



A CENTURY OF SERVICES
ALWAYS WITH YOU

2016 Annual Results

2017.03.31



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2016 Annual Results Announcement

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.

New Reporting Basis in this Presentation



中國銀行(香港)
BANK OF CHINA (HONG KONG)



- ▶ The disposal of Nanyang Commercial Bank, Limited (“NCB”) was completed on 30 May, 2016
- ▶ The acquisition of Bank of China (Malaysia) Berhad (“BOC Malaysia”) was completed on 17 October, 2016
- ▶ The Sale and Purchase Agreement for the disposal of Chiyu Banking Corporation Limited (“Chiyu”) was signed on 22 December, 2016
 - Operating results of NCB and Chiyu were classified as “Discontinued Operations” in the Consolidated Income Statement
 - Assets and liabilities of NCB and Chiyu were reported as “Assets Held for Sale” and “Liabilities associated with Assets Held for Sale”, respectively
 - The merger accounting method was applied in financial statements for the combination with entity under common control for the operating results and assets and liabilities of BOC Malaysia
 - All 2015 figures restated for easy comparison
- ▶ All charts and tables shown on the new basis, unless stated otherwise



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

* The balance sheet items at 31.12.2015 in this presentation are presented on the new reporting basis, which is different from the financial statements in the Annual Report 2016, in which, they are reported based on the HKFRS. For details please refer to the Annual Report 2016.

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

Agenda



Strategy Review 2016



Financial Performance 2016



Outlook and Business Focus in 2017

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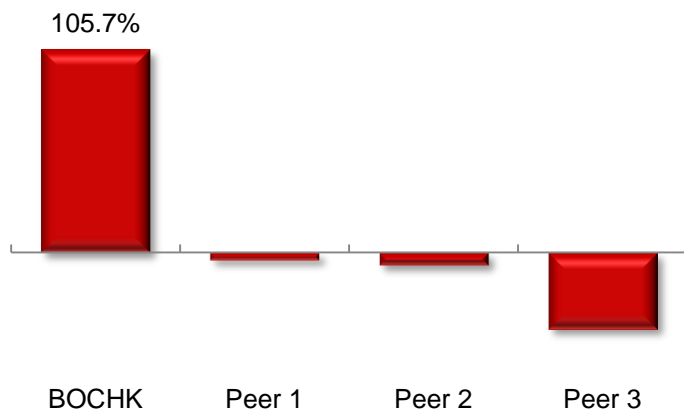
Strategy Review 2016

A large, abstract graphic on the right side of the page, consisting of overlapping red and gold geometric shapes, including triangles and lines, creating a modern, architectural look.

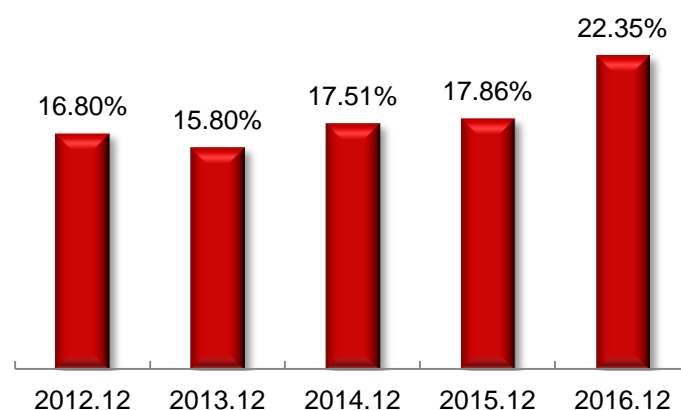
Record Earnings since IPO as result of Effective Strategy Implementation



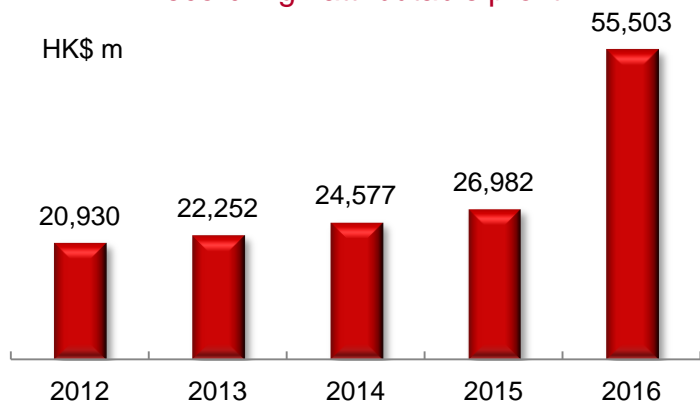
Attributable profit growth outpacing peers YoY



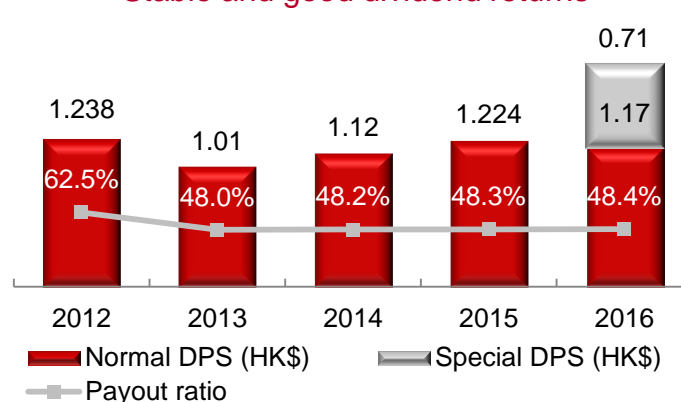
Capital strength further enhanced



Record high attributable profit

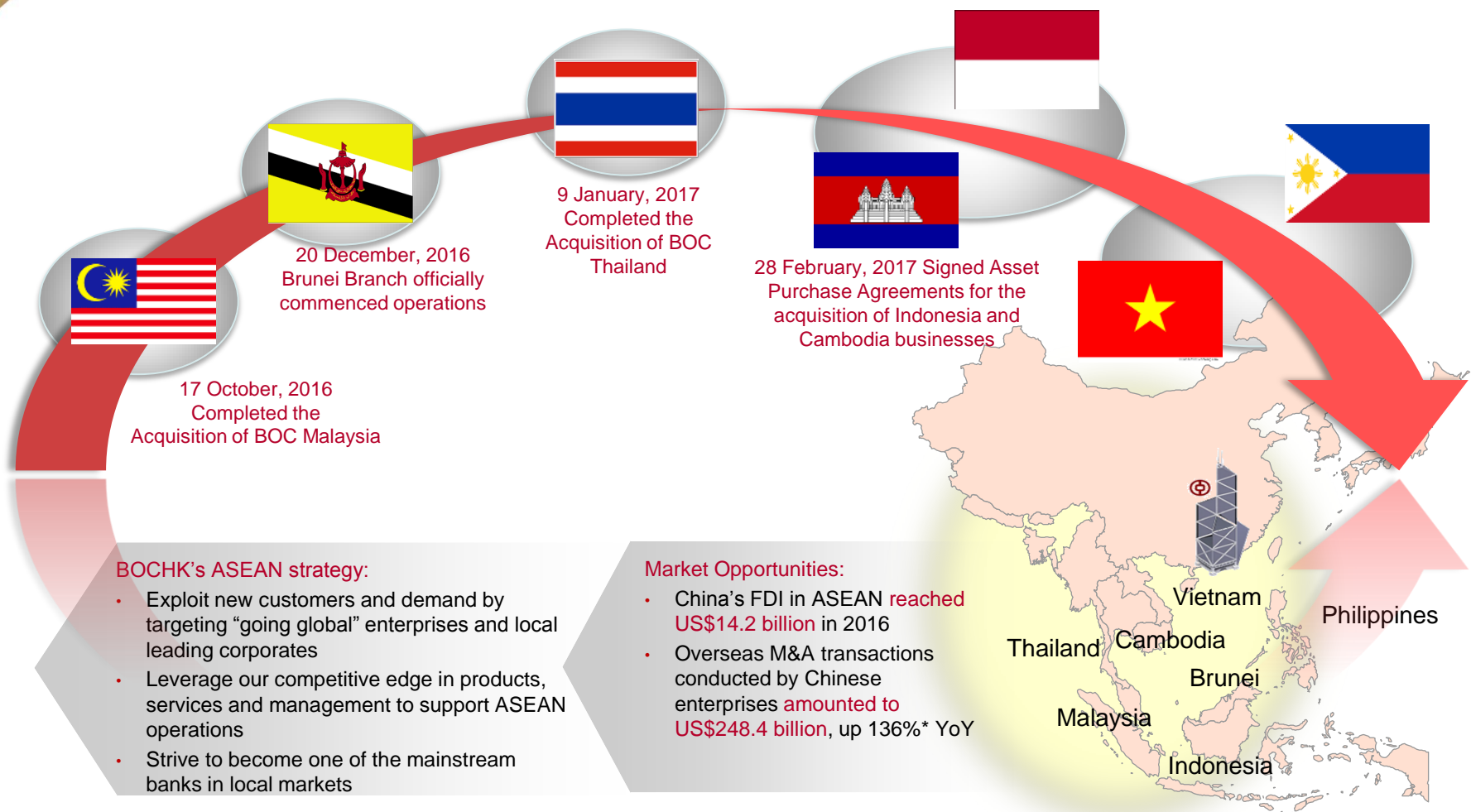


Stable and good dividend returns



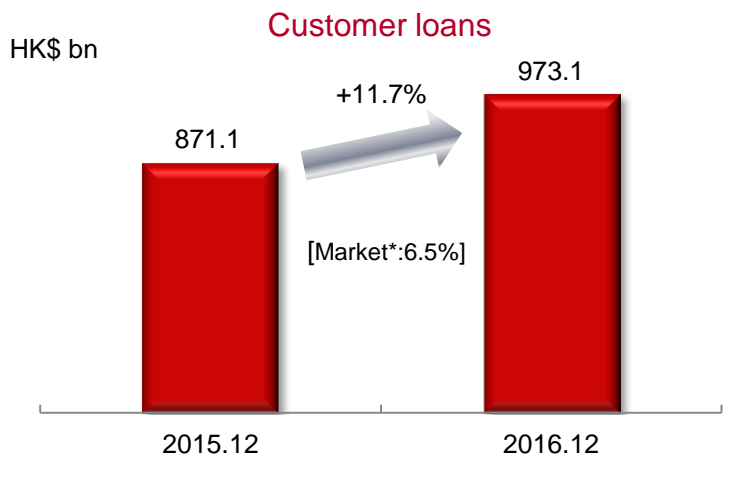
Note : 2016 dividend payout ratio was calculated based on profits excluding the disposal gain of HK\$29,956m on NCB

Expedite Regional Development by Capitalising on B&R and Other Important National Strategy Opportunities

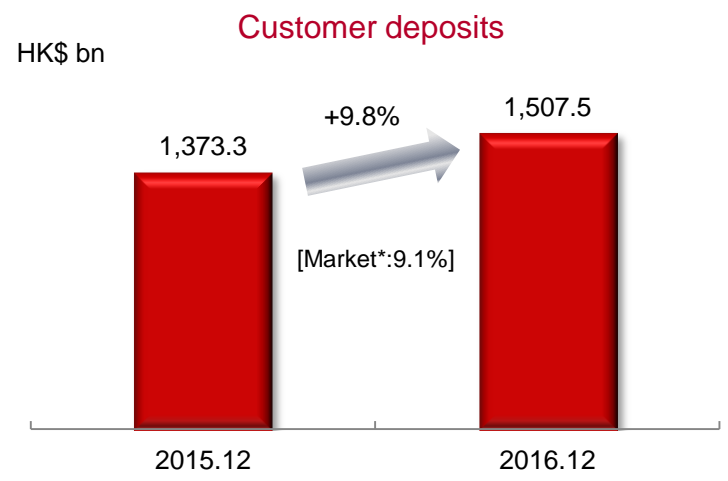


*Source: Bloomberg

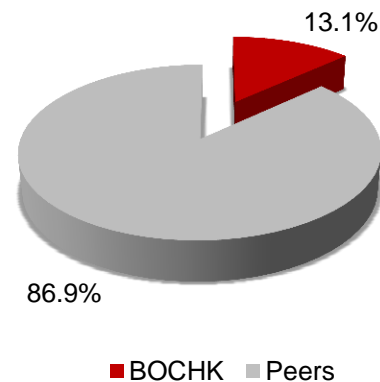
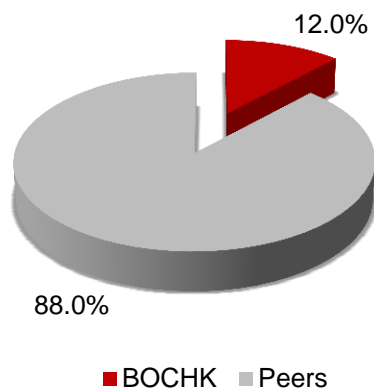
Market Share Gains with Loan and Deposit Growth Outperforming the Sector



Share in local loan market* up 0.5ppt

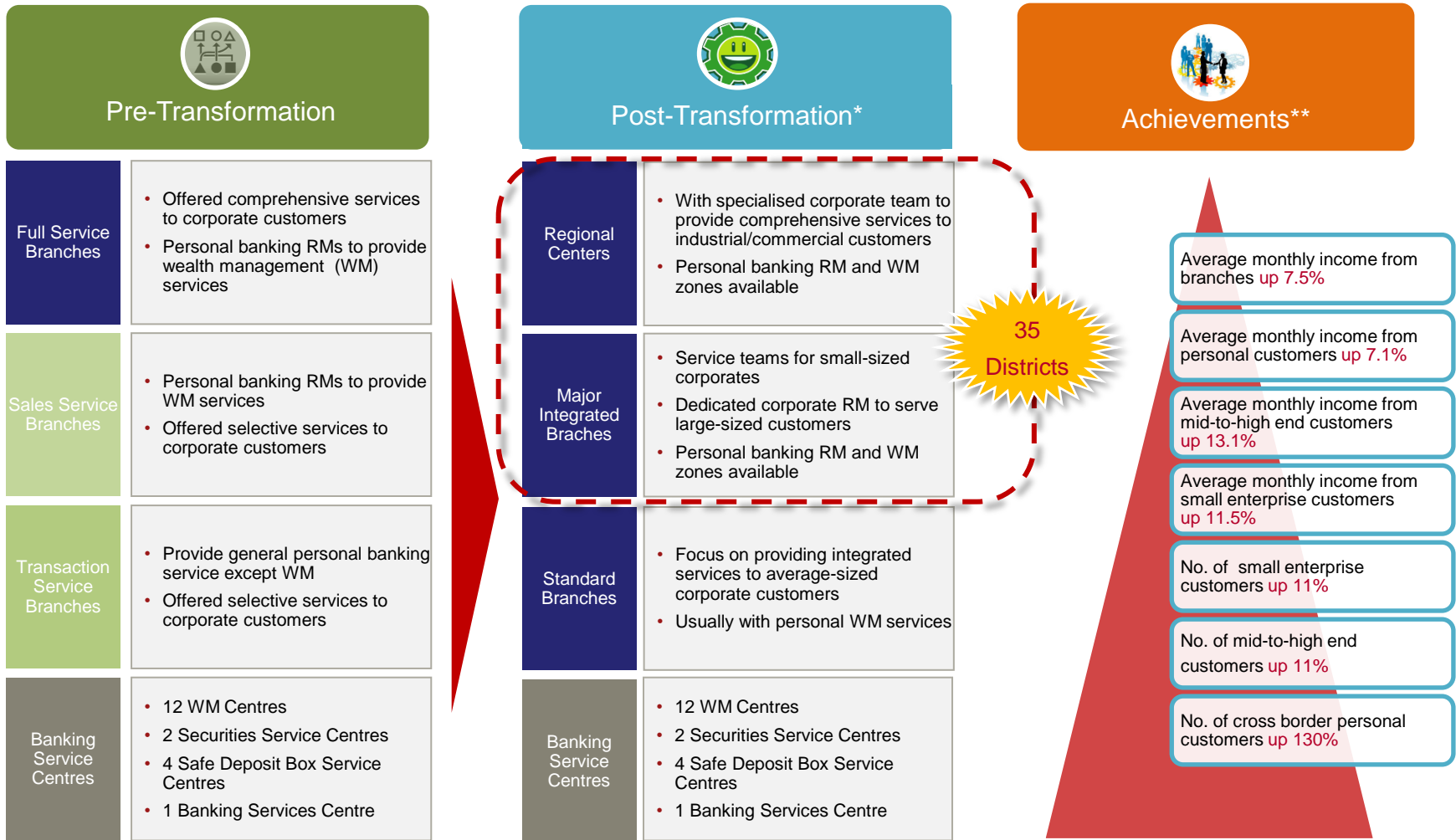


Share in local deposit market* up 0.08ppt



* Data based on statistics released by the HKMA

Significant Achievements in Branch Network Transformation with Streamlined Structure and Workflows

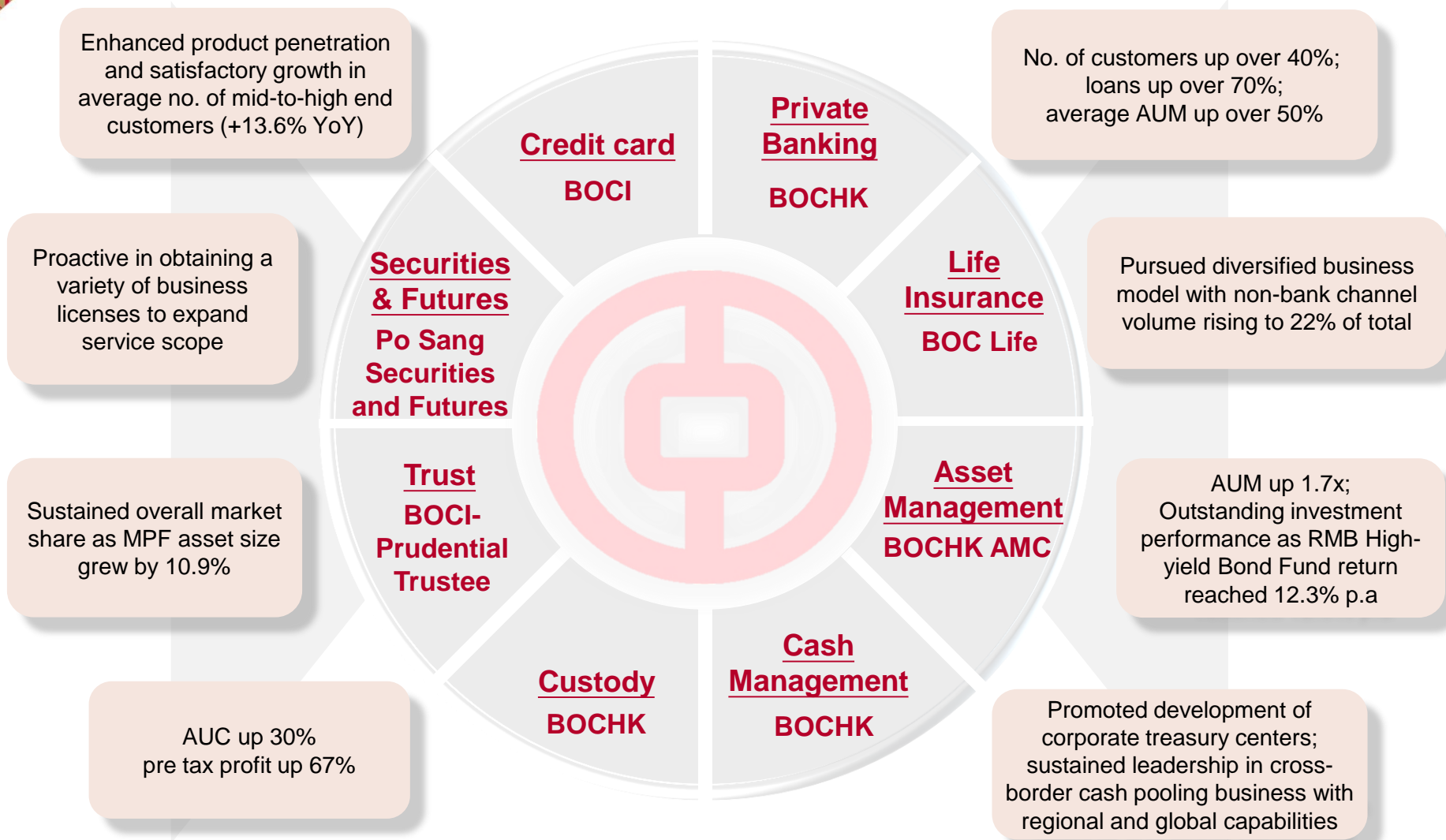


Provide integrated services to both corporate and individual customers

*Starting from July, 2016

**2H16 vs 1H16

Steady Growth and Increased Operating Profit Contributions from Eight Key Business Platforms



Note : AUC refers to assets under custody, while AUM refers to assets under management

Breakthroughs in FinTech Established Market Leading Position



Product Innovation

- iService 24-Hour Video Banking Service
- Apple Pay
- Small Value Transfer service
- Mobile e-Cheque
- BOC Loans Mobile App
- QR code payment pilot etc.

- Application of Blockchain in property valuation
- Biometric application:
 - Fingerprint validation in mobile banking
 - Finger vein authentication at branch counters
- Big Data Platform
- Smart Flagship Branch & Robot Assistant

Crossover

- Establishment of FinTech Collaboration Centre with ASTRI and the launch of Smart Investment Contest
- Strategic cooperation with China Mobile in cross-border service, Big Data application, customer acquisition and communication network

- Internet Banking users up 10.2%
- Mobile Banking customers up 16.1%
- Corporate Internet Banking customers up 13.4%
- WeChat Account Binding customers up 166%
- Awarded:
 - The Best Consumer Digital Bank in Hong Kong
 - Technology Innovation Awards - Best Mobile Social Media Engagement Project

Digital Banking

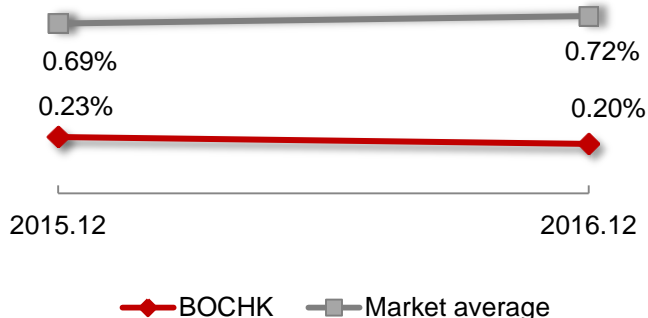
Innovative Applications

Effective Risk Management with Indicators Within Reasonable Range

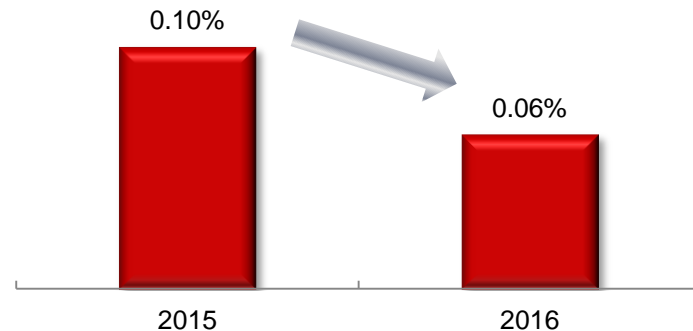


Stable asset quality

Classified or impaired loans ratio



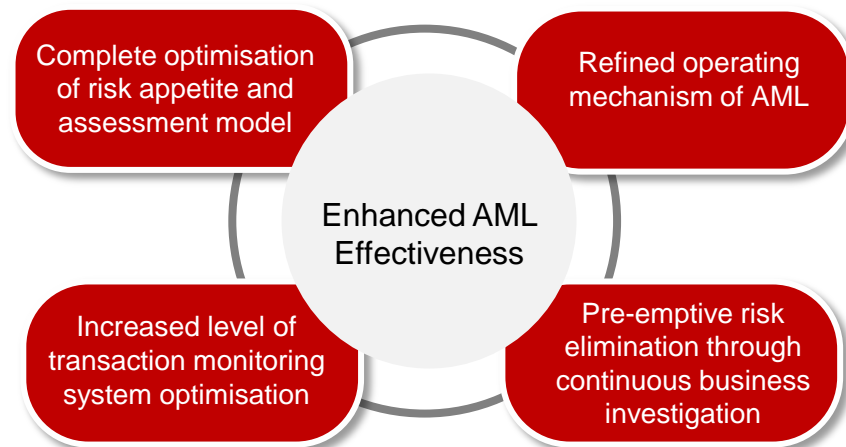
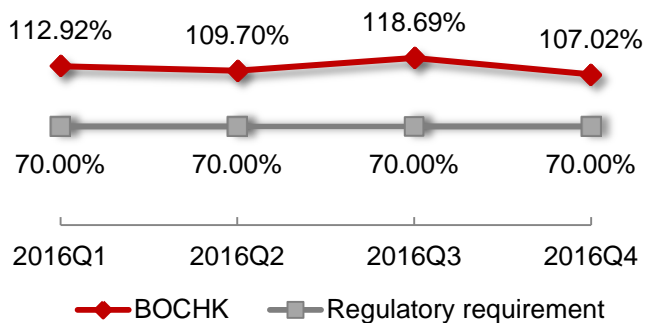
Low credit cost



Remark: Net charge of loan impairment allowances/average customer loan balance

Solid liquidity position

Average value of Liquidity Coverage Ratio



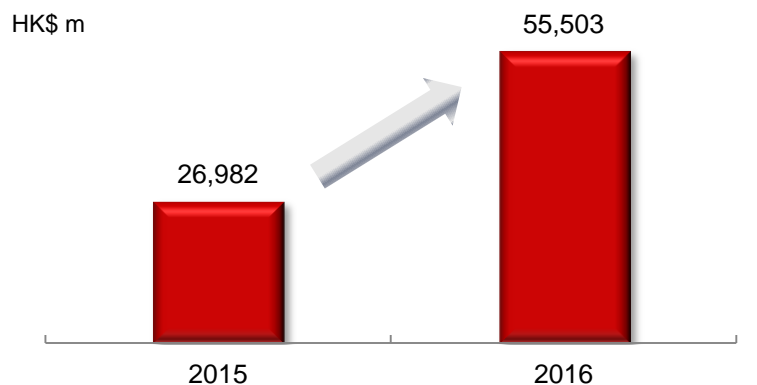
A large, stylized globe composed of a grid of dots, rendered in a light gray color, serves as a background for the title.

Financial Performance 2016

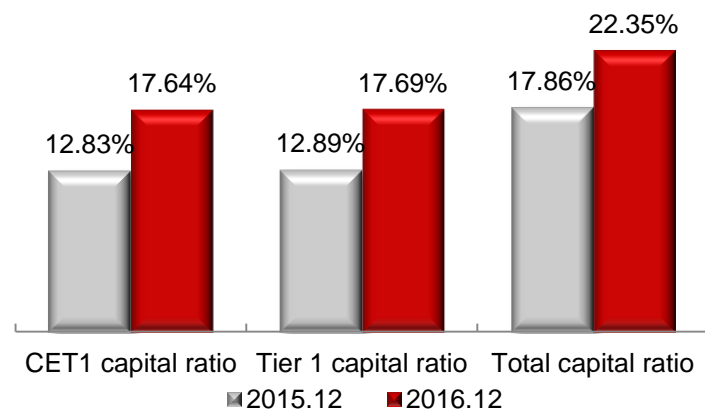
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Robust Profit Growth and Capital Enhancement

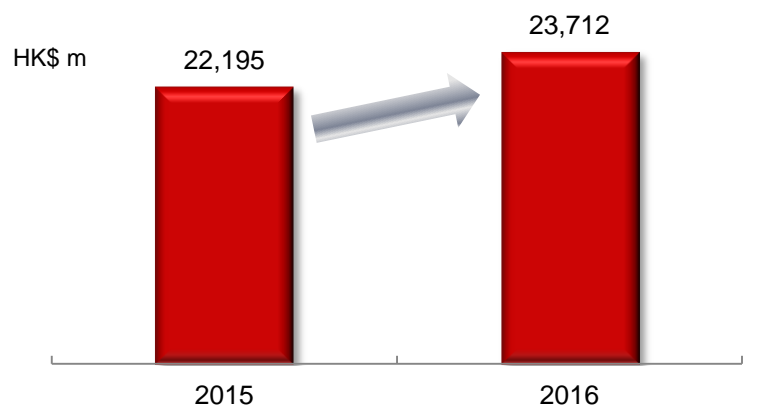
Attributable profit up 105.7% YoY



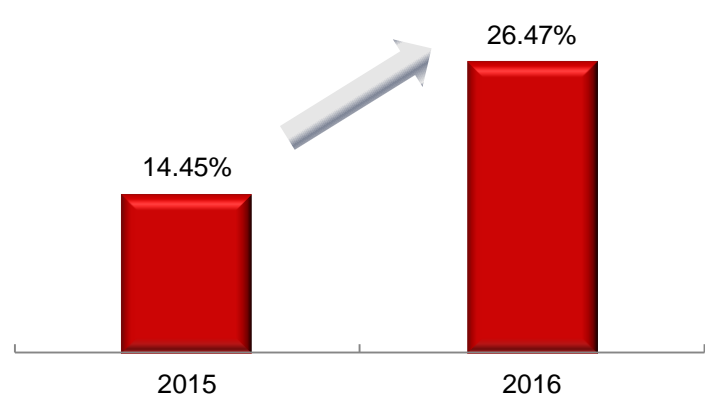
Total capital ratio up 4.5ppt



Adjusted profit up 6.8%* YoY



Significant ROE growth by 12ppt

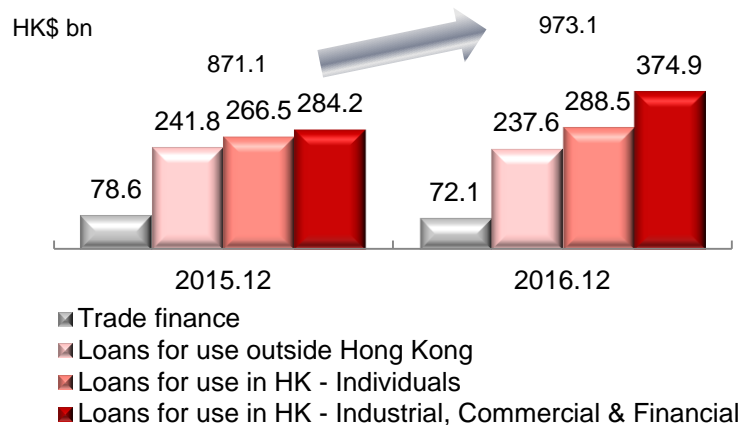


* Without taking into consideration factors such as profit from discontinued operations and gain from disposal of certain equity instruments.

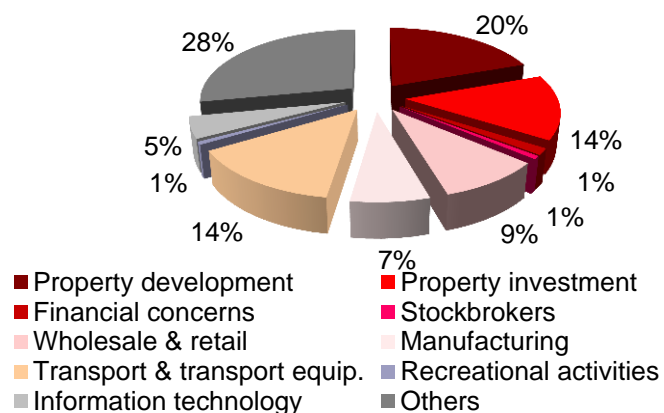
Steady Loan Growth with Resilient Pricing



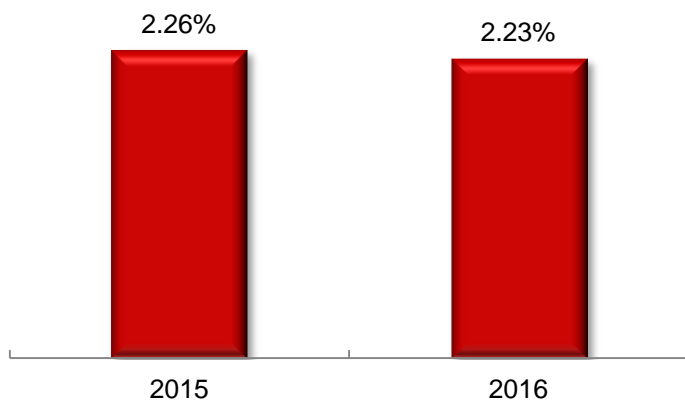
Loans for use in HK - industrial, commercial and financial up 31.9%



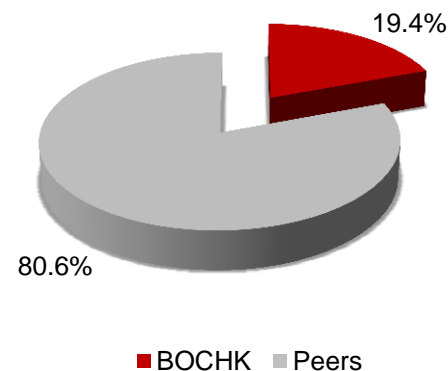
Loans for use in HK – industrial, commercial and financial



Average loan yield

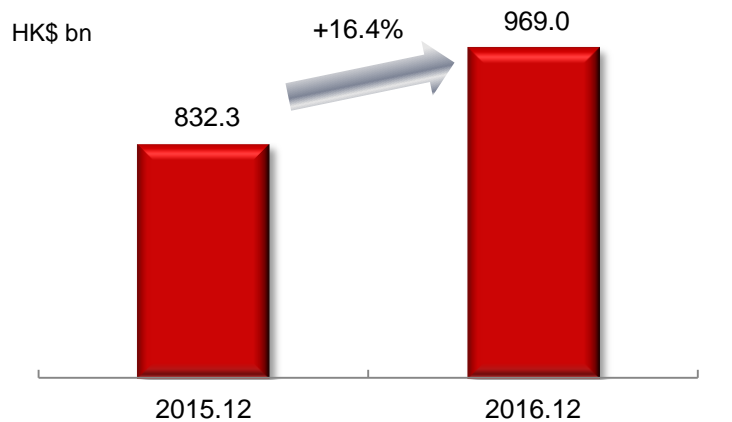


Market share for residential mortgage loans

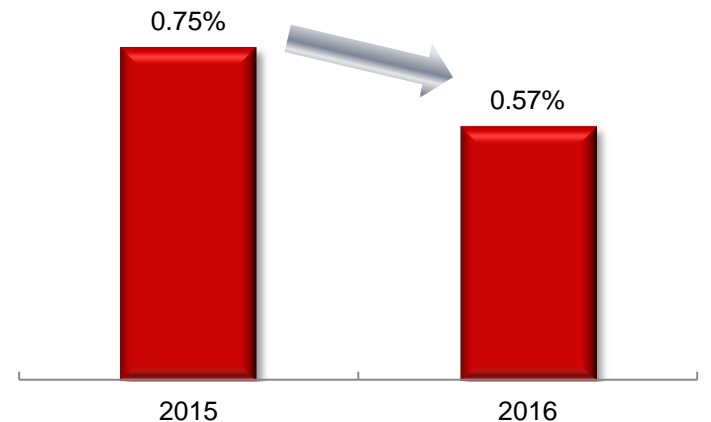


Significant Improvement to CASA Mix and Decreased Deposit Costs

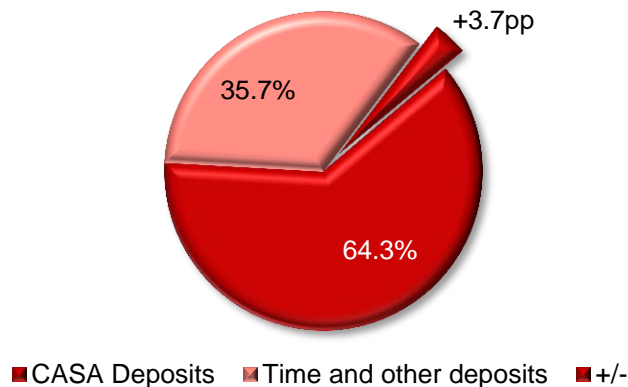
Strong CASA growth at 16.4%



Average deposit rate down 18bps



Improved deposit structure with CASA up 3.7ppt in the mix

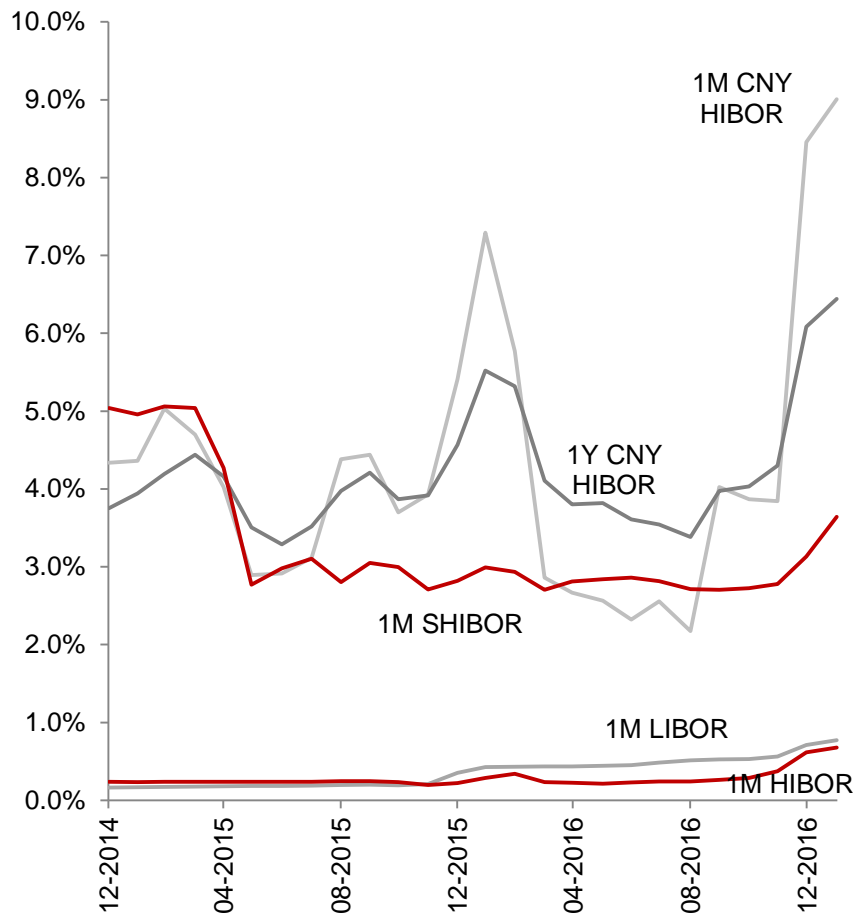


Good results achieved through effective deposit growth strategy

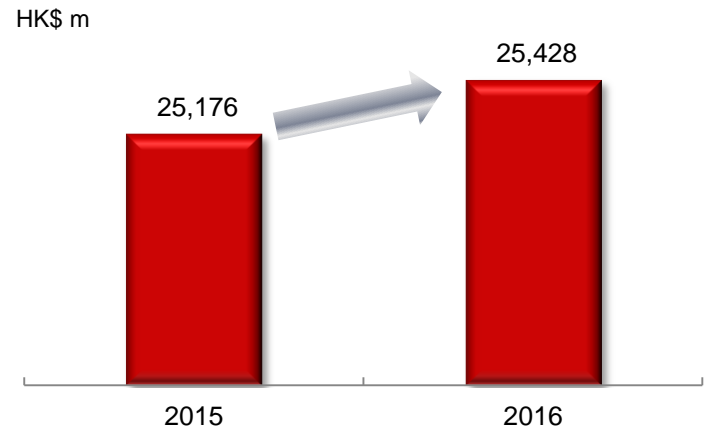
- Increase the scale of WM business for mid-to-high end customers
- Focus on payroll account services
- Expansion of central bank and supranational clients

Steady Net Interest Income Growth with Margins Recovery

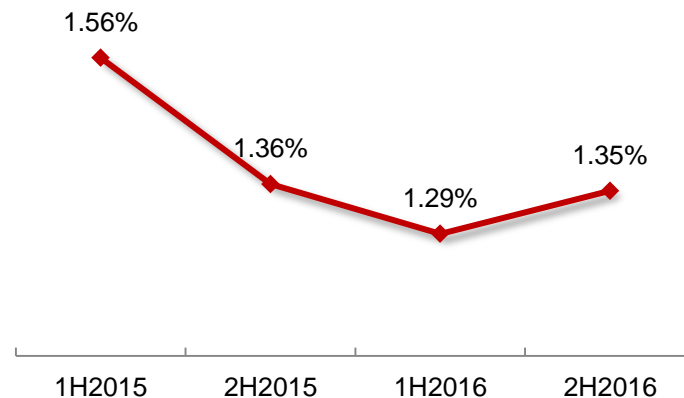
Market interest rates



Net interest income

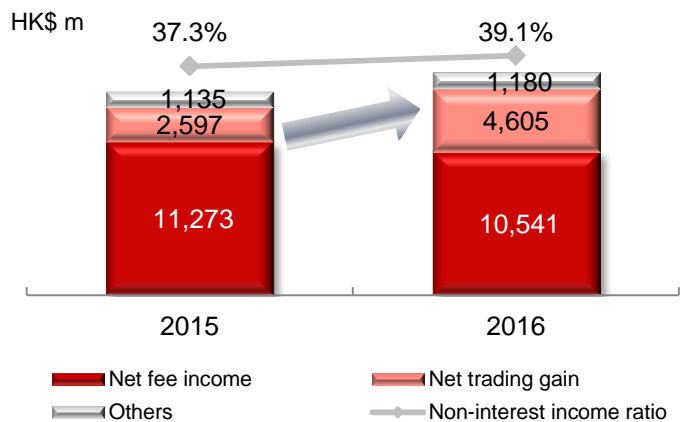


2016 Net interest margin at 1.32%

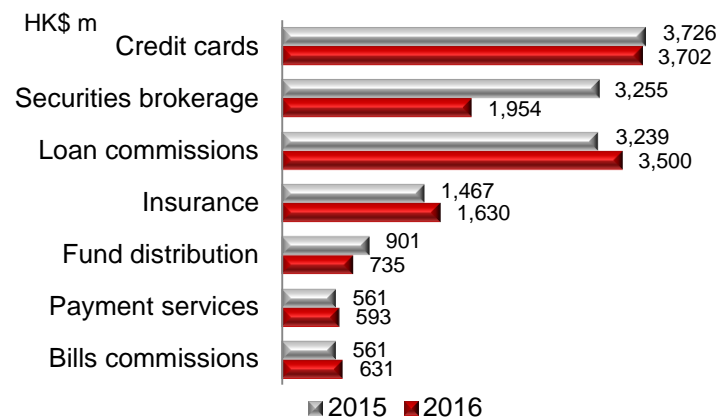


Satisfactory Non-interest Income Growth and Cost-to-income Ratio

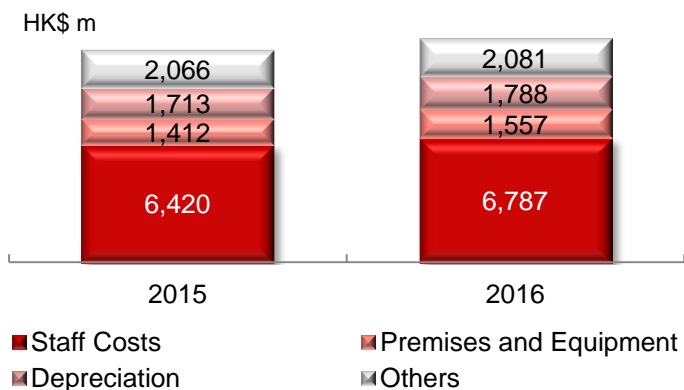
Non-interest income up 8.8% YoY with ratio enhanced to 39.1%



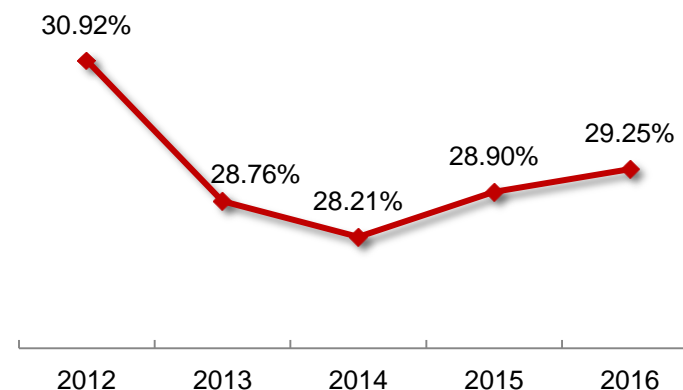
Fee and commission income



Operating expenses up 5.2% YoY



Stable cost-to-income ratio

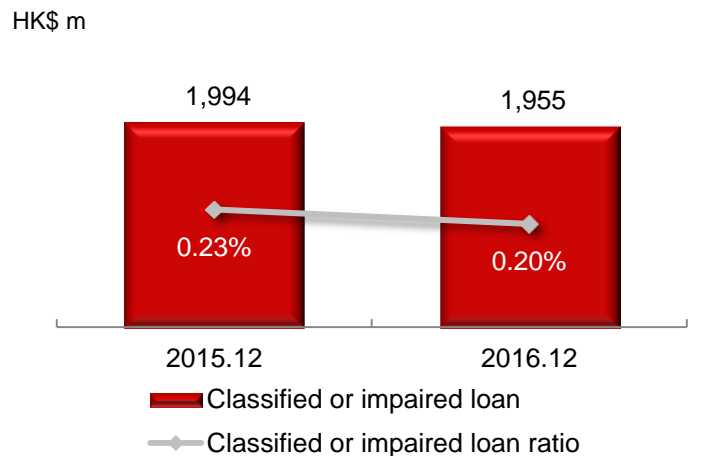


Note: Other non-interest income including net gain/(loss) on financial instruments designated at fair value through profit or loss, net gain/ (loss) on other financial assets, other operating income, net insurance premium income and net insurance benefits and claims and movement in liabilities

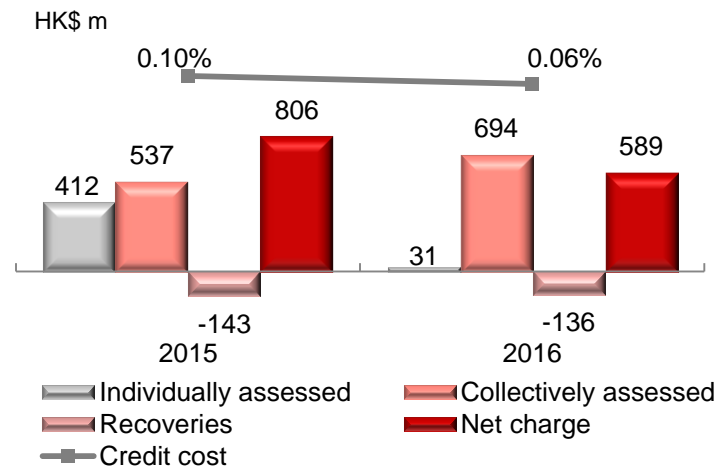
Solid Asset Quality and Prudent Provisioning Policy



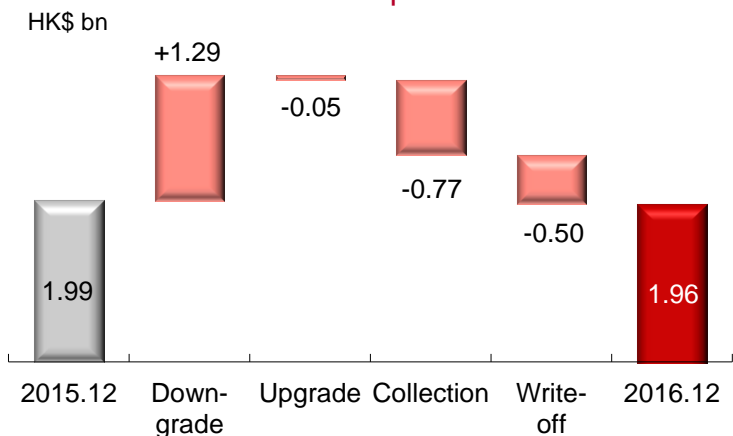
Stable classified or impaired loan ratio



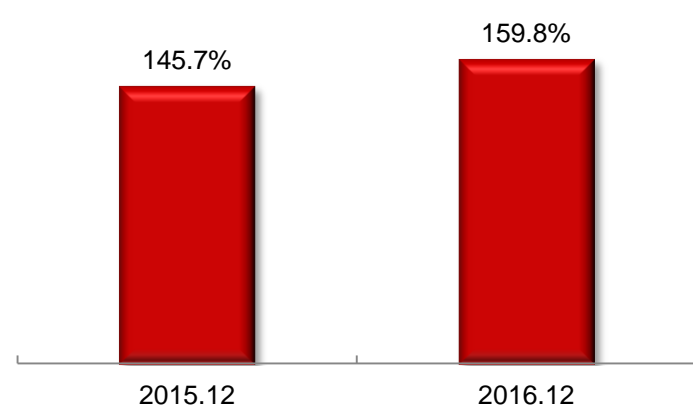
Net charge of loan impairment allowances



Classified or impaired loans



Provision coverage on NPL





Outlook and Business Focus in 2017



Opportunities

- ▶ Increasing banking opportunities from supply-side reform, industry upgrades and technology innovation prioritised by Chinese government annual work report emphasising stability and growth
- ▶ A new stage of economic integration of Guangdong, Hong Kong and Macau will further unleash regional development potential
- ▶ Super-connector role in “Belt and Road” further strengthens after Hong Kong becomes a member of AIIB
- ▶ New policy breakthroughs such as Mainland-Hong Kong Bond Market Connect will fuel growth of Hong Kong as an offshore RMB hub
- ▶ Increasing number of Mainland enterprises and individuals see Hong Kong as preferred choice for overseas asset allocation

Challenges

- ▶ Global economic recovery is vulnerable to weak demand and declining investment
- ▶ Rising trade protectionism will hinder globalisation
- ▶ European elections and frequent “Black Swan” events will likely introduce volatility in the financial markets with accumulation of financial risks

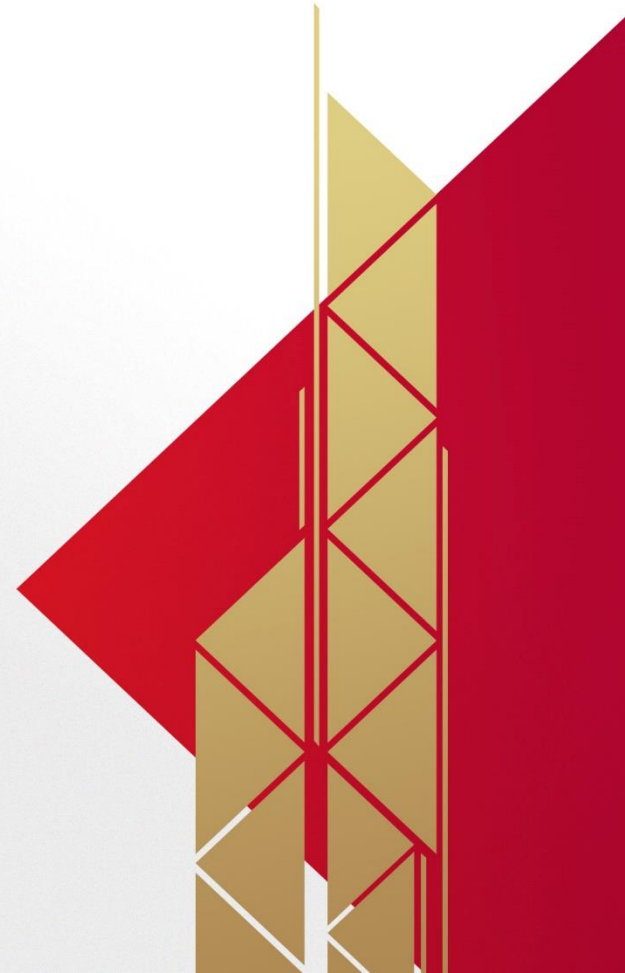
Business Focus in 2017

- ▶ Expand and strengthen corporate banking business by capitalising on Southeast Asia opportunities and deepening local market penetration
- ▶ Drive cross-border business development by leveraging BOC Group's advantages on the Mainland and in Hong Kong
- ▶ Propel Southeast Asia business growth to accelerate regional expansion
- ▶ Pursue business diversification through strengthening the development of eight key business platforms
- ▶ Promote professionalism and comprehensively sharpen competitive edge in financial markets business
- ▶ Adopt flexible deposit strategy and strengthen asset-liability management and cost control
- ▶ Optimise business processes to improve customer experience based on customer-centric principle
- ▶ Boost technology innovation to enhance competitiveness and productivity in FinTech
- ▶ Strengthen overall risk management and internal controls to ensure sustainable growth
- ▶ Deliver a successful centennial anniversary campaign to continuously improve market influence and brand image



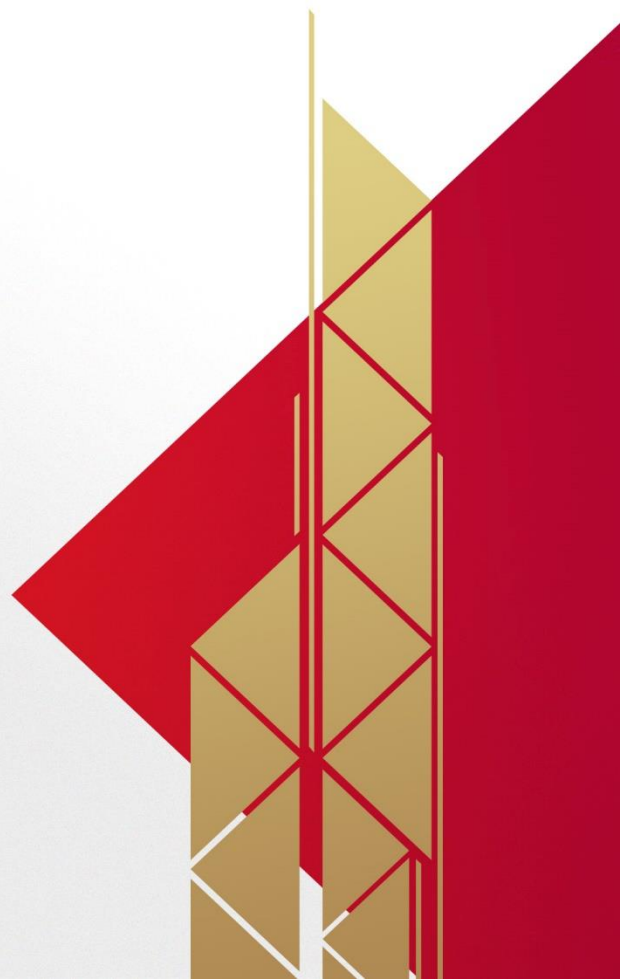
A large, faded world map composed of a grid of dots, serving as a background for the central text.

Q&A Session



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Appendix



Condensed Income Statement



中國銀行(香港)
BANK OF CHINA (HONG KONG)



HK\$ m	2016	Restated 2015	% Change
Net interest income	25,428	25,176	1.0
Net fee and commission income	10,541	11,273	(6.5)
Other operating income	5,785	3,732	55.0
Net operating income before impairment allowances	41,754	40,181	3.9
Net charge of impairment allowances	(578)	(755)	(23.4)
Net operating income	41,176	39,426	4.4
Operating expenses	(12,213)	(11,611)	5.2
Operating profit	28,963	27,815	4.1
Non-operating items	489	760	(35.7)
From continuing operations	24,201	23,757	1.9
From discontinued operations	31,302	3,225	870.6
Profit attributable to the equity holders	55,503	26,982	105.7



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

Non-interest Income

HK\$ m	2016	Restated 2015	% Change
Fee and commission income			
Credit card business	3,702	3,726	(0.6)
Securities brokerage	1,954	3,255	(40.0)
Loan commissions	3,500	3,239	8.1
Insurance	1,630	1,467	11.1
Funds distribution	735	901	(18.4)
Bills commissions	631	561	12.5
Payment services	593	561	5.7
Trust and custody services	470	473	(0.6)
Currency exchange	336	302	11.3
Others	1,221	1,087	12.3
Net fee and commission income	10,541	11,273	(6.5)
Net trading gain	4,605	2,597	77.3
Net gain/(loss) on financial instruments designated at FVTPL	101	(751)	---
Others	1,079	1,886	(42.8)
Other operating income	5,785	3,732	55.0
Total	16,326	15,005	8.8

Condensed Balance Sheet

HK\$ m	31.12.2016	Restated 31.12.2015	% Change
Cash and balances with banks and other financial institutions	229,073	225,985	1.4
Placements with banks and other financial institutions	70,392	62,661	12.3
Securities investments	659,523	564,075	16.9
Advances and other accounts	992,137	901,082	10.1
Assets held for sale	53,293	353,714	(84.9)
Total assets	2,327,781	2,382,815	(2.3)
Inter-bank deposits taken	192,413	208,327	(7.6)
Deposits from customers*	1,507,501	1,373,311	9.8
Subordinated liabilities	19,014	19,422	(2.1)
Liabilities associated with assets held for sale	47,013	298,885	(84.3)
Total liabilities	2,097,221	2,182,650	(3.9)
Total equity	230,560	200,165	15.2

* Included structured deposits

Advances to Customers

HK\$ m	31.12.2016	Restated 31.12.2015	% Change
Loans for use in HK - corporate	374,891	284,241	31.9
Loans for use in HK - individual	288,524	266,472	8.3
Residential mortgages*	218,426	207,178	5.4
Credit card advances	13,819	13,834	(0.1)
Trade finance	72,121	78,593	(8.2)
Loans for use outside HK	237,535	241,820	(1.8)
Total advances to customers	973,071	871,126	11.7

* Excluded loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme

Customer Deposits

HK\$ m	31.12.2016	Restated 31.12.2015	% Change
Demand deposits and current accounts	172,427	130,958	31.7
Saving deposits	796,571	701,304	13.6
Time, call and notice deposits	535,078	538,478	(0.6)
Structured deposits	3,425	2,571	33.2
Total deposits from customers	1,507,501	1,373,311	9.8