



中國銀行

BANK OF CHINA

# Delivering Growth and Excellence

Bank of China Limited

2013 Interim Results

August 29, 2013

## 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. They relate to future events or our future financial, business or other performance and are subject to a number of uncertainties that may cause our actual results to differ materially.

## Presentation Team

---



**Mr. Tian Guoli, Chairman**



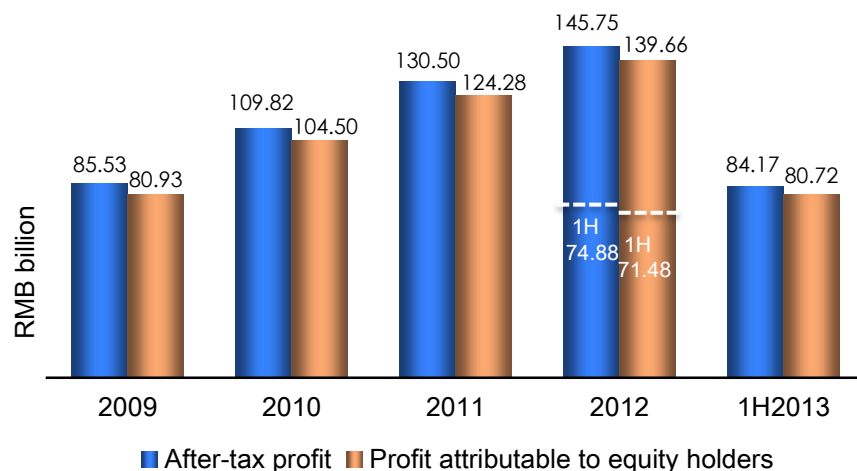
**Mr. Li Lihui, President**



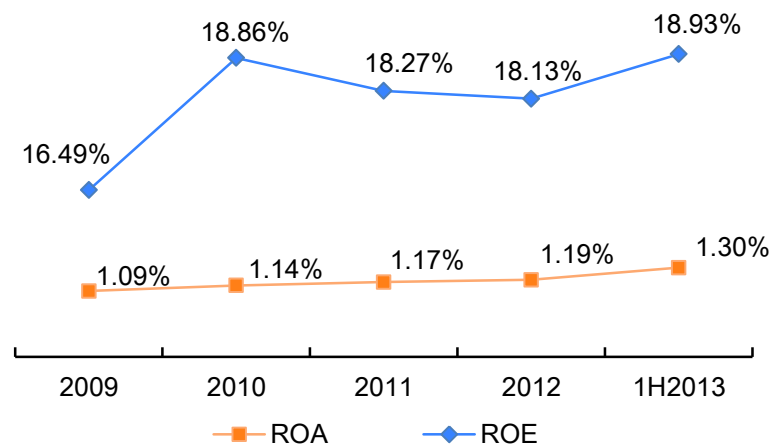
**Mr. Wang Yongli, Executive Vice President**

# Achieve Steady Growth in Operating Performance

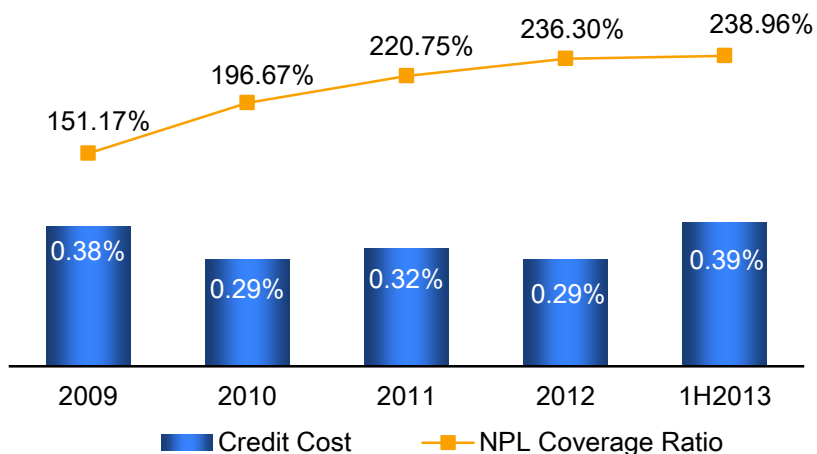
After-tax profit grew 12.4% ,  
Profit attributable to equity holders grew 12.9%



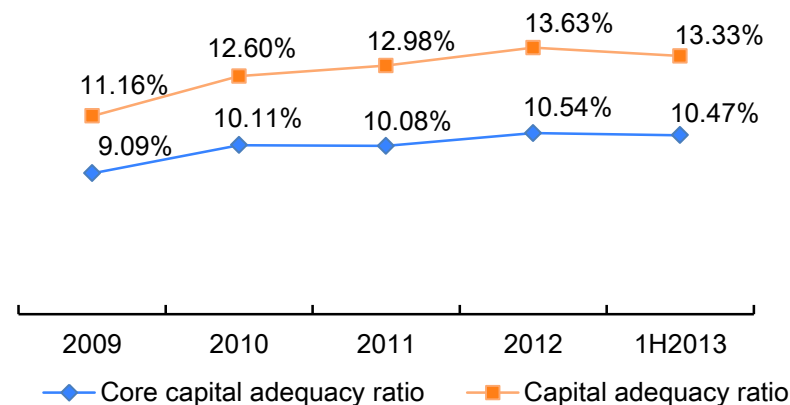
Steady improvement of profitability



Enhanced risk mitigation capability

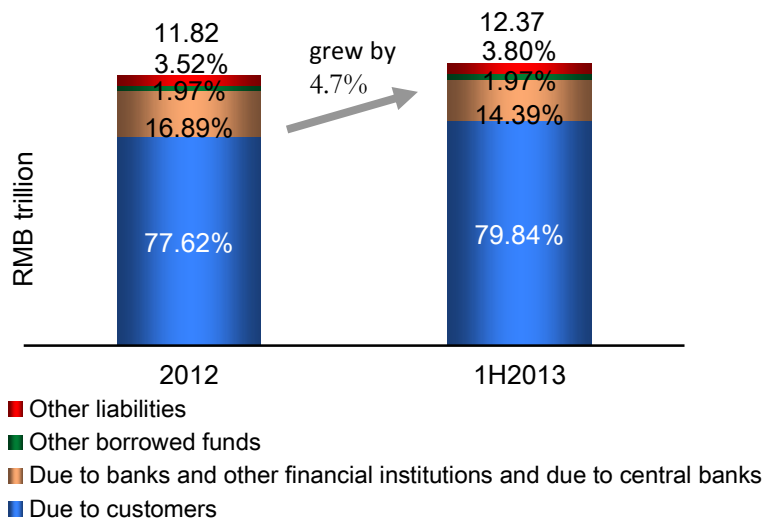


Solid capital base

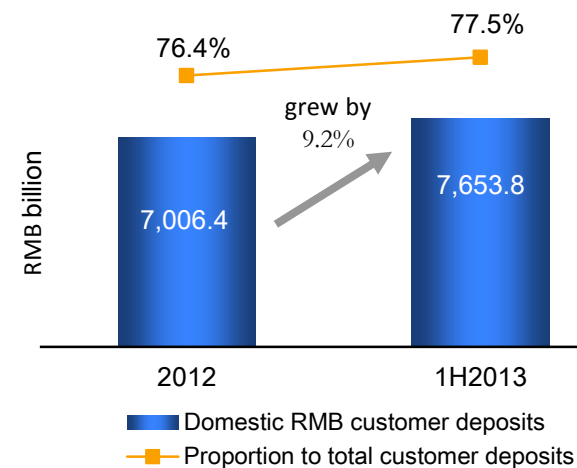


# Optimise Deposits Structure and Reduce Funding Cost

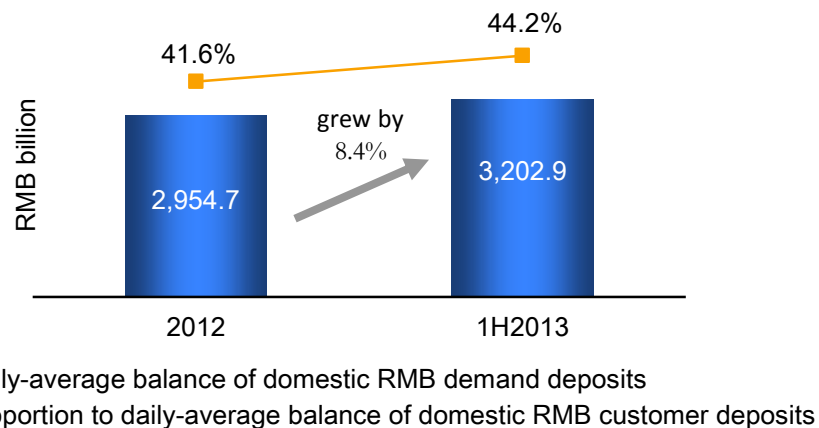
## Increased proportion of customer deposits



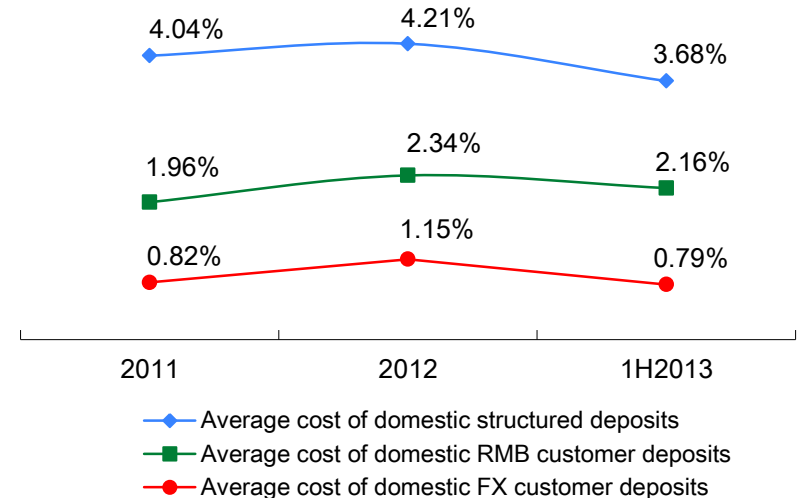
## Growth of domestic RMB deposits



## Increased proportion of demand deposits

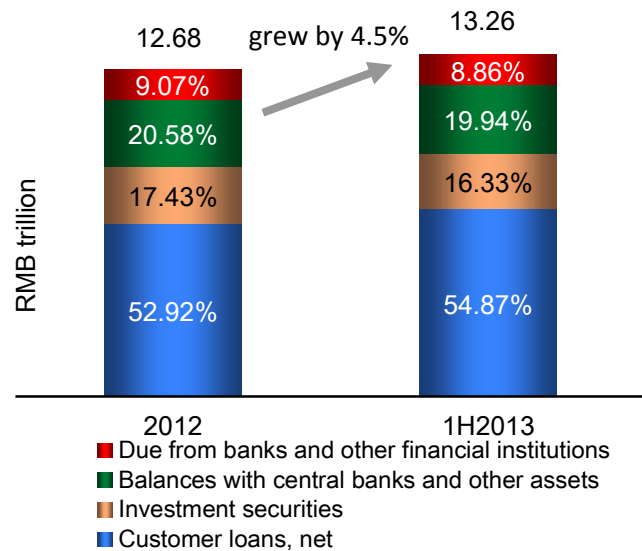


## Reduced funding cost

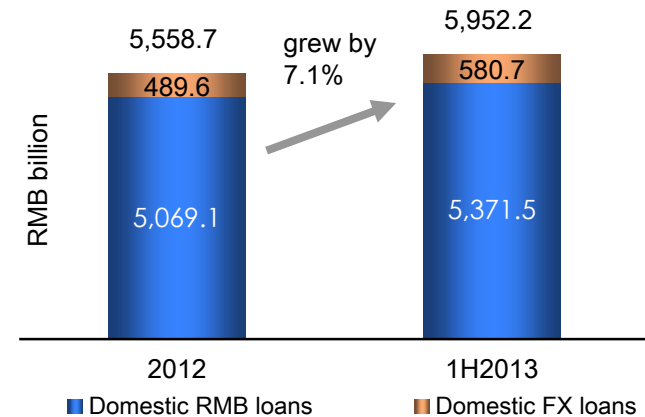


# Improved Asset Mix with Steady Loan Growth

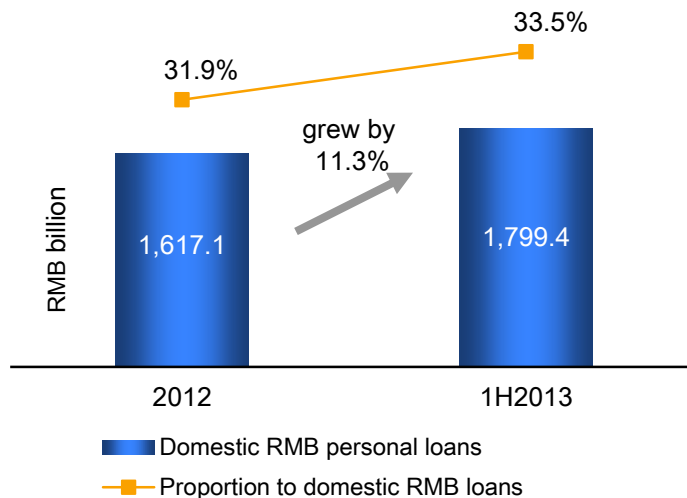
## Optimised asset structure



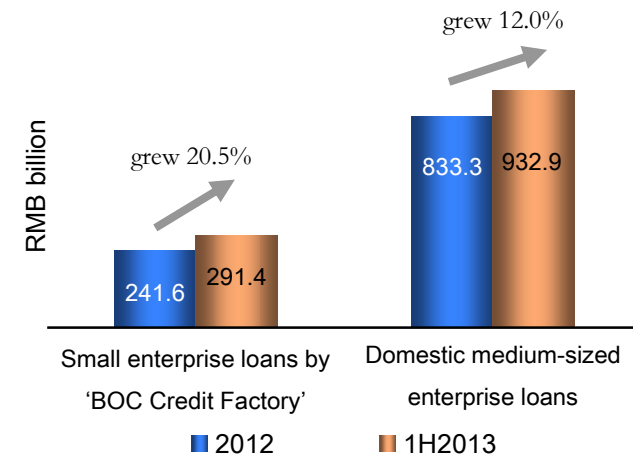
## Steady growth of domestic loans



## Higher growth rate of personal loans

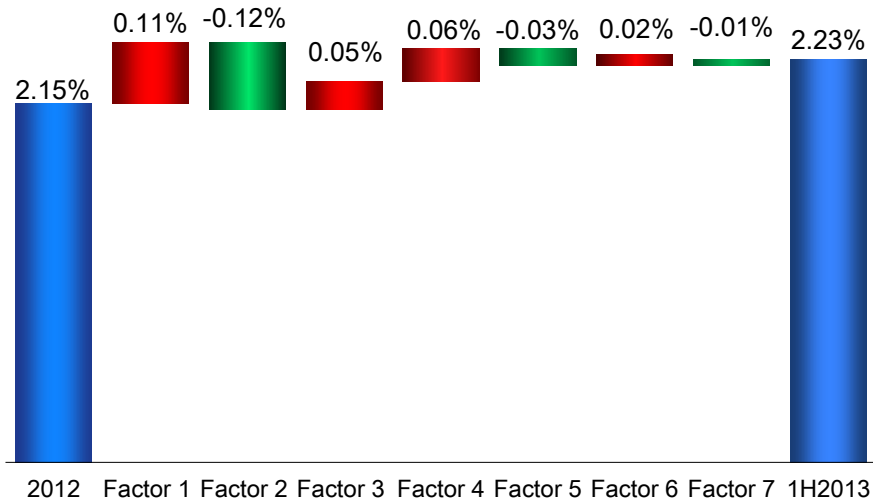


## Rapid growth of SME loans



# Improved Net Interest Margin

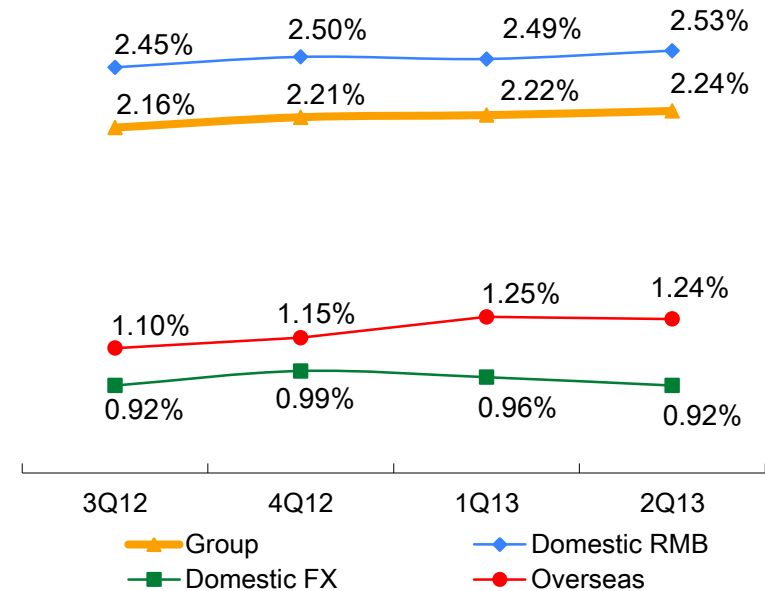
## NIM increased by 8BP since prior year-end



### Notes:

- Factor1: Decrease of interest rate of RMB deposits
- Factor2: Decrease of yield of RMB loans
- Factor3: Increase of proportion of RMB loans, decrease of proportion of RMB financial institutions business
- Factor4: Decrease of interest rate of due to banks and other financial institutions
- Factor5: Decrease of domestic FX NIM
- Factor6: Increase of overseas NIM
- Factor7: Others

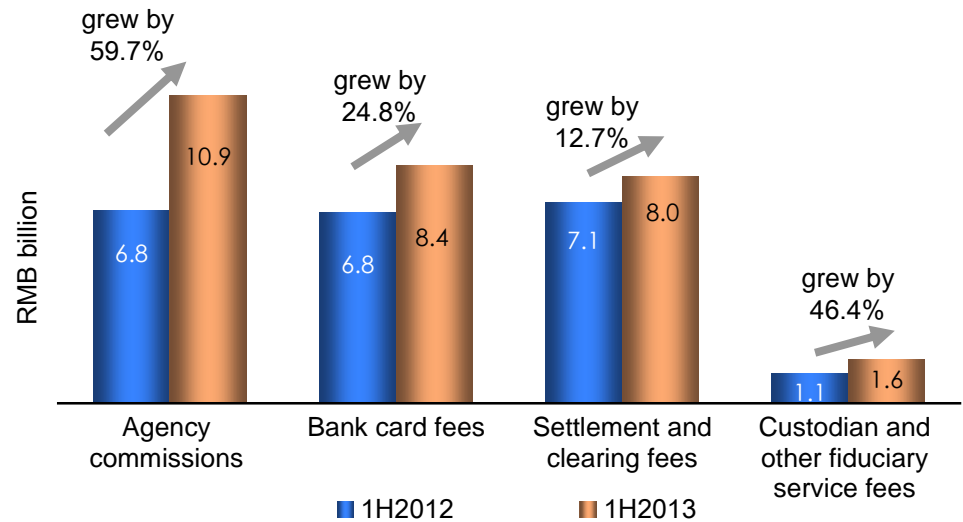
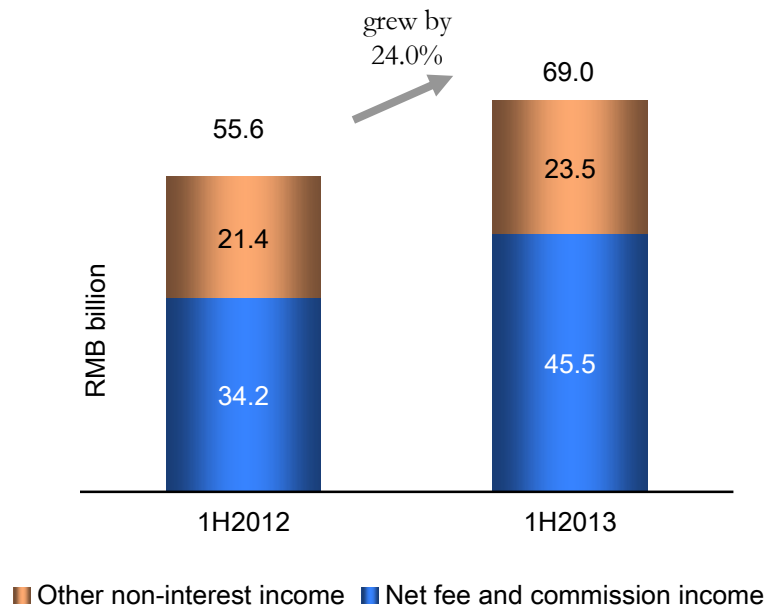
## RMB NIM expanded steadily



# Increased Proportion of Non-interest Income

Non-interest income ratio reached 33.4%

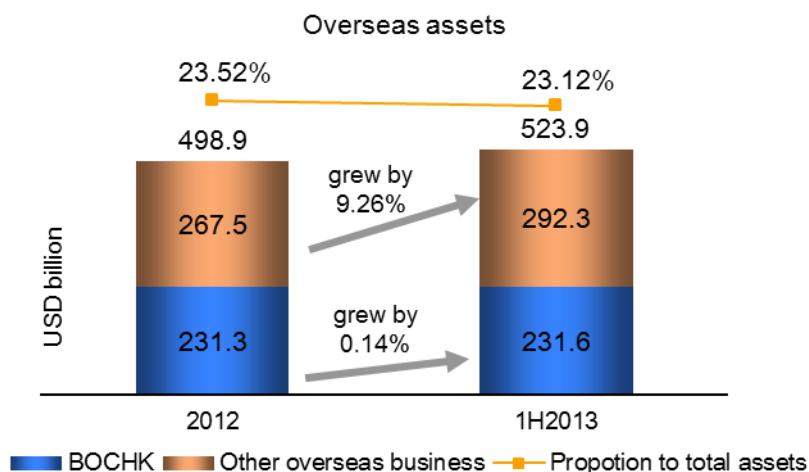
Net fee and commission income grew 32.8%



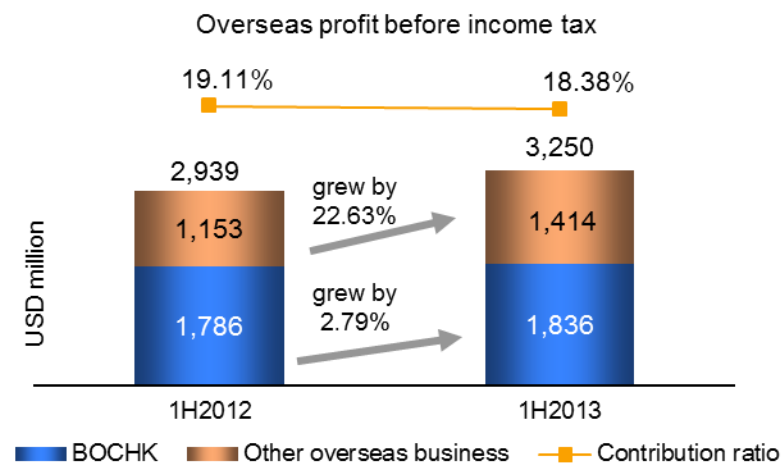


# Strengthen Advantage of Overseas Business

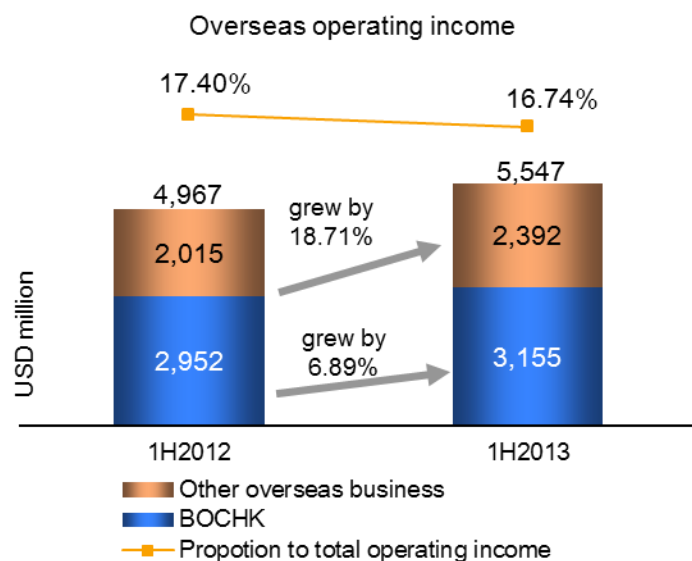
## Stable growth of overseas assets



## Improved overseas profitability



## Enhanced overseas core profitability

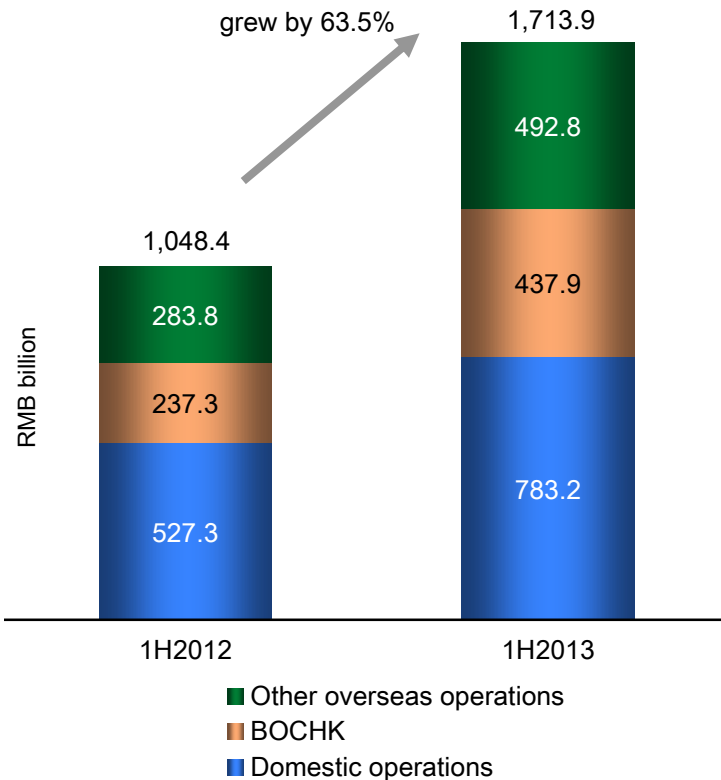


## Rapid development of overseas business

- ◆ **Global service network further improved.** In the first half of 2013, the Bank established 7 new overseas institutions including Ulaanbaatar Representative Office, Lisbon Branch and other 5 tier-two institutions and opened 4 China Desks. The Bank had established a total of 623 overseas institutions in Hong Kong, Macau, Taiwan and 37 countries
- ◆ **International clearing business led the Chinese peers.** In the first half of 2013, the transaction volume of international clearing business reached USD16.5 trillion, up by 26.3% year-on-year
- ◆ **Traditional advantage of international settlement business consolidated.** In the first half of 2013, the transaction volume of international settlement business reached USD1.6 trillion, leading the global market. The transaction volume of Two-factor Import Factoring was USD3.51 billion, continuing to rank first worldwide

# Leader of Cross-border and Overseas RMB Businesses

## Business volumes and market share led peers



## Established a global RMB clearance network

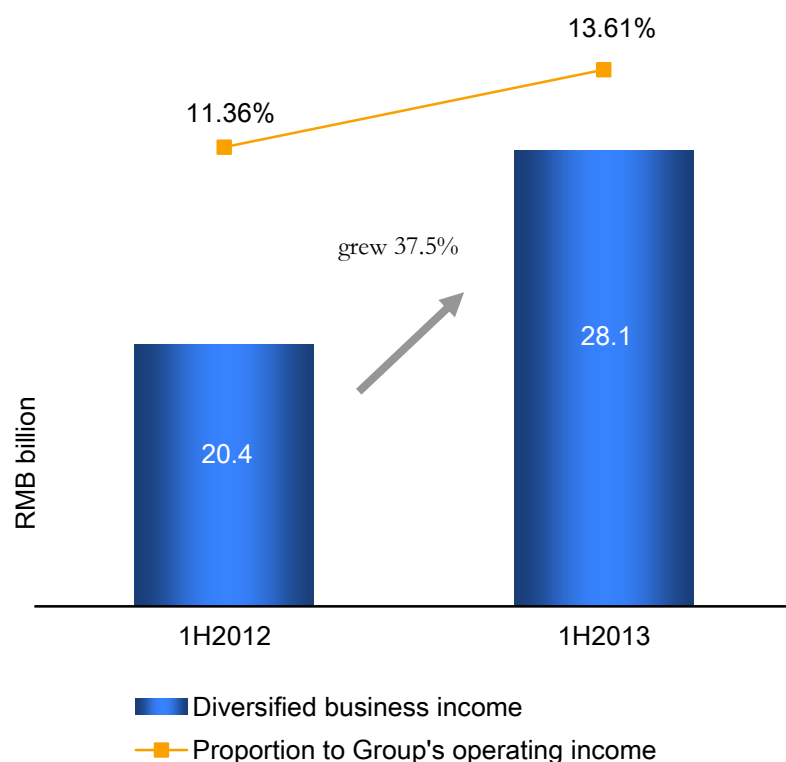
- ◆ Main clearing channel in Hong Kong, Macau, and Taiwan
- ◆ Proactive operation in Southeast Asia, with cross-border RMB settlement volume maintaining the leading position
- ◆ RMB clearing business launched in Euro Zone by Luxembourg Branch as the only clearing bank authorised by the local government. Steady progress made in application of clearing bank status in London, Frankfurt and Paris
- ◆ Establishment of and improvement on a globally integrated overseas and cross-border RMB clearing system based on BOCHK and Shanghai Headquarters of the Bank

## Achieved rapid growth in overseas RMB business

- ◆ Overseas RMB deposits and loans grew by 15.6% and 23.8% to RMB302 billion and RMB220 billion respectively
- ◆ Deepened overseas RMB bonds underwriting and investment services. Rapidly developed personal cross-border RMB remittance
- ◆ Rapid growth in overseas RMB trading business. Maintained the primary market maker of RMB to RUB in Russia. Fast growth in trading volumes of JPY/CNY, AUD/CNY, MYR/CNY, KZT/CNY and THB/CNY
- ◆ RMB cash wholesale service extended to 19 overseas branches, covering Asia-pacific, Europe, America and Africa

# Enhanced Profitability of Diversified Business

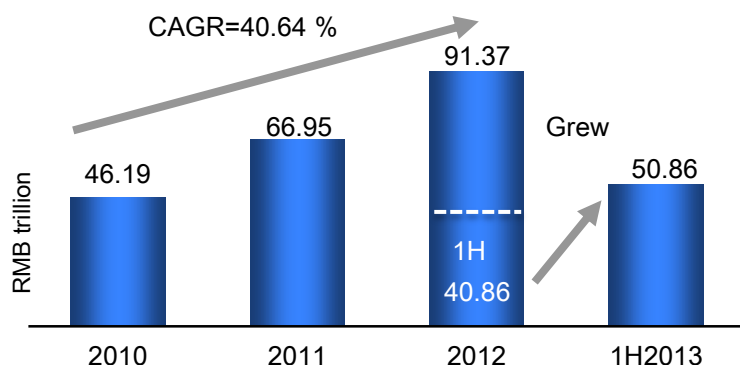
## Fast growth of diversified business income



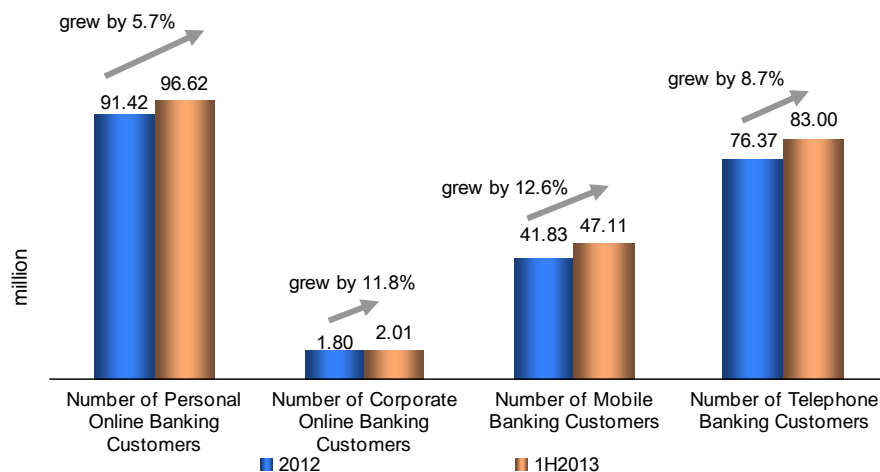
- ◆ BOCI's bond underwriting businesses continued to maintain a leading position in the Hong Kong market, ranking first in the overseas investment grade bonds issuing by Chinese enterprises. It also led the Chinese peers in equity underwriting, financial advisory, investment management and global commodities businesses
- ◆ BOCIM maintained excellent investment performance and held a leading position on both equity and fixed income products, with total assets under management of RMB100 billion
- ◆ BOCG Insurance stood at the forefront of the general insurance market and ranked first amongst all Chinese peers in Hong Kong
- ◆ BOC Insurance recorded net profit growth by multiples with enhanced profitability
- ◆ BOC Aviation owned and managed a fleet of 223 aircrafts operating for 57 airlines worldwide, ranking the 5th among the global peers. Credit ratings agencies Fitch and S&P maintained their respective A- and BBB ratings for the company

# Enhance service channels and product functionality to improve service quality

## Fast growth of e-banking transaction volume



## Enlarged e-banking customer base

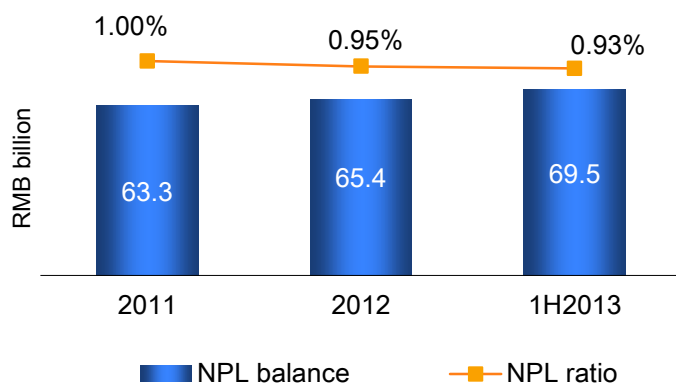


## Enhanced service quality and support capacity

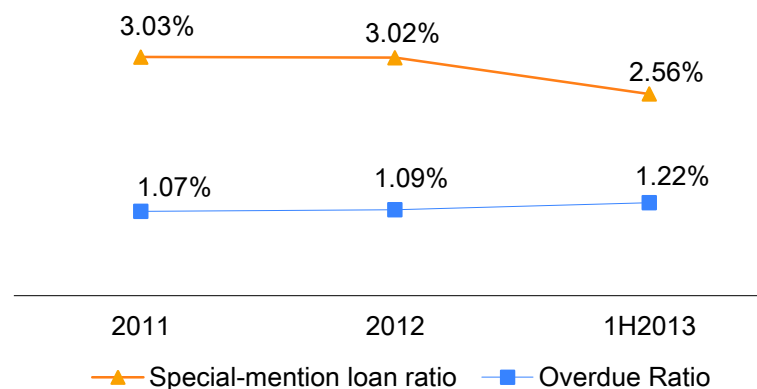
- ◆ **Promoted outlets transformation.** 10,623 domestic commercial banking outlets with nearly 2,000 middle to large-sized fully functional outlets
- ◆ **Increased self-service facilities.** 39,700 ATMs, 22,000 self-service terminals, and 12,000 self-service banks in domestic operation
- ◆ **Enriched product function.** Improved online banking functions and promoted innovation in mobile financial services
- ◆ **Optimised service process.** Simplified counter service process and unified outlets financial service standards and process
- ◆ **Improved service support capacity.** Projects to centralise intra-city back-office operation advanced and the construction of an integrated customer service platform accelerated
- ◆ **Continuously improved IT system.** Stepped up product innovation for core banking system and pushed forward overseas information system transformation and integration project

# Effectively Control Risks and Asset Quality Remains Stable

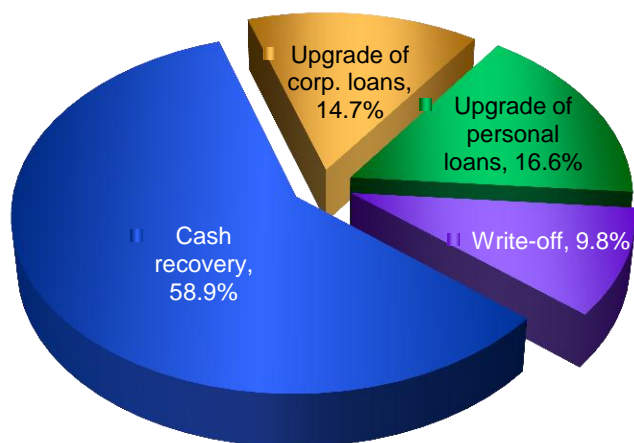
## NPL ratio stood at relatively low level



## Special-mention loan ratio decreased and overdue loan ratio slightly increased



## Highly efficient NPL disposal



## 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	374.1	0.18%	3.73%
Loans to sectors with overcapacity *	251.3	0.93%	3.00%
Loans to real estate sector	292.3	0.48%	5.43%

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

# 2H2013 Outlook

---

## Seek profit from structural adjustments

- ◆ Accelerate adjustment of client structure by expanding MSMEs \* and individual customers.
- ◆ Speed up adjustments to debt structure to improve stability of funding sources
- ◆ Deepen efforts to adjust asset structure and effectively support economic transformation and advancement in service of the development of the real economy
- ◆ Step up adjustments to income structure to improve return on capital

## Seek efficiencies from improved methodologies

- ◆ Optimise resource allocation mechanism, strengthen capital management and cost control to improve operating efficiency
- ◆ Improve incentive and constraint mechanisms and optimise assessment systems
- ◆ Improve liquidity management to ensure an appropriate balance between safety, liquidity and profitability

## Seek new markets by operating globally

- ◆ Build a global service capability and enhance collaboration between domestic and overseas operations
- ◆ Seize the strategic opportunities presented by RMB internationalisation to improve the Bank's competitive edge in RMB cross-border business
- ◆ Enhance business synergy across the group to leverage the advantages of diversified platforms

## Seek asset quality through risk management

- ◆ Enhance forecasting abilities to strictly safeguard risk defences and ensure the stability of asset quality
- ◆ Optimise authorisation mechanisms and enhance the process of credit review and approval
- ◆ Improve risk quantification capabilities and improve the risk measurement system
- ◆ Strengthen internal control to reduce operational risk

## Seek growth impetus from infrastructure development

- ◆ Promote the construction of service channels
- ◆ Upgrade core banking system functionality and push forward intergration and transformation of overseas technology system
- ◆ Upgrade service capabilities, push forward centralised processing projects and construction of service platform

\* MSMEs: Micro-small-and-medium enterprises

# Key Financial Indicators

## Profit & Loss Summary

(RMB million)	1H2013	1H2012	Change
Net interest income	137,288	124,054	10.67%
Non-interest income	68,963	55,611	24.01%
-Net fee and commission income	45,481	34,250	32.79%
<b>Operating income</b>	<b>206,251</b>	<b>179,665</b>	<b>14.80%</b>
Operating expenses	(82,209)	(73,661)	11.60%
Impairment losses on assets	(14,142)	(9,237)	53.10%
<b>Operating profit</b>	<b>109,900</b>	<b>96,767</b>	<b>13.57%</b>
Profit before income tax	110,251	96,992	13.67%
Income tax expense	(26,079)	(22,108)	17.96%
<b>Profit for the period</b>	<b>84,172</b>	<b>74,884</b>	<b>12.40%</b>
<b>Profit attributable to equity holders of the Bank</b>	<b>80,721</b>	<b>71,483</b>	<b>12.92%</b>
EPS (basic, RMB)	0.29	0.26	12.92%
<b>Key financial ratios (%)</b>			
Return on average total assets	1.30%	1.21%	9Bps
Return on average equity	18.93%	18.96%	-3Bps
Net interest margin	2.23%	2.10%	13Bps
Cost to income (calculated under domestic regulations)	27.67%	28.84%	-117Bps
Credit cost	0.39%	0.28%	11Bps

## Balance Sheet Summary

(RMB million)	1H2013	2012	Change
<b>Total assets</b>	<b>13,256,206</b>	<b>12,680,615</b>	<b>4.54%</b>
Loans and advances	7,439,633	6,864,696	8.38%
Investment securities	2,164,804	2,210,524	-2.07%
<b>Total liabilities</b>	<b>12,369,873</b>	<b>11,819,073</b>	<b>4.66%</b>
Due to customers	9,876,196	9,173,995	7.65%
<b>Capital and reserves attributable to equity holders of the Bank</b>	<b>849,978</b>	<b>824,677</b>	<b>3.07%</b>
<b>Key financial ratios (%)</b>			
Core capital adequacy ratio	10.47%	10.54%	-7Bps
Capital adequacy ratio	13.33%	13.63%	-30Bps
Non-performing loans to total loans	0.93%	0.95%	-2Bps
Allowance for loan impairment losses to non-performing loans	238.96%	236.30%	266Bps
Domestic allowance for loan impairment losses to domestic total loans	2.62%	2.62%	0Bps
Loan to deposit ratio <sup>1</sup>	72.63%	71.99%	64Bps

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