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# Serving Society, Delivering Excellence

2016 Annual Results

March 31, 2017



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## Forward-looking Statement Disclaimer

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This presentation and subsequent discussions may contain forward-looking statements that involve risks and uncertainties. Generally forward-looking terminologies, such as *believe, expect, anticipate, estimate, plan, project, target, may and will* are used in forward-looking statements. You should not place undue reliance on such 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 which 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 factors and uncertainties that may cause our actual results to differ materially.



# Schedule

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01

Strategy Execution Review

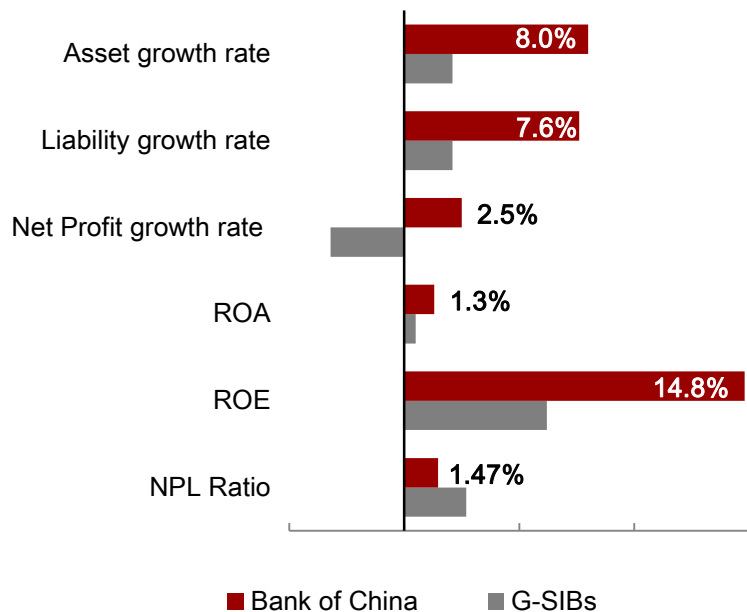
02

2016 Results & 2017 Outlook



# Significant Rising International Status

## Among the best G-SIBs in core indicators



Note : data as of 30 June 2016; specifically, growth rates for assets and liabilities compared yoy.

1 place up to rank 5th among Banking 500: the world's most valuable banking brands by *the Banker*, with a brand value of USD31.3billion

Significant rise by 10 places to rank 35th among Top 500 by *Fortune*

Standard & Poor's upgraded Stand-alone credit profile to bbb+; leads domestic banks in all ratings by the big three rating agencies

# Further Propelled Key Strategies

**Building the OBOR  
financial artery to serve  
national development  
strategies**

**Optimizing overseas  
institution network to  
enhance operation  
efficiency**

**Enhancing capital  
market operations to  
consolidate diversified  
competitive edges**

**Following RMB  
internationalization to  
maintain leading  
position**

- Further expanded network to cover 20 countries along the “Belt and Road”
- Actively followed about 420 acquisition and financing projects along the “Belt and Road” with an intentional finance of about USD94.7bn
- Held “Belt and Road” training forums for Cambodia and Philippine to promote bilateral exchanges and cooperation

- Pushed forward the restructure of ASEAN institutions, completed the transfer of institutions in Malaysia and Thailand, signed agreements on transfer of branches in Indonesia and Cambodia
- Completed the sale of Nanyang Commercial Bank and Chiyu Bank
- Overseas institutions cover 51 countries and regions, realizing a historic breakthrough

- Achieved the successful listing of BOC Aviation, the first case of Chinese bank subsidiary going public
- Enhanced group leveraging with investment bank arms, while BOCIM grew its AUMs by 37% to RMB928bn
- Optimized development strategies for insurance businesses to maintain steady growth

- Qualified as RMB clearing bank in US, exclusively owned 11 out of 23 RMB clearing banks globally
- Totaled RMB312 trillion in cross-border RMB clearing and over RMB4 trillion in cross-border RMB settlement, continuing to lead global peers
- Maintained leading competitive edge in terms of FTZ business innovation and scale by fully leveraging the drive of Shanghai FTZ finance

# Embraced to Serve Society

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## Serve SMEs

- Held 10 cross-border matchmaking events and co-published “Five-Year Action Plan on Promoting SMEs Internationalization Development” with Ministry of Industry and Information Technology
- Domestically set up 82 BOC Fullerton Community banks with 77 branches, forming a scale effect to enhance SMEs services



## Lower Leverage

- Designated as one of the first group of pilot banks for investment and loan linkage, built diversified service modes
- Approved by the Board of Directors to establish an AMC, pushed forward debt-equity swap under legalization and market-oriented principles



## Targeted Charity

- Formed a working group for targeted charity and accumulatively funded targeted areas with over RMB72 million, providing direct help to more than 27,000 people in poverty
- Recruited over 100 graduates under the “specialized recruiting plans for graduates in poverty”



# Schedule

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01

Strategy Execution Review

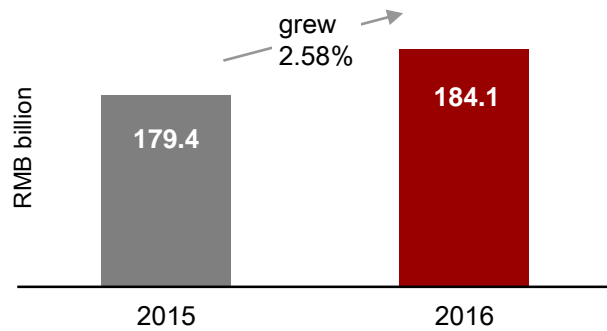
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2016 Results & 2017 Outlook

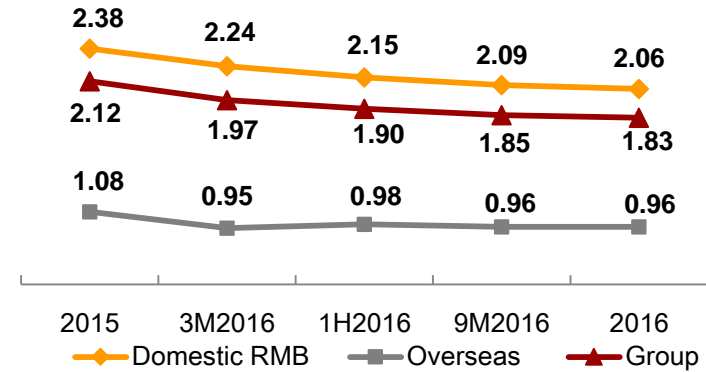


# Improved Operating Performance

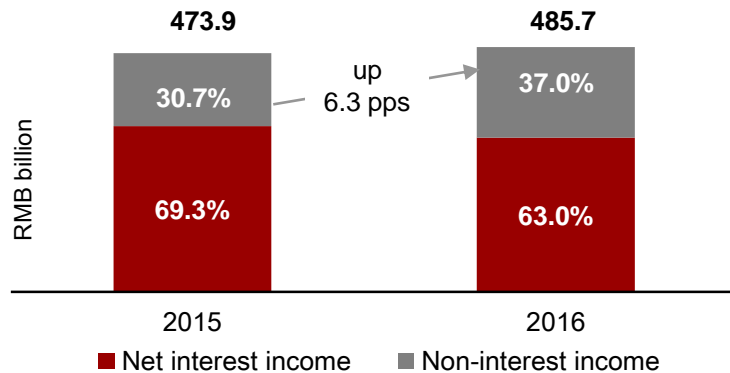
## Profit after-tax increased steadily



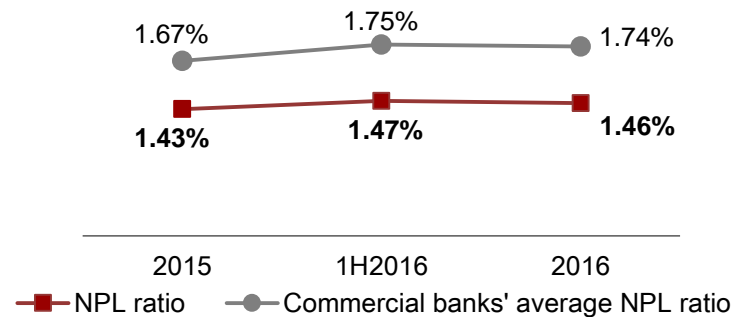
## NIM stabilized gradually



## Non-interest income increased weight



## Asset quality better than sector

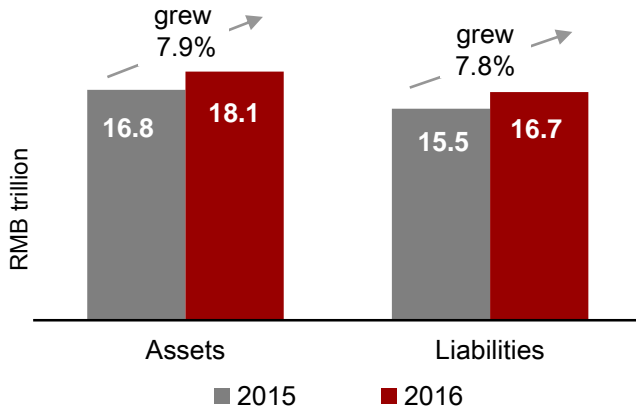




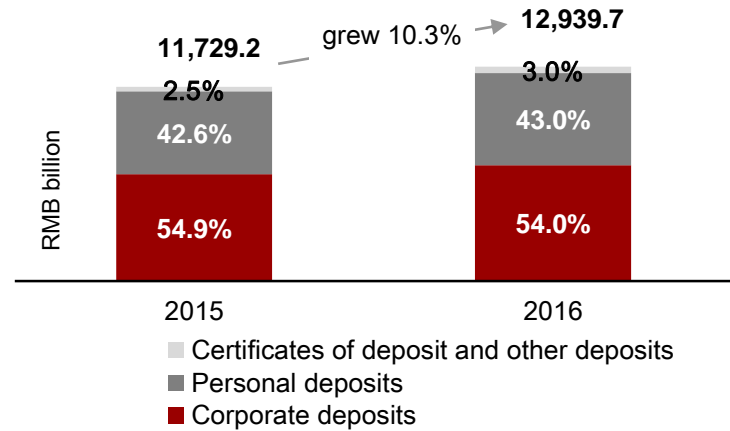


# Optimized Balance Sheet Profile

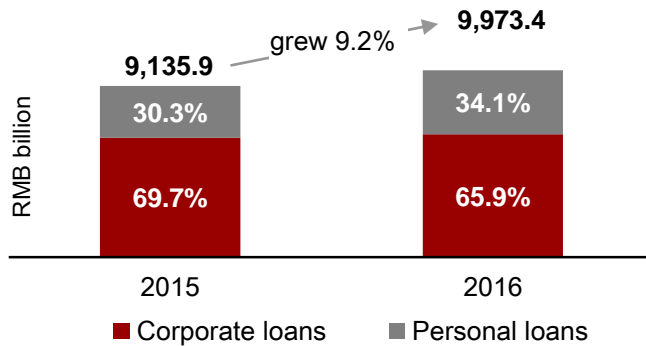
## Assets and liabilities kept growing



## Customer deposits grew fast



## Customer loans grew steadily

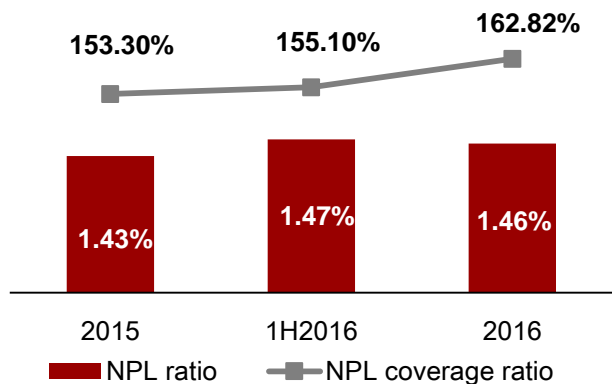


## Capital sufficiency enhanced

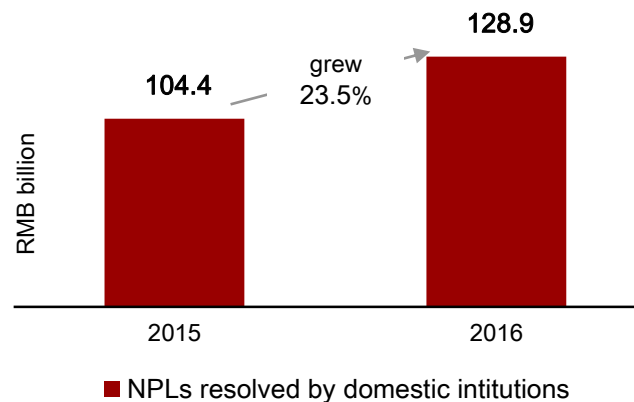
| %                        | 2016  | 2015  |
|--------------------------|-------|-------|
| Common equity tier 1 CAR | 11.37 | 11.10 |
| Tier 1 CAR               | 12.28 | 12.07 |
| CAR                      | 14.28 | 14.06 |

# Stable Asset Quality

## Sufficient NPL provisions



## Actively resolved NPLs



### Risks in key sectors under control

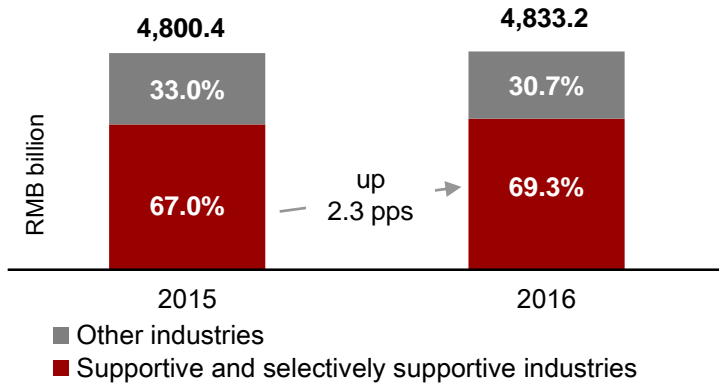
| Unit :<br>RMB billion                  | Balance | YTD Chg % | NPL ratio | Provisions to<br>total loans | Provisions to<br>NPLs |
|--|---------|-----------|-----------|------------------------------|-----------------------|
| Overcapacity                           | 158.1   | -3.22%    | 2.25%     | 4.41%                        | 196.19%               |
| Coal mining and<br>washing             | 142.2   | -7.98%    | 1.02%     | 2.44%                        | 238.04%               |
| Real estate                            | 280.9   | -17.95%   | 0.86%     | 4.76%                        | 551.20%               |
| Local Government<br>Financing Vehicles | 229.0   | -26.02%   | 0.02%     | 2.08%                        | 10,805.85%            |

Notes: 1. Overcapacity sector includes 5 sub-sectors of steel, cement, aluminum electrolytic, shipbuilding and flat glass  
2. Loans to property sector includes developer loans and land developer loans

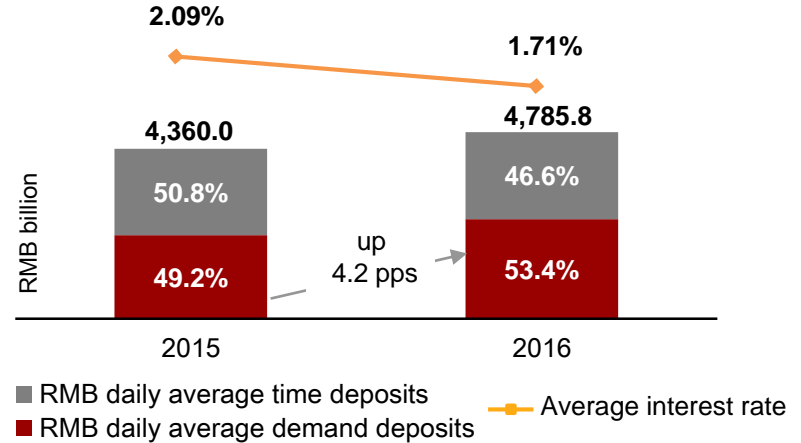


# Improved Corporate Banking Profile

## Corporate loans grew moderately



## Corporate deposits rose with lower cost



RMB **94.8** billion

Supported 240 Beijing-Tianjin-Hebei connected projects with RMB94.8 billion funded

USD **14.8** billion

Financed 58 cross-border M&A projects with USD14.8 billion, leading peers in Asia-pacific zone(ex Japan)

*Note: Supportive industries and selectively supportive industries include industries such as gas and water manufacturing and supply, highway, environment governance, pharmaceutical manufacturing, warehouse and postal, telecommunication, internet and related, modern agriculture, air transportation, education, sanitary and etc.*

**25%**

**Global Cash Management Platform** saw daily average deposits increased by 25%

**13%**

**Administrative institutions** boosted daily deposits by 13%

**19%**

**Pension** in custody increased 19%

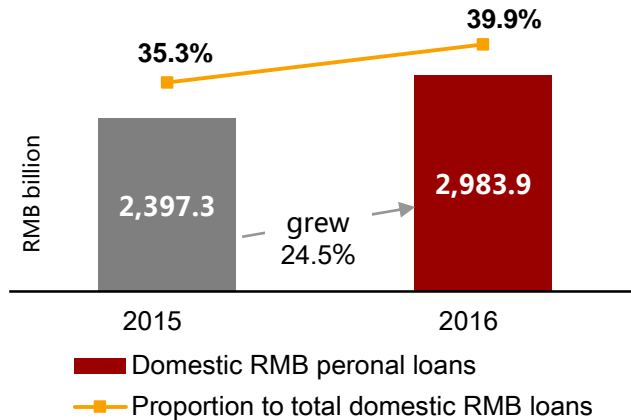
**30%**

**Global trade settlement** led peers with a 30% market share

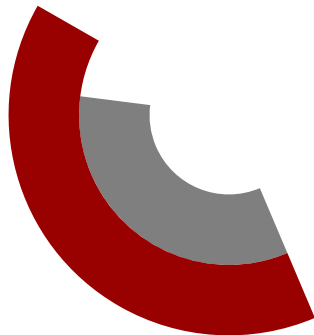
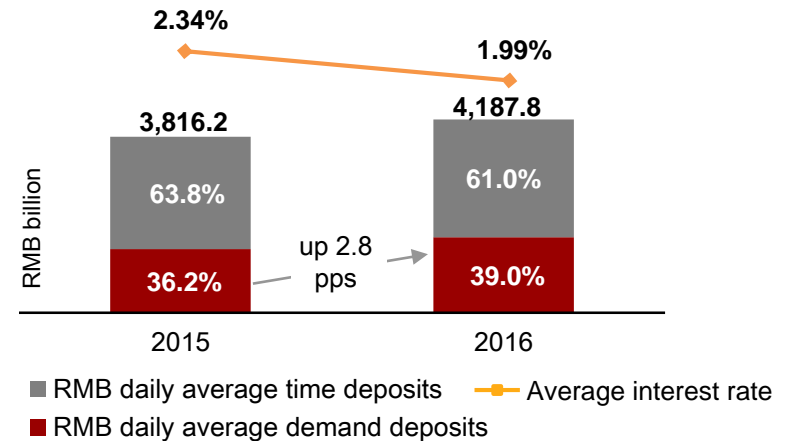


# Enhanced Personal Banking Strength

## Higher proportion of personal loans



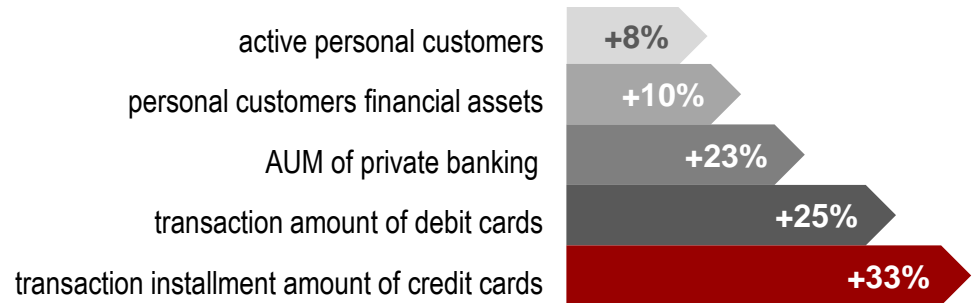
## Fast growth of personal deposits with lower cost



● **Pre-tax profit contribution** of personal banking reached 33.4%

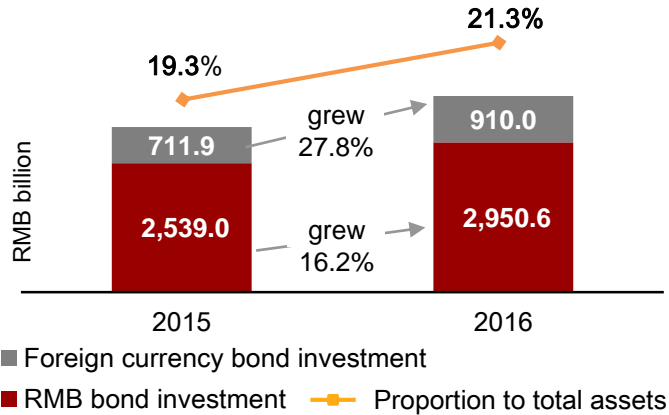
● **Non-interest income** from personal banking contributed 39.7%

*Note: Data quoted related to Commercial banking*

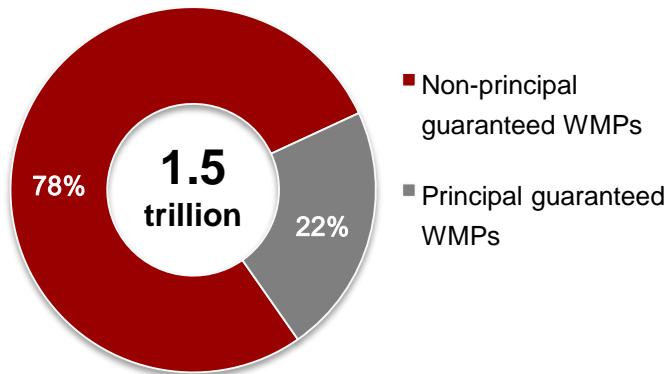


# Leading Financial Markets Businesses

## Bond investment grew steadily



## Healthy development of WM business



## Financial markets strength consolidated

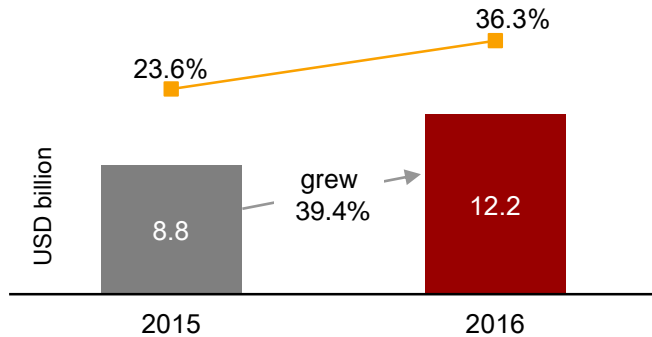
**Rank #1**

- 22% market share in FX trading against RMB business
- the largest RMB CCS market maker in inter-bank market
- 34% market share in inter-bank market Panda Bonds underwritten
- 12% market share in offshore RMB bonds underwritten
- 11% market share in Chinese enterprises' G3 currency bonds underwritten



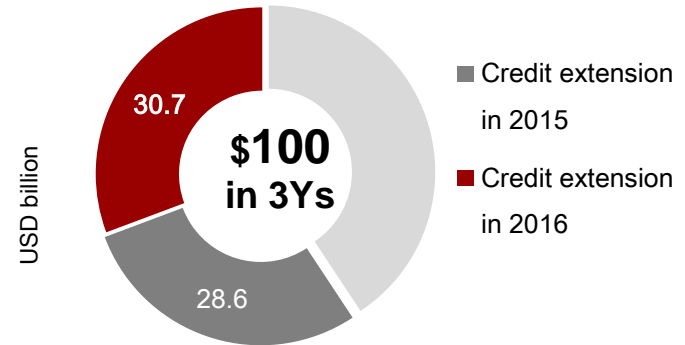
# Consolidated Overseas Business Strength

## Higher contribution of overseas profit

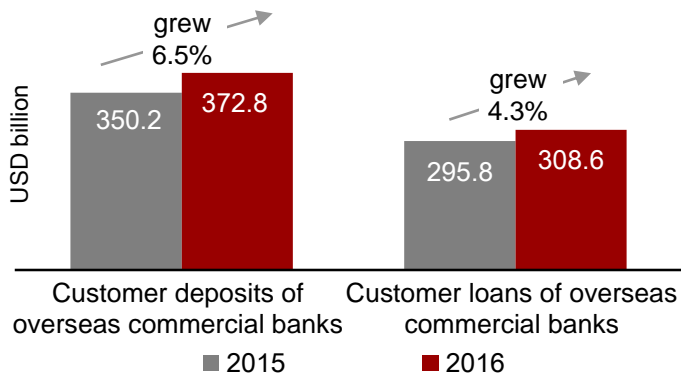


Overseas profit before income tax Contribution ratio

## “Belt and Road” credit rapidly expanded



## Overseas deposits & loans grew steadily

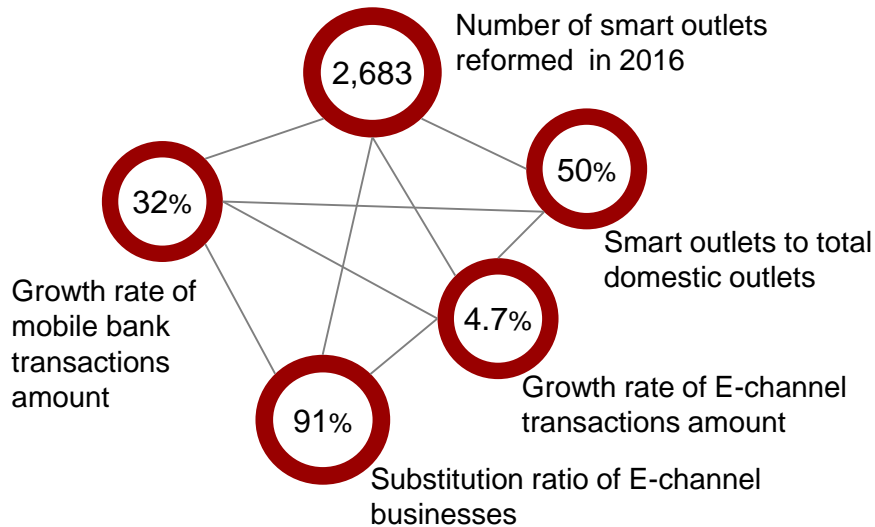


Successfully issued **USD3bn** Green Bonds, largest and most diversified credit green bonds in global market

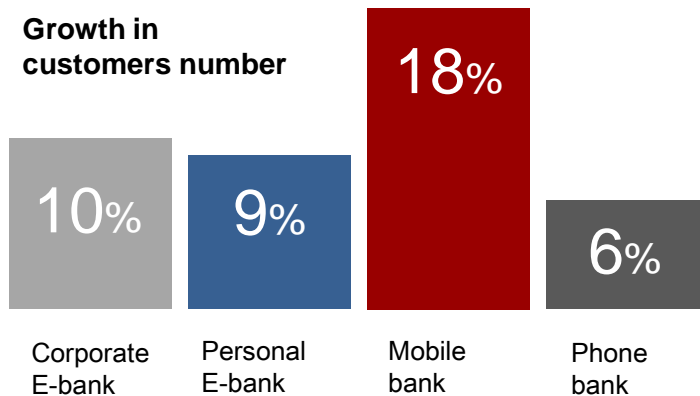
Successfully issued **USD0.5bn** Green ABS, first ABS issued by Chinese banks

# Upgraded Intelligence Service

## Intelligent channels expanded



### Growth in customers number



## E-finance development sped up



- ◆ Mobile banking transactions reached RMB6.84 trillion; became one of the major channels to provide customer services with rising customer experience
- ◆ Intelligent counters were put into use in pilot areas to liberate outlet productivity with business procedures optimized and customer experienced enhanced
- ◆ “BOC E-Credit” products provided whole-process finance on line and granted loans within seconds
- ◆ Number of information technology projects implemented grew 35% from the prior year
- ◆ Completed the information system integration and transformation of the Bank’s outlets in America
- ◆ Frontier technology adopted to advance the construction of “Private cloud” platform

## Pursuing quality and sustainable growth with stability

### **FIVE FOCUSES**

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- Firmly pushing forward internationalization
- Firmly serving society and people
- Firmly supporting SMEs development
- Firmly enhancing the technology innovation
- Firmly strengthening the team building

### **SIX IMPROVEMENTS**

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- Optimizing structure while maintaining stable assets scale
- Developing liability business while ensuring steady asset business
- Accelerating overseas growth while smoothing domestic growth
- Boosting non-interest income while stabilizing interest income
- Improving service quality while solidifying service foundation
- Innovating in resolution methods while enhancing assets quality

### **THREE COORDINATIONS**

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- Leveraging domestic and overseas markets
- Integrating on-B/S and off-B/S businesses
- Coordinating on-line and off-line services



# Q&A

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# Financial Highlights

## Profit & Loss Summary

| (RMB million)                                     | 2016     | 2015     | Change  |
|---|----------|----------|---------|
| Net interest income                               | 306,048  | 328,650  | -6.88%  |
| Non-interest income                               | 179,608  | 145,262  | 23.64%  |
| Net fee and commission income                     | 88,664   | 92,410   | -4.05%  |
| Operating income                                  | 485,656  | 473,912  | 2.48%   |
| Operating expenses                                | -175,069 | -185,401 | -5.57%  |
| Impairment losses on assets                       | -89,072  | -59,274  | 50.27%  |
| Operating profit                                  | 221,515  | 229,237  | -3.37%  |
| Profit before income tax                          | 222,412  | 231,571  | -3.96%  |
| Profit after-tax                                  | 184,051  | 179,417  | 2.58%   |
| Profit attributable to equity holders of the Bank | 164,578  | 170,845  | -3.67%  |
| EPS (basic, RMB Yuan)                             | 0.54     | 0.56     | -       |
| Key financial ratio(%)                            |          |          |         |
| ROA   | 1.05     | 1.12     | -7Bps   |
| ROE   | 12.58    | 14.53    | -195Bps |
| Net interest margin                               | 1.83     | 2.12     | -29Bps  |
| Non-interest income to operating income           | 36.98    | 30.65    | 633Bps  |
| Cost to income ratio <sup>1</sup>                 | 28.08    | 28.30    | -22Bps  |
| Credit cost                                       | 0.91     | 0.63     | 28Bps   |

## Balance Sheet Summary

| (RMB million)  | 2016       | 2015       | Change |
|--|------------|------------|--------|
| Total assets   | 18,148,889 | 16,815,597 | 7.93%  |
| Loans, gross   | 9,973,362  | 9,135,860  | 9.17%  |
| Investments  | 3,972,884  | 3,595,095  | 10.51% |
| Total liabilities  | 16,661,797 | 15,457,992 | 7.79%  |
| Due to customers   | 12,939,748 | 11,729,171 | 10.32% |
| Capital and reserves attributable to equity holders of the Bank  | 1,411,682  | 1,304,946  | 8.18%  |
| Net asset per share (RMB Yuan)                                   | 4.46       | 4.09       | -      |
| Key financial ratios (%)   |            |            |        |
| Common equity tier 1 CAR <sup>2</sup>                            | 11.37      | 11.10      | 27Bps  |
| Tier 1 CAR <sup>2</sup>  | 12.28      | 12.07      | 21Bps  |
| CAR <sup>2</sup>   | 14.28      | 14.06      | 22Bps  |
| NPL ratio  | 1.46       | 1.43       | 3Bps   |
| NPL coverage ratio   | 162.82     | 153.30     | 952Bps |
| Allowance for loan impairment losses to total loans <sup>3</sup> | 2.87       | 2.62       | 25Bps  |

Notes : 1. Cost to income ratio is calculated under domestic regulations.

2. Capital ratios are calculated under the advanced approaches in accordance with *Capital Rules for Commercial Banks (Provisional)* and related regulations.

3. Calculation is based on the data of the Bank's domestic institutions.