

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

Reaching New Heights with Balanced Growth

2012 Annual Results

2013.03.26

▶ **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**

A white wireframe graphic of a tall, tiered tower, 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.

Key Performance Highlights

▶ Operating Environment

- Overall macro environment remained tough
- Low interest rates, intense competition and softened demand continued to post challenges for banks
- New business opportunities arising from the further development of the offshore RMB market

▶ Performance Overview

Record financial results

- Balanced strategy delivered solid performance
- Captured new opportunities with strong franchise
- Encouraging business development

Key Financial Highlights

HK\$m	2012	2011	% YoY	% YoY (ex-Lehman*)
Net operating income before impairment allowances	35,760	30,846	↑ 15.9	
Operating profit before impairment allowances	24,358	22,984	↑ 6.0	↑ 20.2
Profit attributable to the equity holders	20,930	20,430	↑ 2.4	↑ 14.9
Earnings per share (HK\$)	1.980	1.932	↑ 2.4	↑ 14.9
Dividend per share (HK\$)	1.238	1.188	↑ 4.2	
ROE	14.91%	16.68%	↓ 1.77pp	↑ 0.19pp #
ROA	1.24%	1.14%	↑ 0.10pp	↑ 0.23pp #

- Solid income growth mainly driven by net interest income and net trading gain
- Respectable profit growth excluding Lehman impact
- Consistent dividend policy to deliver sustainable return

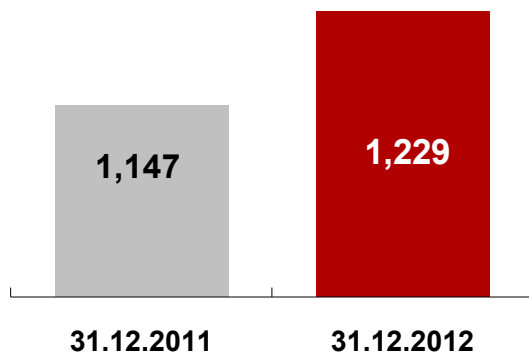
* Excluding the net recovery from underlying collateral of Lehman Brothers minibonds and related expenses

Ex-Lehman, ROE for 2012 and 2011 would be 14.74% and 14.55% while ROA would be 1.24% and 1.01%

Strong Financial Position

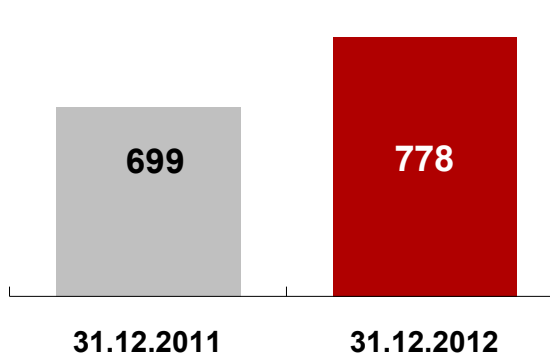
Solid Deposit Base

HK\$ bn +7.2% YoY



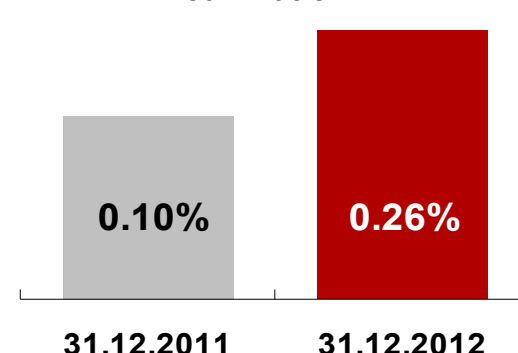
Healthy Loan Growth

HK\$ bn + 11.3% YoY



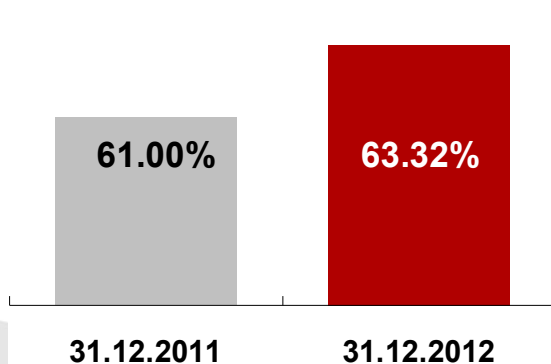
Sound Loan Quality

Classified or Impaired Loan Ratio



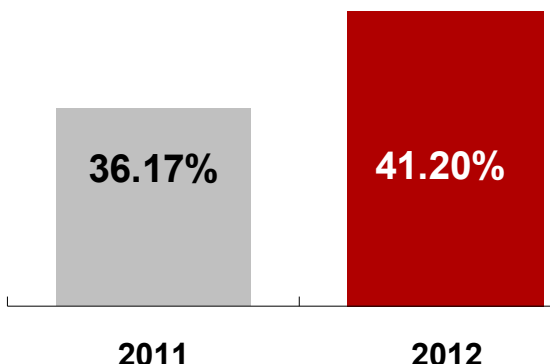
Steady LDR

Loan-to-deposit Ratio



Stable Liquidity

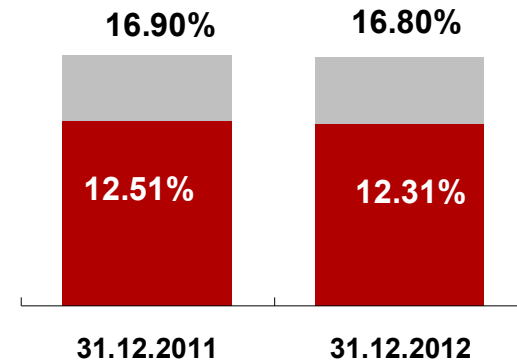
Average Liquidity Ratio



Strong Capital Position

Capital Adequacy Ratio

■ Core capital ratio



A white wireframe of the Bank of China Tower is positioned on the left side of the slide, set against a background of red and orange curved bands with light streaks.

Financial Results

Condensed Income Statement

Encouraging growth in core income and profits*

HK\$ m	2012	2011	% YoY
Net interest income	24,708	21,979	↑ 12.4
Net fee and commission income	7,906	7,833	↑ 0.9
Other operating income	3,146	1,034	↑ 204.3
Net operating income before impairment allowances	35,760	30,846	↑ 15.9
Net charge of impairment allowances	(859)	(506)	↑ 69.8
Net operating income	34,901	30,340	↑ 15.0
Operating expenses	(11,402)	(7,862)	↑ 45.0
Operating profit	23,499	22,478	↑ 4.5
Non-operating items	2,022	2,202	↓ 8.2
Profit attributable to the equity holders	20,930	20,430	↑ 2.4
<i>Profit attributable to the equity holders*</i>	<i>20,851</i>	<i>18,148</i>	<i>↑ 14.9</i>

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

▶ Net Interest Income

Solid net interest income growth driven by NIM expansion

HK\$ m	2012	2011	% YoY
Interest income	35,413	31,931	↑ 10.9
Interest expense	10,705	9,952	↑ 7.6
Net interest income	24,708	21,979	↑ 12.4
Average interest earning assets	1,542,565	1,662,201	↓ 7.2
Net interest margin (NIM)	1.60%	1.32%	↑ 0.28pp

► Non-interest Income

**Net fee and commission income recorded mild growth
Other operating income surged mainly due to higher net trading gains**

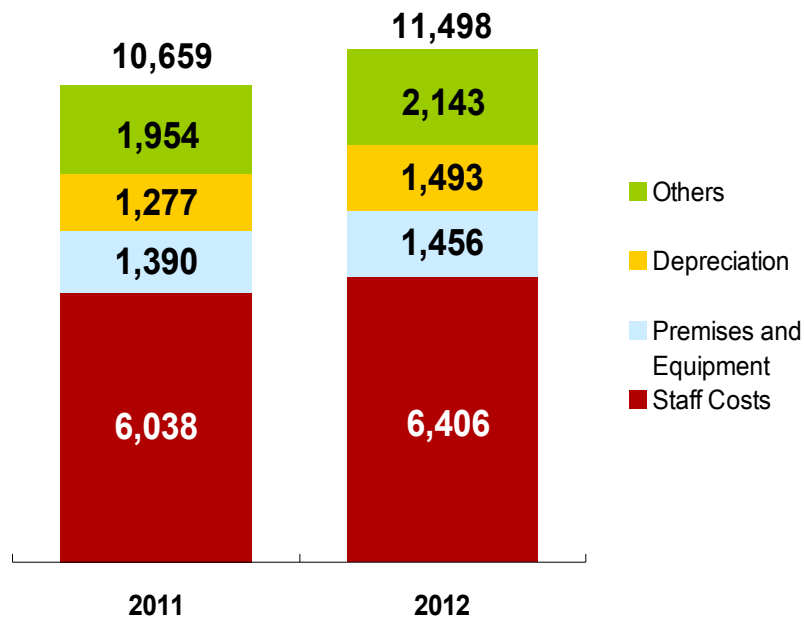
HK\$ m	2012	2011	% YoY
Net fee and commission income	7,906	7,833	↑ 0.9
Fee and commission income			
Credit cards business	3,307	2,887	↑ 14.5
Securities brokerage	2,114	2,782	↓ 24.0
Loan commissions	1,628	1,160	↑ 40.3
Insurance	965	1,097	↓ 12.0
Bill commissions	736	854	↓ 13.8
Payment services	667	637	↑ 4.7
Funds distribution	540	337	↑ 60.2
Trust and custody services	360	379	↓ 5.0
Currency exchange	156	156	- 0.0
Others	637	569	↑ 12.0
Other operating income	3,146	1,034	↑ 204.3
Net trading gain	3,129	1,710	↑ 83.0
Net gain/(loss) on financial instruments designated at FVTPL	747	(340)	---
Others	(730)	(336)	↑ 117.3
Total	11,052	8,867	↑ 24.6

Operating Expenses

Disciplined cost control while investing in our franchise

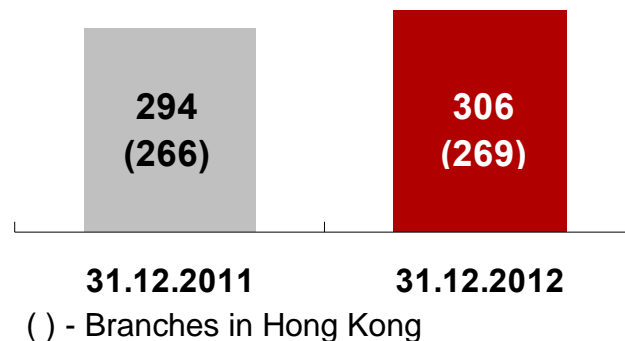
Core Operating Expenses*

HK\$ m + 7.9% YoY

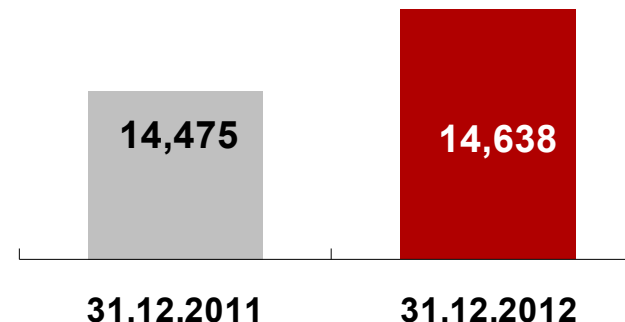


34.56% 32.15%
Core Cost-to-income ratio*

Number of Branches



Staff Number



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

▶ Net Charge of Impairment Allowances

Net charge of IA impairment allowances increased from a low base

HK\$ m

Advances to customers

Net charge of allowances before recoveries

- individual assessment

- collective assessment

Recoveries

Net charge of loan impairment allowances

Securities Investments

Net reversal/(charge) of impairment on securities investments

Others

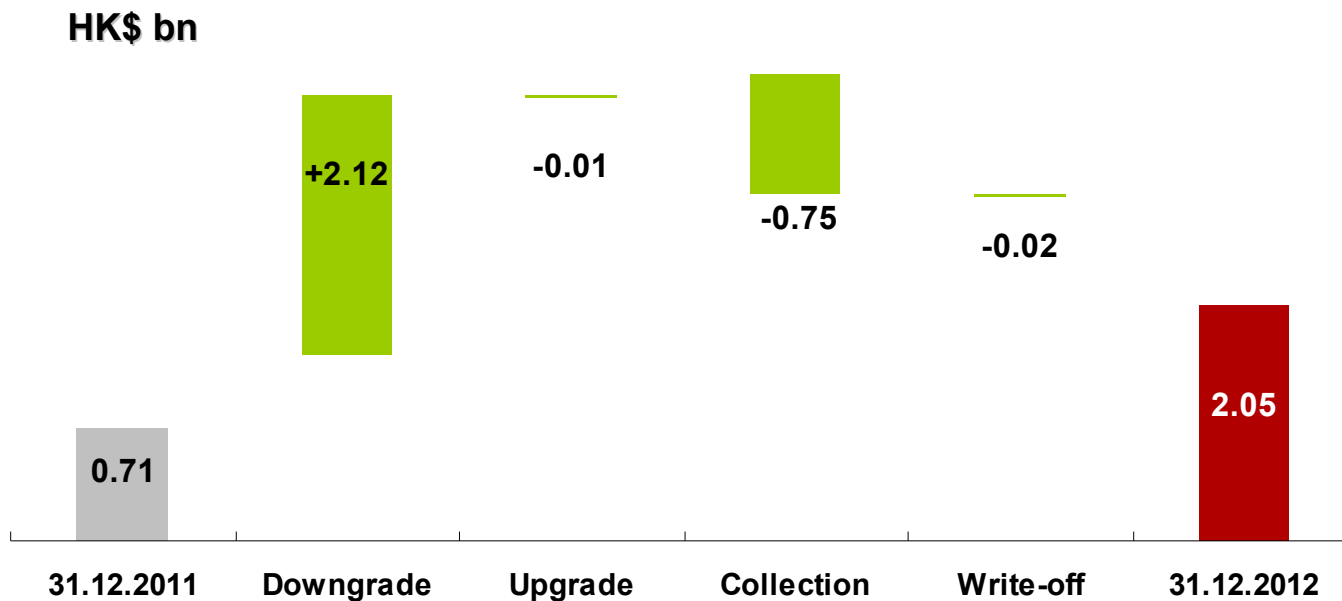
Total charge to income statement

	2012	2011	% YoY
Net charge of allowances before recoveries			
- individual assessment	(512)	(12)	↑ 4,166.7
- collective assessment	(606)	(720)	↓ 15.8
Recoveries	264	353	↓ 25.2
Net charge of loan impairment allowances	(854)	(379)	↑ 125.3
Net reversal/(charge) of impairment on securities investments	5	(117)	---
Others	(10)	(10)	---
Total charge to income statement	(859)	(506)	↑ 69.8

▶ Loan Quality

Loan quality remained sound

Migration of Classified or Impaired Loans



Condensed Balance Sheet

Proactive asset and liability management
to improve profitability

HK\$ m	31.12.2012	31.12.2011		% YoY
Cash and balances with banks and other financial institutions	198,748	278,795	↓	28.7
Placements with banks and other financial institutions	66,025	107,910	↓	38.8
Securities investments	531,696	425,600	↑	24.9
Advances and other accounts	819,739	755,229	↑	8.5
Total assets	1,830,763	1,738,510	↑	5.3
Inter-bank deposits taken	179,206	236,694	↓	24.3
Deposits from customers*	1,229,131	1,146,590	↑	7.2
Subordinated liabilities	28,755	28,656	↑	0.3
Total liabilities	1,675,689	1,605,327	↑	4.4
Total equity	155,074	133,183	↑	16.4

* Including structured deposits

Customer Deposits

Flexible deposit strategy and cautious funding cost control

HK\$ m	31.12.2012	31.12.2011	% YoY
Demand deposits and current accounts	97,295	77,440	↑ 25.6
Saving deposits	603,565	504,868	↑ 19.5
Time, call and notice deposits	525,430	563,643	↓ 6.8
Structured deposits	2,841	639	↑ 344.6
Total deposits from customers	1,229,131	1,146,590	↑ 7.2

▶ Advances to Customers

Sustained healthy and broad-based loan growth

HK\$ m	31.12.2012	31.12.2011	% YoY
Loans for use in HK - corporate	252,877	237,557	↑ 6.4
Loans for use in HK - individual	227,876	206,983	↑ 10.1
Residential mortgages*	186,601	169,780	↑ 9.9
Credit card advances	11,534	9,655	↑ 19.5
Trade finance	67,137	59,508	↑ 12.8
Loans for use outside HK	230,374	195,331	↑ 17.9
Total advances to customers	778,264	699,379	↑ 11.3
Loan-to-deposit ratio	63.32%	61.00%	

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

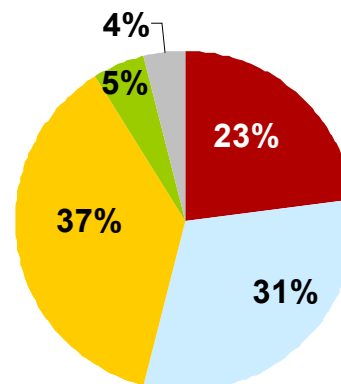
Securities Investments

Prudent management to optimise mix and return

HK\$ m	31.12.2012	31.12.2011	% YoY
Sovereign	178,520	145,205	↑ 22.9
Public Sector	41,458	43,252	↓ 4.1
Corporate entities	64,959	41,576	↑ 56.2
Banks and other FIs	246,759	195,567	↑ 26.2
Total	531,696	425,600	↑ 24.9

Credit rating distribution

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

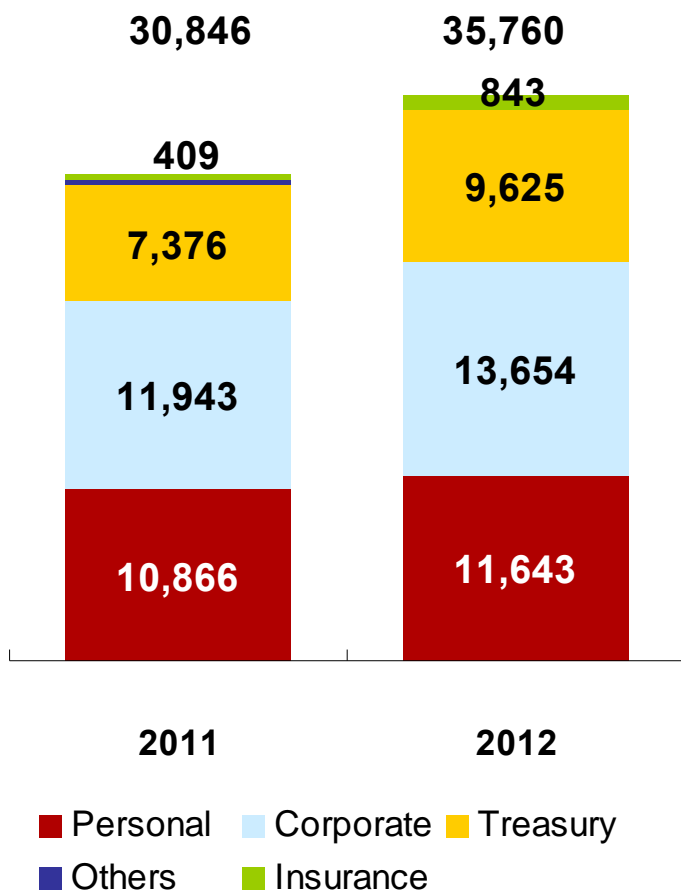


Note: Including issuer rating distribution for issues with no issue rating

Segmental Performance

Operating Income by Segments

HK\$ m



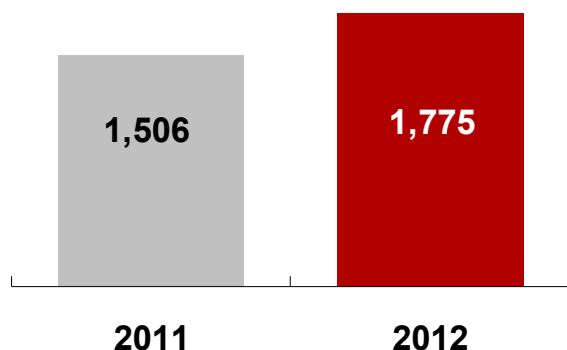
- **Personal:** Robust growth in mortgages, credit card business, funds and bond sales
- **Corporate:** Enhanced service capabilities and product innovation drove strong growth
- **Treasury:** Proactive investment strategy and good progress in product innovation
- **Insurance:** Maintained leadership in the RMB insurance market

Mainland Business

Encouraging growth amid a challenging banking environment

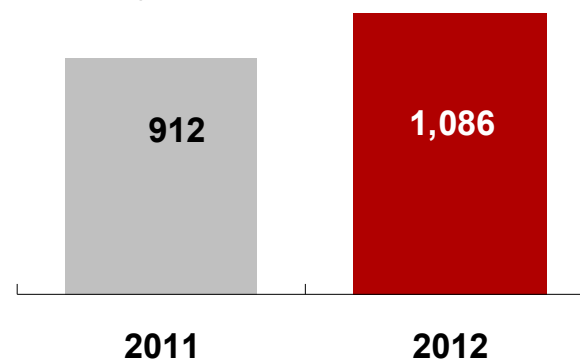
Operating Income

HK\$ m + 17.9% YoY



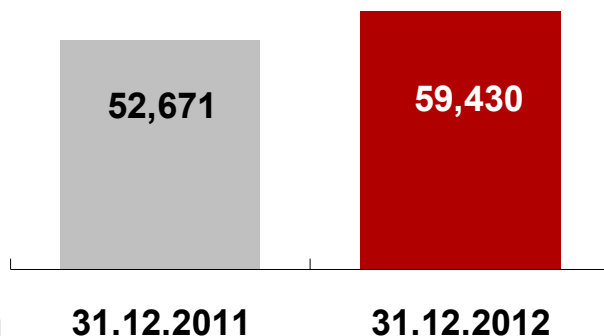
Operating Expenses

HK\$ m + 19.1% YoY



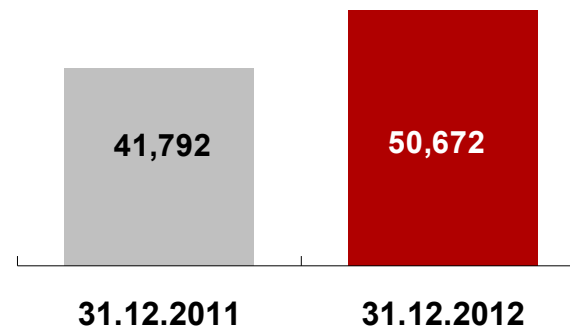
Deposits from Customers

HK\$ m + 12.8% YoY



Gross Advances to Customers

HK\$ m + 21.2% YoY



0.27%

0.79%

Classified or Impaired Loan Ratio

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Outlook and Strategy

▶ Outlook and Strategy

Balanced strategy for sustainable growth

- Build on strong franchise to drive business growth
- Enhance competitiveness and capture opportunities
- Maintain solid financial position and stringent risk management

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