



***Solid Foundations for
Sustainable Growth***

BOC Hong Kong

September 2010



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.

▶ Agenda

■ 2010 Interim Results Highlights

■ Strategic Focus

■ Outlook

2010 Interim Results Highlights



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

► Performance Overview

Balanced approach to capture quality growth

- Proactive business and risk management to deliver quality growth
- Good progress in strategic focuses to capture emerging opportunities
- Strong financial strength to support business development

Business Highlights

Maintained growth momentum in core businesses

Loans

Deposits

Total Fee Income

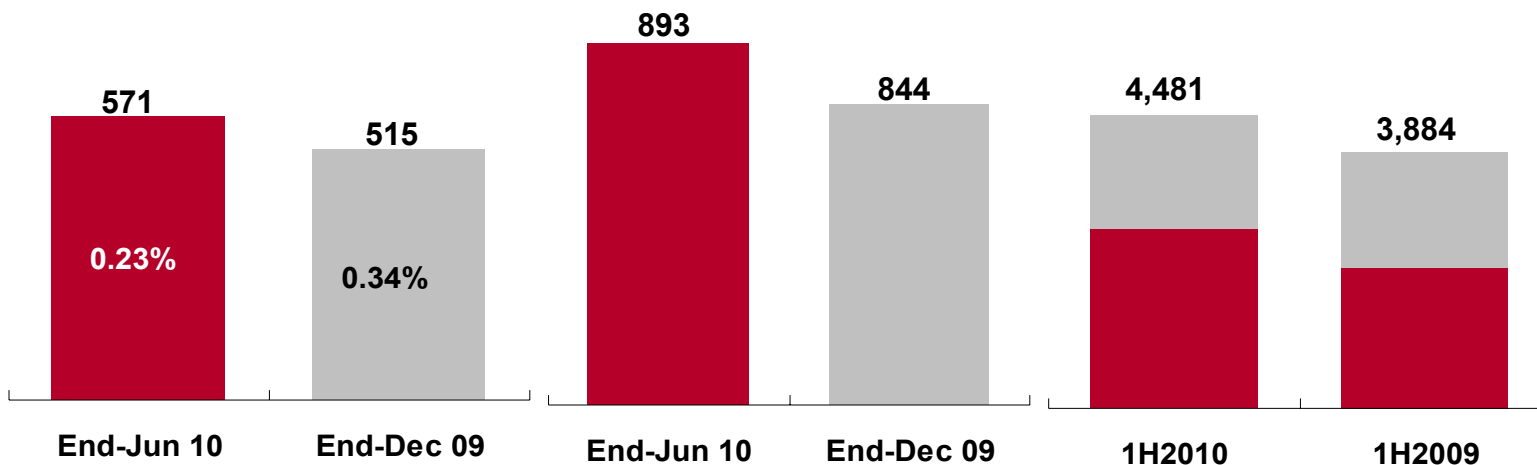
% - Classified or impaired loan ratio

■ Investment & Insurance
■ Traditional banking business

HK\$ bn + 11.0% YTD

HK\$ bn + 5.7% YTD

HK\$ m + 15.4% YoY



- Strong loan growth with solid loan quality
- Encouraging growth in customer deposits
- Solid fee income contribution albeit lower stock broking fee income

Key Financial Highlights

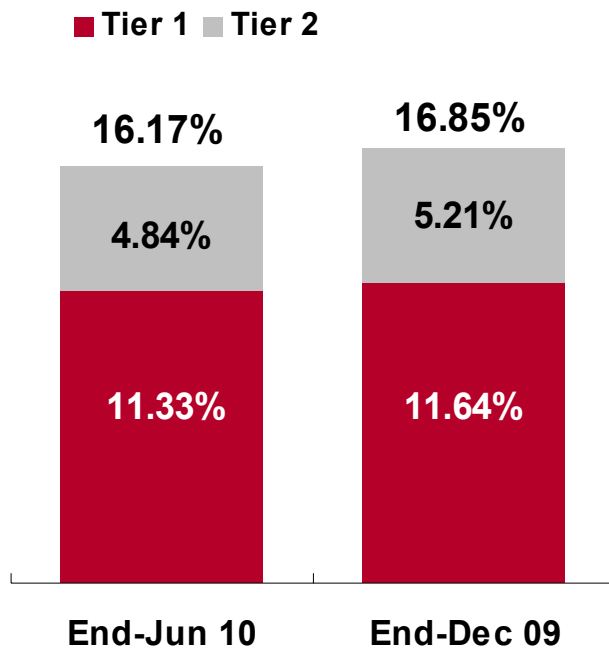
HK\$m	1H2010	1H2009	2H2009	% YoY	% HoH
Net operating income before impairment allowances	12,541	13,028	13,027	↓ 3.7	↓ 3.7
Operating profit before impairment allowances	8,007	8,834	5,080	↓ 9.4	↑ 57.6
Profit attributable to shareholders	7,190	6,691	7,034	↑ 7.5	↑ 2.2
Earnings per share (HK\$)	0.6800	0.6329	0.6652	↑ 7.5	↑ 2.2
Dividend per share (HK\$)	0.400	0.285	0.570	↑ 40.4	↓ 29.8
ROE	13.72%	15.13%	14.28%	↓ 1.41pp	↓ 0.56pp
ROA	1.17%	1.23%	1.16%	↓ 0.06pp	↑ 0.01pp

- Net operating income decreased mildly albeit pressure from low interest rate and competition
- Profit attributable to shareholders increased by 7.5% thanks to stable contributions from core businesses and improvement in securities impairments
- Earnings per share grew 7.5% while interim dividend per share increased 40.4% to HK\$0.40, representing a dividend payout ratio of 58.8%.

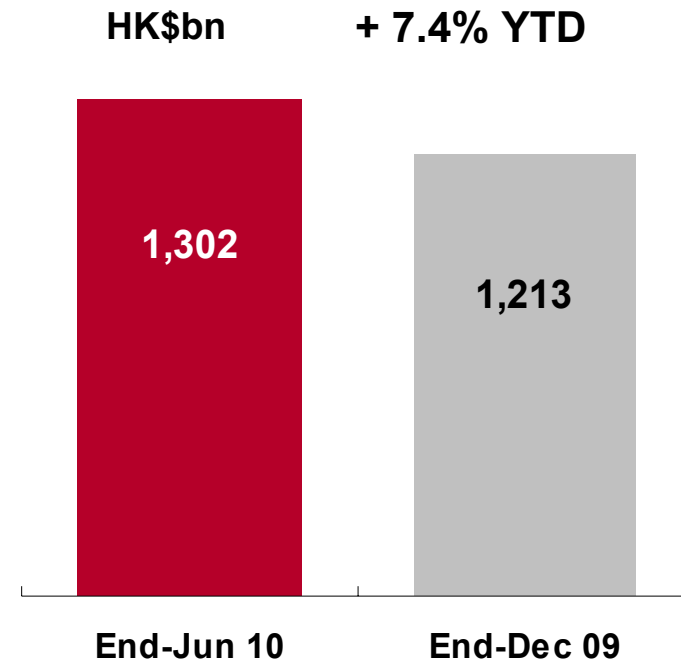
Strong Capital Position

Strong capital position supports sustainable growth

Capital Adequacy Ratio



Total Assets





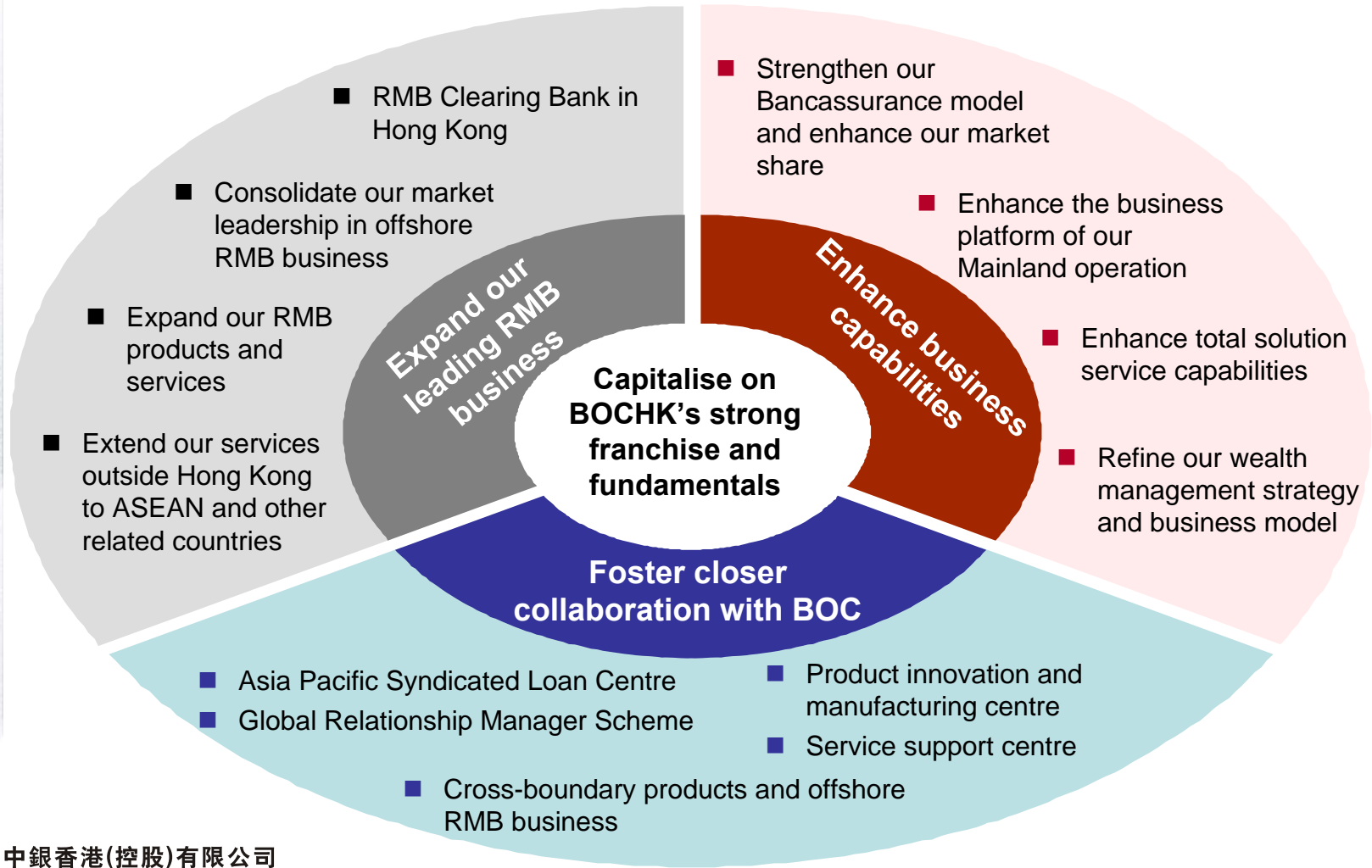
Strategic Focus



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

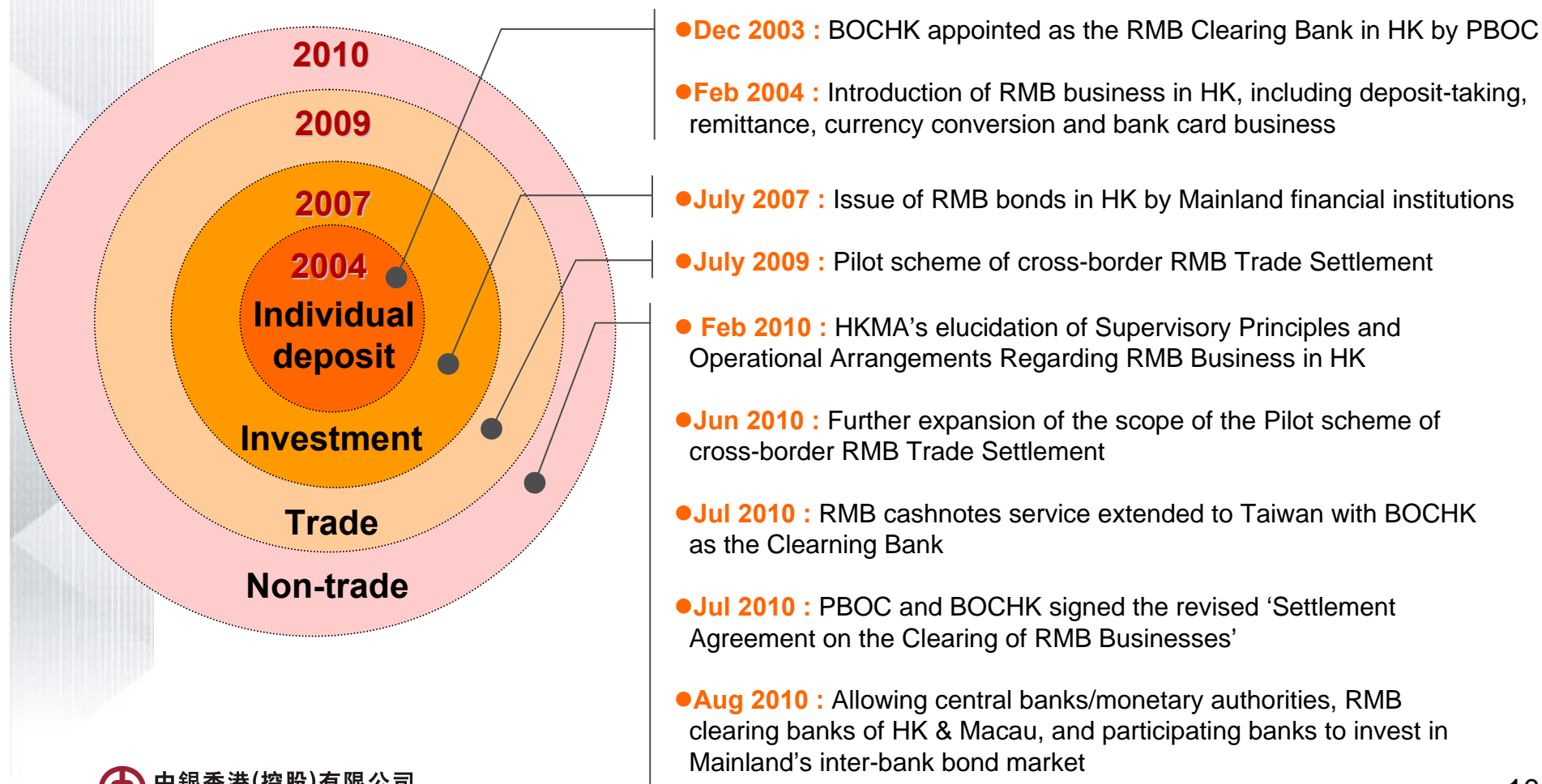
Strategic Focus

Well-positioned to capture emerging opportunities in China and the region



► Development of Offshore RMB Market

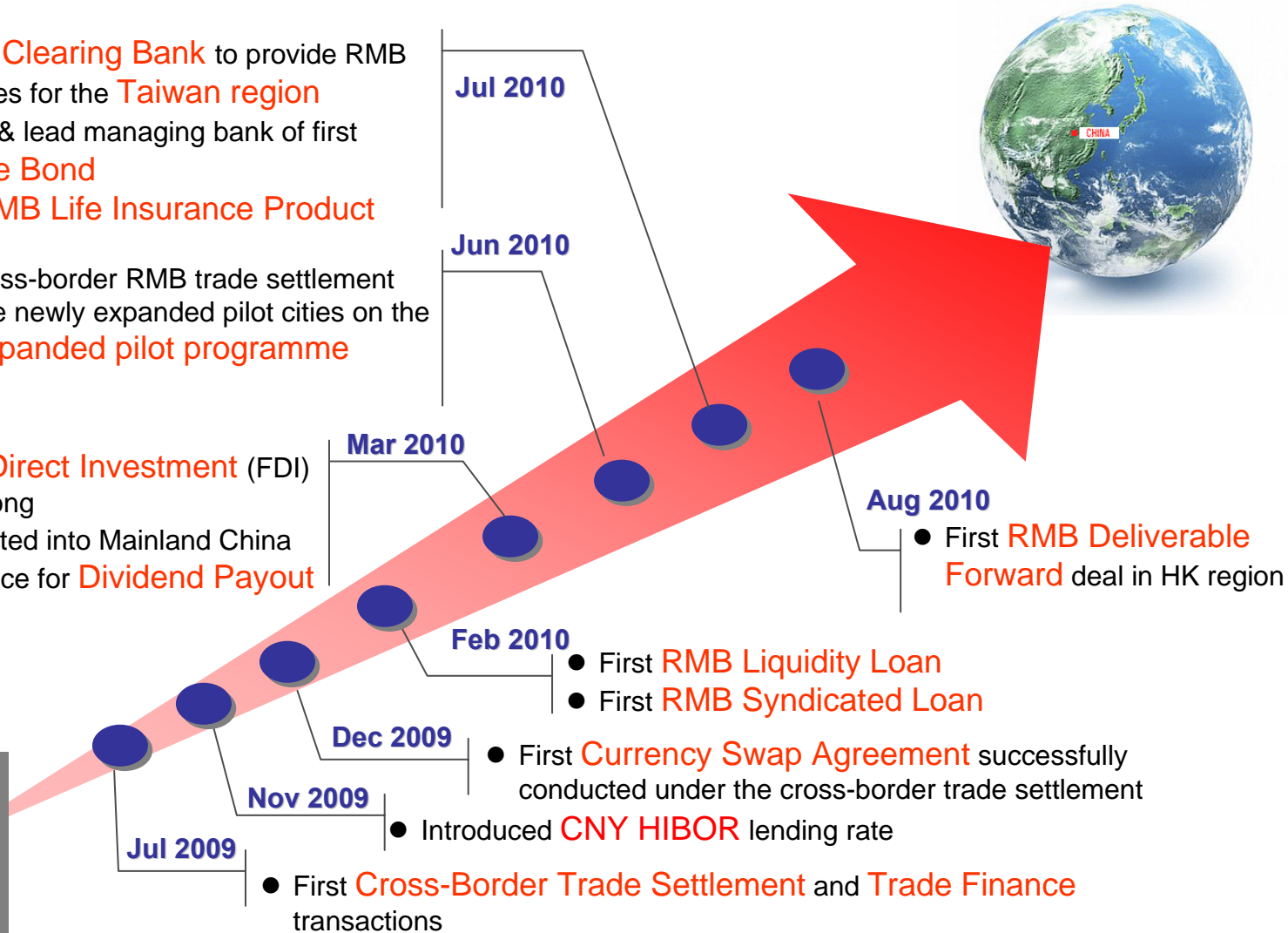
Offshore RMB business scope has been expanding in an incremental and orderly manner



▶ Leading Role in RMB Business

- Appointed as the **Clearing Bank** to provide RMB cashnotes services for the **Taiwan region**
- Sole bookrunner & lead managing bank of first **RMB Corporate Bond**
- Launched first **RMB Life Insurance Product**
- Conducted 34 cross-border RMB trade settlement transactions in the newly expanded pilot cities on the first day of the **expanded pilot programme**

- First RMB **Foreign Direct Investment (FDI)** remitted into Hong Kong
- First **RMB FDI** remitted into Mainland China
- RMB remittance service for **Dividend Payout**





Outlook

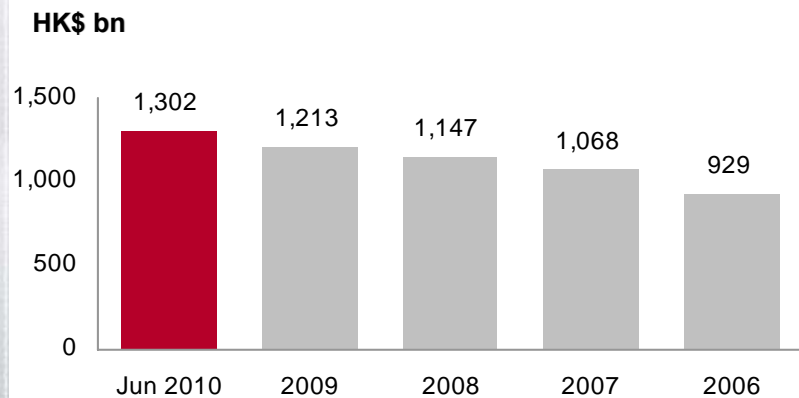


中銀香港(控股)有限公司
BOC HONG KONG (HOLDINGS) LIMITED

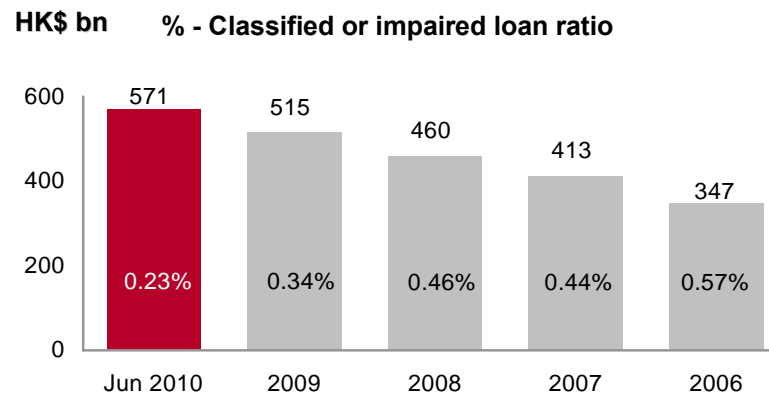
▶ Delivering Sustainable Growth

BOCHK has demonstrated sustainable growth through the years

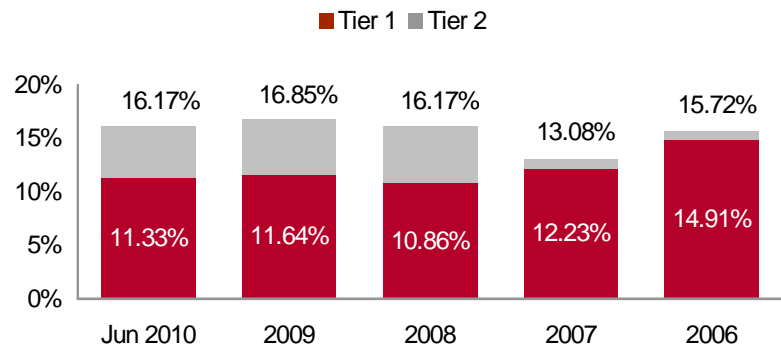
Total Assets



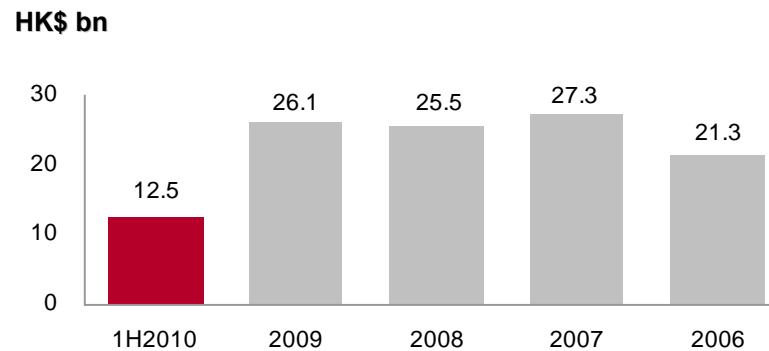
Gross Loans



Capital Adequacy Ratio



Net Operating Income



► Management Focus

Proactive and balanced approach for quality growth

- Maintain financial strength to capture business opportunities and sustain growth
- Adopt proactive approach to ensure good balance of growth and risk-adjusted return
- Further strengthen our business capabilities in key strategic focuses
- Optimise business and operation structure



Appendix : 2010 Interim Results Highlights

Investor Relations Contact :

E-mail : investor_relations@bochk.com

Website : www.bochk.com



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

Condensed Income Statement

Profit attributable to shareholders improved YoY and HoH

HK\$ m	1H2010	1H2009	2H2009	% YoY	% HoH
Net interest income	8,964	9,014	8,918	↓ 0.6	↑ 0.5
Net fee and commission income	3,397	2,947	3,561	↑ 15.3	↓ 4.6
Other operating income	180	1,067	548	↓ 83.1	↓ 67.2
Net operating income before impairment allowances	12,541	13,028	13,027	↓ 3.7	↓ 3.7
Net reversal/(charge) of impairment allowances	161	(1,115)	2,305	---	↓ 93.0
Net operating income	12,702	11,913	15,332	↑ 6.6	↓ 17.2
Operating expenses	(4,534)	(4,194)	(7,947)	↑ 8.1	↓ 42.9
Operating profit	8,168	7,719	7,385	↑ 5.8	↑ 10.6
Non-operating items	599	525	1,095	↑ 14.1	↓ 45.3
Profit attributable to shareholders	7,190	6,691	7,034	↑ 7.5	↑ 2.2

▶ Net Interest Income

Stable net interest income
Growth in average interest earning assets offset NIM pressure

HK\$ m	1H2010	1H2009	2H2009	% YoY	% HoH
Interest income	10,671	11,331	10,353	↓ 5.8	↑ 3.1
Interest expense	1,707	2,317	1,435	↓ 26.3	↑ 19.0
Net interest income	8,964	9,014	8,918	↓ 0.6	↑ 0.5
Average interest earning assets	1,142,383	1,014,954	1,101,861	↑ 12.6	↑ 3.7
Net interest margin (NIM)	1.58%	1.79%	1.61%	↓ 0.21pp	↓ 0.03pp

Net Fee and Commission Income

Solid fee income contribution underpinned by broad-based growth in traditional banking businesses

HK\$ m	1H2010	1H2009	2H2009	% YoY	% HoH
<i>Investment and insurance fee income</i>					
Securities brokerage (Stockbroking)	1,506	1,625	2,013	↓ 7.3	↓ 25.2
Securities brokerage (Bonds)	3	4	35	↓ 25.0	↓ 91.4
Funds distribution	67	38	59	↑ 76.3	↑ 13.6
Life insurance	172	74	38	↑ 132.4	↑ 352.6
	1,748	1,741	2,145	↑ 0.4	↓ 18.5
<i>Traditional banking businesses</i>					
Bills commissions	371	310	317	↑ 19.7	↑ 17.0
Loan commissions	623	398	524	↑ 56.5	↑ 18.9
Trust services	98	82	96	↑ 19.5	↑ 2.1
Payment services	272	227	268	↑ 19.8	↑ 1.5
Credit cards	903	705	806	↑ 28.1	↑ 12.0
Account services	136	132	144	↑ 3.0	↓ 5.6
Currency exchange	125	87	126	↑ 43.7	↓ 0.8
IPO-related	9	1	40	↑ 800.0	↓ 77.5
Others	196	201	186	↓ 2.5	↑ 5.4
	2,733	2,143	2,507	↑ 27.5	↑ 9.0
Total Fee and Commission Income	4,481	3,884	4,652	↑ 15.4	↓ 3.7
Less: Fee and Commission Expenses	(1,084)	(937)	(1,091)	↑ 15.7	↓ 0.6
Net Fee and Commission Income	3,397	2,947	3,561	↑ 15.3	↓ 4.6

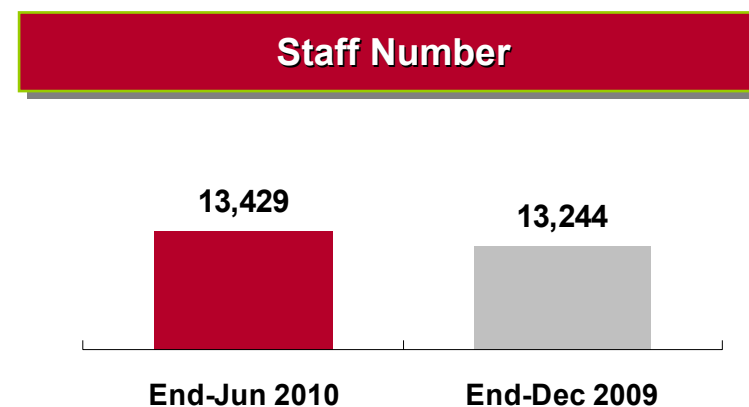
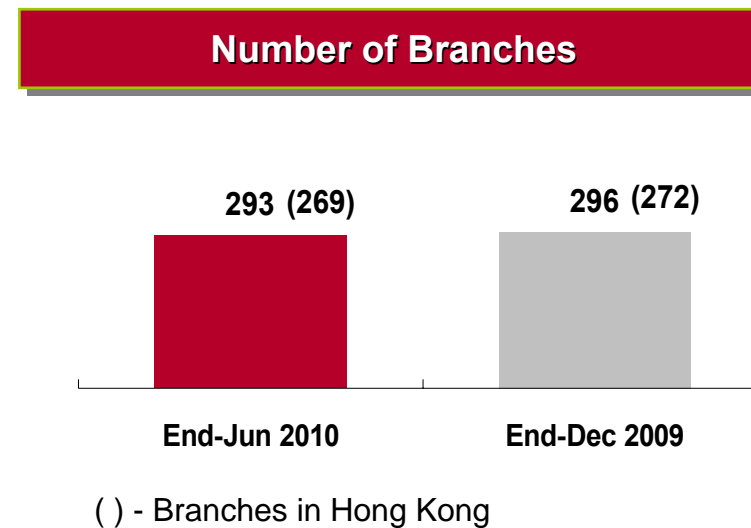
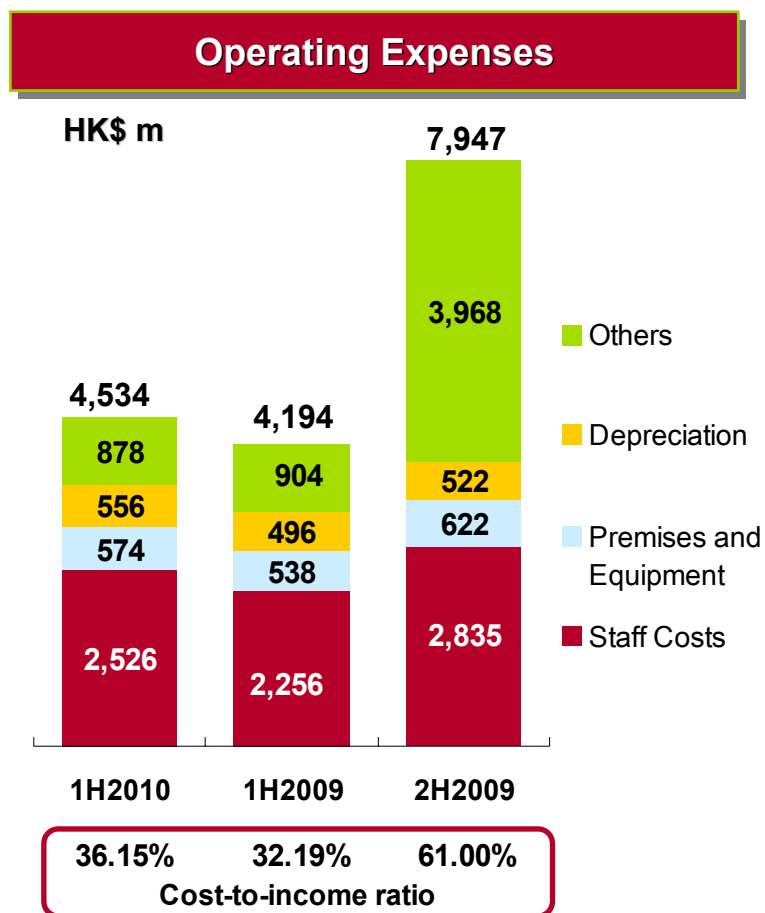
Non-interest Income

Non-interest income decreased
mainly due to lower net trading income

HK\$ m	1H2010	1H2009	2H2009	% YoY	% HoH
Net fee and commission income	3,397	2,947	3,561	↑ 15.3	↓ 4.6
Other operating income - Banking operation	544	1,295	791	↓ 58.0	↓ 31.2
Net trading (loss)/gain	(32)	804	682	---	---
Net gain on financial instruments designated at FVTPL	49	180	81	↓ 72.8	↓ 39.5
Other income	527	311	28	↑ 69.5	↑ 1,782.1
BOCL [#] non-interest income/(loss)	(364)	(228)	(243)	↑ 59.6	↑ 49.8
Net trading (loss)/gain	(4)	0	(1)	---	↑ 300.0
Net gain/(loss) on financial instruments designated at FVTPL - BOCL [#]	591	(1,575)	636	---	↓ 7.1
Net insurance premium income	2,798	2,261	5,483	↑ 23.8	↓ 49.0
Net insurance benefits and claims	(3,875)	(919)	(6,367)	↑ 321.7	↓ 39.1
Other income	126	5	6	↑ 2,420.0	↑ 2,000.0
Total	3,577	4,014	4,109	↓ 10.9	↓ 12.9

Operating Expenses

Maintained prudent cost management
Operating expenses increased YoY from a lower base in 1H09



Net reversal / (charge) of Impairment Allowances

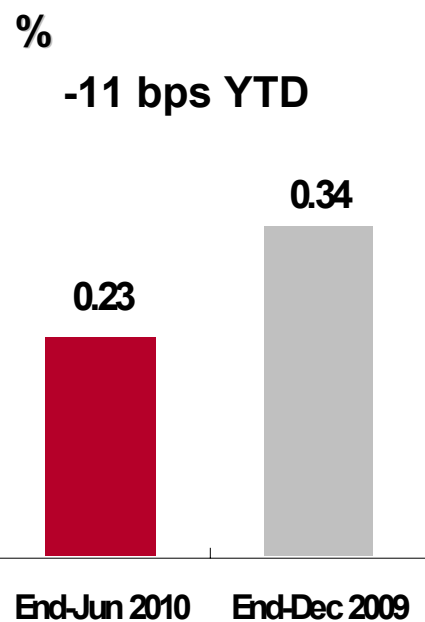
Net reversal of impairment allowances due to improved loan quality and write-back of securities provisions

HK\$ m	1H2010	1H2009	2H2009	% YoY	% HoH
Advances to customers					
Individual assessment					
- Net reversal/(charge) of allowances before recoveries	56	(76)	(165)	---	---
Collective assessment					
- Net charge of allowances before recoveries	(256)	(24)	(319)	↑ 966.7	↓ 19.7
Recoveries	294	160	321	↑ 83.8	↓ 8.4
Net reversal/(charge) of impairment on advances	94	60	(163)	↑ 56.7	---
Securities Investments					
US non-agency RMBS	45	(1,212)	2,398	---	↓ 98.1
Other debt securities	27	44	72	↓ 38.6	↓ 62.5
Net reversal/(charge) of impairment on securities investments	72	(1,168)	2,470	---	↓ 97.1
Others	(5)	(7)	(2)	↓ 28.6	↑ 150.0
Total reversal/(charge) to income statement	161	(1,115)	2,305	---	↓ 93.0

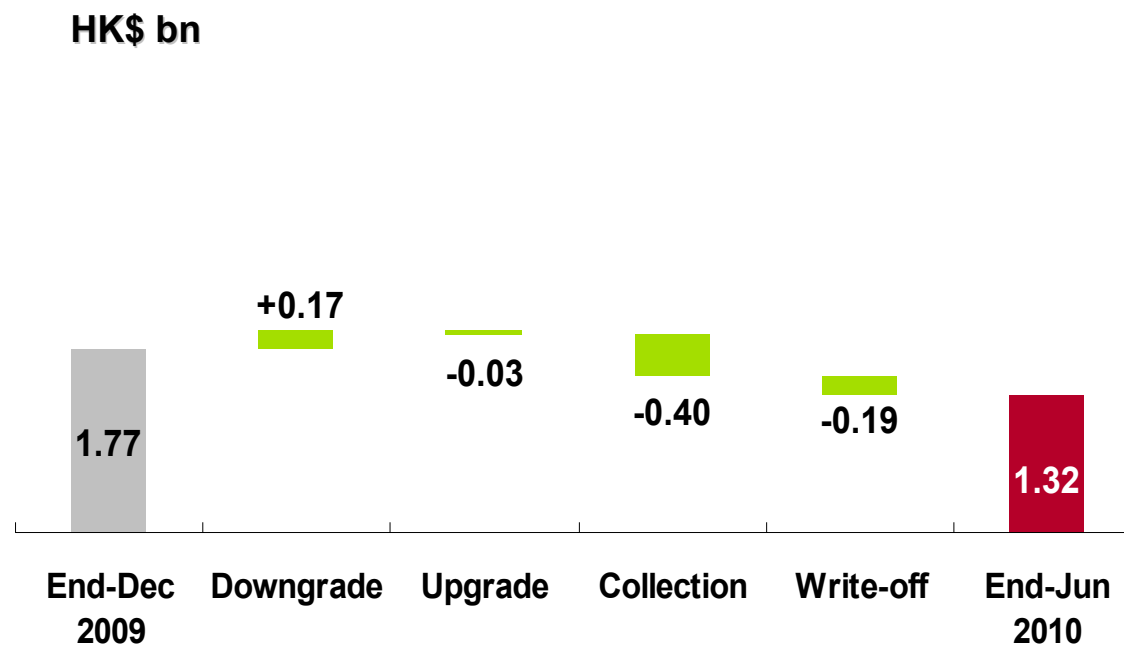
▶ Loan Quality

Sound risk management and customer optimisation translated into solid loan quality

Classified or Impaired Loan Ratio



Migration of Classified Loans



► Condensed Balance Sheet

**Robust growth in total assets
with increased balances in higher yielding assets**

HK\$ m	30.06.2010	31.12.2009	% Change
Total assets	1,302,176	1,212,791	↑ 7.4
Cash and balances with banks and other financial institutions	169,554	160,788	↑ 5.5
Placements with banks and other financial institutions	35,958	60,282	↓ 40.4
Securities investments	383,609	358,349	↑ 7.0
Advances and other accounts	597,306	527,135	↑ 13.3
Fixed assets & IP	37,558	35,650	↑ 5.4
Total liabilities	1,192,639	1,107,156	↑ 7.7
Inter-bank deposits taken	110,786	99,647	↑ 11.2
Deposits from customers*	892,737	844,453	↑ 5.7
Subordinated liabilities	27,192	26,776	↑ 1.6
Total equity	109,537	105,635	↑ 3.7
Minority interests	2,826	2,733	↑ 3.4
Shareholders' funds	106,711	102,902	↑ 3.7

▶ Advances to Customers

Maintained strong growth momentum
and continued to optimise business structure

HK\$ m	30.06.2010	31.12.2009	% Change
Loans for use in HK - corporate	256,389	224,261	↑ 14.3
Loans for use in HK - individual	160,792	157,133	↑ 2.3
Residential mortgages*	131,491	127,208	↑ 3.4
Credit card advances	7,143	7,348	↓ 2.8
Trade finance	39,285	29,321	↑ 34.0
Loans for use outside HK	115,020	104,257	↑ 10.3
Total advances to customers	571,486	514,972	↑ 11.0
Loan-to-deposit ratio	64.02%	60.98%	

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

▶ Customer Deposits

**Effective deposit strategy
to support the growth of our business**

HK\$ m

	30.06.2010	31.12.2009	% Change
Demand deposits and current accounts	67,122	65,440	↑ 2.6
Saving deposits	473,492	495,512	↓ 4.4
Time, call and notice deposits	351,597	281,369	↑ 25.0
Structured deposits	526	2,132	↓ 75.3
Total deposits from customers	892,737	844,453	↑ 5.7

Securities Investments

Proactive investment strategy
to optimise portfolio mix amid market volatility

HK\$ m	30.06.2010	31.12.2009	% Change	Debt securities by credit rating
Sovereign	93,557	76,824	↑ 21.8	<p>1% 3% 21% 38% 37%</p> <ul style="list-style-type: none"> Aaa Aa1 to Aa3 A1 to A3 Lower than A3 Unrated
Public Sector	37,739	34,529	↑ 9.3	
Corporate entities	26,837	26,005	↑ 3.2	
Banks and other FIs	225,476	220,991	↑ 2.0	
Total	383,609	358,349	↑ 7.0	
US non-agency RMBS				
Subprime	439	547	↓ 19.7	
Alt-A	318	384	↓ 17.2	
Prime	2,212	2,853	↓ 22.5	
Total	2,969	3,784	↓ 21.5	
As % of total investments	0.8%	1.1%		

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

Mainland Business

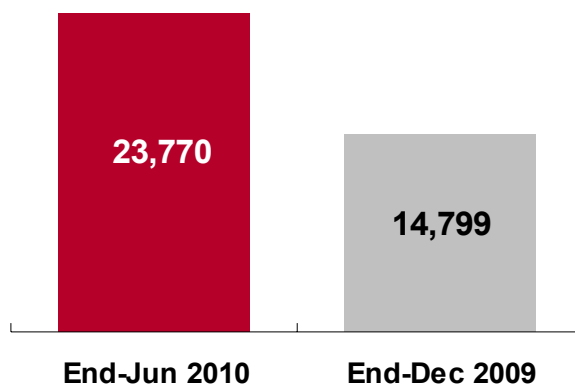
Continued to enhance business platform to drive growth

HK\$ m

	1H2010	1H2009	2H2009	% YoY	% HoH
Operating income	521	466	496	↑ 11.8	↑ 5.0
Operating expenses	284	237	329	↑ 19.8	↓ 13.7
Operating profit before impairment	237	229	167	↑ 3.5	↑ 41.9
Profit before taxation	256	308	170	↓ 16.9	↑ 50.6

Deposits from customers

HK\$ m +60.6% YTD



Gross advances to customers

HK\$ m +18.2% YTD

