



中國銀行
BANK OF CHINA

Delivering Excellence across New Frontiers

Bank of China Limited

2012 Annual Results

March 26, 2013

Forward-looking Statement Disclaimer

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Presentation Team



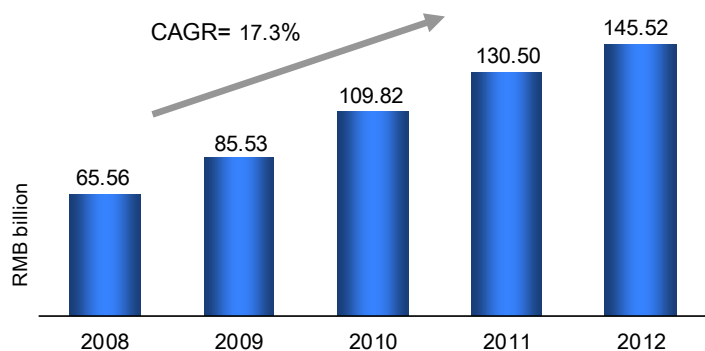
Mr. Li Lihui, President



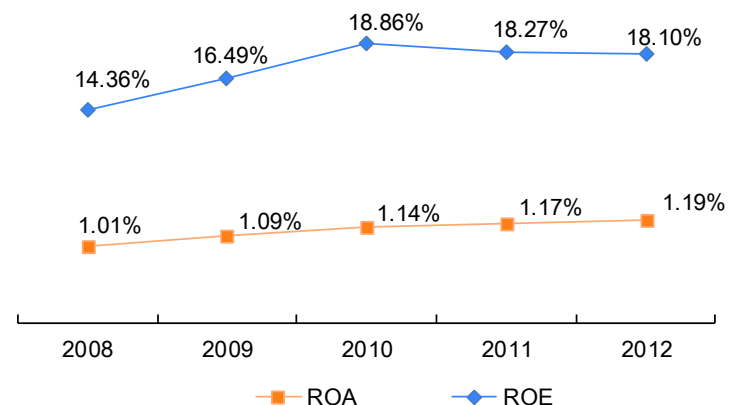
Mr. Wang Yongli, Executive Vice President

Achieve Sustainable Growth and Enhance Market Recognition

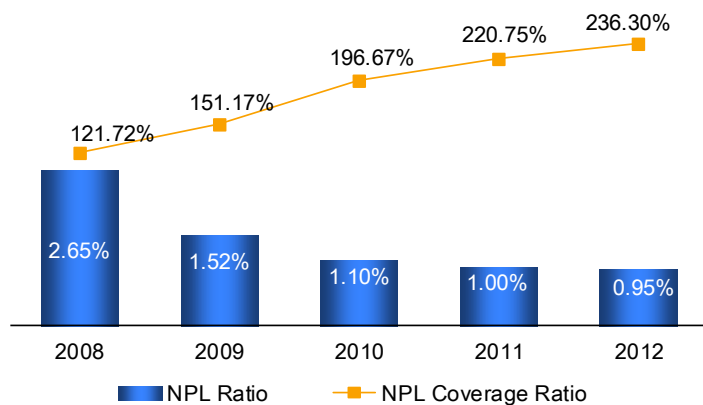
Stable growth of after-tax profit



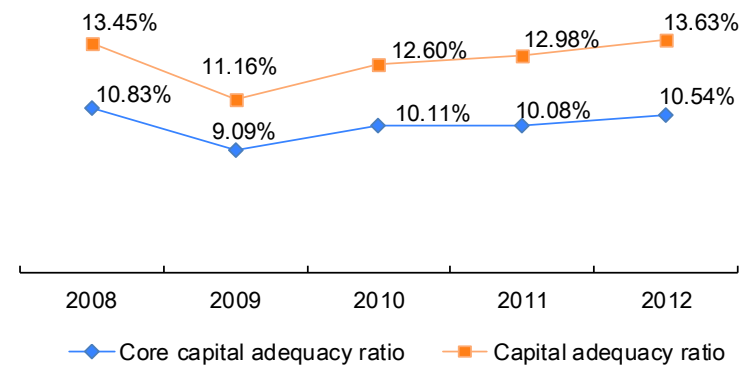
Steady profitability



Enhanced risk mitigation capability

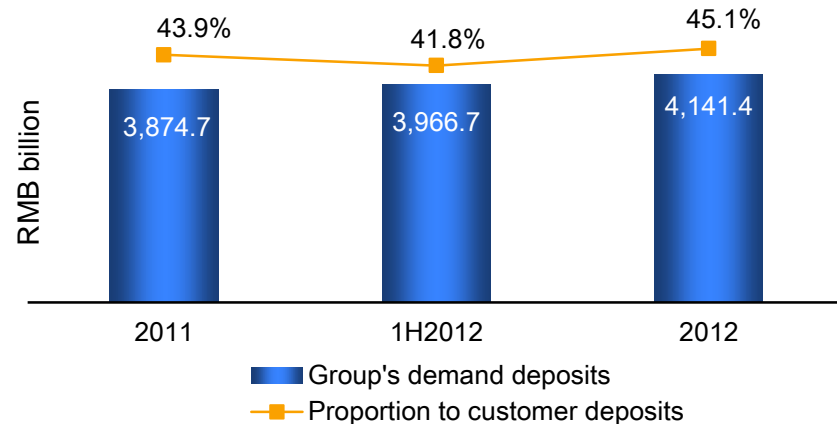


Solid capital adequacy

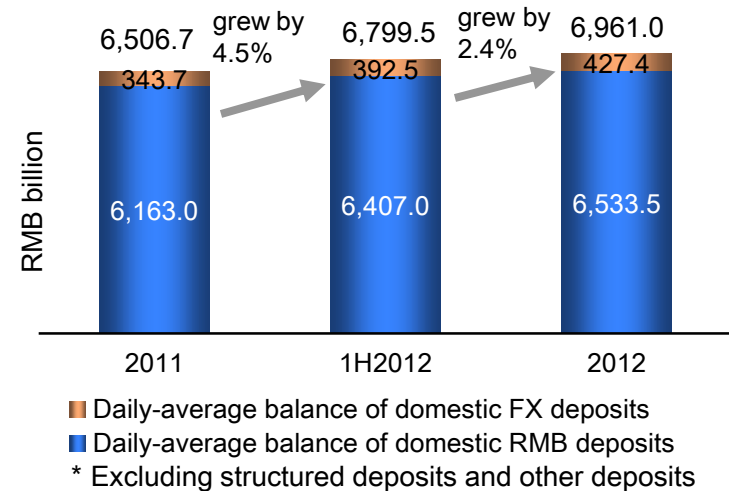


Optimize Liability Structure and Control Funding Cost

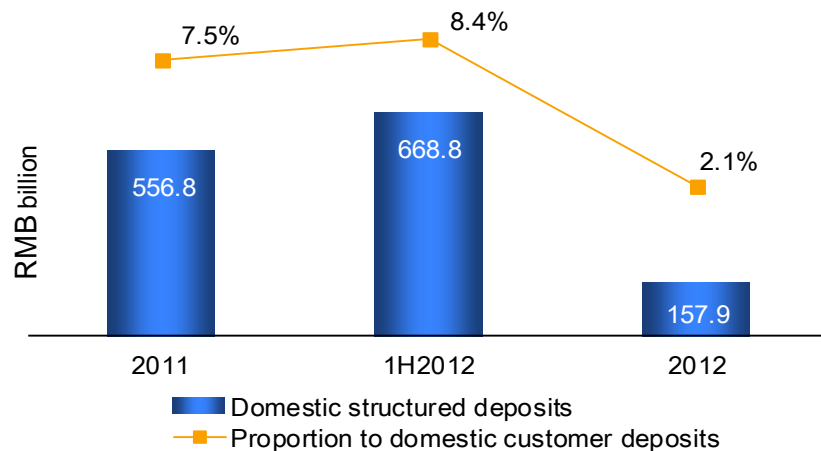
Increased proportion of demand deposits



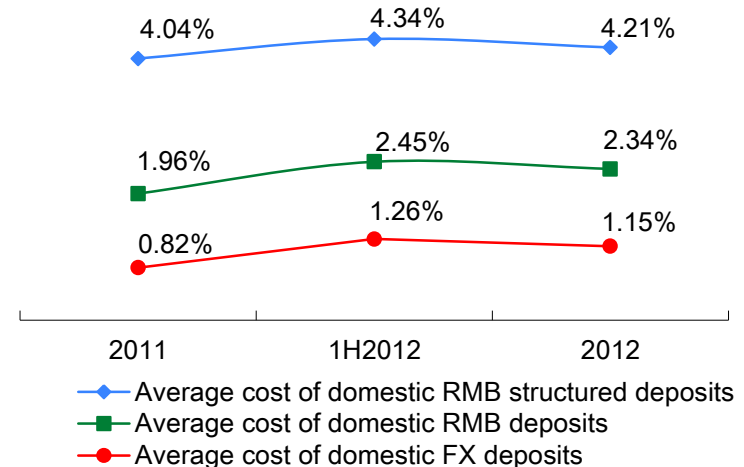
Increased daily-average deposits balance



Reduced balance and proportion of high-cost structured deposits



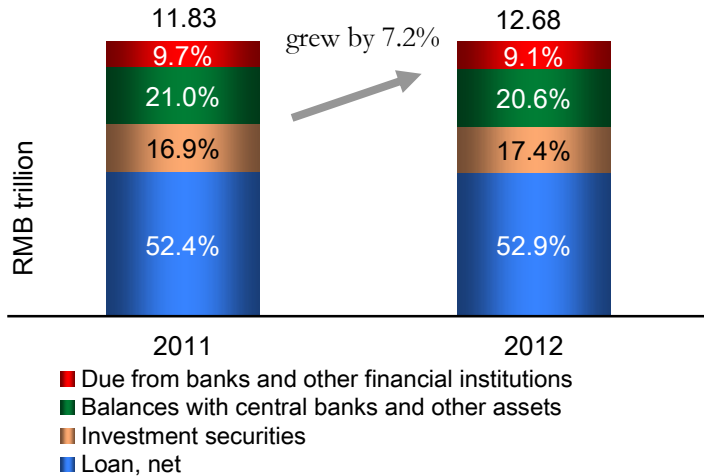
Effectively Controlled funding cost



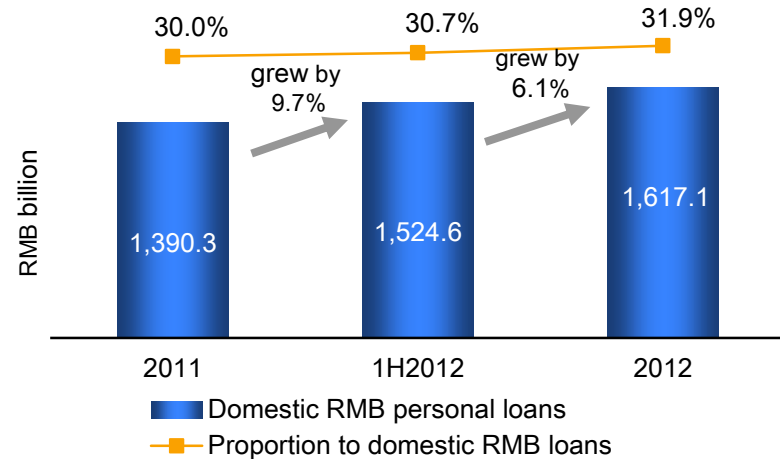
Note: 'structured deposits' refers to deposit products embedded derivatives or profit linked stock index, exchange rate or other index related products, which are primarily fundings of wealth management products on behalf of customers classified as deposit by financial institutions.

Optimize Asset Structure and Improve Asset Yield

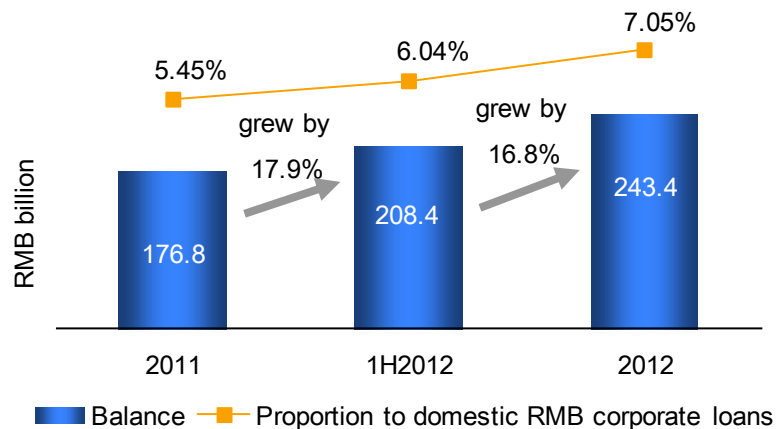
Optimized asset structure



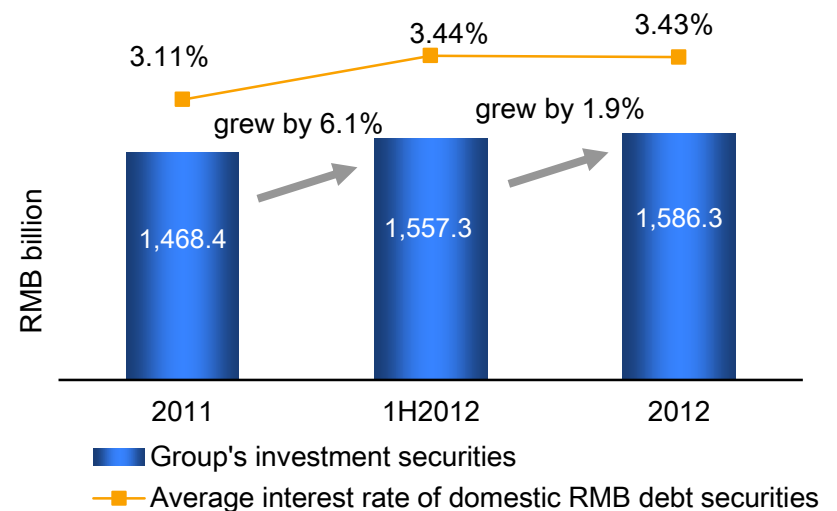
Increased proportion of personal loans



Rapid growth of “BOC Credit Factory” small enterprises loans

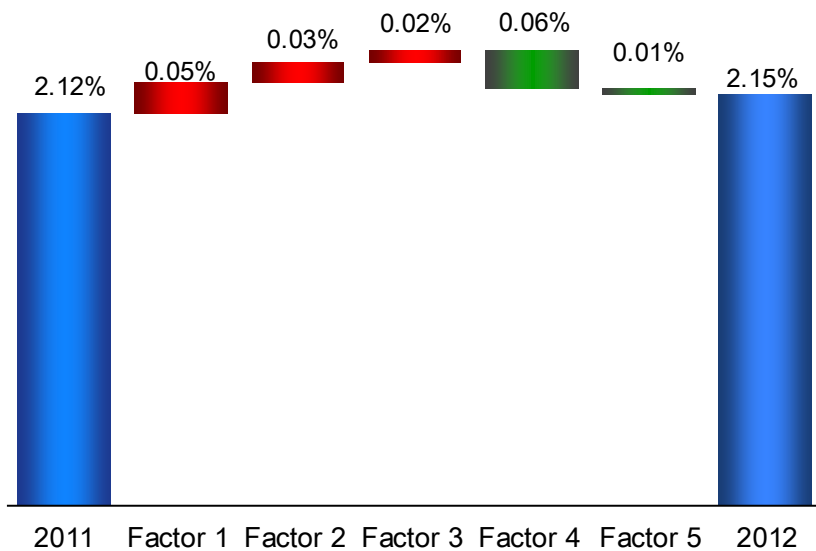


Increased investment debt securities and yield



Expand Net Interest Margin Steadily

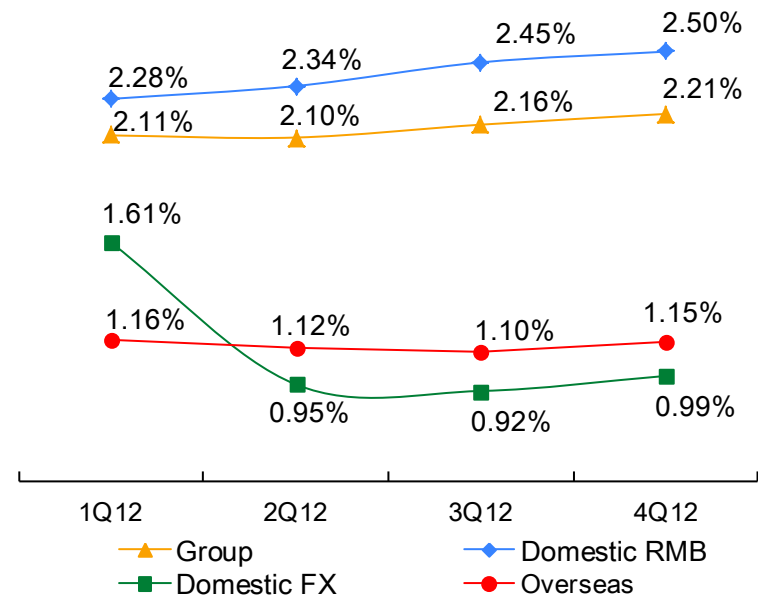
NIM increased by 5 basis points



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: Other

RMB NIM increased quarter by quarter

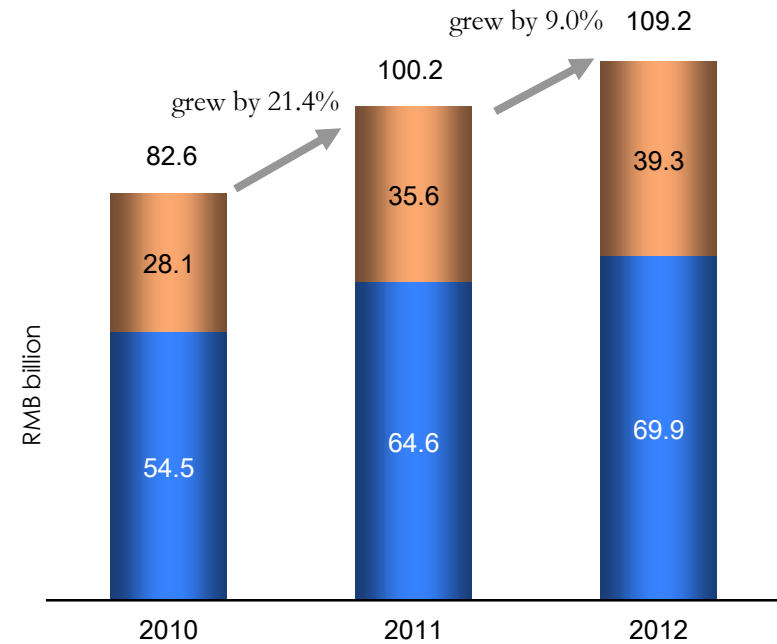
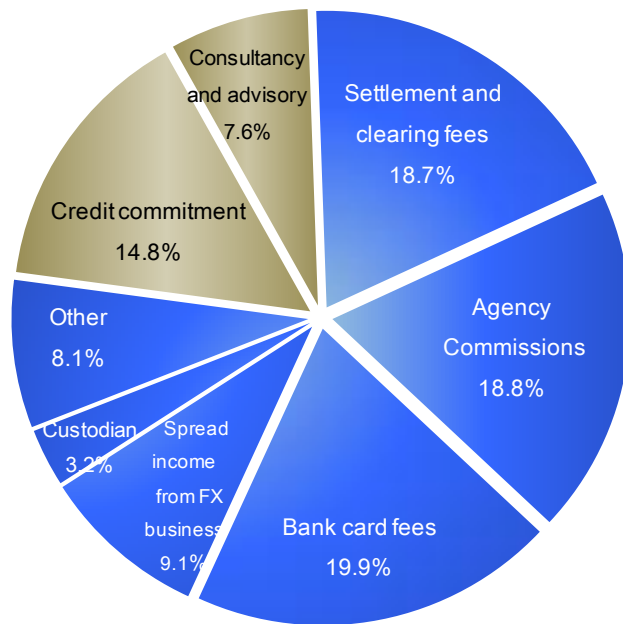


Improve Fee-based Business Structure and Boost Non-interest Income

Capital-lite fee-based business Income increased by 6 percentage points

Non-interest Income grew by 9.0%

2012

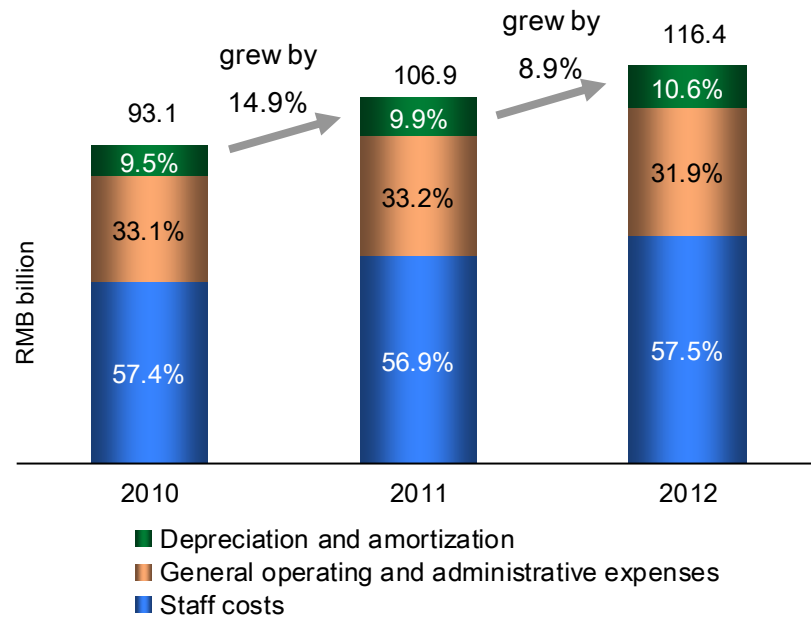


- Capital-lite fee-based business: settlement and clearing, agency, bank card, spread income from foreign exchange business, custodian and other fiduciary service, other
- Capital-intensive fee-based business: credit commitment, consultancy and advisory

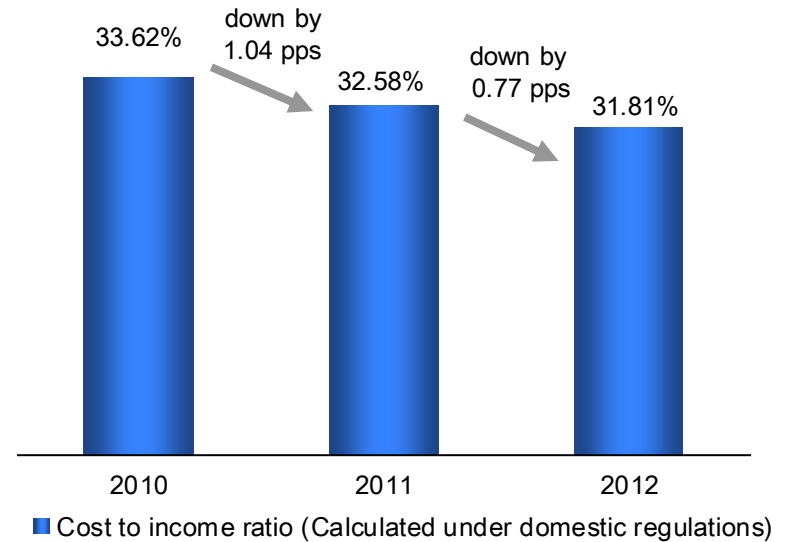
■ Other non-interest income ■ Net fee and commission income

Effectively Control Cost

The growth in business and administrative expenses slowdown

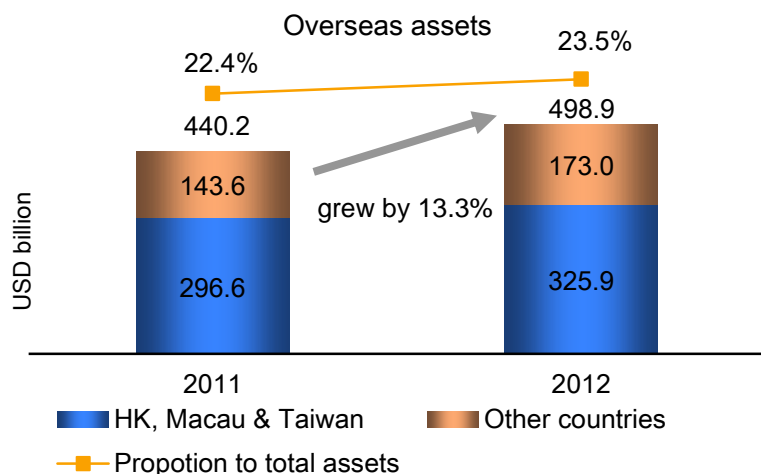


Cost to income ratio continued to decrease

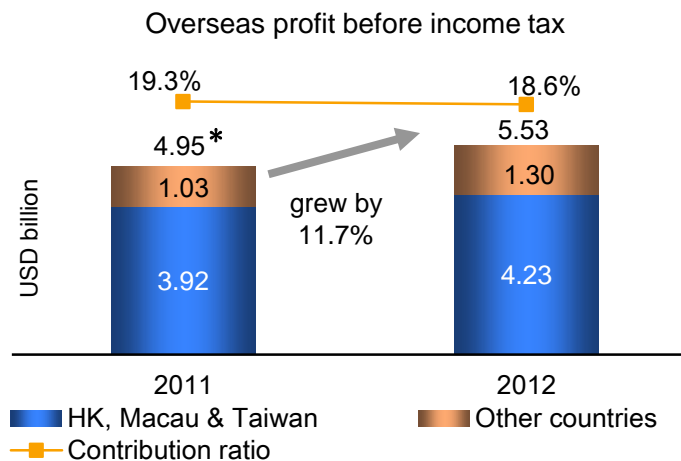


Accelerated Growth of Overseas Business

Robust growth of assets

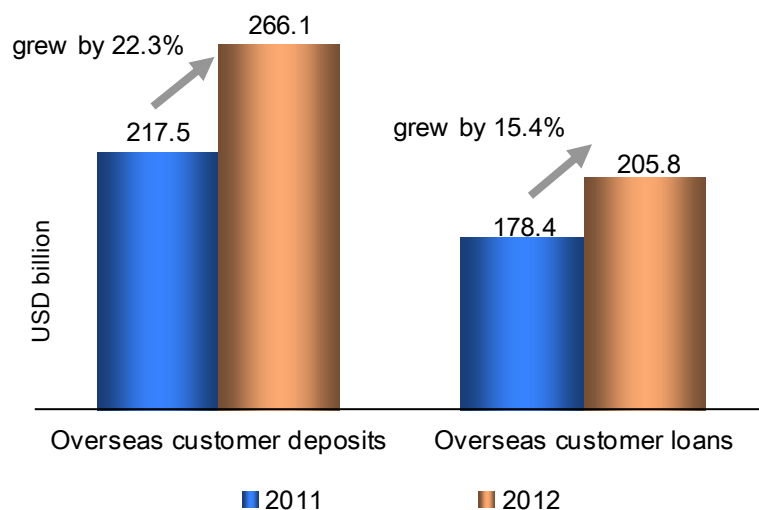


Improved profitability



* Eliminating the one-off impact of BOCHK's Lehman Brothers related products etc.

Fast growth of loans & deposits

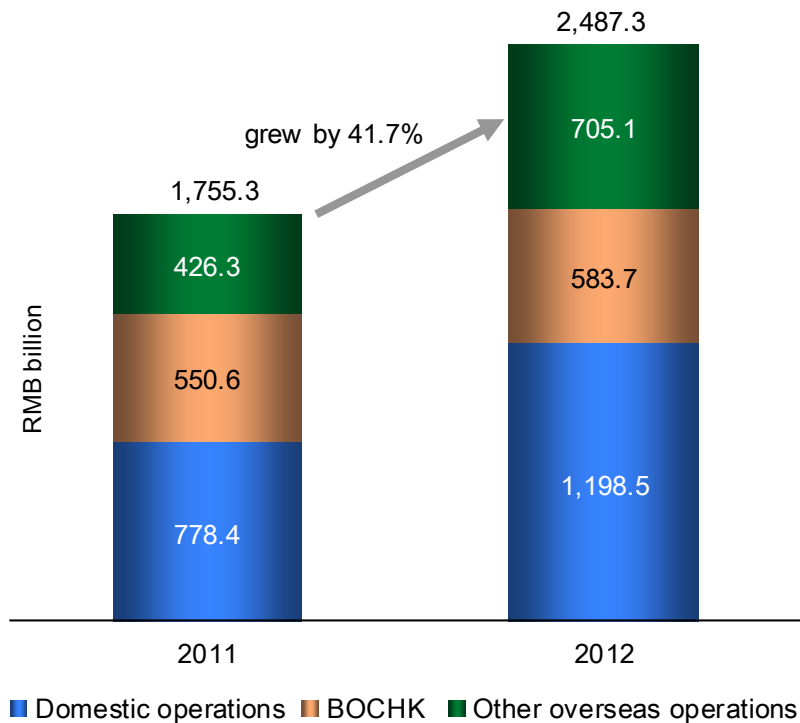


Rapid development of overseas business

- ◆ **Accelerated overseas network expansion to cover a wider range of services.** The Bank established 15 new overseas institutions with a total of 613 overseas institutions in Hong Kong, Macau, Taiwan and 36 countries. The Singapore Branch obtained the Qualified Full Bank license. The Taipei Branch was designated as the RMB business clearing bank in Taiwan.
- ◆ **Promoted the integrated development of domestic and overseas businesses and enhanced the service capacity.** In 2012, the Bank's overseas operations conducted international settlement volumes of USD1.27 trillion, representing a year-on-year growth of 17.2%, while the domestic institutions conducted USD1.51 trillion, growing 12.6% year-on-year. The Bank preliminarily established corporate banking global service system and rolled out a global customer manager model. The Bank's 11 overseas institutions conduct wealth management services while institutions in Hong Kong, Macau and 14 countries provide bank card services.

Leading Cross-border and Overseas RMB Businesses

Over 30% market share of cross-border RMB settlement business



Established a global clearance network

- ◆ The designated exclusive RMB clearing bank in Hong Kong, Macau, Taiwan and Malaysia
- ◆ The main RMB clearing channel in Germany, France, Luxemburg, Japan, Korea, Indonesia, Philippines and South Africa
- ◆ A major role in establishing London RMB offshore trading centre

Maintained leading market position

- ◆ Nearly 900 RMB clearing accounts opened for the correspondent banks and branches of the Bank in over 80 countries and regions across 5 continents
- ◆ Customers of the Bank located in 200 countries and regions with No.1 market share in cross-border RMB settlement volume and the number of clearing accounts opened

Achieved rapid growth on cross-border RMB business

- ◆ The Bank has developed a variety of cross-border RMB products including deposits, loans, international settlement, cash distribution, clearing services, treasury operations, credit card, insurance and fund management etc., providing efficient cross-border RMB services to customers around the world
- ◆ The overseas RMB cash wholesale business, RMB credit card, prepaid card and debit card businesses etc. developed rapidly. The Bank became the primary channel for offshore RMB cash supply
- ◆ The Bank provide overseas RMB bond underwriting and investment services, and issued RMB bonds in Hong Kong through its local business platform

Improve Service Capability of Diversified Business Platform

Investment Banking Business

- ◆ **BOCI** realized a profit after tax of HKD1.052 billion and continued to maintain a leading position in the equity underwriting and financial advisory markets. In 2012, BOCI became the only Chinese financial institution to hold multiple clearing memberships from the world's major commodity exchanges.
- ◆ **BOCI China** realized a profit after tax of RMB423 million, an increase of 14.4% compared with the prior year. It maintained its competitive edge in large-scale IPO underwriting projects, enlarged market share of brokerage business against prevailing market trends, and expanded assets under management rapidly
- ◆ **BOCIM's** assets under management exceeded RMB100 billion, up 130% from the prior year-end

Insurance Business

- ◆ **BOCG Insurance** maintained leading position in general insurance market in Hong Kong. It recorded a gross written premium of HKD1.632 billion
- ◆ **BOCG Life** realized a profit after tax of HKD615 million, a multiple times growth compared with the prior year, maintaining its leading position in the Hong Kong RMB insurance market
- ◆ **BOC Insurance** recorded a profit after tax of RMB322 million, a significant growth compared with the prior year. BOC Insurance expanded its product innovation to adapt to the insurance needs of the Bank's "Going Global" enterprises and SME customers

Investment Business

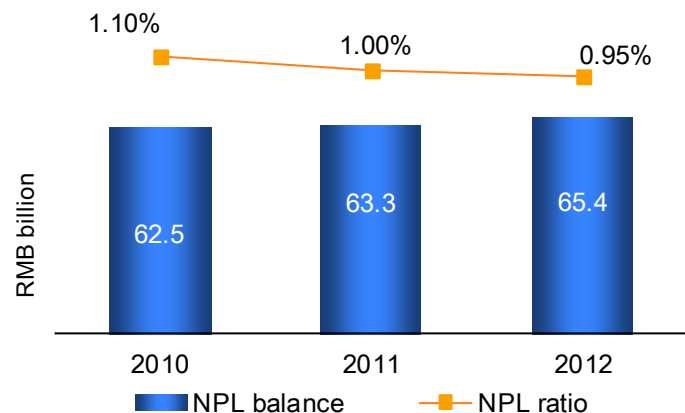
- ◆ **BOCG Investment** recorded a profit after tax of HKD1.562 billion.
- ◆ The scale of BOCG Investment's assets under management grew steadily as its asset-backed structured financing business, financial consultancy and advisory services developed rapidly. It also introduced innovative financing modes and enhanced its investment structure

Leasing Business

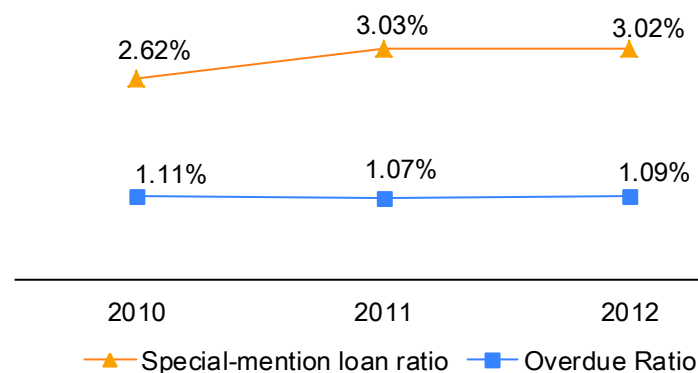
- ◆ **BOC Aviation** recorded a profit after tax of USD225 million, an increase of 12% compared with the prior year. Its fleet expanded to 203 aircrafts, which has been in service with 56 airlines in 33 countries worldwide.
- ◆ BOC Aviation strengthened its coordinated development and cooperation with the Group and facilitated the Group's offering of comprehensive financial services to numerous overseas and domestic airlines and aircraft manufacturers.
- ◆ BOC Aviation is rated A- by Fitch Ratings and BBB by Standard & Poor's, leading global peers

Effectively Control Risks and Asset Quality Remains Stable

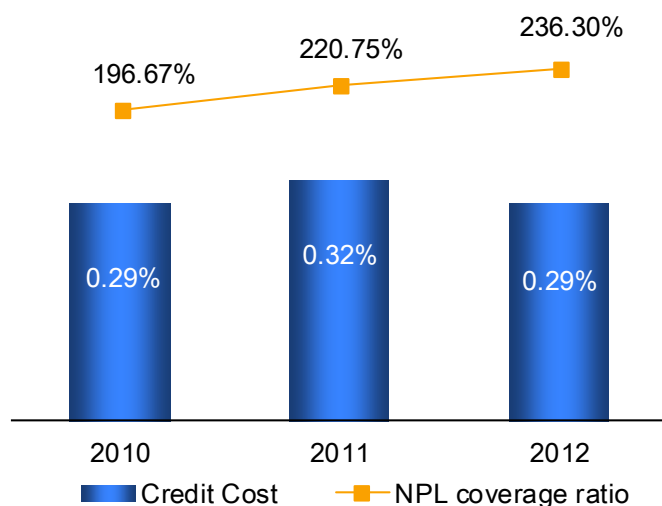
NPL ratio stood at relatively low level



Special-mention and overdue loan ratio remained stable



NPL coverage ratio Increased



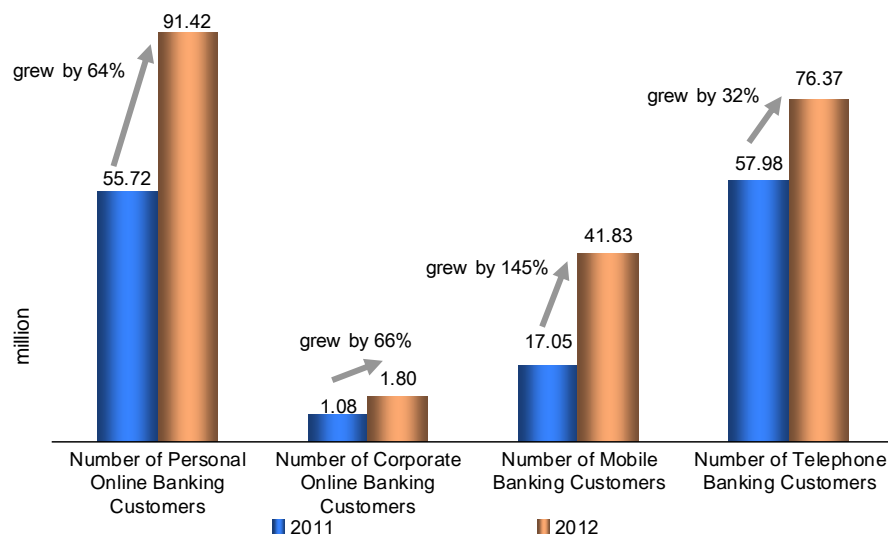
Risk of key areas under control

	Balance of loans (RMB billion)	NPL ratio	Ratio of total provision to total loans
Loans to local government financing vehicles	398.2	0.25%	4.2%
Loans to sectors with overcapacity *	246.2	0.98%	2.82%
Loans to real estate sector	266.6	0.46%	6.28%

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

Rely on New IT Platform to Strengthen Infrastructure Construction

Channel building Strengthened and intelligence level Improved



- ◆ **Continued to strengthen outlets building:** the number of domestic commercial banking outlets reached 10,521, of which over 1,800 were middle to large-sized fully functional outlets
- ◆ **Increased self-service facilities:** the domestic ATMs, self-service terminals and self-service banks increased 27%, 35% and 25% respectively compared with the previous year
- ◆ **Enhanced service capability of e-banking channels:** e-banking transaction volumes reached RMB91 trillion, up 32.9% compared with the prior year.
- ◆ **Further expanded the scope of overseas e-banking services:** online banking service covers 29 overseas countries and regions.

Optimized functions of core banking system and improved operational service capability

- ◆ Completed the implementation of two batches of core banking system version 4.0 project
- ◆ Launched the integration and transformation for the overseas information system
- ◆ Implemented data mining to build a global data platform
- ◆ Promoted centralized operation for intra-city businesses, improved internal control mechanism for entire procedure and accelerated the construction of the operating platform for unified payment, customer service and logistics

Smart-bank Construction Plan

- ◆ Realize a single-point access and fully responsive service channel
- ◆ Build an integrated, interactive, highly efficient and convenient service platform for global enterprise customers
- ◆ Establish an agilely, responsive and highly flexible innovation mechanism
- ◆ Provide customers with financial services access anytime, anywhere and any way in order to create the best customer experience.

2013 Outlook

Focus on deepening business transformation to improve operational efficiency

- ◆ Continue to devote equal attention to large, medium and small-sized enterprises and build a more balanced customer structure
- ◆ Vigorously explore and expand lower-cost and relatively stable sources of funding
- ◆ Diligently optimize asset structure to achieve the mutual matching and dynamic balance of risk, capital and yield
- ◆ Further consolidate its differentiated competitive advantages and devote significant efforts towards the development of its overseas business, trade finance business, cross-border RMB business, financial markets business, and diversified business

Accelerate smart-bank construction to improve customer experience

- ◆ Comprehensively strengthen channel construction, continuously improve customer experience and maintain integration effectiveness
- ◆ Diligently optimize network structure and accelerate the intelligent transformation of the outlets to strengthen their integrated service capabilities
- ◆ Push forward the development of e-banking business to build a consolidated cross-channel service system
- ◆ Continue to improve its “agilely responsive and flexible” innovation mechanism, focus on efficiency to promote its service platforms and business products innovation
- ◆ Optimize its information technology systems based on the principles of technological advancement and reliable operation

Strengthen risk management to improve development quality

- ◆ Continue to strengthen credit risk management, optimize credit orientation and stabilize its credit cost
- ◆ Strengthen market risk management to actively adapt to progress in interest rate and exchange rate liberalization
- ◆ Implement various internal control measures by strengthening its operational risk management, case prevention and control as well as anti-money laundering control
- ◆ Continue to promote implementation of the New Basel Capital Accord and support the construction of G-SIFI system

A Century of History, A Global Service

FORTUNE

The only domestic enterprise to be included in the Fortune Global 500 for 24 consecutive years with 39 ranking upgrade



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

GLOBAL FINANCE

Best Trade Finance Bank in China

The Banker

Ranked 9th among global banks in terms of tier-one capital
“Bank of the Year China” for 3rd time



Ongoing operating history for a hundred years

Became a Global Systemically Important Financial Institution for two consecutive years



Best Domestic Debt Underwriter in China
Best Private Banking in China

Key Financial Indicators

Profit & Loss Summary

(RMB million)	2012	2011	Change
Net interest income	256,964	228,064	12.67%
Non-interest income	109,212	100,234	8.96%
-Net fee and commission income	69,923	64,662	8.14%
Operating income	366,176	328,298	11.54%
Operating expenses	(160,022)	(140,815)	13.64%
Impairment losses on assets	(19,387)	(19,355)	0.17%
Operating profit	186,767	168,128	11.09%
Profit before income tax	187,380	168,644	11.11%
Income tax expense	(41,858)	(38,142)	9.74%
Profit for the period	145,522	130,502	11.51%
Profit attributable to equity holders of the Bank	139,432	124,276	12.20%
EPS (basic, RMB)	0.50	0.45	12.19%
Key financial ratios (%)	1H2012	1H2011	Change
Return on average total assets	1.19%	1.17%	2Bps
Return on average equity	18.10%	18.27%	-17Bps
Net interest margin	2.15%	2.12%	3Bps
Cost to income (calculated under domestic regulations)	31.81%	32.58%	-77Bps
Credit cost	0.29%	0.32%	-3Bps

Balance Sheet Summary

(RMB million)	2012	2011	Change
Total assets	12,680,615	11,829,789	7.19%
Loans and advances	6,864,696	6,342,814	8.23%
Investment securities	2,210,524	2,000,759	10.48%
Total liabilities	11,819,073	11,072,652	6.74%
Due to customers	9,173,995	8,817,961	4.04%
Capital and reserves attributable to equity holders of the Bank	824,677	723,914	13.92%
Key financial ratios			
Core capital adequacy ratio	10.54%	10.08%	46Bps
Capital adequacy ratio	13.63%	12.98%	65Bps
Non-performing loans to total loans	0.95%	1.00%	-5Bps
Allowance for loan impairment losses to non-performing loans	236.30%	220.75%	1555Bps
Domestic allowance for loan impairment losses to domestic total loans	2.62%	2.56%	6Bps
Loan to deposit ratio ¹	71.99%	68.77%	322Bps

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 companies and insurance companies