

A white wireframe structure of a skyscraper, resembling the Bank of China Tower, is positioned on the left side of the slide. The background is a gradient of red and orange with light streaks.

2015 Interim Results

2015.08.28



▶ **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

Madam Sui Yang

Chief Financial Officer

Mrs Ann Kung

Deputy Chief Executive



▶ Agenda

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

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Key Performance Highlights

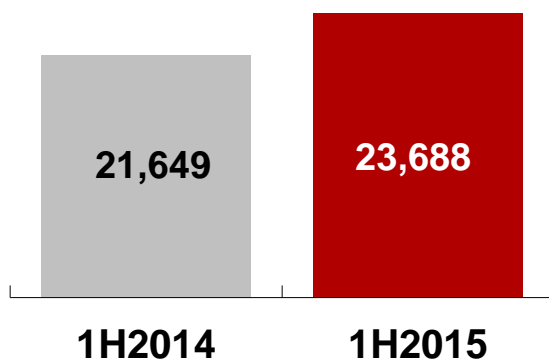
▶ Operating Environment

- Growth in major economies remained modest
- Local economic development supported by the HKSAR government
- Upbeat investment sentiment amid intense market competition
- China's continuous reforms opened up new opportunities

▶ Another Year of Record High Performance

Net operating income*

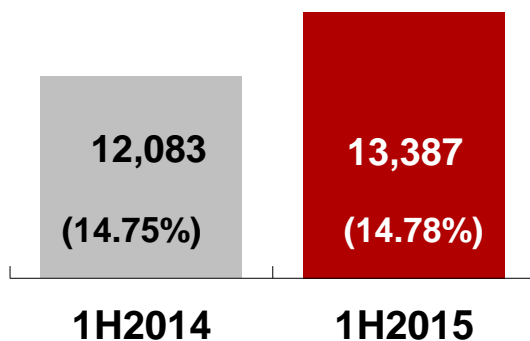
HK\$ m +9.4% YoY



*Before impairment allowances

Profit attributable to the equity holders of the Company

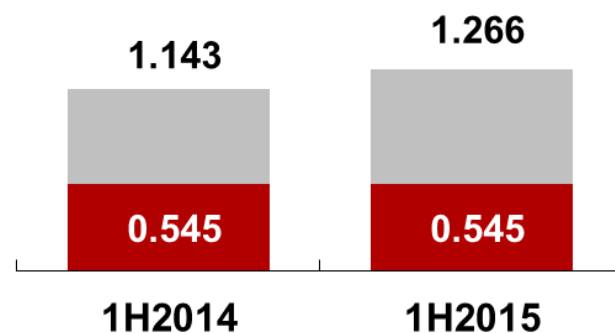
HK\$ m + 10.8% YoY



() - Return on average shareholders' equity

Earnings per share and Dividend per share

HK\$ + 10.8% YoY / --



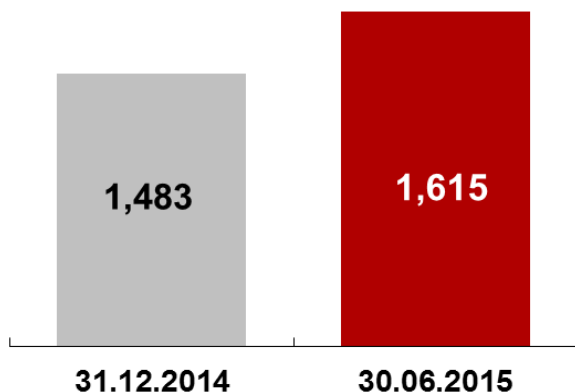
■ Dividend per share ■ Earnings per share

- Record high in revenue and profit, driven by core businesses
- ▶ Net fee and commission income over HK\$6 billion, up 31.4%

Good Business Momentum and Strong Financial Position

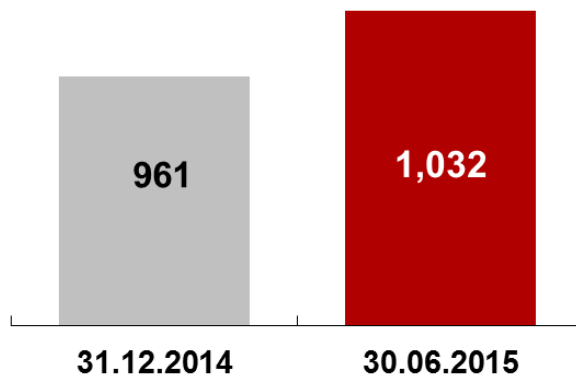
Strong Deposit Base

HK\$ bn +8.9% YTD



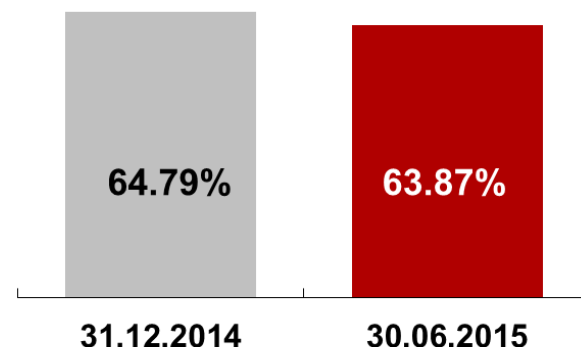
Steady Loan Growth

HK\$ bn + 7.3% YTD



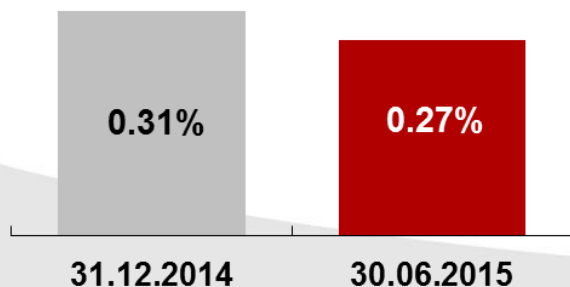
Healthy LDR

Loan-to-deposit Ratio



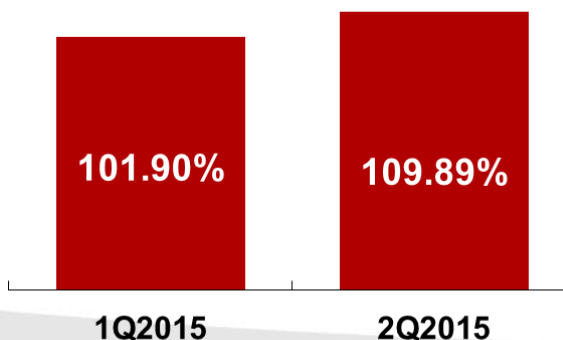
Improved Loan Quality

Classified or Impaired Loan Ratio



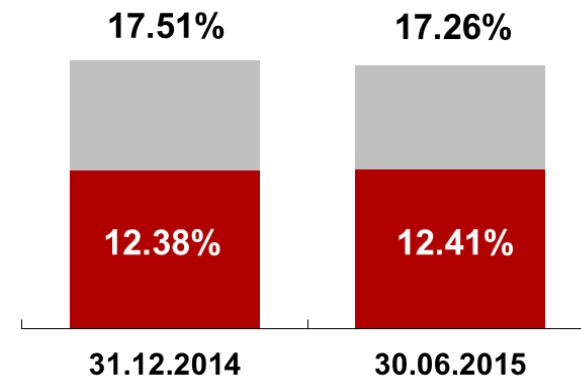
Adequate Liquidity

Average value of Liquidity Coverage Ratio



Solid Capital Position

Total Capital Ratio
■ Tier 1



▶ Enhancing our Competitive Edge, Capturing Emerging Growth Opportunities

- Promoted wealth management business to achieve remarkable growth in net fee income
- Encouraging achievements in major business platforms
- Leveraged on RMB competitive edge to reinforce our leading position in cross-border businesses
- Optimised e-banking infrastructure to enhance customer experience

► Strategic Restructuring for our Long-term Development

- Implementing strategic transformation in Hong Kong and the ASEAN region
- Captured opportunities from major national strategic initiatives, including “One Belt, One Road”, RMB internationalisation and Mainland enterprises going global
- Targeted new growth drivers for long-term sustainable development

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

Strong growth in non-interest income

HK\$ m	1H2015	1H2014	% YoY	2H2014	% HoH
Net interest income	15,672	15,656	0.1	16,263	(3.6)
Net fee and commission income	6,325	4,815	31.4	5,307	19.2
Other operating income	1,691	1,178	43.5	1,063	59.1
Net operating income before impairment allowances	23,688	21,649	9.4	22,633	4.7
Net charge of impairment allowances	(809)	(379)	113.5	(671)	20.6
Net operating income	22,879	21,270	7.6	21,962	4.2
Operating expenses	(6,576)	(6,216)	5.8	(6,756)	(2.7)
Operating profit	16,303	15,054	8.3	15,206	7.2
Non-operating items	479	125	283.2	278	72.3
Profit attributable to the equity holders	13,387	12,083	10.8	12,494	7.1

▶ Net Interest Income

Expanded AIEA with narrowed net interest margin

HK\$ m	1H2015	1H2014	% YoY	2H2014	% HoH
Interest income	23,860	23,304	2.4	24,648	(3.2)
Interest expense	8,188	7,648	7.1	8,385	(2.3)
Net interest income	15,672	15,656	0.1	16,263	(3.6)
Average interest earning assets (AIEA)	1,993,548	1,814,625	9.9	1,905,864	4.6
Net interest margin (NIM)	1.59%	1.74%	-15 bps	1.69%	-10 bps

▶ Non-interest Income

Robust and broad-based growth in net fee and commission income
Other operating income underpinned by higher insurance income and net gain on other financial assets

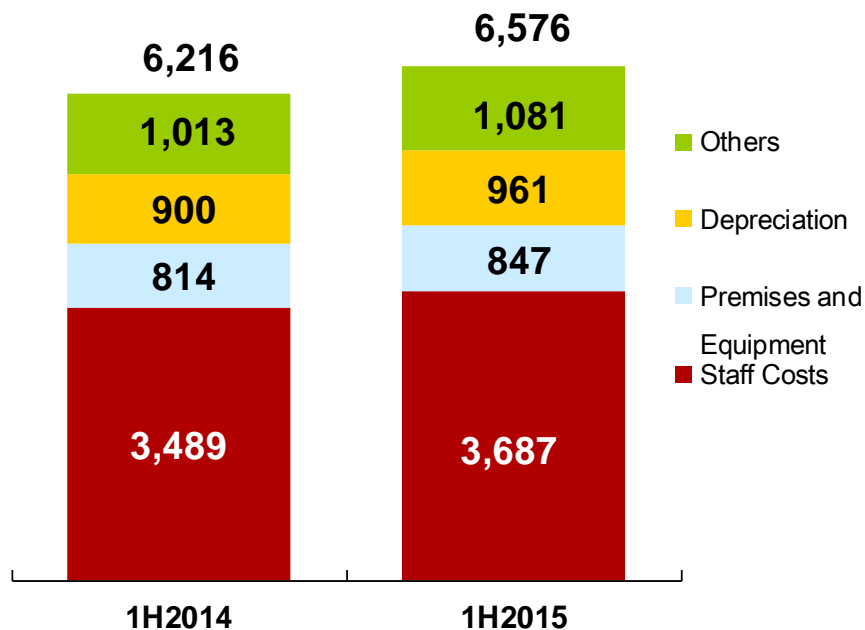
HK\$ m	1H2015	1H2014	% YoY	2H2014	% HoH
Fee and commission income					
Credit card business	1,849	1,792	3.2	1,881	(1.7)
Securities brokerage	2,335	1,180	97.9	1,496	56.1
Loan commissions	1,330	1,134	17.3	1,051	26.5
Insurance	818	677	20.8	885	(7.6)
Funds distribution	676	513	31.8	522	29.5
Bills commissions	353	413	(14.5)	397	(11.1)
Payment services	305	300	1.7	304	0.3
Trust and custody services	241	206	17.0	244	(1.2)
Currency exchange	150	105	42.9	126	19.0
Others	429	395	8.6	384	11.7
Net fee and commission income	6,325	4,815	31.4	5,307	19.2
Net trading gain	608	1,329	(54.3)	833	(27.0)
Net gain/(loss) on financial instruments designated at FVTPL	(168)	18	---	7	---
Others	1,251	(169)	---	223	461.0
Other operating income	1,691	1,178	43.5	1,063	59.1
Total	8,016	5,993	33.8	6,370	25.8

Operating Expenses

Maintained disciplined cost control while investing in new businesses

Operating Expenses

HK\$ m +5.8% YoY

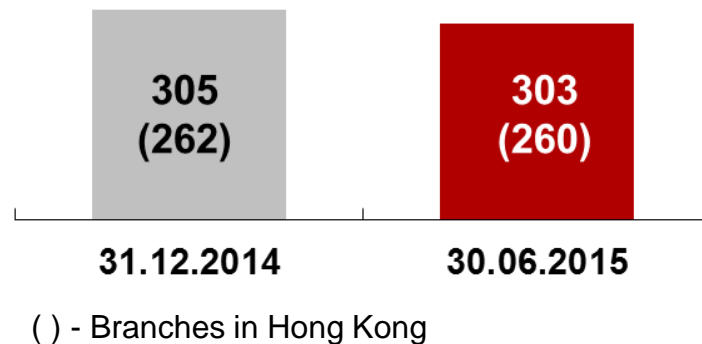


28.71%

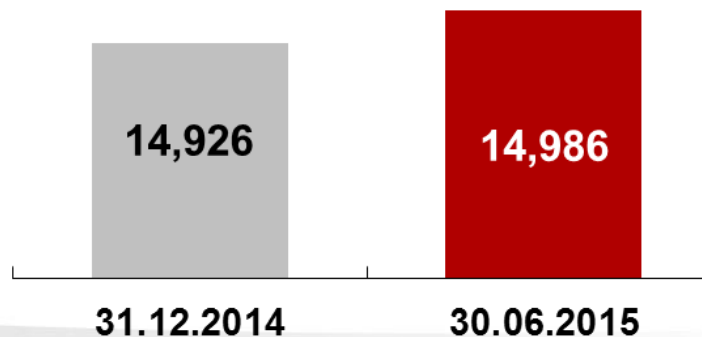
27.76%

Cost-to-income ratio

Number of Branches



Staff Number



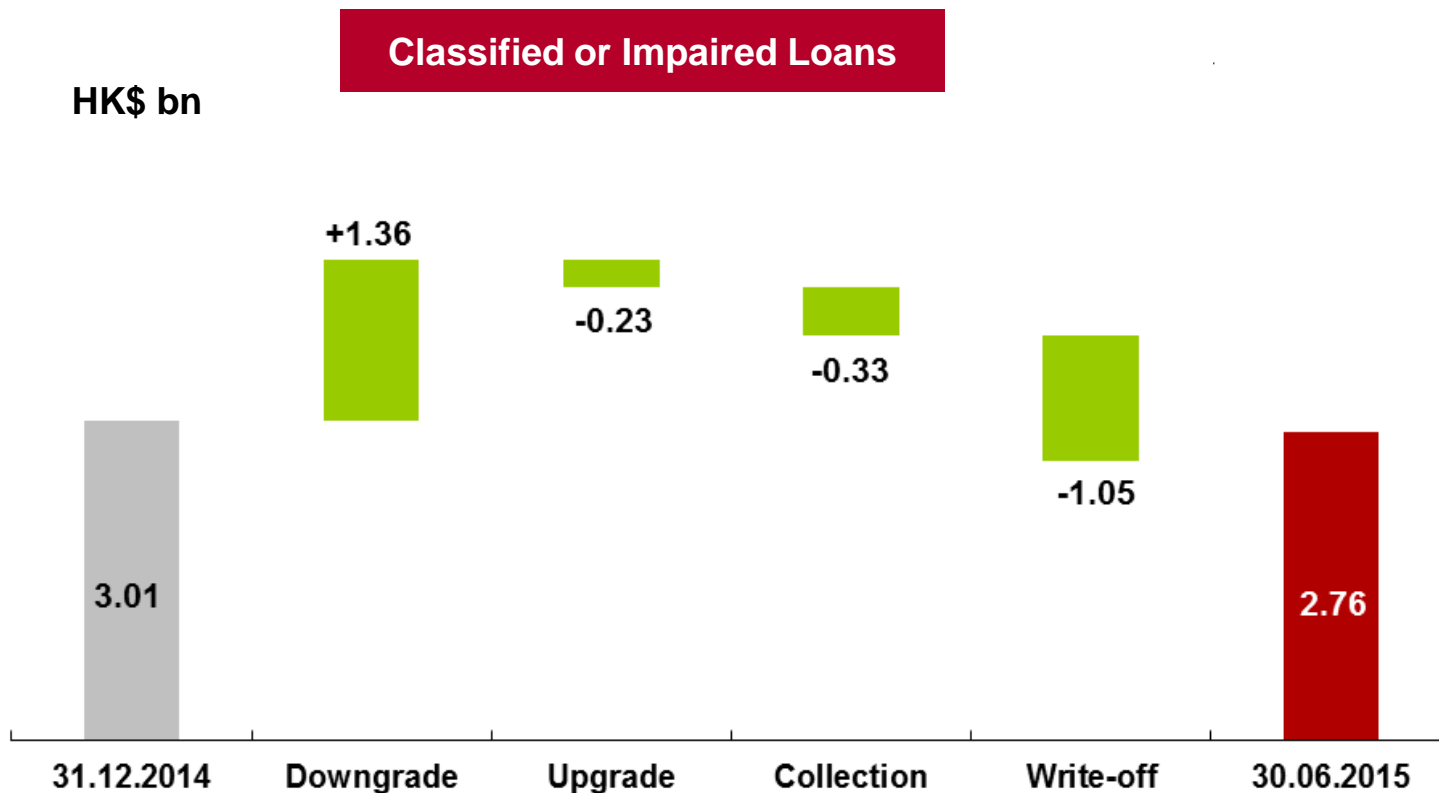
▶ Net Charge of Impairment Allowances

Net charge of IA impairment allowances increased with higher net charge from Mainland business

HK\$ m	1H2015	1H2014	% YoY	2H2014	% HoH
<u>Advances to customers</u>					
Net charge of allowances before recoveries					
- individual assessment	(812)	(152)	434.2	(596)	36.2
- collective assessment	(89)	(326)	(72.7)	(159)	(44.0)
Recoveries	95	101	(5.9)	101	(5.9)
Net charge of loan impairment allowances	(806)	(377)	113.8	(654)	23.2
<u>Securities Investments</u>					
Net reversal of impairment on securities investments	1	2	(50.0)	0	---
Others	(4)	(4)	---	(17)	(76.5)
Total charge to income statement	(809)	(379)	113.5	(671)	20.6

▶ Loan Quality

Quality of overall loan portfolio remained sound
Classified or impaired loan ratio stayed at a low level of 0.27%



▶ Condensed Balance Sheet

Continued to optimise asset and liability mix to enhance return

HK\$ m	30.06.2015	31.12.2014	% Change
Cash and balances with banks and other financial institutions	329,274	398,673	(17.4)
Placements with banks and other financial institutions	50,867	37,436	35.9
Securities investments	642,205	492,820	30.3
Advances and other accounts	1,078,831	1,014,129	6.4
Total assets	2,367,685	2,189,367	8.1
Inter-bank deposits taken	205,604	235,780	(12.8)
Deposits from customers*	1,614,999	1,483,224	8.9
Subordinated liabilities	19,565	19,676	(0.6)
Total liabilities	2,177,055	2,007,895	8.4
Total equity	190,630	181,472	5.0

* Including structured deposits

▶ Customer Deposits

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

HK\$ m	30.06.2015	31.12.2014	% Change
Demand deposits and current accounts	166,589	116,361	43.2
Saving deposits	691,527	672,826	2.8
Time, call and notice deposits	754,211	690,922	9.2
Structured deposits	2,672	3,115	(14.2)
Total deposits from customers	1,614,999	1,483,224	8.9

▶ Advances to Customers

Steady loan growth with consistent lending policy

HK\$ m	30.06.2015	31.12.2014	% Change
Loans for use in HK - corporate	347,408	308,141	12.7
Loans for use in HK - individual	277,963	267,260	4.0
Residential mortgages*	213,002	203,744	4.5
Credit card advances	12,639	13,021	(2.9)
Trade finance	87,365	86,316	1.2
Loans for use outside HK	318,788	299,272	6.5
Total advances to customers	1,031,524	960,989	7.3
Loan-to-deposit ratio	63.87%	64.79%	

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

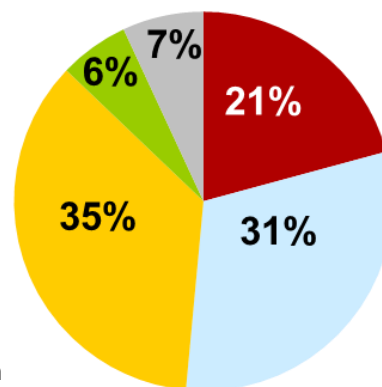
Securities Investments

Adjusted portfolio mix to meet market changes

HK\$ m	30.06.2015	31.12.2014	% Change
Sovereigns	181,746	89,543	103.0
Public Sector entities	42,282	43,402	(2.6)
Corporate entities	143,829	111,527	29.0
Banks and other FIs	274,348	248,348	10.5
Total	642,205	492,820	30.3

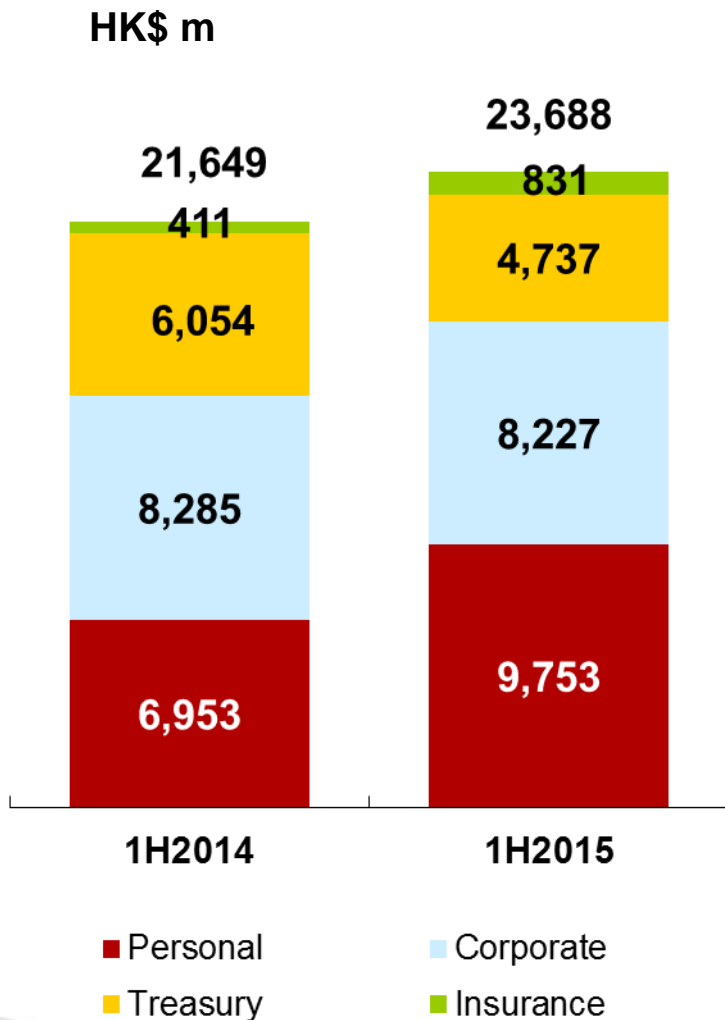
Credit rating distribution

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



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

▶ Operating Income by Segments



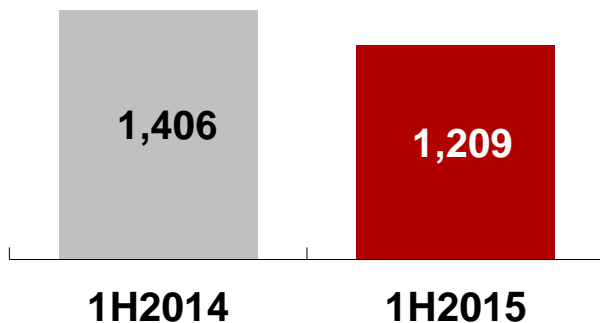
- **Personal:** Maintained market leadership in residential mortgages. Encouraging growth in commission income from investment & insurance businesses
- **Corporate:** Deepened collaboration with BOC to expand cross-border banking services.
- **Treasury:** Proactive investment strategy and provided time-to-market products and services
- **Insurance:** Broadened product offerings and sustained leadership in the RMB insurance market

Mainland Business

Adversely affected by economic slowdown and weakening credit conditions

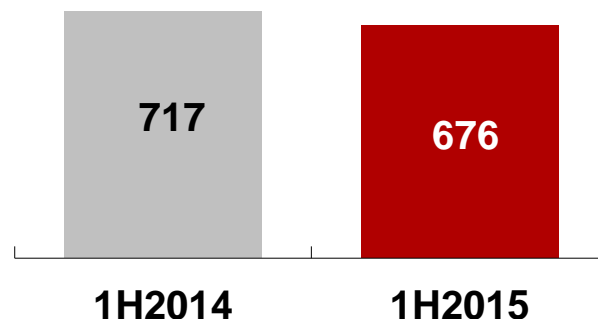
Operating Income

HK\$ m - 14.0% YoY



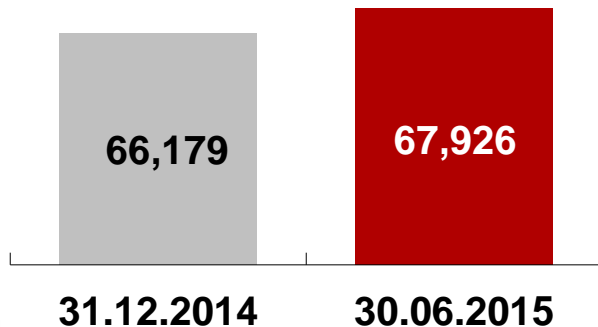
Operating Expenses

HK\$ m - 5.7% YoY



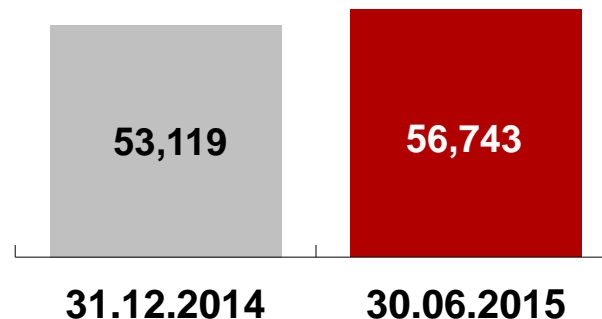
Deposits from Customers

HK\$ m + 2.6% YTD



Gross Advances to Customers

HK\$ m + 6.8% YTD



1.99%

2.16%

Classified or Impaired Loan Ratio

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Outlook and Strategy

▶ Outlook and Strategy

- Divergent global recovery across different economies
- Capture rising opportunities to achieve solid returns
 - ✓ Large infrastructure investments in the Asia-Pacific region
 - ✓ “One Belt, One Road” potential with Hong Kong serving as a “super connector”
 - ✓ Opening up of capital accounts, Free Trade Zones, Shenzhen-Hong Kong Stock Connect, the QDII2 pilot scheme, etc.
- Become a bridgehead for the internationalisation and diversification of the BOC Group to provide comprehensive financial support across regions

► Outlook and Strategy

- Pave way for the inclusion of RMB into the Special Drawing Rights and solidify our position as the premier bank in RMB business
- Continue to optimise business structure and broaden product spectrum
- Further expand customer coverage and leverage BOC Group's global presence to enhance our competitive edge

▶ Outlook and Strategy

■ Strategic transformation

- ✓ Encouraging progress towards the restructuring of ASEAN assets
- ✓ Develop new structural framework and mechanisms to embrace strategic changes
- ✓ Further expand our market reach, product suite and service offerings
- ✓ Transform from a local bank into a regional bank with cross-border operations

2015 Interim Results

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