

2008 Interim Results

28.8.2008

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**

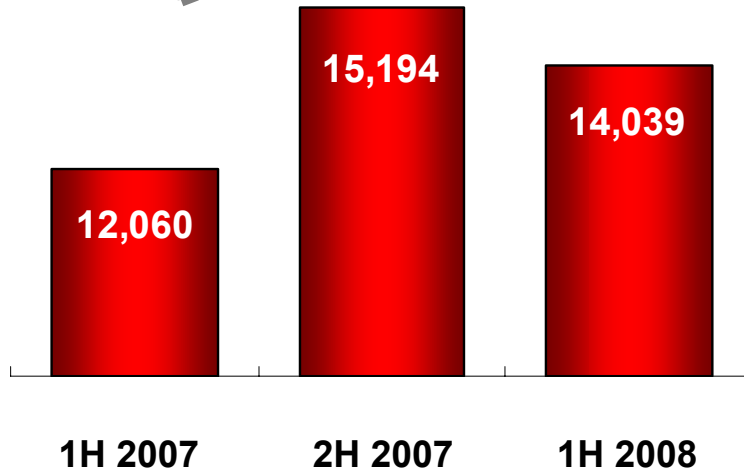
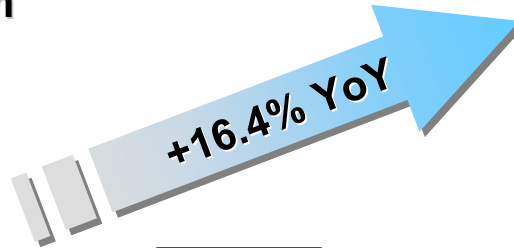
■ **Outlook**

Key Performance Highlights

Solid Operating Performance

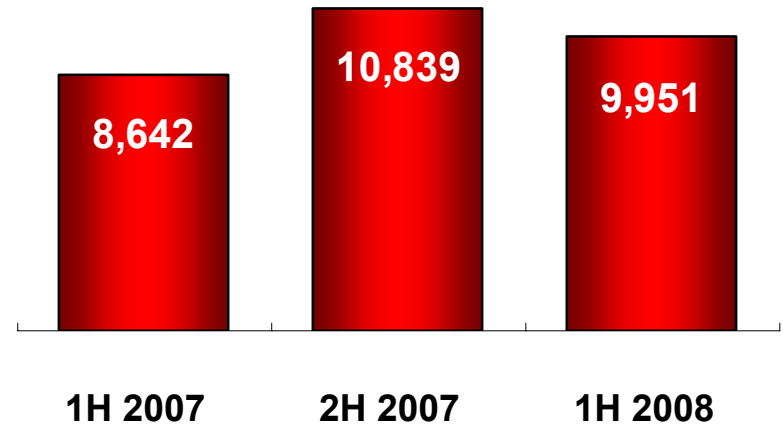
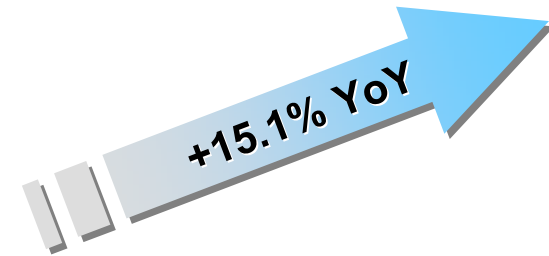
Net Operating Income before Impairment Allowances

HK\$ m



Operating Profit before Impairment Allowances

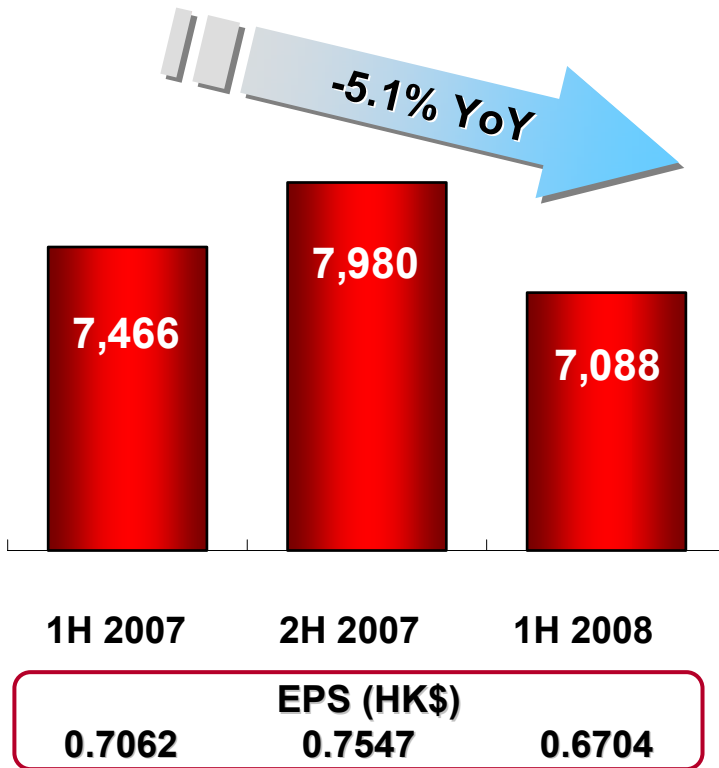
HK\$ m



Interim Profit and Dividend Per Share

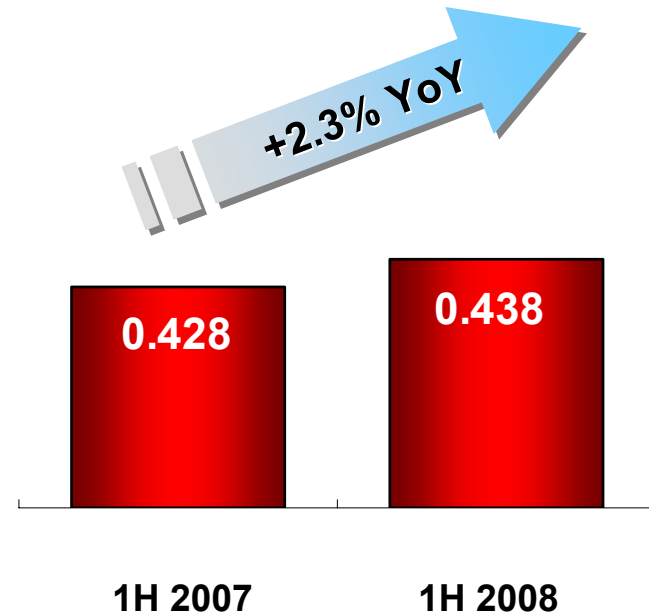
Profit Attributable to Equity Holders

HK\$ m



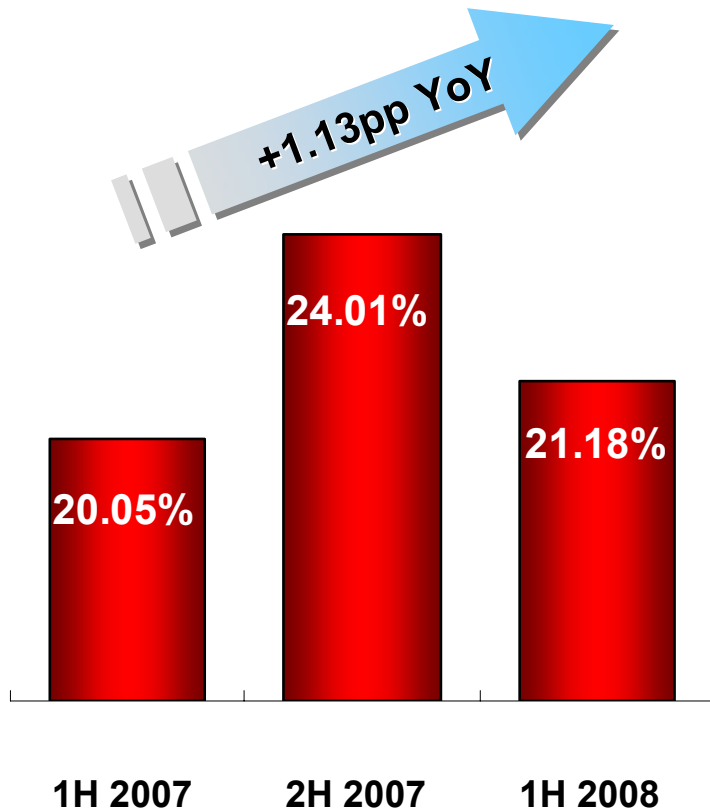
Dividend per Share

HK\$

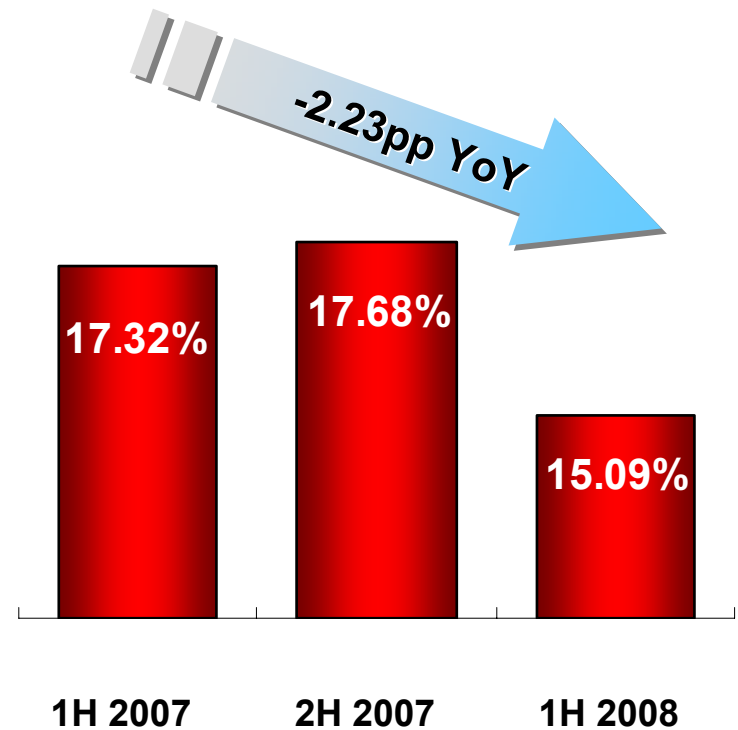


Return on Equity

ROE before impairment allowances

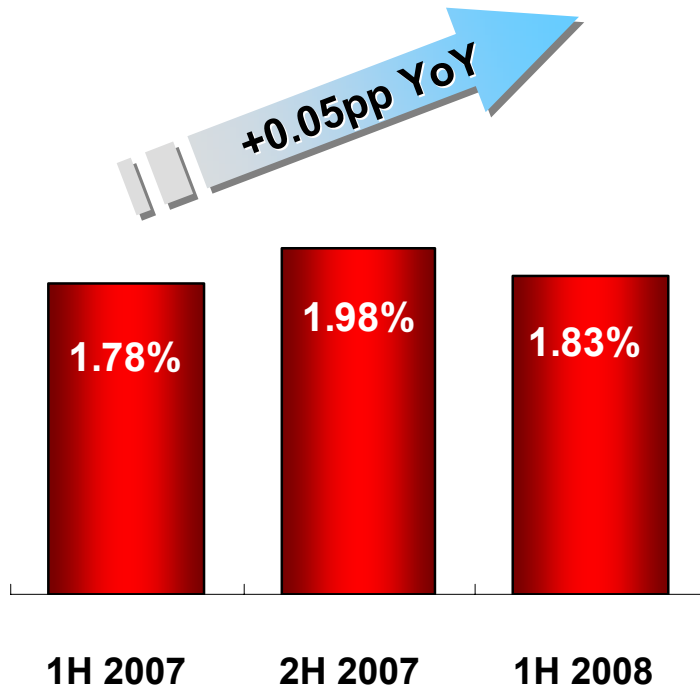


ROE

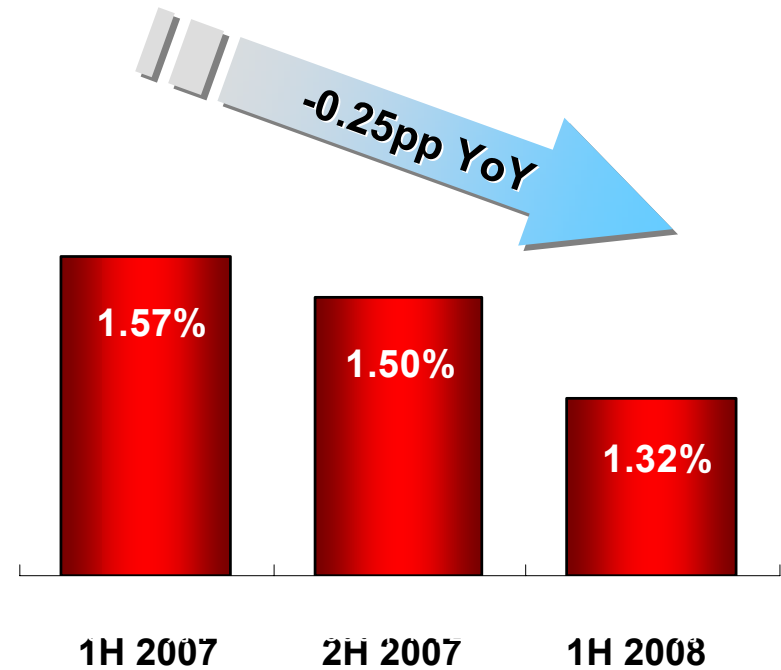


Return on Assets

ROA before impairment allowances



ROA

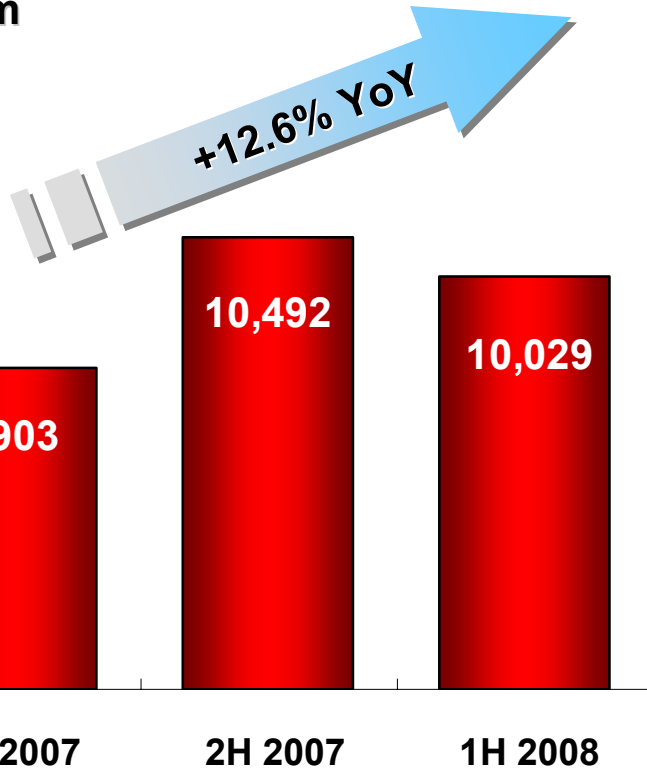


- **Challenging environment led by**
 - **Global financial market volatilities**
 - **Escalating inflationary pressure**
 - **Oil price hike**
- **Tightening macro measures in the Mainland**
- **Declining stock trading volume and property transactions**
- **Lower market interest rates and widened Prime-HIBOR spread**

Solid Growth in Core Earnings

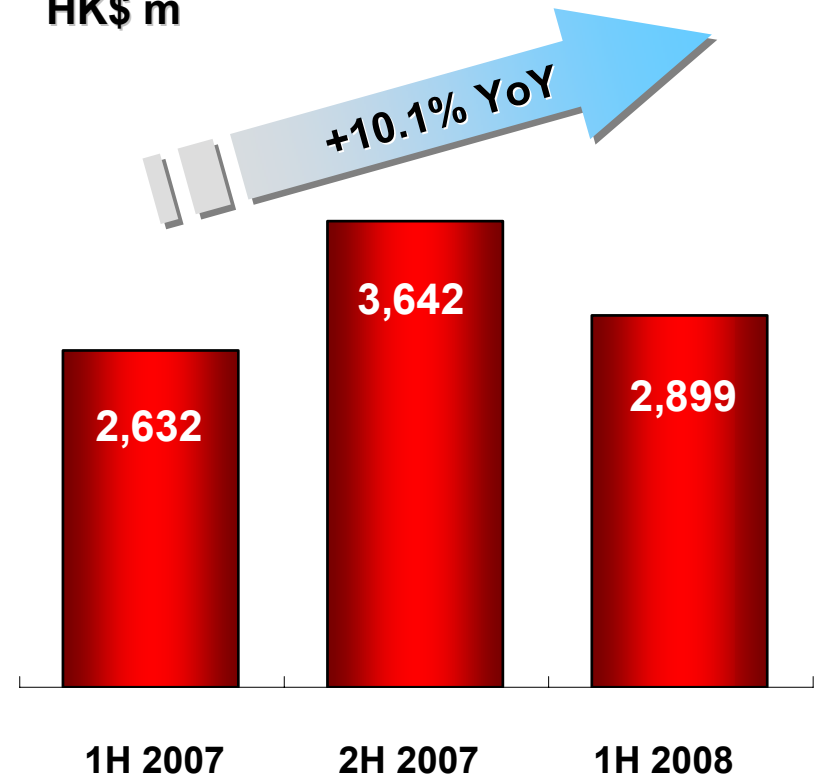
Net Interest Income

HK\$ m



Net Fees & Commission Income

HK\$ m

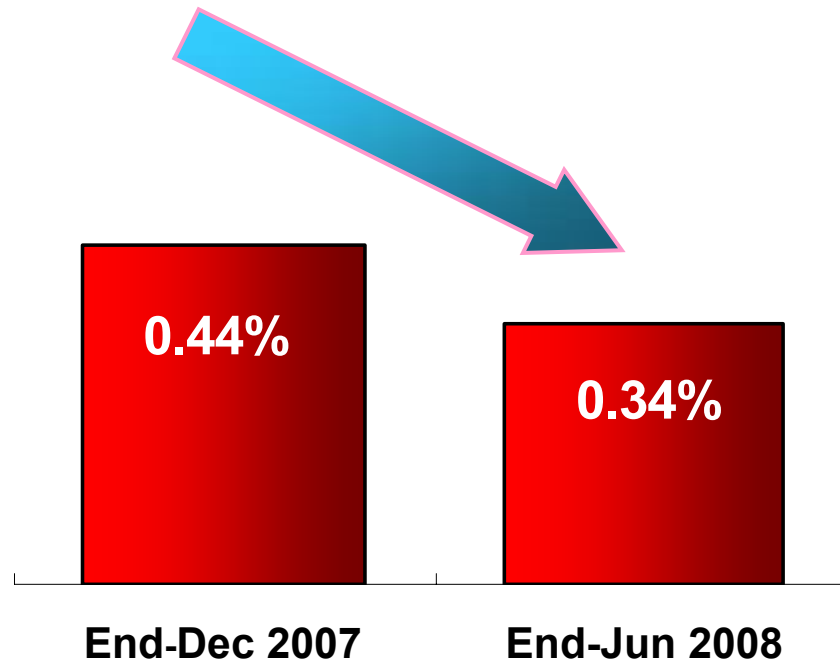


Other Business Highlights

- **Broad-based increase in loans and advances (+15.1%)**
 - **Solid growth in Trade finance (+30.5%), SME loans (+16.1%) and Mainland lending (+17.2%)**
- **Growth in customer deposits (+2.9%)**
- **Encouraging growth in net fee income from traditional banking services (+25.5%)**
- **Strong growth in net trading income (+196.6%) driven by foreign exchange business**
- **Successful exploration of cross-border syndicated loan businesses in the Asia-Pacific region**
- **Leading market position in mortgages, loan syndication and Hong Kong RMB banking business**
- **Continued enhancement of our customer base**
 - **Wealth management (+14.4%)**
 - **i-Free (+178.8%)**

Further Improvement in Loan Quality

Classified or Impaired Loan Ratio fell to 0.34%



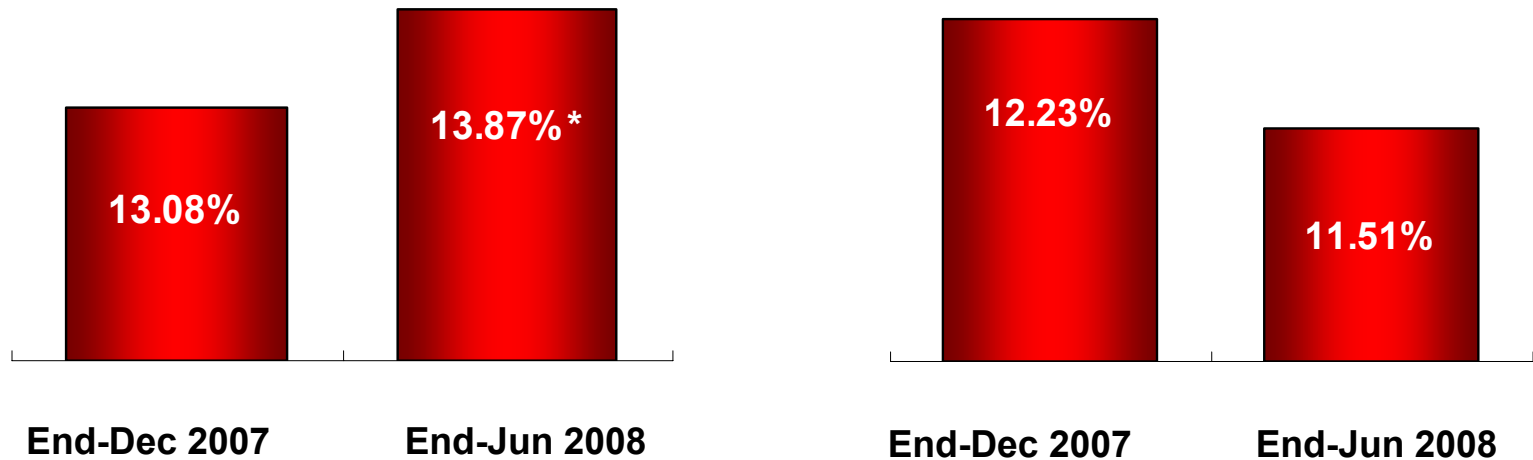
Note : Classified or impaired loans follow the definitions set out in the Banking (Disclosure) Rules and represent loans which are either classified as “substandard”, “doubtful” or “loss” under the Group’s classification of loan quality, or individually assessed to be impaired.

Solid Capital Strength

CAR maintained at healthy level of 13.87%

Total

Core



*Total capital included the issue of €660 million subordinated loan from our parent bank, Bank of China Limited in June 2008

Financial Results

Condensed Income Statement

Strong operating performance
Bottom-line negatively affected by securities impairment

HK\$ m	1H 2008	2H 2007	1H 2007	% YoY	% HoH
Net interest income	10,029	10,492	8,903	↑ 12.6	↓ 4.4
Net fees and commission income	2,899	3,642	2,632	↑ 10.1	↓ 20.4
Other operating income	1,111	1,060	525	↑ 111.6	↑ 4.8
Net operating income before impairment allowances	14,039	15,194	12,060	↑ 16.4	↓ 7.6
Net (charge)/reversal of impairment allowances	(2,227)	(1,614)	166	---	↑ 38.0
Net operating income	11,812	13,580	12,226	↓ 3.4	↓ 13.0
Operating expenses	(4,088)	(4,355)	(3,418)	↑ 19.6	↓ 6.1
Operating profit	7,724	9,225	8,808	↓ 12.3	↓ 16.3
Non-operating items	710	674	419	↑ 69.5	↑ 5.3
Profit attributable to shareholders	7,088	7,980	7,466	↓ 5.1	↓ 11.2

Key Financial Ratios

	1H 2008	2H 2007	1H 2007	Change YoY	Change HoH
ROE before impairment allowances	21.18%	24.01%	20.05%	↑ 1.13pp	↓ 2.83pp
ROE	15.09%	17.68%	17.32%	↓ 2.23pp	↓ 2.59pp
ROA before impairment allowances	1.83%	1.98%	1.78%	↑ 0.05pp	↓ 0.15pp
ROA	1.32%	1.50%	1.57%	↓ 0.25pp	↓ 0.18pp
Net interest margin	2.03%	2.10%	2.03%	↑ 0.00pp	↓ 0.07pp
Non-interest income ratio	28.56%	30.95%	26.18%	↑ 2.38pp	↓ 2.39pp
Cost-to-income ratio	29.12%	28.66%	28.34%	↑ 0.78pp	↑ 0.46pp

	30.06.2008	31.12.2007	30.06.2007	vs. 31.12.2007	vs. 30.06.2007
Classified or impaired loan ratio	0.34%	0.44%	0.41%	↓ 0.10pp	↓ 0.07pp
CAR	13.87%	13.08%	14.29%	↑ 0.79pp	↓ 0.42pp
Loan-to-deposit ratio	57.81%	51.66%	48.17%	↑ 6.15pp	↑ 9.64pp

Higher Net Interest Income

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

HK\$ m	1H 2008	2H 2007	1H 2007	% YoY	% HoH
Interest income	18,105	24,572	21,484	↓ 15.7	↓ 26.3
Interest expense	8,076	14,080	12,581	↓ 35.8	↓ 42.6
Net interest income	10,029	10,492	8,903	↑ 12.6	↓ 4.4
Average interest earning assets	988,746	992,821	883,030	↑ 12.0	↓ 0.4
Net interest margin (NIM)	2.03%	2.10%	2.03%	---	↓ 0.07pp
Net interest margin (NIM)*	2.10%	2.12%	2.07%	↑ 0.03pp	↓ 0.02pp

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

Net Fees and Commission Income

Improved business mix with growth in traditional fee income including loan commissions, RMB business, currency exchange, trust services and credit cards

HK\$ m	1H 2008	2H 2007	1H 2007	% YoY	% HoH
Investment and insurance fee income					
Securities brokerage (Stockbroking)	1,289	2,236	1,324	↓ 2.6	↓ 42.4
Securities brokerage (Bonds)	220	146	65	↑ 238.5	↑ 50.7
Sale of funds	157	341	342	↓ 54.1	↓ 54.0
Life insurance	77	24	33	↑ 133.3	↑ 220.8
	1,743	2,747	1,764	↓ 1.2	↓ 36.5
Bills commissions	329	315	273	↑ 20.5	↑ 4.4
Loan commissions	263	218	129	↑ 103.9	↑ 20.6
Trust services	87	87	66	↑ 31.8	- 0.0
Payment services	239	243	221	↑ 8.1	↓ 1.6
Credit cards	578	556	471	↑ 22.7	↑ 4.0
Account services	146	137	153	↓ 4.6	↑ 6.6
Currency exchange	108	111	73	↑ 47.9	↓ 2.7
RMB business	99	83	54	↑ 83.3	↑ 19.3
IPO-related	30	62	43	↓ 30.2	↓ 51.6
Others	223	179	192	↑ 16.1	↑ 24.6
Total Fees and Commission Income	3,845	4,738	3,439	↑ 11.8	↓ 18.8
Less: Fees and Commission Expenses	(946)	(1,096)	(807)	↑ 17.2	↓ 13.7
Net Fees and Commission Income	2,899	3,642	2,632	↑ 10.1	↓ 20.4

Strong Rise in Non-interest Income



Higher non-interest income driven by growth in net fees income and other income of the Banking operation

HK\$ m	1H 2008	2H 2007	1H 2007	% YoY	% HoH
Net fees and commission income	2,899	3,642	2,632	↑ 10.1	↓ 20.4
Other operating income - Banking operation	1,596	1,083	608	↑ 162.5	↑ 47.4
Net trading income*	1,237	596	417	↑ 196.6	↑ 107.6
Net loss on financial instruments designated at FVTPL	(92)	(20)	(5)	---	---
Other income	451	507	196	↑ 130.1	↓ 11.0
BOCL [#] non-interest income	(485)	(23)	(83)	---	---
Net gain/(loss) on financial instruments designated at FVTPL - BOCL [#]	(1,392)	1,282	(389)	---	---
Net insurance premium income	4,501	5,493	2,933	↑ 53.5	↓ 18.1
Net insurance benefits and claims	(3,602)	(6,808)	(2,632)	↑ 36.9	↓ 47.1
Other income	8	10	5	↓ 60.0	↑ 20.0
Total	4,010	4,702	3,157	↑ 27.0	↓ 14.7

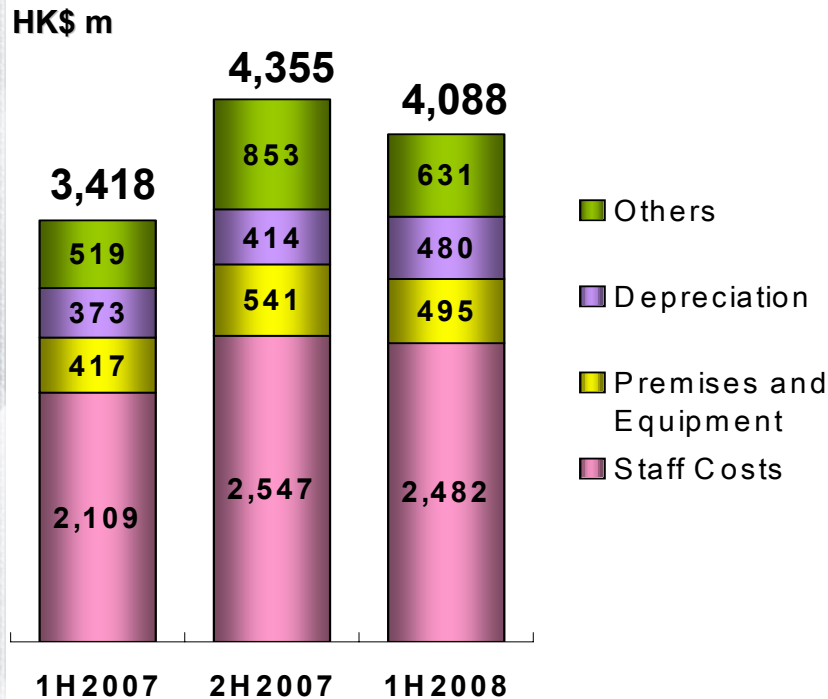
*Foreign exchange swap contracts are usually used for the Group's funding activities. Under HKAS 39, the exchange difference between the spot and forward contracts is recognised as foreign exchange gain or loss in net trading income, while the corresponding interest differential between the original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

BOCL= BOC Group Life Assurance Company Limited

Effective Cost Management

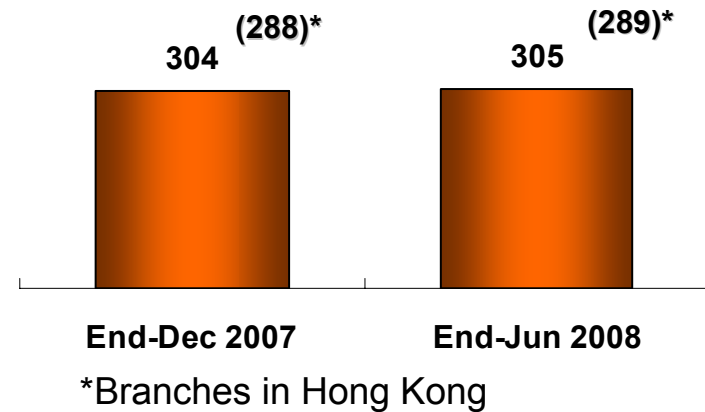
Costs well contained albeit continued investment in HR and IT

Operating Expenses

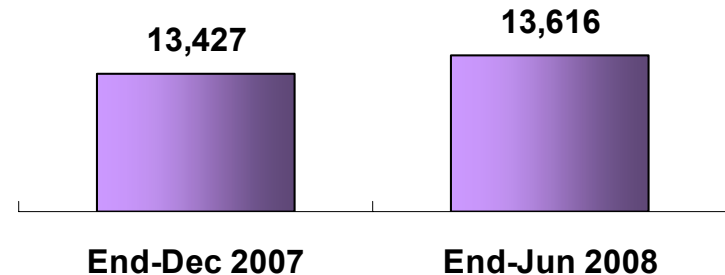


28.34% 28.66% 29.12%
Cost-to-income ratio

Branch Number



Staff Number (FTE)



Net (charge) / reversal of Impairment Allowances

**Mild net charge of loan impairment as recoveries and release reduced
Further impairment charges were made against asset-backed securities**

HK\$ m

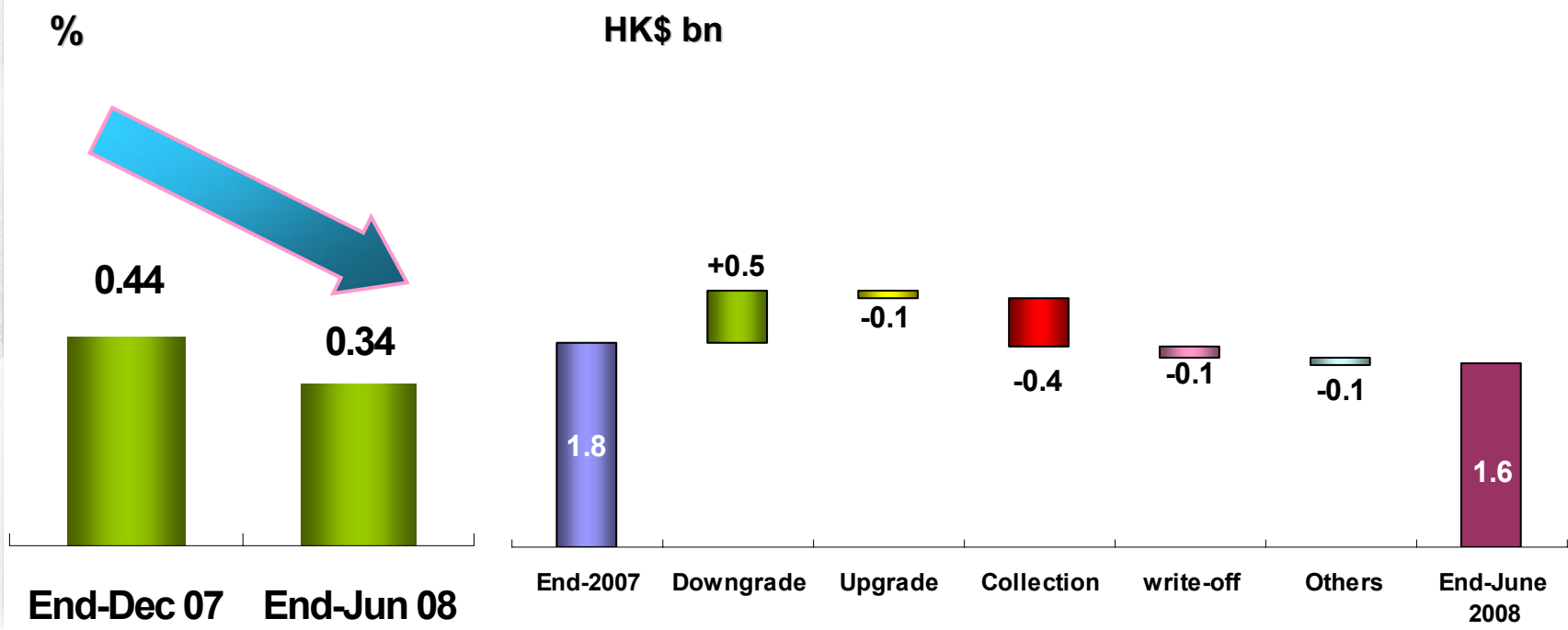
	1H 2008	2H 2007	1H 2007	% YoY	% HoH
Advances to customers					
Individual assessment					
- New allowances	(142)	(224)	(106)	↑ 34.0	↓ 36.6
- Releases	62	190	109	↓ 43.1	↓ 67.4
- Recoveries	187	971	340	↓ 45.0	↓ 80.7
Collective assessment					
- New allowances	(199)	(433)	(192)	↑ 3.6	↓ 54.0
- Releases	7	0	0	---	---
- Recoveries	14	15	15	↓ 6.7	↓ 6.7
Net (charge)/release of impairment on advances	(71)	519	166	---	---
Debt securities					
- Held-to-maturity securities	(962)	(1,844)	0	---	↓ 47.8
- Available-for-sale securities	(1,187)	(289)	0	---	↑ 310.7
Net charge of impairment on debt securities	(2,149)	(2,133)	0	---	↑ 0.8
Net (charge)/release of impairment on properties, plant and equipment	(7)	0	0	---	---
Total (charge)/release to income statement	(2,227)	(1,614)	166	---	↑ 38.0

Further Improvement in Loan Quality

Classified or impaired loan ratio declined to 0.34%

Classified or Impaired Loan Ratio

Migration of Classified Loans



Condensed Balance Sheet

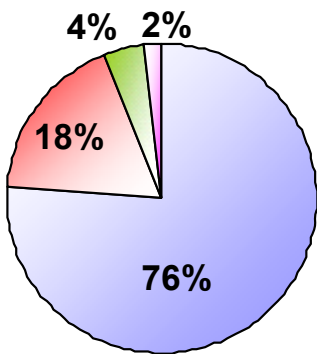
Total assets further expanded on the back of higher customer deposits and strong growth in RMB deposits placed from peer banks

HK\$ m	30.06.2008	31.12.2007	% Change	
Total assets	1,127,168	1,067,637	↑	5.6
Cash and balances with banks and other financial institutions	188,452	159,065	↑	18.5
Placements with banks and other financial institutions	50,689	53,154	↓	4.6
Securities investments	299,979	335,623	↓	10.6
Advances to customers	475,587	413,062	↑	15.1
Fixed assets & IP	33,864	31,351	↑	8.0
Total liabilities	1,029,649	972,579	↑	5.9
Inter-bank deposits taken	81,625	60,599	↑	34.7
Deposits from customers*	822,711	799,565	↑	2.9
Subordinated liability	8,150	0		---
Total equity	97,519	95,058	↑	2.6
Minority interests	2,472	2,216	↑	11.6
Shareholders' funds	95,047	92,842	↑	2.4

* 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	30.06.2008	31.12.2007	% Change	Loans by currency mix
Loans for use in HK - corporate	194,423	168,656	↑ 15.3	
Loans for use in HK - individual	147,804	137,021	↑ 7.9	
Residential mortgages*	116,148	106,583	↑ 9.0	
Credit card advances	5,666	5,761	↓ 1.6	
Trade finance	31,683	24,275	↑ 30.5	
Loans for use outside HK	101,677	83,110	↑ 22.3	
Total advances to customers	475,587	413,062	↑ 15.1	
Loan-to-deposit ratio	57.81%	51.66%		■ 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

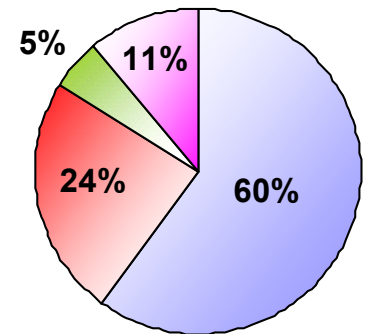
Higher Customer Deposits

Moderate deposits growth, outpaced the market

HK\$ m

	30.06.2008	31.12.2007	% Change
Demand deposits and current accounts	40,907	40,499	↑ 1.0
Saving deposits	295,502	286,653	↑ 3.1
Time, call and notice deposits	482,701	466,454	↑ 3.5
Structured deposits	3,601	5,959	↓ 39.6
Total deposits from customers	822,711	799,565	↑ 2.9

Deposits by currency mix

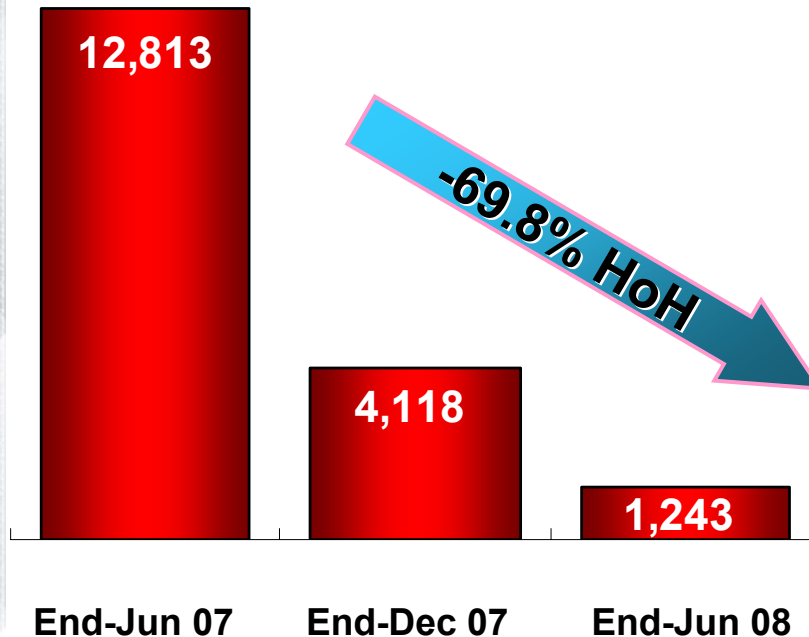


■ HKD ■ USD ■ RMB ■ Others

Subprime Exposure Significantly Reduced

Proactive management of our portfolio
with significant reduction in net exposure

HK\$ m

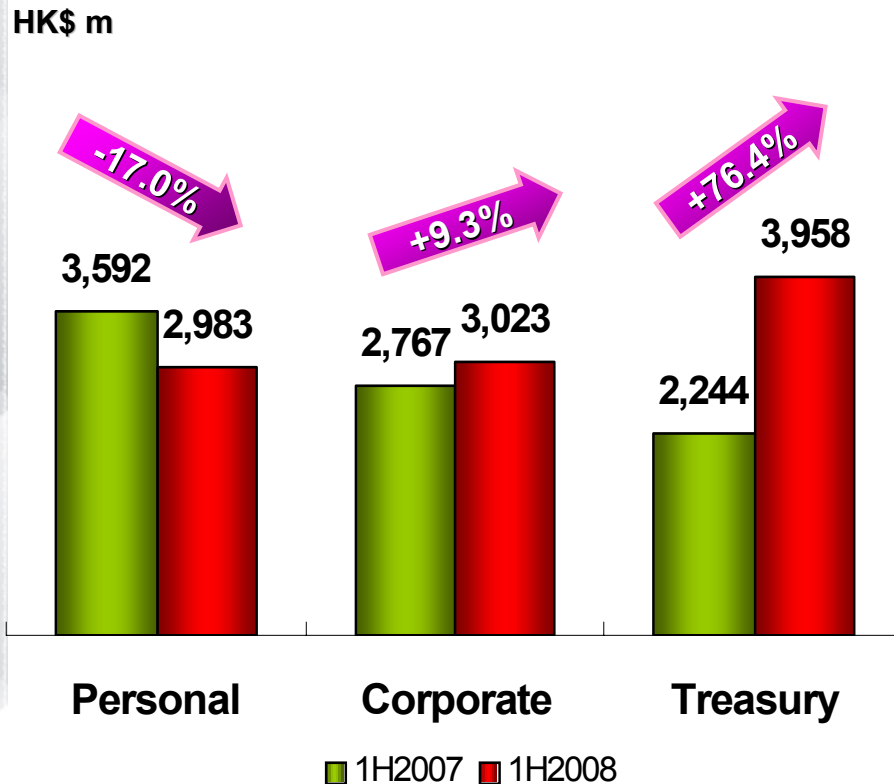


- Exposure reduction in 1H08 was mainly due to disposals and repayments
- Impairment allowances of HK\$450 million were provided for the outstanding subprime securities as at end Jun 08

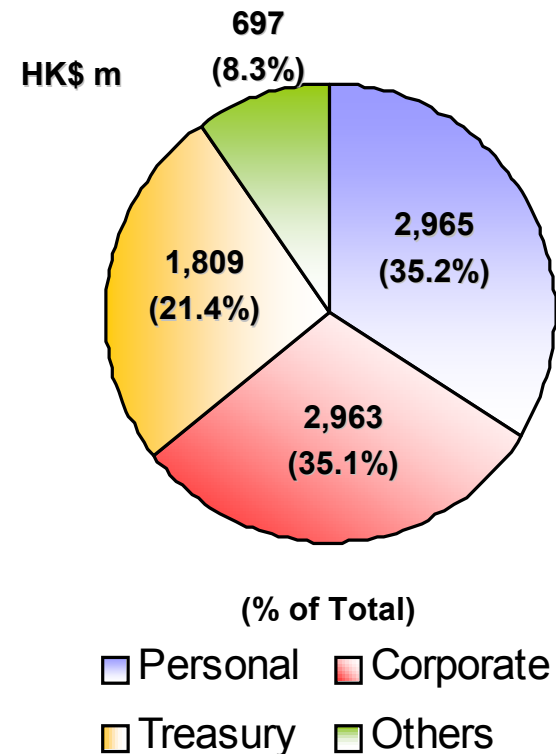
Profit Contribution by Business Segment

Steady growth in Corporate Banking; Solid performance in Treasury
Decline in Personal segment due to lower net interest income

Operating profit before impairment



Pre-tax profit



Mainland Business

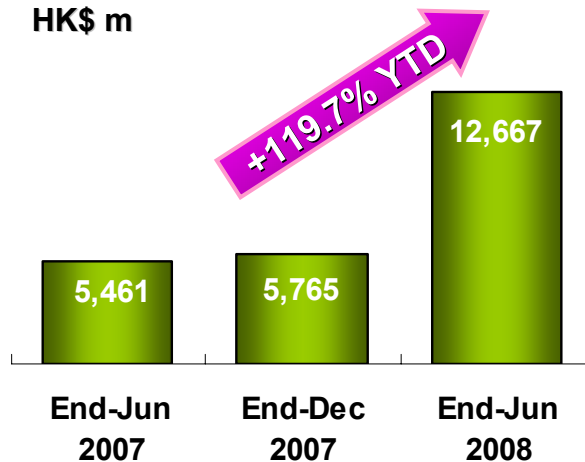
Operating profit before impairment improved if excluding exchange loss
 Total advances and customer deposits improved significantly
 with RMB deposits almost doubled (YTD)

HK\$ m	1H 2008	1H 2007	% YoY
Operating income	405	351	↑ 15.4
Operating expenses	187	115	↑ 62.6
Operating profit before impairment	218	236	↓ 7.6
<i>Operating profit before impairment*</i>	296	211	↑ 40.3
Profit before taxation	236	283	↓ 16.6
<i>Profit before taxation*</i>	314	258	↑ 21.7

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

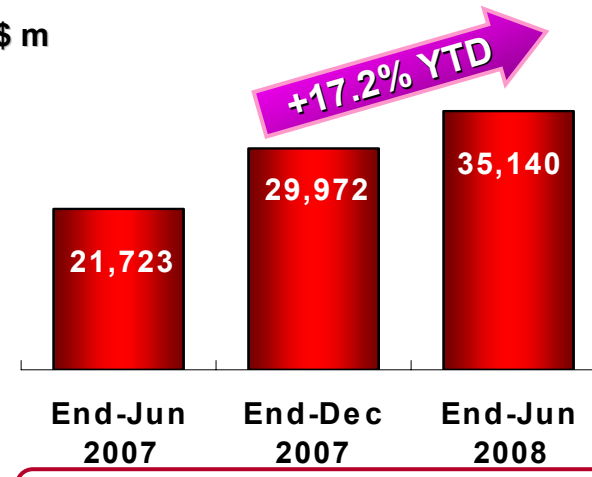
Deposits from customers

HK\$ m



Gross advances to customers

HK\$ m



0.10% 0.68% 0.78%
 Classified loan ratio

Outlook

Outlook – Challenging operating environment

- Deterioration in global economic and financial conditions has become more severe and prolonged
- Turmoil in financial markets, slower growth in the US and rising inflation are adversely affecting growth prospects for Hong Kong
- China economy remains solid, though tightening macro measures may moderate growth
- Hong Kong's close links with China will continue to provide economic expansion opportunities, albeit at a slower pace

Business focuses

Managing our growth with prudence

- Financial strength : maintain healthy capital base and strong liquidity position
- Cost control : implement effective initiatives to counteract inflationary risks and invest in accordance with our strategic priorities while managing cost increases
- Loan quality : align our proactive risk management with market trends
- Investments : remain vigilant and actively manage our securities investments amid volatile market

Business focuses

Focus on long-term quality growth

- Strengthen our leading positions in core businesses
- Enhance cross-selling and penetration through customer segmentation and innovative product offering
- Closely collaborate with BOC to capture emerging business opportunities for mutual gains
- Continue expanding our geographical footprint
 - Nanyang (China) : our top investment priority for branch network expansion and enhancement of the Nanyang (China) franchise.
 - Regional expansion: extending our reach and franchise through BOC Group's Asia Pacific Syndication Loan Centre
- In pursuit of expansion opportunities in accordance with our 5-year strategic plan

2008 Interim Results

28.8.2008