

A white wireframe structure of a skyscraper, likely the Bank of China Tower, is positioned on the left side of the slide. The structure is composed of a grid of lines forming a tall, tapering tower. The background is a vibrant red with a subtle pattern of light streaks and a curved gradient at the top.

A New Chapter Our Shared Future

2015 Annual Results

2016.03.30

▶ **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 favourable 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 Yue Yi	Vice Chairman & Chief Executive
Mr Li Jiuzhong	Executive Director and Chief Risk Officer
Mr Lin Jingzhen	Deputy Chief Executive
Mr Yuan Shu	Deputy Chief Executive
Mr Zhong Xiangqun	Chief Operating Officer
Mdm Sui Yang	Chief Financial Officer
Mrs Ann Kung	Deputy Chief Executive

▶ New Reporting Basis in this Presentation

- Due to the Sale and Purchase Agreement for the disposal of Nanyang Commercial Bank, Limited (“NCB”) signed on December 18, 2015
 - Operating results of NCB were classified as Discontinued Operations in the P&L
 - Assets and liabilities of NCB reported as Assets Held for Sale and Liabilities associated with Assets Held for Sale, respectively
 - All 2014 figures restated for easy comparison
 - All charts and tables shown on the new basis, unless stated otherwise

- Certain key financial information using the old reporting basis is provided in the Appendices

*The balance sheet items at 31.12.2014 in this presentation are presented on the new reporting basis, which is different from the financial statements in the Annual Report 2015, in which, they are reported based on the HKFRS. For details please refer to the Annual Report 2015.



▶ Agenda

- **Key Performance Highlights**
- **Financial Results**
- **Outlook and Strategy**

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Key Performance Highlights

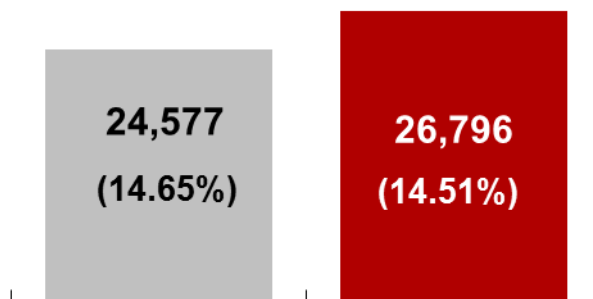
▶ Complex and Challenging Operating Environment

- Subdued global economic growth with China's economy under a “new normal”
- Highly volatile international financial markets
- Moderating local economic development
- Challenging and competitive landscape for banking industry

▶ Another Year of Record High Performance

Profit attributable to the equity holders of the Company

HK\$ m + 9.0% YoY



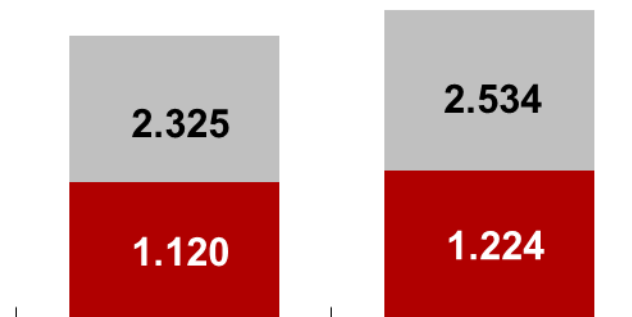
2014

2015

() - Return on average shareholders' equity

Earnings per share and Dividend per share

HK\$ +9.0% / + 9.3% YoY



2014

2015

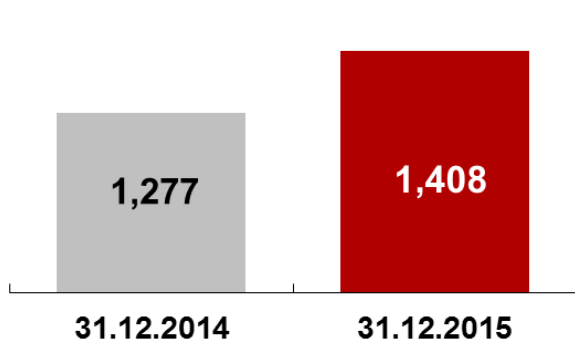
■ Dividend per share ■ Earnings per share

- Record high profit driven by non-interest income growth through business structure optimisation

Good Business Momentum and Strong Financial Position

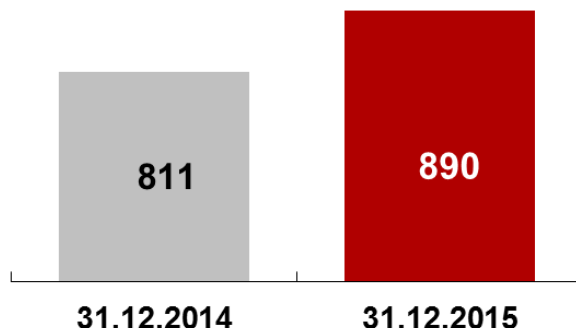
Promising Deposit Base

HK\$ bn +10.2% YoY



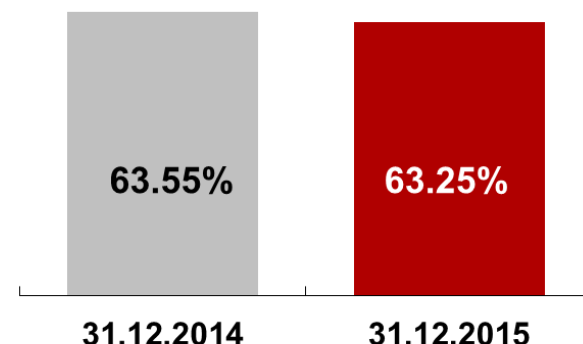
Robust Loan Growth

HK\$ bn + 9.7% YoY



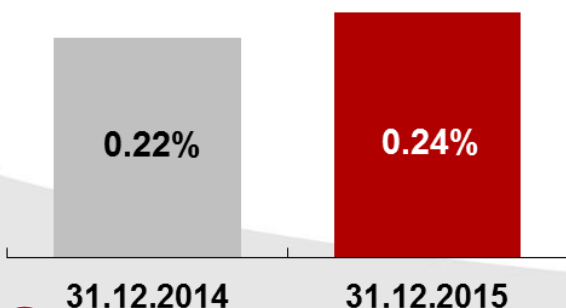
Healthy LDR

Loan-to-deposit Ratio



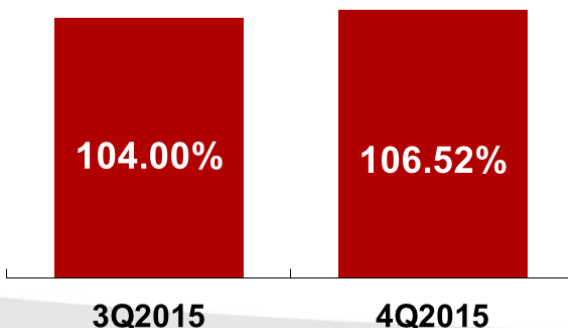
Benign Loan Quality

Classified or Impaired Loan Ratio



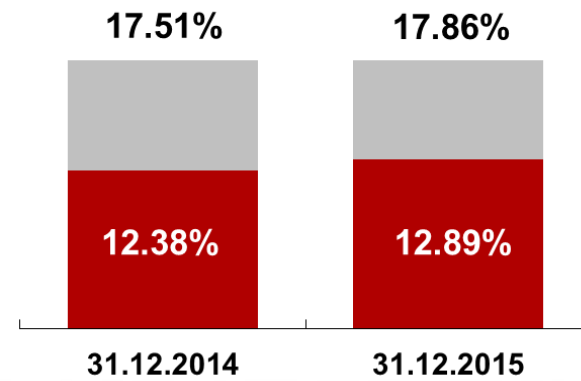
*Adequate Liquidity

Average value of Liquidity Coverage Ratio



*Solid Capital Position

Total Capital Ratio
■ Tier 1



▶ Enhancing competitive edge to grasp business opportunities

- Expanded customer base and enhanced customer satisfaction by meeting market demand through innovative new products and services based on our customer-centric strategy
- Proactively developed businesses and maintained leadership in major business areas with loan and deposit growth outperforming the market
- Reinforced our leading position in the offshore RMB market by increasing competitiveness

► Strategic Restructuring for Regional Development

- Aligned with the strategic plan of BOC Group and made steady progress in the proposed disposal of NCB and restructuring of ASEAN assets
- Strengthened service capability by fully leveraging our largest local distribution network, commencing branch transformation and enriching products and functionalities
- Enhanced the competitiveness of our diversified platform of eight major businesses: credit cards, private banking, life insurance, asset management, cash management, custody, trust, and securities and futures by accelerating their development with increased investment
- Built a solid foundation by continuously strengthening our risk management mechanism and internal controls

A white wireframe structure of a skyscraper, resembling the Bank of China Tower, is positioned on the left side of the page. The background is a vibrant red and orange gradient with dynamic, glowing light streaks that create a sense of movement and energy.

Financial Results

▶ Condensed Income Statement

Profit attributable to the equity holders reached a record high

HK\$ m	2015	Restated 2014	% YoY
Net interest income	25,739	26,728	(3.7)
Net fee and commission income	11,465	9,091	26.1
Other operating income	3,738	2,084	79.4
Net operating income before impairment allowances	40,942	37,903	8.0
Net charge of impairment allowances	(931)	(146)	537.7
Net operating income	40,011	37,757	6.0
Operating expenses	(11,836)	(10,728)	10.3
Operating profit	28,175	27,029	4.2
Non-operating items	777	369	110.6
From continuing operations	23,969	21,927	9.3
From discontinued operations	2,827	2,650	6.7
Profit attributable to the equity holders	26,796	24,577	9.0

▶ Net Interest Income

Despite net interest margin narrowed, AIEA expanded

HK\$ m	2015	Restated 2014	% YoY
Interest income	38,074	38,693	(1.6)
Interest expense	12,335	11,965	3.1
Net interest income	25,739	26,728	(3.7)
Average interest earning assets (AIEA)	1,766,079	1,598,555	10.5
Net interest margin (NIM)	1.46%	1.67%	-21 bps

► Non-interest Income

Strong growth in non-interest income, with broad-based growth in net fee and commission income

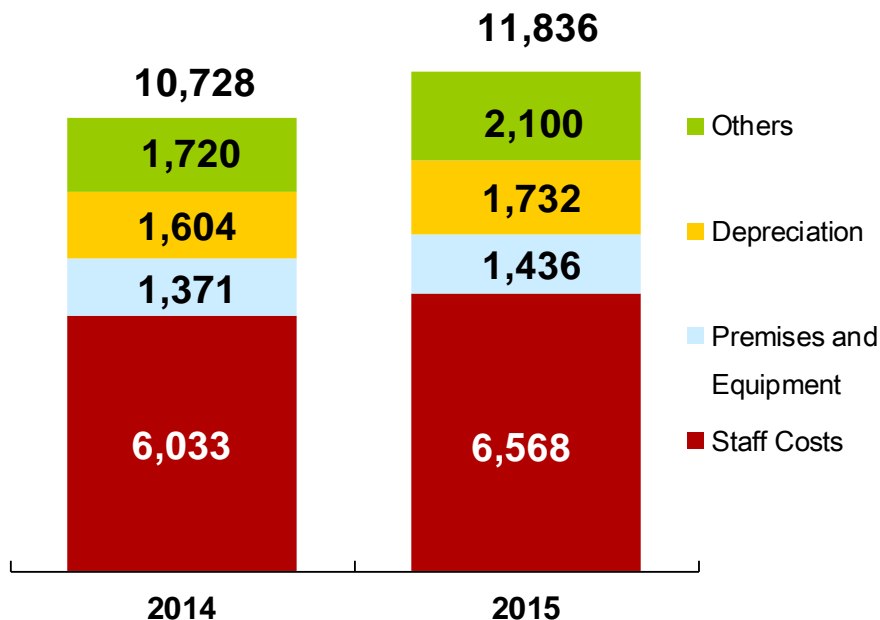
HK\$ m	2015	Restated 2014	% YoY
Fee and commission income			
Credit card business	3,727	3,610	3.2
Securities brokerage	3,397	2,471	37.5
Loan commissions	3,286	1,890	73.9
Insurance	1,551	1,447	7.2
Funds distribution	913	877	4.1
Bills commissions	543	574	(5.4)
Payment services	563	534	5.4
Trust and custody services	473	442	7.0
Currency exchange	302	231	30.7
Others	986	871	13.2
Net fee and commission income	11,465	9,091	26.1
Net trading gain	2,599	2,157	20.5
Net (loss)/gain on financial instruments designated at FVTPL	(767)	33	---
Others	1,906	(106)	---
Other operating income	3,738	2,084	79.4
Total	15,203	11,175	36.0

Operating Expenses

Focused on high cost efficiency while investing in service capabilities and new businesses

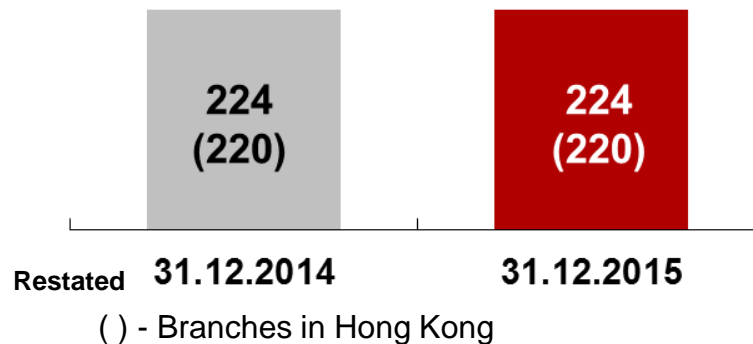
Operating Expenses

HK\$ m +10.3% YoY

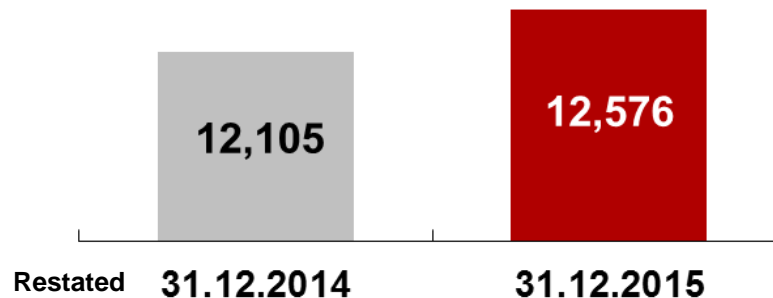


28.30% 28.91%
Cost-to-income ratio

Number of Branches

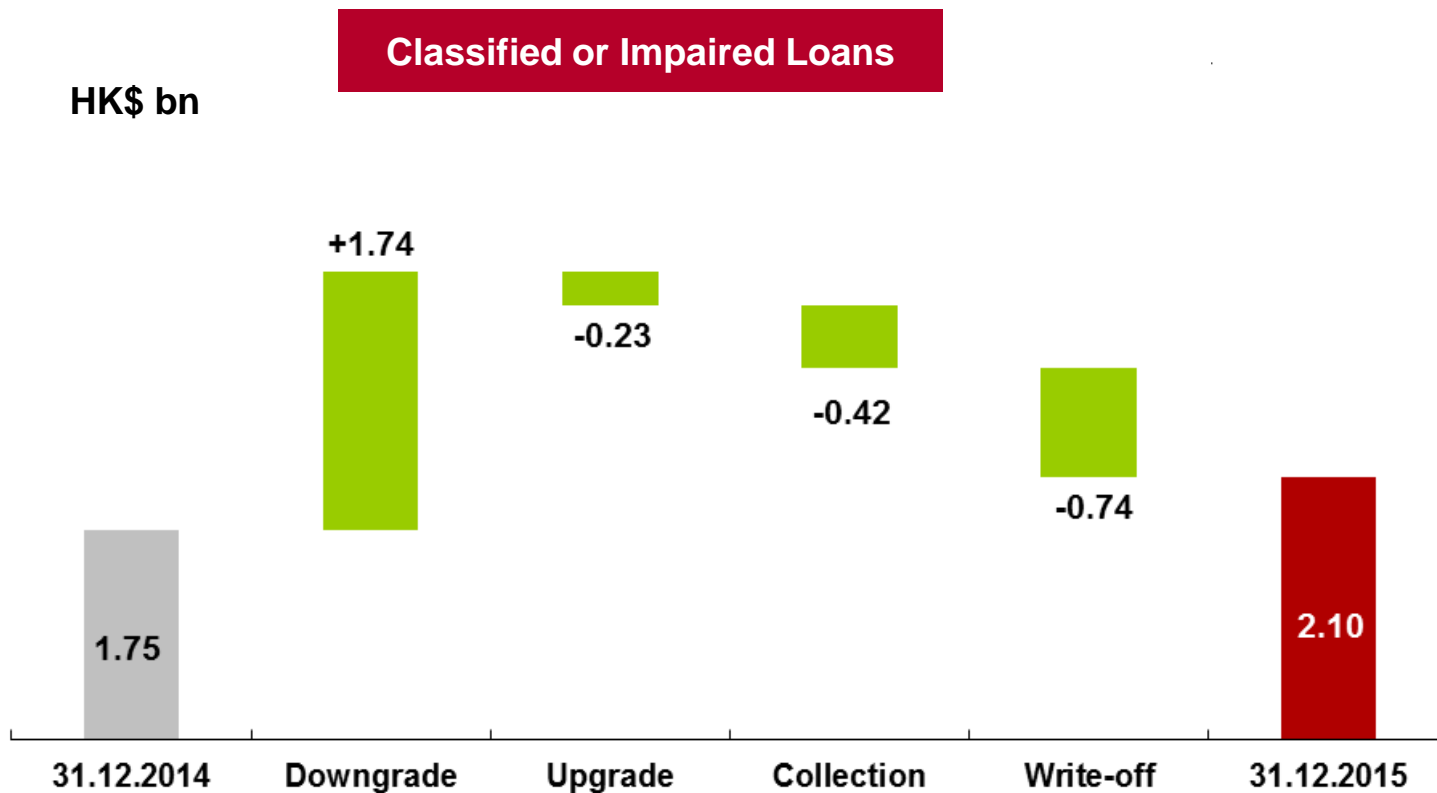


Staff Number



▶ Loan Quality

Quality of loan portfolio remained solid
Classified or impaired loan ratio stayed at a low level of 0.24%



▶ Net Charge of Impairment Allowances

Ensured sufficient provisions based on our prudent policy

HK\$ m

	2015	Restated 2014	% YoY
<u>Advances to customers</u>			
Net charge of allowances before recoveries			
- individual assessment	(590)	77	---
- collective assessment	(548)	(399)	37.3
Recoveries	156	195	(20.0)
Net charge of loan impairment allowances	(982)	(127)	673.2
<u>Securities Investments</u>			
Net reversal of impairment on securities investments	67	2	3,250.0
<u>Others</u>	(16)	(21)	(23.8)
Total charge to income statement	(931)	(146)	537.7

Condensed Balance Sheet

Proactively managed assets and liabilities to enhance profitability

HK\$ m	31.12.2015	Restated 31.12.2014	% Change	31.12.2014
Cash and balances with banks and other financial institutions	230,730	342,242	(32.6)	398,673
Placements with banks and other financial institutions	64,208	19,256	233.4	37,436
Securities investments	574,998	439,568	30.8	492,820
Advances and other accounts	920,214	850,225	8.2	1,014,129
Assets held for sale	300,473	300,427	0.0	---
Total assets	2,367,864	2,189,367	8.2	2,189,367
Inter-bank deposits taken	207,606	215,794	(3.8)	235,780
Deposits from customers*	1,407,560	1,276,887	10.2	1,483,224
Subordinated liabilities	19,422	19,676	(1.3)	19,676
Liabilities associated with assets held for sale	251,805	246,952	2.0	---
Total liabilities	2,169,871	2,007,895	8.1	2,007,895
Total equity	197,993	181,472	9.1	181,472

* Including structured deposits

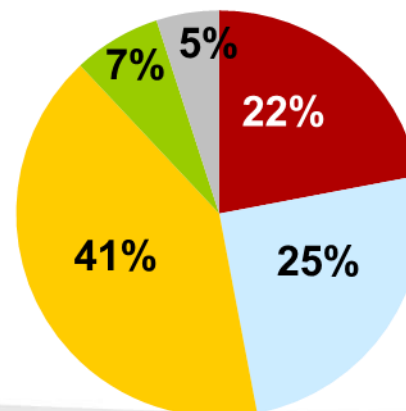
Securities Investments

Adjusted portfolio mix in response to market changes

HK\$ m	31.12.2015	Restated 31.12.2014	% Change
Sovereigns	176,498	69,883	152.6
Public Sector entities	38,116	43,037	(11.4)
Corporate entities	123,377	100,579	22.7
Banks and other FIs	236,827	226,069	4.8
Others	180	---	---
Total	574,998	439,568	30.8

Credit rating distribution

- Aaa
- Aa1 to Aa3
- A1 to A3
- Lower than A3
- Unrated



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

▶ Advances to Customers

Robust loan growth with consistent and stringent lending policy

HK\$ m	31.12.2015	Restated 31.12.2014	% Change
Loans for use in HK - corporate	300,766	252,844	19.0
Loans for use in HK - individual	270,721	249,692	8.4
Residential mortgages*	209,777	193,411	8.5
Credit card advances	13,834	13,001	6.4
Trade finance	79,108	78,674	0.6
Loans for use outside HK	239,648	230,276	4.1
Total advances to customers	890,243	811,486	9.7
Loan-to-deposit ratio	63.25%	63.55%	

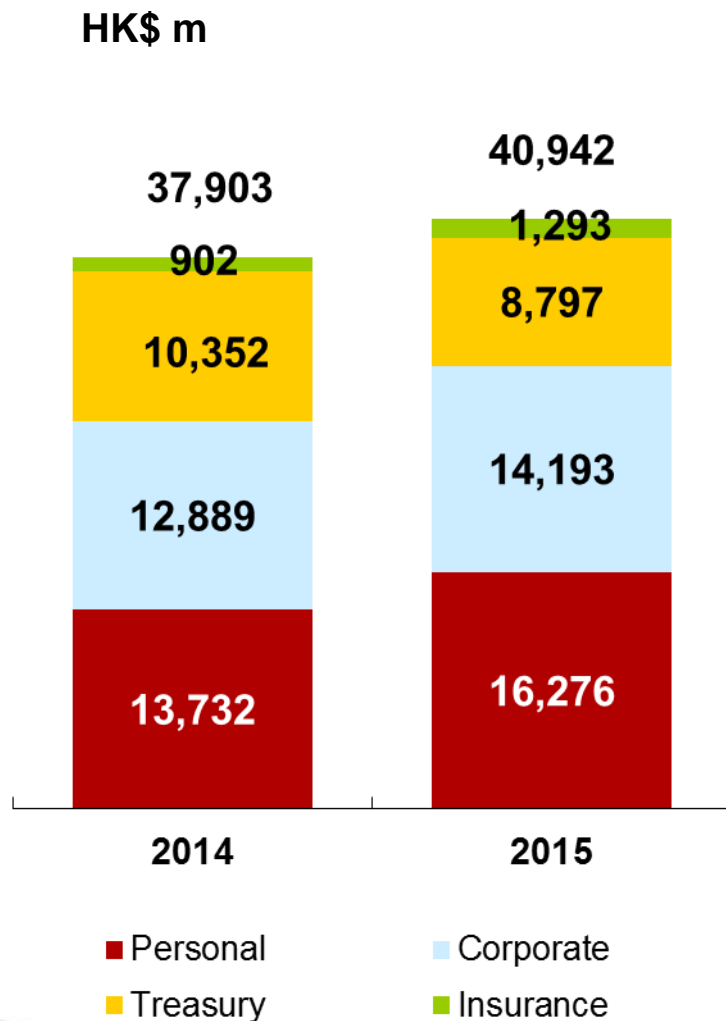
*Loans for purchase of residential properties other than flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme

▶ Customer Deposits

**Proactive and flexible deposit strategy
to support business growth**

HK\$ m	31.12.2015	Restated 31.12.2014	% Change
Demand deposits and current accounts	134,069	96,672	38.7
Saving deposits	717,747	621,944	15.4
Time, call and notice deposits	553,173	555,156	(0.4)
Structured deposits	2,571	3,115	(17.5)
Total deposits from customers	1,407,560	1,276,887	10.2

▶ Operating Income by Segments



- **Personal:** Maintained market leadership in residential mortgages. Strong growth in commission income from investment & insurance businesses
- **Corporate:** Deepened cooperation with state-owned enterprises and capitalised on our relationship with leading industry players, local commerce chambers and community organisations and SME customers. Based on strengthened collaboration with BOC to improve mechanisms for Guangdong, Hong Kong and Macau regions, as well as with the ASEAN region
- **Treasury:** Proactive response to customer demand and reinforced market leadership in RMB treasury business
- **Insurance:** Diversified distribution channels and enhanced product offerings, sustained leadership in RMB insurance market
- **Eight business platforms:** Private Banking business continued to optimise its open product platform; Custody business expanded customer base and remained one of the largest RQFII service providers in HK; Cash Management strengthened its service capability in cross-border cash management. It successfully built cross-border cash pools for various large corporates

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Outlook and Strategy

▶ Outlook and Strategy

- The global recovery remains sluggish with unresolved structural issues and increasing uncertainties
- Traditional commercial banks face rising challenges from the rapid development of Internet finance
- Ride on national strategies to achieve sustainable growth
 - ✓ New growth drivers arising from Belt and Road initiative
 - ✓ RMB internationalisation through opening up of capital accounts, Free Trade Zones, etc.
 - ✓ Hong Kong's development into an international centre for finance, trade and shipping in role as a “super-connector”

► Outlook and Strategy

- With the Group's development strategy, we will continue to capture market opportunities, further optimise business strategies and expand business operations in order to cater for the diversified needs of our customers and support the economic development of Hong Kong
- Corporate Banking: Capture market opportunities to expand our customer base of large corporates, SME, governmental agencies and institutions with the view to fully promoting the business development and structure optimisation of our corporate banking
- Personal Banking (Wealth Management): With a customer-centric focus, will expand our development in wealth management and private banking businesses, and strive to increase their earnings contribution
- Financial Markets: Grasp the opportunities from the inclusion of RMB into SDR to increase the competitiveness and income contributions of our transactional and treasury businesses by developing more new products with a view to driving our growth

► Outlook and Strategy

- Eight Business Platforms: Take advantage of the era of pan-asset management to speed up development with an aim to increase their earnings contributions, enhance business structure and optimise income mix
- Branch network transformation: Enhance cross-channel collaboration to form a unified platform and interface, thereby increase our integrated service capability and overall productivity
- Internet finance: Embrace the challenges of the online financial development and establish competitive advantages in FIN-tech by driving product innovation, business development and management standard enhancement

▶ Outlook and Strategy

- Continue to proceed with NCB sale and ASEAN asset acquisition projects in a proactive approach to Southeast Asia market expansion turning a new chapter for regional expansion
- Further refine and improve the professionalism and effectiveness of our risk management, internal controls and compliance to safeguard our healthy and sustainable development
- Will remain committed to the local market as a mainstream bank with deep roots in Hong Kong and create even higher value to our stakeholders

Appendices

▶ 2015 Condensed Income Statement - reconciliation

HK\$ m	New reporting basis	Discontinued operations	Old reporting basis
Net interest income	25,739	4,720	30,459
Net fee and commission income	11,465	1,116	12,581
Other operating income	3,738	321	4,059
Net operating income before impairment allowances	40,942	6,157	47,099
Net charge of impairment allowances	(931)	(633)	(1,564)
Net operating income	40,011	5,524	45,535
Operating expenses	(11,836)	(2,251)	(14,087)
Operating profit	28,175	3,273	31,448
Non-operating items	777	37	814
Profit before taxation	28,952	3,310	32,262
Taxation	(4,284)	(483)	(4,767)
Non-controlling interests	(699)	0	(699)
From continuing operations	23,969		
From discontinued operations	2,827	(2,827)	
Profit attributable to the equity holders	26,796	0	26,796

▶ 2015 Condensed Balance Sheet - reconciliation

HK\$ m	New reporting basis	Discontinued operations	Old reporting basis
Cash and balances with banks and other financial institutions	230,730	53,124	283,854
Placements with banks and other financial institutions	64,208	7,057	71,265
Securities investments	574,998	62,370	637,368
Advances and other accounts	920,214	168,924	1,089,138
Fixed assets & IP	65,695	7,374	73,069
Other assets	211,546	1,624	213,170
Assets held for sale	300,473	(300,473)	0
Total assets	2,367,864	0	2,367,864
Inter-bank deposits taken	207,606	18,040	225,646
Deposits from customers*	1,407,560	215,311	1,622,871
Subordinated liabilities	19,422	0	19,422
Other liabilities	283,478	18,454	301,932
Liabilities associated with assets held for sale	251,805	(251,805)	0
Total liabilities	2,169,871	0	2,169,871
Total equity	197,993		197,993



▶ Key Financial Highlights (Incl. Discontinued Operations)

HK\$m	2015	2014	% YoY	
Net operating income before impairment allowances	47,099	44,282	6.4	
Deposits from customers	1,622,871	1,483,224	9.4	
Advances to customers	1,046,480	960,989	8.9	
Average interest earning assets	2,038,014	1,860,620	9.5	
ROE	14.51%	14.65%	(0.14pp)	
Net interest margin	1.49%	1.72%	(0.23pp)	
Cost-to-income ratio	29.91%	29.29%	0.62pp	
Loan-to-deposit ratio	64.48%	64.79%	(0.31pp)	
Classified or impaired loan ratio	0.27%	0.31%	(0.04pp)	
Common Equity Tier 1 capital ratio	12.83%	12.30%	0.53pp	
Total capital ratio	17.86%	17.51%	0.35pp	
	4Q15	3Q15	2Q15	1Q15
Average value of LCR	106.52%	104.00%	109.89%	101.90%

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