

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

2013 Interim Results

2013.08.29

▶ **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. Jason Yeung	Deputy Chief Executive
Mr. Huang Hong	Deputy Chief Executive

▶ Agenda

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



Key Performance Highlights

▶ Operating Environment

- External environment remained lacklustre, with slowing Hong Kong and China economic growth
- Low interest rates and intense competition continued to pose challenges for banks
- Increased RMB business opportunities on further policy relaxation
- More stringent capital requirement under Basel III regulatory regime

▶ Performance Overview

Solid performance driven by core businesses

- Operating profit achieved new high with broad-based income growth
- Balance between return and risk while continue to manage cost effectively
- Stringent risk control to maintain benign asset quality
- Strong financial position to support sustainable growth

▶ Key Financial Highlights

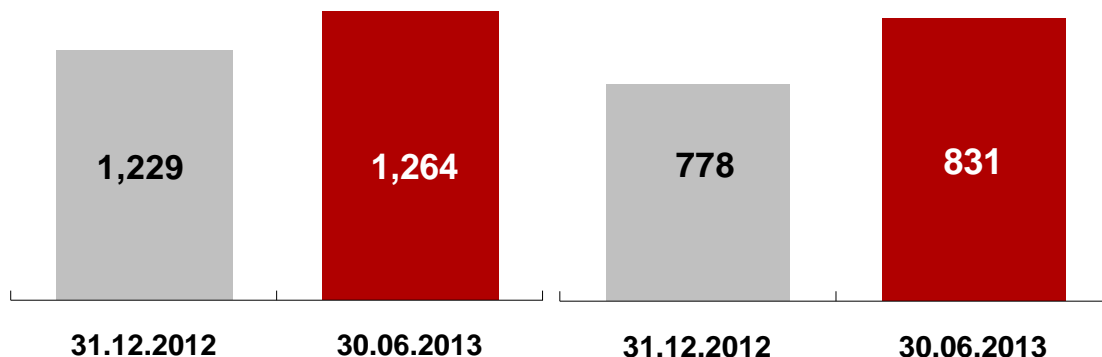
HK\$m	1H2013	1H2012	% YoY
Net operating income before impairment allowances	19,791	18,096	9.4
Operating profit before impairment allowances	14,099	12,774	10.4
Profit attributable to the equity holders	11,252	11,243	0.1
Earnings per share (HK\$)	1.064	1.063	0.1
Dividend per share (HK\$)	0.545	0.545	---
ROE	14.87%	16.63%	(1.76pp)
ROA	1.27%	1.35%	(0.08pp)

- Solid income growth mainly driven by net interest income and net fee and commission income
- Net operating income and PPOP achieving interim highs
- Attributable profit at a high level despite lower property revaluation gains

Strong Financial Position

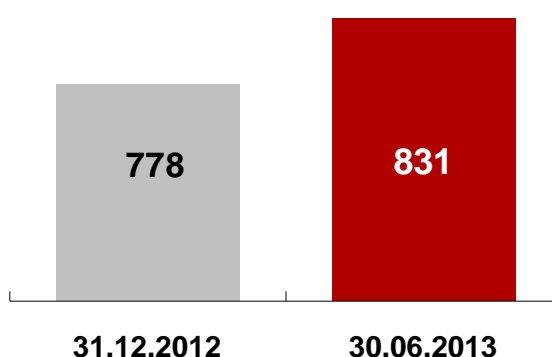
Solid Deposit Base

HK\$ bn +2.9% YTD



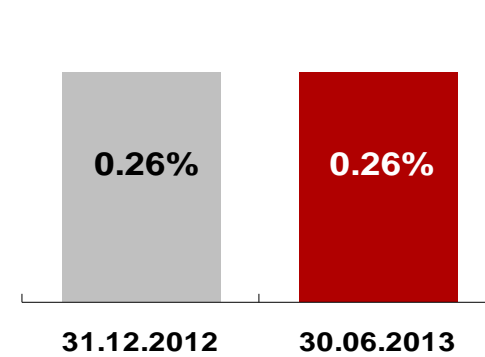
Quality Loan Growth

HK\$ bn + 6.7% YTD



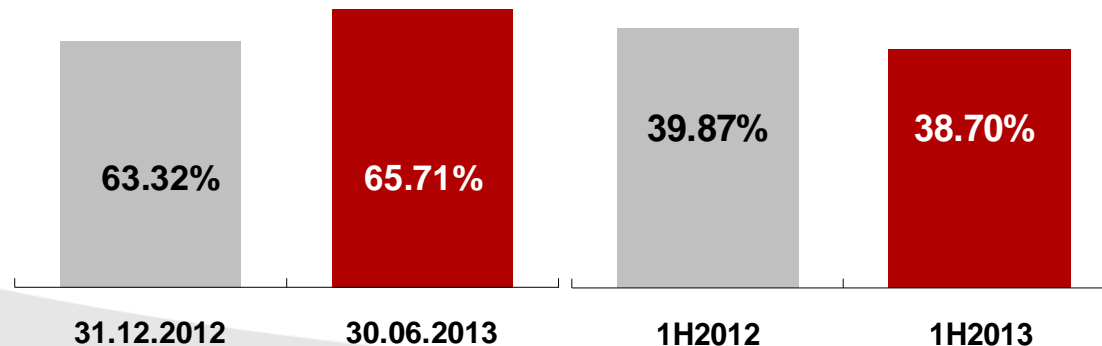
Sound Loan Quality

Classified or Impaired Loan Ratio



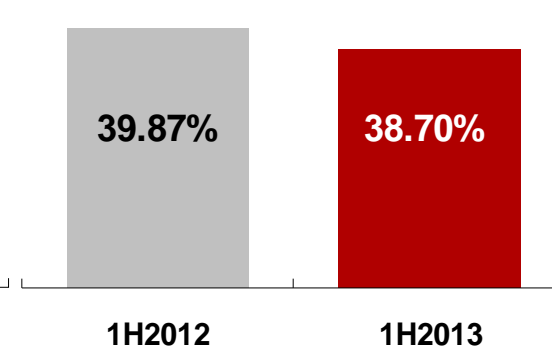
Healthy LDR

Loan-to-deposit Ratio



Stable Liquidity

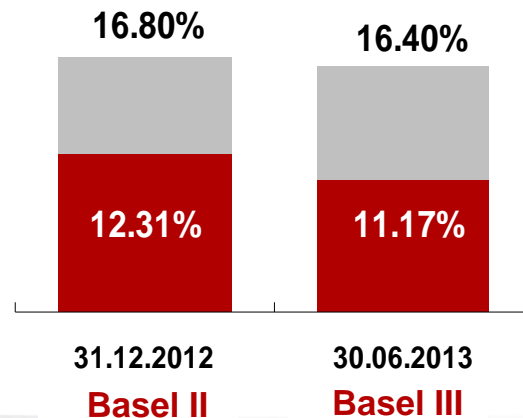
Average Liquidity Ratio



Strong Capital Position

Total Capital Ratio

■ Tier 1 / Core capital ratio



A white wireframe graphic of a tall, tiered tower, resembling the Bank of China Tower, is positioned on the left side of the page. The background is a vibrant red-to-orange gradient with dynamic, glowing light streaks radiating from the tower.

Financial Results

Condensed Income Statement

Solid growth in core income with effective cost management

HK\$ m	1H2013	1H2012	% YoY	2H2012	% HoH
Net interest income	13,331	12,619	5.6	12,089	10.3
Net fee and commission income	4,681	4,033	16.1	3,730	25.5
Other operating income	1,779	1,444	23.2	1,702	4.5
Net operating income before impairment allowances	19,791	18,096	9.4	17,521	13.0
Net charge of impairment allowances	(371)	(108)	243.5	(751)	(50.6)
Net operating income	19,420	17,988	8.0	16,770	15.8
Operating expenses	(5,692)	(5,322)	7.0	(5,937)	(4.1)
Operating profit	13,728	12,666	8.4	10,833	26.7
Non-operating items	220	1,159	(81.0)	863	(74.5)
Profit attributable to the equity holders	11,252	11,243	0.1	9,687	16.2

▶ Net Interest Income

NIM widened YoY and HoH on improved loan-deposit spread

HK\$ m	1H2013	1H2012	% YoY	2H2012	% HoH
Interest income	18,459	17,772	3.9	17,641	4.6
Interest expense	5,128	5,153	(0.5)	5,552	(7.6)
Net interest income	13,331	12,619	5.6	12,089	10.3
Average interest earning assets	1,607,052	1,544,663	4.0	1,540,489	4.3
Net interest margin (NIM)	1.67%	1.64%	3bps	1.56%	11bps

► Non-interest Income

Broad-based growth in net fee and commission income
Other operating income increased driven by the insurance segment

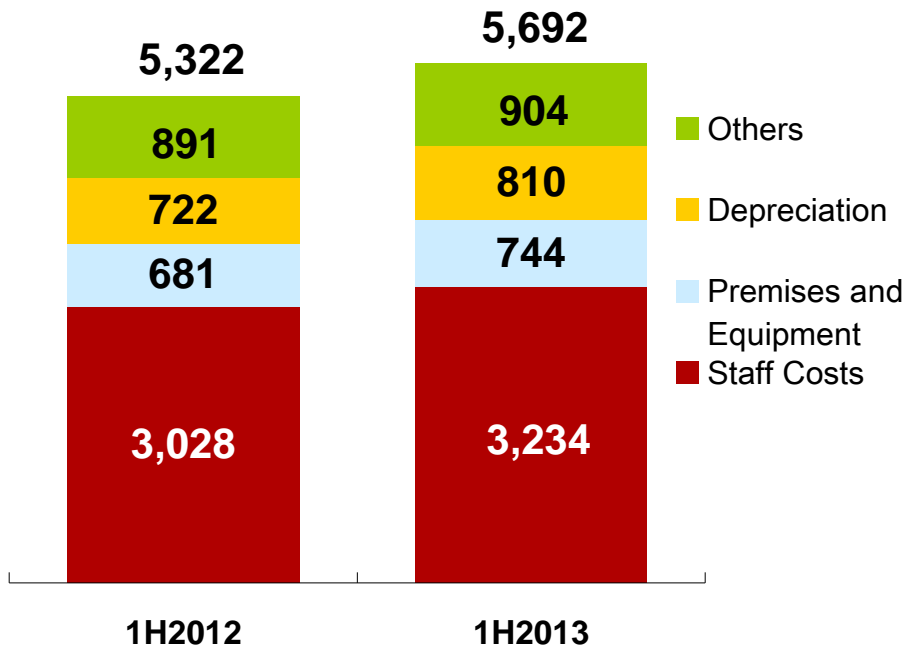
HK\$ m	1H2013	1H2012	% YoY	2H2012	% HoH
Net fee and commission income	4,681	4,033	16.1	3,730	25.5
Fee and commission income					
Credit cards business	1,734	1,477	17.4	1,684	3.0
Securities brokerage	1,224	1,054	16.1	1,060	15.5
Loan commissions	1,078	974	10.7	800	34.8
Insurance	708	596	18.8	369	91.9
Funds distribution	441	232	90.1	308	43.2
Bill commissions	387	370	4.6	366	5.7
Payment services	322	325	(0.9)	342	(5.8)
Trust and custody services	181	179	1.1	181	---
Currency exchange	88	69	27.5	87	1.1
Others	346	332	4.2	305	13.4
Other operating income	1,779	1,444	23.2	1,702	4.5
Net trading gain	1,441	1,408	2.3	1,721	(16.3)
Net (loss)/gain on financial instruments designated at FVTPL	(520)	186	---	561	---
Others	858	(150)	---	(580)	---
Total	6,460	5,477	17.9	5,432	18.9

Operating Expenses

Continued to invest in our franchise while ensure cost efficiency

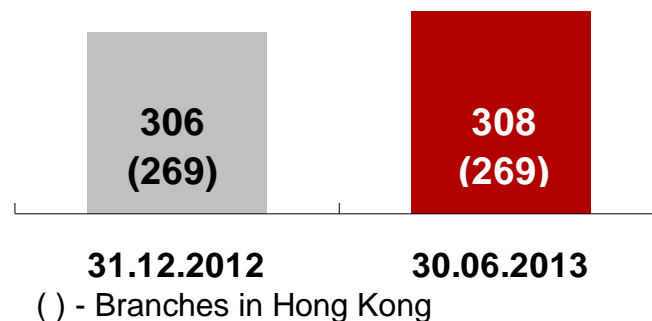
Operating Expenses

HK\$ m + 7.0% YoY

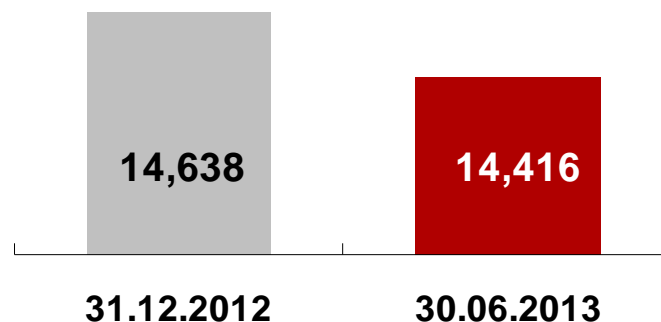


29.41% 28.76%
Cost-to-income ratio

Number of Branches



Staff Number



▶ Net Charge of Impairment Allowances

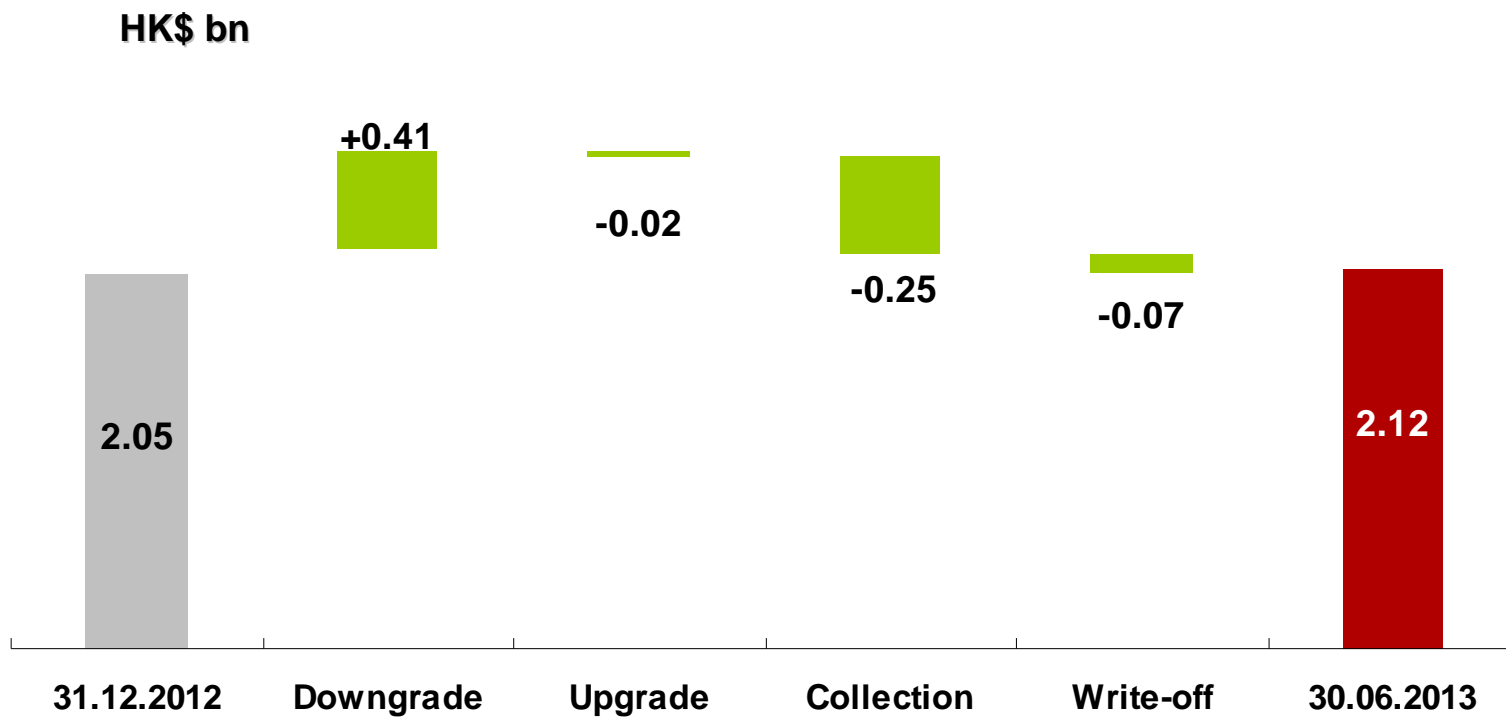
Net charge of CA impairment allowances due to loan growth and update of assessment parameters

HK\$ m	1H2013	1H2012	% YoY	2H2012	% HoH
<u>Advances to customers</u>					
Net charge of allowances before recoveries					
- individual assessment	(82)	(5)	1,540.0	(507)	(83.8)
- collective assessment	(476)	(238)	100.0	(368)	29.3
Recoveries	190	156	21.8	108	75.9
Net charge of loan impairment allowances	(368)	(87)	323.0	(767)	(52.0)
<u>Securities Investments</u>					
Net reversal/(charge) of impairment on securities investments	1	(16)	---	21	(95.2)
<u>Others</u>	(4)	(5)	(20.0)	(5)	(20.0)
Total charge to income statement	(371)	(108)	243.5	(751)	(50.6)

▶ Loan Quality

Loan quality remained sound

Classified or Impaired Loans



▶ Condensed Balance Sheet

Proactive asset and liability management
to drive sustainable growth and profitability

HK\$ m	30.06.2013	31.12.2012	% Change
Cash and balances with banks and other financial institutions	182,450	198,748	(8.2)
Placements with banks and other financial institutions	54,511	66,025	(17.4)
Securities investments	486,134	531,696	(8.6)
Advances and other accounts	885,267	819,739	8.0
Total assets	1,834,661	1,830,763	0.2
Inter-bank deposits taken	144,667	179,206	(19.3)
Deposits from customers*	1,264,290	1,229,131	2.9
Subordinated liabilities	20,577	28,755	(28.4)
Total liabilities	1,678,959	1,675,689	0.2
Total equity	155,702	155,074	0.4

* Including structured deposits

Customer Deposits

Flexible deposit strategy and cautious funding cost control

HK\$ m	30.06.2013	31.12.2012	% Change
Demand deposits and current accounts	99,668	97,295	2.4
Saving deposits	564,485	603,565	(6.5)
Time, call and notice deposits	595,603	525,430	13.4
Structured deposits	4,534	2,841	59.6
Total deposits from customers	1,264,290	1,229,131	2.9

▶ Advances to Customers

**Sustained quality loan growth with
conscious risk control**

HK\$ m	30.06.2013	31.12.2012	% Change
Loans for use in HK - corporate	270,048	252,877	6.8
Loans for use in HK - individual	235,417	227,876	3.3
Residential mortgages*	192,267	186,601	3.0
Credit card advances	10,561	11,534	(8.4)
Trade finance	76,494	67,137	13.9
Loans for use outside HK	248,784	230,374	8.0
Total advances to customers	830,743	778,264	6.7
Loan-to-deposit ratio	65.71%	63.32%	

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

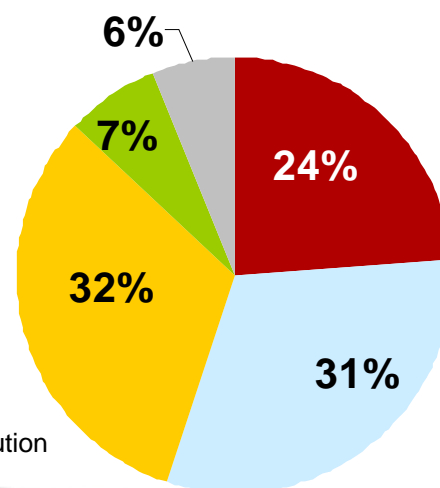
Securities Investments

Optimise portfolio mix in view of market changes

HK\$ m	30.06.2013	31.12.2012	% Change
Sovereign	91,678	178,520	(48.6)
Public Sector	45,756	41,458	10.4
Corporate entities	88,230	64,959	35.8
Banks and other FIs	260,470	246,759	5.6
Total	486,134	531,696	(8.6)

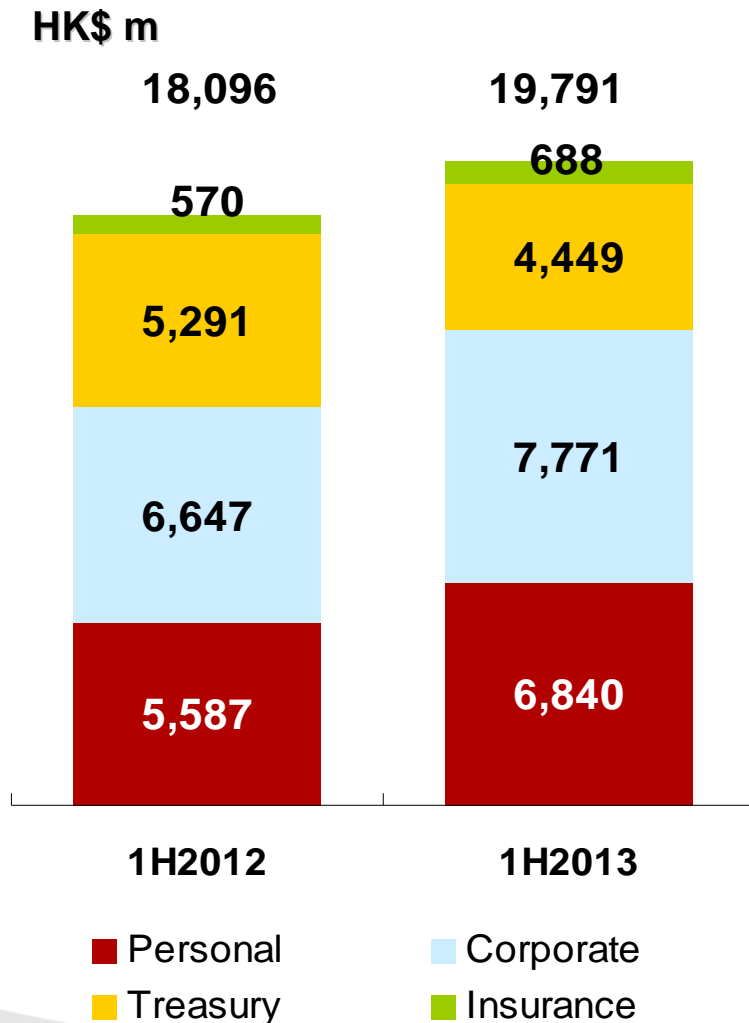
Credit rating distribution

- 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



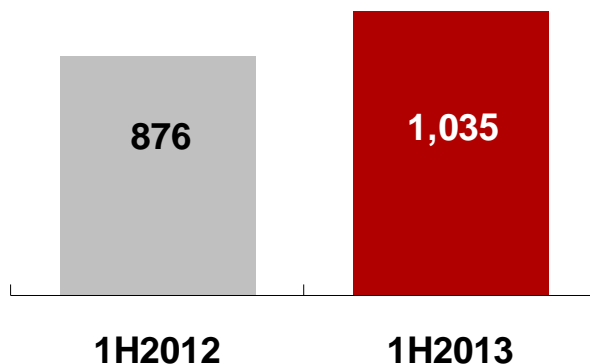
- **Personal:** Residential mortgages maintained market leadership. Robust growth in funds and insurance sales.
- **Corporate:** Corporate loan recorded healthy growth with improved loan pricing
- **Treasury:** Proactive investment strategy and timely product offering in response to market demand
- **Insurance:** Continuous product enhancement and reinforced leadership in the RMB insurance market

Mainland Business

Steady development with encouraging growth

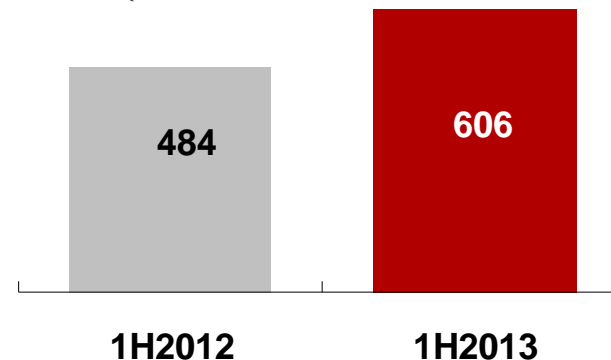
Operating Income

HK\$ m + 18.2% YoY



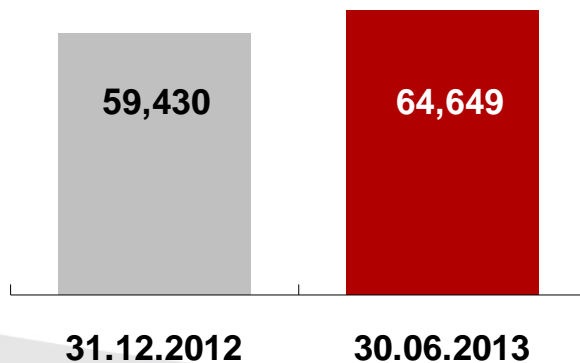
Operating Expenses

HK\$ m + 25.2% YoY



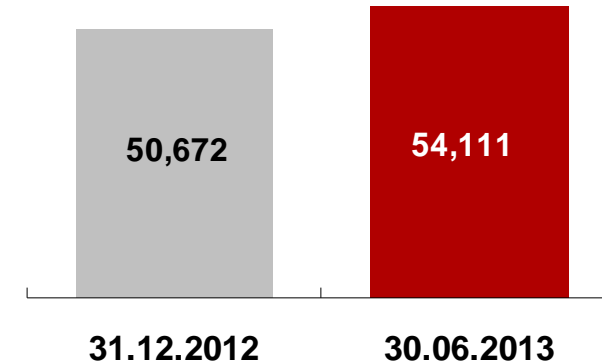
Deposits from Customers

HK\$ m + 8.8% YTD



Gross Advances to Customers

HK\$ m + 6.8% YTD



0.79% 0.87%
Classified or Impaired Loan Ratio

A white wireframe graphic of a tall, modern skyscraper, resembling the Bank of China Tower in Hong Kong, is positioned on the left side of the slide. The background is a vibrant red-to-orange gradient with dynamic, glowing light streaks that create a sense of motion and energy.

Outlook and Strategy

▶ Outlook and Strategy

Balanced growth strategy to drive core profitability

- Build on diversified platforms to deliver sustainable growth
- Capture cross-border and offshore RMB business opportunities with enhanced capabilities
- Maintain strong financial position and rigorous risk management

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