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# Serving Society, Delivering Excellence

2014 Interim Results  
August 19 , 2014

## Forward-looking Statement Disclaimer

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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

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**Mr. Chen Siqing, President**



**Mr. Yue Yi, Executive Vice President**



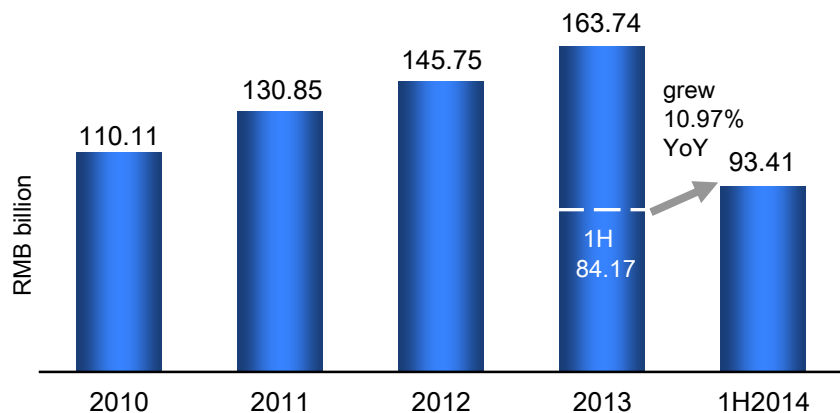
**Mr. Zhang Jinliang, Executive Vice President**



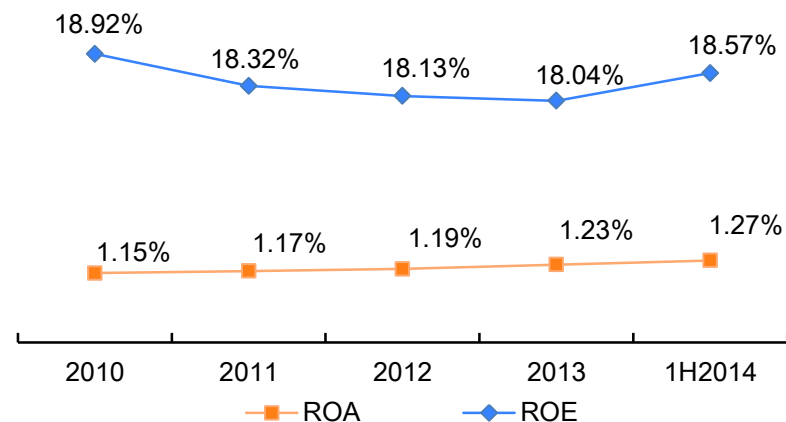
**Mr. Ren Deqi, Executive Vice President**

# Operating Performance Achieved Steady Progress

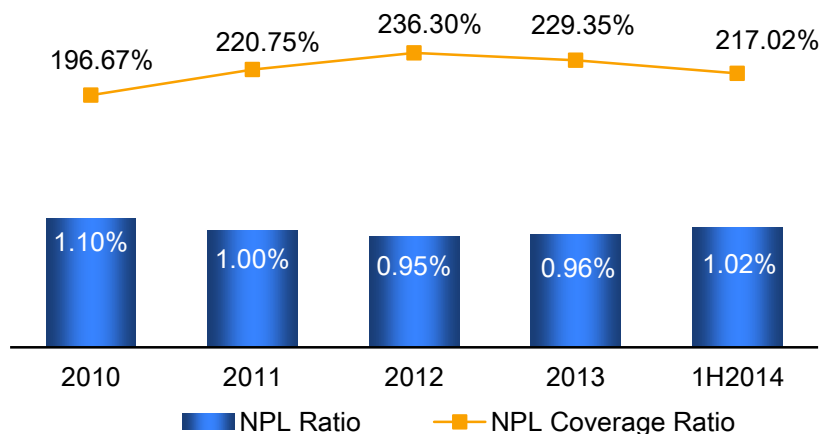
## After-tax profit grew 10.97%



## Profitability improved



## Asset quality stabilised in reasonable range



## Capital adequacy ratio remained stable

Calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* (%)

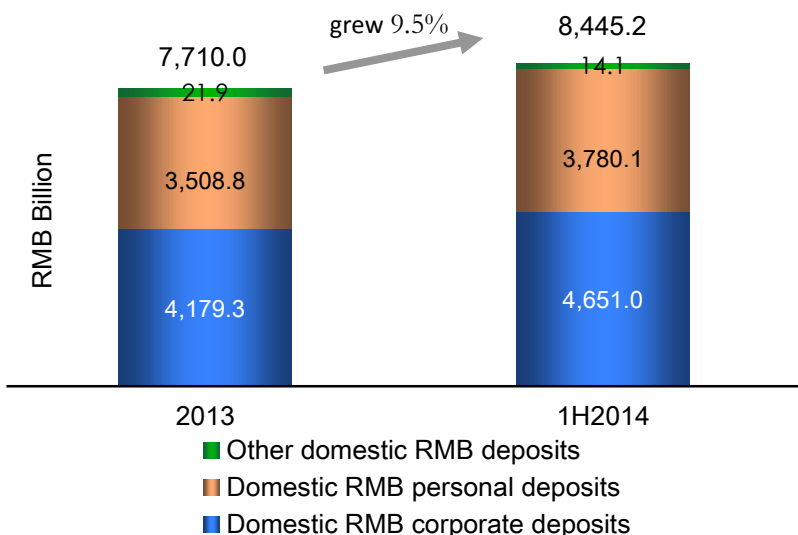
30 Jun, 2014	Advanced approach	Non-advanced approach
Common equity tier 1 CAR	10.11	9.36
Tier 1 CAR	10.13	9.37
CAR	12.41	11.78

Calculated in accordance with the *Regulation Governing Capital Adequacy of Commercial Banks* (%)

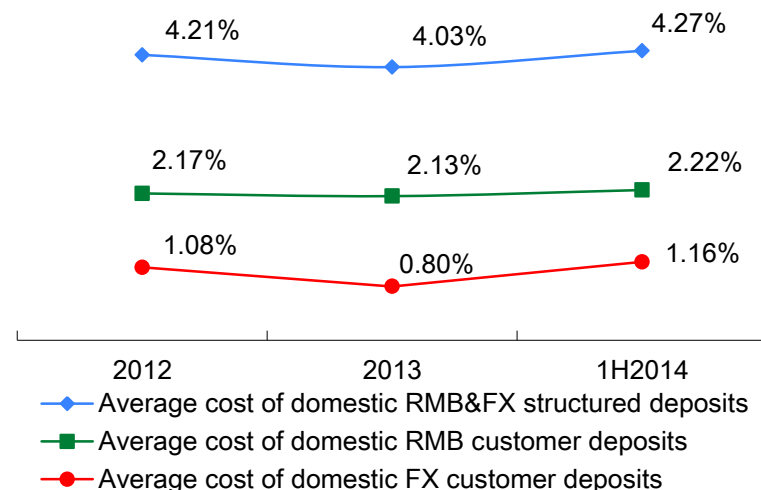
Core CAR	10.45
CAR	13.14

# Liability Structure Optimised with Controlled Funding Cost

## Steady growth of domestic RMB deposits

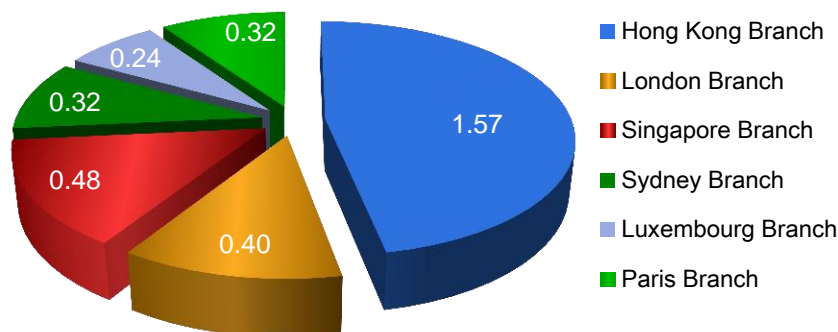


## Funding cost under pressure



## Low-cost fund raised by issuing bonds globally

### Issuance Amount (USD Billion)



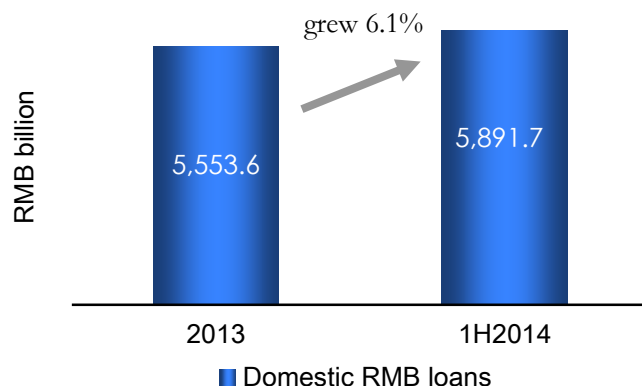
## Enhanced product innovation to expand deposits sources

- ◆ Deposits absorbed by the Bank's global cash management platform amounted to RMB364.1 billion, increased 27% from the end of 2013
- ◆ Assets under custody of the Bank's domestic institutions grew by 12.76% to RMB4.59 trillion from the prior year-end, ranking 2<sup>nd</sup> in the industry
- ◆ In 1H2014, the Bank underwrote RMB179.5 billion debt financing instrument through public offering for domestic non-financial enterprises, ranking first in the market. The offshore investment-grade RMB-denominated bonds underwritten by the Bank amounted to RMB12.3 billion, leading the domestic peers with 11% market share

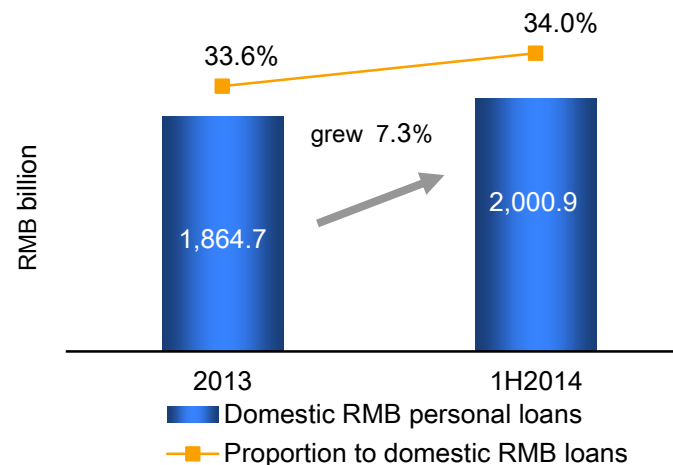


# Asset Mix Improved with Balanced Loan Growth

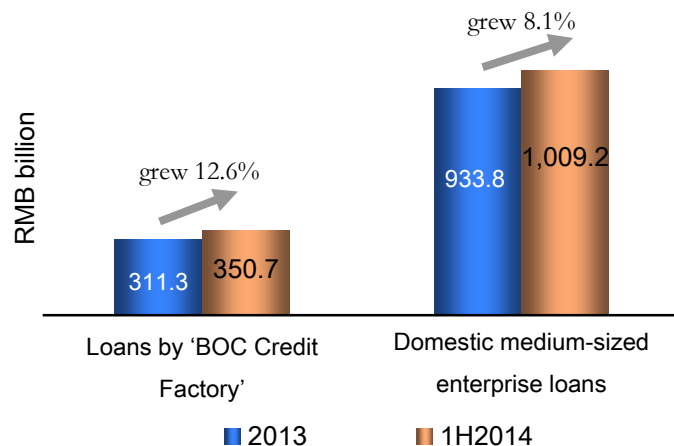
## Modest growth of domestic RMB loans



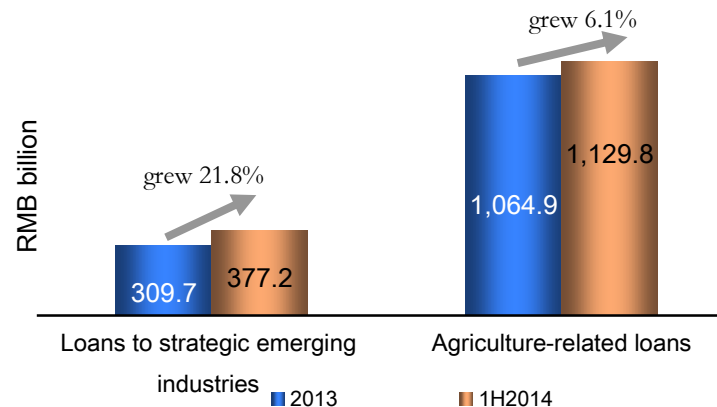
## Proportion of personal loans increased



## Rapid growth of SME loans



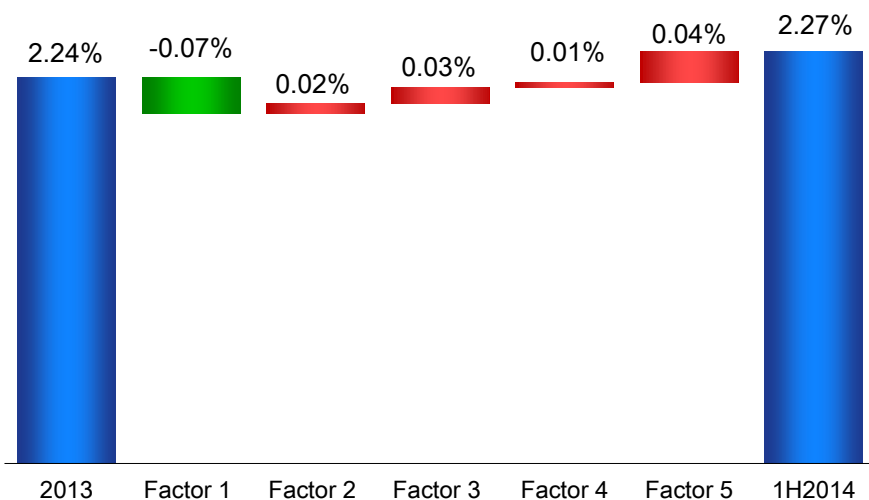
## Strengthened support for strategic emerging and agriculture-related industries



Strategic emerging industries include : energy conservation and environmental protection, new-generation information technology, biology, high-end equipment manufacturing, new energy, new materials, new-energy vehicles

# Net Interest Margin Slightly Improved

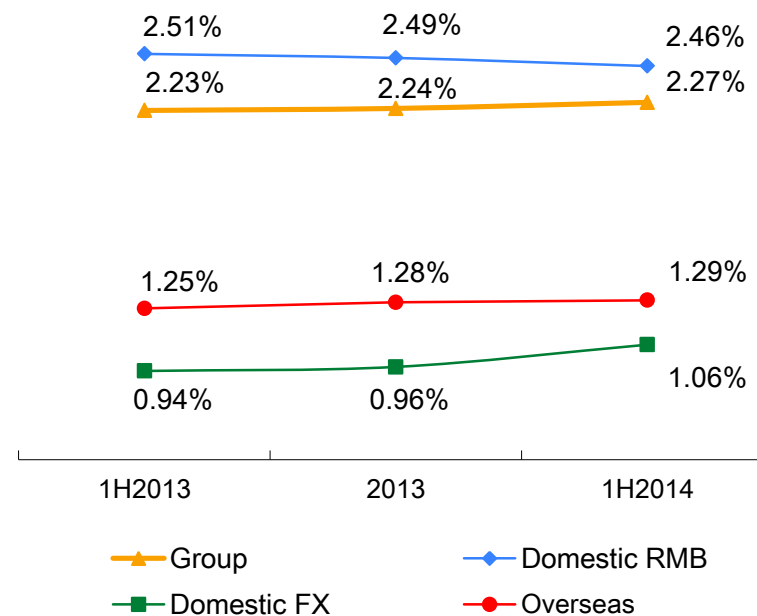
## NIM increased by 3 bps from last year



### Notes:

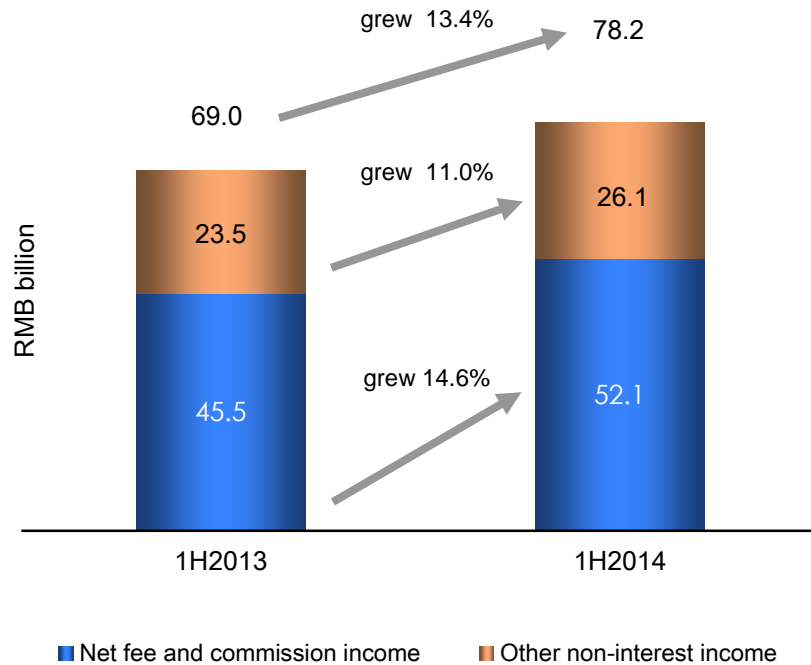
- Factor1: Increase of interest rate of RMB customer deposits
- Factor2: Increase of yield of RMB loans
- Factor3: Increase of yield of RMB bonds investment
- Factor4: Increase of domestic FX NIM
- Factor5: Increase of overseas NIM and others

## NIM performance breakdown

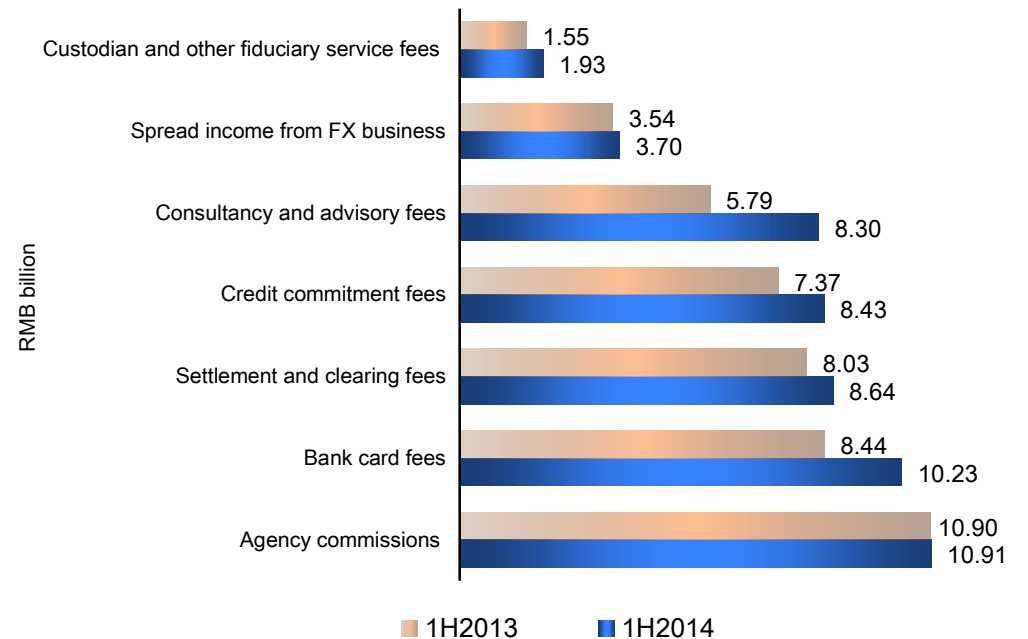


# Non-interest Income Grew Steadily

Non-interest income ratio reached 33.3%



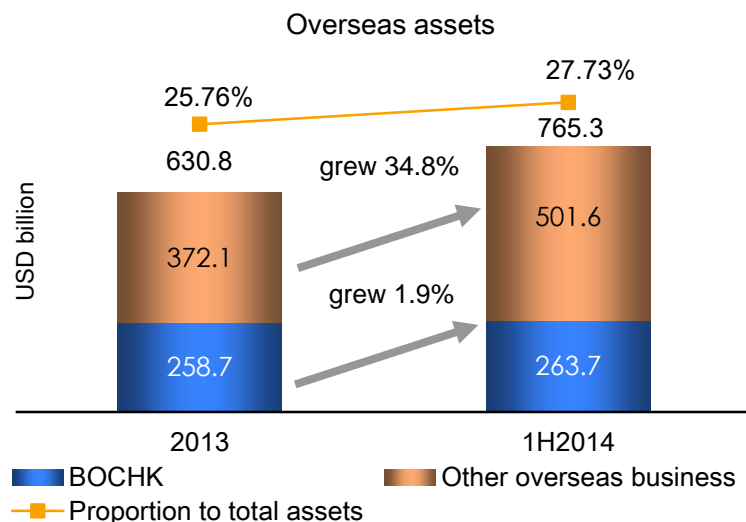
Fee and commission income grew 14.7%



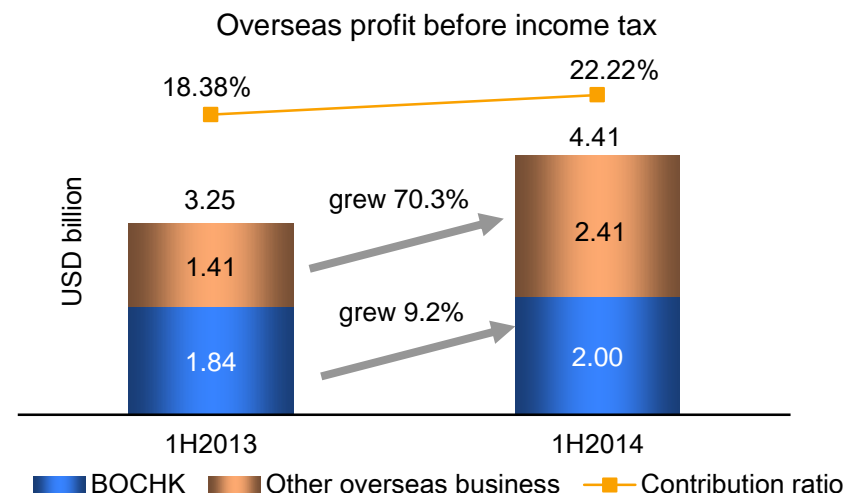


# Overseas Business Led the Market

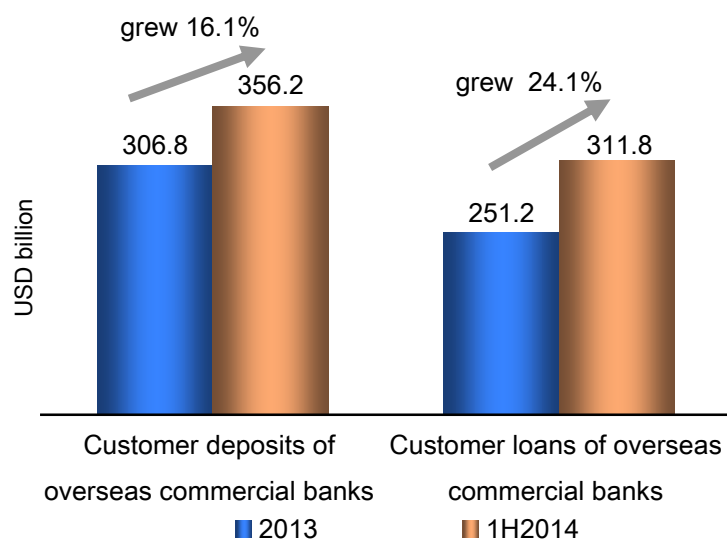
## Rapid growth of overseas assets



## Improved overseas profitability



## Rapid growth of overseas loans and deposits

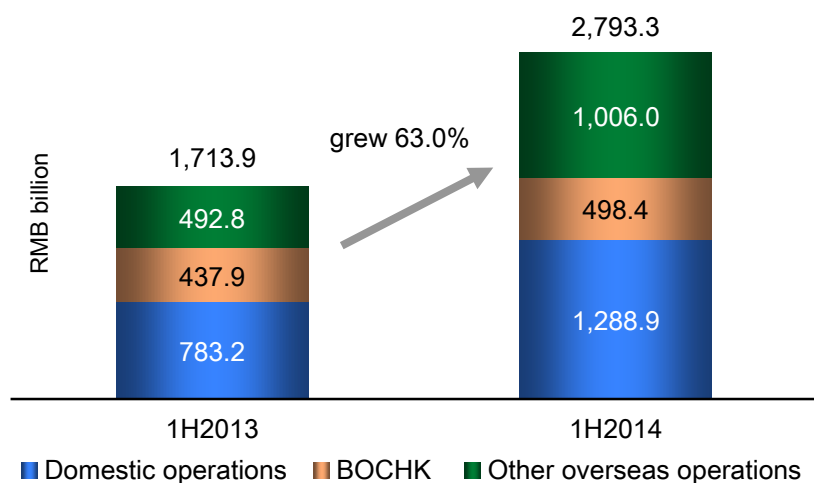


## Accelerated development of overseas business

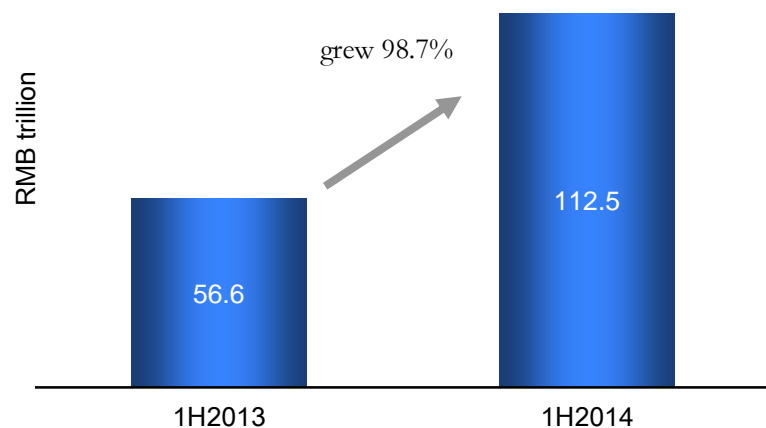
- ◆ **Global service network improved.** Established correspondent bank relationships with over 1,600 overseas institutions in 179 countries and regions. The Bank owns 619 overseas institutions in Hong Kong, Macau, Taiwan and 37 countries
- ◆ **Traditional edges of international settlement business strengthened.** In 1H2014, The transaction volume of the international trade settlement conducted by domestic institutions reached USD782.4 billion, accounting for nearly one third of China's total import and export volume. The Bank kept leading the factoring and guarantee market
- ◆ **Provided strong support for the Chinese "going global" enterprises.** In 1H2014, the Bank had supported 1,187 "going global" projects with USD102.8 billion loan commitment, growing 26% YoY

# RMB Internationalisation Business Expanded Advantage

## Rank 1<sup>st</sup> of cross-border RMB settlement volume



## Rank 1<sup>st</sup> of cross-border RMB clearing volume



## Improved RMB global clearing network

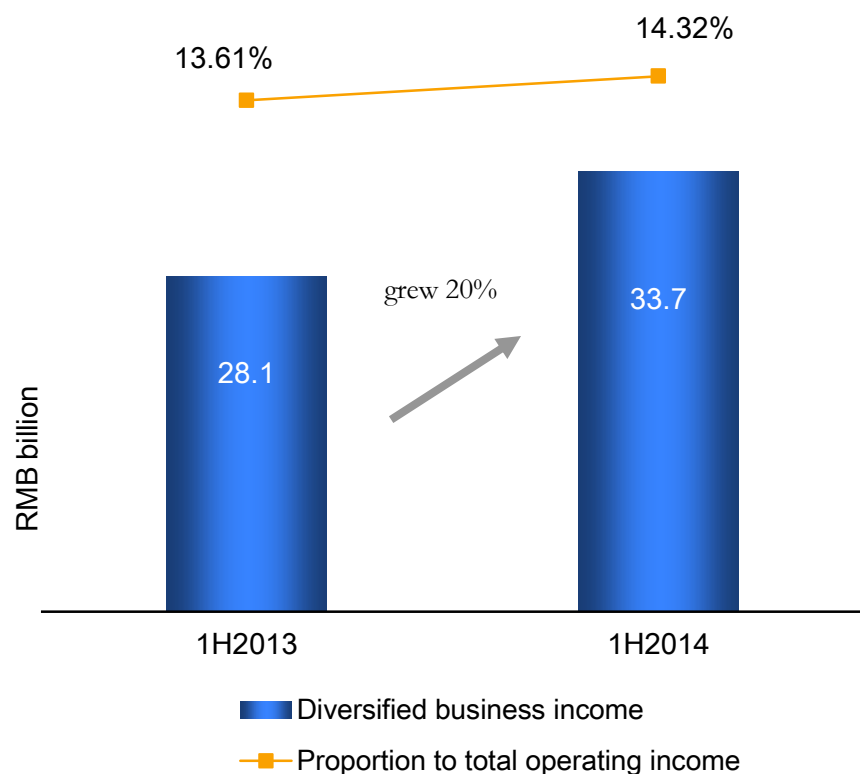
- ◆ The Bank has established 7x24 global RMB clearing service network centered in Hong Kong and Shanghai with substantially enhanced efficiency and business volume, maintaining leading position globally
- ◆ BOCHK, Macau branch, Taipei branch and Frankfurt branch have been designated by PBOC as the local RMB clearing bank
- ◆ The Bank also became the RMB clearing bank in Malaysia, Philippines, Cambodia and other countries and is designated as RMB market-maker in Russia

## Innovated financial products to improve customer service

- ◆ Overseas RMB deposits and loans amounted to RMB479.0 billion and RMB261.5 billion, an increase of 25.7% and 39.2% from end-2013
- ◆ Successfully issued the first “Oceania Bond” in Sydney, “Schengen Bond” in Luxembourg and “Arc de Triomphe Bond” in Paris
- ◆ Exclusively underwrote and issued the first “Panda Bond” in the domestic inter-bank market, led the Chinese peers in offshore RMB bonds offering
- ◆ Seizing the business opportunities arising from the Shanghai Free Trade Zone, the Bank helped clients set up two-way cross-border RMB cash pools, underwrote cross-border RMB loans and cross-border centralised collection and payment
- ◆ Led the industry and published BOC offshore RMB Index (ORI)

# Non-Banking Business Enhanced Profitability

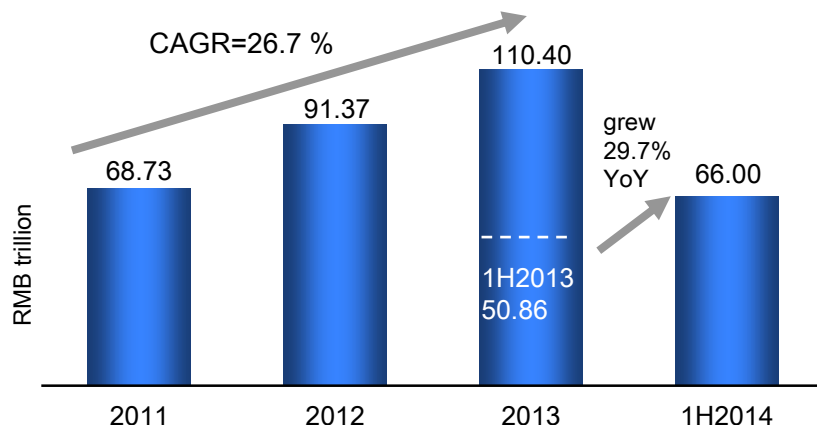
## Fast growth of diversified business income



- ◆ **Investment banking business:** BOCI registered steady development in equity underwriting and financial advisory business, maintained the leading position in the bond underwriting markets. The securities brokerage businesses grew fast. BOCI China actively explored new services such as asset securitisation, “New OTC Board”, and privately raised corporate bonds for SMEs
- ◆ **Insurance business:** The Bank’s insurance subsidiaries continued to enhance product innovation and deepen bancassurance cooperation. The leading position in the Hong Kong property insurance business and RMB life insurance market were maintained, and the domestic property insurance business recorded fast growth
- ◆ **Investment business:** BOCG Investment enhanced cross-region business collaborations, expanded its overseas real estate investment business, and developed its private equity business rapidly
- ◆ **Leasing business:** BOC Aviation provided aircraft leasing to 56 airlines globally, which is the world’s fourth largest and Asia’s top aircraft leasing company in terms of value of owned fleet. It issued RMB300 million offshore RMB bonds as well as USD300 million senior notes, and maintained its credit ratings of A- from Fitch and BBB from Standard & Poor’s

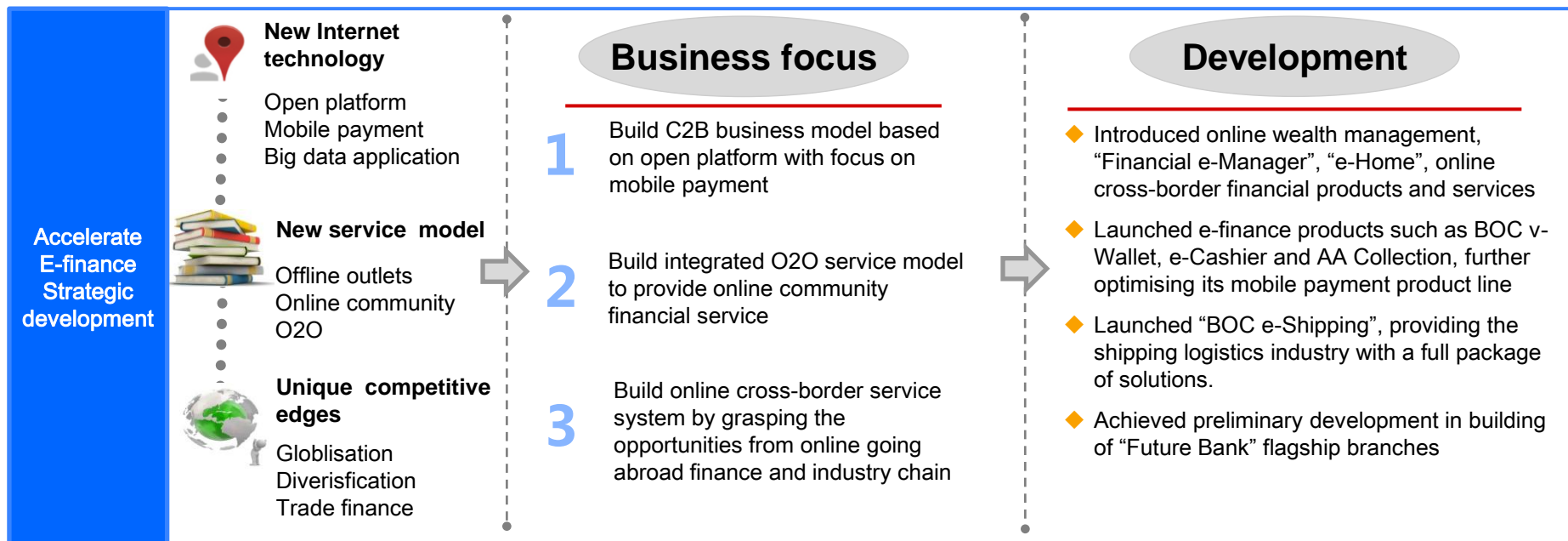
# E-finance Bank Construction Accelerated

## Fast growth of e-banking transaction volume



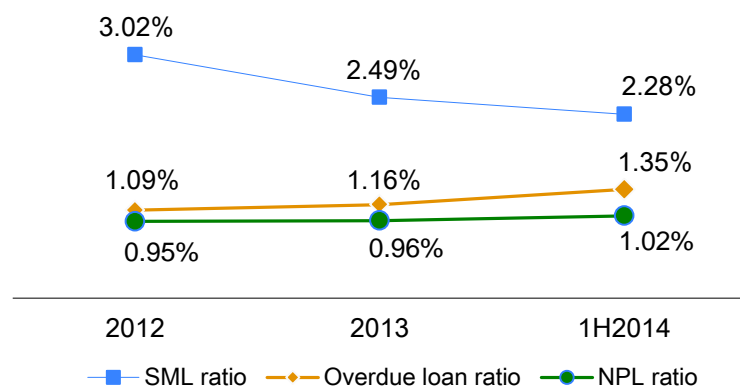
## Enlarged e-banking customer base

Unit: million	2014.6.30	2013.12.31	Change
Corporate online banking customers	2.4340	2.2009	10.59%
Personal online banking customers	106.7185	101.0740	5.58%
Mobile banking customers	58.3183	52.1262	11.88%
Telephone banking customers	90.9524	88.8353	2.38%

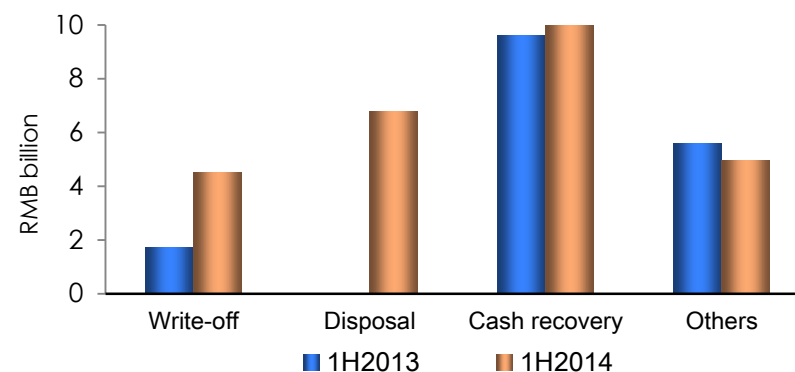


# Comprehensive Risk Management Enhanced

## Asset quality under pressure



## Actively resolved non-performing loans



## Risk of key areas under control

RMB billion	Balance of loans	NPL ratio	Ratio of total provision to total loans
Loans to local government financing vehicles	347.2	0.13%	3.9%
Loans to sectors with overcapacity *	191.3	0.98%	3.0%
Loans to real estate sector	359.2	0.26%	4.8%

\*Note: Sectors with overcapacity include sub-sectors of steel, cement, aluminum electrolytic, shipbuilding and flat glass.

## Sound liquidity situation

Major regulatory ratios (%)		Regulatory standard	2014.6.30
Liquidity ratio	RMB	≥25	51.9
	FX	≥25	59.8
LDR	RMB & FX	≤75	72.29
Inter-bank ratio	Inter-bank borrowings ratio	≤8	0.04
	Inter-bank lendings ratio	≤8	2.2

## 2H2014 Outlook

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- ◆ Enhance deposits exploring while control the funding cost
- ◆ Increase comprehensive contribution of loans, and make good use of both incremental and existing credit resources
- ◆ Accelerate the fee income business development and expand income sources
- ◆ Consolidate competitive edges of overseas and diversified operation to improve RMB internationalisation business
- ◆ Strengthen risk management and control the risk cost to make sure the sound asset quality
- ◆ Implement E-finance strategy and consolidate infrastructure construction

# Q&A

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# Financial Highlights

## Profit & Loss Summary

(RMB million)	1H2014	1H2013	Change
Net interest income	156,675	137,288	14.12%
Non-interest income	78,197	68,963	13.39%
- Net fee and commission income	52,131	45,481	14.62%
<b>Operating income</b>	<b>234,872</b>	<b>206,251</b>	<b>13.88%</b>
Operating expenses	(85,897)	(82,209)	4.49%
Impairment losses on assets	(27,782)	(14,142)	96.45%
<b>Operating profit</b>	<b>121,193</b>	<b>109,900</b>	<b>10.28%</b>
Profit before income tax	121,950	110,251	10.61%
Income tax expense	(28,541)	(26,079)	9.44%
<b>Profit for the period</b>	<b>93,409</b>	<b>84,172</b>	<b>10.97%</b>
<b>Profit attributable to equity holders of the Bank</b>	<b>89,724</b>	<b>80,721</b>	<b>11.15%</b>
EPS (basic, RMB Yuan)	0.32	0.29	11.07%
<b>Key financial ratios (%)</b>			
Return on average total assets	1.27	1.30	-3Bps
Return on average equity	18.57	18.93	-36Bps
Net interest margin	2.27	2.23	4Bps
Cost to income ratio (calculated under domestic regulations)	25.54	27.67	-213Bps
Credit cost	0.69	0.39	30Bps

## Balance Sheet Summary

(RMB million)	1H2014	2013	Change
<b>Total assets</b>	<b>15,469,096</b>	<b>13,874,299</b>	<b>11.49%</b>
Loans, gross	8,424,595	7,607,791	10.74%
Investment	2,487,978	2,403,631	3.51%
<b>Total liabilities</b>	<b>14,462,640</b>	<b>12,912,822</b>	<b>12.00%</b>
Due to customers	11,190,569	10,097,786	10.82%
<b>Capital and reserves attributable to equity holders of the Bank</b>	<b>965,733</b>	<b>923,916</b>	<b>4.53%</b>
<b>Key financial ratios (%)</b>			
Common equity tier 1 capital adequacy ratio	9.36	9.69	-33Bps
Tier 1 capital adequacy ratio	9.37	9.70	-33Bps
Capital adequacy ratio	11.78	12.46	-68Bps
Capital adequacy ratio (Advanced approach)	12.41	n.a.	n.a.
Non-performing loans to total loans	1.02	0.96	6Bps
NPL coverage ratio	217.02	229.35	-12.33Pps
Domestic allowance for loan impairment losses to domestic total loans	2.71	2.62	9Bps
Loan to deposit ratio <sup>1</sup>	72.29	72.52	-23Bps

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