



Delivering Growth, Quality and Excellence

2007 Annual Results

2008.03.25

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



■ **Key Performance Highlights**

■ **Financial Results**

■ **Outlook**



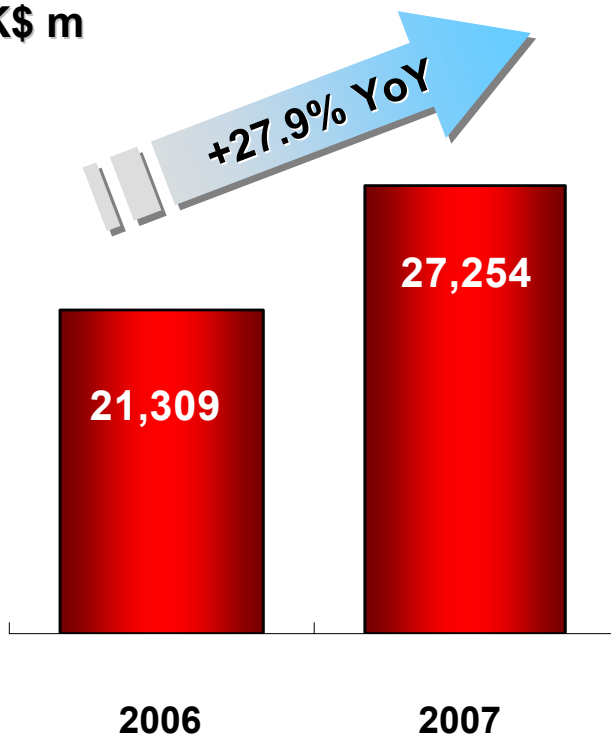
Key Performance Highlights



Strong Growth in Operating Results

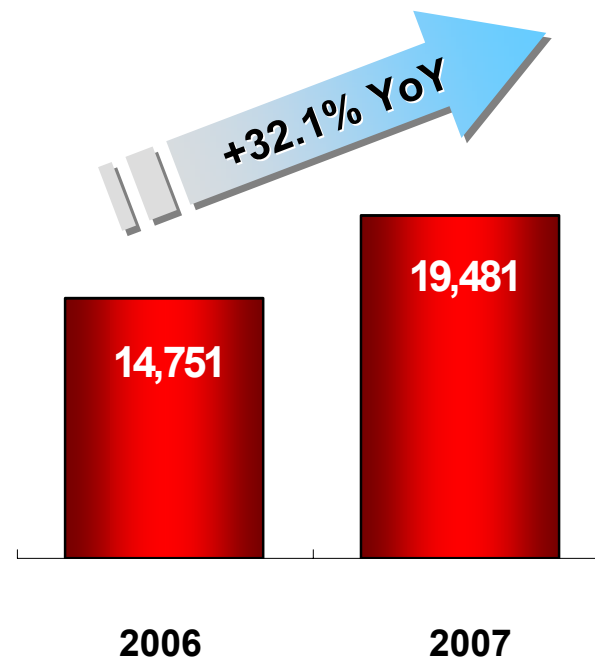
Net Operating Income
before Impairment Allowances

HK\$ m



Operating Profit
before Impairment Allowances

HK\$ m

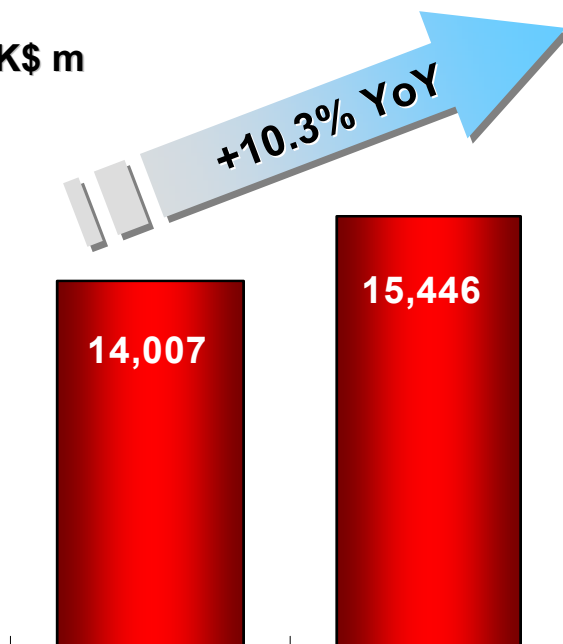


Record High Profit Attributable to Equity Holders & Dividend Per Share



Profit Attributable to Equity Holders

HK\$ m



+10.3% YoY

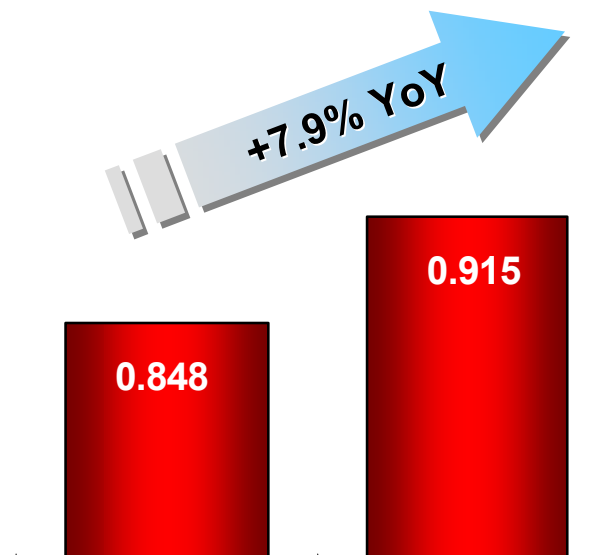
2006

2007

EPS (HK\$)
1.3248 1.4609

Dividend per Share

HK\$



+7.9% YoY

2006

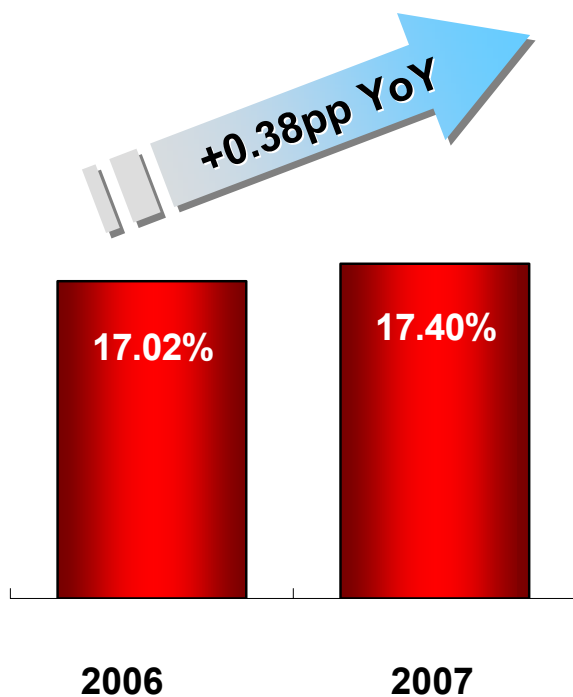
2007



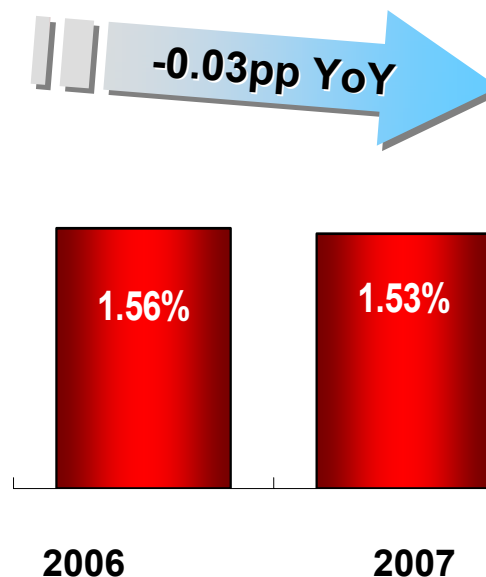
ROE & ROA

ROE

ROA



ROE before impairment allowances
2006: 17.92% 2007: 21.95%



ROA before impairment allowances
2006: 1.61% 2007: 1.89%

Operating Environment



External

- Robust economy – 4th consecutive year of above trend GDP growth driven by
 - Investment
 - Domestic consumption and external trade
 - Financial market boom fueled by robust stock trading, IPO activities and capital inflow
 - Low unemployment rate
 - Revived property market
- Mounting inflationary pressure
- Continuous Fed rate cuts and narrowed Prime-HIBOR spread
- Benign credit environment

Internal

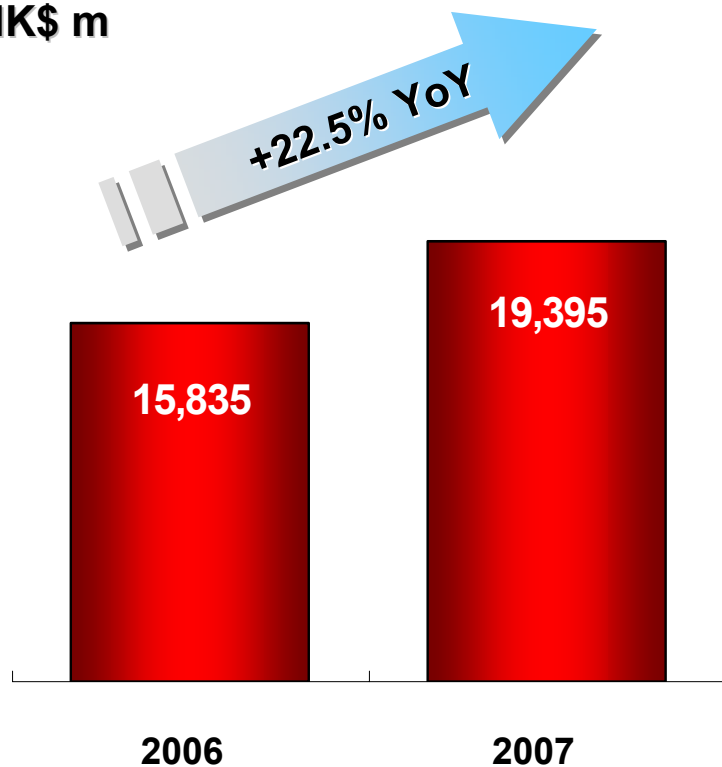
- Business platform strengthened with successful implementation of the RPC business model
- Nanyang Commercial Bank (China) Limited commenced business
- Strong growth in higher-margin loan segments and investment & insurance business
- Pioneer in arranging the RMB bond issue and providing RMB bond service in Hong Kong
- Proactive management of investment portfolio amid volatile financial market

Strong Growth in Core Earnings



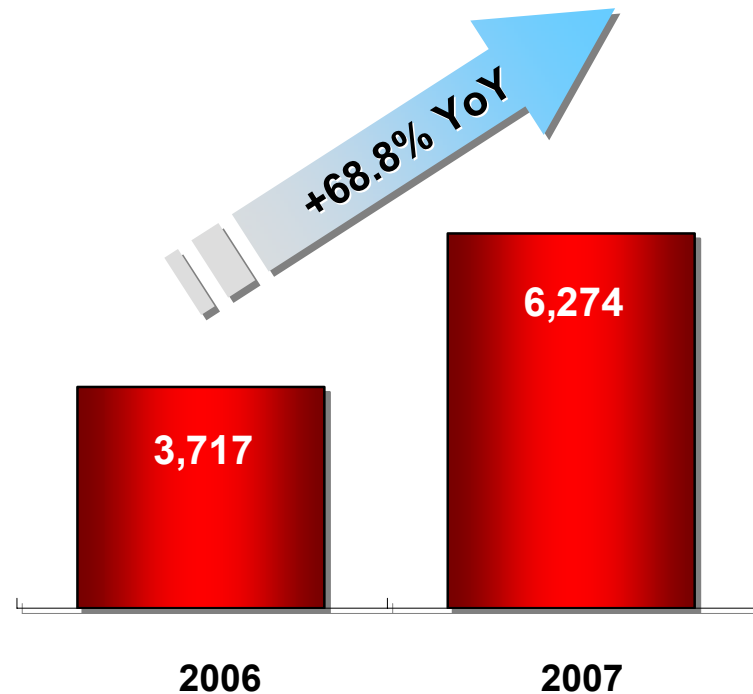
Net Interest Income

HK\$ m



Net Fees & Commission Income

HK\$ m



Other Business Highlights

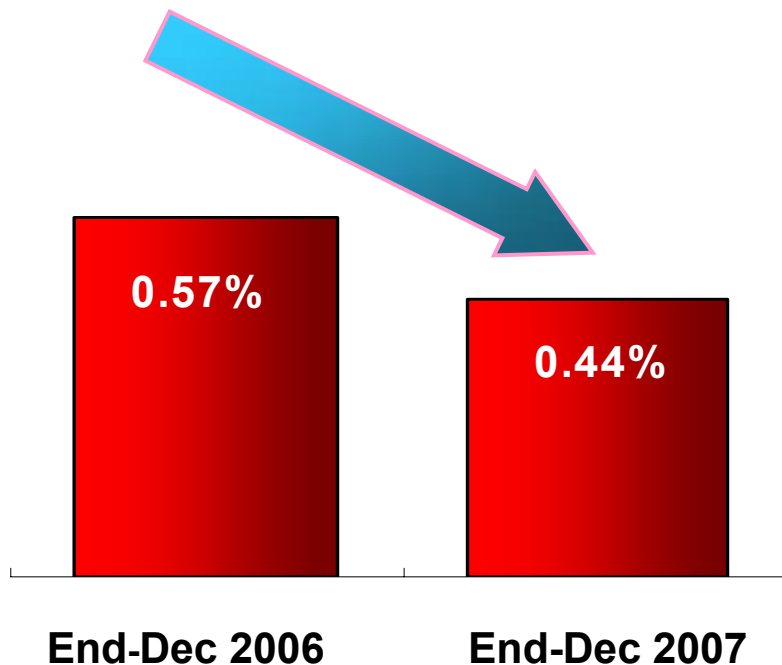


- **Broad-based increase in loans and advances (+19.0%)**
 - Significant growth in SME loans (+32.2%), Trade finance (+43.9%) and Mainland lending (+60.9%)
- **Solid rise in customer deposits (+13.6%)**
- **Robust growth in net fee income (+68.8%)**
 - Strong increase in stock brokerage fee income (+157.4%), asset management (+115.5%) and bond sales (+101.0%)
- **Improved product mix and marked growth in life insurance business**
- **Leading market position in mortgages, loan syndication and Hong Kong RMB banking business**
- **Enhanced customer portfolio and e-channel platform**

Further Improvement in Loan Quality



Classified or Impaired Loan Ratio fell to 0.44%

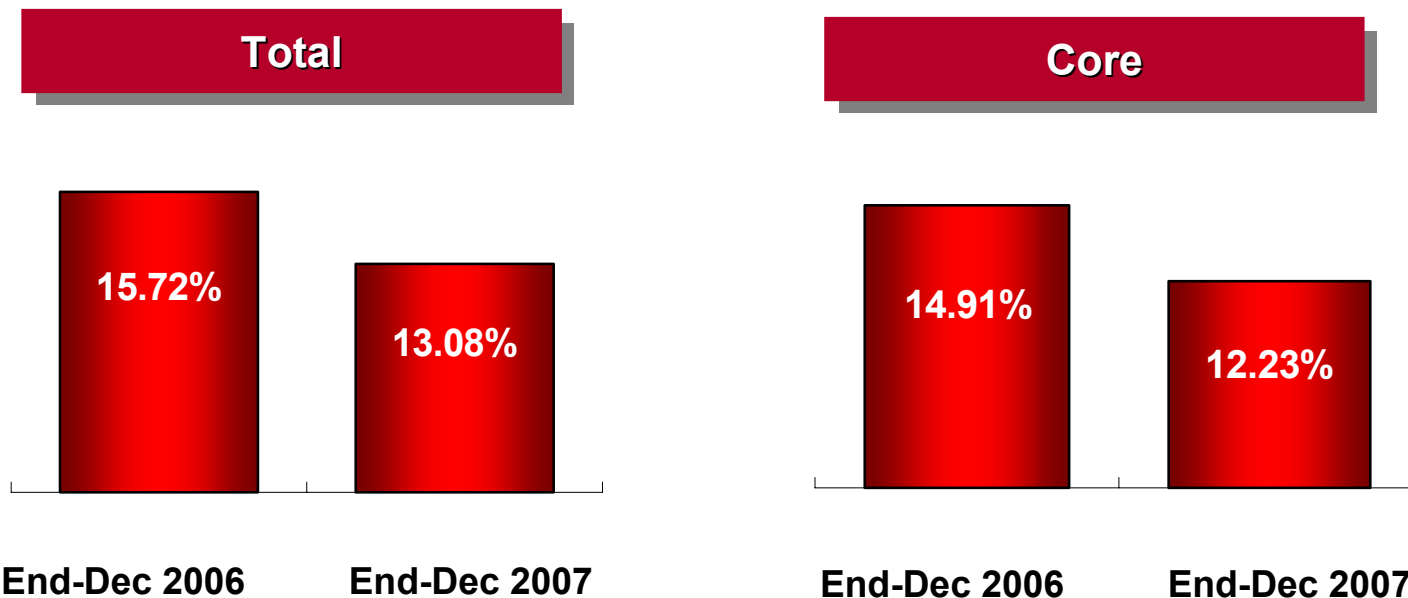


Note : Classified or impaired loans follow the definitions set out in the Banking (Disclosure) Rules and represent loans which are either classified as “substandard”, “doubtful” or “loss” under the Group’s classification of loan quality, or individually assessed to be impaired.

Healthy Capital Strength



CAR maintained at healthy level of 13.08%



Notes:

1. Capital adequacy ratios at end-Dec 2007 are calculated in accordance with the Banking (Capital) Rules effective 1 January 2007 and comparative ratios (unaudited) at end-Dec 2006 are restated accordingly .
2. Capital adequacy ratios at end-Dec 2006 based on Basel I: Total: 13.99%; Core: 13.39%



Financial Results

Condensed Income Statement



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

| HK\$ m | 2007 | 2006 | % YoY |
|--|---------------|---------------|---------------|
| Net interest income | 19,395 | 15,835 | ↑ 22.5 |
| Net fees and commission income | 6,274 | 3,717 | ↑ 68.8 |
| Other operating income | 1,585 | 1,757 | ↓ 9.8 |
| Net operating income before impairment allowances | 27,254 | 21,309 | ↑ 27.9 |
| Net (charge)/reversal of impairment allowances | (1,448) | 1,794 | --- |
| Net operating income | 25,806 | 23,103 | ↑ 11.7 |
| Operating expenses | (7,773) | (6,558) | ↑ 18.5 |
| Operating profit | 18,033 | 16,545 | ↑ 9.0 |
| Non-operating items | 1,093 | 594 | ↑ 84.0 |
| Profit attributable to equity holders | 15,446 | 14,007 | ↑ 10.3 |

Key Financial Ratios



| | 2007 | 2006 | Change YoY |
|----------------------------------|--------|--------|------------|
| ROE before impairment allowances | 21.95% | 17.92% | ↑ 4.03pp |
| ROE | 17.40% | 17.02% | ↑ 0.38pp |
| ROA before impairment allowances | 1.89% | 1.61% | ↑ 0.28pp |
| ROA | 1.53% | 1.56% | ↓ 0.03pp |
| Net interest margin | 2.07% | 1.90% | ↑ 0.17pp |
| Non-interest income ratio | 28.84% | 25.69% | ↑ 3.15pp |
| Cost-to-income ratio | 28.52% | 30.78% | ↓ 2.26pp |

| | 31.12.2007 | 31.12.2006 | vs. 31.12.2006 |
|-----------------------------------|------------|------------|----------------|
| Classified or impaired loan ratio | 0.44% | 0.57% | ↓ 0.13pp |
| CAR (Basel II) | 13.08% | 15.72% | ↓ 2.64pp |
| Loan-to-deposit ratio | 51.66% | 49.32% | ↑ 2.34pp |

Higher Net Interest Income and Enhanced NIM



Improved NII driven by growth in average interest-earning assets and widened net interest margin

HK\$ m

| | 2007 | 2006 | | % YoY |
|---------------------------------|---------|---------|---|---------|
| Interest income | 46,056 | 40,271 | ↑ | 14.4 |
| Interest expense | 26,661 | 24,436 | ↑ | 9.1 |
| Net interest income | 19,395 | 15,835 | ↑ | 22.5 |
| <hr/> | | | | |
| Average interest earning assets | 938,377 | 835,493 | ↑ | 12.3 |
| Net interest margin (NIM) | 2.07% | 1.90% | ↑ | 0.17 pp |

Strong Growth in Net Fees and Commission Income



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

| HK\$ m | 2007 | 2006 | % YoY |
|--|----------------|----------------|----------------|
| Investment and insurance fee income | | | |
| Securities brokerage (Stockbroking) | 3,560 | 1,383 | ↑ 157.4 |
| Securities brokerage (Bonds) | 211 | 105 | ↑ 101.0 |
| Asset management | 683 | 317 | ↑ 115.5 |
| Life insurance | 57 | 46 | ↑ 23.9 |
| | 4,511 | 1,851 | ↑ 143.7 |
| Bills commissions | 588 | 537 | ↑ 9.5 |
| Loan commissions | 347 | 273 | ↑ 27.1 |
| Trust services | 153 | 118 | ↑ 29.7 |
| Payment services | 464 | 418 | ↑ 11.0 |
| Credit cards | 1,027 | 807 | ↑ 27.3 |
| Account services | 290 | 304 | ↓ 4.6 |
| RMB business | 137 | 77 | ↑ 77.9 |
| IPO-related | 105 | 60 | ↑ 75.0 |
| Others | 555 | 540 | ↑ 2.8 |
| Total Fees and Commission Income | 8,177 | 4,985 | ↑ 64.0 |
| Less: Fees and Commission Expenses | (1,903) | (1,268) | ↑ 50.1 |
| Net Fees and Commission Income | 6,274 | 3,717 | ↑ 68.8 |

Strong Rise in Non-interest Income



Higher non-interest income driven by strong growth in net fees and commission income

| HK\$ m | 2007 | 2006 | % YoY |
|---|--------------|--------------|---------------|
| Net fees and commission income | 6,274 | 3,717 | ↑ 68.8 |
| Other operating income - Banking operation | 1,691 | 1,791 | ↓ 5.6 |
| Net trading income* | 1,013 | 1,567 | ↓ 35.4 |
| Net loss on financial instruments designated at FVTPL | (25) | (99) | --- |
| Other income | 703 | 323 | ↑ 117.6 |
| BOCL[#] non-interest income | (106) | (34) | --- |
| Net gain on financial instruments designated at FVTPL | 893 | 420 | ↑ 112.6 |
| Net insurance premium income | 8,426 | 6,195 | ↑ 36.0 |
| Net insurance benefits and claims | (9,440) | (6,655) | ↑ 41.8 |
| Other income | 15 | 6 | ↑ 150.0 |
| Total | 7,859 | 5,474 | ↑ 43.6 |

*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.

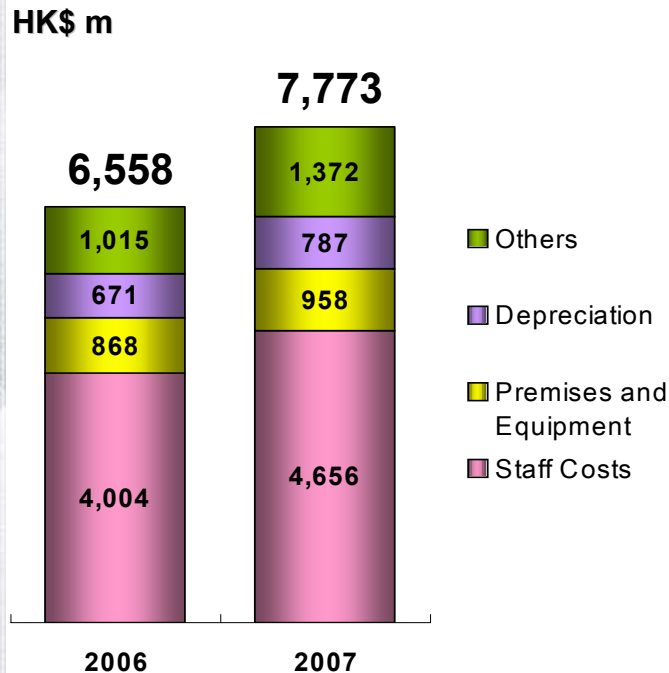
BOCL= BOC Group Life Assurance Company Limited

Effective Cost Management



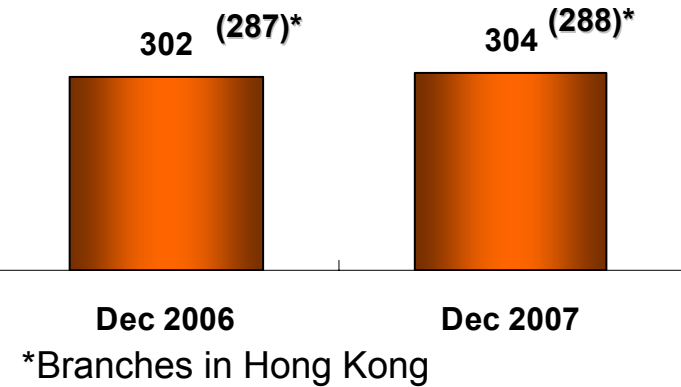
Cost-to-income ratio improved further due to strong income growth

Operating Expenses

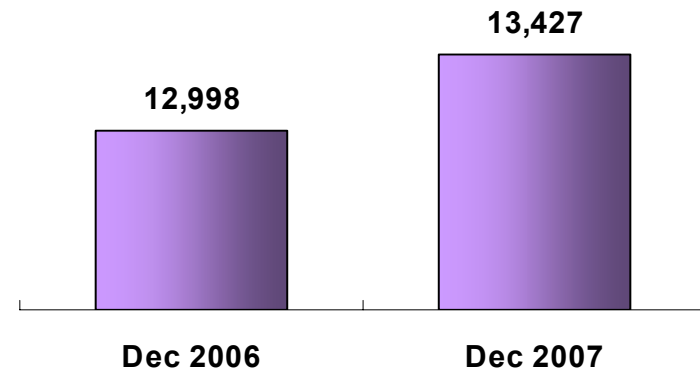


30.78% **28.52%**
Cost-to-income ratio

Branch Number



Staff Number (FTE)



Net (charge) / reversal of Impairment Allowances



Lower net loan impairment release as recoveries and release reduced
Impairment charges were provided on our asset-backed securities

HK\$ m

| | 2007 | 2006 | % YoY |
|---|----------------|--------------|----------------|
| Advances to customers | | | |
| Individual assessment | | | |
| - New allowances | (330) | (647) | ↓ 49.0 |
| - Releases | 299 | 313 | ↓ 4.5 |
| - Recoveries | 1,311 | 2,053 | ↓ 36.1 |
| Collective assessment | | | |
| - New allowances | (625) | (194) | ↑ 222.2 |
| - Releases | 0 | 203 | ↓ 100.0 |
| - Recoveries | 30 | 62 | ↓ 51.6 |
| Net release of impairment on advances | 685 | 1,790 | ↓ 61.7 |
| Debt securities | | | |
| - Held-to-maturity securities | (1,844) | 0 | --- |
| - Available-for-sale securities | (289) | 0 | --- |
| Net charge of impairment on debt securities | (2,133) | 0 | --- |
| Net release of impairment on properties, plant and equipment | 0 | 4 | ↓ 100.0 |
| Total (charge)/release to income statement | (1,448) | 1,794 | --- |

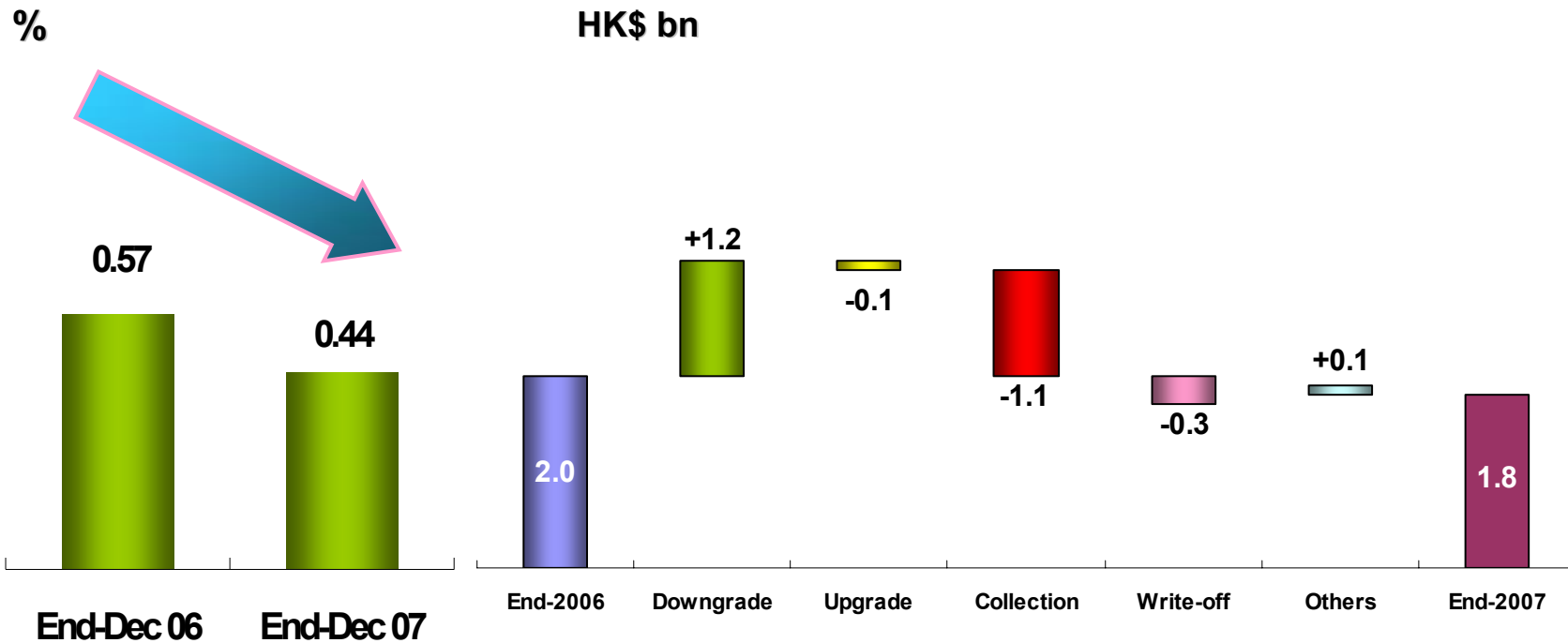


Further Improvement in Loan Quality

Classified or impaired loan ratio declined to 0.44%

Classified or Impaired Loan Ratio

Migration of Classified Loans



Condensed Balance Sheet



**Total assets further expanded
on the back of strong deposits growth**

| HK\$ m | 31.12.2007 | 31.12.2006 | % Change |
|--|------------------|----------------|---------------|
| Total assets | 1,067,637 | 928,953 | ↑ 14.9 |
| Cash and balances with banks and other financial institutions | 159,065 | 105,236 | ↑ 51.2 |
| Placements with banks and other financial institutions | 53,154 | 56,373 | ↓ 5.7 |
| Securities investments | 335,623 | 330,385 | ↑ 1.6 |
| Advances to customers | 413,062 | 347,090 | ↑ 19.0 |
| Fixed assets & IP | 31,351 | 27,221 | ↑ 15.2 |
| Total liabilities | 972,579 | 842,313 | ↑ 15.5 |
| Inter-bank deposits taken | 60,599 | 49,034 | ↑ 23.6 |
| Deposits from customers* | 799,565 | 703,776 | ↑ 13.6 |
| Total equity | 95,058 | 86,640 | ↑ 9.7 |
| Minority interests | 2,216 | 1,985 | ↑ 11.6 |
| Shareholders' funds | 92,842 | 84,655 | ↑ 9.7 |

* including structured deposits

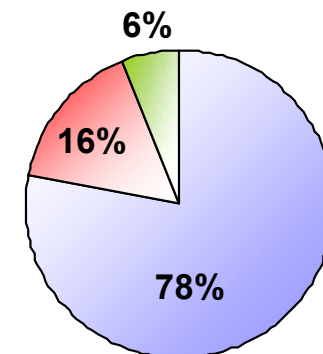
Broad-based Growth in Advances to Customers



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

| HK\$ m | 31.12.2007 | 31.12.2006 | % Change |
|------------------------------------|----------------|----------------|---------------|
| Loans for use in HK - corporate | 168,656 | 148,780 | ↑ 13.4 |
| Loans for use in HK - individual | 137,021 | 125,510 | ↑ 9.2 |
| Residential mortgages* | 106,583 | 96,953 | ↑ 9.9 |
| Credit card advances | 5,761 | 4,806 | ↑ 19.9 |
| Trade finance | 24,275 | 16,865 | ↑ 43.9 |
| Loans for use outside HK | 83,110 | 55,935 | ↑ 48.6 |
| Total advances to customers | 413,062 | 347,090 | ↑ 19.0 |

Loans by currency mix



Loan-to-deposit ratio **51.66%** **49.32%**

□ HKD □ USD □ 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



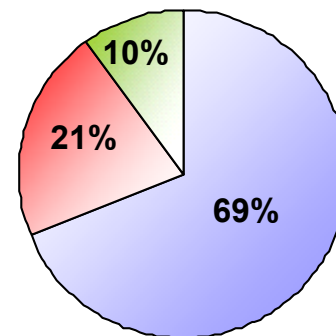
Solid deposits growth with widened total deposits spread

HK\$ m

31.12.2007 31.12.2006 % Change

Deposits by currency mix

| | 31.12.2007 | 31.12.2006 | % Change |
|--------------------------------------|----------------|----------------|---------------|
| Demand deposits and current accounts | 40,499 | 30,979 | ↑ 30.7 |
| Saving deposits | 286,653 | 256,653 | ↑ 11.7 |
| Time, call and notice deposits | 466,454 | 407,059 | ↑ 14.6 |
| Structured deposits | 5,959 | 9,085 | ↓ 34.4 |
| Total deposits from customers | 799,565 | 703,776 | ↑ 13.6 |



□ HKD □ USD □ Others

Subprime Exposure Significantly Reduced

Proactive management of our portfolio
with significant reduction in net exposure

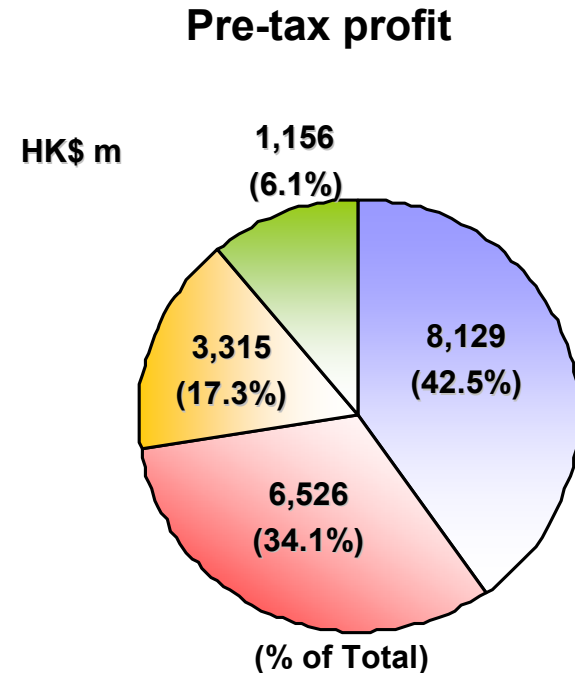
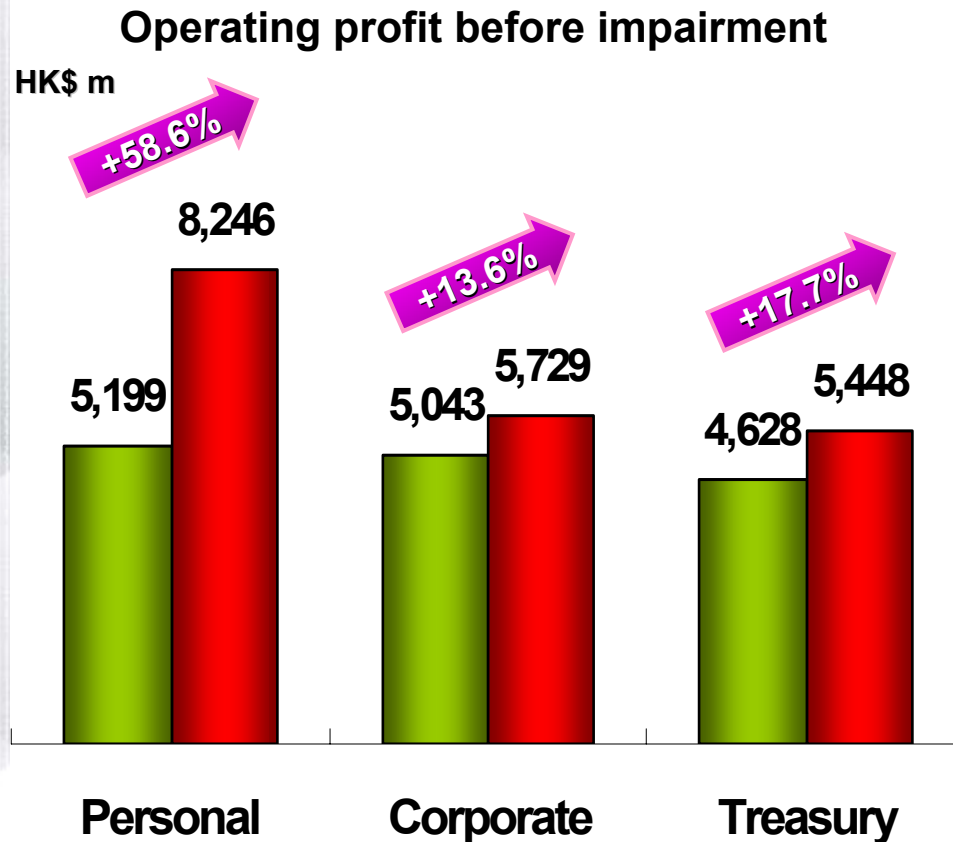


- Exposure reduction in 2H07 was mainly due to disposals and repayments
- Impairment allowances of HK\$1,253 million were provided for the outstanding subprime securities as at end Dec 07



Profit Contribution by Business Segment

Satisfactory growth in operating profit for all segments
with strong growth in Personal segment



- Personal
- Corporate
- Treasury
- Others

Mainland Business

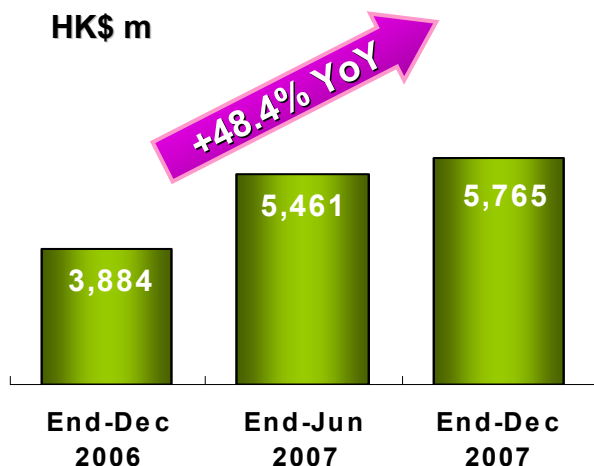


**Strong growth in operating profit before impairment
Total advances and customer deposits improved significantly
with RMB advances doubled (YoY)**

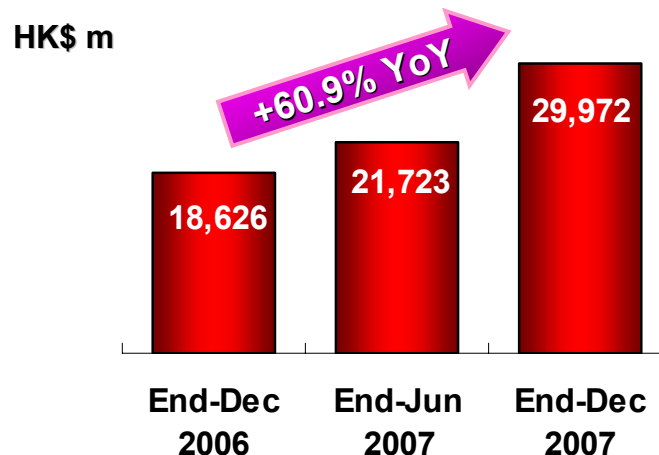
Combined profit and loss account of Mainland Business

| HK\$ m | 2007 | 2006 | % YoY |
|------------------------------------|------|------|--------|
| Operating income | 854 | 562 | ↑ 52.0 |
| Operating expenses | 280 | 188 | ↑ 48.9 |
| Operating profit before impairment | 574 | 374 | ↑ 53.5 |
| Profit before taxation | 584 | 418 | ↑ 39.7 |

Deposits from customers



Gross advances to customers



| Period | Classified loan ratio |
|--------------|-----------------------|
| End-Dec 2006 | 0.23% |
| End-Jun 2007 | 0.10% |
| End-Dec 2007 | 0.68% |



Outlook



- **Increasing uncertainty in global credit market and US economy; resurgence of financial market volatility due to risk of credit crisis**
- **Moderate growth in China economy despite tightening measures**
- **Stable growth in HK economy benefiting from closer economic integration with China**
- **Continuous inflationary pressures**
- **Keen competition in both local and offshore businesses**



Growing on a stronger foundation

- To further enhance our business platform through Relationship-Product-Channel model
- To establish a solid presence in China by expanding our branch network and providing comprehensive products and services
- To capture emerging opportunities through closer cooperation with BOC for mutual gains



Building on our strengths

- Reinforcing our leading market positions in our core businesses
- Capitalizing on our valuable customer base and franchise
- Sustaining solid financial strength with healthy capital base and strong liquidity position
- Managing risks proactively with our prudent risk management system in place



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