



中國銀行
BANK OF CHINA



百年中行 全球服務
BOC, A CENTURY OF GLOBAL SERVICES

Sustainable Growth on Solid Foundations

2011 Annual Results

2012.03.29



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.

Management Team

Mr. Gary He	Vice Chairman & Chief Executive
Mr. Gao Yingxin	Executive Director & Deputy Chief Executive
Mr. Zhuo Chengwen	Chief Financial Officer
Mr. David Wong	Deputy Chief Executive
Mr. Jason Yeung	Deputy Chief Executive

Agenda

- Key Performance Highlights
- Financial Results
- Outlook and Strategy



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Key Performance Highlights



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

2011 Operating Environment

- Hong Kong and Chinese economies continued to see respectable growth
- Global financial markets were highly volatile, particularly in the second half
- Low interest rates, intense competition and inflation remained the key operating challenges
- Further expansion of offshore RMB market provided business opportunities

Performance Overview

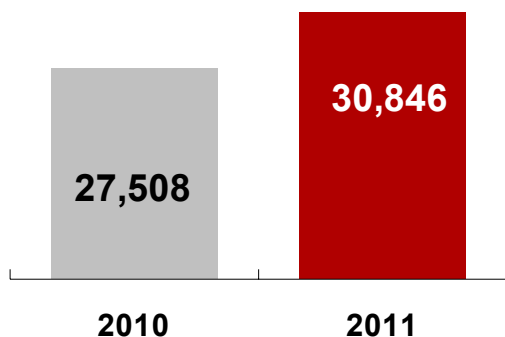
Delivered another year of record results with strong financial position

- Consistent strategy underpinned sustainable performance and safeguarded solid foundations
- Proactive management to optimise balance sheet mix for better profitability and risk profile
- Continued to invest in our business while maintaining disciplined cost control
- Good progress in the development of offshore RMB business with improved returns

Key Financial Highlights

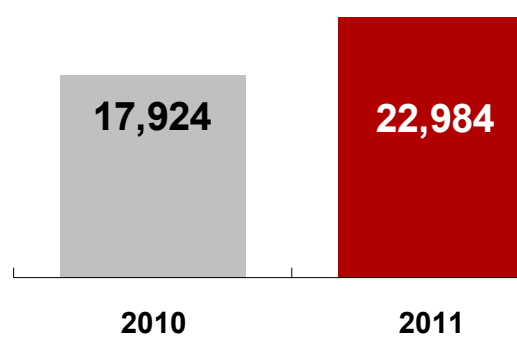
**Net Operating Income before
Impairment Allowances**

HK\$m + 12.1% YoY



**Operating Profit before
Impairment Allowances***

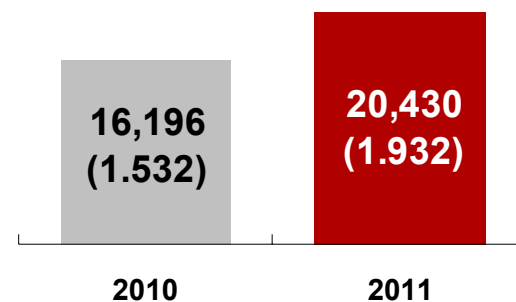
HK\$m +28.2% YoY



**Profit Attributable to
the Equity Holders***

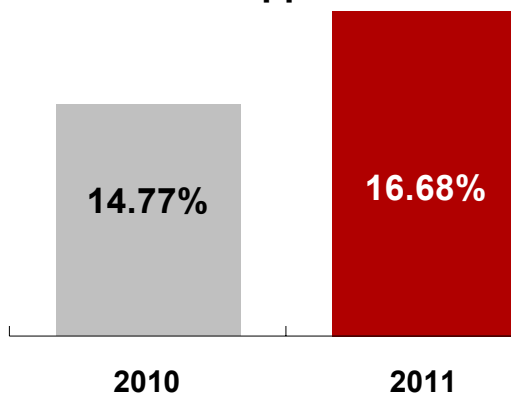
HK\$m + 26.1% YoY

() – EPS (HK\$)



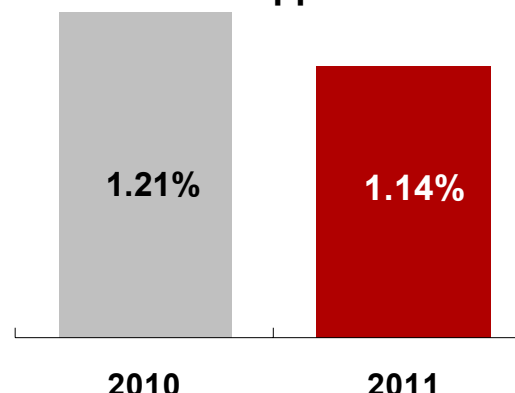
ROE*

+ 1.91pp YoY



ROA*

- 0.07pp YoY

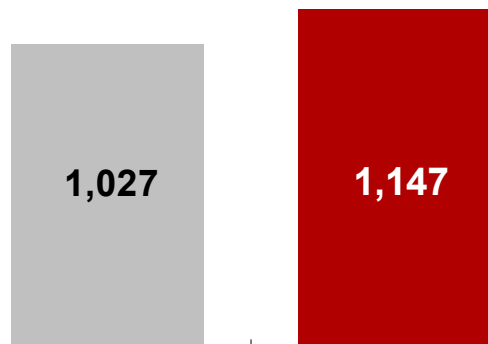


* Including net recovery from underlying collateral of Lehman Brothers minibonds and related expenses

Sustaining Quality Growth

Strong Deposit Base

HK\$ bn + 11.6% YTD

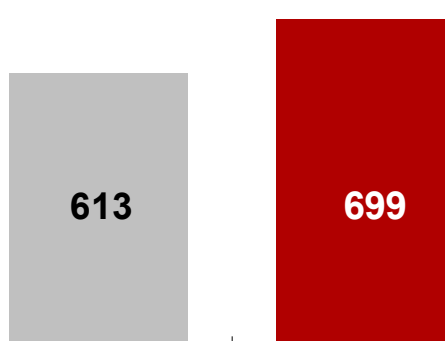


End-Dec 10

End-Dec 11

Healthy Loan Growth

HK\$ bn + 14.1% YTD

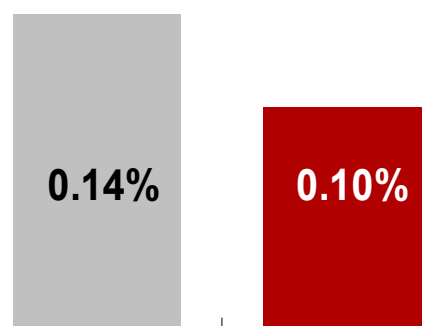


End-Dec 10

End-Dec 11

Solid Loan Quality

Classified or impaired loan ratio

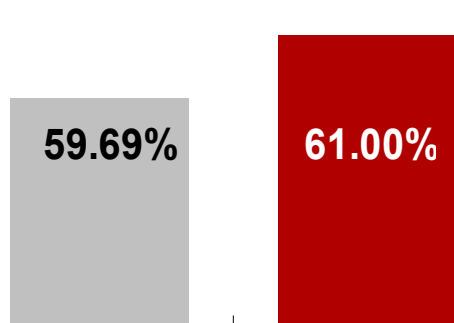


End-Dec 10

End-Dec 11

Stable LDR

Loan-to-deposit ratio

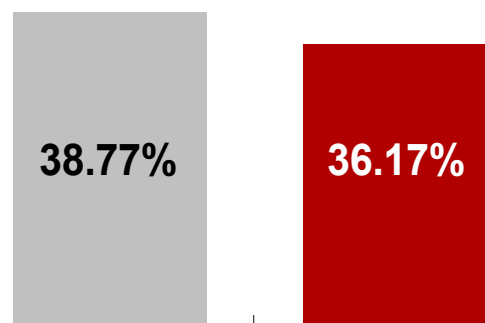


End-Dec 10

End-Dec 11

Sound Liquidity

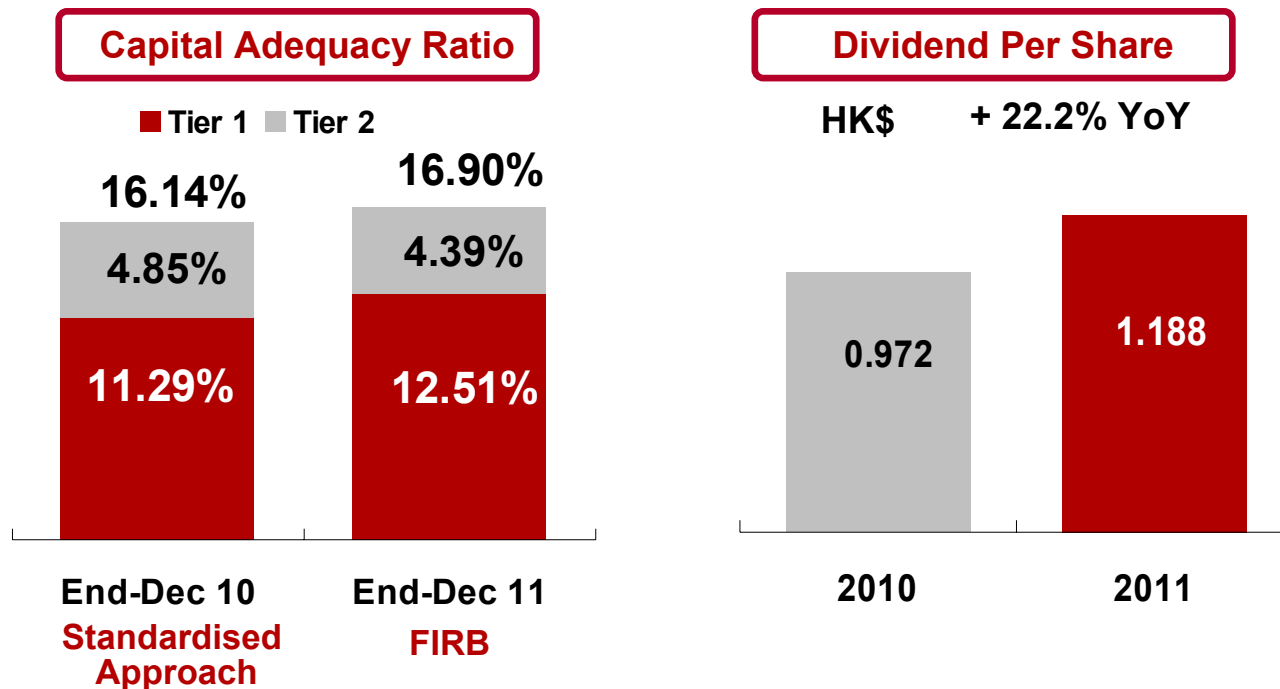
Average Liquidity Ratio



2010

2011

Strong Capital Position



- Adoption of FIRB commencing 2011 provides a solid foundation for credit business and risk management
- Well-capitalised with Tier 1 CAR of 12.51%
- Solid capital base supports dividend policy and future growth



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Financial Results



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

Condensed Income Statement

Record high profits driven by core businesses and new business opportunities
Contribution from local RMB business also increased

HK\$ m	2011	2010	% YoY
Net interest income	21,979	18,734	↑ 17.3
Net fee and commission income	7,833	7,044	↑ 11.2
Other operating income	1,034	1,730	↓ 40.2
Net operating income before impairment allowances	30,846	27,508	↑ 12.1
Net (charge)/reversal of impairment allowances	(506)	315	---
Net operating income	30,340	27,823	↑ 9.0
Operating expenses*	(7,862)	(9,584)	↓ 18.0
Operating profit	22,478	18,239	↑ 23.2
Non-operating items	2,202	1,503	↑ 46.5
Profit attributable to the equity holders	20,430	16,196	↑ 26.1

* Including net recovery from underlying collateral of Lehman Brothers minibonds and related expenses

Net Interest Income

Net interest income increased driven by volume growth
NIM was down YoY but improved in the second half

HK\$ m	2011	2010	% YoY
Interest income	31,931	23,449	↑ 36.2
Interest expense	9,952	4,715	↑ 111.1
Net interest income	21,979	18,734	↑ 17.3

Average interest earning assets	1,662,201	1,255,879	↑ 32.4
Net interest margin (NIM)	1.32%	1.49%	↓ 0.17pp
Adjusted NIM*	1.49%	1.59%	↓ 0.10pp

*Excluding the estimated impact of BOCHK's RMB clearing function in Hong Kong

Non-interest Income

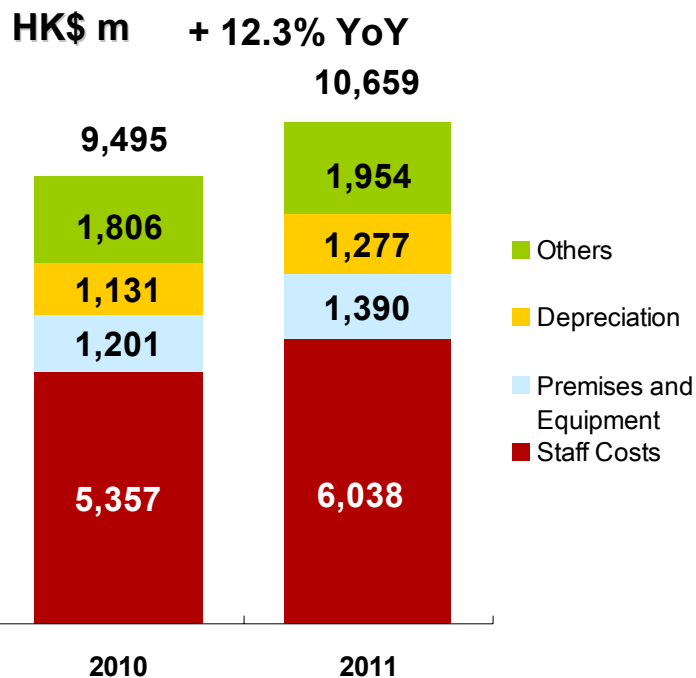
Satisfactory growth in net fee income and net trading gain but offset by investment losses amid the weak financial markets in 2H11

HK\$ m	2011	2010	% YoY
Net fee and commission income	7,833	7,044	↑ 11.2
Fee and commission income			
Securities brokerage	2,782	3,338	↓ 16.7
Funds distribution	337	160	↑ 110.6
Insurance	1,097	561	↑ 95.5
Loan commissions	1,160	961	↑ 20.7
Bill commissions	854	751	↑ 13.7
Payment services	637	568	↑ 12.1
Credit cards business	2,887	2,222	↑ 29.9
Currency exchange	156	113	↑ 38.1
Trust and custody services	379	249	↑ 52.2
Others	569	556	↑ 2.3
Other operating income	1,034	1,730	↓ 40.2
Net trading gain	1,710	1,369	↑ 24.9
Net (loss)/gain on financial instruments designated at FVTPL	(340)	742	---
Others	(336)	(381)	↓ 11.8
Total	8,867	8,774	↑ 1.1

Operating Expenses

Operating expenses prudently managed
Core cost-to-income ratio among the lowest in the local industry

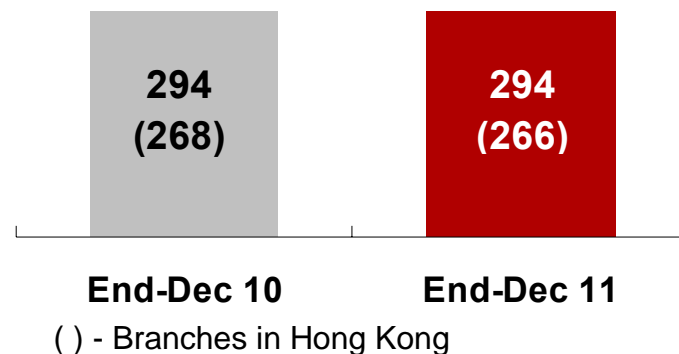
Core Operating Expenses*



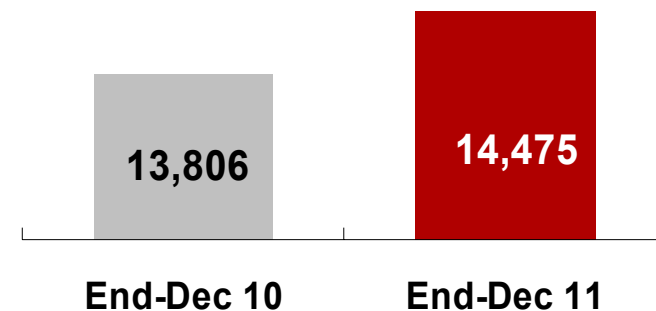
34.52% **34.56%**
Core Cost-to-income ratio*

*Excluding net recovery from underlying collateral of Lehman Brothers minibonds and related expenses

Number of Branches



Staff Number



Net (charge) / reversal of Impairment Allowances

Net charge of loan impairment due to increase in loan balance and refinement of assessment parameters

HK\$ m

	2011	2010	% YoY
Advances to customers			
Net (charge)/reversal of allowances before recoveries			
- individual assessment	(12)	149	---
- collective assessment	(720)	(528)	↑ 36.4
Recoveries	353	449	↓ 21.4
Net (charge)/reversal of loan impairment allowances	(379)	70	---
Securities Investments			
Net (charge)/reversal of impairment on securities investments	(117)	254	---
Others	(10)	(9)	↑ 11.1
Total (charge)/reversal to income statement	(506)	315	---

Loan Quality

Formation of new classified loans at a low level

Migration of Classified Loans

HK\$ bn



Condensed Balance Sheet

Growth in total assets supported by the expansion of core businesses
Optimised balance sheet mix for better profitability and risk profile

HK\$ m	End-Dec 11	End-Dec 10	% Change
Cash and balances with banks and other financial institutions	278,795	415,812	↓ 33.0
Placements with banks and other financial institutions	107,910	39,499	↑ 173.2
Securities investments	425,600	430,060	↓ 1.0
Advances and other accounts	755,229	645,424	↑ 17.0
Total assets	1,738,510	1,661,040	↑ 4.7
Inter-bank deposits taken	236,694	313,784	↓ 24.6
Deposits from customers*	1,146,590	1,027,267	↑ 11.6
Subordinated liabilities	28,656	26,877	↑ 6.6
Total liabilities	1,605,327	1,542,751	↑ 4.1
Total equity	133,183	118,289	↑ 12.6

* Including structured deposits

Customer Deposits

Solid expansion of deposit base driven by USD and RMB deposits

HK\$ m	End-Dec 11	End-Dec 10	% Change
Demand deposits and current accounts	77,440	70,453	↑ 9.9
Saving deposits	504,868	528,035	↓ 4.4
Time, call and notice deposits	563,643	428,545	↑ 31.5
Structured deposits	639	234	↑ 173.1
Total deposits from customers	1,146,590	1,027,267	↑ 11.6

Advances to Customers

Sustained healthy and broad-based loan growth
with focus on quality and profitability

HK\$ m	End-Dec 11	End-Dec 10	% Change
Loans for use in HK - corporate	237,557	206,947	↑ 14.8
Loans for use in HK - individual	206,983	180,140	↑ 14.9
Residential mortgages*	169,780	147,424	↑ 15.2
Credit card advances	9,655	8,230	↑ 17.3
Trade finance	59,508	53,396	↑ 11.4
Loans for use outside HK	195,331	172,736	↑ 13.1
Total advances to customers	699,379	613,219	↑ 14.1
Loan-to-deposit ratio	61.00%	59.69%	

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

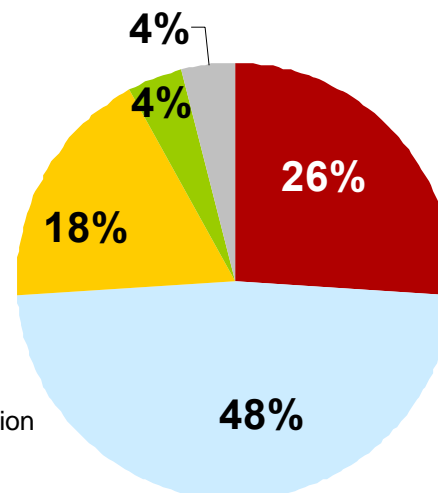
Securities Investments

Proactive investment strategy to optimise portfolio mix and return

HK\$ m	End-Dec 11	End-Dec 10	% Change
Sovereign	145,205	119,124	↑ 21.9
Public Sector	43,252	41,018	↑ 5.4
Corporate entities	41,576	29,579	↑ 40.6
Banks and other FIs	195,567	240,339	↓ 18.6
Total	425,600	430,060	↓ 1.0

Credit rating distribution

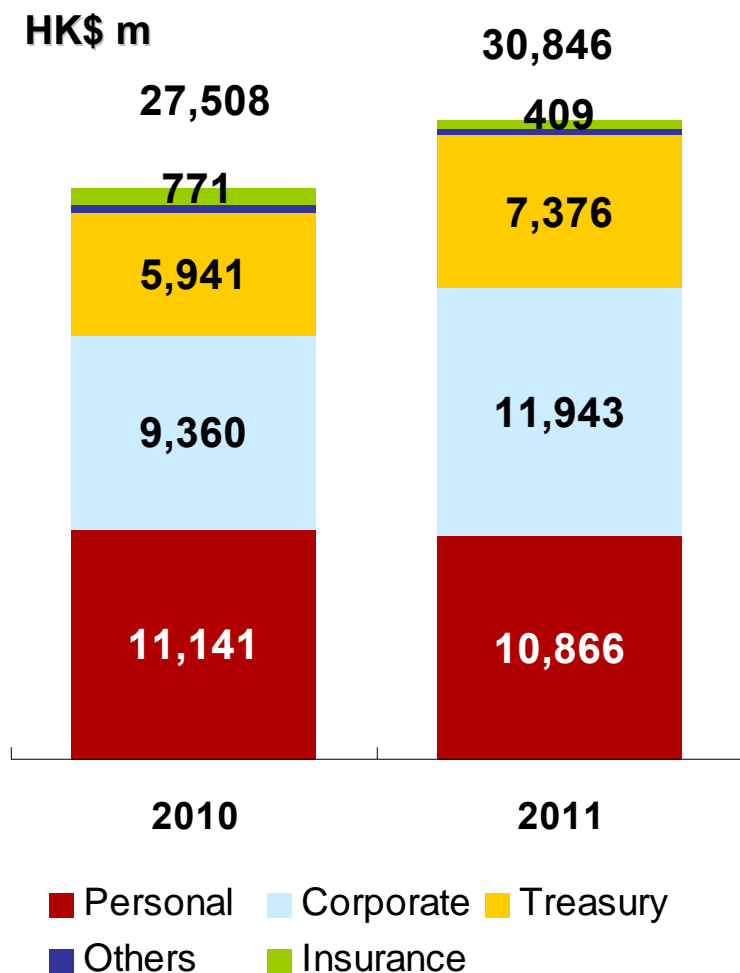
- Aaa
- Aa1 to Aa3
- A1 to A3
- Lower than A3
- Unrated



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

Segmental Performance

Operating Income by Segments



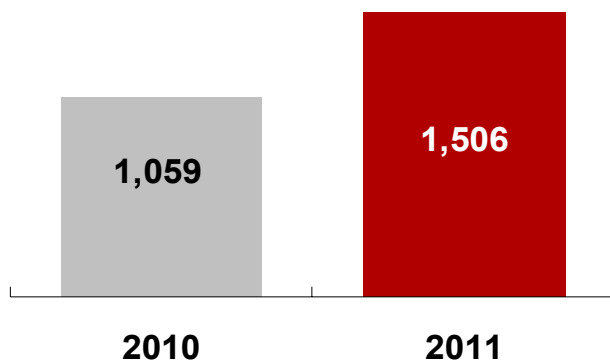
- **Personal:** Solid growth in mortgages, funds sales and credit card business
- **Corporate:** Enhanced cross-border service capabilities drove strong growth
- **Treasury:** Proactive investment strategy to secure risk-adjusted return and liquidity
- **Insurance:** Improved product mix and maintained leading market position

Mainland Business

Strengthened deposit base and improved asset mix
Loan-to-deposit ratio was lowered to 70%

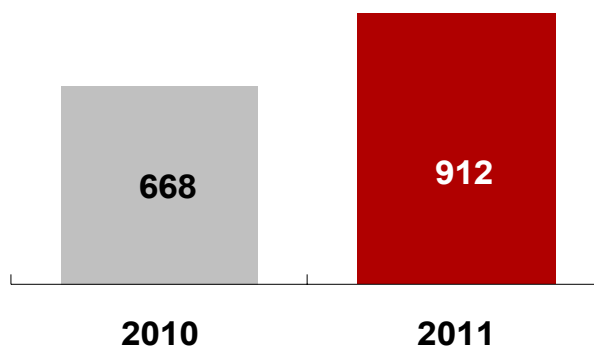
Operating Income

HK\$ m + 42.2% YoY



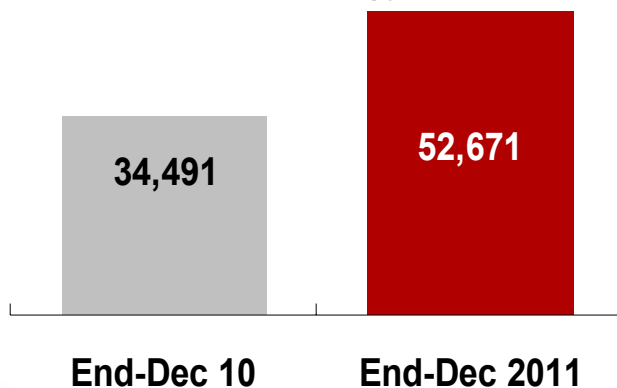
Operating Expenses

HK\$ m + 36.5% YoY



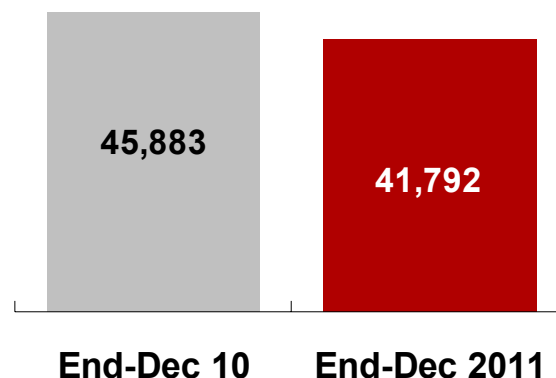
Deposits from Customers

HK\$ m +52.7% YTD



Gross Advances to Customers

HK\$ m -8.9% YTD



0.23% 0.27%
Classified loan ratio



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Outlook and Strategy



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Outlook and Strategy

A clear focus on driving quality growth and maintaining a strong financial position amid market challenges

- Build on our core competencies and solid fundamentals to capture emerging opportunities
- Maintain proactive risk management and enhance internal control mechanism to guard against market uncertainties
- Continue to invest prudently in building sustainability into our business model
- Capitalise on strong RMB franchise to deepen customer relationships and to drive business growth



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