

A Century of History

A Global Service

Bank of China Limited

2012 Interim Results

August 24, 2012

Forward-looking Statement Disclaimer

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Presentation Team



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Agenda

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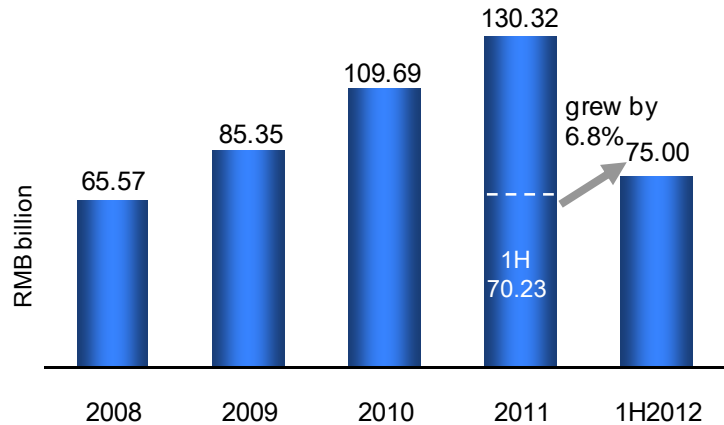
Key Highlights & Development

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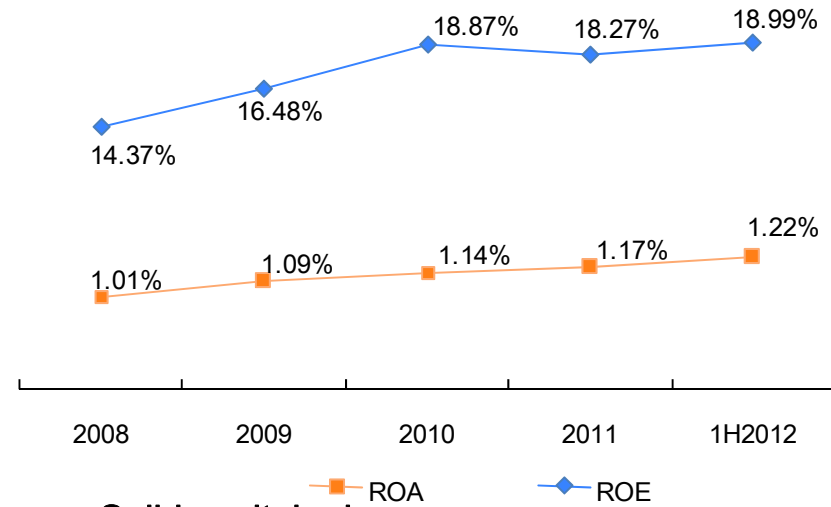
2H2012 Outlook

Achieving Sustainable Growth

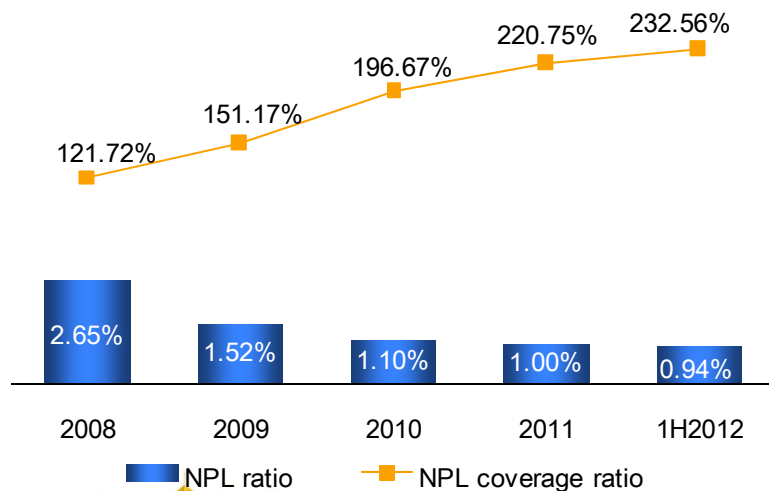
Stable growth of after-tax profit



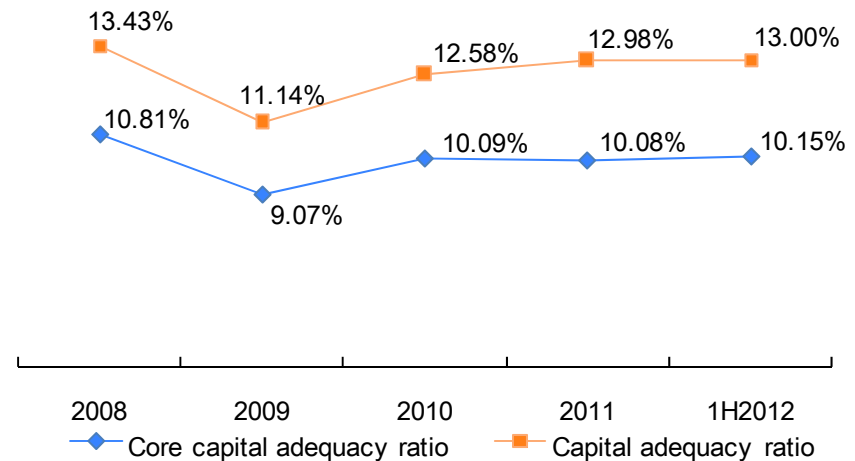
Steady improvement in profitability



Sound asset quality

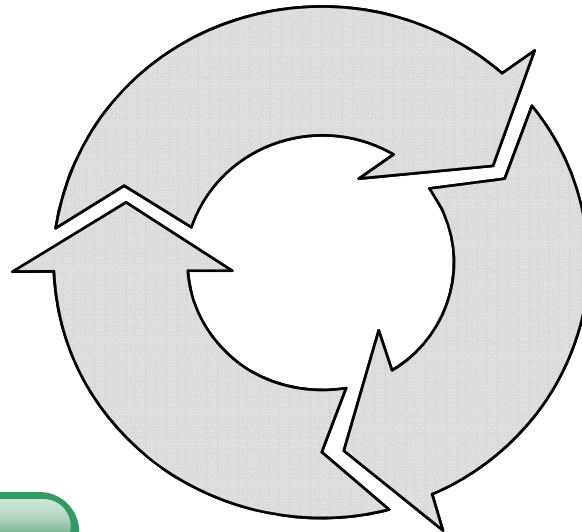


Solid capital adequacy



Key Achievements & Progress

Deepen business transformation
with a focus on effective operation

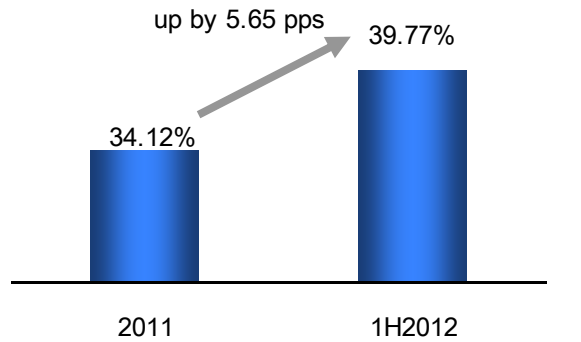


Comprehensively strengthen
infrastructure construction supported
by advanced information technology

Improve management capabilities
with a focus on risk control

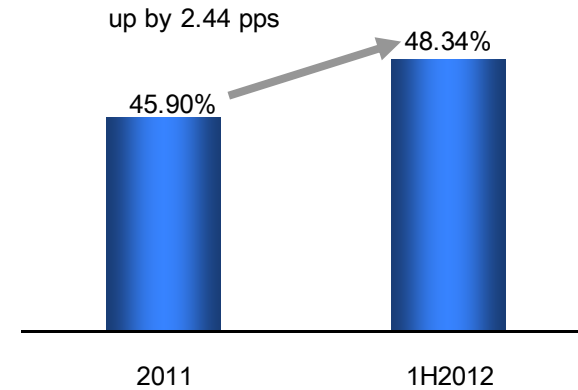
Further Optimize Asset Structure and Improve Asset Yield

Increased proportion of personal loans



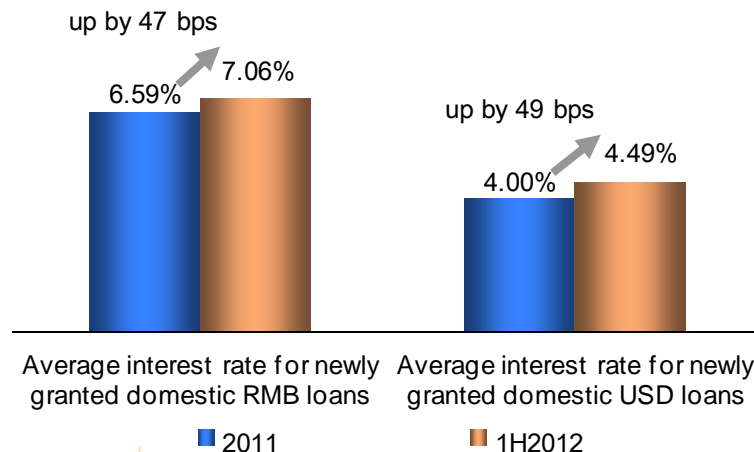
■ Proportion of newly increased domestic RMB personal loans to total newly increased domestic RMB loans

Increased proportion of SME loans



■ Proportion of newly granted domestic RMB SME loans to total newly granted domestic RMB corporate loans

Improved new loan pricing

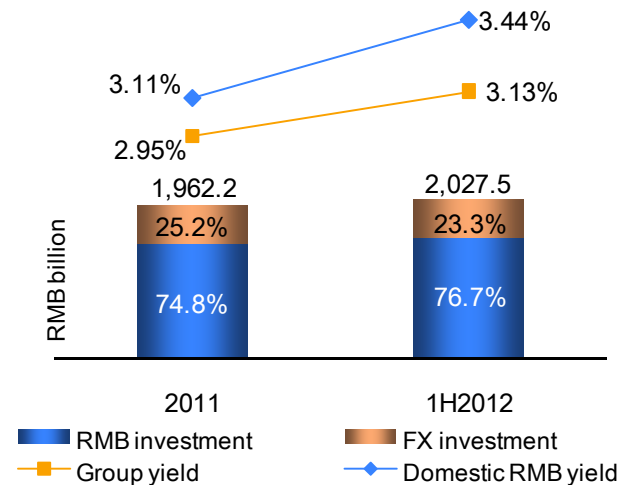


Average interest rate for newly granted domestic RMB loans Average interest rate for newly granted domestic USD loans

■ 2011

■ 1H2012

Improved debt securities structure & yield

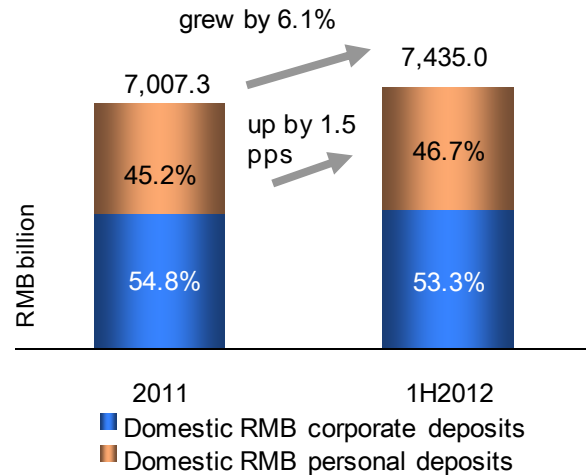


■ RMB investment
■ Group yield

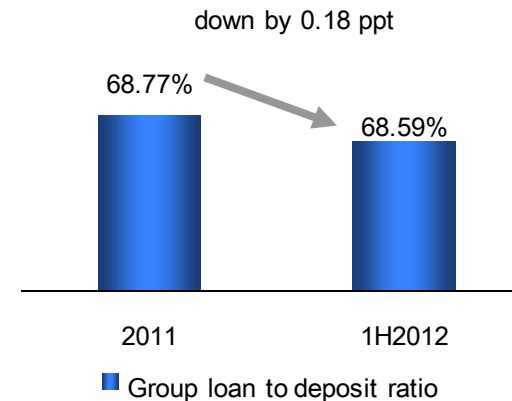
■ FX investment
◆ Domestic RMB yield

Further Optimize Liability Structure and Control Funding Cost

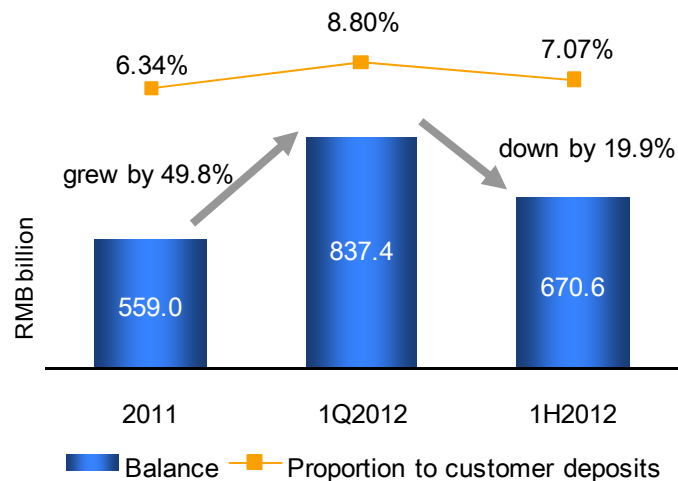
Increased proportion of personal deposit



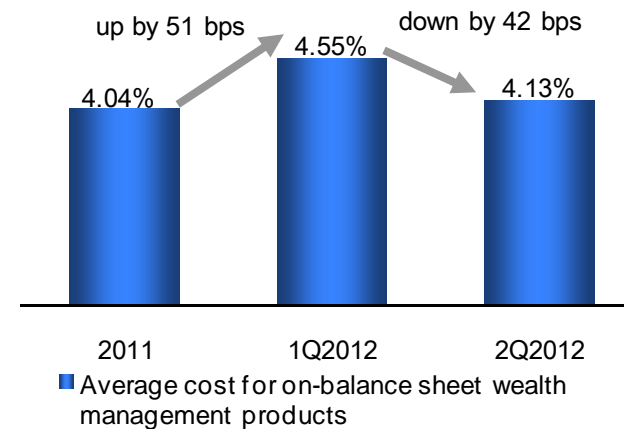
Decreased loan to deposit ratio



Effectively reduce on-balance sheet WM products

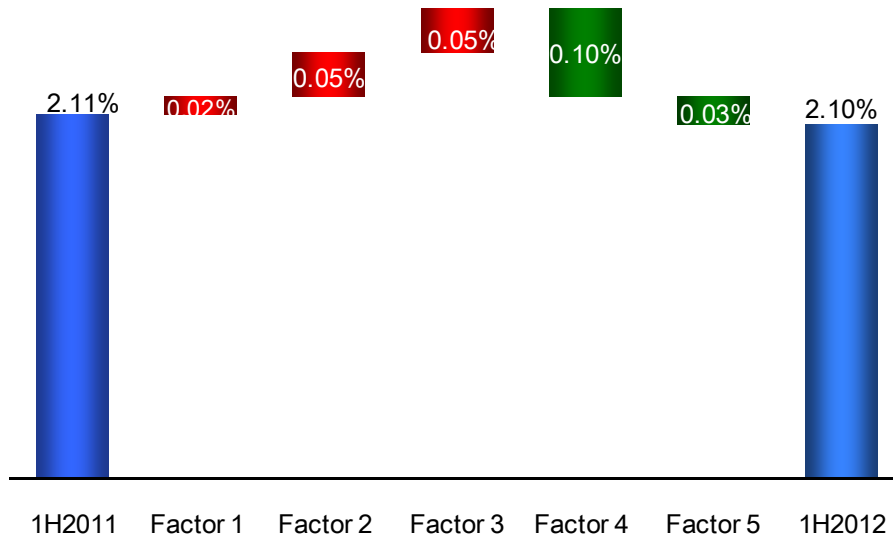


Control cost of on-balance sheet WM products

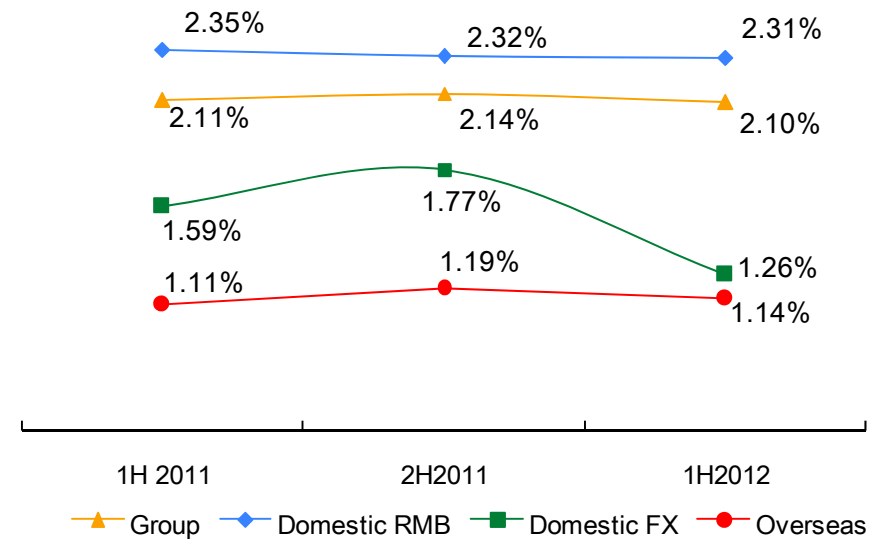


Net Interest Margin Remains Stable

NIM analysis – by products



NIM analysis – by geography & currency



Notes:

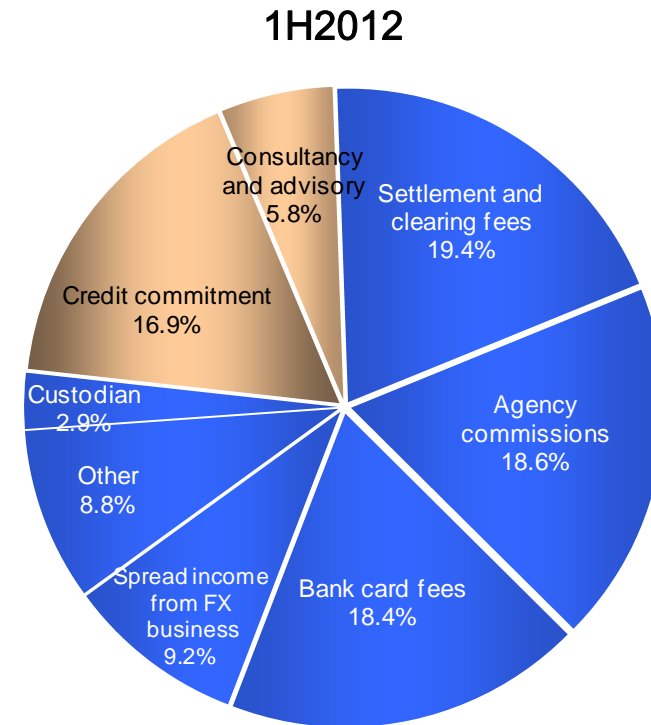
- Factor1: Expansion of interest spread between RMB loans and deposits
- Factor2: Expansion of interest spread between FX loans and deposits
- Factor3: Expansion of debt securities investment yield
- Factor4: Contraction of interest spread between due from banks and other financial institutions in assets and due to banks and other financial institutions in liabilities
- Factor5: Decrease of proportion of high yield assets including loans to total assets

Improve Fee-based Business Structure and Expand Less Capital-intensive Business

Robust growth of income from less capital-intensive fee-based business

High proportion of income from less capital-intensive fee-based business

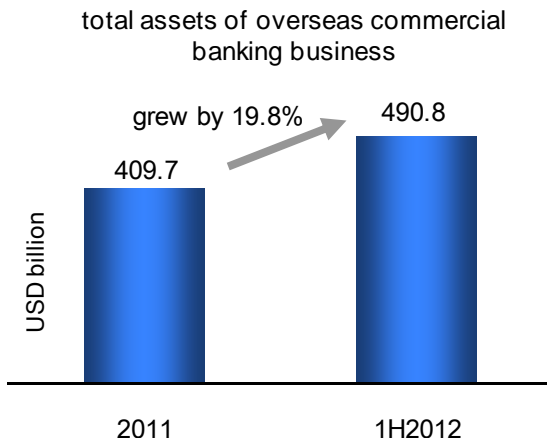
- ◆ Bank card fees increased by 39% year-on-year to RMB6.8 billion. Domestic bank card consumption reached RMB896.7 billion, up by 70%
- ◆ Settlement and clearing fees reached RMB7.1 billion, up by 9% year-on-year. Income from international settlement achieved stable growth, with the income from factoring business up by 77% year-on-year
- ◆ Custodian and other fiduciary service fees reached RMB1.1 billion, up by 11% year-on-year. Assets under custody of the Group exceeded RMB3 trillion, maintaining a leading position



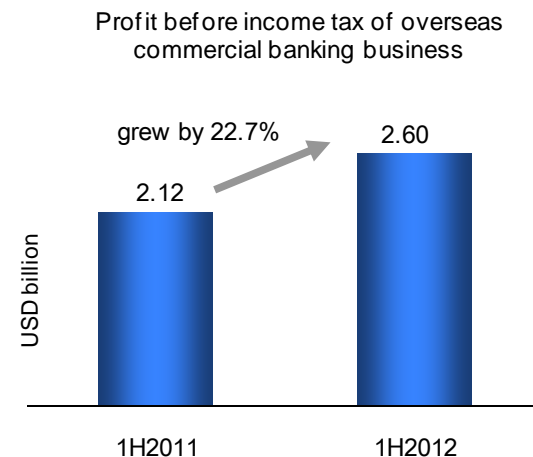
- Less capital-intensive fee-based businesses: settlement and clearing, agency, bank card, spread income from foreign exchange business, custodian and other fiduciary service, other
- More capital-intensive fee-based businesses: credit commitment, consultancy and advisory

Robust Growth of Overseas Business

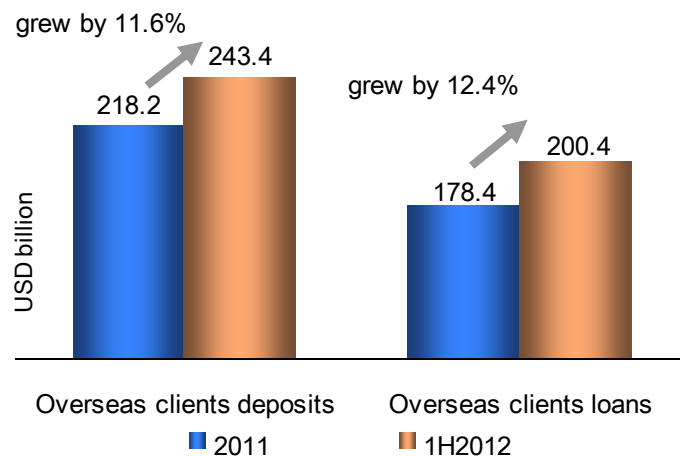
Robust growth of assets



Improved profitability



Fast growth of loans & deposits



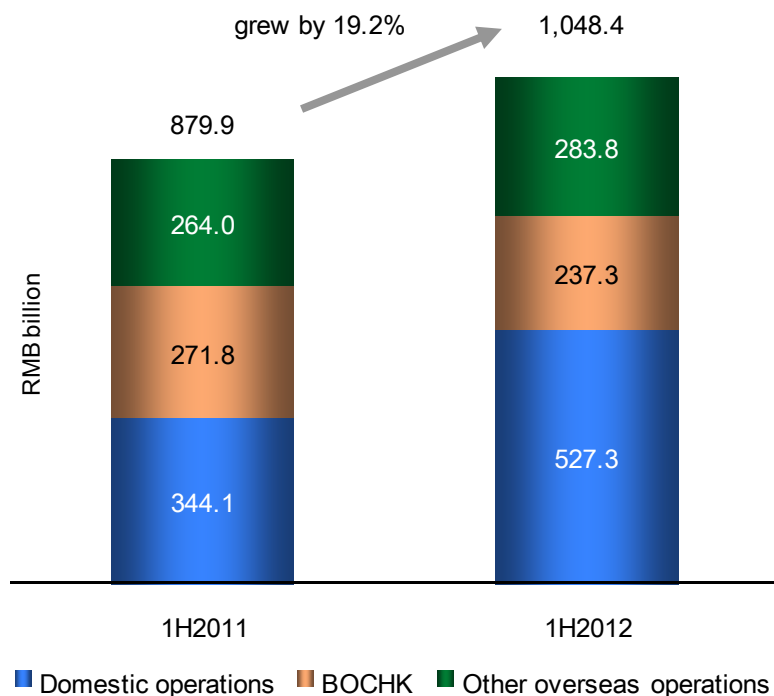
Accelerated overseas network expansion

- ◆ Successful establishment of Poland Branch, Stockholm Branch and Nairobi Representative Office
- ◆ Became the first Chinese mainland commercial bank to establish a branch in Taiwan
- ◆ The establishment of wealth management center and bank card center in Singapore has strengthened the Bank's capability to provide professional financial services to retail customers
- ◆ Establishment of six tier-two branches in Thailand, Australia, Russia, Canada and Macau etc.
- ◆ The Bank's overseas operations now cover Hong Kong, Macau, Taiwan and 35 other countries. The Bank also extended financial services to countries such as Oman, Peru, Ghana, and Chile through "China Desk" business model

Note: Overseas commercial banking data

Leading Position in Cross-border & Overseas RMB Businesses

Cross-border RMB settlement business leading peers with a market share over 30%



Preliminary establishment of global clearance network

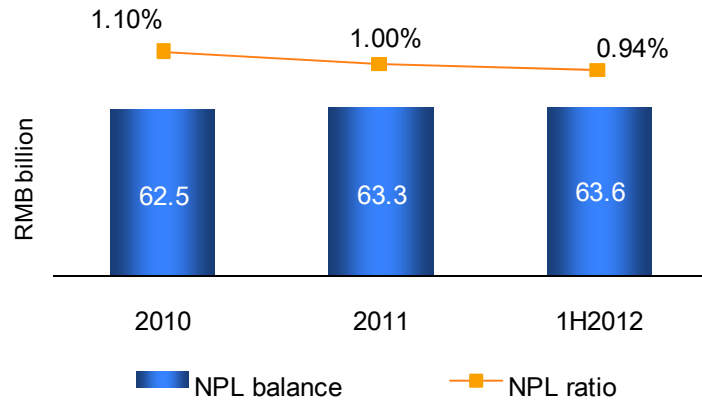
- ◆ Acting as designated RMB business clearing bank in Hong Kong & Macau
- ◆ BOCHK conducted business volume of over RMB1 trillion as clearing bank in Hong Kong
- ◆ The Bank has opened 758 cross-border RMB clearing accounts for overseas participating banks, ranking first among peers

New progresses in overseas RMB businesses

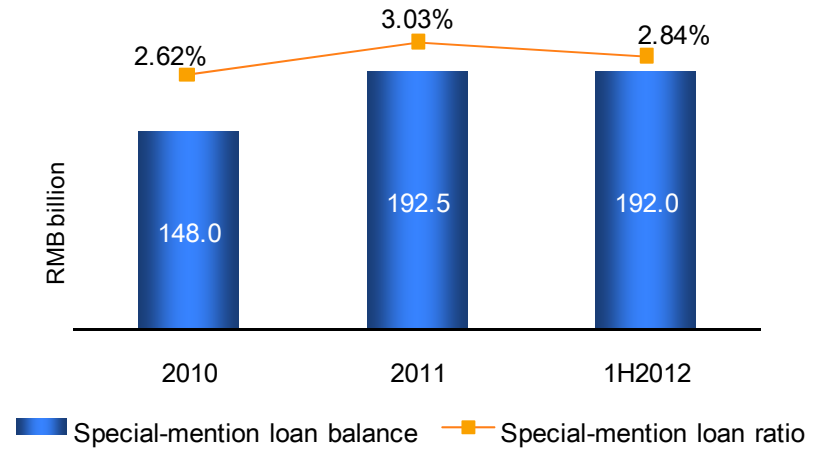
- ◆ The Bank has developed a variety of cross-border RMB products including deposit, loans, international settlement, cash distribution, clearing services, treasury operations, credit card, insurance and funds etc, providing efficient cross-border RMB services to global customers
- ◆ Engaged in underwritings of 14 RMB bond issuances in Hong Kong, amounting to RMB21.2 billion with market share of 27%
- ◆ Launched three offshore RMB bond sub-indices
- ◆ Successful arrangement of the first 100% RMB-denominated syndicated loan in Hong Kong
- ◆ Leading position in Hong Kong in terms of RMB deposits, RQFII funds distribution and RMB insurance
- ◆ Participated in the working group of construction of offshore RMB center in London as the only Chinese bank
- ◆ Remain the largest market maker in the Russian inter-bank market in terms of trading amount and volume

Asset Quality Remains Stable

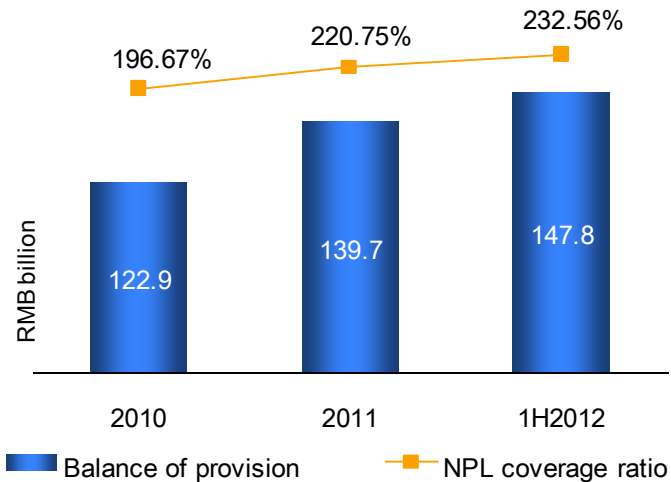
NPL ratio continued to decrease



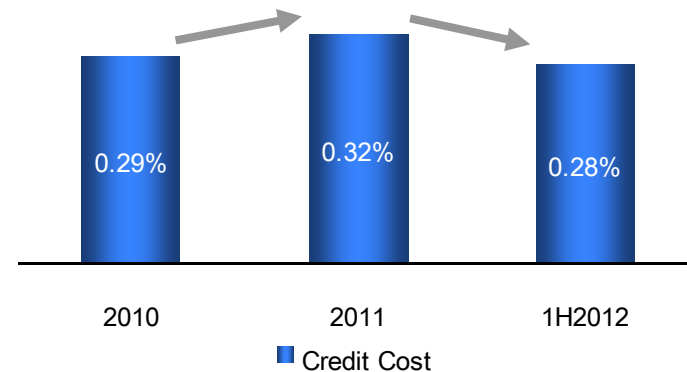
Stable trend of special-mention loan



Increased NPL coverage ratio



Credit cost under control



Risk of Key Areas Under Control

Credit risk management

Sector	Balance of loans (RMB billion)	Proportion to total loans	NPL ratio	NPL coverage ratio	Ratio of total provision to total loans
Loans to local government financing vehicles	422.5	6.26%	0.33%	1,303.34%	4.31%
Loans to real estate sector (developer loan)	223.0	3.30%	0.49%	1,140.55%	5.60%
Loans to sectors with overcapacity*	247.7	3.67%	0.80%	331.10%	2.66%

Note: Sectors with overcapacity include sectors of steel, cement, flat glass, coal chemical, polycrystalline silicon, wind power equipment, shipbuilding, and aluminum electrolytic etc.

Operational risk management

- ◆ The Bank actively responded to market changes by identifying, assessing, controlling and mitigating risks, and strengthened forward-looking risk management
- ◆ The Bank enhanced risk management responsibility framework, organized risk inspection, further clarified the reporting and rectification requirements for material risk incident, and focused on the management of employees for key businesses and at key positions
- ◆ The Bank clamped down on 74 potential fraud cases in the first half of the year. The operational risk loss cases remain at a low occurrence rate

Infrastructure Construction Promotes Service Capability

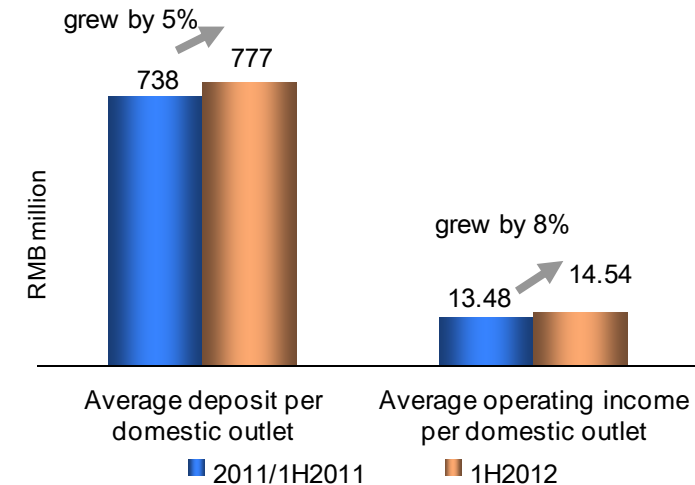
Push forward network transformation

- ◆ **Enhance outlet function:** Domestic commercial banking outlets reached 10,310, including over 1,600 middle to large-sized full-functional outlets
- ◆ **Upgrade mid-to-high end clients service channels:** The Bank has established 4,523 wealth management centers, 180 prestigious wealth management centers and 19 private banking centers in the Chinese mainland, and has completed the construction of the wealth management platform in South-east Asia
- ◆ **Enhance self-service utilities:** Domestic ATMs, self-service terminals and self-service banks in operation reached 34 thousand, 17 thousand and 10 thousand respectively, up by 10%, 13%, and 10% from the prior year-end

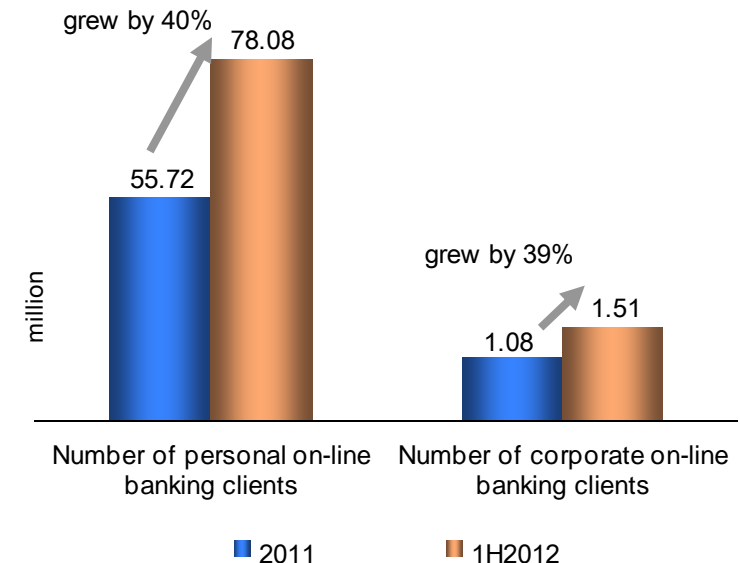
Enhance development of E-banking channels

- ◆ **Comprehensively upgraded e-banking channels and improved online service:** Number of e-banking customers exceeded 180 million, up by 37% from the prior year-end
- ◆ **Upgrade online banking product offering:** Supply chain financing and trust services were added to corporate online banking service; direct payment of hospital bills and BOC wealth express services were added to personal online banking service
- ◆ **Enhanced mobile banking and e-business platform:** Introduced corporate mobile banking and enriched personal mobile banking products. The number of mobile banking users reached 32.71 million, up by 92% from the prior year-end
- ◆ **Improve overseas e-banking services:** Online banking service covers 29 overseas countries and regions, and online global personal account service was expanded to 12 countries including Australia and Germany

Outlet efficiency further improved

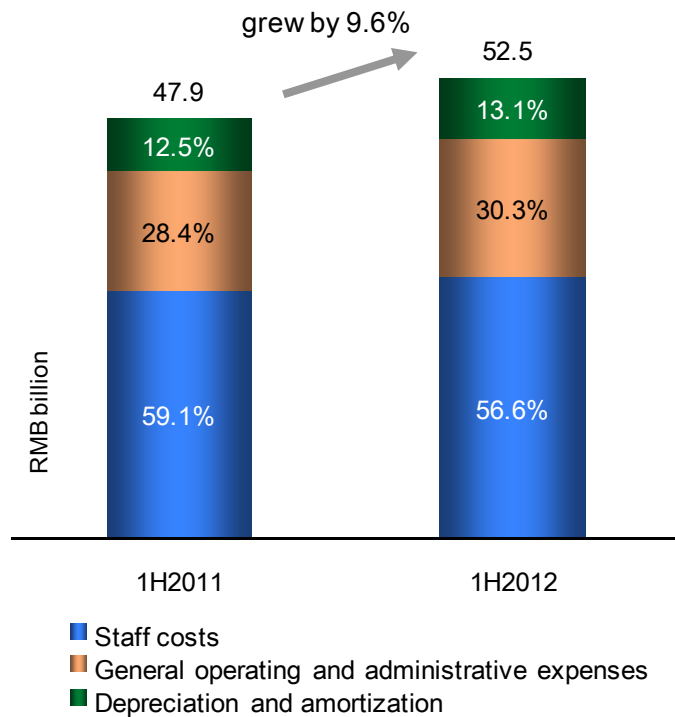


Expansion of online banking client base

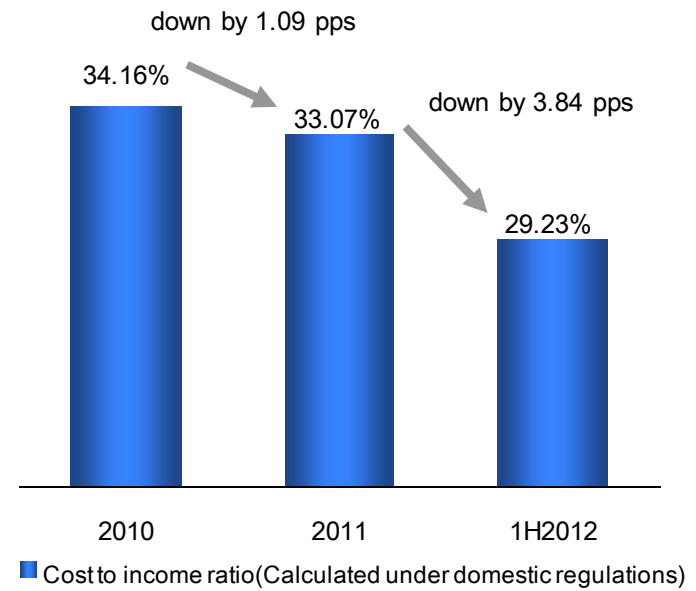


Effective Cost Control

Breakdown of major business & general expenses



Cost to income ratio continued to decrease



Market Recognition Enhanced

The **Banker**

Ranked 9th in terms of tier-one capital



Ongoing operating history for a hundred years

Became a Global Systemically Important Financial Institution

THE ASIAN BANKER[®]
STRATEGIC BUSINESS INTELLIGENCE FOR THE FINANCIAL SERVICES COMMUNITY

Best Trade Finance Bank in China
Best RMB Clearing Bank (Asia-pacific)
Best Mobile Banking Service in China

FORTUNE

The only domestic enterprise to be included in the Fortune Global 500 for 24 consecutive years

GLOBAL FINANCE

Best Trade Finance Bank in China



Best Private Bank in China
Best Debt House in China

Agenda

Agenda

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Key Highlights & Development

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2H2012 Outlook

Macro Economy and Operating Environment Outlook for 2H2012

Macro Economy Trend

- ◆ The global economic and financial environment is expected to remain complex and challenging, and the European sovereign debt crisis will continue to be the largest risk affecting global economy. The US is still experiencing a lackluster recovery, while Japanese economy continues to show signs of recovery but potential risks still remain
- ◆ The Chinese government will continue to be guided by the principle of making stable progress in its policies and initiatives as it places even greater emphasis on stable growth. It will also continue to strengthen and enhance its macro-economic policies and adjustments as well as implementing proactive fiscal policies and prudent monetary policies. At the same time, it will expand the scope of structural tax reduction policies, maintain stable and controlled growth in money supply and loans, strive to increase domestic demand and accelerate economic restructuring to achieve steady and robust economic development

Challenges from Banking Operation

- ◆ **More pressure from market liberalization**
 - Accelerated market-oriented development in interest rate and exchange rate policies, asset securitization and capital market development etc
 - Deposit competition becomes more fierce, and pricing power for large-sized companies and middle and high-end customers will increase
 - Proportion of direct financing will increase, and financial disintermediation will speed up
- ◆ **More competition from globalization**
 - Chinese enterprises and personal customers' "Going Global" activities speed up, and Chinese economy will be involved in global economy more deeply
 - Banking industry still need to improve global customer service, global risk management and global operation supporting capabilities
- ◆ **More challenge from advanced intellectualization**
 - Rapid development of information technology opens a new age of intellectual and mobile world wide communication, which is significantly changing the current business model
 - The Bank need to improve information technology development to fully meet customer demand

Key Focuses in 2H2012

Achieve stable,
healthy and
sustainable growth

Develop a truly smart bank led by information technology

- ◆ Accelerate the development of a one-stop comprehensive service channel
- ◆ Optimize global corporate customer service and management system
- ◆ Develop a flexible and responsive innovation mechanism
- ◆ Improve the IT infrastructure and supplementary measures required for the development of a truly smart bank to deliver superior customer experience

Transform development model with a focus on effective operation

- ◆ Optimize asset-liability and customer structures, and strive to expand core deposit
- ◆ Expand development of less capital-intensive fee-based businesses, such as foreign exchange settlement, settlement, bank card, agency and bond underwriting and distribution businesses to maintain a steady growth of non-interest income
- ◆ Adapt to the market environment and make timely adjustments to business strategy and management mechanism
- ◆ Improve performance appraisal system and methodology
- ◆ Strictly control costs and improve cost efficiency to further enhance level of operating management

Accelerate the integrated development of global service capabilities

- ◆ Accelerate overseas business expansion in line with principles of specialized operations, intensive management and integrated development
- ◆ Accelerate development of cross-border RMB business to consolidate leading market position
- ◆ Continue to promote the integrated development of domestic and overseas operations, and improve overall comprehensive operation

Improve risk management with an emphasis on quality

- ◆ Strengthen risk prevention and mitigation and pay close attention to key risk areas
- ◆ Enhance market risk management and optimize management mechanisms, risk control methods and policies
- ◆ Improve operational risk management by diligently implementing internal control measures
- ◆ Accelerate the implementation of the new Basel Capital Accords and continuously refine its risk management system

Q&A



Appendix: Key Financial Indicators Summary

Profit & Loss Summary

(RMB million)	1H2012	1H2011	Change
Net interest income	124,054	110,215	12.6%
Non-interest income	55,611	55,759	-0.3%
-Net fee and commission income	34,250	34,974	-2.1%
Operating income	179,665	165,974	8.2%
Operating expenses	(73,518)	(63,256)	16.2%
Impairment losses on assets	(9,237)	(12,287)	-24.8%
Operating profit	96,910	90,431	7.2%
Profit before income tax	97,135	90,777	7.0%
Income tax expense	(22,133)	(20,543)	7.7%
Profit after income tax	75,002	70,234	6.8%
Profit attributable to equity holders of the Bank	71,601	66,556	7.6%
EPS (basic, RMB)	0.26	0.24	0.02
Key financial ratios (%)	1H2012	1H2011	Change
Return on average total assets	1.22	1.28	-0.06
Return on average equity	18.99	19.86	-0.87
Cost to income (calculated under domestic regulations)	29.23	28.81	0.42
Net interest margin	2.10	2.11	-0.01
Credit cost	0.28	0.43	-0.15

Balance Sheet Summary

(RMB million)	30 June 2012	31 Dec 2011	Change
Total assets	12,825,590	11,829,789	8.4%
Loans, net	6,605,842	6,203,138	6.5%
Investment securities	2,063,679	2,000,759	3.1%
Total liabilities	12,033,973	11,072,652	8.7%
Due to customers	9,482,564	8,817,961	7.5%
Capital and reserves attributable to equity holders of the Bank	756,195	723,914	4.5%
Key financial ratios (%)	30 June 2012	31 Dec 2011	Change
Core capital adequacy ratio	10.15	10.08	0.07
Capital adequacy ratio	13.00	12.98	0.02
Non-performing loans to total loans	0.94	1.00	-0.06
Allowance for loan impairment losses to non-performing loans	232.56	220.75	11.81
Domestic allowance for loan impairment losses to domestic total loans	2.58	2.56	0.02
Loan to deposit ratio ¹	68.59	68.77	-0.18

Note: 1. Loan to deposit ratio = outstanding loans ÷ balance of deposits. According to provisions of the PBOC, the balance of deposits includes due to customers and due to financial institutions such as financial holding and insurance companies