



中銀香港(控股)有限公司

BOC HONG KONG (HOLDINGS) LIMITED

**2002 Interim Results
Press Conference**

August 27, 2002

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 ADSs and local shares.

Presenters on behalf of our Management Team



Attendees	Title
Dr. Liu Jinbao	Vice Chairman and Chief Executive
Mr. Zhu Chi	Deputy Chief Executive
Mr. Ding Yansheng	Deputy Chief Executive
Mr. Or Man Ah	Deputy Chief Executive
Mr. David Lam	Deputy Chief Executive
Mr. Norman Law	Chief Financial Officer

Agenda



- **Performance Highlights**
- **1H2002 Financial Results and Operating Performance**
- **Strategic Focus**

Key Interim Results Highlights



- **Achieved annualized ROAE of 12.9%**
- **1H2002 net profit of HK\$3.4 billion**
 - **Represented 54% of our 2002 profit forecast**
 - **Exceeded our 2001 full year profit of HK\$2.8 billion**
- **Adjusted 1H2002 EPS of HK\$0.323, greater than 2001 adjusted EPS of HK\$0.262**
- **NPL levels significantly lowered to an NPL ratio of 8.97%**

**On track to meet our HK\$6.3 billion profit forecast
and our ROAE target**

2002 Interim Highlights

P&L



(HK\$ million)	Six Months Ended 30 June		% Change 1H01 vs 1H02	Year Ended 31 Dec
	2002	2001		2001
Total Operating Income	8,901	9,990	(10.9)%	19,009
Total Operating Expenses	2,899	2,868	1.1%	5,847
Operating Profit before Provisions	6,002	7,122	(15.7)%	13,162
Charges for Bad and Doubtful Debts	1,766	1,848	(4.4)%	7,412
Operating Profit after Provisions	4,236	5,274	(19.7)%	5,750
Profit attributable to shareholders	3,418	4,195	(18.5)%	2,768
Adjusted EPS	HK\$0.323	HK\$0.397	(18.6)%	HK\$0.262

2002 Interim Highlights

Balance Sheet



(HK\$ million)	As at 30 June 2002	As at 31 Dec 2001
Total Assets	737,778	766,140
Total Liabilities	683,040	712,904
Gross Loans	317,634	323,038
Total Customer Deposits	611,470	606,428
Shareholders' Funds	53,654	52,170

2002 Interim Highlights

Key Financial Ratios



(%)	Six Months Ended 30 June		Year Ended 31 Dec
	2002	2001	2001
Net Interest Margin	1.98	1.97	1.95
Non-Interest Income / Operating Income	22.58	22.58	21.16
Cost to Income Ratio	32.57	28.71	30.76
NPL Ratio	8.97	–	10.99
LLR Coverage	54.52	–	48.19
Capital Adequacy Ratio	14.68	–	14.38

- Improved net interest margin
- Cost to income ratio among lowest in industry
- Improvement in NPL and Loan Loss Reserve Coverage
- Strong capital adequacy

Summary of P&L



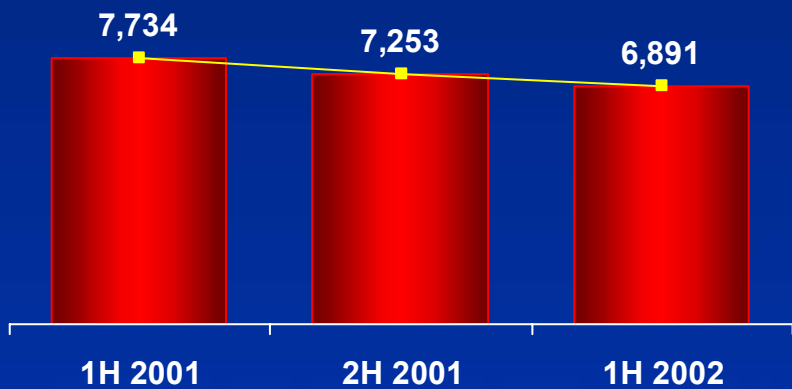
(HK\$ million)	Six Months Ended 30 June	
	2002	2001
Net Interest Income	6,891	7,734
Other Operating Income	2,010	2,256
Total Operating Income	8,901	9,990
Operating Expenses	2,899	2,868
Operating Profit before Provisions	6,002	7,122
Charge for Bad and Doubtful Debts	1,766	1,848
Operating Profit after Provisions	4,236	5,274
Restructuring Charges	-	(295)
Others	(25)	100
Profit before Taxation	4,211	5,079
Profit Attributable to Shareholders	3,418	4,195
EPS (HK\$)	0.065	0.079
Adjusted EPS (HK\$) ⁽¹⁾	0.323	0.397

(1) Adjusted for share consolidation

Key Trends



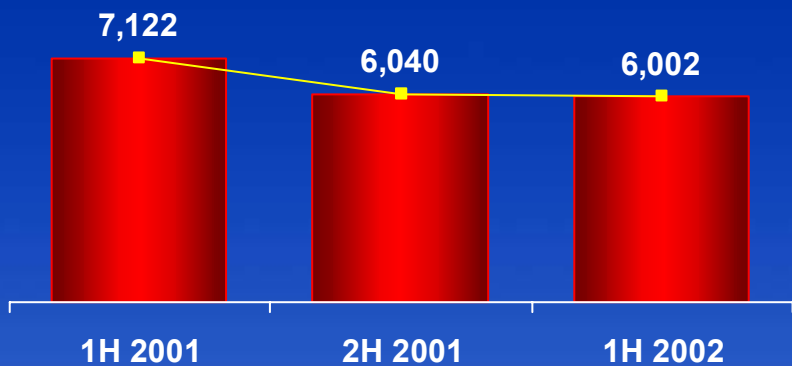
Net Interest Income



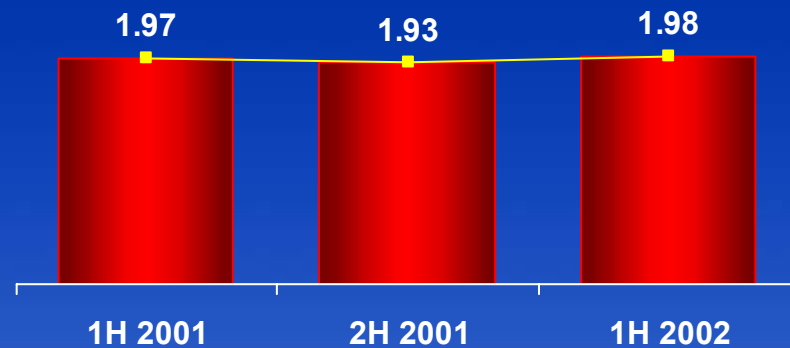
Other Operating Income



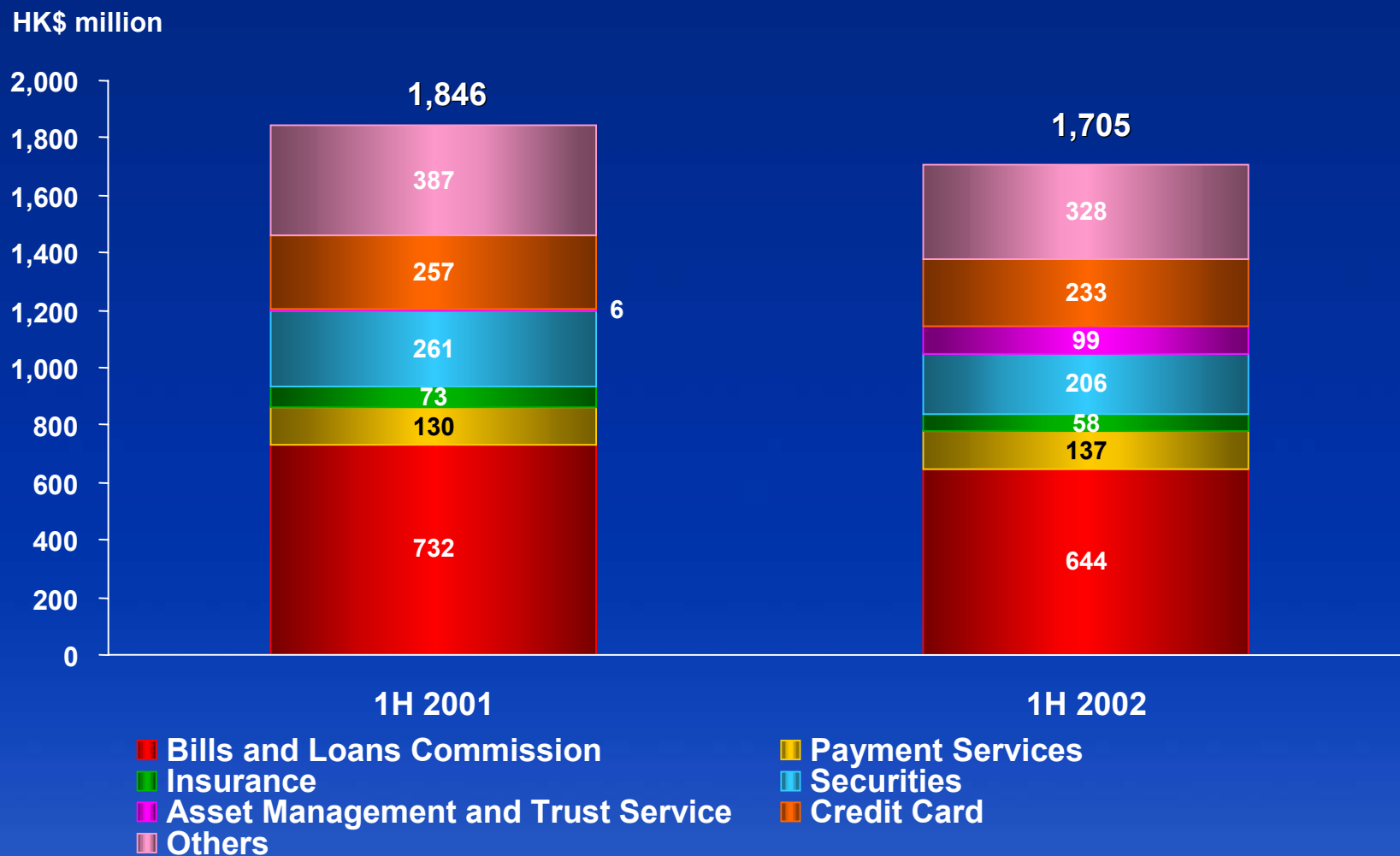
Operating Profit Before Provisions



Net Interest Margin



Fees and Commission Income



Operating Expenses



(HK\$ million)	Six Months Ended 30 June		% Change
	2002	2001	
Staff Costs	1,761	1,905	(7.6)%
Premises and Equipment	360	376	(4.3)%
Depreciation	359	213	68.5%
Others	419	374	12.0%
Operating Expenses	2,899	2,868	1.1%

Provisions for Bad and Doubtful Debt



(HK\$ million)	As at 30 June 2002	As at 31 Dec 2001
General Provisions	6,538	6,538
Specific Provisions	8,999	10,576
LLR	15,537	17,114
Total Loans	317,634	323,038
NPLs	28,498	35,512
SP/NPLs	31.6%	29.8%
GP/Total Loans	2.1%	2.0%
LLR/NPLs	54.5%	48.2%

Assets Breakdown



(HK\$ million)	As at 30 June 2002	As at 31 Dec 2001
Cash and short-term funds	109,408	196,255
Interbank placements	100,918	80,773
Trade bills	584	382
Certificates of deposit held	17,471	19,474
HKSAR Gov't certificates of indebtedness	28,290	25,510
Held-to-maturity securities	102,555	50,988
Investment securities	50	44
Other investments in securities	48,760	56,169
Advances and other accounts	303,983	308,108
Fixed assets	20,636	21,049
Investments in associates	366	416
Other assets	4,757	6,972
Total assets	737,778	766,140

Loan Portfolio Breakdown

Industry Sectors

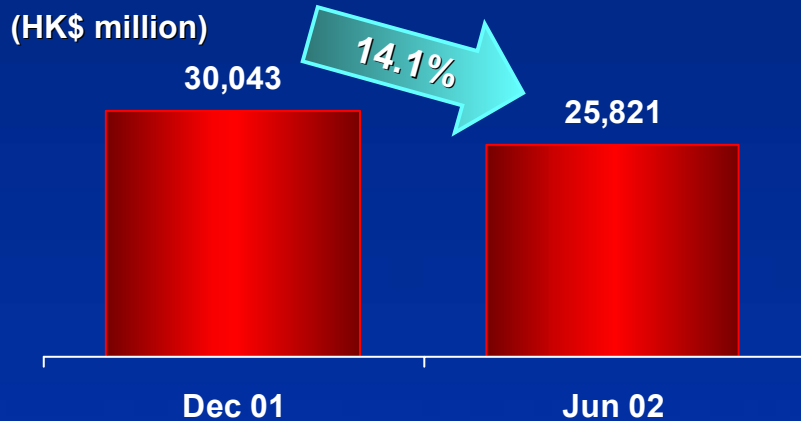


	As at 30 June 2002		As at 31 Dec 2001		% Change
	HK\$ million	%	HK\$ million	%	
Industrial, Commercial and Financial	173,230	54.5%	178,880	55.4%	(3.2)%
Individuals	118,463	37.3%	115,540	35.8%	2.5%
Trade Finance	9,763	3.1%	10,566	3.3%	(7.6)%
Loans used Outside Hong Kong	16,178	5.1%	18,052	5.5%	(10.4)%
Total Advances to Customers	317,634	100%	323,038	100%	(1.7)%

Non-Performing Loans



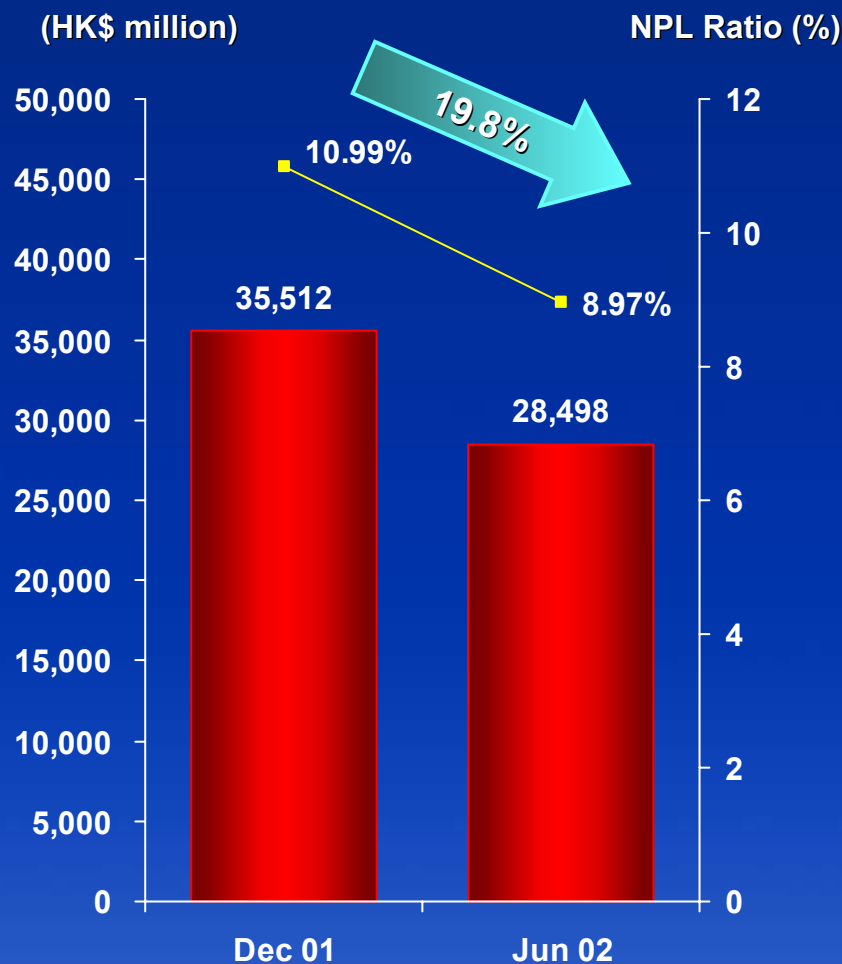
NPLs in Hong Kong



NPLs in China



Total NPLs



Liabilities Breakdown



(HK\$ million)	As at 30 June, 2002	As at 31 Dec, 2001
HKSAR currency notes in circulation	28,290	25,510
Interbank deposits	16,115	55,295
Customer deposits	611,470	606,428
Certificates of deposit issued	5,000	5,000
Other accounts and provisions	22,165	20,671
Total liabilities	683,040	712,904

Strategic Focus



Key Focus Areas

Revenue Enhancement

- Introduce tailored products
- Target higher net worth customers and SME customers
- Expand non-interest income, such as credit card and investment funds
- Penetrate RMB business through mainland branches
- Enhance customer relationship management

Asset Quality Improvement

- Strengthen risk management systems and practices
- Monitor special mention loans to minimize loan downgrades
- Minimize new NPL formation and maximize recoveries

Strategic Focus (Cont'd)



Key Focus Areas

Cost Synergies

- Redesign and rationalize branch network and distribution channels
- Automate loan processes
- Increase IT expenses to enhance hardware/infrastructure and software

Capital Management

- Optimize capital structure
- Enhance asset-liability mix and focus on higher yielding assets
- Maintain 60-70% dividend payout ratio