



中國銀行
BANK OF CHINA



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



2012 Interim Results

2012.08.23



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



中國銀行
BANK OF CHINA



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



Key Performance Highlights



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

Operating Environment

- Hong Kong and China experienced slower pace of economic growth
- Renewed volatility entered global financial markets amid worsening Eurozone crisis
- Low interest rates, intense competition and slower economic activities were the key operating challenges
- Relaxed regulations allowed further expansion of offshore RMB market and created more business opportunities

Performance Overview

**Achieved new highs in core income and profits
Strong financial position remained intact**

- Proactive management on assets and liabilities improved profitability and contained risks
- Broad-based income growth driven by solid expansion of core businesses and offshore RMB business
- Captured new growth opportunities capitalising on enhanced business platform

Key Financial Highlights

HK\$m	1H2012	1H2011*	% YoY	% YoY (ex-Lehman*)
Net operating income before impairment allowances	18,165	15,126	↑ 20.1	
Operating profit before impairment allowances	12,774	13,133	↓ 2.7	↑ 24.0
Profit attributable to the equity holders	11,243	11,993	↓ 6.3	↑ 16.2
Earnings per share (HK\$)	1.063	1.134	↓ 6.3	↑ 16.2
Dividend per share (HK\$)	0.545	0.630	↓ 13.5	
ROE	16.63%	19.88%	↓ 3.25pp	↑ 0.74pp [#]
ROA	1.35%	1.33%	↑ 0.02pp	↑ 0.28pp [#]

- Broad-based income growth with net interest income being the main driver
- Respectable growth of PPOP and net profit, excluding the Lehman impact
- Maintained consistent dividend policy while 1H2011 payout included the impact of the Lehman-related recovery

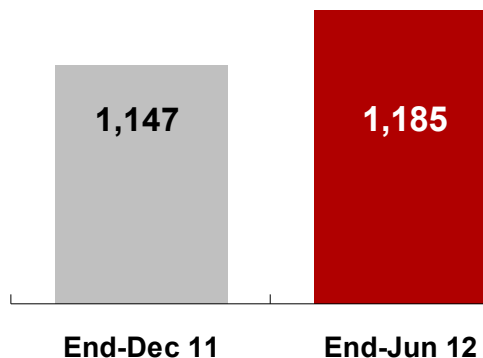
* 1H2011 recorded a net recovery from underlying collateral of Lehman Brothers minibonds and related expenses

Ex-Lehman, ROE for 1H2012 and 1H2011 would be 16.49% and 15.75% while ROA would be 1.35% and 1.07%

Quality Growth and Solid Financial Position

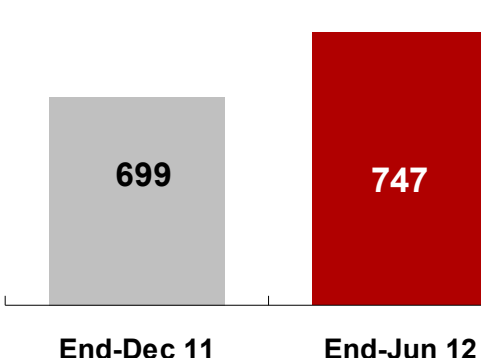
Solid Deposit Base

HK\$ bn +3.4% YTD



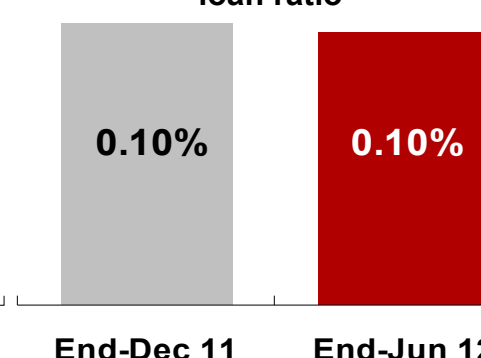
Healthy Loan Growth

HK\$ bn + 6.8% YTD



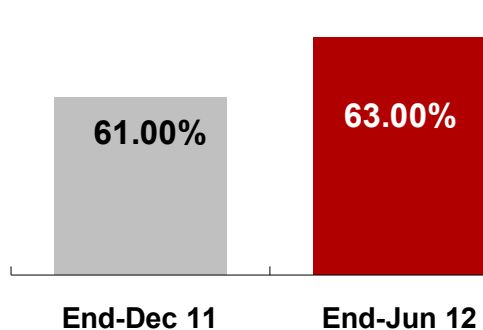
Benign Loan Quality

Classified or impaired loan ratio



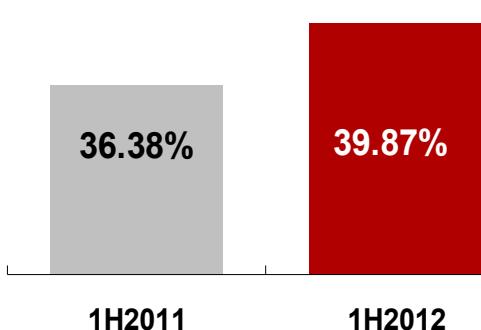
Steady LDR

Loan-to-deposit ratio



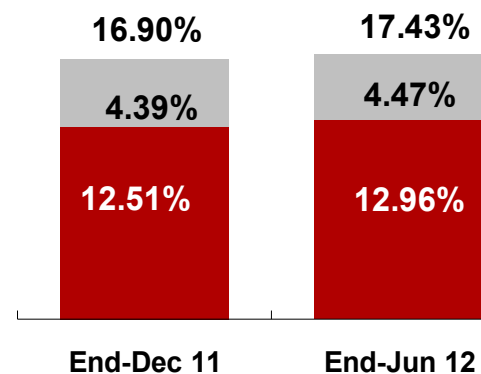
Sound Liquidity

Average Liquidity Ratio



Strong Capital Position

■ Tier 1 ■ Tier 2





中國銀行
BANK OF CHINA



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



Financial Results



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

Condensed Income Statement

Encouraging growth in core income and profits*
Broad-based growth and prudent cost control

HK\$ m	1H2012	1H2011	% YoY	2H2011	% HoH
Net interest income	12,619	10,205	↑ 23.7	11,774	↑ 7.2
Net fee and commission income	4,102	3,986	↑ 2.9	3,847	↑ 6.6
Other operating income	1,444	935	↑ 54.4	99	↑ 1358.6
Net operating income before impairment allowances	18,165	15,126	↑ 20.1	15,720	↑ 15.6
Net charge of impairment allowances	(108)	(30)	↑ 260.0	(476)	↓ 77.3
Net operating income	18,057	15,096	↑ 19.6	15,244	↑ 18.5
Operating expenses	(5,391)	(1,993)	↑ 170.5	(5,869)	↓ 8.1
Operating profit	12,666	13,103	↓ 3.3	9,375	↑ 35.1
Non-operating items	1,159	1,484	↓ 21.9	718	↑ 61.4
Profit attributable to the equity holders	11,243	11,993	↓ 6.3	8,437	↑ 33.3
<i>Profit attributable to the equity holders*</i>	11,243	9,679	↑ 16.2	8,469	↑ 32.8

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

Net Interest Income

Net interest income increased driven by notable NIM improvement

HK\$ m	1H2012	1H2011	% YoY	2H2011	% HoH
Interest income	17,772	15,156	↑ 17.3	16,775	↑ 5.9
Interest expense	5,153	4,951	↑ 4.1	5,001	↑ 3.0
Net interest income	12,619	10,205	↑ 23.7	11,774	↑ 7.2
Average interest earning assets	1,544,663	1,698,704	↓ 9.1	1,626,293	↓ 5.0
Net interest margin (NIM)	1.64%	1.21%	↑ 0.43pp	1.44%	↑ 0.20pp

Non-interest Income

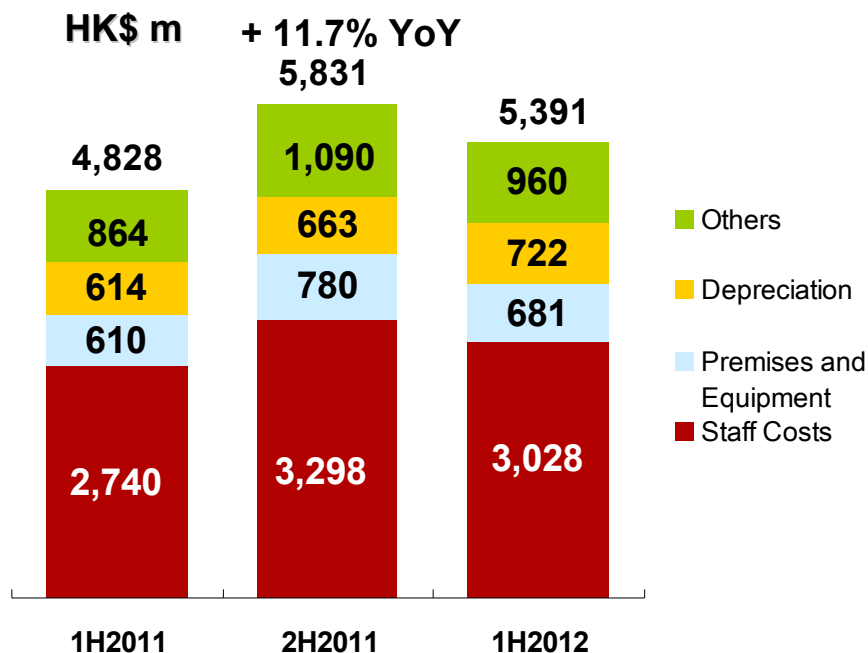
Moderate growth in net fee income despite lower stock brokerage income
Net trading gain also increased

HK\$ m	1H2012	1H2011	% YoY	2H2011	% HoH
Net fee and commission income	4,102	3,986	↑ 2.9	3,847	↑ 6.6
Fee and commission income					
Securities brokerage	1,054	1,485	↓ 29.0	1,297	↓ 18.7
Funds distribution	232	176	↑ 31.8	161	↑ 44.1
Insurance	596	610	↓ 2.3	487	↑ 22.4
Loan commissions	909	588	↑ 54.6	572	↑ 58.9
Bill commissions	370	418	↓ 11.5	436	↓ 15.1
Payment services	325	303	↑ 7.3	334	↓ 2.7
Credit cards business	1,542	1,337	↑ 15.3	1,550	↓ 0.5
Currency exchange	69	76	↓ 9.2	80	↓ 13.8
Trust and custody services	179	154	↑ 16.2	225	↓ 20.4
Others	332	285	↑ 16.5	284	↑ 16.9
Other operating income	1,444	935	↑ 54.4	99	↑ 1,358.6
Net trading gain	1,408	761	↑ 85.0	949	↑ 48.4
Net gain/(loss) on financial instruments designated at FVTPL	186	398	↓ 53.3	(738)	---
Others	(150)	(224)	↓ 33.0	(112)	↑ 33.9
Total	5,546	4,921	↑ 12.7	3,946	↑ 40.5

Operating Expenses

Maintaining disciplined cost control
Core cost-to-income ratio among the lowest in the local industry

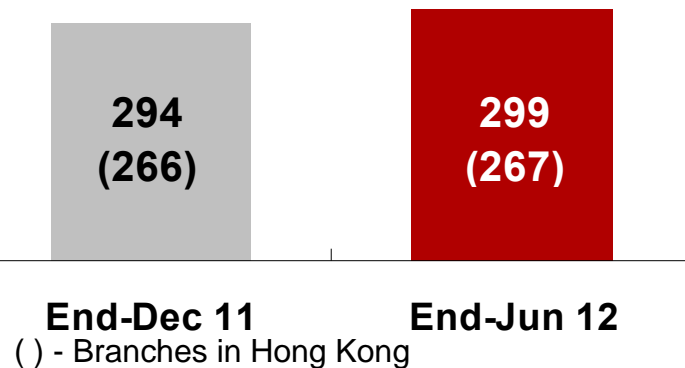
Core Operating Expenses*



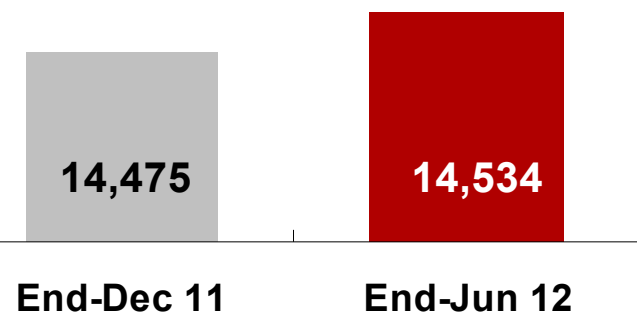
31.92% 37.09% 29.68%

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) / reversal of Impairment Allowances

Modest net charge of loan impairment

HK\$ m

Advances to customers

Net (charge)/reversal of allowances before recoveries

- individual assessment
- collective assessment

Recoveries

Net charge of loan impairment allowances

Securities Investments

Net (charge)/reversal of impairment on securities investments

Others

Total charge to income statement

	1H2012	1H2011	% YoY	2H2011	% HoH
- individual assessment	(5)	42	---	(54)	↓ 90.7
- collective assessment	(238)	(295)	↓ 19.3	(425)	↓ 44.0
Recoveries	156	216	↓ 27.8	137	↑ 13.9
Net charge of loan impairment allowances	(87)	(37)	↑ 135.1	(342)	↓ 74.6
Net (charge)/reversal of impairment on securities investments	(16)	12	---	(129)	↓ 87.6
Others	(5)	(5)	---	(5)	---
Total charge to income statement	(108)	(30)	↑ 260.0	(476)	↓ 77.3

Loan Quality

Formation of new classified loans remained at a low level

Migration of Classified Loans



Condensed Balance Sheet

**Decline in asset size due to lower RMB funds of the clearing bank business
Balance sheet mix optimised for better profitability and risk profile**

HK\$ m	End-Jun 12	End-Dec 11		% Change
Cash and balances with banks and other financial institutions	153,042	278,795	↓	45.1
Placements with banks and other financial institutions	114,548	107,910	↑	6.2
Securities investments	439,835	425,600	↑	3.3
Advances and other accounts	785,932	755,229	↑	4.1
Total assets	1,684,722	1,738,510	↓	3.1
Inter-bank deposits taken	114,045	236,694	↓	51.8
Deposits from customers*	1,185,281	1,146,590	↑	3.4
Subordinated liabilities	28,756	28,656	↑	0.3
Total liabilities	1,540,310	1,605,327	↓	4.1
Total equity	144,412	133,183	↑	8.4

* Including structured deposits

Customer Deposits

Solid expansion of deposit base
Flexible deposit strategy with cautious funding cost control

HK\$ m	End-Jun 12	End-Dec 11	% Change
Demand deposits and current accounts	73,966	77,440	↓ 4.5
Saving deposits	524,722	504,868	↑ 3.9
Time, call and notice deposits	584,169	563,643	↑ 3.6
Structured deposits	2,424	639	↑ 279.3
Total deposits from customers	1,185,281	1,146,590	↑ 3.4

Advances to Customers

Successfully seized quality growth opportunities
amid slower loan demand in the market

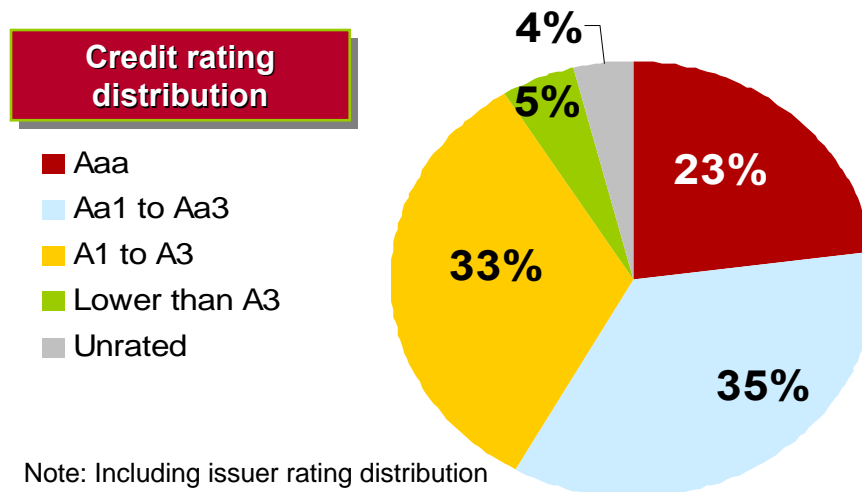
HK\$ m	End-Jun 12	End-Dec 11	% Change
Loans for use in HK - corporate	245,527	237,557	↑ 3.4
Loans for use in HK - individual	215,066	206,983	↑ 3.9
Residential mortgages*	177,670	169,780	↑ 4.6
Credit card advances	9,609	9,655	↓ 0.5
Trade finance	67,828	59,508	↑ 14.0
Loans for use outside HK	218,331	195,331	↑ 11.8
Total advances to customers	746,752	699,379	↑ 6.8
Loan-to-deposit ratio	63.00%	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

Further optimised investment mix
with focus on safety and liquidity while maximising return

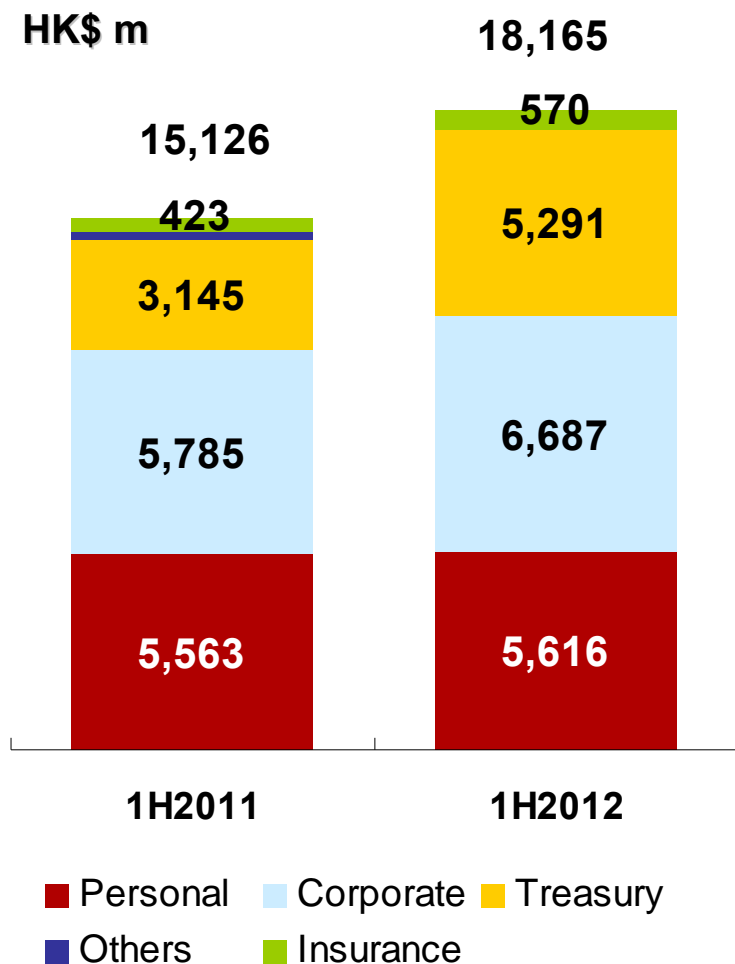
HK\$ m	End-Jun 12	End-Dec 11	% Change
Sovereign	128,551	145,205	↓ 11.5
Public Sector	39,239	43,252	↓ 9.3
Corporate entities	54,484	41,576	↑ 31.0
Banks and other FIs	217,561	195,567	↑ 11.2
Total	439,835	425,600	↑ 3.3



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

Segmental Performance

Operating Income by Segments



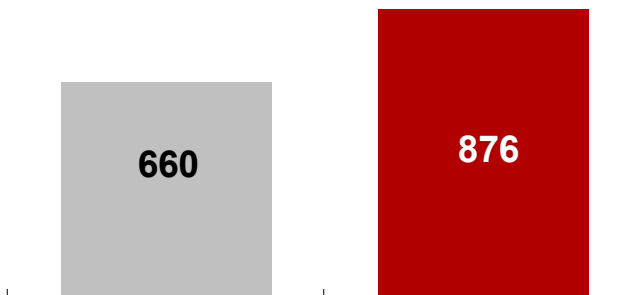
- **Personal:** Solid growth in mortgages, funds and bonds sales and credit card business
- **Corporate:** Enhanced service capabilities and product innovation drove strong growth
- **Treasury:** Proactive investment strategy to secure risk-adjusted return and liquidity
- **Insurance:** Improved investment performance and maintained leadership in the RMB insurance market

Mainland Business

Operating income increased mainly driven by net interest income
Strengthened deposit base and improved loan structure

Operating Income

HK\$ m + 32.7% YoY

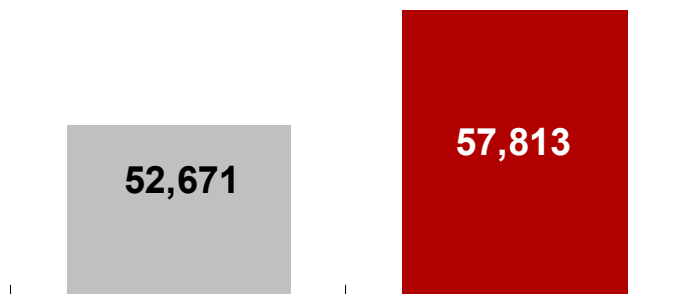


1H2011

1H2012

Deposits from Customers

HK\$ m + 9.8% YTD

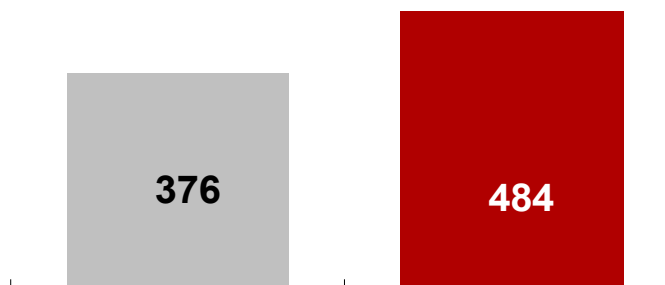


End-Dec 11

End-Jun 12

Operating Expenses

HK\$ m + 28.7% YoY

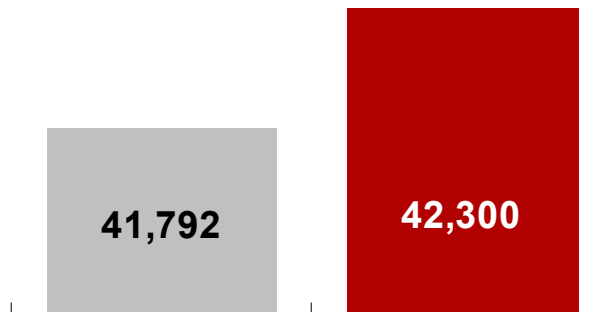


1H2011

1H2012

Gross Advances to Customers

HK\$ m + 1.2% YTD



End-Dec 11

End-Jun 12

0.27%

0.48%

Classified loan ratio



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



中國銀行
BANK OF CHINA



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



Outlook and Strategy



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

Outlook and Strategy

**Well-positioned for sustainable growth
on the back of our solid financial strengths and enhanced competitiveness**

- Overall market environment in the near term will remain challenging
- Proactive risk management to contain risks and guard against market volatilities
- Continue to invest with prudence to enhance long-term competitiveness
- Uniquely positioned to capture emerging opportunities capitalising on the Group's strong franchise and solid financial position



中國銀行
BANK OF CHINA



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



2012 Interim Results

2012.08.23



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