Students* for the second year. University and tertiary institution students are able to deepen their understanding of economic and financial developments in our motherland by undertaking an internship at the branches of BOC in the Mainland. BOCHK also joined the *Internship Programme for University Graduates* launched by the HKSAR Government by offering six-month internship opportunities either in Hong Kong or the Mainland for university graduates.

### Promoting Art and Culture

Art and culture enrich our life and enhance creativity. In celebration of

the 200<sup>th</sup> anniversary of the birth of world-renowned composer and virtuoso pianist Chopin, we sponsored the "Yundi Li & the HKPO" concert. Also, about 100 BOCHK customers, staff members and their companions attended "Yundi's Piano Masterclass" to explore new horizons in the musical world. During the year, we supported the premiere performance of the Asian Youth Orchestra in Hong Kong offering exchange opportunities for 100 of Asia's most promising musicians.

### Serving Our Shareholders with a Solid Foundation

The Group is committed to maximising shareholder value and safeguarding shareholders' interests by enhancing corporate governance and ensuring a higher degree of transparency. We implemented the Basel II Accord with revised capital requirements, while reinforcing our internal control system. For details, please refer to "Corporate Governance", "Investor Relations" and "Management's Discussion and Analysis".

With prudent operations and solid foundation, the Group continues to enhance our core competences amid an ever-changing economic environment. We also keep abreast of the times and seize every opportunity to grow our business and maximise our shareholder value.

### People-oriented with Team Spirit

The Group treasures our staff and believes they are our most valuable assets. We are dedicated to provide our people with a congenial working environment and promising careers so that they can develop with the Group.

### Care for Our People

The Group boasts a team of multi-talented professionals from different backgrounds, with depth of experience and diverse expertise. To meet our growing business needs, we recruit well-qualified management and business professionals in Hong Kong, the Mainland of China and overseas. We advocate equal opportunity and adopt the principle of justice and fairness in our human resources management and recruitment practices. We strongly support the anti-discrimination ordinance, which is clearly outlined in relation to gender, disability, marital status and ethnicity in our staff handbook.

The global financial crisis in September 2008 had a significant impact on the banking sector. As one of the largest employers in Hong Kong, the Group endeavoured to retain staff through the implementation of stringent cost controls and expense reduction measures in our business operations. These had helped maintain a stable workforce amid a difficult environment.

# CORPORATE SOCIAL RESPONSIBILITY



About 500 BOCHK staff participated in the “Walk with Professor Kao” CUHK Walkathon to raise funds for patients suffering from cognitive impairment.



BOCHK staff teams were champions in both the 50km and 25km categories of “Green Power Hike - Bank Cup”

In order to increase employee loyalty and boost staff morale, we organised various team building activities. The Group’s senior management members frequently visit branches to show that management cares. We hold Distinguished Staff Awards to recognise the excellent staff performance. We also have a support hotline for front-line staff and organise different workshops throughout the year on stress management, customer relationship, EQ management and teamwork skills in order to help staff relieve their stress.

A wide range of employee relations and communications activities, such as sharing sessions, branch visits, internal newsletters and team-building events, have been organised to facilitate two-way communication and strengthen staff relationships. We listen to feedback from our staff. Extensive employee engagement research has been conducted to better understand their needs and promote amicable employee relationship. Different communication channels are utilised, including e-notice boards and internal promotion to facilitate better information exchange.

Last year, Hong Kong was threatened by the outbreak of influenza A (H1N1). The Group adopted various measures to protect staff against H1N1, including dispatch of health kits and injections of H1N1 vaccine. We also provide free body check-ups for our members. To ensure a healthy working environment, we maintain clean and tidy offices.

Furthermore, our front-line staff summer uniform is made of wrinkle-resisting and sweat-evaporating materials which are designed for comfort yet are environmentally friendly.

At the BOC Tower office, staff benefit from a subsidised canteen which offers breakfast, lunch and dinner in both Chinese and western styles.

We encourage work-life balance by organising a series of family activities, such as fun fairs, orienteering, BBQ, competitions in badminton, table-tennis and other sports and games, as well as leisure interest classes. Our strong team spirit is reflected in our winning of top awards in numerous open competitions, in basketball, athletics, dragon-boating, mountaineering, etc.

### Professional Staff Training and Development

Cultivating talented professionals is one of our top priorities. We invest a huge amount of resources in staff training and development every year with the objectives to meet the needs of our business development and strengthen the Group’s human resources. We have formulated a forward looking development strategy in order to enhance the overall quality of our professionals.

The Group designs different and multi-faceted training systems to cater the needs of various positions and levels. We work with reputable institutions such as Harvard Business School and

Oxford University, to provide world-class training for our senior management. Such training aims to enhance their management skills and strategic thinking. For our middle management, we offer an effective management skills training programme. We also provide continuing education and training programmes to enable our staff to cope effectively in the ever-changing business environment. These include market and business environment updates, enhancement of business skills and integrated management capabilities, and strengthening of risk and compliance awareness.

The Group’s training programmes offer flexibility to encourage staff participation. In addition to face-to-face lectures, we also provide online education, part-time learning, tutorials/mentor scheme and on-the-job training. To encourage continuous learning and self development, we offer education subsidies and awards for staff to attain professional qualifications. In 2009, we organised 2,890 training courses for 207,400 participants.

Mainland business is one of the items on our agenda of the Group’s business development strategy. Our staff have the opportunity to participate in joint projects or training courses held by BOC in the Mainland, allowing them to gain knowledge about the Mainland market and broaden their horizons. Our internal recruitment policy encourages staff to explore different opportunities and realise their career goals.



A wide range of activities promoting good health and sports are organised for our staff.

### Competitive Incentive Schemes

The Group is committed to providing our staff with reasonable, incentive and competitive remuneration packages. We aim to retain, attract and motivate the best talents. We continue to refine our remuneration and benefits policy in line with market practices. Our staff are rewarded according to a performance-linked annual bonus scheme in relation to the performances of the Group, respective business units as well as individual staff. We also have sales incentive schemes linked to the performance of the businesses. We believe such policy encourages staff to outperform against the market.

Appreciation and recognition are important to our people. The Group organises annual distinguished team and staff award presentation in recognition of staff's excellent performance to promote team spirit.

### Culture of Corporate Excellence

Our core values are: Respect, Teamwork, Performance, Innovation, Integrity and Social Responsibility. These values help to promote service quality awareness. During the year, we strengthened our corporate culture based on the theme of "Corporate Culture Starts with Me". This inspired greater staff involvement in building our corporate culture and helped promote a harmonious atmosphere, leading to sustainable corporate development.

We also promote a reading culture in conjunction with Hong Kong Commercial Press. We have organised various book fairs in BOC Tower and BOC Centre. Over the year, we have been working with Hong Kong Red Cross to organise blood donation events, with an overwhelming response from hundreds of people every year.

Corporate social responsibility brings us positive and long-term value. It is a priority for the Group in the year ahead. We will continue to uphold our corporate social responsibility in order to build a harmonious society and contribute to the sustainable development of society as a whole.



# SOME OF THE AWARDS AND RECOGNITION



## Customer-centric

- One of "Top 100 Banking Brands" (The Banker)
- SME's Best Partner Award 2009 (The Hong Kong Chamber of Small and Medium Business Limited)
- Hong Kong Call Centre Association Awards 2009
  - Gold Award: Best Contact Centre in Corporate Social Responsibility
  - Gold Award: Outbound Contact Centre of the Year (Under 50 Seats)
  - Gold Award: Contact Centre Technical Support Professional of the Year
  - Silver Award: Inbound Contact Centre Manager of the Year
  - Silver Award: Inbound Contact Centre Agent of the Year
  - Silver Award: Outbound Contact Centre Agent of the Year
  - Bronze Award: Inbound Contact Centre Supervisor of the Year
  - Bronze Award: Inbound Contact Centre Agent of the Year
- BOCHK Automatic Banking Centre at Mongkok East MTR Station: Annual Best Shop Image 2009 (MTR Corporation)
- Lipper Fund Awards 2009 – Best Mixed Assets Fund Group (Hong Kong Economic Journal and Metro Finance)
- The Global Chinese Business 1000 – Hong Kong Top 20 (Yazhou Zhoukan)
- Sing Tao Excellent Services Brand Award 2009 – Mortgage Services (Sing Tao Daily)
- The Best for Home – Banking Services (Take Me Home)
- Capital Weekly Service Awards 2009 – Internet Banking (Capital Weekly)

- Awards presented to BOC Credit Card (International) Limited by various organisations:

### China UnionPay:

Highest Card Volume (Credit Card) – Gold Award – Hong Kong  
 Largest Card Number (Credit Card) Award – Hong Kong  
 Highest Acquiring Volume Growth – Gold Award – Hong Kong  
 Bank of the Year Award – Hong Kong & Macau

### Visa International:

Largest Retail Sales Volume Growth – Silver Prize – Hong Kong  
 Highest Merchant Sales Volume – Bronze Prize – Hong Kong  
 Largest Card Issuer – Macau  
 Highest Retail Sales Volume – Macau



### MasterCard Worldwide:

The Highest Market Share In 2009: Number of Open Cards in Hong Kong – 1st Runner Up  
 The Highest Market Share In 2009: Premium Cards Spending in Hong Kong – 2nd Runner Up  
 The Highest Market Share In 2009: Merchant Purchase Volume in Hong Kong – 2nd Runner Up  
 The Highest Market Share In 2009: Number of Open Cards in Macau – Champion

## SOME OF THE AWARDS AND RECOGNITION



### Social Responsibility

- Magnificent Award & The Community Chest 40<sup>th</sup> Anniversary Benefactor of the Year Award (The Community Chest)
- Web Care Award – Silver Award (Internet Professional Association)
- Caring Company for seven consecutive years (The Hong Kong Council of Social Service)

### Environmental Protection

- Merit Green Enterprise of the 1<sup>st</sup> "CAPITAL Entrepreneur Green Enterprise Awards 2010"

#### BOC Tower, BOC Centre

- Management System Certificate of ISO 14001 (Det Norske Veritas)
- Indoor Air Quality Certificate – Excellent Class (Environment Protection Department of HKSAR)
- The Quality Water Recognition Scheme for Buildings Certificate (Water Supplies Department of HKSAR)

#### BOC Building

- HKQAA – Carbon Reduction Label (Hong Kong Quality Assurance Agency)
- The Quality Water Recognition Scheme for Buildings Certificate (Water Supplies Department of HKSAR)

### Innovation and Creativity

#### • **International ARC Awards**

Annual Report 2008 of BOC Hong Kong (Holdings) Limited: Silver Prize in the category of Chairman's Letter: Bank Holding Company, Honors in the categories of Written Text: Bank Holding Company (Eastern Hemisphere) and Cover Photo/Design: Bank Holding Company

#### • **Astrid Awards**

Annual Report 2007 of BOC Hong Kong (Holdings) Limited: Gold Award in the category of "Annual Report – Photography"

#### • **iNOVA Awards**

Investor relations website of BOC Hong Kong (Holdings) Limited: Bronze Award for "Investor/Shareholder Relations"

#### • **Mercury Awards**

Launch of RMB Sovereign Bonds in Hong Kong:

Gold Award in the category of "Publicity: Client Product Launch"  
SIBOS 2009:

Silver Award in the category of "Special Events: Exhibition & Gala Dinner"

Annual Report 2008 of BOC Hong Kong (Holdings) Limited: Honors in the category of "Annual Reports – Overall Presentation: Banks"

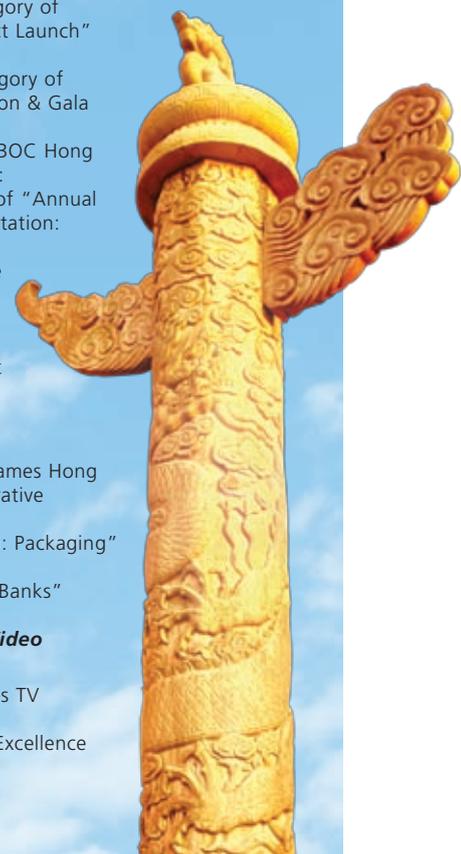
Cross-border RMB Trade Settlement Service: Honors in the category of "Promotion/Marketing: New Product Development"

#### • **Galaxy Awards**

Beijing 2008 Olympic Games Hong Kong Dollar Commemorative Banknote: Gold Award for "Design: Packaging"  
BOCHK Website: Honors for "Web Sites: Banks"

#### • **International Film & Video Festival**

BOCHK's Olympic Games TV Commercial: Certificate for Creative Excellence (Corporate: Sports)



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# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December	Notes	2009 HK\$'m	2008 HK\$'m
Interest income		21,684	35,281
Interest expense		(3,752)	(15,124)
<b>Net interest income</b>		<b>17,932</b>	<b>20,157</b>
Fees and commission income		8,536	7,214
Fees and commission expenses		(2,028)	(2,035)
<b>Net fees and commission income</b>		<b>6,508</b>	<b>5,179</b>
Net trading income		1,485	1,914
Net loss on financial instruments designated at fair value through profit or loss		(678)	(452)
Net loss on investment in securities		(132)	(15)
Net insurance premium income		7,744	5,891
Other operating income		482	561
<b>Total operating income</b>		<b>33,341</b>	<b>33,235</b>
Net insurance benefits and claims		(7,286)	(7,709)
<b>Net operating income before impairment allowances</b>		<b>26,055</b>	<b>25,526</b>
Net reversal/(charge) of impairment allowances		1,190	(12,573)
<b>Net operating income</b>		<b>27,245</b>	<b>12,953</b>
Operating expenses		(12,141)	(8,771)
<b>Operating profit</b>		<b>15,104</b>	<b>4,182</b>
Net gain/(loss) from disposal of/fair value adjustments on investment properties		1,563	(118)
Net gain from disposal/revaluation of properties, plant and equipment		50	7
Share of profits less losses after tax of associates		7	7
<b>Profit before taxation</b>		<b>16,724</b>	<b>4,078</b>
Taxation		(2,678)	(1,071)
<b>Profit for the year</b>		<b>14,046</b>	<b>3,007</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		13,725	3,343
Non-controlling interests		321	(336)
		<b>14,046</b>	<b>3,007</b>
<b>Dividends</b>		<b>9,040</b>	<b>4,631</b>
		HK\$	HK\$
<b>Earnings per share for profit attributable to the equity holders of the Company</b>	3	<b>1.2981</b>	<b>0.3162</b>

The notes on pages 94 to 118 are an integral part of these Summary Financial Statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Notes	2009 HK\$'m	2008 HK\$'m
<b>Profit for the year</b>		<b>14,046</b>	3,007
Change in fair value of available-for-sale securities		<b>7,600</b>	(12,247)
Revaluation of premises		<b>4,232</b>	(241)
Currency translation difference		<b>(1)</b>	212
Net deferred tax on items taken directly to equity	7	<b>(1,572)</b>	835
Reclassification adjustments			
Release upon disposal of available-for-sale securities		<b>(51)</b>	15
Net impairment (releases)/charges on available-for-sale securities transferred to income statement		<b>(612)</b>	7,839
Amortisation with respect to available-for-sale securities transferred to held-to-maturity securities		<b>(64)</b>	(87)
<b>Other comprehensive income for the year, net of tax</b>		<b>9,532</b>	(3,674)
<b>Total comprehensive income for the year</b>		<b>23,578</b>	(667)
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>23,196</b>	(343)
Non-controlling interests		<b>382</b>	(324)
		<b>23,578</b>	(667)

The notes on pages 94 to 118 are an integral part of these Summary Financial Statements.

# CONSOLIDATED BALANCE SHEET

As at 31 December	Notes	2009 HK\$'m	2008 HK\$'m
<b>ASSETS</b>			
Cash and balances with banks and other financial institutions		<b>160,788</b>	153,269
Placements with banks and other financial institutions maturing between one and twelve months		<b>60,282</b>	89,718
Financial assets at fair value through profit or loss		<b>44,594</b>	43,812
Derivative financial instruments		<b>17,584</b>	19,628
Hong Kong SAR Government certificates of indebtedness		<b>38,310</b>	34,200
Advances and other accounts		<b>527,135</b>	469,493
Investment in securities		<b>313,755</b>	291,681
Interests in associates		<b>217</b>	88
Investment properties	5	<b>9,364</b>	7,727
Properties, plant and equipment	6	<b>26,286</b>	22,795
Deferred tax assets	7	<b>149</b>	154
Other assets		<b>14,327</b>	14,679
<b>Total assets</b>		<b>1,212,791</b>	1,147,244
<b>LIABILITIES</b>			
Hong Kong SAR currency notes in circulation		<b>38,310</b>	34,200
Deposits and balances of banks and other financial institutions		<b>99,647</b>	88,779
Financial liabilities at fair value through profit or loss		<b>16,288</b>	21,938
Derivative financial instruments		<b>13,967</b>	20,450
Deposits from customers		<b>842,321</b>	802,577
Debt securities in issue at amortised cost		<b>–</b>	1,042
Other accounts and provisions		<b>29,930</b>	34,873
Current tax liabilities		<b>1,918</b>	441
Deferred tax liabilities	7	<b>4,591</b>	2,799
Insurance contract liabilities		<b>33,408</b>	28,274
Subordinated liabilities		<b>26,776</b>	27,339
<b>Total liabilities</b>		<b>1,107,156</b>	1,062,712
<b>EQUITY</b>			
Share capital	8	<b>52,864</b>	52,864
Reserves	9	<b>50,038</b>	29,855
<b>Capital and reserves attributable to the equity holders of the Company</b>		<b>102,902</b>	82,719
Non-controlling interests		<b>2,733</b>	1,813
<b>Total equity</b>		<b>105,635</b>	84,532
<b>Total liabilities and equity</b>		<b>1,212,791</b>	1,147,244

The notes on pages 94 to 118 are an integral part of these Summary Financial Statements.

Approved by the Board of Directors on 23 March 2010 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 2009.

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 and the requirements of the Hong Kong Companies Ordinance.

The Annual Financial Statements of the Group 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, as well as its objectives, policies and processes for managing and the methods used to measure these risks.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Financial risk management (continued)

### 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, and covers inter-bank transactions, foreign exchange and derivative transactions as well as investments in bonds and securities.

#### Credit exposures

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

	2009 HK\$'m	2008 HK\$'m
Credit risk exposures relating to on-balance sheet assets are as follows:		
Balances with banks and other financial institutions	157,379	153,269
Placements with banks and other financial institutions maturing between 1 and 12 months	60,282	89,718
Financial assets at fair value through profit or loss – debt securities	40,328	41,438
Derivative financial instruments	17,584	19,628
Hong Kong SAR Government certificates of indebtedness	38,310	34,200
Advances and other accounts	527,135	469,493
Investment in securities		
– debt securities – available-for-sale	225,356	170,935
– debt securities – held-to-maturity	72,439	106,465
– debt securities – loans and receivables	12,703	12,595
Other assets	11,895	13,332
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of guarantee issued	10,990	11,838
Loan commitment and other credit related liabilities	265,434	241,551
	<b>1,439,835</b>	<b>1,364,462</b>

### 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, banking book positions are subject to interest rate risk and liquidity risk. In particular, the Group's bond investment portfolio is exposed to the potential losses arising from changes in market price of the debt securities as these positions are subject to monthly mark-to-market valuation. The Group manages market risk in its trading book separately from its banking book.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Financial risk management (continued)

### 2.2 Market Risk (continued)

#### (a) 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 assets and liabilities at carrying amounts in HK\$ equivalent, categorised by the original currency.

	2009							
	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
<b>Assets</b>								
Cash and balances with banks and other financial institutions	59,001	45,058	51,024	2,066	317	623	2,699	160,788
Placements with banks and other financial institutions maturing between one and twelve months	1,782	34,514	19,365	3,083	43	125	1,370	60,282
Financial assets at fair value through profit or loss	700	10,884	32,948	-	-	-	62	44,594
Derivative financial instruments	5	1,201	16,238	48	-	-	92	17,584
Hong Kong SAR Government certificates of indebtedness	-	-	38,310	-	-	-	-	38,310
Advances and other accounts	15,810	112,386	386,259	3,352	1,170	46	8,112	527,135
Investment in securities								
– Available-for-sale securities	2,414	115,645	36,176	24,365	13,261	1,882	34,870	228,613
– Held-to-maturity securities	1,761	26,623	25,291	6,749	2,725	362	8,928	72,439
– Loans and receivables	-	5,873	6,661	-	-	-	169	12,703
Interests in associates	-	-	217	-	-	-	-	217
Investment properties	59	-	9,305	-	-	-	-	9,364
Properties, plant and equipment	350	-	25,936	-	-	-	-	26,286
Other assets (including deferred tax assets)	125	614	13,497	11	110	54	65	14,476
<b>Total assets</b>	<b>82,007</b>	<b>352,798</b>	<b>661,227</b>	<b>39,674</b>	<b>17,626</b>	<b>3,092</b>	<b>56,367</b>	<b>1,212,791</b>
<b>Liabilities</b>								
Hong Kong SAR currency notes in circulation	-	-	38,310	-	-	-	-	38,310
Deposits and balances of banks and other financial institutions	38,104	24,930	35,539	18	28	13	1,015	99,647
Financial liabilities at fair value through profit or loss	-	599	15,229	-	-	-	460	16,288
Derivative financial instruments	7	2,056	10,921	869	3	-	111	13,967
Deposits from customers	38,714	158,094	564,319	15,517	2,199	14,645	48,833	842,321
Other accounts and provisions (including current and deferred tax liabilities)	1,194	8,304	24,229	617	56	528	1,511	36,439
Insurance contract liabilities	1	6,202	27,205	-	-	-	-	33,408
Subordinated liabilities	-	19,399	-	7,377	-	-	-	26,776
<b>Total liabilities</b>	<b>78,020</b>	<b>219,584</b>	<b>715,752</b>	<b>24,398</b>	<b>2,286</b>	<b>15,186</b>	<b>51,930</b>	<b>1,107,156</b>
Net on-balance sheet position	3,987	133,214	(54,525)	15,276	15,340	(12,094)	4,437	105,635
Off-balance sheet net notional position*	462	(120,753)	149,934	(15,284)	(15,284)	11,849	(4,728)	6,196
Contingent liabilities and commitments	5,940	61,833	197,945	4,341	569	835	4,961	276,424

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Financial risk management (continued)

### 2.2 Market Risk (continued)

#### (a) Currency risk (continued)

	2008							
	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
<b>Assets</b>								
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
<b>Total assets</b>	<b>73,490</b>	<b>299,912</b>	<b>639,827</b>	<b>39,596</b>	<b>45,743</b>	<b>13,223</b>	<b>35,453</b>	<b>1,147,244</b>
<b>Liabilities</b>								
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
<b>Total liabilities</b>	<b>69,980</b>	<b>254,179</b>	<b>637,750</b>	<b>25,667</b>	<b>10,736</b>	<b>16,287</b>	<b>48,113</b>	<b>1,062,712</b>
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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Financial risk management (continued)

### 2.2 Market Risk (continued)

#### (b) 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 assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	2009						
	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
<b>Assets</b>							
Cash and balances with banks and other financial institutions	132,002	-	-	-	-	28,786	160,788
Placements with banks and other financial institutions maturing between one and twelve months	-	26,170	34,112	-	-	-	60,282
Financial assets at fair value through profit or loss	10,862	2,567	2,223	11,269	13,407	4,266	44,594
Derivative financial instruments	-	-	-	-	-	17,584	17,584
Hong Kong SAR Government certificates of indebtedness	-	-	-	-	-	38,310	38,310
Advances and other accounts	437,386	66,229	17,878	1,491	164	3,987	527,135
Investment in securities							
– Available-for-sale securities	24,086	42,303	15,488	119,124	24,355	3,257	228,613
– Held-to-maturity securities	16,968	28,856	11,241	10,920	4,454	-	72,439
– Loans and receivables	169	1,774	10,760	-	-	-	12,703
Interests in associates	-	-	-	-	-	217	217
Investment properties	-	-	-	-	-	9,364	9,364
Properties, plant and equipment	-	-	-	-	-	26,286	26,286
Other assets (including deferred tax assets)	-	-	-	-	-	14,476	14,476
<b>Total assets</b>	<b>621,473</b>	<b>167,899</b>	<b>91,702</b>	<b>142,804</b>	<b>42,380</b>	<b>146,533</b>	<b>1,212,791</b>
<b>Liabilities</b>							
Hong Kong SAR currency notes in circulation	-	-	-	-	-	38,310	38,310
Deposits and balances of banks and other financial institutions	78,388	1,751	3,475	-	-	16,033	99,647
Financial liabilities at fair value through profit or loss	13,375	1,974	846	93	-	-	16,288
Derivative financial instruments	-	-	-	-	-	13,967	13,967
Deposits from customers	681,049	76,187	36,107	1,073	-	47,905	842,321
Other accounts and provisions (including current and deferred tax liabilities)	9,685	265	274	305	-	25,910	36,439
Insurance contract liabilities	-	-	-	-	-	33,408	33,408
Subordinated liabilities	-	-	26,776	-	-	-	26,776
<b>Total liabilities</b>	<b>782,497</b>	<b>80,177</b>	<b>67,478</b>	<b>1,471</b>	<b>-</b>	<b>175,533</b>	<b>1,107,156</b>
Interest sensitivity gap	(161,024)	87,722	24,224	141,333	42,380	(29,000)	105,635

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Financial risk management (continued)

### 2.2 Market Risk (continued)

#### (b) Interest rate risk (continued)

	2008						
	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
<b>Assets</b>							
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
<b>Total assets</b>	<b>564,319</b>	<b>191,620</b>	<b>137,396</b>	<b>75,199</b>	<b>52,627</b>	<b>126,083</b>	<b>1,147,244</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>700,393</b>	<b>127,235</b>	<b>65,085</b>	<b>397</b>	<b>–</b>	<b>169,602</b>	<b>1,062,712</b>
Interest sensitivity gap	(136,074)	64,385	72,311	74,802	52,627	(43,519)	84,532

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

	2009							Total HK\$'m
	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	
<b>Assets</b>								
Cash and balances with banks and other financial institutions	91,290	69,498	-	-	-	-	-	160,788
Placements with banks and other financial institutions maturing between one and twelve months	-	-	26,170	34,112	-	-	-	60,282
Financial assets at fair value through profit or loss								
– debt securities held for trading								
– certificates of deposit held	-	-	-	-	-	-	-	-
– others	-	10,793	2,051	2,018	1,266	2,467	-	18,595
– debt securities designated at fair value through profit or loss								
– certificates of deposit held	-	-	-	53	1,845	687	-	2,585
– others	-	69	80	228	8,493	10,278	-	19,148
– fund and equity securities	-	-	-	-	-	-	4,266	4,266
Derivative financial instruments	13,825	606	1,082	845	995	231	-	17,584
Hong Kong SAR Government certificates of indebtedness	38,310	-	-	-	-	-	-	38,310
Advances and other accounts								
– advances to customers	28,490	10,667	31,118	76,503	216,468	148,265	1,192	512,703
– trade bills	-	3,820	5,130	150	-	-	-	9,100
– advances to banks and other financial institutions	10	-	-	3,044	2,278	-	-	5,332
Investment in securities								
– debt securities held for available-for-sale								
– certificates of deposit held	-	3,250	1,247	4,588	10,023	-	-	19,108
– others	-	7,625	15,721	16,775	134,620	30,152	1,355	206,248
– debt securities held for held-to-maturity								
– certificates of deposit held	-	1,679	922	2,695	3,924	613	-	9,833
– others	-	2,433	2,942	23,351	26,331	6,864	685	62,606
– debt securities held for loans and receivables	-	169	1,774	10,760	-	-	-	12,703
– equity securities	-	-	-	-	-	-	3,257	3,257
Interests in associates	-	-	-	-	-	-	217	217
Investment properties	-	-	-	-	-	-	9,364	9,364
Properties, plant and equipment	-	-	-	-	-	-	26,286	26,286
Other assets (including deferred tax assets)	2,917	11,187	4	75	162	-	131	14,476
<b>Total assets</b>	<b>174,842</b>	<b>121,796</b>	<b>88,241</b>	<b>175,197</b>	<b>406,405</b>	<b>199,557</b>	<b>46,753</b>	<b>1,212,791</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Financial risk management (continued)

### 2.3 Liquidity Risk (continued)

#### Maturity analysis (continued)

	2009							Total HK\$'m
	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	
<b>Liabilities</b>								
Hong Kong SAR currency notes in circulation	38,310	-	-	-	-	-	-	38,310
Deposits and balances of banks and other financial institutions	76,858	17,563	1,751	3,475	-	-	-	99,647
Financial liabilities at fair value through profit or loss								
– certificates of deposit issued	-	-	-	-	-	-	-	-
– others	-	13,166	864	2,159	99	-	-	16,288
Derivative financial instruments	9,389	570	152	536	2,514	806	-	13,967
Deposits from customers	564,595	164,327	74,942	37,384	1,073	-	-	842,321
Other accounts and provisions (including current and deferred tax liabilities)	15,657	12,653	901	2,353	4,875	-	-	36,439
Insurance contract liabilities	1,704	663	13	1,321	23,012	6,695	-	33,408
Subordinated liabilities	-	-	-	13	-	26,763	-	26,776
<b>Total liabilities</b>	<b>706,513</b>	<b>208,942</b>	<b>78,623</b>	<b>47,241</b>	<b>31,573</b>	<b>34,264</b>	<b>-</b>	<b>1,107,156</b>
Net liquidity gap	(531,671)	(87,146)	9,618	127,956	374,832	165,293	46,753	105,635

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Financial risk management (continued)

### 2.3 Liquidity Risk (continued)

#### Maturity analysis (continued)

	2008							Total HK\$m
	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	
<b>Assets</b>								
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								
- certificates 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
- fund and 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
<b>Total assets</b>	<b>151,171</b>	<b>139,321</b>	<b>105,256</b>	<b>178,047</b>	<b>327,133</b>	<b>197,255</b>	<b>49,061</b>	<b>1,147,244</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Financial risk management (continued)

### 2.3 Liquidity Risk (continued)

#### Maturity analysis (continued)

	2008							Total HK\$m
	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	
<b>Liabilities</b>								
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
<b>Total liabilities</b>	<b>552,545</b>	<b>277,917</b>	<b>119,952</b>	<b>49,776</b>	<b>25,985</b>	<b>36,389</b>	<b>148</b>	<b>1,062,712</b>
Net liquidity gap	(401,374)	(138,596)	(14,696)	128,271	301,148	160,866	48,913	84,532

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Financial risk management (continued)

### 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.

### 2.5 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

	2009	2008
Capital adequacy ratio	16.85%	16.17%
Core capital ratio	11.64%	10.86%

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:

	2009 HK\$'m	2008 HK\$'m
Core capital:		
Paid up ordinary share capital	43,043	43,043
Reserves	26,154	18,049
Profit and loss account	2,039	2,956
Minority interests	1,229	1,124
	72,465	65,172
Deductions from core capital	(334)	(1,536)
Core capital	72,131	63,636
Supplementary capital:		
Fair value gains arising from holdings of available-for-sale securities	237	87
Collective loan impairment allowances	1,598	1,502
Regulatory reserve	4,040	4,503
Term subordinated debt	26,763	26,583
	32,638	32,675
Deductions from supplementary capital	(334)	(1,536)
Supplementary capital	32,304	31,139
Total capital base after deductions	104,435	94,775

Term subordinated debt represents subordinated loans qualified as Tier 2 Capital of BOCHK pursuant to the regulatory requirements of the HKMA.

## 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 2009 amounted to HK\$72,439 million (2008: HK\$106,465 million) and HK\$72,249 million (2008: HK\$103,220 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 the 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 2009 of approximately HK\$13,725 million (2008: HK\$3,343 million) and on the ordinary shares in issue of 10,572,780,266 shares (2008: 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 2009 (2008: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 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 2009	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
<b>Executive Directors</b>					
He Guangbei	100	6,210	–	2,777	9,087
Lee Raymond Wing Hung	137	2,617	93	–	2,847
Gao Yingxin	100	4,485	–	1,677	6,262
	<b>337</b>	<b>13,312</b>	<b>93</b>	<b>4,454</b>	<b>18,196</b>
<b>Non-executive Directors</b>					
Xiao Gang	–	–	–	–	–
Li Lihui	154	–	–	–	154
Sun Changji	146	–	–	–	146
Li Zaohang	253	–	–	–	253
Zhou Zaiqun	420	–	–	–	420
Zhang Yanling	253	–	–	–	253
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
	<b>3,276</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,276</b>
	<b>3,613</b>	<b>13,312</b>	<b>93</b>	<b>4,454</b>	<b>21,472</b>

During the year, Mr. Li Lihui was appointed as non-executive director on 26 June 2009. Mr. Lee Raymond Wing Hung and Mr. Sun Changji resigned as executive director on 1 June 2009 and non-executive director on 26 June 2009 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

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

### (a) Directors' emoluments (continued)

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
<b>Executive Directors</b>					
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
<b>Non-executive Directors</b>					
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:

\* Independent Non-executive Directors

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 2009, one of the directors waived emoluments of HK\$200,000 (2008: HK\$200,000).

# NOTES TO THE FINANCIAL STATEMENTS

## 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 (2008: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2008: 3) individuals during the year are as follows:

	2009 HK\$'m	2008 HK\$'m
Basic salaries and allowances	18	13
Bonuses	3	–
Contributions to pension schemes	1	1
Directors' fee from subsidiaries	1	1
	<b>23</b>	15

Emoluments of individuals were within the following bands:

	Number of individuals	
	2009	2008
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\$6,000,001 – HK\$6,500,000	1	–
HK\$10,500,001 – HK\$11,000,000	1	–

# NOTES TO THE FINANCIAL STATEMENTS

## 5. Investment properties

	2009 HK\$'m	2008 HK\$'m
At 1 January	7,727	8,058
Disposals	(77)	(186)
Fair value gains/(losses)	1,554	(132)
Reclassification from/(to) properties, plant and equipment (Note 6)	160	(13)
At 31 December	<b>9,364</b>	7,727

As at 31 December 2009, investment properties are included in the consolidated balance sheet at valuation carried out at 31 December 2009 on the basis of their fair value by an independent firm of chartered surveyors, Savills Valuation and Professional Services Limited.

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

	2009 HK\$'m	2008 HK\$'m
Held in Hong Kong		
On long-term lease (over 50 years)	1,474	7,040
On medium-term lease (10 – 50 years)	7,683	505
On short-term lease (less than 10 years)	23	–
Held outside Hong Kong		
On long-term lease (over 50 years)	1	1
On medium-term lease (10 – 50 years)	183	177
On short-term lease (less than 10 years)	–	4
	<b>9,364</b>	7,727

# NOTES TO THE FINANCIAL STATEMENTS

## 6. Properties, plant and equipment

	Premises HK\$m	Equipment, fixtures and fittings HK\$m	Total HK\$m
Net book value at 1 January 2009	20,105	2,690	22,795
Additions	1	573	574
Disposals	(140)	(12)	(152)
Revaluation	4,247	–	4,247
Depreciation for the year	(386)	(632)	(1,018)
Reclassification to investment properties (Note 5)	(157)	(3)	(160)
Transfer	31	(31)	–
Net book value at 31 December 2009	23,701	2,585	26,286
At 31 December 2009			
Cost or valuation	23,701	6,531	30,232
Accumulated depreciation and impairment	–	(3,946)	(3,946)
Net book value at 31 December 2009	23,701	2,585	26,286
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
The analysis of cost or valuation of the above assets is as follows:			
At 31 December 2009			
At cost	–	6,531	6,531
At valuation	23,701	–	23,701
	23,701	6,531	30,232
At 31 December 2008			
At cost	–	6,239	6,239
At valuation	20,105	–	20,105
	20,105	6,239	26,344

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Properties, plant and equipment (continued)

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

	2009 HK\$'m	2008 HK\$'m
Held in Hong Kong		
On long-term lease (over 50 years)	8,618	12,825
On medium-term lease (10 – 50 years)	14,691	6,873
Held outside Hong Kong		
On long-term lease (over 50 years)	69	75
On medium-term lease (10 – 50 years)	276	306
On short-term lease (less than 10 years)	47	26
	<b>23,701</b>	<b>20,105</b>

As at 31 December 2009, premises are included in the consolidated balance sheet at valuation carried out at 31 December 2009 on the basis of their fair value by an independent firm of chartered surveyors, Savills Valuation and Professional Services 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 non-controlling interests respectively as follows:

	2009 HK\$'m	2008 HK\$'m
Increase/(decrease) in valuation credited/(charged) to premises revaluation reserve	4,208	(250)
Increase/(decrease) in valuation credited/(charged) to income statement	15	(24)
Increase in valuation credited to non-controlling interests	24	9
	<b>4,247</b>	<b>(265)</b>

As at 31 December 2009, 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\$6,257 million (2008: HK\$6,123 million).

# NOTES TO THE FINANCIAL STATEMENTS

## 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)/liabilities recorded in the consolidated balance sheet, and the movements during the year are as follows:

	2009					
	Accelerated tax depreciation HK\$'m	Property revaluation HK\$'m	Losses HK\$'m	Impairment allowance HK\$'m	Other temporary differences HK\$'m	Total HK\$'m
At 1 January 2009	545	3,464	(126)	(254)	(984)	2,645
(Credited)/charged to income statement	(5)	214	(13)	(20)	49	225
Charged to other comprehensive income	–	681	–	–	891	1,572
At 31 December 2009	540	4,359	(139)	(274)	(44)	4,442

	2008					
	Accelerated tax depreciation HK\$'m	Property 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 other comprehensive income	–	(108)	–	–	(727)	(835)
At 31 December 2008	545	3,464	(126)	(254)	(984)	2,645

## NOTES TO THE FINANCIAL STATEMENTS

### 7. Deferred taxation (continued)

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:

	2009 HK\$'m	2008 HK\$'m
Deferred tax assets	(149)	(154)
Deferred tax liabilities	4,591	2,799
	<b>4,442</b>	<b>2,645</b>

	2009 HK\$'m	2008 HK\$'m
Deferred tax assets to be recovered after more than twelve months	(137)	(154)
Deferred tax liabilities to be settled after more than twelve months	4,633	3,762
	<b>4,496</b>	<b>3,608</b>

The deferred tax charged/(credited) for each component of other comprehensive income during the year is as follows:

	2009 HK\$'m	2008 HK\$'m
Fair value changes of available-for-sale securities	884	(727)
Revaluation of premises	678	(109)
Non-controlling interests	10	1
	<b>1,572</b>	<b>(835)</b>

### 8. Share capital

	2009 HK\$'m	2008 HK\$'m
Authorised: 20,000,000,000 ordinary shares of HK\$5 each	<b>100,000</b>	100,000
Issued and fully paid: 10,572,780,266 ordinary shares of HK\$5 each	<b>52,864</b>	52,864

# NOTES TO THE FINANCIAL STATEMENTS

## 9. Reserves

	Attributable to the 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	Non- controlling 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
Comprehensive income	–	(141)	(3,669)	–	212	3,255	(343)	(324)	(667)
Release upon disposal of premises	–	(96)	–	–	–	96	–	–	–
Transfer from retained earnings	–	–	–	373	–	(373)	–	–	–
Dividends paid	–	–	–	–	–	(9,780)	(9,780)	(324)	(10,104)
Increase in non-controlling interests 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		
At 1 January 2009	52,864	8,214	(4,125)	4,503	226	21,037	82,719	1,813	84,532
Comprehensive income	–	3,530	6,005	–	(1)	13,662	23,196	382	23,578
Release upon disposal of premises	–	(185)	–	–	–	185	–	–	–
Transfer to retained earnings	–	–	–	(463)	–	463	–	–	–
Dividends paid	–	–	–	–	–	(3,013)	(3,013)	(197)	(3,210)
Increase in non-controlling interests arising from capital issuance of a subsidiary	–	–	–	–	–	–	–	735	735
At 31 December 2009	52,864	11,559	1,880	4,040	225	32,334	102,902	2,733	105,635
Company and subsidiaries	52,864	11,559	1,880	4,040	225	32,279	102,847		
Associates	–	–	–	–	–	55	55		
	52,864	11,559	1,880	4,040	225	32,334	102,902		
Representing:									
2009 final dividend proposed						6,027			
Others						26,307			
Retained earnings as at 31 December 2009						32,334			

\* 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 has adopted the new HKFRS 8 “Operating Segments” effective this year. After assessing the internal financial reporting process, it was concluded that the original segments classification has already complied with the new standard. However, consistent with internal management reporting, the charge on inter-segment funding has changed from the corresponding money market rates to money market rates adjusted with pre-determined margins. These margins reflect differentiation based on product features. Since the impact of this change on prior year figures is immaterial, no restatement has been made.

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. The classification of the Group’s operating segments is based on customer segment and product type, which is aligned with the RPC (relationship, product and channel) management model of the Group.

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 rather than directly attributable to 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 10. Segmental reporting (continued)

	2009							
	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 income/(expenses)								
– external	2,452	6,120	8,091	1,271	(2)	17,932	–	17,932
– inter-segment	3,343	(618)	(2,669)	–	(56)	–	–	–
	5,795	5,502	5,422	1,271	(58)	17,932	–	17,932
Net fees and commission income/(expenses)	4,329	2,487	24	(342)	66	6,564	(56)	6,508
Net trading income/(expenses)	497	164	827	(1)	(3)	1,484	1	1,485
Net gain/(loss) on financial instruments designated at fair value through profit or loss	–	–	261	(939)	–	(678)	–	(678)
Net loss on investment in securities	–	–	(132)	–	–	(132)	–	(132)
Net insurance premium income	–	–	–	7,757	–	7,757	(13)	7,744
Other operating income	27	34	2	11	1,803	1,877	(1,395)	482
<b>Total operating income</b>	<b>10,648</b>	<b>8,187</b>	<b>6,404</b>	<b>7,757</b>	<b>1,808</b>	<b>34,804</b>	<b>(1,463)</b>	<b>33,341</b>
Net insurance benefits and claims	–	–	–	(7,286)	–	(7,286)	–	(7,286)
<b>Net operating income before impairment allowances</b>	<b>10,648</b>	<b>8,187</b>	<b>6,404</b>	<b>471</b>	<b>1,808</b>	<b>27,518</b>	<b>(1,463)</b>	<b>26,055</b>
Net (charge)/reversal of impairment allowances	(161)	49	1,302	–	–	1,190	–	1,190
<b>Net operating income</b>	<b>10,487</b>	<b>8,236</b>	<b>7,706</b>	<b>471</b>	<b>1,808</b>	<b>28,708</b>	<b>(1,463)</b>	<b>27,245</b>
Operating expenses	(5,983)	(2,321)	(742)	(176)	(4,382)*	(13,604)	1,463	(12,141)
<b>Operating profit/(loss)</b>	<b>4,504</b>	<b>5,915</b>	<b>6,964</b>	<b>295</b>	<b>(2,574)</b>	<b>15,104</b>	<b>–</b>	<b>15,104</b>
Net gain from disposal of/fair value adjustments on investment properties	–	–	–	–	1,563	1,563	–	1,563
Net gain from disposal/revaluation of properties, plant and equipment	–	–	–	–	50	50	–	50
Share of profits less losses of associates	–	–	–	–	7	7	–	7
<b>Profit/(loss) before taxation</b>	<b>4,504</b>	<b>5,915</b>	<b>6,964</b>	<b>295</b>	<b>(954)</b>	<b>16,724</b>	<b>–</b>	<b>16,724</b>
<b>Assets</b>								
Segment assets	178,026	372,443	593,807	37,963	45,007	1,227,246	(14,672)	1,212,574
Interests in associates	–	–	–	–	217	217	–	217
	178,026	372,443	593,807	37,963	45,224	1,227,463	(14,672)	1,212,791
<b>Liabilities</b>								
Segment liabilities	570,566	304,882	195,956	35,355	15,069	1,121,828	(14,672)	1,107,156
<b>Other information</b>								
Additions of properties, plant and equipment	23	2	–	10	539	574	–	574
Depreciation	293	143	88	2	492	1,018	–	1,018
Amortisation of securities	–	–	136	139	–	275	–	275

# NOTES TO THE FINANCIAL STATEMENTS

## 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
<b>Total operating income</b>	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)
<b>Net operating income/(expense) before impairment allowances</b>	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)
<b>Net operating income/(expense)</b>	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)
<b>Operating profit/(loss)</b>	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
<b>Profit/(loss) before taxation</b>	4,892	5,524	(1,944)	(1,231)	(3,163)	4,078	–	4,078
<b>Assets</b>								
Segment assets	165,148	324,606	603,965	31,703	32,578	1,158,000	(10,844)	1,147,156
Interests in associates	–	–	–	–	88	88	–	88
	165,148	324,606	603,965	31,703	32,666	1,158,088	(10,844)	1,147,244
<b>Liabilities</b>								
Segment liabilities	523,682	309,254	203,481	30,977	6,162	1,073,556	(10,844)	1,062,712
<b>Other information</b>								
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

\* Including the expenses incurred on Lehman Brothers related products.

# NOTES TO THE FINANCIAL STATEMENTS

## 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:

	2009 HK\$'m	2008 HK\$'m
Aggregate amount of relevant loans outstanding at year end	3,476	655
Maximum aggregate amount of relevant loans outstanding during the year	3,576	667

## 12. Events after the balance sheet date

On 11 February 2010, BOCHK issued Subordinated Notes with aggregate principal amount of US\$1,600 million. The offering price of the Subordinated Notes was 99.591% of the principal amount of the Subordinated Notes. The Subordinated Notes are denominated in US dollars, have a maturity of 10 years due in 2020, and bear a fixed interest rate of 5.55% per annum during its term with interest payable semi-annually in arrears.

The Subordinated Notes qualify as Tier 2 Capital of BOCHK pursuant to the regulatory requirements of the HKMA.

BOCHK applied the proceeds from the issue of the Subordinated Notes to partly repay the Subordinated Credit Facility provided by BOC to BOCHK in December 2008. HKMA has approved such early repayment of the Subordinated Credit Facility, and BOC and BOCHK entered into an agreement to provide for the same.

## 13. Approval of summary financial statements

These Summary Financial Statements were approved and authorised for issue by the Board of Directors on 23 March 2010.

# CONNECTED TRANSACTIONS

In 2009, 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. The Group is subject to the control of the State Council of the PRC Government through China Investment Corporation ("CIC"), its wholly-owned subsidiary Central Huijin Investment Ltd. ("Central Huijin"), and BOC in which Central Huijin has controlling equity interests. Central Huijin is the ultimate controlling shareholder of the Company. Central Huijin has accepted PRC Government's authorisation in carrying out equity investment in core financial enterprises. For the purposes of this report, therefore, Central Huijin and its 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	2009 Cap (HK\$'m)	2009 Actual Amount (HK\$'m)
Information Technology Services	1,100	40
Property Transactions	1,100	94
Bank-note Delivery	1,100	76
Provision of Insurance Cover	1,100	103
Credit Card Services	1,100	57
Securities Transactions	4,000	441
Fund Distribution Transactions	4,000	47
Insurance Agency	4,000	393
Foreign Exchange Transactions	4,000	41
Trading of Financial Assets	75,000	12,177
Inter-bank Capital Markets	75,000	5,183

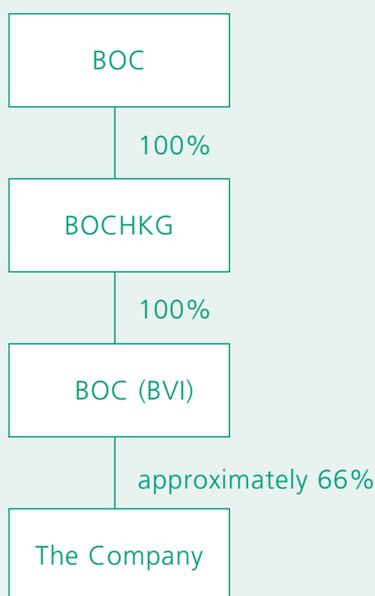
3. The Company announced a capital injection of HK\$765,000,000 into BOC Life which is an associate of BOC on 3 July 2009. BOC Life will remain to be held as to 51% by the Company and 49% by BOC Insurance as the injection is on a pro rata basis. Through the capital injection, BOC Life can further strengthen its capital base to cater for future development and business growth. The directors (including the independent non-executive directors) are of the view that the terms of the capital injection is fair and reasonable, on normal commercial terms and in the interest of the Company and its shareholders as a whole. Details of this connected transaction are described in the announcement 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.

## RECONCILIATION BETWEEN HKFRSs VS IFRS/CAS

**(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 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	
	2009 HK\$'m	2008 HK\$'m	2009 HK\$'m	2008 HK\$'m
<b>Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under HKFRSs</b>	<b>14,046</b>	3,007	<b>105,635</b>	84,532
Add: IFRS/CAS adjustments				
Re-measurement of carrying value of treasury products	<b>(108)</b>	(54)	<b>(10)</b>	35
Restatement of carrying value of bank premises	<b>246</b>	280	<b>(13,218)</b>	(9,445)
Deferred tax adjustments	<b>7</b>	(51)	<b>2,186</b>	1,534
<b>Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under IFRS/CAS</b>	<b>14,191</b>	3,182	<b>94,593</b>	76,656

# 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 2009 on pages 2 to 118.

### 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 2009 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 2009 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 2009 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 118:

- (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 2009 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 2009 and have issued an independent auditor's report thereon dated 23 March 2010 which is unqualified or otherwise unmodified.



**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 23 March 2010

# SHAREHOLDER INFORMATION

## Financial Calendar 2010

Major Events	Dates
Announcement of 2009 annual results	23 March (Tuesday)
Last day in Hong Kong of dealings in the Company's shares with entitlement to final dividend	10 May (Monday)
Ex-dividend date	11 May (Tuesday)
Latest time in Hong Kong for lodging transfers for entitlement to final dividend	12 May (Wednesday) 4:30 p.m.
Book closure period (both days inclusive)	13 May (Thursday) to 20 May (Thursday)
Latest time for lodging proxy forms for 2010 Annual General Meeting	18 May (Tuesday) 3:00 p.m.
Record date for final dividend	20 May (Thursday)
2010 Annual General Meeting	20 May (Thursday) 3:00 p.m.
Final dividend payment date	27 May (Thursday)
Announcement of 2010 interim results	Mid to late August

## Annual General Meeting

The 2010 Annual General Meeting will be held at 3:00 p.m. on Thursday, 20 May 2010 at Grand Ballroom, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong.

## Dividends

The Directors has recommended a final dividend of HK\$0.57 per share, which is subject to the approval of shareholders at the 2010 Annual General Meeting. With the interim dividend per share of HK\$0.285 paid during 2009, the total dividend per share amounted to HK\$0.855 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 2009)

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

### Nominal value

HK\$5.00 per share

### Market capitalisation (as at 31 December 2009)

HK\$186 billion

### Share Price

Closing price on 31 December 2007:	HK\$21.85
Closing price on 31 December 2008:	HK\$8.78
Closing price on 31 December 2009:	HK\$17.60
Highest trading price during the year:	HK\$19.88
Lowest trading price during the year:	HK\$6.30

### 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

## **Subordinated Notes:\***

### **Stock codes**

HKEX	4316
ISIN	USY1391CAJ00
Bloomberg	E11388897

\* Issued by Bank of China (Hong Kong) Limited, a wholly owned and principal subsidiary of the Company.

## **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 17M Floor, Hopewell Centre 183 Queen's Road East, Hong Kong Telephone: (852) 2862 8555 Facsimile: (852) 2865 0990 E-mail: <a href="mailto:hkinfo@computershare.com.hk">hkinfo@computershare.com.hk</a>
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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: <a href="mailto:Citibank@shareholders-online.com">Citibank@shareholders-online.com</a>
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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) 2826 6314  
Facsimile: (852) 2810 5830  
E-mail: [investor\\_relations@bochk.com](mailto: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
"ADR"	American Depositary Receipt
"ADS(s)"	American Depositary Share(s)
"ALCO"	the Asset and Liability Management Committee
"ATM"	Automated Teller Machine
"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
"CIC"	China Investment Corporation
"CRO"	Chief Risk Officer
"Central Huijin"	Central Huijin Investment Ltd. (formerly known as "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%

## DEFINITIONS

Terms	Meanings
"the Company"	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong
"Fitch"	Fitch Ratings
"GDP"	Gross Domestic Product
"the 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
"IFRS"	International Financial Reporting Standards
"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
"Mainland" or "Mainland 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
"NCB (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
"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

## DEFINITIONS

<b>Terms</b>	<b>Meanings</b>
"Subordinated Credit Facility"	the US\$2,500 million subordinated credit facility extended by BOC to BOCHK pursuant to a subordinated credit facility agreement dated 16 December 2008 as disclosed in the announcement of the Company dated 12 December 2008
"Subordinated Notes"	the subordinated notes due in 2020 proposed to be issued and offered by BOCHK to professional and institutional investors which are denominated in US dollars and having a maturity of 10 years
"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
<b>Central &amp; Western District</b>		
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
<b>Wan Chai District</b>		
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
<b>Eastern District</b>		
Siu Sai Wan Branch	Shop 19, Cheerful Garden, Siu Sai Wan, Hong Kong	2505 2399
Taikoo Shing Branch	Shop P1025-1026, Chi Sing Mansion, Taikoo Shing, Hong Kong	2967 9128
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
Shau Kei Wan (Po Man Building) Branch	260-262 Shau Kei Wan Road, Shau Kei Wan, Hong Kong	2568 5211

Branch	Address	Telephone
Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay, Hong Kong	2564 0333
<b>Southern District</b>		
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
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
<b>Kowloon City District</b>		
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
<b>Wong Tai Sin District</b>		
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
Diamond Hill Branch	G107 Plaza Hollywood, Diamond Hill, Kowloon	2955 5088
<b>Kwun Tong District</b>		
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
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
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
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

# BRANCH NETWORK & CORPORATE BANKING CENTRES

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

Branch	Address	Telephone
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
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
<b>Yau Tsim Mong District</b>		
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
<b>Sham Shui Po District</b>		
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
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
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
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
<b>Sha Tin District</b>		
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
<b>Tai Po District</b>		
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
<b>Sai Kung District</b>		
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
<b>Tsuen Wan District</b>		
Clague Garden Branch	Shop 1-3, Commercial Complex, Clague Garden Estate, 24 Hoi Shing Road, Tsuen Wan, New Territories	2412 2202
Citywalk Branch	Shop 65, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan, New Territories	2920 3211
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
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
<b>Kwai Tsing District</b>		
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

# BRANCH NETWORK & CORPORATE BANKING CENTRES

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

Branch	Address	Telephone
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 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
<b>Tuen Mun District</b>		
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
<b>Yuen Long District</b>		
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 G64, Phase 1 Kingswood Ginza, Tin Shui Wai, New Territories	2616 4233
<b>North District</b>		
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
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
Choi Yuen Estate Branch	Shop 3, 3/F, Choi Yuen Shopping Centre, Choi Yuen Estate, Sheung Shui, New Territories	2671 6783
Luen Wo Market Branch	17-19 Wo Fung Street, Luen Wo Market, Fanling, New Territories	2675 5113
Luen Wo Market Branch Safe Box Service Centre	Shop B, 10-16 Luen Wo Market, Fanling, New Territories	2683 1662
<b>Outlying Island District</b>		
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

## 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	2/F, BOC Wan Chai Commercial Centre, 409-415 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, BOC Mongkok Commercial Centre, 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 1408, 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
Yuen Long Commercial Centre Yuen Long SME Centre	4/F, BOC Yuen Long Commercial Centre, 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	2332 3328
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
<b>Hong Kong Island</b>		
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	Shop A, 171 Aberdeen Main Road, Aberdeen, Hong Kong	2553 4115

# BRANCH NETWORK & CORPORATE BANKING CENTRES

## Nanyang Commercial Bank – Branch Network (continued)

Branch	Address	Telephone
North Point Branch	351 King's Road, North Point, Hong Kong	2566 8116
Sai Wan Ho Branch	63 Shaueiwan Road, Sai Wan Ho, Hong Kong	2567 0315
Wanchai Branch	123 Johnston Road, Wanchai, Hong Kong	2574 8118
Causeway Centre Branch	Shop Nos 9-10, Ground Floor, 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
<b>Kowloon</b>		
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, Shamshuipo, 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
Shamshuipo Branch	198-200 Tai Po Road, Shamshuipo, 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
<b>New Territories</b>		
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
<b>Offshore</b>		
Shanghai Branch	Yong Da International Building, Unit 4, 8th, 2277, Long Yang Road, Pudong New District, Shanghai, China	(86-21) 3892 9962
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
<b>The Mainland of China</b>		
Head Office	22-23/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
Shenzhen Luohu Sub-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
Haikou Branch	1st Floor, Time Square, No.2, Guomao Road, Haikou, Hainan, China	(86-898) 6650 0038

Branch	Address	Telephone
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	Ground Floor, Business No. 2, Fortune Time Plaza, No.11 Fenghui Garden, Xicheng District, Beijing, China	(86-10) 5839 0888
Beijing Jianguomen Sub-Branch	Level 1A, No. 8B, Jianguomen Wai Dajie, 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	1-2/F, Huafu City, No.1, Lane 500, Tian Yao Qiao Road, Xuhui District, Shanghai, China	(86-21) 6468 1999
Shanghai Lujiazui Sub-branch	Unit 103, No. 166, Lujiazui Ring Road, Pudong New Area, Shanghai, China	(86-21) 3856 6566
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
Shantou Branch	G/F, 3 Yingbin Road, Shantou, China	(86-754) 8826 8266
Qingdao Branch	G/F, 2nd Building, 41 West Donghai Road, Qingdao, China	(86-532) 6670 7676
Chengdu Branch	M& 1/F, Dong Du INTL., 70 Section 2, Mid Renmin Road, Chengdu, China	(86-28) 8628 2777

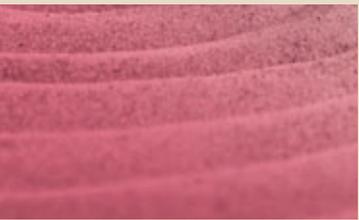
## Chiyu Banking Corporation – Branch Network

Branch	Address	Telephone
<b>Hong Kong Island</b>		
Central Branch	78, Des Voeux Road Central, Hong Kong	2843 0187
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
<b>Kowloon</b>		
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	Shop10, 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
<b>New Territories</b>		
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
<b>The Mainland of China</b>		
Xiamen Branch	1/F, Unit 111-113, No 861 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

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 **中銀香港(控股)有限公司**  
BOC HONG KONG (HOLDINGS) LIMITED

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Website: [www.bochk.com](http://www.bochk.com)