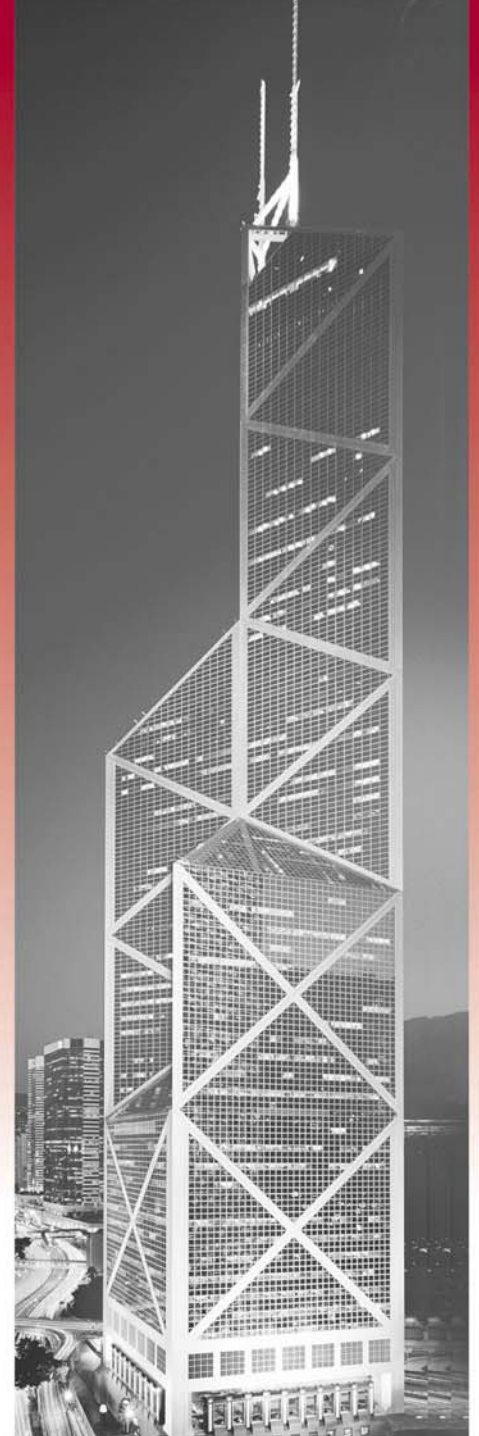


Bank of China (Hong Kong)

3 November 2004



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



Forward-Looking Statement Disclaimer

This presentation and subsequent discussions may contain forward-looking statements that involve risks and uncertainties. These statements are generally indicated by the use of forward-looking terminology such as believe, expect, anticipate, estimate, plan, project, target, may, will or may be expressed to be results of actions that may or are expected to occur in the future. You should not place undue reliance on these forward-looking statements, which reflect our belief only as of the date of this presentation. These forward-looking statements are based on our own information and on information from other sources we believe to be reliable. Our actual results may be materially less favorable than those expressed or implied by these forward-looking statements which could depress the market price of our Level 1 ADSs and local shares.

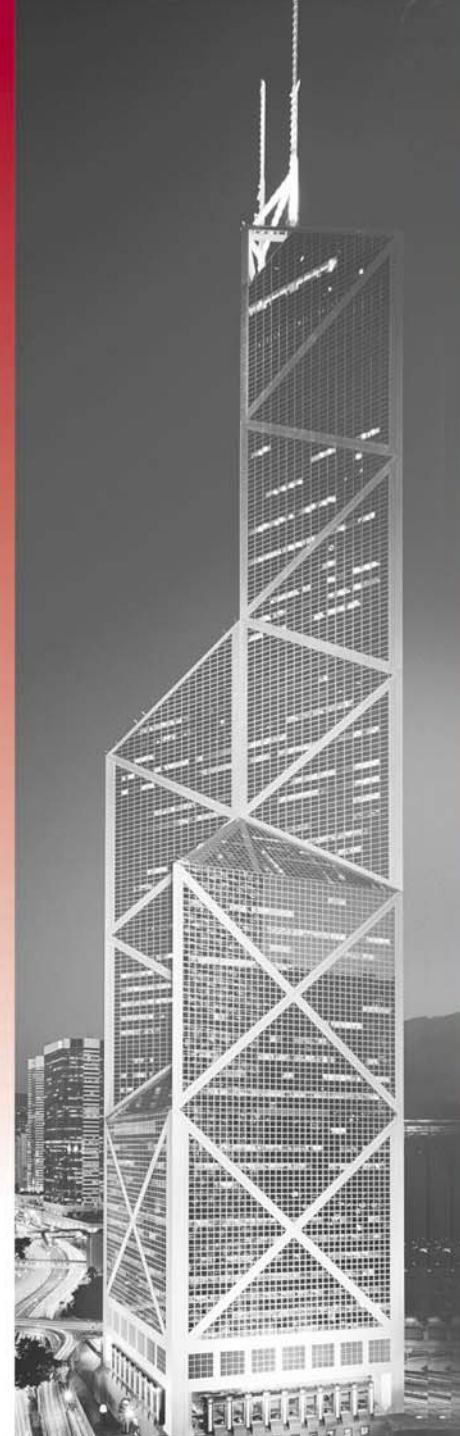
Agenda

- 
- **Market Analysis**
 - **Bank of China Hong Kong (BOCHK)
Business Review**
 - **Strategic Focus and Outlook for
2004-2005**

Market Analysis



中銀香港(控股)有限公司
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Hong Kong 2004

Economic Recovery

- Improved retail spending ← 12.1% ||
- Increase in export trade business ← 16.2% ||
- End to deflation ← Inflation of 0.9%
(July 04) ||
- Improvement of property market, strong land sales results
- Gradual improvement in employment situation ← 6.8% ||

*** IMPROVED CREDIT ENVIRONMENT ***

Hong Kong 2004

Highly Liquid Money Market

- Persistently low HIBOR ← 11 bp ||
- Low deposit rates ← 0.125% ||
- Higher than historical prime-HIBOR spread

***** HIGHER RETURNS ON LENDING ACTIVITIES
BUT LOWER INVESTMENT RETURNS *****

Hong Kong 2004

Increased Sophistication in Consumer Demands for Innovative Banking Products

- Higher yielding investments
- More bundled banking services
- Higher service quality expectations

***** INCREASE DEMAND FOR TECHNOLOGY INVESTMENTS *****

Hong Kong 2004

Increasing Importance of Mid Cap Companies and SMEs in Hong Kong

- Development of credit data bank
- Increased demand for more sophisticated corporate banking services
- Continued use of debt market financing by major corporates

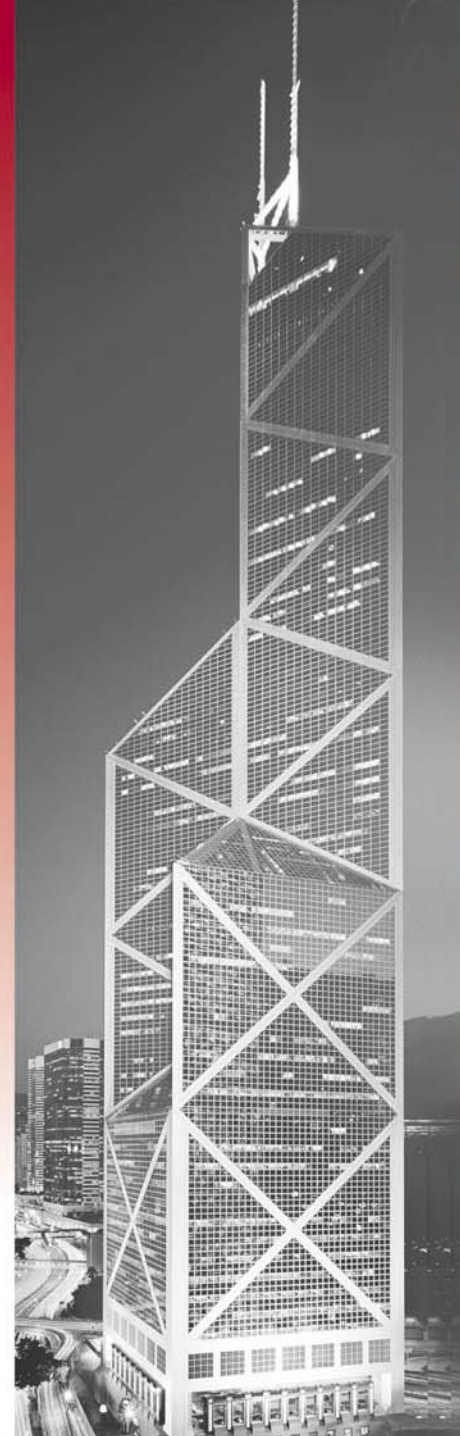
***** CHANGE IN CREDIT CULTURE AND INCREASED ATTENTION TO RISK ADJUSTED RETURNS *****

Regulatory and Accounting Rule Changes

- IFRS & IAS 39
- BASEL II (New Basel Capital Accord)

***** DEMAND FOR ADDITIONAL RESOURCE *****

BOCHK Business Review



A Brief Background

Bank of China Hong Kong (BOCHK)

- formed on 1 October 2001
- merger of 12 Hong Kong registered banks
- listed in the Stock Exchange of Hong Kong on 25 July 2002
- approximately 66% held by the Bank Of China

A Brief Background

- one of three note issuing banks in Hong Kong
- the second largest banking group in Hong Kong
- **Some Vital Statistics***

- **Total Assets: HKD752.0 billion**

- **Market Capitalization: HKD140.6 billion**

- **Number of branches :**

Hong Kong	287
China	14
US	1

***As of 30 June 2004**

2004 Business Emphasis

- **De-risk loan portfolio**
- **Increase consumer market penetration**
- **Expand fee based business**
- **Focus on improving return on credit activities**
- **Maximize China business potential**
- **Improve management infra-structure**

De-risk Loan Portfolio

- Diversify loan portfolio
- Improve pricing strategies through RAROC
- Continual reduction in NPL ratios

4.1%

Consumer Market Penetration

- **Increase product range**
- **Solidify market leader position in mortgage lending and deposit taking**
- **Enhance wealth management capabilities**
- **Revamp retail network**

Fee Based Business

- **Ensure dominance in retail brokerage business**
- **Expand other investment and insurance services**
- **Develop non-lending products with innovative features**

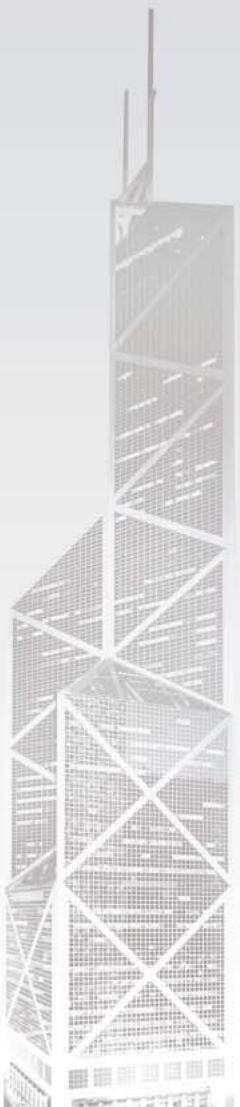
Return on Credit Activities

- **Adjust corporate loan portfolio mix by expanding lending to “mid caps” and SMEs**
- **Improve and enhance current RAROC pricing methodology**
- **Re-price selected portfolio segments using enhanced RAROC methodology**
- **Improve RAROC of existing portfolio segment through credit enhancements**

Maximizing Business from China Potential

- **Re-structure business model for China market**
- **Introduce product marketing concepts**
- **Leverage on relationship with major shareholder (BOC)**
- **Introduce new organization structure for China Division**
- **RMB clearing business in Hong Kong**
- **China Visa Card (Co-Branding)**

Improve Management Infra-structure

- 
- **Recent re-organization of management responsibilities**
 - **Continual progress in development of state of the art management tool**
 - **Global search for experience international bankers**

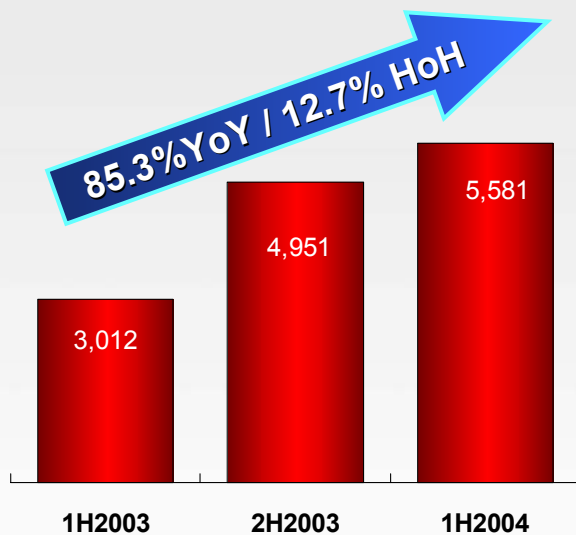
Financial Review

Operating Results

Profit Attributable to Shareholders increased by 85.3%
Dividend per Share increased by 64.1%

Profit Attributable to Shareholders

HK\$ mm



Dividend per Share

HK\$



Financial Review

Profit and Loss Account

Increase in non-interest income and provision write-back offset the fall in net interest income, resulting in a significant increase in operating profit

	1H2004	2H2003	1H2003	HoH	YoY
HK\$ mm				%	%
Operating income	8,023	8,417	8,836	(4.7)	(9.2)
Operating expenses	2,667	2,961	2,697	(9.9)	(1.1)
Operating profit before provisions	5,356	5,456	6,139	(1.8)	(12.8)
Write-back of/(charge for) bad and doubtful debts	1,240	(2)	(1,669)	-	-
Operating profit	6,596	5,454	4,470	20.9	47.6
Non-operating items	180	(8)	(1,225)	-	-
Profit attributable to shareholders	5,581	4,951	3,012	12.7	85.3
- Excluding exceptional items*	5,581	4,839	3,486	15.3	60.1

* Exceptional items in 1H2003 included revaluation losses of HK\$1,223 million, its related deferred tax impact of HK\$31 million and HK\$718 million write-back of tax provisions after finalisation of tax losses arising from predecessor merging branches and tax positions of BOCHK. Exceptional item in 2H2003 included revaluation gain of investment properties of HK\$112 million.

Financial Review

Balance Sheet

Managed balance sheet to position for rising interest rates

HK\$ mm	30.6.2004	31.12.2003	% change
Total assets	752,017	762,587	-1.4%
Cash and short-term funds	126,705	134,106	-5.5%
Inter-bank placements	78,753	78,240	0.7%
CDs held	18,837	18,776	0.3%
Investments in securities	164,946	172,518	-4.4%
Advances to customers	308,513	308,582	0.0%
Fixed assets	17,144	17,582	-2.5%
Total liabilities	688,384	701,170	-1.8%
Inter-bank deposits taken	64,156	41,347	55.2%
Deposits from customers	564,149	600,642	-6.1%
CDs issued	2,423	2,432	-0.4%
Shareholders' funds	62,456	60,261	3.6%

Financial Review

Higher ROE & ROA

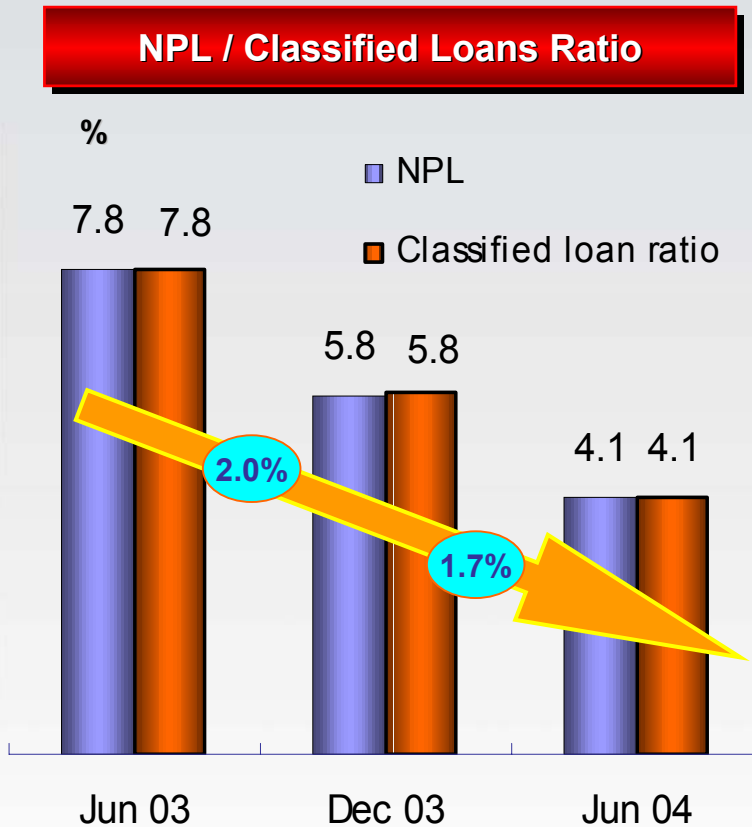
	1H2004	2H2003	1H2003
%			
ROA	1.48	1.32	0.82
ROE	18.19	16.70	10.56
NIM	1.56	1.75	1.89
Non-interest income ratio	31.33	25.27	25.49
Cost to income ratio	33.24	35.18	30.52
NPL ratio	4.11	5.78	7.80
Loan to deposit ratio	54.69	51.38	54.89
Average liquidity ratio	34.64	37.76*	37.93
Capital adequacy ratio	16.52	15.11	14.66

* 2003 average

Financial Review

Significant Improvement in Asset Quality

NPL ratio further declined to 4.1%



Asset Quality

HK\$ mm	30.6.2004	31.12.2003
General Provisions	5,415	5,406
Specific Provisions	3,410	5,507
NPLs	12,673	17,832
SP/NPLs	26.5%	30.7%
GP/Total Loans	1.8%	1.8%
LLR/NPLs	69.6%	61.2%
SP + Collateral Coverage	93.7%	91.0%

Financial Review

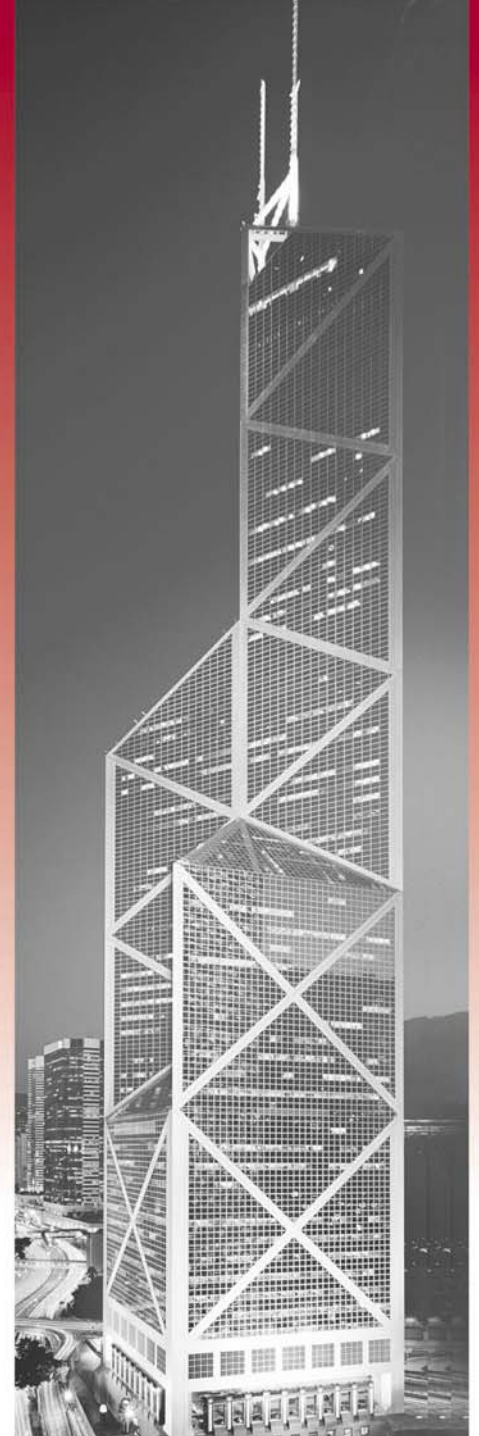
2004 Outlook

- 
- **Stable business environment**
 - **Slight improvement in loan demand and NII**
 - **Decline in NPL recovery**
 - **Slightly higher operating cost**

2005 Outlook And Strategic Focus



中銀香港(控股)有限公司
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Hong Kong 2005

- 
- Property market should remain stable under present government policy
 - Unemployment to improve further **5.8-6%**
 - Moderate inflation **1.5%**
 - CEPA continues to drive Hong Kong economy
 - Consumer spending to continue to rise with further relaxation of tourism business from China and opening of theme parks
 - Lower but still strong GDP growth **4-4.5%**

Banking Industry 2005

- Contracting prime-Hibor spread
- Lending growth continued to be driven by consumer loans otherwise remaining weak
- Further increase in business and profit contribution from China operations
- Completion of the NPL recovery cycle and a return to moderate loan loss provisioning
- Impact of new accounting rules will affect banks' focus

Fr 4%
to 3%

BOCHK 2005

- **A marching theme “VISION, MISSION, and VALUE” (VMV)**
- **Increase revenue and bottom line contribution from**
 - **Wealth management clients**
 - **Consumer lending**
 - **Mid cap and SME’s**
 - **China model**
 - **Balance sheet management**

BOCHK 2005

- **Continue effort to further reduce NPL to industry level**
- **Continue investment in selective infrastructure IT projects**
- **Recruitment of senior executives**
- **Continue HR reform focusing on improving staff quality and compensation structure**

Bank of China (Hong Kong)

3 November 2004



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