



Fortifying our Foundations in a Challenging Environment

2008 Annual Results

2009.03.24



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. David Wong	Deputy Chief Executive

▶ Agenda

■ **Key Performance Highlights**

■ **Financial Results**

■ **Outlook**

Key Performance Highlights



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

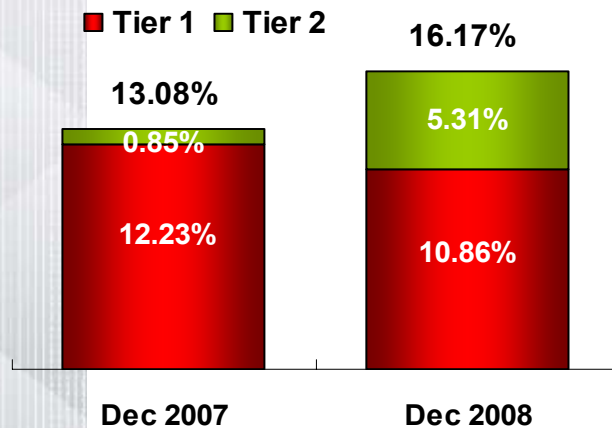
▶ Operating Environment

- Intensified financial crisis and global economic downturn posed an unusually challenging operating environment
- Global financial system under severe strain, particularly in the second half of 2008
- More apparent signs of deterioration in local economy in 2H08 with rising unemployment and lower GDP growth

Management Focus in 2008

To fortify the Group's financial strength amid a highly challenging and volatile environment

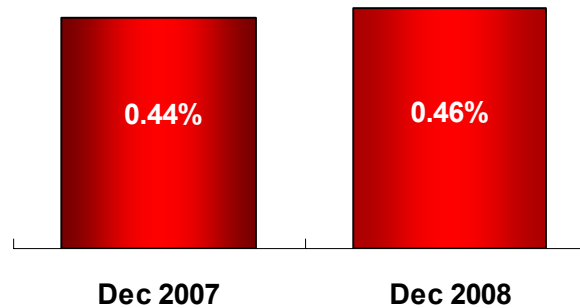
Strong Capital Position



- Sub-loan issues enhanced capital base and optimized capital structure
- Strong total and core CAR provides greater operating flexibility

Proactive Risk Management

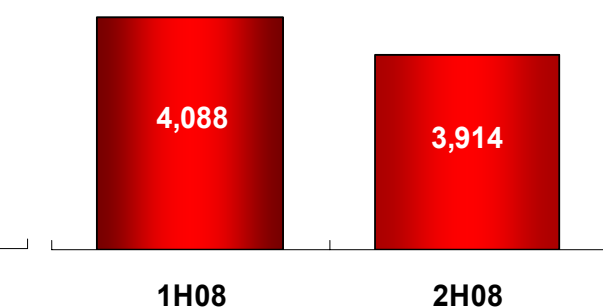
Classified or impaired loan ratio + 2 bps to 0.46%



- Continued to optimise the risk exposure of our balance sheet
- Maintained strong average liquidity ratio of 41.7%

Effective Cost Control

HK\$m Core operating expenses* down 4.3% HoH



- Effective cost control in 2H08; core expenses* down 4.3% HoH
- Full year core expenses* only grew 2.9 % YoY, with below market average CIR of 31.3%

▶ Key Financial Highlights

HK\$m	2008	2007	Change YoY
Net operating income before impairment allowances	25,526	27,254	↓ 6.3%
Operating profit before impairment allowances	16,755	19,481	↓ 14.0%
Profit attributable to shareholders	3,343	15,446	↓ 78.4%
Earnings per share (HK\$)	0.3162	1.4609	↓ 78.4%
Dividend per share (HK\$)	0.4380	0.9150	↓ 52.1%
ROE	3.81%	17.40%	↓ 13.59pp
ROE before impairment allowances	19.09%	21.95%	↓ 2.86pp
ROA	0.27%	1.53%	↓ 1.26pp
ROA before impairment allowances	1.52%	1.89%	↓ 0.37pp

- Operating income drop reflects decline in investment-related businesses.
- Net interest income registered record level despite pressure from falling interest rates while fees income from traditional banking services continued to grow.
- Profit attributable to shareholders was dragged by higher impairment allowances on securities investments.

Solid Core Performance

Continued to grow our franchise in traditional banking businesses

Solid Loan Growth

- Broad-based increase in loans and advances (+11.5%)
- Maintained leadership in residential mortgage and loan syndication

Strong Deposit Base

- Strong deposit franchise with total customer deposits grew 1.5%
- Deposit mix improved on the back of our proactive strategy to control funding cost

Traditional Fees Income

- Fees income from traditional banking services improved 16% YoY amid slowdown in economic activities

► Other Business Highlights

- **Maintained leadership in RMB banking business in Hong Kong**
 - **No. 1 in local RMB deposits-taking business; RMB deposits +58.5%**
 - **Extended RMB ATM withdrawal services in all ATMs in MTR stations**
- **Closer collaboration with BOC, our parent bank**
 - **Successful exploration of syndicated loan businesses in the Asia-Pacific region**
 - **Launching cross-border wealth management service for the Mainland customers**
 - **Formed joint venture to provide bank card related services and support in the rapidly growing market in the Mainland**
- **Continued enhancement of our customer base**
 - **Wealth management (+21.5%) / i-Free Account (+322.4%)**
 - **Personal e-banking (+12.2%)**
 - **Corporate accounts, especially in new focus areas such as custody and cash management**

Financial Results



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

Condensed Income Statement

Operating performance affected by market environment
Bottom-line dragged by securities impairments

HK\$ m	2008	2007	% YoY
Net interest income	20,157	19,395	↑ 3.9
Net fees and commission income	5,179	6,274	↓ 17.5
Other operating income	190	1,585	↓ 88.0
Net operating income before impairment allowances	25,526	27,254	↓ 6.3
Net (charge)/reversal of impairment allowances	(12,573)	(1,448)	↑ 768.3
Net operating income	12,953	25,806	↓ 49.8
Operating expenses	(8,771)	(7,773)	↑ 12.8
Operating profit	4,182	18,033	↓ 76.8
Non-operating items	(104)	1,093	N/A
Profit attributable to shareholders	3,343	15,446	↓ 78.4

▶ Net Interest Income

NII increased driven by growth in average interest-earning assets
 NIM declined as widened net interest spread was offset
 by lower contribution of net free fund

HK\$ m	2008	2007	% YoY
Interest income	35,281	46,056	↓ 23.4
Interest expense	15,124	26,661	↓ 43.3
Net interest income	20,157	19,395	↑ 3.9
<hr/>			
Average interest earning assets	1,006,440	938,377	↑ 7.3
Net interest margin (NIM)	2.00%	2.07%	↓ 0.07pp
<i>Adjusted NIM*</i>	2.07%	2.10%	↓ 0.03pp

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

Net Fees and Commission Income

Lower fees income due to drop in investment related fee income while traditional banking businesses continued to grow

HK\$ m	2008	2007		% YoY
<i>Investment and insurance fee income</i>				
Securities brokerage (Stockbroking)	2,380	3,560	↓	33.1
Securities brokerage (Bonds)	259	211	↑	22.7
Sale of funds	218	683	↓	68.1
Life insurance	107	57	↑	87.7
	2,964	4,511	↓	34.3
<i>Traditional banking businesses</i>				
Bills commissions	683	588	↑	16.2
Loan commissions	513	347	↑	47.8
Trust services	173	153	↑	13.1
Payment services	486	464	↑	4.7
Credit cards	1,220	1,027	↑	18.8
Account services	261	290	↓	10.0
Currency exchange	204	184	↑	10.9
RMB business	223	137	↑	62.8
IPO-related	30	105	↓	71.4
Others	457	371	↑	23.2
	4,250	3,666	↑	15.9
Total Fees and Commission Income	7,214	8,177	↓	11.8
Less: Fees and Commission Expenses	(2,035)	(1,903)	↑	6.9
Net Fees and Commission Income	5,179	6,274	↓	17.5

Non-interest Income

Non-interest income declined due to lower investment related fees income and operating loss of BOC Life

HK\$ m	2008	2007	% YoY
Net fees and commission income	5,179	6,274	↓ 17.5
Other operating income - Banking operation	2,127	1,691	↑ 25.8
Net trading income*	1,914	1,013	↑ 88.9
Net loss on financial instruments designated at FVTPL	(316)	(25)	↑ 1,164.0
Other income	529	703	↓ 24.8
BOCL[#] non-interest income	(1,937)	(106)	---
Net gain/(loss) on financial instruments designated at FVTPL - BOCL [#]	(136)	893	---
Net insurance premium income	5,891	8,426	↓ 30.1
Net insurance benefits and claims	(7,709)	(9,440)	↓ 18.3
Other income	17	15	↑ 13.3
Total	5,369	7,859	↓ 31.7

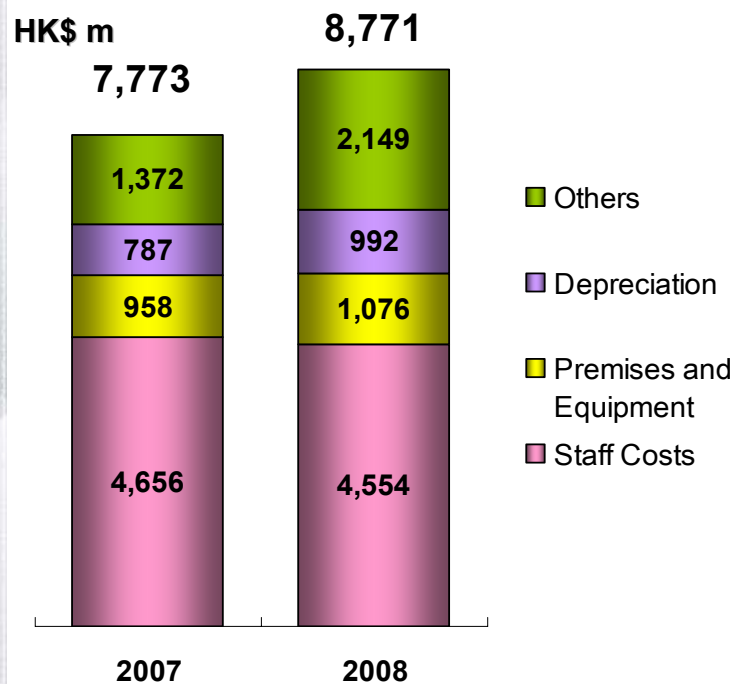
*Foreign exchange swap contracts are usually used for the Group's funding activities. Under HKAS 39, the exchange difference between the spot and forward contracts is recognised as foreign exchange gain or loss in net trading income, while the corresponding interest differential between the original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

BOCL= BOC Group Life Assurance Company Limited

▶ Operating Expenses

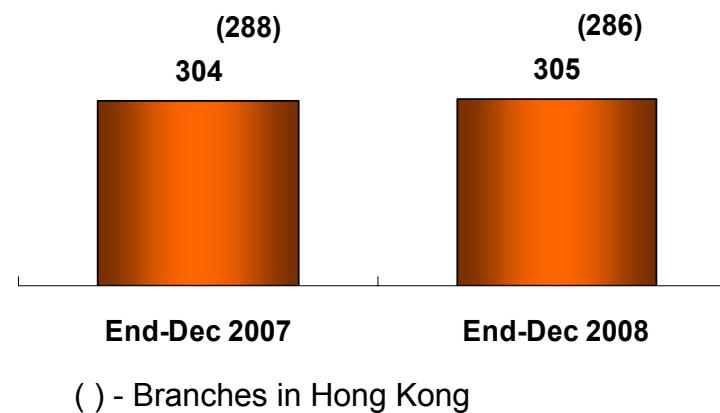
Core operating expenses* well contained thanks to disciplined cost control

Operating Expenses

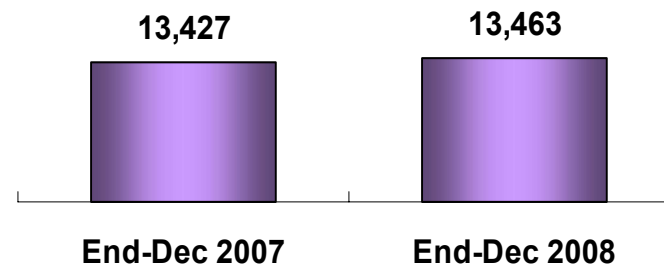


28.52% 34.36%
Cost-to-income ratio

Number of Branches



Staff Number



Net (charge) / reversal of Impairment Allowances

Net charge of loan impairment recorded as new allowances increased
Securities investments provisions increased as financial crisis intensified

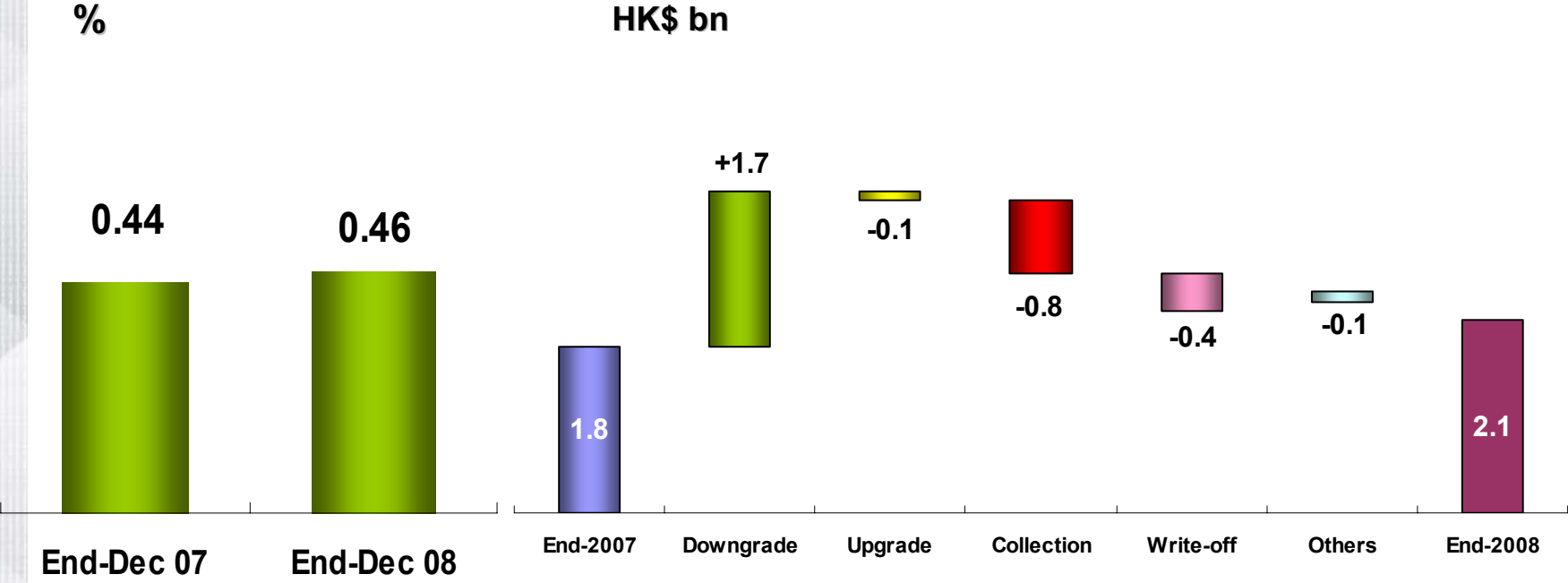
	HK\$ m	2008	2007	% YoY
Advances to customers				
Individual assessment				
- New allowances		(813)	(330)	↑ 146.4
- Releases		83	299	↓ 72.2
- Recoveries		722	1,311	↓ 44.9
Collective assessment				
- New allowances		(691)	(625)	↑ 10.6
- Releases		10	0	---
- Recoveries		28	30	↓ 6.7
Net (charge)/release of impairment on advances		(661)	685	---
Securities Investments				
US non-agency RMBS		(8,253)	(2,133)	↑ 286.9
Other debt securities		(917)	0	---
Investment in BEA		(2,730)	0	---
Net charge of impairment on securities investments		(11,900)	(2,133)	↑ 457.9
Others		(12)	0	---
Total (charge)/release to income statement		(12,573)	(1,448)	↑ 768.3

▶ Loan Quality

Classified or impaired loan ratio rose mildly to 0.46%

Classified or Impaired Loan Ratio

Migration of Classified Loans



► Condensed Balance Sheet

Total assets expanded on the back of higher customer and inter-bank deposits as well as subordinated liabilities

HK\$ m	31.12.2008	31.12.2007	% Change
Total assets	1,147,244	1,067,637	↑ 7.5
Cash and balances with banks and other financial institutions	153,269	159,065	↓ 3.6
Placements with banks and other financial institutions	89,718	53,154	↑ 68.8
Securities investments	335,493	335,623	↓ 0.0
Advances and other accounts	469,493	420,234	↑ 11.7
Fixed assets & IP	30,522	31,351	↓ 2.6
Total liabilities	1,062,712	972,579	↑ 9.3
Inter-bank deposits taken	88,779	60,599	↑ 46.5
Deposits from customers*	811,516	799,565	↑ 1.5
Subordinated liabilities	27,339	0	---
Total equity	84,532	95,058	↓ 11.1
Minority interests	1,813	2,216	↓ 18.2
Shareholders' funds	82,719	92,842	↓ 10.9

▶ Advances to Customers

Broad-based growth with double-digit increase in corporate loans for use in HK, credit card advances and loans for use outside HK

HK\$ m	31.12.2008	31.12.2007	% Change	Loans by currency mix
Loans for use in HK - corporate	188,774	168,656	↑ 11.9	<p>Loans by currency mix</p> <ul style="list-style-type: none"> HKD: 76% USD: 19% RMB: 3% Others: 2%
Loans for use in HK - individual	147,823	137,021	↑ 7.9	
Residential mortgages*	116,303	106,583	↑ 9.1	
Credit card advances	6,553	5,761	↑ 13.7	
Trade finance	24,555	24,275	↑ 1.2	
Loans for use outside HK	99,295	83,110	↑ 19.5	
Total advances to customers	460,447	413,062	↑ 11.5	
Loan-to-deposit ratio	56.74%	51.66%		<ul style="list-style-type: none"> □ HKD □ USD □ RMB □ Others

*Loans for purchase of residential properties other than flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme

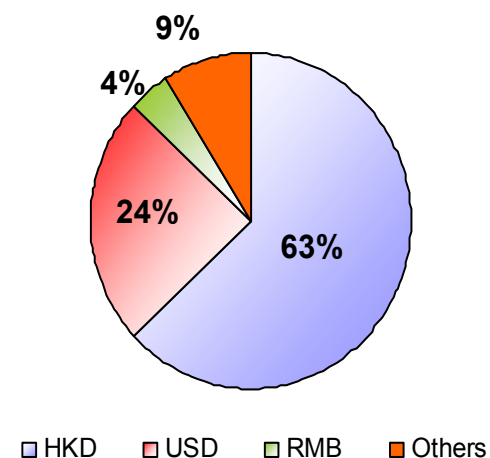
▶ Customer Deposits

Moderate deposits growth with improved deposit mix

HK\$ m

	31.12.2008	31.12.2007	% Change
Demand deposits and current accounts	46,042	40,499	↑ 13.7
Saving deposits	377,273	286,653	↑ 31.6
Time, call and notice deposits	379,262	466,454	↓ 18.7
Structured deposits	8,939	5,959	↑ 50.0
Total deposits from customers	811,516	799,565	↑ 1.5

Deposits by currency mix



Securities Investments

De-risking our securities portfolio with sovereign related investments increased to 25% of total

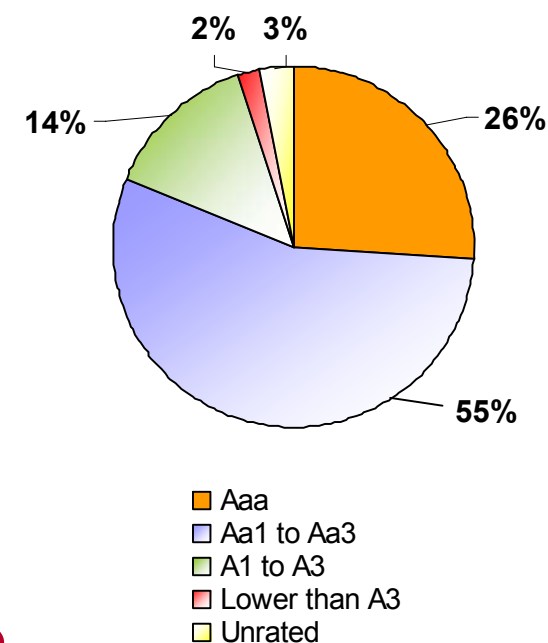
HK\$ m	31.12.2008	31.12.2007	% Change
Sovereign	84,435	19,413	↑ 334.9
Public Sector	23,474	31,536	↓ 25.6
Corporate entities	44,991	72,216	↓ 37.7
Banks and other FIs	182,593	212,458	↓ 14.1
Total	335,493	335,623	↓ 0.0

US non-agency RMBS

Subprime	1,047	4,118	↓ 74.6
Alt-A	2,334	6,567	↓ 64.5
Prime	15,935	29,014	↓ 45.1
Total	19,316	39,699	↓ 51.3

As % of total investments	5.8%	11.8%
----------------------------------	-------------	--------------

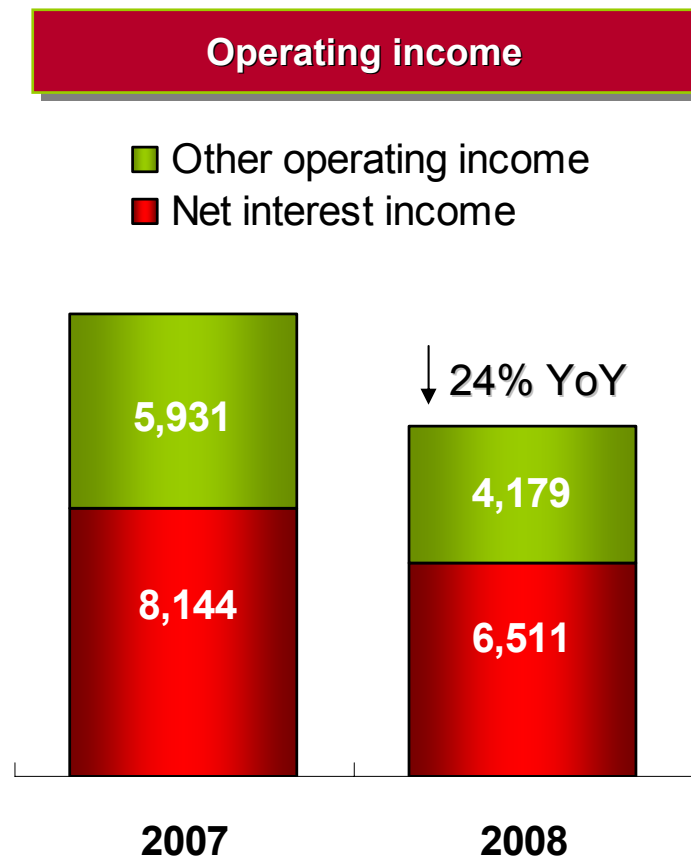
Debt securities by credit rating



Note: Including issuer rating distribution for issues with no issue rating

► Segmental Performance – Personal Banking

Personal Banking negatively affected by narrower deposit spread and sluggish investment environment

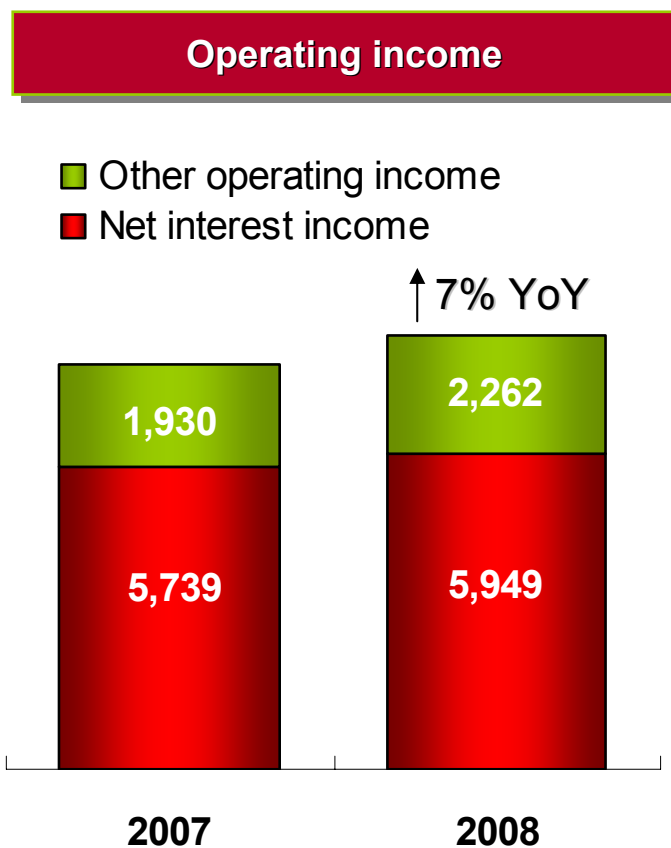


Business highlights :

- Maintained market leadership in residential property market
- Expanded customer base in both high net worth and mass retail customer bases
- Credit card business sustained volume growth momentum in :
 - Spending : +12.7%
 - Merchant acquiring : +19.9%

► Segmental Performance – Corporate Banking

Corporate Banking achieved good operating results and business development; pre-tax profit dropped due to higher loan allowances

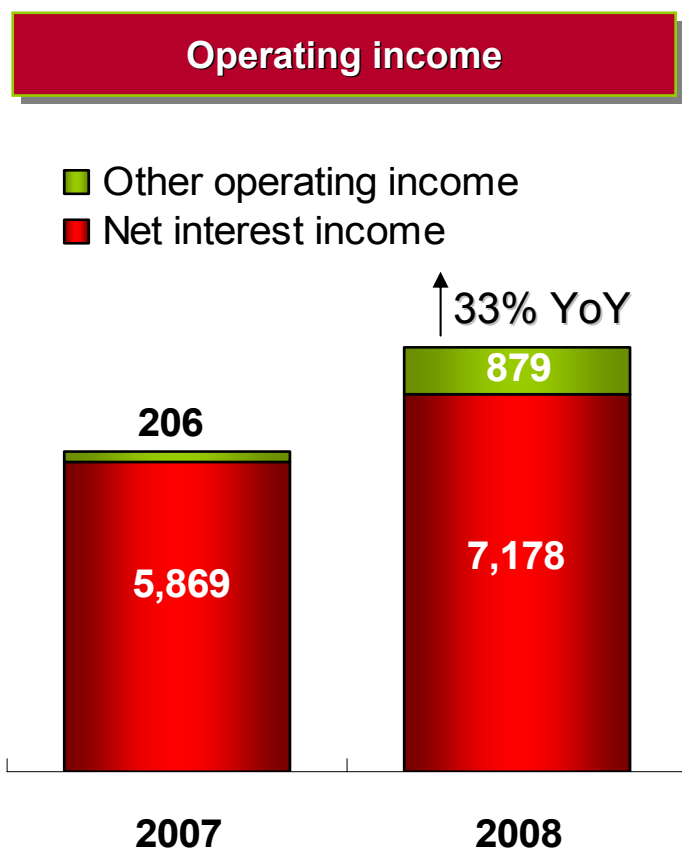


Business highlights :

- Maintained market leadership in loan syndication
- Enhance SME business platform with market recognition
- Continued expansion in cash management and custody services

► Segmental Performance – Treasury

Treasury achieved strong growth in operating results
Pre-tax loss due to rising impairment allowances



Business highlights :

- Higher net interest income thanks to improved spread on debt securities
- Safeguarding investment assets and enhancing portfolio management
- Growing traditional businesses and improving product manufacturing capabilities

Mainland Business

Good progress in expanding Mainland Business
Operating profit before impairment improved if excluding exchange loss

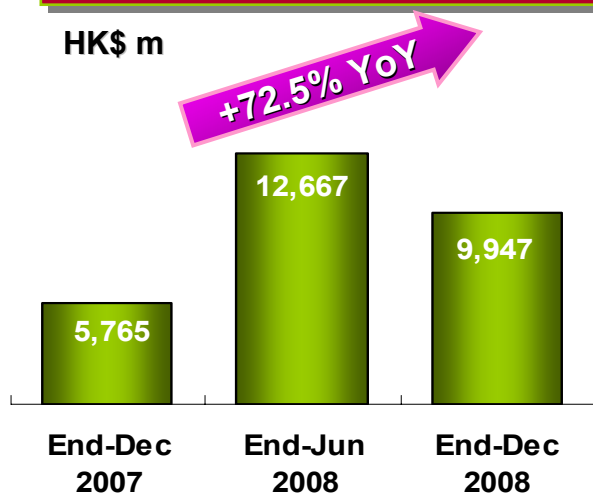
HK\$ m

	2008	2007	% YoY
Operating income	990	854	↑ 15.9
Operating expenses	434	280	↑ 55.0
Operating profit before impairment	556	574	↓ 3.1
<i>Operating profit before impairment*</i>	619	502	↑ 23.3
Profit before taxation	475	584	↓ 18.7
<i>Profit before taxation*</i>	538	512	↑ 5.1

*Excluding the impact of exchange revaluation of the Mainland operation's capital funds

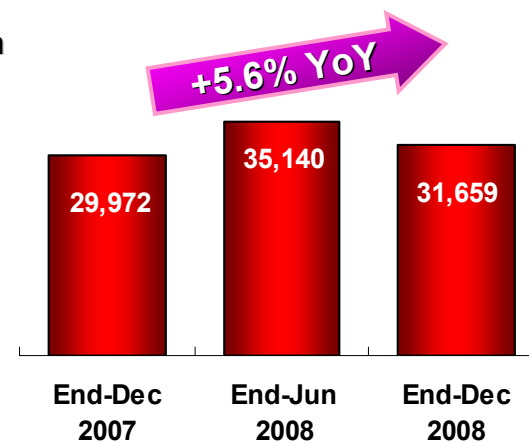
Deposits from customers

HK\$ m



Gross advances to customers

HK\$ m



0.68% 0.78% 0.88%
Classified loan ratio



Outlook



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

▶ Outlook – Operating environment

- Global financial markets will remain extremely difficult and highly volatile while extensive government measures are introduced to deal with the economic downturn
- Underlying economies around the world may continue to shift with unpredictable magnitude and pace
- Local financial system remains sound but the financial crisis will reshape the banking industry landscape

► Our Focus

Fortifying our strengths and mitigating risks

- Building on financial strength : maintain a strong balance sheet with healthy capital base, sound liquidity position and strong deposit base
- Mitigating risks : fortify risk management to further reduce risks and threats
- Streamlining costs : continue to focus on efficiency and cost control and invest judiciously in accordance with our strategic priorities

► Our Focus

Growing on core strengths and new opportunities

- Realign our strategies in a new environment and build on our strong franchise in traditional banking businesses
- Enhance our business capabilities and operating efficiency to better position for market recovery
- Further enhance collaborative synergies between BOCHK and BOC for exceptional growth potential
- Well positioned to capture rising opportunities from expanding scope of RMB businesses in Hong Kong



Fortifying our Foundations in a Challenging Environment

2008 Annual Results

2009.03.24



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