



Bank of China (Hong Kong)

Insurance Business

15 December 2009



中國銀行(香港)

BANK OF CHINA (HONG KONG)

Key discussion areas

- **Key Financials**
- **Bancassurance**
- **Our Strategy**

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Key Financials



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BOC Life - key financials in 1H09

| HK\$ m | 1H2009 | 2H2008 | 1H2008 | % YoY | % HoH |
|--|---------|---------|---------|---------|--------|
| Non-interest income | (228) | (1,452) | (485) | --- | --- |
| Net gain/(loss) on financial instruments designated at FVTPL | (1,575) | 1,256 | (1,392) | --- | --- |
| Net insurance premium income | 2,261 | 1,390 | 4,501 | ↓ 49.8 | ↑ 62.7 |
| Net insurance benefits and claims | (919) | (4,107) | (3,602) | ↓ 74.5 | ↓ 77.6 |
| Other income | 5 | 9 | 8 | ↓ 37.5 | ↓ 44.4 |
| Net interest income | 562 | 584 | 538 | ↑ 4.5 | ↓ 3.8 |
| Total insurance and investment income * | 334 | (868) | 53 | ↑ 530.2 | ↑ --- |

* before commission expenses

Bancassurance



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Global Bancassurance market overview

Market share of bancassurance (%)

| Europe | 2008 | 2003 |
|-------------|------|------|
| Portugal | 83 | 80 |
| Spain | 77 | 77 |
| France | 63 | 61 |
| Italy | 57 | 56 |
| Belgium | 56 | 56 |
| Norway | 52 | 50 |
| Finland | 46 | 45 |
| Netherlands | 35 | 32 |
| Germany | 24 | 23 |
| UK | 22 | 18 |

■ Market share of European bancassurers still climbing

| Asia | 2008 | No. of Agents |
|------------------|-----------|-------------------|
| Korea | 52 | Decreasing |
| Taiwan | 35 | Decreasing |
| Hong Kong | 33 | Decreasing |
| Singapore | 27 | Decreasing |
| Japan | 25 | Static |

■ Asian market quickly changing in favor of bancassurance

Source : Aviva Life Insurance Company Limited, 24th Pacific insurance Conference (4 Nov, 2009)

Hong Kong Bancassurance market overview

- Bancassurance in HK is gaining market share in the past 10 years

Market share statistics – individual life business

1Q-4Q 1998

| Ranking | Company | Premium HK\$m | Market Share |
|---------|-----------------------|---------------|--------------|
| 1 | AIA | 1,411 | 25.5% |
| 2 | AXA | 657 | 11.9% |
| 3 | Manulife | 514 | 9.3% |
| 4 | Pacific Century | 395 | 7.2% |
| 5 | Eagle Star | 337 | 6.1% |
| 6 | East Asia Aetna | 304 | 5.5% |
| 7 | Canadian Eastern Life | 259 | 4.7% |
| 8 | Prudential | 225 | 4.1% |
| 9 | CMG Asia | 171 | 3.1% |
| 10 | Winterthur Life | 151 | 2.7% |
| | Top 10 | 4,424 | 80.1% |

1Q-3Q 2009

| Ranking | Company | Premium HK\$m | Market Share |
|---------|-------------------|---------------|--------------|
| 1 | HSBC | 3,526 | 20.3% |
| 2 | Prudential | 1,798 | 10.4% |
| 3 | AIA | 1,686 | 9.7% |
| 4 | Hang Seng Ins | 1,651 | 9.5% |
| 5 | BOCG Life | 1,386 | 8.0% |
| 6 | AXA | 1,360 | 7.8% |
| 7 | Manulife | 816 | 4.7% |
| 8 | Friends Provident | 650 | 3.7% |
| 9 | Zurich | 645 | 3.7% |
| 10 | China Life | 595 | 3.4% |
| | Top 10 | 14,113 | 81.4% |

Note : Premium = New business standard premium (single premium x10% + regular premium)

Source: Office of the Commissioner of Insurance

Why Bancassurance

- Fusion between banking and insurance

**Rejuvenation + Innovation
for business success**

**BOCHK + BOC Life
a strong bancassurance model**

What we have achieved today

- Substantial market share gain on the back of marked progress of FPT model

3Q 2009

| Ranking | Company | Premium (HK\$m) | Market Share |
|----------|---------------------|-----------------|--------------|
| 1 | HSBC Life | 1,314 | 18.3% |
| 2 | BOC Life | 981 | 13.7% |
| 3 | AIA | 897 | 12.5% |
| 4 | Prudential (UK) | 703 | 9.8% |
| 5 | AXA | 501 | 7.0% |
| 6 | Hang Seng Ins. | 485 | 6.8% |
| 7 | Manulife(Int'l) | 348 | 4.8% |
| 8 | Zurich | 308 | 4.3% |
| 9 | Friends Provident | 279 | 3.9% |
| 10 | China Life | 207 | 2.9% |
| | Top 10 total | 6,023 | 83.9% |
| | Market Total | 7,182 | |

1Q-2Q 2009

| Ranking | Company | Premium (HK\$m) | Market Share |
|----------|---------------------|-----------------|--------------|
| 1 | HSBC Life | 2,212 | 21.8% |
| 2 | Hang Seng Ins. | 1,166 | 11.5% |
| 3 | Prudential (UK) | 1,095 | 10.8% |
| 4 | AXA | 859 | 8.5% |
| 5 | AIA | 789 | 7.8% |
| 6 | Manulife(Int'l) | 468 | 4.6% |
| 7 | BOC Life | 406 | 4.0% |
| 8 | China Life | 388 | 3.8% |
| 9 | Friends Provident | 371 | 3.7% |
| 10 | Zurich | 336 | 3.3% |
| | Top 10 total | 8,089 | 79.7% |
| | Market Total | 10,156 | |

Note : Premium = New business standard premium

Source: Office of the Commissioner of Insurance

What we have achieved today

- Market ranking improved to Top 5 with market share of 8%

1Q-3Q 2009

| Ranking | Company | Premium (HK\$m) | Market Share |
|----------|---------------------|-----------------|--------------|
| 1 | HSBC Life | 3,526 | 20.3% |
| 2 | Prudential (UK) | 1,798 | 10.4% |
| 3 | AIA | 1,686 | 9.7% |
| 4 | Hang Seng Ins. | 1,651 | 9.5% |
| 5 | BOC Life | 1,386 | 8.0% |
| 6 | AXA | 1,360 | 7.8% |
| 7 | Manulife(Int'l) | 816 | 4.7% |
| 8 | Friends Provident | 650 | 3.8% |
| 9 | Zurich | 645 | 3.7% |
| 10 | China Life | 595 | 3.4% |
| | Top 10 total | 14,112 | 81.4% |
| | Market Total | 17,338 | |

1Q-4Q 2008

| Ranking | Company | Premium (HK\$m) | Market Share |
|----------|---------------------|-----------------|--------------|
| 1 | Hang Seng Ins. | 3,058 | 12.5% |
| 2 | Prudential (UK) | 2,955 | 12.0% |
| 3 | AIA | 2,946 | 12.0% |
| 4 | HSBC Life | 2,599 | 10.6% |
| 5 | AXA | 1,808 | 7.4% |
| 6 | Zurich | 1,408 | 5.7% |
| 7 | Manulife(Int'l) | 1,240 | 5.1% |
| 8 | BOC Life | 1,005 | 4.1% |
| 9 | Friends Provident | 713 | 2.9% |
| 10 | China Life | 584 | 2.4% |
| | Top 10 total | 18,316 | 74.6% |
| | Market Total | 24,564 | |

Note : Premium = New business standard premium

Source: Office of the Commissioner of Insurance

Our Strategy

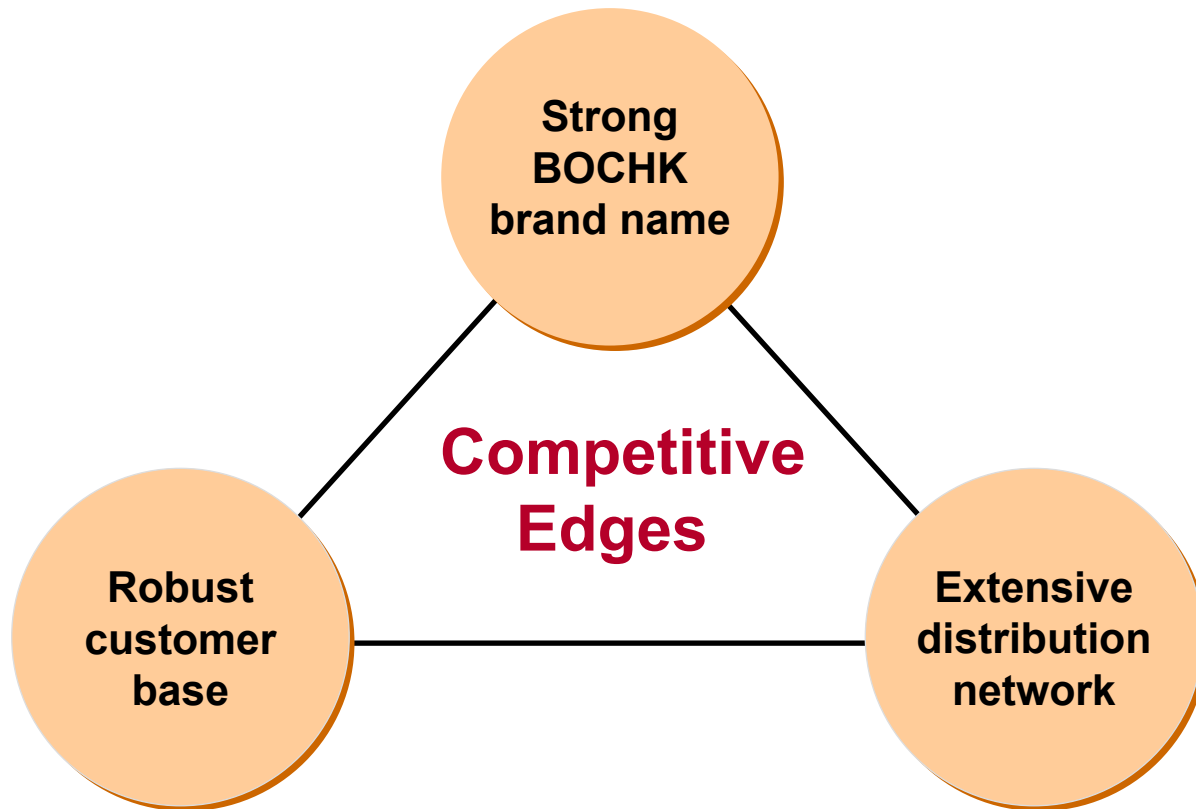


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Competitive edges

- Robust growth opportunities from our bancassurance model capitalizing on the Group's competitive edges



What we have done

- Well positioned for future growth on an enhanced platform

Enhanced business model

- Introduced Integrated Bancassurance Model
- Revised Product Strategy
- Raised Market Image

Strengthened internal control measures

- Revamped risk management
- Redefined investment strategy

Building for future

- Enhanced platform to provide “Value for Money” services
- IT integration
- HR succession plan

... Integrated Bancassurance Model

■ Financial Planning Team :

Dedicated sales force, professionally qualified and trained

■ Quality Assurance Team:

Monitor quality of sales process and advice and ensure regulatory requirement compliance

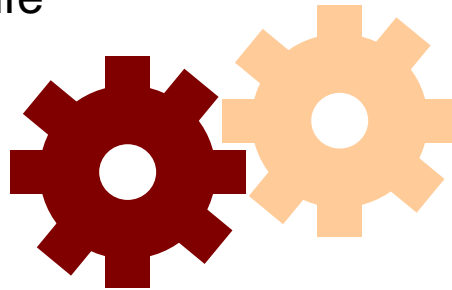
■ Sales Support Team :

Enhance timeliness of service and sales management to benchmark with international bancassurance standard

... Product Strategy

Product diversification

- Expand product range to meet the needs of individual customers at different life stages
- Develop corporate insurance products to support the Group's "Total Solution Services"



Customer segmentation

- Segment customers to tailor-make quality products and services to meet their specific needs



... Market Image



- Elevate brand value through image promotion, anchoring the idea of “**insurance being an act of endless caring**” for our loved ones, so as to root a humane and sincere brand image.

... Strengthened internal control

Revamped Risk Management

- Risk management at source, from product development stage
- Risk pricing based on value for new business
- Connect commission payment to compliance

Refined Investment Strategy

- Redefined investment universe
- Established concentration limits
- Proactive credit risk monitoring

... Building for future

Enhanced Service Platform

- To provide “Value for Money” services based on customer segments
- To continuously enhance operating efficiency
- To lead the bancassurance service standard

IT integration

- Enhance cost efficiency and customer convenience through integration with the Bank platform

HR succession plan

- Building a talent pool and comprehensive succession plan to ensure sustainability of long-term business success

What we should be able to achieve

Our Vision

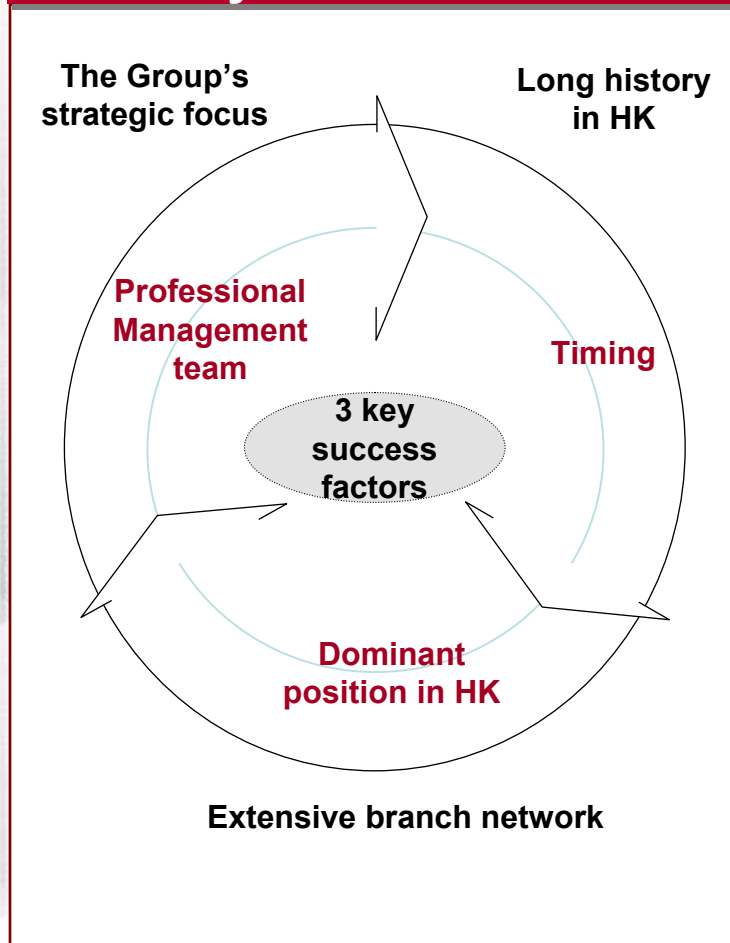
To become **Top 2** insurer in HK market in 5 years

- *A quality multi-channel life insurance player*
- *Leading the bancassurance service standard*

- ✓ For our Customers : Life Partner
- ✓ For our Employees : Preferred Employer
- ✓ For our Shareholders : Value Business

What we should be able to achieve

Keys to Success



Growth Drivers

- **Enhance customer penetration :**
Cross-sell insurance products to the Group's individual and corporate customers
- **Greater product diversification :**
More balanced product mix between single and regular premium products and develop corporate insurance products
- **Develop multi-channel distribution :**
Financial planning team, direct marketing, e-channel and corporate channel