

2007 Interim Results

23 August 2007



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.

Management Team



Mr. Gary He	Vice Chairman & Chief Executive
Mr. David Lam	Deputy Chief Executive
Mr. Raymond Lee	Executive Director & Chief Financial Officer
Mr. Yingxin Gao	Executive Director & Deputy Chief Executive
Mr. Alex Cheung	Chief Risk Officer
Mr. Peter Liu	Chief Information Officer

Agenda

■ Key Performance Highlights

■ Financial Results

■ Outlook

Key Performance Highlights



中銀香港(控股)有限公司
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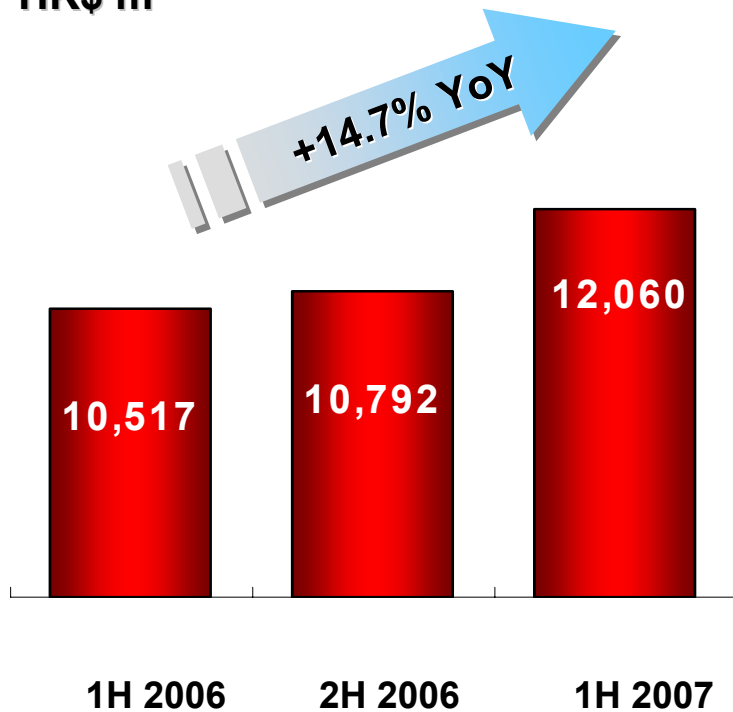


服務香港 共建未來
COMMITTED TO BUILDING A BETTER TOMORROW

Strong Operating Results

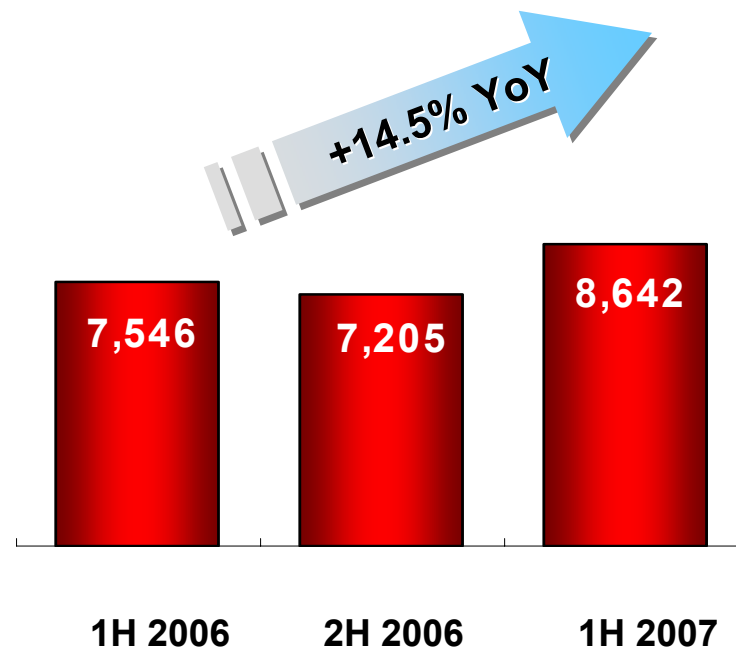
Net Operating Income before Loan Impairment Allowances

HK\$ m



Operating Profit before Loan Impairment Allowances

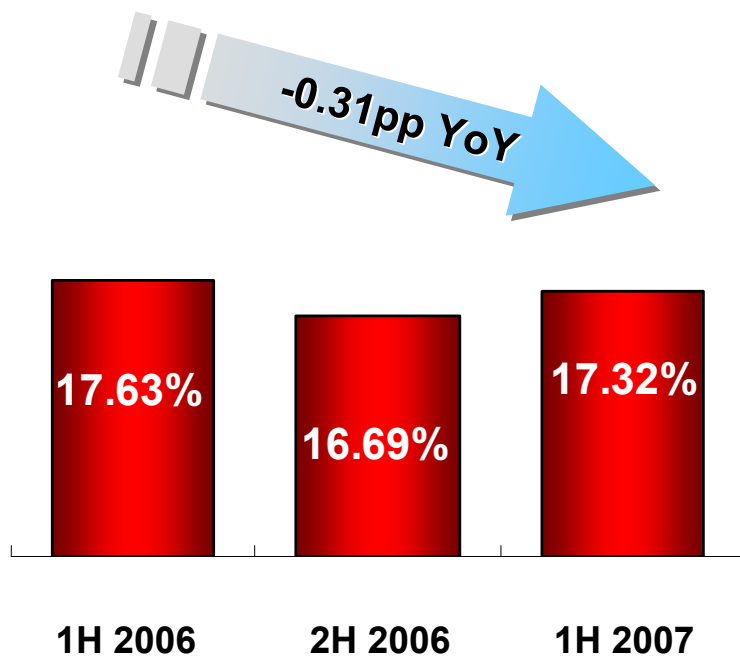
HK\$ m



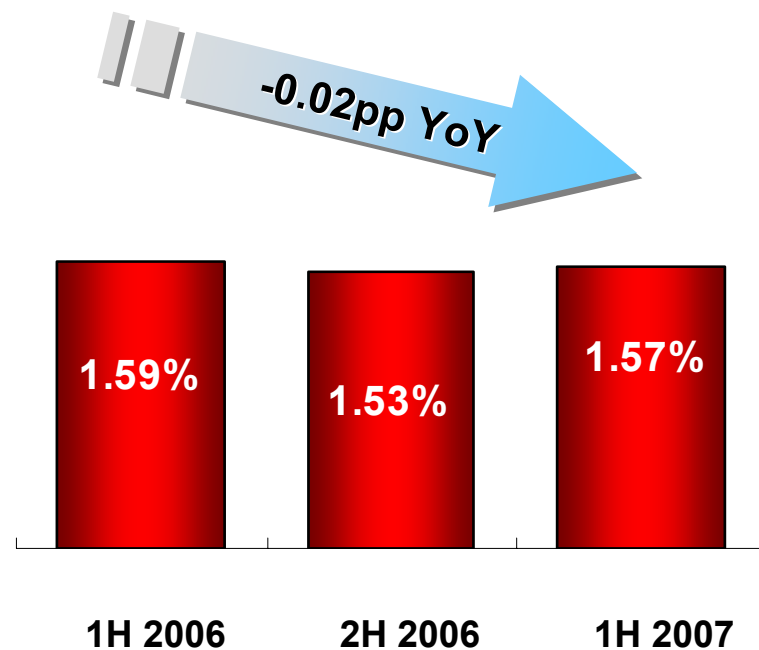
ROE & ROA

ROE

ROA



ROE before impairment allowances
18.75% 17.39% 20.05%

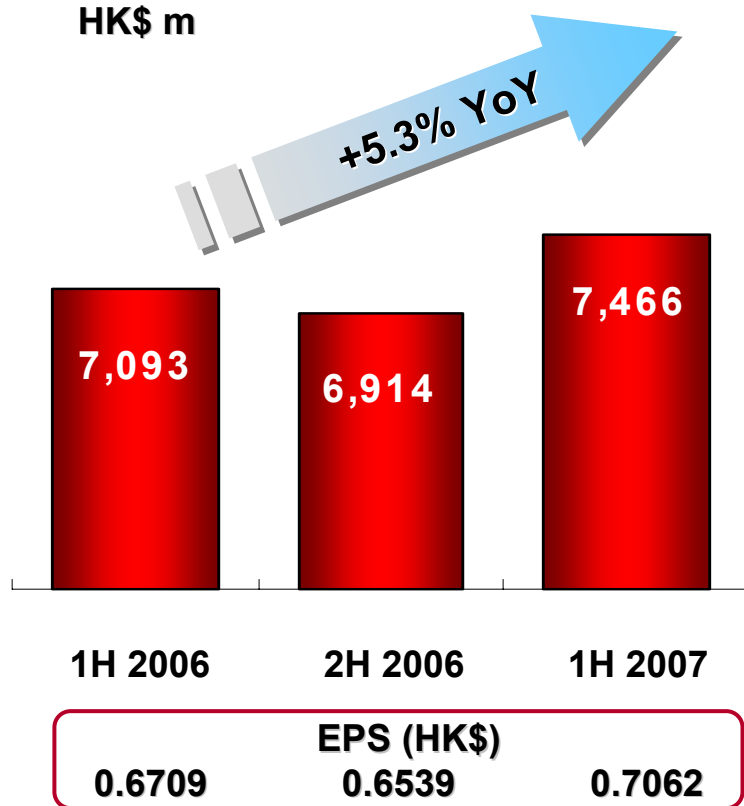


ROA before impairment allowances
1.66% 1.57% 1.78%

Record High Interim Profit & Dividend

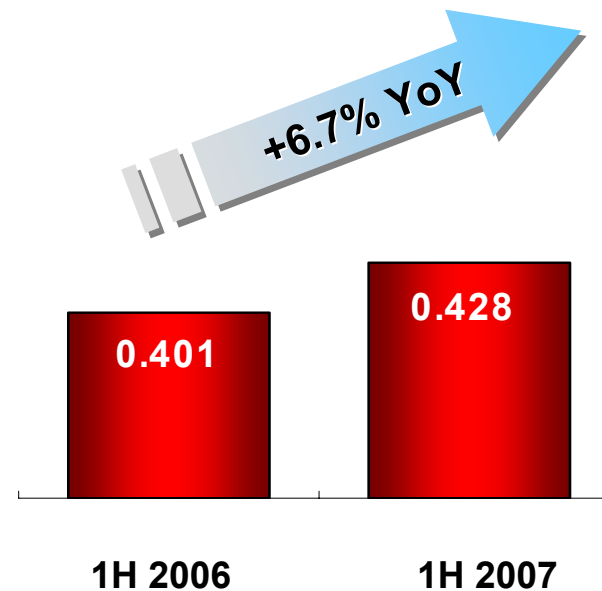
Profit Attributable to Shareholders

HK\$ m



Dividend per Share

HK\$



Operating Environment

External

- Buoyant economy driven by
 - Private consumption underpinned by favourable labour market conditions
 - Growth in export of goods and services
 - Financial market boom fueled by robust stock trading and IPO activities
 - Revived property market
- Higher HIBORs, narrowing HIBOR-LIBOR spread and Prime-HIBOR spread
- Benign credit environment

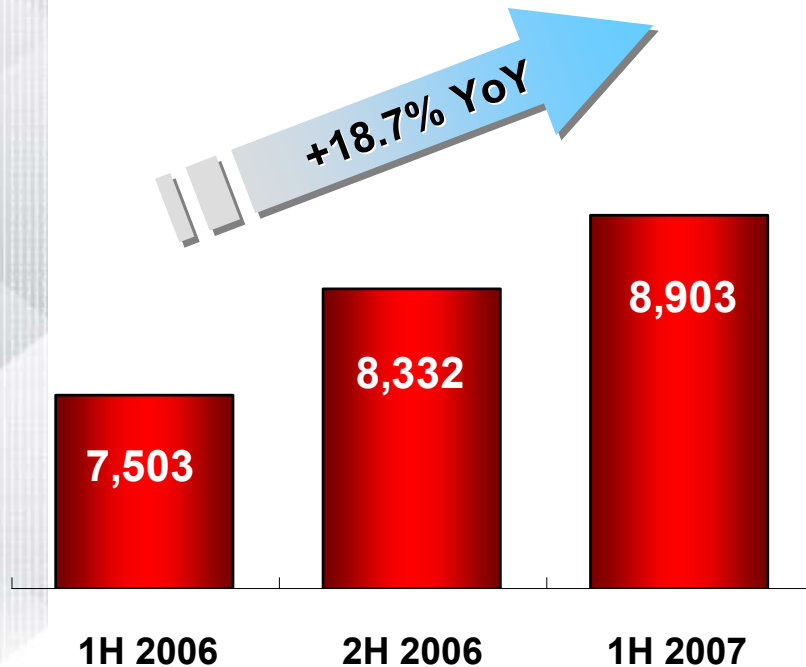
Internal

- Successful implementation of the RPC business model
- Enhanced and strengthened growth platform under new business model
- Received CBRC approval to start preparing local incorporation of Nanyang Commercial Bank (China) Limited in the Mainland of China
- Strong growth in higher-yield loan segments and investment & insurance business
- Pioneer in arranging the RMB bond issue and providing RMB bond service in Hong Kong

Encouraging Income Growth

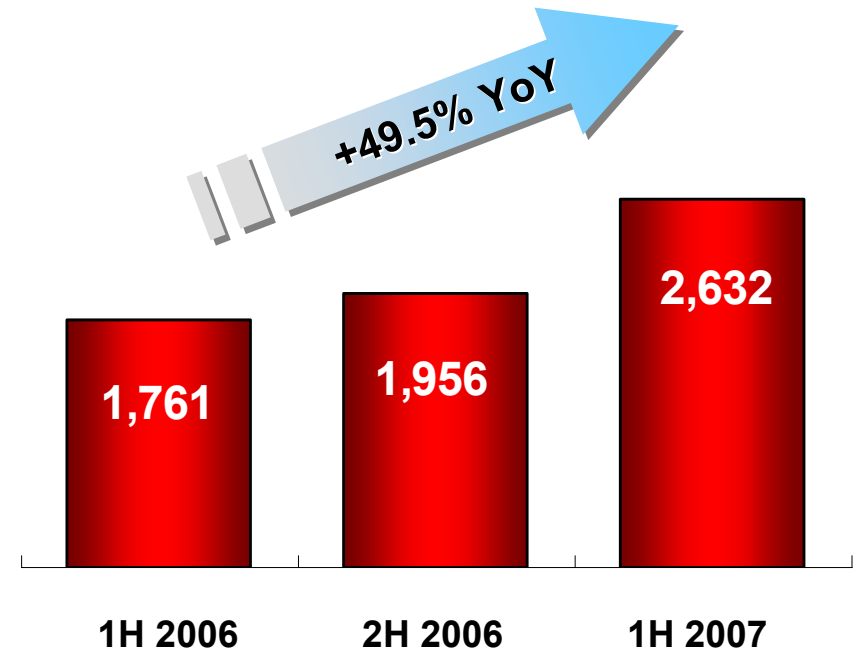
Net Interest Income

HK\$ m



Net Fees & Commission Income

HK\$ m

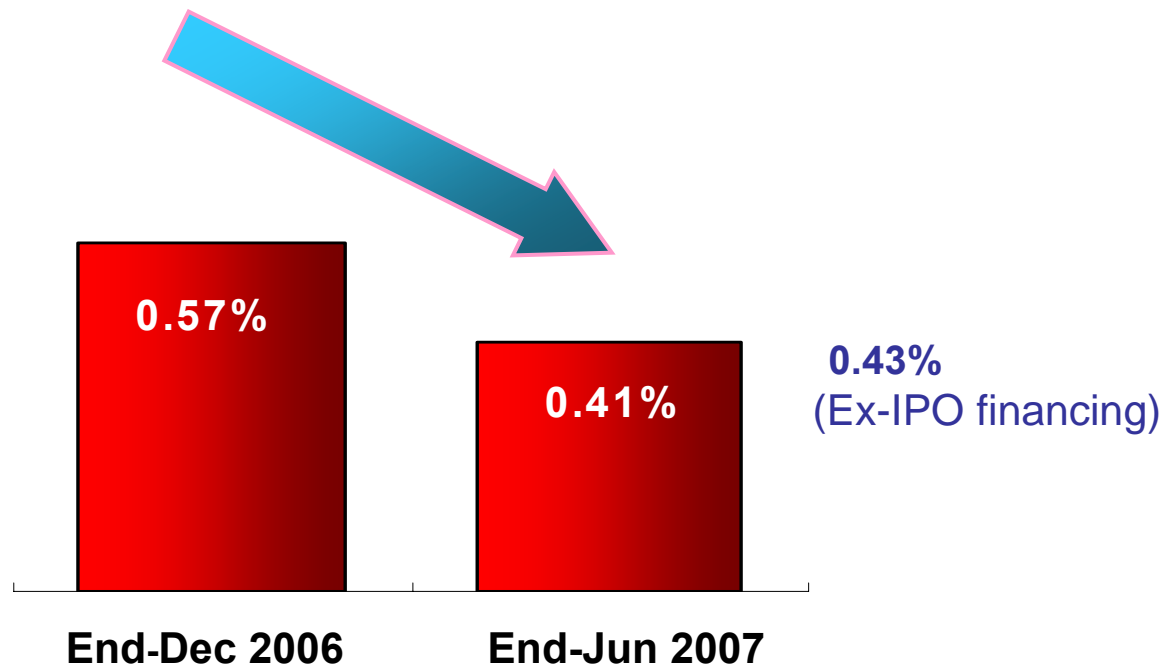


Other Business Highlights

- **Robust growth in loans and advances (+13.2%)**
(Excluding IPO financing: +8.7%)
 - **Both SME loans and Trade finance recorded double-digit growth**
- **Growth in customer deposits (+15.9%)**
(Excluding IPO funds: +5.2%)
- **Strong growth in fee income from stock brokerage (+105.6%) and from asset management (+104.8%)**
- **Leading market position in mortgages, loan syndication and Hong Kong RMB banking business**

Further Improvement in Asset Quality

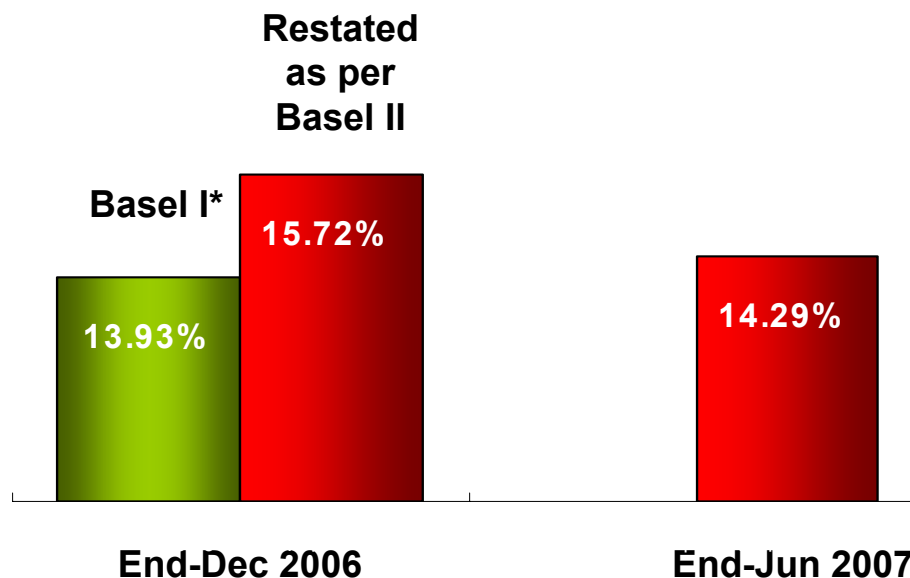
Classified and Impaired Loan Ratio fell to 0.41%



Note : Classified and impaired loans represent loans which are either classified as “substandard”, “doubtful” or “loss” under the Group’s classification of loan quality, or individually assessed to be impaired.

Sound Capital Strength

CAR maintained at healthy level of 14.29%



Note : Capital adequacy ratio at 30 June 2007 is calculated in accordance with the Banking (Capital) Rules which became effective on 1 January 2007, and comparative ratio at 31 December 2006 is restated accordingly. Ratio at 31 December 2006 calculated in accordance with the Basel I capital accord after taking into account of market risk exposure is presented for information purpose .

* Taking into account of market risk

Financial Results



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



服務香港 共建未來
COMMITTED TO BUILDING A BETTER TOMORROW

Condensed Income Statement



Strong operating results driven by both net interest income and net fees and commission income

HK\$ m	1H 2007	2H 2006	1H 2006	% YoY	% HoH
Net interest income	8,903	8,332	7,503	↑ 18.7	↑ 6.9
Net fees and commission income	2,632	1,956	1,761	↑ 49.5	↑ 34.6
Other operating income	525	504	1,253	↓ 58.1	↑ 4.2
Net operating income before loan impairment allowances	12,060	10,792	10,517	↑ 14.7	↑ 11.7
Loan impairment release	166	1,148	642	↓ 74.1	↓ 85.5
Net operating income	12,226	11,940	11,159	↑ 9.6	↑ 2.4
Operating expenses	(3,418)	(3,587)	(2,971)	↑ 15.0	↓ 4.7
Operating profit	8,808	8,353	8,188	↑ 7.6	↑ 5.4
Non-operating items	419	113	485	↓ 13.6	↑ 270.8
Profit attributable to shareholders	7,466	6,914	7,093	↑ 5.3	↑ 8.0

Key Financial Ratios

	1H 2007	2H 2006	1H 2006	Change YoY	Change HoH
ROE before impairment allowances	20.05%	17.39%	18.75%	↑ 1.30pp	↑ 2.66pp
ROE	17.32%	16.69%	17.63%	↓ 0.31pp	↑ 0.63pp
ROA before impairment allowances	1.78%	1.57%	1.66%	↑ 0.12pp	↑ 0.21pp
ROA	1.57%	1.53%	1.59%	↓ 0.02pp	↑ 0.04pp
Net interest margin ¹	2.03%	1.97%	1.81%	↑ 0.22pp	↑ 0.06pp
Non-interest income ratio	26.18%	22.79%	28.66%	↓ 2.48pp	↑ 3.39pp
Cost-to-income ratio	28.34%	33.24%	28.25%	↑ 0.09pp	↓ 4.90pp
	30.06.2007	31.12.2006	30.06.2006	vs. 31.12.2006	vs. 30.06.2006
Classified and impaired loan ratio	0.41%	0.57%	N.A.	↓ 0.16pp	--
CAR ²	14.29%	15.72%	14.59%	↓ 1.43pp	↓ 0.30pp
Loan-to-deposit ratio	48.17%	49.32%	51.18%	↓ 1.15pp	↓ 3.01pp

Notes :

1. Reclassification of interest expense on short positions in Exchange Fund Bills and callable interest rate swaps was made from net trading income to interest expense for the first half of 2006. Net interest margin was revised accordingly.

2. Capital adequacy ratio at 30 June 2007 is calculated in accordance with the Banking (Capital) Rules which became effective on 1 January 2007. Comparative ratio at 31 December 2006 is restated accordingly, while that at 30 June 2006 is calculated in accordance with the Basel I capital accord after taking into account of market risk exposure.

Higher Net Interest Income and Enhanced NIM



Improved NII driven by rising market interest rates, increase in average interest-earning assets and effective asset-liability management

HK\$ m	1H 2007	2H 2006	1H 2006	% YoY	% HoH
Interest income	21,484	20,868	19,403	↑ 10.7	↑ 3.0
Interest expense*	12,581	12,536	11,900	↑ 5.7	↑ 0.4
Net interest income	8,903	8,332	7,503	↑ 18.7	↑ 6.9
Average interest earning assets*	883,030	837,113	833,847	↑ 5.9	↑ 5.5
Net interest margin* (NIM)	2.03%	1.97%	1.81%	↑ 0.22 pp	↑ 0.06 pp

*Reclassification of interest expense on short positions in Exchange Fund Bills and callable interest rate swaps was made from net trading income to interest expense for the first half of 2006. Average interest earning assets and net interest margin were revised accordingly.

Growth in Net Fees and Commission Income

Growth in investment and insurance fee income driven by phenomenal increase in stock brokerage and asset management fee

Net Fees and Commission Income	1H 2007	2H 2006	1H 2006	% YoY	% HoH
HK\$ m					
<i>Investment and insurance fee income</i>					
Securities brokerage (Stockbroking)	1,324	739	644	↑ 105.6	↑ 79.2
Securities brokerage (Bonds)	65	76	29	↑ 124.1	↓ 14.5
Asset management	342	150	167	↑ 104.8	↑ 128.0
Life insurance	33	28	18	↑ 83.3	↑ 17.9
	1,764	993	858	↑ 105.6	↑ 77.6
Bills commissions	273	278	259	↑ 5.4	↓ 1.8
Loan commissions	129	157	116	↑ 11.2	↓ 17.8
Trust services	66	64	54	↑ 22.2	↑ 3.1
Payment services	221	218	200	↑ 10.5	↑ 1.4
Credit cards	471	432	375	↑ 25.6	↑ 9.0
Account services	153	147	157	↓ 2.5	↑ 4.1
RMB business	54	41	36	↑ 50.0	↑ 31.7
Others	308	303	297	↑ 3.7	↑ 1.7
Total Fees and Commission Income	3,439	2,633	2,352	↑ 46.2	↑ 30.6
Less: Fees and Commission Expenses	(807)	(677)	(591)	↑ 36.5	↑ 19.2
Net Fees and Commission Income	2,632	1,956	1,761	↑ 49.5	↑ 34.6

Steady Rise in Non-interest Income

**Strong growth in net fees and commission income
offset by decline in other operating income**

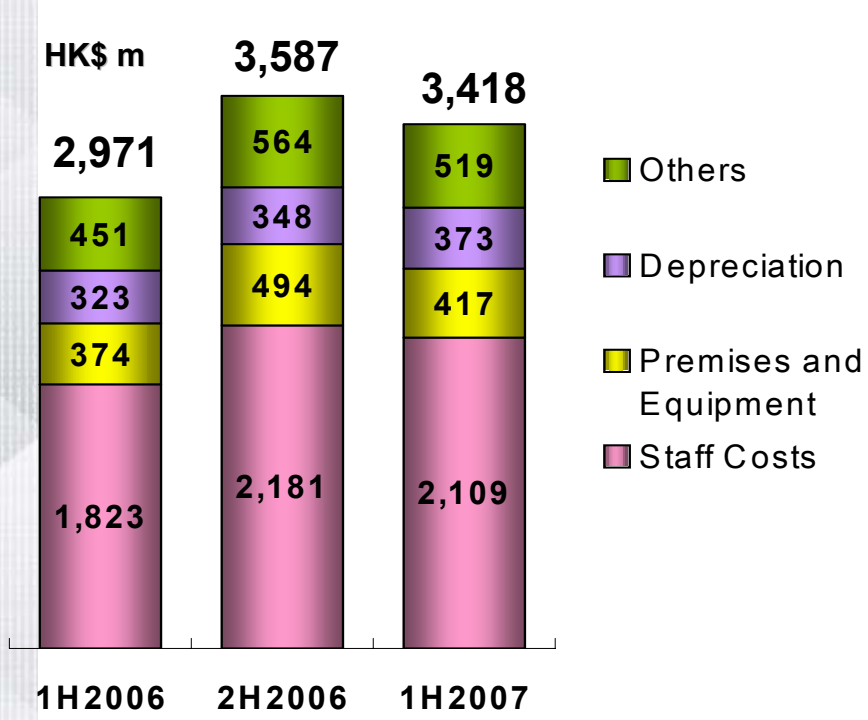
Non-interest Income	1H 2007	2H 2006	1H 2006	% YoY	% HoH
HK\$ m					
Net fees and commission income	2,632	1,956	1,761	↑ 49.5	↑ 34.6
Other operating income - Banking operation	608	539	1,252	↓ 51.4	↑ 12.8
Net trading income*	417	456	1,112	↓ 62.5	↓ 8.6
Net gain/(loss) on financial instruments designated at FVTPL	(5)	(79)	(21)	---	---
Other income	196	162	161	↑ 21.7	↑ 21.0
BOCL [#] non-interest income	(83)	(35)	1	---	---
Net gain/(loss) on financial instruments designated at FVTPL - BOCL [#]	(389)	835	(415)	---	---
Net insurance premium income	2,933	2,719	3,476	↓ 15.6	↑ 7.9
Net insurance benefits and claims	(2,632)	(3,595)	(3,060)	↓ 14.0	↓ 26.8
Other income	5	6	0	---	↑ 16.7
Total	3,157	2,460	3,014	↑ 4.7	↑ 28.3

*Foreign exchange swap contracts are usually used for the Group's funding activities. Under HKAS 39, the exchange difference between the spot and forward contracts is recognised as foreign exchange gain or loss in net trading income, while the corresponding interest differential between the original and swap funds is reflected in net interest income.

Effective Cost Management

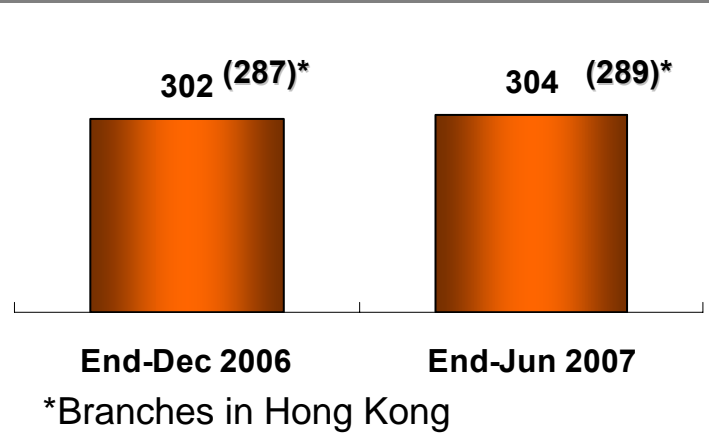
Stable cost-to-income ratio YoY
Higher operating expenses due to HR and IT investments

Operating Expenses

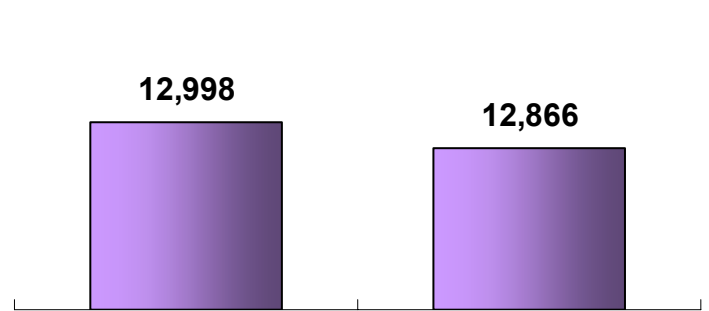


Period	1H2006	2H2006	1H2007
Cost-to-income ratio	28.25%	33.24%	28.34%

Branch Number



Staff Number (FTE)



Release of Loan Impairment Allowances

Lower net loan impairment release as recoveries and releases reduced
New collective assessment allowances increased as loan portfolio expanded

HK\$ m

	1H 2007	2H 2006	1H 2006	% YoY	% HoH
Loan impairment release/(charge)					
Individual assessment					
- New allowances	(106)	(281)	(366)	↓ 71.0	↓ 62.3
- Releases	109	214	99	↑ 10.1	↓ 49.1
- Recoveries	340	1,377	676	↓ 49.7	↓ 75.3
Collective assessment					
- New allowances	(192)	(192)	(2)	↑ 9,500.0	---
- Releases	0	(16)	219	↓ 100.0	---
- Recoveries	15	46	16	↓ 6.3	↓ 67.4
Net credit to income statement	166	1,148	642	↓ 74.1	↓ 85.5

Continued Improvement in Asset Quality

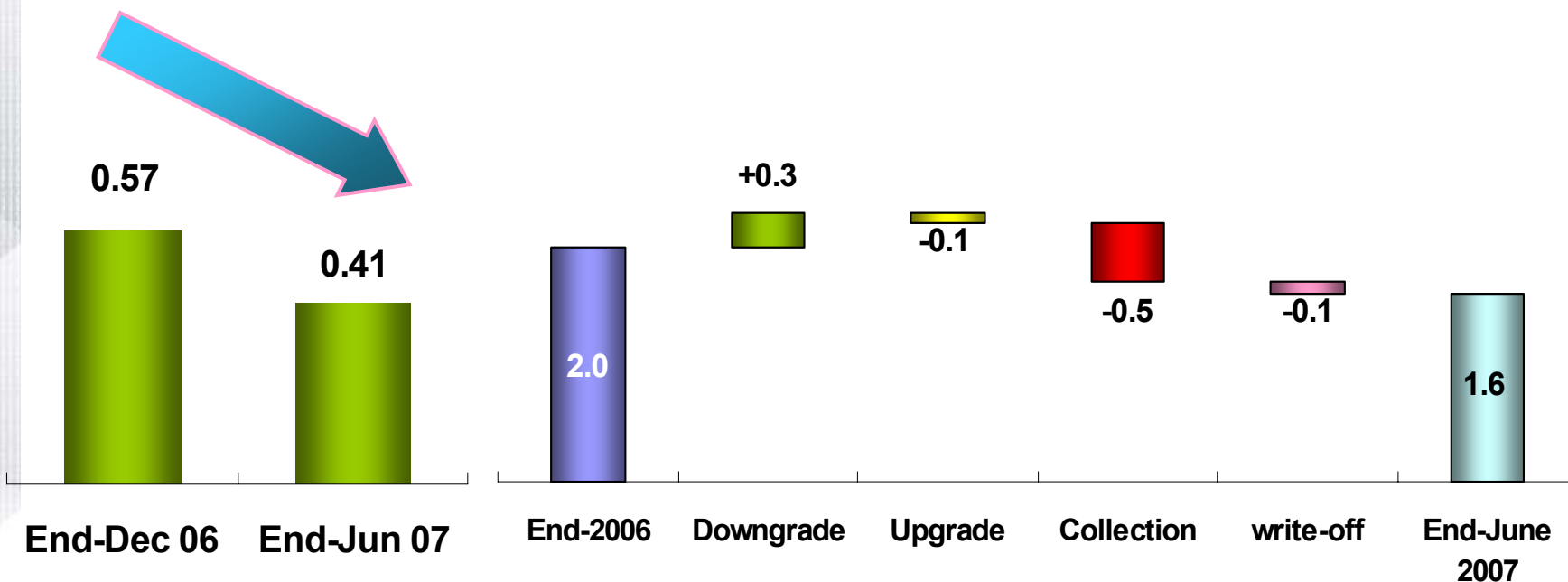
Classified and impaired loan ratio dropped to record low of 0.41%
(Excluding IPO financing: 0.43%)

Classified and Impaired Loan Ratio

Migration of Classified Loans

%

HK\$ bn



Condensed Balance Sheet

**Total assets expanded
on the back of strong deposits growth and IPO funds**

HK\$ m	30.06.2007	31.12.2006	% Change
Total assets	1,047,095	928,953	↑ 12.7
Cash and balances with banks and other financial institutions	122,768	105,236	↑ 16.7
Placements with banks and other financial institutions	60,804	56,373	↑ 7.9
Securities investments	329,562	330,385	↓ 0.2
Advances to customers	392,811	347,090	↑ 13.2
Fixed assets & IP	28,635	27,221	↑ 5.2
Total liabilities	957,270	842,313	↑ 13.6
Inter-bank deposits taken	46,718	49,034	↓ 4.7
Deposits from customers*	815,517	703,776	↑ 15.9
Total equity	89,825	86,640	↑ 3.7
Minority interests	2,076	1,985	↑ 4.6
Shareholders' funds	87,749	84,655	↑ 3.7

* included structured deposits

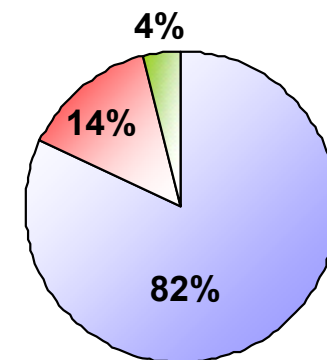
Broad-based Growth in Advances to Customers

Broad-based growth with double-digit increase in corporate loans for use in HK, trade finance and loans for use outside HK

HK\$ m

	30.06.2007	31.12.2006	% Change
Loans for use in HK - corporate	176,710	148,780	↑ 18.8
Loans for use in HK - individual	128,413	125,510	↑ 2.3
Residential mortgages*	100,117	96,953	↑ 3.3
Credit card advances	5,578	5,490	↑ 1.6
Trade finance	21,598	16,865	↑ 28.1
Loans for use outside HK	66,090	55,935	↑ 18.2
Total advances to customers	392,811	347,090	↑ 13.2
<i>Ex-IPO financing</i>	<i>377,447</i>	<i>347,090</i>	<i>↑ 8.7</i>

Loans by currency mix



□ HKD

□ USD

□ Others

Loan-to-deposit ratio

48.17%

49.32%

Ex-IPO financing

50.99%

49.32%

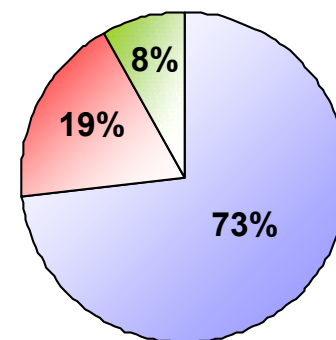
*Loans for purchase of other residential properties

Higher Customer Deposits

Strong deposits growth with sharp increase in demand deposits boosted by active IPO activities

HK\$ m	30.06.2007	31.12.2006	% Change
Demand deposits and current accounts	115,443	30,979	↑ 272.6
Saving deposits	246,650	256,653	↓ 3.9
Time, call and notice deposits	441,821	407,059	↑ 8.5
Structured deposits	11,603	9,085	↑ 27.7
Total deposits from customers	815,517	703,776	↑ 15.9
<i>Ex-IPO funds</i>	740,298	703,776	↑ 5.2

Deposits by currency mix



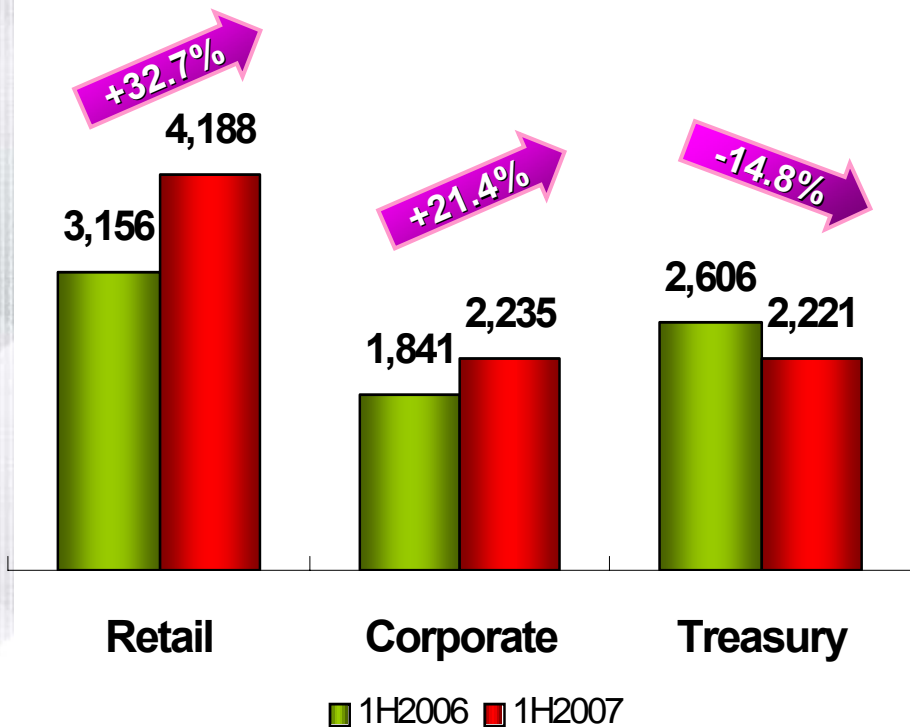
□ HKD □ USD □ Others

Profit Contribution by Business Segment

**Solid growth in Retail and Corporate business segments
Decline in Treasury due to lower net trading income**

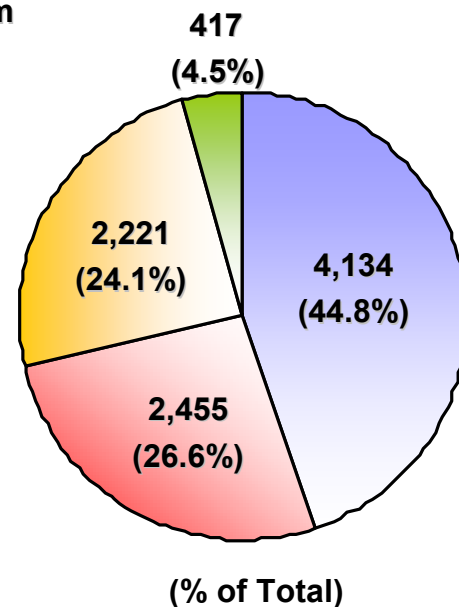
Operating profit before impairment

HK\$ m



Segment contribution to pre-tax profit

HK\$ m



Legend: Retail (blue), Corporate (red), Treasury (yellow), Others (green)

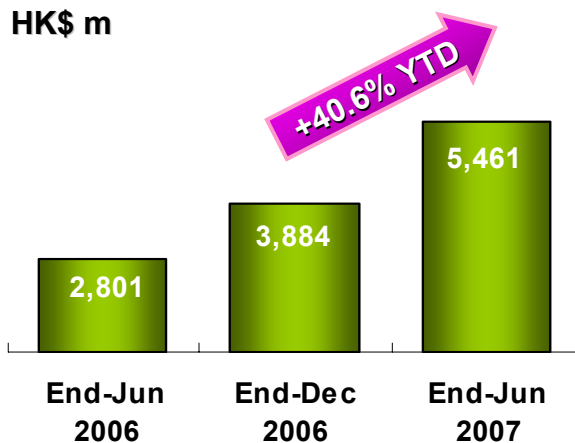
Mainland Business

**Strong growth in operating profit before impairment
Total advances and customer deposits improved
with strong growth in RMB advances (+42.8% YTD)**

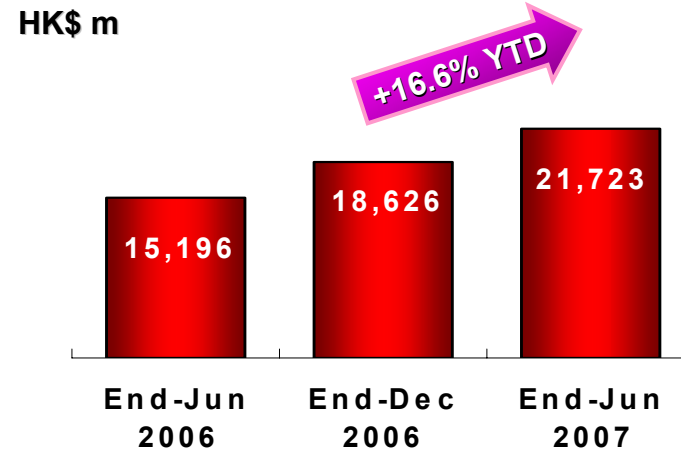
Combined profit and loss account of 14 Mainland branches

HK\$ m	1H 2007	1H 2006	% YoY
Operating income	351	242	↑ 45.0
Operating expenses	115	92	↑ 25.0
Operating profit before impairment	236	150	↑ 57.3
Profit before taxation	283	182	↑ 55.5

Deposits from customers



Gross advances to customers



Period	Value
End-Jun 2006	0.42%
End-Dec 2006	0.23%
End-Jun 2007	0.10%

Classified loan ratio

Outlook



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

- **Robust local economy driven by domestic demand**
- **Keen competition in both local and offshore businesses**
- **Strong China economy despite further tightening measures**
- **Cautious to the resurgence of financial market volatility and rising operating costs**

Business focuses

- To accelerate China business expansion following the completion of the incorporation of NCB China which is scheduled to commence operation before the end of the year
- To maintain our lead in core businesses and to expand the high-yielding loans e.g. SMEs, trade finance
- To boost our investment and insurance businesses through strengthening our product platform and distribution channels
- To continue investment in enhancing our product manufacturing capabilities

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